



# Managing the Budget Process: School District Budgeting

Prepared with permission from the GFOA Budget Alliance

Florida School Finance Officers Association  
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# Background

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- “Spending Money Smartly”
  - Gates Foundation Project – Started in June 2013
    - 4 Districts included in original project
      - Lake County Schools, FL
      - Rochester City Schools District, NY
      - Fayette County Public Schools, KY
      - Knox County Schools, TN
- Smarter School Spending
  - The 4 initial districts provided the foundational knowledge for Smarter School Spending.
  - The result of the initial research and work was the development of tools, resources, and a practical step-by-step process that helps districts make smarter budget decisions.

# Project Development/Status

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- **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/>)
- After development, the Best Practices were piloted by several districts, including 3 of the districts from SSS development.

# Project Development/Status

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- **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

# Current Budget Process

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- “Traditional” Budget Model
  - Limited resources drive spending plan
  - More reactionary than pro-active
  - Recent hard times have limited ability to effectively plan multi-year strategies
- Budget process needs to be better aligned with student achievement
  - Attempts have been made
  - May not be sustainable

# Proposed New Process

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- Best Practices in School Budgeting and Smarter School Spending
  - Pro-active approach
  - Budget driven by district's strategic plan and focusing on student achievement rather than limited resources
  - Credibility
    - Continuous improvement principles
    - Academic Return on Investment (A-ROI)
    - Strategic Finance 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



# What the Best Practices are Not

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



# Best Practices in School Budgeting

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- The Best Practices in School Budgeting serve as the basis for this training
- The Best Practices are a significant time and resource investment
- The process isn't a linear path – focus on areas of most immediate benefit to gain quick wins
- Everyone has likely completed some steps of the process - and all will be at different stages
- This process will help to frame and move forward from wherever your district may be

# “Roadmap”

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- Levels of Implementation – the ‘Roadmap’
- Introductory District Diagnostic Tool



# 1. Plan and Prepare



# 1. Plan and Prepare

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- 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



# **1A. Develop Principles and Policies to Guide the Budget Process**

# Develop Principles and Policies to Guide the Budget Process

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- Principles
  - Goals for Student Achievement Should Drive the Budget Process
  - Decisions Should be Data Driven
  - Base Resource Decisions on the Total Value Created for Students
  - Critically Re-Examine Historical Patterns of Spending
  - Ensure Equality of Opportunity for Students
  - Take a Long Term Perspective
  - Be Transparent

# Develop Principles and Policies to Guide the Budget Process (continued)

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- 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



# **1B. Establish a Partnership between the Finance and Instructional Leaders**

# Establish a Partnership between the Finance and Instructional Leaders

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- Governance and Ownership over the Budget Process
  - Maintain a single owner of the process
  - Develop a governance structure to help the process owner
  - Use existing committee structures, if possible
  - Define decisions rights and accountabilities
  - Show how the budget process will make the process more effective



# Establish a Partnership between the Finance and Instructional Leaders (continued)

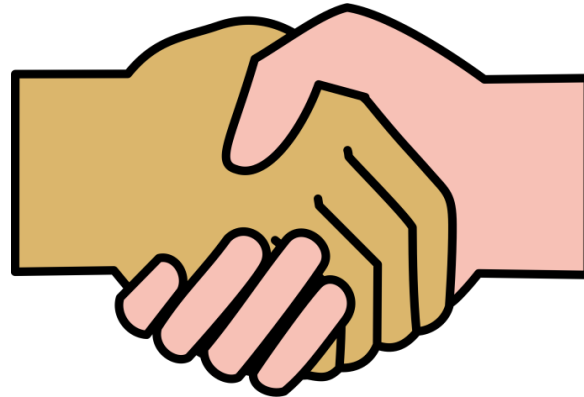
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- Establish Criteria and Measures for Success of the Budget Process
  - Time – timeliness of process
  - Cost – time and effort well spent?
  - Quality – did the process fulfill its intended purpose:
    - Financial –sustainable financial decisions
    - Engagement – stakeholders engaged/participate
    - Decisions – ultimately, were good decisions made?
  - Bottom Line: Does it move the bar for students?

# Collaboration

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- 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 departments working in silos...



# 1C. Analyze Current Levels of Student Learning

# Analyze Current Levels of Student Learning

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- **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

# Multi-Year Comparisons and Data

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- Use multi-year comparisons for proficiency
  - ❑ Make sure data can be disaggregated to drill down on specific sub-groups
  - ❑ Incorporate levels of proficiency as opposed to just “Pass” or “Fail”
- Data, Data, Data
  - ❑ Foster a climate and culture of trust for effective use of data – be transparent about how data will be used to help promote this
  - ❑ 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



# 1D. Identify Communications Strategy

# Identify Communications Strategy

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

# How can I apply this to my district?

- First Step
  - Develop an Elevator Speech
- Already there?
  - Identify target audiences and tailor messages accordingly
  - Use several communication channels
- Ready for the next step?
  - Develop methods to engage and encourage participation of a large cross-section of stakeholders





## 2. Set Instructional Priorities



## 2. Set Instructional Priorities

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- 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



# 2A. Develop Goals

# Develop Goals

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- Format for 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

# Develop Goals (continued)

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- Defining Goals for Academic Achievement and Distributing Goals to Schools
  - 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



# Set Goals with Manageable Expectations

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- ❑ Start with goals that include specific outcomes
- ❑ Aim for outcomes that are of a significant nature – but manageable
- ❑ Establish what data will show whether progress is being met on goal
- ❑ Goals may be set by senior leadership with Board input



# 2B. Identify Root Cause of Gap between Goal and Current State

# Identify Root Cause of Gap between Goal and Current State

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- 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

## Potential Root Causes of Underperformance

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- Root cause analysis can start from scratch – but may be helpful to examine ‘likely suspect’ categories, such as:
  - Instructional guidance
  - Professional capacity
  - School learning climate
  - Parent-community ties
  - School leadership and management
  - Physical plant
  - Measurement systems



# 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.

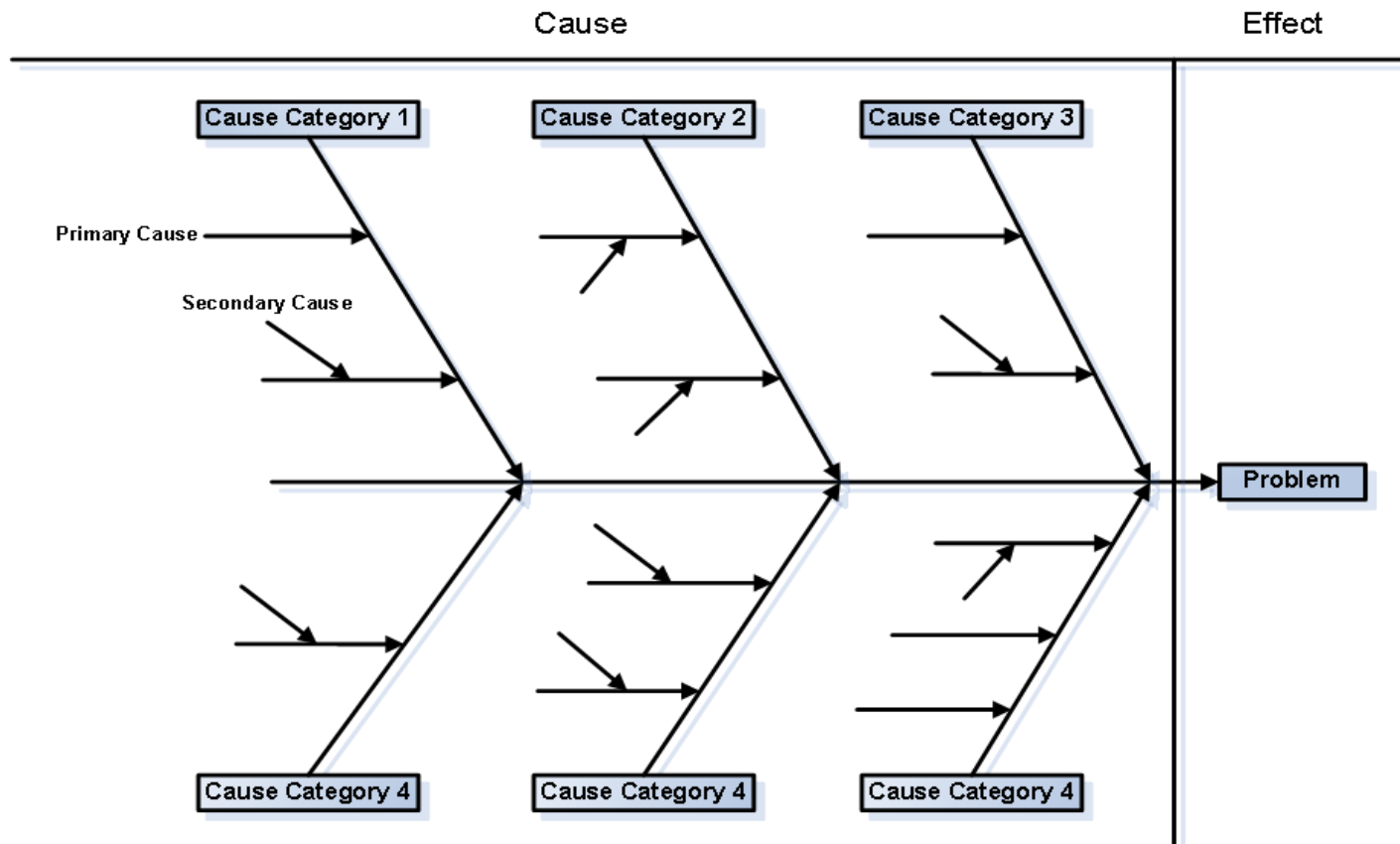
5. Why? Principals are tasked with administrative duties for which they are unsuited, so they require extra help.

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



# Example: Cause-and-Effect Diagrams

- Start with problem and then identify potential causes and sub-causes





# 2C. Research and Develop Potential Instructional Priorities



# Research & Develop Potential Instructional Priorities

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- Research on Proven Effective Practices:
- Data Collection and Analysis
- Adopt effective instructional and curriculum programs
- Struggling kids get additional instruction time
- Articulate Instructional Priorities



# 2D. Evaluate Choices between Instructional Priorities

# Evaluate Choices between Instructional Priorities

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- 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**

# Evaluate Choices between Instructional Priorities

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- 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

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- Making the Consequences of Choices Concrete
  - Potential impact on student learning
  - Long-term affordability
  - Feasibility of implementation
  - Level of stakeholder support

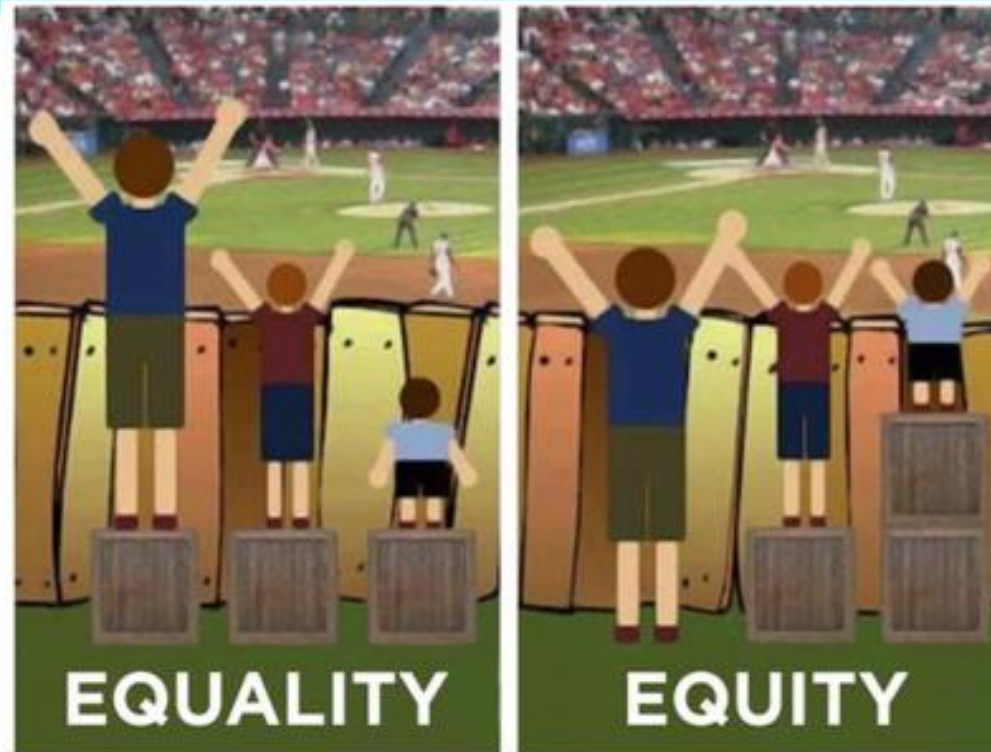


# Evaluate Choices between Instructional Priorities

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- Public Engagement in the Evaluation Process
  - Public pressure for practices that are less effective than alternatives
  - Pressures caused by changing demographics
  - Pressures for equity
  - Pressures for job preservation
  - Pressures for lower taxes

# Equality vs Equity



# How can I apply this to my district?

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- First Steps
  - Identify top instructional priorities with senior leadership
- Already there?
  - Expand circle of prioritization to include other staff in district
- Ready for the next step?
  - Bring prioritization process to public for their input



# 3. Pay for Priorities

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



# 3A. Apply Cost Analysis to the Budget

# Apply Cost Analysis to the Budget

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- Staffing Analysis
  - Analyze staffing by programmatic elements, based on school site
- Cost of Service Analysis
  - Fully Loaded Cost of Compensation
  - Per Unit Costs
  - Cost Effectiveness Measurements

# Staffing Analysis

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- Analyze staff by school site
- Also group staff by major functions or programs they support, examples include:
  - Teachers of core subjects
  - Specialty teachers
  - Teachers for English Language Learner (ELL) students
  - Teachers for special education
  - Instructional facilitators/coaches
  - Tutors for struggling students, for extended day programming, and for summer school
  - Pupil support staff, including guidance counselors, nurses, social workers, etc.
  - Other support and administrative personnel, such as principals, school office staff, central administration, operations and maintenance, transportation, food service, etc.

# Example

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- Academic Return On Investment (A-ROI)
  - Basic formula:

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



# **3B. Evaluate & Prioritize Use of Resources to Enact the Instructional Priorities**

# Evaluate & Prioritize Expenditures to Enact the Instructional Priorities

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- Preparing to Evaluate and Prioritize Expenditures:
  - Complete inventory of programmatic elements
  - Apply cost-effectiveness measurements
- Finding Resources to Pay for the Instructional Priorities:
  - Revenues – increases unlikely, but examine structure
  - Sun set programs
  - Find efficiencies

# Evaluate & Prioritize Expenditures to Enact the Instructional Priorities

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- Weighing Trade-Offs
  - Do the benefits of funding the Priorities outweigh the costs of funding shifts?
  - Use a structured approach to determine - centered on transparency and data
- Overcoming Constraints on Change:
  - Categorical funding limitations
  - Legal mandates
  - Organizational structure
  - Contractual or practical limitations on personnel moves



# 4. Implement Plan

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# 4. Implement Plan

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



# 4A. Adopt Strategic Financial Plan

# Adopt Strategic Financial Plan

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- 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



# 4B. Develop a Plan of Action

# Develop a Plan of Action

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- The following elements should be included in the Plan of Action:
  - Instructional Priorities
  - How the Priorities will be funded
  - Actions intended to implement Priorities
  - Actions intended to fund Priorities
  - Sponsorship structure
  - Sources of evidence that action is occurring
  - Guidance on critical resourcing assumptions
  - Process for review and adjustment



# 4C. Allocate Resources to Individual School Sites

## Allocate Resources to Individual School Sites

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- 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, but the following slides offer guidelines for the two main methodologies, including:
  - Staffing Ratio allocations
  - Weighted Student Funding methods

## Allocate Resources to Individual School Sites

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- Consider the following for staffing ratio allocations:
  - Use current as opposed to historic enrollment
  - Any ratio should be tied back to district's priorities
  - Resist 'rounding up' – flexible staffing instead
  - Ratios should be widely available and understandable
  - Process for principals to shift resources – if justified

## Allocate Resources to Individual School Sites

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- Consider the following for weighted student funding methods:
  - Use current as opposed to historic enrollment
  - Weighted categories and weights should be clear
  - Categories and weights should be tied to district priorities
  - Support principals on making better budget decisions
  - Differentiate levels of budget authority given to principals based on performance

# Allocate Resources to Individual School Sites

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- **Actual Dollars Allocated**
  - Allocate to programmatic elements – as opposed to object/account
  - Show full cost of personnel compensation
  - Consider actual vs average cost in budget
  - Consolidate all funding in budget
  - Allocate majority of funds to school sites



# 4D. Develop Budget Presentation

# Develop Budget Presentation

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- Fundamental Organization of the Budget:
  - The Challenges
  - Goals – remember SMARTER framework
  - Strategies and programs
  - Financial Plan
  - Risks to long-range financial sustainability

# Develop Budget Presentation

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- Financial Plan – further points to consider:
  - Revenues
  - Expenditures
  - Reserves
  - Debt and capital



# Develop Budget Presentation

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- Long-Range Financial Sustainability – include the following:
  - Long-range enrollment projections
  - Long-range financial projections
  - Risk analysis

# Develop Budget Presentation

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- Special Issues/Considerations for Budget Presentation:
  - Include all funds
  - Demonstrate transparency in spending
  - Use true program accounting judiciously
  - Provide context

# Develop Budget Presentation

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- Budget presentation must be clear and transparent, focusing on:
  - Challenges
  - Goals
  - Strategies
  - Financial Plan
- Make sure needs of user are basis for design

# How can I apply this to my district?

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- First Steps
  - Clear and concise presentation centered on how goals and strategies will address the challenges
- Already there?
  - Outline risks to financial sustainability
  - Ensure all funds included in budget presentation
- Ready for the next step?
  - Show budget by programmatic element



# 5. Ensure Sustainability

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A. Put the Strategies into Practices and Evaluate Results



# Put the Strategies into Practice and Evaluate Results

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- Monitor Strategy Implementation
  - Assign responsibility for implementation
  - Develop timeline and milestones
  - Develop progress reporting process
- Evaluate Interim Results throughout the Year
  - Interim data analysis can help to identify problems with strategy earlier
  - Use experiences of both results and implementation of project to inform next year's process
  - Report on performance and implementation

# Next Steps

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- **Join the GFOA Budget Alliance**
  - Alliance 2.0 will kick off in late October/early November – if you know of anyone who is interested please have them apply - <http://www.gfoa.org/application-alliance-excellence-school-budgeting> - or contact Matt Bubness, GFOA Sr. Manager.

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**Questions?  
Comments?**



# Thank You!

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