Government Finance Officers Association

Best Practices
in School Budgeting

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Introduction

Budgeting — the process by which programs and services are planned and funds are allocated to accomplish their goals — is crucial to any organization's success. The need for better budgeting is ever more pressing given the constant pressure to provide high-quality services with limited resources. This is especially true in school districts, where budget decisions can affect the education of future generations.

GFOA's best practices in school guidelines are centered on a comprehensive budget process framework focused on academic and finance collaboration to best align resources and desired student outcomes. The framework represents the culmination of a multi-year effort led by GFOA, with input from numerous school district officials and other experts in education finance to develop guidelines for better budgeting tailored specifically for school districts.

The recommended framework is not limited to financial topics. A robust budget process should engage and communicate with stakeholders, along with prioritizing goals, allocating resources, and tracking progress. The budget process is a plan, a tool for transparency, and a structure for ensuring accountability.

GFOA's best practices in school budgeting framework begins with guidelines for district-wide communication and collaboration, including setting baseline expectations for what the budget process will achieve. The focus then shifts to developing robust goals and integrating the process with the district's strategic plan, including developing a comprehensive package for implementing a district's goals, or instructional priorities. Also included are guidelines on how to develop a strategic financial plan and a budget document that communicates not only the district's financial plan but also student learning objectives. To help assess and improve programs, services, and the budget process, recommendations for incorporating continuous improvement principles are embedded throughout the framework.

The framework is organized around five major steps or phases: 1) plan and prepare; 2) set instructional priorities; 3) pay for priorities; 4) implement plan; and 5) ensure sustainability. Included within each of the five major steps are more specific sub-steps, which provide details on how to implement the best practices, including supporting evidence and research on their effectiveness. Each of the 15 sub-steps include a highlight of recommendations, the key points, and also how the recommendations meet the criteria related to GFOA's Award for Best Practices in School Budgeting (http://www.gfoa.org/school-budgeting).

Districts can find additional resources that complement the best practices in school budgeting — including tools for implementing recommendations and case studies on districts use of the framework — at www.gfoa.org and www.smarterschoolspending.org.

1A Establish a Partnership between the Finance and Instructional Leaders

SUMMARY

Key Points

- The budgeting process is a strategic activity to align scarce resources with student achievement and to succeed it must feature a partnership between the finance/budget officer and academic officer, under the leadership of the superintendent. The finance/budget officer "owns" the budget process, but the academic officer is responsible for ensuring a clear student performance strategy. The superintendent guides the participants in the budget process through the hard choices between competing potential uses of resources. Working together, the finance officer, academic officer and superintendent will be able to translate a coherent instructional strategy into dollars.

- The process also involves key participants, such as executive leaders from different functions within a school district. A district should develop a governance system that brings the participants together so they will have a greater stake and role in achieving success.

- Together the key participants should establish criteria (e.g., time, cost, and quality) against which to judge the success of the budget process. This helps the governance committee to maintain focus on what is most important in the budget process.

Related Award Program Criteria

- **Criterion 1.A.1: Finance-Academic Partnership (Mandatory).** The academic officer is a key participant in the budget process as evident by the academic officer's cosignature on the award application and participation in the award interview. The applicant can describe how the academic officer has been an active participant in the budget process in the award application.

- **Criterion 1.A.2: Criteria for Success of the Budget Process.** The applicant has described the measures it uses to evaluate the timeliness, cost (e.g., time and effort), and quality of the budget process in the award application.

Introduction

As the budget process is initiated, a school district should identify the criteria that will be used to evaluate the success of the budget process itself. Are budgeting decisions timely? Is the cost and effort required to complete the budget process reasonable? Are the decisions produced of high quality? And, ultimately, does the budget process help produce positive results for student achievement? If these questions cannot be answered in the affirmative as the process proceeds and ultimately concludes, adjustments will clearly be needed for the next year's budget process.

This best practice document describes:

I. Establishing governance and ownership over the budget process
II. Establishing criteria and measures for success of the budget process.

I. Establishing Governance and Ownership over the Budget Process

Background. Traditionally, a finance officer or budget officer develops and orchestrates the budget process. Limiting the governance of the budget process to the finance or budget officer may have been adequate when the budget process was seen as just a financial exercise to allocate dollars to line items, but when it is viewed as a strategic activity to optimally align scarce resources with student achievement, the governance structure will need to be expanded. Specifically, the budget process must become a partnership between the district's finance/budget officer, the academic officer, under the leadership of the superintendent. The academic officer is responsible for making sure that the student performance improvement strategy is clear and coherent and must work with the finance/budget officer to clearly translate this strategy into dollars. The superintendent guides the district through the tough choices it will have to make between different potential uses of its limited budget.

Recommendation. Districts can take a variety of approaches to creating a close working relationship between the academic and finance/budget officer, but observe the following guidelines:[1]

- **Maintain a single owner of the process.** While the academic officer must be closely involved in the budget process, the budget process is one of the core responsibilities of the finance or budget officer. Accordingly, the finance or budget officer should remain the "owner" of the budget process. The owner is ultimately responsible for making sure the process moves forward and stays on schedule.

- **Develop a governance structure to help the process owner.** A governance structure is a system

Governance: A Key to Changing the Budget

Organizational resistance is the most difficult hurdle to overcome in implementing a budgeting process designed to re-align, perhaps drastically, a district's resources. There is a natural instinct to continue using familiar processes instead of changing the ways things have always been done. The district's challenge, therefore, is to cultivate a willingness in key stakeholders to embrace new ideas and strategies. A shared effort between the finance department and the instructional departments will help ease the task of analyzing the comparative worth of different goals or programs. A governance structure provides the forum for that cooperation to happen.

of management processes and structures that help steer how the budget process operates. A governance system gives key participants (e.g., the academic officer) a greater stake in the success of the budget process and role in achieving that success, without asking participants to micromanage the budget process. A typical governance structure recruits executive leaders from different functions within the district to work together as a committee. Committee members may help the process owner make key design decisions for the budget process, such as how other stakeholders will be involved, what methods will be used to identify the district's student performance goals, and how budget requests will be gathered and prioritized. Involving

key members of the district's executive team in these design decisions upfront creates a basis of support for the budget process when the hard resource allocation choices must be made.

- **Use existing committee structures whenever possible.** Developing a governance structure should not entail the creation of new management committees, if it can be avoided. Using existing committees and meeting times for budget process governance will reduce the amount of time and effort required of all participants.

- **Define decision-rights and accountabilities.** The participants in the governance structure should have a clear understanding of their roles, which areas they have decision-making authority over, and what they are expected to accomplish. For example, academic leaders may be responsible for making sure school principals understand the district-wide strategy for improving learning and how they are expected to participate in the strategy, while it is the responsibility of the budget/finance officer to make the allocation formulas and methods that allocate resources to support those strategies fair and transparent. One key issue to define is the extent to which central authorities will set school budgets versus the flexibility school principals will have to allocate the funds they have been given.

- **Show how the budget process will make the organization more effective.** If the participants in the governance structure understand how the budget process is intended to help them improve results, they will likely be more enthusiastic participants. The finance/budget officer should also find sources of dissatisfaction with the old budget process and show how those problems can be solved using a new budget process.

II. Establish Criteria and Measures for Success of the Budget Process

Background. The governance committee should jointly identify a limited number of criteria against which to judge the success of the budget process, including measures to determine if the criteria are being met. Establishing criteria for success helps the governance committee maintain focus on what is most important in the budget process.

Recommendation. Districts should define a limited set of measures within the three broad categories: time, cost, and quality.[2]

- **Time:** the duration of the budget process and budget decisions. Did the budget process start and end on time and was the budget adopted on time?

- **Cost:** the amount of time and effort spent on the budget process. Were the costs of time and energy worthwhile and acceptable?

- **Quality:** the extent to which the budget process fulfilled its intended purpose. There at least three dimensions to quality to consider, including financial health, level of engagement, and decision making.

  - **Financial.** Did the budget produce financially sustainable decisions? For example, was the budget balanced without using reserves or one-time revenues for ongoing expenditures? Is the district trending in the right direction on measures of financial health, such as level of reserves, budgetary balance (revenues vs. expenditures), and bond ratings? If trends are negative, has the budget process resulted in a plan to restore fiscal health in the following years?

  - **Engagement.** Did the process substantively engage a wide variety of stakeholders? For example, was there a wide breadth of participation in the budget process? Did participants understand how and why decisions were made? Did they feel budget decisions were made with adequate input and deliberation? Can principals and department heads explain their budget allocations and how they were determined? Did they feel the process was fair, even if they don't like some of the final allocation decisions?

  - **Decisions.** Perhaps most importantly, were good decisions made? Measures of student achievement provide a "bottom line" measure on the quality of decisions, but districts could also ask questions like: do all school sites have a clear set of goals and action plans? Are school board budget discussions characterized by a high-percentage content of strategic issues, rather than minutiae? Is the budget process characterized by heavy use of performance and cost-effectiveness data to make decisions, rather than just cost data? Does the district understand the root causes of problems that are preventing it from reaching its goals and are those root causes used as the basis for action? Is there evidence of resources being allocated or re-allocated to more closely align with desired student outcomes?

Endnotes

[1] Guidelines of governance suggested by research on effective governance systems for other support service disciplines, especially information technology (IT) services. See Peter Weill and Jeanne W. Ross, *IT Governance: How Top Performers Manage IT Decision Rights for Superior Results* (Boston, MA: Harvard Business School Press, 2004).

[2] The categories of time, cost, and quality are standard categories of measures of process performance and are commonly used in methods like Lean and Six Sigma, as well as in project management.

1B Develop Principles and Policies to Guide the Budget Process

SUMMARY

Key Points

- Budget principles are general guidelines that a school district intends to honor through its budget process. Principles are not technical and can be understood and appreciated by all members of the organization and the public. By adopting budget principles, a district's decision makers can create overarching values to help frame and guide budget deliberations. Examples of principles a district might adopt include: "goals for student achievement should drive the budget process" or "base resourcing decisions on the total value created for children." This Best Practice describes other principles that districts might consider as well as more specific elements behind each principle.

- Budget policies clarify a district's intent regarding how it will manage its resources by identifying acceptable and unacceptable courses of financial action, establishing parameters in which the district can operate, and providing a standard against which the district's fiscal performance can be judged. Budget policies are often technical in nature, and thus require some budgeting acumen to develop and implement. A district should ideally have policies related to its general fund reserve, response to financial emergency, long-term forecasting, asset maintenance and replacement, budgeting and management of categorical funds, budgeting for staff compensation, review and sunsetting of programs, definition of a "balanced budget," year-end savings, and funding for new programs.

Related Award Program Criteria

- **Criterion 1.B.1: Budget Principles.** A set of principles should be formally adopted by the board and should be submitted as supplementary materials. The principles should address, at a minimum, the concepts outlined in the Best Practice.

- **Criterion 1.B.2: Policies (Mandatory).** The board should formally adopt a set of budget policies that should be submitted as supplementary materials and also be summarized in the budget document. At a minimum, the policies should address the policy topics recommended by this best practice.

Introduction

Developing a budget that closely aligns resources with student achievement outcomes may entail making significant changes in how resources are spent and the corresponding process to allocate those resources. A set of principles and policies, agreed to by the school board and the staff before the budgeting process begins can provide touchstones for what matters most in the budgeting process — creating the most student learning with the money available.

Budgeting principles and policies should be developed collaboratively by the district's school board and the staff members who develop and recommend the budget. Since both parties have integral roles in developing, adopting, and, ultimately, implementing a budget, both parties must strongly support the principles and policies underlying the budget.

This best practice document describes:
I. Principles to consider
II. Policies to consider

I. Principles to Consider

Background. Budget principles are broad ideas about what the budget process should look like. They set forth the ideals that a district's decision makers will adhere to as they develop the budget, and can help counteract the tendency to induct short-term emotion into decisions that have long-term consequences.[1] Principles are important for creating a shared understanding of the overarching values that underpin budget development. Compared to budget policies, which tend to be more technical, budget principles are more accessible to elected officials and the general public.

Recommendation. Districts should develop and adopt a set of budget principles to help frame and guide budget deliberations. Below are a number of principles that a district's board and staff should consider discussing in order to determine how these concepts might fit into a district's own budgeting principles. Districts may also consider other principles that support the goal of optimizing student achievement in addition to those listed below.

Goals for Student Achievement Should Drive the Budget Process

Clear goals for student achievement should guide how resources are allocated.[2] Tracking progress or making tough budget decisions to prioritize programs and strategies is impossible without specific goals.[3]

Decisions Should be Driven by Data

Making decisions that will impact the future of children can raise emotions, leading to gut-level decisions that won't necessarily optimize student achievement for the available money.[4] Here are examples of more specific elements of this principle that a district should consider:

- **Select programs and service providers based on student outcomes.** Programs and providers that have a demonstrated track record of success in achieving the district's desired learning outcomes for students should be prioritized for funding.

- **Adhere to evidence based-decision making.** Ideally, a district will adopt a decision-making framework that is centered on evidence of what works. For example, "response to intervention" (RTI[5]) is a well-known model that helps struggling students. RTI emphasizes regular monitoring of student progress, reliance on rigorously tested and proven instructional methods, and use of data to make decisions on educational strategies.

Base Resourcing Decisions on the Total Value Created for Students

The budget process should seek to allocate available dollars optimally, in a way that will create the most benefit for children given the costs — in other words, the best value. Here are examples of more specific elements of this principle that a district should consider:

- **Prioritize strategies and programs with proven cost-effectiveness.** Strategies and programs that have proven to produce larger gains in student

learning relative to their cost should be given priority for funding.[6]

- **Make student-centered decisions.** Budget decisions should be based on what is best for children, not adults. In many cases, there is pressure to develop a budget that puts the interests of adult stakeholders above the interests of students. That priority should be reversed.

Critically Re-Examine Patterns of Spending

GFOA research suggests that school district budget processes are typically "incremental," where last year's spending becomes the basis for the next year's budget, with incremental changes made around the margin. However, past patterns of spending may no longer be affordable or even relevant given changing needs of the community and student body. Hence, the budget process should encourage review of past spending decisions and critically change, where necessary.[7] Another specific principle to consider includes:

- **Develop and implement a program review and sunset process.** A district should develop and adhere to a process to identify and discontinue programs that are not achieving their objectives or that are simply not as cost effective as available alternatives.

Ensure Equality of Opportunity for Students

School districts must make sure every student is given an equal chance to succeed.[8] As it relates to the budget process, this means promoting equality in funding among the general student population, while providing extra support for struggling students to also provide them with the opportunity to succeed. For example, for districts using a site-based budgeting model, per-pupil allocations can be weighted based on student need. For districts not using a site-based model, the district should identify groups in need of additional assistance and allocate additional resources as necessary.

Take a Long-Term Perspective

Many districts will not be able to make large changes to their educational strategy and resource allocation patterns within a single year. Further, a consistent application of proven strategies over a multi-year period will deliver better results. Therefore, to the degree possible, districts should develop and adhere to a multi-year funding plan for their strategies, with the goal of fully funding and realigning resources where necessary to fund high priority elements of the strategies.[9]

Be Transparent

Effective budgeting requires valid information about the true costs of serving students and the outcomes produced for students. More specific principles to consider include:

- **Make performance data readily available.** The budget process should be informed by valid and reliable data on fiscal and academic performance.

- **Consider all costs in evaluating the cost of educating students.** A full cost accounting approach should be taken in evaluating the classroom and non-classroom costs of educating students. In both setting and reducing budgets, the full cost of educating students should be considered.[10]

- **Use a consolidated budget.** The budgeting process should consider all available funds. The process also should acknowledge constraints on categorical spending, but should consider all available monies to make the most impact with the available dollars.[11]

- **Be clear on what actions are being funded and their intended outcomes.** Budgets are sometimes solely focused on what inputs are being funded (salaries, benefits, commodities, etc). The budget should make it clear what actions are being funded to help the district to reach its student achievement goals — not just line items and broad expenditure categories.

II. Policies to Consider

Background. Budget policies clarify and crystalize the intent behind how a district will manage its financial resources. While districts should always comply with relevant laws and regulations promulgated by federal and state government, laws and regulations alone do not provide sufficient guidance for the board and staff to work together, optimally, towards the district's goals. Policies go further by establishing local standards for acceptable and unacceptable courses of financial action, parameters in which the district can operate, and a standard against which the district's fiscal performance can be judged.

Recommendation. Districts should develop and adopt policies in the areas described below. Districts are encouraged to consider other policies that could support their budgeting and financial planning,[12] but the policies described below are those that should be developed as a foundation.

General Fund Reserve

School districts should establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund as a reserve to hedge against risk. The policy should address, at a minimum: the target level of fund balance to maintain; the appropriate uses of fund balance; who can authorize the use of fund balance; and guidance on how fund balance will be replenished to target levels after it has been used.

With respect to the target level of fund balance to maintain, the adequacy of unrestricted fund balance in the general fund should be assessed based upon a district's own specific circumstances. Nevertheless, GFOA recommends for general purpose governments that, at a minimum, the unrestricted fund balance in their general fund is no less than two months of regular general fund operating revenues or regular general fund operating expenditures and operating transfers out (if applicable).

The choice of revenues or expenditures as a basis for the reserve amount may be dictated by what is more predictable in a district's particular circumstances. In determining the right level of unrestricted fund balance for its precise circumstances, a district should analyze the risks that it faces and establish reserve levels commensurate with those risks – including state laws limiting reserve amounts, its revenue and expenditure structure, and also the relative size of its budget.

Definition of a Balanced Budget

While state statutes may require school districts to adopt a balanced budget, the statutes are often vague resulting in a budget that is balanced by the definition of the statute, but may not be, in fact, sustainable over time. For example, selling assets or using reserves may be considered statutorily acceptable means of balancing the budget, but is not sustainable on an ongoing basis. Therefore, districts should adopt a policy with a more rigorous definition of a balanced budget. GFOA defines a "structurally balanced budget" as a budget where recurring revenues equal or exceed recurring expenditures, and recommends that governments adopt rigorous policies, for all operating funds, aimed at achieving and maintaining a structurally balanced budget.[13] The policy should include parameters for achieving and maintaining structural balance where recurring revenues are equal to recurring expenditures in the adopted budget.

Financial Emergency Policy

School districts should adopt a policy that provides guidelines on how to respond to a financial crisis. The policy should address, at a minimum: the definition of a "financial emergency;" who initiates the policy when an emergency occurs; who manages the emergency; who provides authorization to for necessary expenditure controls; who directs staff to monitor and report on the emergency; who directs staff to analyze the reasons for the emergency and develop a recovery plan for the board; and, finally, who directs initiatives for a root cause analysis of the emergency and developing strategies to prevent a recurrence of the emergency.

Long-Term Forecasting

A policy should direct staff to develop long-term revenue and expenditure forecasts (typically covering five years) as part of the budget process and to consider these forecasts during budget development in order to address the district's future financial position. The policy should also direct the development of long-term enrollment forecasts in order to support financial decision making, including, where practical, trend analysis for students in categories that cost more to educate such as students in poverty, special needs, and English Language Learners.

Asset Maintenance & Replacement

School districts should adopt policies that govern maintenance and replacement for its facilities as well as its shorter-lived assets such as buses, textbooks, and technology. As a basic rule, the policy should direct that all assets will be maintained at a level that protects capital investment and minimizes future maintenance and replacement costs. The policy should commit the district to maintaining an inventory of its maintenance/replacement needs and define funding mechanisms for staying current with those needs.

Budgeting and Management of Categorical Funds

School districts receive general tax revenue (e.g., property taxes, sales and use taxes, general state allocations) that can be used largely at the discretion of the district and categorical funds (e.g., Title I, Individuals with Disabilities Education Act (IDEA), Carl Perkins) that are intended for more specific purposes. Often, in a well-meaning effort to remain compliant with governing laws and grant regulations, a substantial barrier between categorical and general funds is created. This divide presents challenges for school districts. Money may be spent on duplicate resources, spending may be fragmented among incoherent initiatives, and district managers may have little understanding of the true breadth of resources available for increasing student learning. A school board policy should direct that all district spending be reflected in the budget and that staff make every possible effort to realize scale and coherence in the use of discretionary and categorical funds.

Budgeting for Staff Compensation

Districts should adopt a policy to require budgeting the cost of positions by the full cost of the compensation for that position (salary plus benefits), rather than just salary costs. This provides a more accurate picture of the true cost of human resources and enables more informed decision making on how to provide services to children.

School districts often use a position's average compensation costs across the entire district to budget that position's cost at individual school sites. The drawback of this approach is that it obscures differences in teacher experience and/or effectiveness between school sites. Hence, districts should adopt a policy that requires steps to recognize these potential inequities either by budgeting according to actual salaries or by supplementing budget allocations based on average salary with statistics that describe the levels of teacher experience and/or effectiveness at each school site (e.g. average years of teacher experience).

Program Review and Sunset, Alternative Service Delivery

Districts should adopt a policy of regularly reviewing their programs/services with the objective of identifying programs/services that are not cost-effective and repurposing the funds. The policy should establish a minimum for how often such a review will be formally conducted. Districts should conduct a review as part of their budget process.

A complement to a program review and sunset policy is a policy on alternative service delivery. A policy on alternative service delivery should state a district's willingness to consider other approaches to providing services, including educating students beyond traditional models using in-house staff. A policy should clarify the criteria that will be used to evaluate an alternative service delivery proposal.

Year-End Savings

It is not uncommon for a school or department to spend less than its entire allocation and have funds remaining at fiscal year-end. A policy should define what happens to those funds. Often, those funds are rescinded and reallocated in the next budget. However, this can encourage a "use it or lose it" mentality among budget managers. Districts should develop policies that encourage a more strategic use of underutilized funds. For example, a policy may provide for a carryover from one year to the next. Carryover continues funding authority for a limited additional time period, usually on a case-by-case basis. This allows central management to grant carry-over authority where there is a clear justification or to rescind spending authority when the funds could be better used elsewhere. It may also be possible to develop policies for joint decision making between central office and school/department managers to identify mutually beneficial uses of year-end savings. For example, a policy might state that budget carryovers and the associated spending will be considered more favorably when they are consistent with a strategic financial plan or result in financial savings to the district.

Funding New Programs

As districts look for new ways to improve student learning, they will need to fund new programs and initiatives. Given that new programs are often at a natural disadvantage when competing with existing programs for funding, districts should develop policies that describe how the district will fund and manage new programs. These policies should encourage practices that support budgeting decisions that best align resource allocation with improving student achievement, such as establishing a preference for "pilot" or "experimental" periods for new programs and estimation of cost and benefits up-front, followed by rigorous evaluation of actual results after a defined period.

1   Chip Heath and Dan Heath. *Decisive: How to Make Better Choices in Life and Work*. (New York: Crown Business, 2013).

2   See Best Practice in School Budgeting, 2A – Develop Goals, for more information.

3   Quoted from Allan R. Odden and Lawrence O. Picus, *School Finance: A Policy Perspective*, 5th ed. (New York: McGraw-Hill, 2014).

4   Alan M. Blankstein designates "data-based decision making for continuous improvement" as one of his six principles that advance student achievement in highly effective schools. See Alan M. Blankstein, *Failure is Not an Option*, 3rd ed. (Thousand Oaks, CA: Corwin-Sage, 2013).

5   Response to intervention can be abbreviated "RTI" or "RtI," both of which are sometimes taken to signify different approaches to response to intervention. GFOA does not endorse one version of response to intervention over the other and has chosen "RTI" for convenience and consistency.

6   Derived from the concept of "academic return on investment" created by Nate Levenson. See Nate Levenson, *Smarter Budgets, Smarter Schools* (Cambridge, MA: Harvard Education Press, 2012).

7   Marguerite Roza describes this as "accountability" and it is one of seven design elements she recommends as part of an ideal school financing system. See Marguerite Roza, *Educational Economics: Where Do School Funds Go?* (Washington, D.C.: The Urban Institute Press, 2010).

8   Equity with respect to school finance is a far-reaching topic. This Best Practice has limited the discussion to equity for children since children are the primary clientele of school districts. It has also limited the discussion to equity of opportunity (as opposed to outcomes, for example) because equity of opportunity is primarily a function of the amount and quality of the inputs into the educational process (e.g., money, teachers), which are issues particularly germane to budget deliberations. For a fuller discussion of equity issues in public education, see Robert Berne and Leanna Stiefel, "Concepts of School Finance Equity: 1970 to Present" in *Equity and Adequacy in Education Finance: Issues and Perspectives*, ed. Helen Ladd, Rosemary Chalk, and Janet Hansen (Washington, D.C.: National Academy Press, 1999).

9   The importance of a long-term approach to public education strategies for individual school districts has been recognized as far back as 1938. See W. W. Theisen, "Financial Planning," Review of Educational Research 8, no. 2, *Finance and Business Administration* (April 1938): 120-125.

10 Fully loaded costs should include, at a minimum, the cost of all fringe benefits (e.g., health insurance, pension, etc.) in addition to salary when considering the cost of personnel. A classic definition of "full costs" also includes other direct costs (e.g., material and equipment used by a teacher) and indirect costs, such as allocations for overhead services. However, simply using fully loaded personnel costs for budget decisions may represent a significant improvement in decision making. See Nathan Levenson, *Smarter Budgets, Smarter Schools* (Cambridge, MA: Harvard Education Press, 2012).

11 For examples and more practical detail, see Levenson, *Smarter Budgets, Smarter Schools*.

12 GFOA has published other resources that describe financial policies that are generally applicable to local governments. See for example: National Advisory Council on State and Local Budgeting

13 Government Finance Officers Association. "Best Practice: Achieving a Structurally Balanced Budget." 2012.

1C Analyze Current Levels of Student Learning

SUMMARY

Key Points

- A school district needs to assess learning achievement to determine whether progress is being made and whether or not the strategies and budgeting approach are succeeding.

- A district should collect data from multiple sources in order to gain a well-rounded perspective on student performance. Summative assessments, such as state summative tests, are the most important assessments for budgeting and planning. Benchmarks and short-cycle/ formative assessments also provide performance data. It is important that the information helps determine the district's progress towards its goals and allows for valid year-to-year comparisons. Additionally, to the extent possible, the data collected can allow for further analysis, such as information by school level or student characteristic.

- When measuring student performance with assessment, the measurement system should provide the following perspectives on student performance: comparison against a proficiency standard, relative improvement, and changes over multiple years.

Related Award Program Criteria

- **Criterion 1.C.1: Data Analysis Overview.** The applicant uses a well-rounded set of data that includes assessments data (summative and shorter-cycle), along with other forms of data to monitor both performance standards and changes in performance over multiple years. The applicant can explain its approach to using data in the award application.

- **Criterion 1.C.2: Data Analysis Example.** In the supplementary materials, the applicant can provide a sample presentation of measures that represent its approach to using data.

Introduction

In order to determine whether or not students are making progress toward college or career readiness, a school district needs to assess learning achievement across grade levels. Performance data provides the starting point for determining the current state of student performance in quantifiable terms. This quantified performance baseline can be used to determine how students are currently performing, to identify a desired future level of performance, and to analyze the gap between the two, both district-wide and for individual school sites. Performance data also forms the basis for tracking progress relative to district and school goals and evaluating whether the district and schools have accomplished their objectives.

This best practice document describes:

I. Collecting performance data
II. Measuring student performance with assessment data

I. Collecting Performance Data

Background. Districts should collect data from a variety of sources in order to provide a well-rounded perspective on performance. One key data source is student performance on common assessments. Summative assessments, which review what a student has learned over the course of a year, are the most important assessments for budgeting and planning. Summative assessments should be aligned with learning goals and should measure knowledge and skills that can transfer to real-life situations. Existing requirements for state summative tests may be a good place to start.[1] These requirements may establish what will be assessed and how it will be measured, and may help establish a basis for what level of achievement defines "proficient" or "adequate" for the individual student, as well as collective "cut scores" for schools and districts in the state.[2]

Aligning Assessments and Curriculum

To obtain relevant performance data, assessments should be aligned with curriculum. This will also increase teacher acceptance of the assessment tools, as teachers are more likely to view assessments as a help, rather than a hindrance, to their work.

Other forms of data beyond summative assessments are needed to provide a comprehensive perspective on the district's progress, including benchmark and short-cycle/formative assessments.[3]

Additional important data elements are:
- Absentee rates
- Dropout rates
- Suspension and disciplinary rates
- High school graduation rates (within four years and five years)
- Report card grades
- Measures of college and career readiness (e.g., SAT/ACT scores, percent of students taking advanced placement courses)
- Demographic and socioeconomic information

Note that surveys and observations are also useful for capturing human judgments and opinions that may not be included in formal recordkeeping.[4]

Recommendation. Districts should collect data from student assessments (both summative and short-cycle/formative) and other sources in order to establish a well-rounded perspective on student performance. All data elements collected should, to the extent possible, conform to the following criteria:[5]

- **Relevance:** The data provide relevant information for helping determine the district's progress in meeting its goals.

- **Consistency:** The data is collected in a matter that allows valid year-to-year comparisons.

- **Ability to be disaggregated:** The data can be broken down to reveal important socioeconomic characteristics of various student groups (e.g., free and reduced lunch, English Language Learners) and can also be broken down by school level (e.g., high school, middle school, grade school), school site, and grade level.

II. Measuring Student Performance

Background. The most critical aspects of student performance to measure with achievement testing are math and English Language Arts (ELA) assessment data conducted at multiple grade levels. Districts may also choose to collect data on other areas/subjects, in addition to selecting the type of student performance measure to use. Regardless of which measurement type is selected, the district's complete measurement system should provide the following perspectives on student performance:

- **Comparison against a standard of proficiency.** Districts should assess achievement relative to an established standard of proficiency. (These types of measures are often known as "proficiency" measures or sometimes "status" or "attainment" measures.) Measures of proficiency assess whether students have achieved an established level of mastery of a particular subject relative to a specific standard. For example, how many fourth grade students read at their grade level at the end of a given year? Ideally, the analysis will consider different levels of proficiency, rather than just a binary of proficient versus not proficient. Typical categories include: below basic, basic, proficient, advanced. Proficiency measures are useful because they show performance relative to a meaningful standard; are easily understood by the public; may align well with standards promulgated by outside agencies; and allow comparison to other classrooms, schools, districts, and states. In addition, school districts are usually well equipped to calculate and monitor proficiency measures.

- **Relative improvement.** Districts should assess achievement of students at the end of the year relative to their performance at the beginning of the year. Measuring relative achievement provides insight into learning gains that might be obscured when measuring improvement against a standard of proficiency. This is because measures against a standard tend to focus attention on students that are on the margin of a performance standard

threshold and do not account for progress made by students who do not cross a performance standard threshold.[6] Relative improvement measures are helpful because they show learning improvement for all students; however, they are more statistically complex to calculate and difficult to interpret. Two common types of measures that show relative improvement are "value added scores"[7] and "student growth percentiles."

- **Changes over multiple years**. Districts should examine achievement over multiple years. For example, districts may target improvement in aggregate levels of proficiency over time, where a school seeks to increase the share of fourth graders reading at grade level from year one to year five. Multi-year trends give a more complete perspective on performance because they more clearly show the direction of change in performance. Districts do not always improve performance in a linear fashion, so over a five-year time period, performance might decline one year, while the five-year trend line would remain positive. At least three years of data on a given grade level are necessary to effectively measure changes over time and provide reliable results; a five-year timeframe is even better.

Top Performance Measurement Pitfall

The biggest challenge with measuring performance is not a technical one — rather it is creating a climate and culture of trust for effective use of the data.[8] Stakeholders must understand and support the most fundamental reason "why" the data is being collected in the first place. An open and transparent planning and budget process that is clear about what the district aims to achieve by measuring performance is essential to creating such a climate.

School districts might also consider developing and monitoring measures of post-secondary outcomes. For example, districts might measure whether students went to college, if they persisted from the first year to the second, and/or if they required remedial college coursework.

Recommendation. A district should determine how it can use each type of measurement described above, balancing considerations such as: understandability to the intended audience, comprehensiveness of the perspective on student learning, and cost/complexity to calculate. For all types of assessment data, a district should account for different subgroups of students because student achievement often varies systematically across different subgroups. Hence, districts need to disaggregate achievement data to identify performance within and between subgroups. Typical subgroups include gender, socioeconomic status (e.g. free/reduced lunch), traditionally underrepresented minorities (e.g., African American and Latino students), English Language Learners, and special education students. Existing state/federal requirements may establish which subgroups will be tracked and how they are defined. Districts may decide to further disaggregate data for additional insights into student performance.

Endnotes

[1] Note that statewide standardized tests are only one form of summative assessment. Districts may use other types as well.

[2] A cut score is the dividing point between different levels of performance on a test.

[3] Formative assessments test learning during the year and are intended to give more timely feedback than summative assessments.

[4] For example, districts may wish to survey students on their views of the academic environment or on perceptions of school safety.

[5] From Alan M. Blankstein, *Failure is Not an Option* (Thousand Oaks, CA: Corwin-Sage, 2013).

[6] For example, assume a school has a high number of students who are very far below the threshold. Under a measure of improvement against a standard, progress made to advance those students would not be measured unless the students reach the threshold. Hence, a program that significantly advances the learning of a large number of low-performing students might not show good results compared to a program that makes modest improvements to a smaller number of students near to the threshold.

[7] Value-added scores capture how much students learn during the school year, thus providing a more accurate measure of the school's impact on student learning than just end-of-year test results because end-of-year results do not take into account where students started. Value-added scores should also control for other variables that impact student learning that are not under the direct control of the school (e.g., attendance) in order to get an accurate picture of how much value the school's activities are adding to the student's academic progress. Explanation of value-added scores adapted from ASCD.com

[8] From Alan M. Blankstein, *Failure is Not an Option* (Thousand Oaks, CA: Corwin-Sage, 2013).

1D Identify Communications Strategy

SUMMARY

Key Points

- A budget process should include a communications strategy to inform participants, stakeholders, and the general public about how the process works and why each decision was made.

- The communications strategy should include an overview of the budget process, stakeholder engagement, and an explanation of the decisions that resulted from the budget process. An effective communication strategy allows participants, stakeholders, and the general public to understand how and when the budget was developed, provide input during the budget process, and understand the rationale behind the adopted budget decisions.

- When implementing its communications strategy, the messenger, message, and communications channel will be slightly different depending on the audience. Thus it is important for a school district to identify its target audience and designate a credible messenger to relay the budget message. In many cases, that messenger will be the school principals. As part of implementing a communications strategy, participants, stakeholders, and the general public should be given opportunities to provide feedback to which the district must respond accordingly.

Related Award Program Criteria

- **Criterion 1.D.1: Communications.** The applicant can describe in the award application how it explains the budget process to stakeholders and why budget decisions were made. The budget document presentation should be consistent with this explanation.

Introduction

Transparency is a key tenet of any budget process. Stakeholders need to receive more than line-item details on the funding levels for the upcoming school year. A strategy to drastically improve student achievement will almost always require significant changes in how resources are allocated. A strategy for clearly communicating to the participants, stakeholders, and general public about how the process works, what decisions were made, and why is essential for inclusion in the budget process.

> This best practice document describes:
> I. Components of a communication strategy
> II. Implementation of a communication strategy

I. Components of a Communication Strategy

Recommendation. The communications strategy should encompass an overview of the budget process, stakeholder engagement, and an explanation of the decisions that resulted from the budget process. The recommended components include the following:

- **Process Overview:** Almost without fail, an organization will never be able to accommodate all requests for additional resources and many stakeholders will discover that not all their funding requests were fulfilled. Compromise is required in every budget process and a district needs to demonstrate that the budget process is an accessible and transparent one. As such, a district should describe how it develops its budget, including key dates and deadlines, how decisions will be made, and the process through which the public can provide input. A district should also communicate at the outset what principles and strategic priorities will guide the budget process. A mission statement, vision statement, values statement,[1] or "Theory of Action"[2] can each be helpful in clarifying and crystalizing the principles and priorities that will guide the budget process. Each of those items should link to a set of goals and targeted improvements in performance.[3] The budget process also should feature information about performance history to make the need for change clear.

- **Stakeholder Engagement:** A district should develop methods to solicit stakeholder input as part of the budget process. A stakeholder-engagement process should be designed with a clear understanding of the challenge or problem that stakeholder engagement is intended to help address.[4] The design of the stakeholder-engagement process should then follow that purpose. For example, if the purpose is to inform the public about decisions that have been made or about changes in policies, resources, or programs, then informing the public and maintaining transparency about decisions may be sufficient. In this case, the design of stakeholder engagement should aim to reach a large number of people, including specifically identified target audiences; use diverse modes and venues of communication; and ascertain the public's level of awareness about the issues.

However, simply informing the public of decisions is often insufficient to generate the level of community support necessary to see those decisions through to successful implementation. This is especially true when the decisions are controversial and/or make significant changes to established patterns of resource allocation. A process must be designed to produce decisions that address the community's needs and concerns, resolve disputes, and create alliances for advocacy and implementation. Design considerations for this form of stakeholder engagement include: making decisions in such a manner that stakeholders do not feel left out (for example, avoid rushing the decision-making process or delegating it to small, elite, or exclusive groups); emphasizing procedural justice to enhance acceptance of decisions, even among those with a different preferred outcome; encouraging broad participation, especially of key stakeholders; engaging in shared generation of knowledge and joint problem solving; and using conflict management and negotiation techniques, including consensus-building approaches that aim for win-win solutions.

- **Explanation of decisions.** Once an adopted budget for the upcoming year has been produced, a district needs to clearly communicate the outcomes and the corresponding rationale and how they differ from the prior years. The message should be led by a description of the context for the budget and the environment in which the decisions were made, notably the student learning performance targets that drove the need to change how a district allocates resources. This could include, for example, enrollment and revenue projections, changes in governing legislation, or outstanding liabilities (e.g., pensions). The major decisions made and their impact should then be presented in a way that is accessible to the non-expert audience member. This presentation should include a clearly articulated rationale for the choices made, a description of the tradeoffs that were considered, and the basic principles that guided the decisions.

II. Implementation of a Communication Strategy

Recommendation. Implementing a communications strategy requires: identifying the messenger(s); identifying the target audience and messages; selecting specific communication channels; and gathering and responding to feedback. The following are the recommended components in each of these areas:

- **Identify the messenger(s).** Responsibility for carrying out the communication strategy should be clearly identified. In addition to the traditional district leadership (board and superintendent), a district should enlist other credible communicators. Principals are often important messengers because they are closer to teachers and the community than the central district office. Principals also are in a better position to help teachers become effective communicators of the message to parents. Respected third parties/external agents may also be useful (e.g., external experts, parent groups, business and community leaders, union leaders, etc.).

  To reduce confusion and the potential for unnecessary conflict, the messengers should be provided with a limited number of key points to present and a plan for responding to questions.

- **Identify the target audience and tailor messages accordingly.** The strategy should identify target audiences to include teachers, administrators, staff, parents, and members of the community at large. All information should be available to all groups, but a district should consider tailoring its message to the different parties (e.g., teachers and administrators may be more interested in programmatic detail than the broader community).

Often, it can be difficult for different stakeholders to appreciate the larger interest of the school system, compared to their more immediate interests. The communications strategy should attempt to make the system-wide rationale more apparent to all stakeholders. Below are some specific techniques districts can employ:[5]

- **Share information widely.** Make sure all parties are aware of the reasons that change is needed. For example, low student achievement in math might necessitate more resources for this area than others and if test scores are widely known, the decision to invest more in math than other areas may receive greater acceptance.

- **Share the benefits, not just the pain.** To the extent possible, link a reduction in one area of spending with an increase in another area that will positively impact the party experiencing the loss. Communication messages should describe and emphasize how resources are being directed to create the most value for the most students.

- **Budget simulation.** Broader stakeholder participation in a district-wide budget balancing exercise can create wider appreciation of the hard choices a district faces and may even generate some new ideas for balancing the budget.

- **Use funding formulas.** If district leadership can agree on formulas to drive staffing allocations ahead of the budgeting process, it can help depoliticize and depersonalize the process if cuts in staffing become necessary. The formulas are used to direct cuts as necessary, rather than singling out staff.

- **Create an executive leadership team.** A team approach for leadership that includes school principals creates a support network for delivering news about hard choices.

- **Engage influential outsiders.** Community leaders and other influential parties external to the district organization should also be brought into the decision-making process. These parties can provide both a basis of community support for the resulting decisions and a means of getting the message out to the community.

- ○ **Build from experiences with bond issues.** Many school districts that have issued facility construction bonds through public referendum have experience with providing financial information to the community. These experiences may offer valuable lessons, resources, or methods that can be applied to communicating budget decisions.

- **Select communication channels.** Most districts have developed a set of methods for communicating with different audiences. Given the importance of the budget, priority should be placed on the methods that afford the broadest reach possible. This may include digital/web-based communication, mail, "backpack" mail, and meetings. These communications should make it clear how more information on the budget process can be obtained.

  Public meetings are an important part of the communication strategy. Meetings should be planned to encourage participation by all community members and be offered at convenient times/locations. For example, if transportation to school offices is a challenge for some community members, consider holding meetings in more accessible locations (e.g., community center, church, etc.). It may also be wise to combine budget presentations with pre-existing meetings that the target audience already attends (e.g., parent-teacher organization meetings).

- **Gather feedback and adjust.** Given that budget decisions involve trade-offs, some parties will not be happy with the outcome of decisions. It is imperative that attentive parties have a chance to provide feedback during and after the decision-making process. A variety of avenues should be available for providing feedback. At the same time, feedback methods must be carefully structured to provide useful input. For example, care should be exercised with forums that can be taken over by special interest groups at the expense of the broader community interest.

  Once feedback has been gathered, a district must respond accordingly, adjusting processes or decisions where appropriate. Failure to respond to feedback can severely harm the credibility of the budgeting process. Further, it is important to adapt the communication plan to new and changing circumstances throughout the budget process so that the message remains relevant and credible.

Endnotes

[1] Alan M. Blankstein recommends developing mission, vision, and value statements as a prelude to goal setting because they help create a common understanding of a district's larger direction. See Alan M. Blankstein, *Failure is not an Option*, 3rd ed. (Thousand Oaks, CA: Corwin-Sage, 2013).

[2] Nicholas P. Morgan and Nathan Levenson, "Theories of Action: Aligning Priorities and Resources," *The District Management Journal 8* (Fall 2011).

[3] Best Practice in School Budgeting, 2A - Develop Goals.

[4] Information in this section comes from John M. Bryson, Kathryn S. Quick, Carissa Schively Slotterback, Barbara C. Crosby, "Designing Public Participation Processes," *Public Administration Review* (January/February 2013).

[5] Adapted from Nathan Levenson, *Smarter Budgets, Smarter Schools: How to Survive and Thrive in Tight Times* (Cambridge, MA: Harvard Education Press, 2012).

2A   Develop Goals

SUMMARY

Prerequisite Best Practices:

- Best Practice in School Budgeting, 1C – Analyze Current Levels of Student Learning

Key Points

- Goals for student achievement are the starting point for a school district's budgeting process. Therefore it is important that goals be formatted appropriately and distributed to all individuals and schools.

- A district should develop its goals using the SMARTER framework, which allows districts to test goals to make sure they are Specific, Measurable, Achievable, Relevant, Time-bound, Engaging, and Resourced. A district should establish goals at the regional (if applicable), district, and school-site levels. The goal-setting process should be collaborative and include a range of stakeholders.

- When setting goals, a district should assess its strategic environment to understand what can reasonably be achieved over the short- and long-term. A district should also identify interim milestones to assess if progress is being made.

- Understanding current levels of district-wide performance and its desired performance helps to set school-site goals. First, a district needs to identify the current performance level at individual schools, which provides insight into different needs or existing gaps across individual schools. Information on individual schools can then be compared against district-wide goals and performance in order to set individual school goals.

Related Award Program Criteria

- **Criterion 2.A.1: District-Wide SMARTER Goals (Mandatory).** The applicant has articulated a set of district-wide goals that are consistent with the SMARTER framework as demonstrated by the presentation of the goals in the budget document and supplementary materials. The applicant can explain the goal setting process in the award application.

- **Criterion 2.A.2: School Site SMARTER Goals (Mandatory).** The goals have been distributed to individual school sites, as demonstrated in the supplementary materials and budget document.

- **Criterion 2.A.3: Goal Content.** The goals address student performance as well as factors that influence student performance (e.g., learning climate, professional capacity, etc.) as demonstrated in the supplementary materials.

Introduction

Ambitious goals for student achievement are the starting point and a linchpin for the school district budget process.[1] Reasons that a strong set of goals are essential include:

- **Goals articulate the board and executive leadership's vision for the district.** A set of ambitious goals is the basis for demonstrating the district leadership's high expectations for their students and staff.[2] While goals should be ambitious, districts should also ensure their goals are realistic given the district's capabilities and outcomes being pursued.

- **District-wide goals are the basis for distributing performance objectives to individual school sites.** The district's goals should require progress for every student. District-wide goals should then be translated into goals for individual school sites. While not strictly part of the budget process, individual school site goals should become the basis for goals pursued by principals, teachers, parents, and students.

- **Goals are the basis for evaluating potential investments of funds.** The difference or gap between the goal and current performance can be used to begin a dialog questioning existing methods of serving students and to discuss what potential changes in resources are needed at the district and school levels in order to achieve the goals. With goals in place, it becomes easier to ask if a proposed use of resources furthers the district's mission and contributes towards the district's plan to improve student achievement.

- **Goals are the basis for evaluating whether resources have been used effectively.** After resources have been used, the effectiveness of that investment can be evaluated more easily, for example has the district moved closer to achieving its goals or not?

> This best practice document describes:
>   I. The preferred format for goals (i.e., the SMARTER framework)
>   II. The process for distributing district-wide goals to individual schools and classrooms

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I. The Format for Goals: The SMARTER Framework

Background. The SMARTER goal framework allows the district to test its goals against seven characteristics of effective goals,[3] where each letter of the SMARTER acronym signifies one characteristic:

- **Specific.** The goal is precise about the outcome or result that the district wishes to achieve. For instance, a hypothetical goal would be to increase the percentage of students scoring at or above "proficient" in reading from 55 to 90 percent and to increase the percentage scoring at or above "advanced" in reading from 25 to 50 percent. Another example would be to increase the percentage of students passing Algebra 1 within three semesters from 50 to 75 percent.[4]

- **Measurable.** The goal can be measured. Not only should the goal be verifiable, but it should also, ideally, be quantifiable. However, the data to accurately measure the current level of performance and changes in performance should be obtainable (a) for a reasonable cost and (b) quickly enough to support management decision making. The Best Practice in School Budgeting, 1C — Analyze Current Levels of Student Learning, describes different types of measurements a district might use.

- **Achievable.** The goal is rooted in an understanding of the district's current strategic environment, including factors such as current levels of student achievement, professional capacity of the district's staff, the learning climate in schools, and the instructional guidance system. This understanding is used to develop goals that the organization can reasonably expect to accomplish, including smaller short-term goals to build momentum towards bigger longer-term goals.[5]

- **Relevant.** Foremost, goals should focus on results or outcomes that matter most to students' academic success, including performance in core subjects like

reading/English language arts/writing, mathematics, and science.[6] Secondarily, goals should also cover student performance in other key subject areas within the district's curriculum. Goals also may need to address improving elements of the strategic environment that are found to be deficient, such as student under-performance by sub-group, student behavior, lack of professional capacity in schools, a poor learning climate in schools, etc.[7] Finally, goals should be relevant to all students, which means the goals should encompass measuring progress for individual students, not just average progress for an entire school[8] or progress of the entire student body against a threshold.[9]

- **Time-bound.** The goal should identify a time period for achieving the goal as well as interim milestones where incremental progress will occur. Often, a multi-year time period is necessary to achieve a goal. Ambitious goals will usually require consistent pursuit over a three- to five-year period.

- **Engaging.** The goal reaches for ambitious, yet realistic, improvement in student achievement and organizational performance. By setting ambitious goals, districts can engage stakeholders and staff by signaling a belief that their students can achieve these high standards as well as a belief that positive changes by the district will help lead to these gains in student achievement.[10]

- **Resourced.** The district has the capacity to achieve its goals and has aligned and coordinated its resources accordingly. The budget is the process by which goals are resourced.

Recommendation. Districts should follow the SMARTER goal framework to develop goals that guide the budget process. These goals should address the results the district (and school sites) wishes to achieve in two key areas:

- Student performance[11]

- Essential supports for student achievement[12]

II. Defining Goals and Distributing Goals to Schools

Background. The district's SMARTER goals establish the levels of performance that the district will work toward at the regional (if applicable), district, and school-site levels. Goals established at the district level should be used to guide the development of goals for individual school sites.

Recommendation. Districts should follow the steps below to define goals and distribute them to school sites:

1. **Assess the district's strategic environment.** The district must understand where it is today in order to best develop a goal for where it wants to be. The most important aspect of a district's strategic environment is current levels of student achievement. The Best Practice in School Budgeting, 1C – Analyze Current Levels of Student Learning, describes the considerations in assessing student achievement in detail. In addition to student achievement, a district should examine issues that are critical supports of student learning. Leading school researchers have identified essential supports of student learning that districts should consider analyzing, including: the professional capacity of the district's staff, the learning climate in schools, and instructional delivery practices. Assessing strengths, weaknesses, opportunities, and threats to performance in these supports may suggest goals the district should pursue in order to ultimately improve student achievement.

2. **Set SMARTER goals for multi-year district-wide improvement.** Based on a review of the strategic environment, a district should have a better understanding of what it can reasonably expect to achieve over the next one, two, three, four, and five years; where the most improvement may be needed; and where status quo conditions are acceptable. Following this understanding, SMARTER goals can then be set for district-wide performance. There are a number of methods for setting goals, and the best method depends on the particular circumstances of the organization. At a minimum, however, the goal setting process[13] should incorporate a review of the strategic environment, include a range of stakeholders, and take a long-term perspective while identifying shorter-term "small win" opportunities in order to build momentum.[14]

3. **Understand baseline performance at the school level.** Understanding the current performance levels at individual school sites (including historical trends and future projections, when available) provides insight into the degree of improvement required across schools, in classrooms, and at the level of each individual student (if possible). For each

school, the gap between the level of desired performance expressed by the district-wide goals and the current level of performance within individual school sites should be assessed. This informs the district which schools need the most improvement and those that may not.

4. **Set school site goals.** Informed by the gap between desired district-wide performance and current district-wide performance, as well as the relative performance of individual school sites, goals can be set for each school, including goals for improvement by classroom and categories of students. The process should incorporate SMARTER goals, with collaboration among stakeholders at the individual school sites assuming particular importance at this stage. School principals should take the lead in distributing these goals to teachers, parents, and students outside of the budget development process.

Endnotes

[1] Allan R. Odden describes ambitious goals as one of 12 elements of comprehensive strategy to improve student learning and close the achievement gap and cites other researchers and sources with similar findings. See Allan R. Odden, *Improving Student Learning When Budgets Are Tight* (Thousand Oaks, CA: Corwin-Sage, 2012).

[2] Public education researcher Karen Chenoweth has found that the district leadership's high expectations of students are a common characteristic of high performing schools (regardless of demographic or economic characteristics of the student body). See Karin Chenoweth, *It's Being Done: Academic Success in Unexpected Schools* (Cambridge, MA: Harvard Education Press, 2007).

[3] Researcher on school effectiveness, Allan Blankstein, recommends the SMART goal framework for districts. GFOA added to this the additional criteria of "engaging" and "resourced" to emphasize the need for ambitious goals and connection to the budget process. See Alan M. Blankstein, *Failure is Not an Option: 6 Principles that Advance Student Achievement in Highly Effective Schools,* 3rd ed. (Thousand Oaks, CA: Corwin-Sage, 2013).

[4] Odden, *Improving Student Learning When Budgets are Tight.*

[5] Informed by the concept of "proximate objectives" by Richard P. Rumelt, a noted strategic planning researcher and practitioner from UCLA. See Richard P. Rumelt, *Good Strategy, Bad Strategy: The Difference and Why It Matters* (New York: Crown Business, 2011).

[6] Odden, *Improving Student Learning When Budgets Are Tight.*

[7] These areas of underperformance would have been revealed by the district's assessment of its environment. Please consult Best Practice in School Budgeting, 1C – Analyze Current Levels of Student Learning, for a review of the issues a district might consider analyzing as part of its environmental assessment.

[8] Measures of average progress obscure variation within the student population. For example, a small number of high-performing students could pull up the average, obscuring a larger number of under-performing students.

[9] A measure of performance such as "percent of students at or above national norms" is highly sensitive to the test score results for the subset of students whose academic achievement is near the cut-off or threshold. Under this kind of measure, it is really only the achievement of students near the threshold that counts. See Anthony S. Bryk, et al., *Organizing Schools for Improvement* (Chicago: University of Chicago Press, 2010).

[10] Odden, *Improving Student Learning When Budgets Are Tight.*

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

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SUMMARY

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Prerequisite Best Practices:

- Best Practice in School Budgeting, 2A – Develop Goals

Key Points

- To determine gaps between a school district's current level of performance and its desired level of performance (as identified in the goal-setting process), a district should perform a root cause analysis to find the underlying cause of the problem or deficiency. Two of the easiest tools for conducting a root cause analysis are the 5 whys and a cause-and-effect diagram.

- Root cause analyses should focus on issues with the greatest impact and ones that the district's actions are the most able to influence. This best practice suggests primary categories of root causes that districts should consider: instructional guidance, professional capacity, and school learning environment. Secondary categories include school's parent-community ties, school leadership and management, physical plant, and measurement systems.

Related Award Program Criteria

- **Criterion 2.B.1: Root Cause Analysis (Mandatory).** The applicant has conducted root cause analysis on the gaps between its goal state and current state as evidenced by an example of the root cause analysis. The root cause analysis must clearly relate to one or more of the applicant's goals submitted with the supplementary materials. The applicant must then explain how it conducted root cause analysis, more generally, and what it learned in the award application.

Introduction

After a school district uses goal setting to identify its desired level of student achievement and/or other desired future condition), it will very often find that there is a gap between its current level of performance and its desired level of performance. A district should further investigate this gap to discover its root cause.[1] Root cause analysis is a method of problem solving that looks beyond symptoms to find the underlying cause of a problem. By finding root causes, a district can identify and budget for the most effective, long-lasting solutions to the problem.

This best practice document describes:

I. The rationale for root cause analysis

II. Categories of potential root causes related to underperformance

I. The Rationale for Root Cause Analysis

Background. Root cause analysis seeks to go beyond symptom-level solutions to problems to find the underlying cause of the problem or deficiency being observed. With an understanding of the root cause of the problem, a district can identify and budget for the most effective and long-lasting solutions. Further, going through a structured root cause analytical method often leads to surprising findings — findings that differ from the participants' initial assumptions.[2] Finally, the process of root cause analysis requires those with varying perspectives on the problem to work together to perform the analysis. This collaboration is the starting point for establishing a broad base of support for the solutions that will later be developed.

Recommendation. Districts should systematically identify the root causes of the gaps between their current level of performance and desired future levels of performance.

II. Categories of Potential Root Causes Related to Underperformance

Background. A root cause analysis can start with a "blank slate" where participants openly consider possible causes, but it is often helpful to have standard categories of potential causes of underperformance to ensure that a broad range of potential causes is considered.

Recommendation. This best practice presents primary and secondary categories of root causes.[3] Districts should focus their efforts on these categories, with particular emphasis on the primary categories. Not only are the primary categories considered more important, but are strategies that can be enacted through the budget and planning process. Not every category will prove useful for every problem analyzed, so districts should not necessarily devote equal attention to all the categories.

Primary Categories

Instructional guidance. The curriculum content that students are exposed to, the organization of that content, and the tools to which teachers have access (e.g., instructional materials, pedagogies, and assessment methods) all fall into this category. In short, this is the "what" and "how" of instruction. In particular, districts might examine:

- **The organization of the curriculum.** This includes the subject matter information students are exposed to and how it builds over time. Districts might consider issues such as lack of standards or a common curriculum, especially in core subject areas (reading, math, and science), intervention strategies for struggling students that aren't cost effective,[4] or weaknesses in the pedagogies or assessment systems used.

- **How instruction is delivered.** Districts might examine, for example, how teachers' work is organized and the amount of collaboration and the level of student engagement in lessons.

Professional capacity. This category addresses the district's ability to recruit and retain quality staff, the quality of performance feedback and professional development systems, a constructive organizational culture, and teamwork standards. In particular, districts might examine:

- **Quality of human resources.** This covers how new teachers are recruited, where they are recruited from, and how they are oriented. It also includes how teachers are given feedback and how instances of underperformance are addressed.

- **Quality of professional development.** Teachers' continued professional development should relate directly to the district's or school's strategies to improve student achievement.[5] Lack of instructional coaches may also impede effective professional development.

- **Constructive organizational culture.** A high-performing school is characterized by a culture that emphasizes continuous improvement, exhibits willingness to reexamine ineffective practices, and sets high expectations for students regardless of socioeconomic background. The absence of these same features may contribute to underperformance in a school.

- **Professional community.** Three features of a high-performing professional community include teachers' willingness to make their work available for examination by colleagues; collaborative critical examination of learning methods, processes, and outcomes; and regular collaborative teaming between teachers to strengthen the curriculum.

School learning climate. This category addresses the beliefs, values, and behaviors among staff, students, and parents. In particular, districts might examine:

- **Order and safety.** As a prerequisite to effective learning, schools must be orderly and students must feel safe.

- **Teachers' academic expectations of students and support.** The district's faculty should hold all students to high standards. However, these standards must be accompanied by support mechanisms to help struggling or disadvantaged students meet these standards.

- **Peer academic norms.** When students comply with accepted behavioral and academic norms, it reduces disruption to instruction and promotes learning.

Secondary Categories

School's parent-community ties. Schools will be more effective in reaching student-achievement goals when they engage parents directly to support learning; when teachers make an effort to become knowledgeable about the local community and student culture and draw on this awareness in their lessons; and when an effective support network is formed with community organizations.

School leadership and management. District- and school-level leadership is a critical lever for making positive change. Effective leadership includes a managerial dimension (handling schedules, logistics, equipment, facilities, and finances); an instructional dimension (providing feedback to teachers and directing the implementation of effective instructional techniques); and a leadership dimension in which change is guided and implemented.

Physical plant. The condition, location, and layout of physical facilities could impact student learning, as could the functionality of equipment and technology, or the adequacy of other learning aids (e.g., textbooks).

Measurement systems. The measurement system itself, if faulty, can be a root cause. For example, perhaps the measurement system does not provide an accurate gauge (e.g., a test is not aligned to curriculum) or influences the subject of the measurement to behave differently than it would otherwise (e.g., teachers are "teaching to the test")

1 The use of root cause analysis in PK12 settings can be traced back to the involvement of W. Edwards Deming in the "total quality education" (TQE) movement of the 1980s. Though the TQE movement has faded, some of its tools live on, including root cause analysis. For example, school performance researcher Shannon Flumerfelt advocates for the use of root cause analysis and related techniques (see Shannon Flumerfelt and Paul Soma, *Transforming the Way We Do Business: Lean Essentials for Schools* (Destin, FL: Charactership Lean Publishing, 2012).

2 Flumerfelt and Soma describe the use of root cause analysis in school districts, including a case where slow uptake of e-learning technology by school sites turned out to be caused by the district's budget allocation formulas, which institutionalized traditional "seat-based" education and actually penalized school sites for moving students out of seats and into e-learning and other less conventional credit-earning opportunities.

3 The categories are derived primarily from Anthony S. Bryk, Penny Bender Sebring, Elaine Allensworth, Stuart Luppescu, and John Q. Easton, *Organizing Schools for Improvement: Lessons from Chicago* (Chicago: University of Chicago Press, 2010). However, it should be noted that Bryk, et al do not draw the distinction between "primary" and "secondary" causes in their "5 essential supports" of student learning that the root cause categories were largely drawn from. Further, GFOA added to this the categories of "physical plant" and "measurement systems" to account for root cause categories that the inventor of cause-and-effect diagrams, Kaoru Ishikawa, believed are generally applicable to all applications of root cause analysis.

4 For example, a response-to-intervention (RTI) model provides a structured approach to intervention for struggling students.

5 Bryk, et al reference Linda Darling-Hammond and Deborah Ball, "Teaching for High Standards: What Policy-Makers Need to Know and Be Able to Do" (New York: Consortium for Policy Research in Education, 1998).

2C Research and Develop Potential Instructional Priorities

SUMMARY

Prerequisite Best Practices:

- Best Practice in School Budgeting, 2A – Develop Goals

- Best Practice in School Budgeting, 2B – Identify Root Cause of Gap between Goal and Current State

Key Points

- To close the gap between its current and desired state, a school district should research practices shown to improve district performance to determine which practices might help it plan, budget, and attain its student achievement goals.

- Some of these proven practices include: provide an effective teacher in every class and an effective principal in every school; develop systems to collect relevant data for decision making; adopt effective instructional and curriculum programs; offer additional instructional time for struggling students; and leverage outside resources.

- Based on its research into what has worked elsewhere, a district should identify a limited number of instructional priorities it may wish to adopt. An instructional priority is an overall approach for overcoming the challenges the district faces and achieving its goal. An instructional priority should be clear about its intent, articulating the presumed cause-and-effect relationships between the actions the district will take and the outcomes for student achievement. However, it should not be specific with regard to implementation details. To promote focus, a district should limit the number of instructional priorities it adopts to the most critical things it can do to improve performance.

Related Award Program Criteria

- **Criterion 2.C.1: Instructional Priorities (Mandatory).** The applicant has developed a set of instructional priorities as demonstrated by the presentation of the instructional priorities in the supplementary materials. The applicant can provide research citations and/or other research to support the development of the instructional priorities in the supplemental materials. Note that the applicant does not necessarily have to use the term "instructional priorities" in its budget process or document — any term is acceptable as long as the underlying concept is met.

Introduction

After a school district has developed a set of SMARTER goals, identified gaps between the desired goal state and the district's current condition, and performed root cause analysis on those gaps, it must find ways to close those gaps. The starting point is to research programmatic, organizational, talent management and/or revenue practices that have proven effective elsewhere for improving student achievement. Such research helps maximize a district's chances of making meaningful improvements in student achievement and using scarce resources most effectively.

Based on its research, a district should identify the particular programmatic, organizational, talent management, and revenue practices that it wants to implement - termed the district's "instructional priorities". Each of these instructional priorities represents an overall approach for overcoming the problems highlighted by the diagnosis of root causes. An instructional priority provides direction without specifying exactly which actions should be taken.

This best practice document describes:

   I.   Existing research on proven effective practices that a district should consider as it develops its instructional priorities
   II. How to articulate instructional priorities

I. Research on Effective Practices

Background. A district's budgeting process must identify potentially effective practices to improve student achievement so that these practices can be supported by action planning and budget allocations. This begins by starting the budgeting and planning process early enough and/or coordinating with other related initiatives so that there is time to perform research and consider new ways of reaching student learning goals. Research into new and effective practices must also be rooted in an understanding of where the district is underperforming and the root causes of the underperformance. This helps focus research and consideration of new practices on the areas that matter most.

Finding Other Practices

It is likely that a district will need to identify new practices beyond those documented here. For example, it may need a new scheduling practice or it may need to look for new revenue sources. Districts are encouraged to network with peers, consult professional journals and associations, and take other steps to find ideas where they are needed.[1]

Recommendation. This document describes a number of practices that have been proven effective by professional researchers. Districts should reflect on these practices and determine the role that they might play in the district's plan and budget for improving student achievement.

Provide an Effective Teacher in Every Class and an Effective Principal in Every School

Teachers are the most important element in a student's learning experience at school[2] and principals are also a critical element in the student's learning experience.[3] Hence, top talent is required to achieve the best possible gains in student achievement. The practices below have been shown to support teacher and principal effectiveness.

- **Manage talent carefully.** Ensuring a high quality teaching staff starts with recruiting from effective talent training institutions and organizations and also offering competitive compensation.[4] Additionally, districts must continue to manage the quality of their workforce after the initial hire; using tools like performance appraisals, feedback systems, and distributing teacher talent among schools fairly.[5] Policies for tenure, promotion, pay, and dismissal that rely on proven metrics from new teacher and principal evaluation systems should also be in place.[6]

- **Provide time for teachers to work and plan collaboratively.** "Central to the success of high-achieving schools is a collaborative culture focused on teaching and learning. This culture supports regular meetings of teachers who share responsibility for assessing needs and developing solutions that address all students' learning" — according to school researcher Alan Blankstein.[7] Hence, providing the resources for teachers to work collaboratively should be a central part of a district's improvement strategy. Researcher-recommended minimums for collaborative time range from 90 total minutes per week[8] to three 45-minute periods (135 minutes total) per week.[9] The time can be used for a variety of purposes, including curriculum planning, professional practice and study forums, developing teaching strategies, or peer observation.

- **Professional development makes a real contribution to teacher quality.** Although "just about all teachers have been subjected to professional development in some form or another… the emphasis on the quality of professional development is what distinguishes [high performing schools]" as pointed out by school researcher Karin Chenoweth.[10] However, quantity does not equate to quality in professional development. High-quality professional development exhibits the following characteristics:
  - Training is centered on the curriculum being taught and based on the curriculum and instructional materials created by collaborative teams (see above). The training is also based on the analysis of student performance data, and is linked to larger instructional improvement strategies for the district or school.
  - Dedicated instructional coaches work with teams of teachers to get new instructional practices embedded into classrooms.
  - New hires (both new and experienced teachers) are trained in essential skills.

Collect and Analyze Data

The foundation for good decision making is good data. A district should develop systems to collect relevant and timely data, and the district should cultivate the capacity in staff to successfully analyze and use the data for decision making.

With respect to data collection methods, a district should develop methods to perform diagnostic, formative/short-cycle (i.e., feedback), and summative (i.e., review) assessments. Formative/short-cycle assessments are perhaps the most important because they provide the most immediate feedback.[11] While standardized test scores can be useful, districts and teachers should track a broader set of data to get a more complete picture of performance. These data could include absentee rates; dropout rates, suspension and disciplinary rates; report card grades; high school graduation rates; measures of college and career readiness (e.g., SAT/ACT scores, percent of students taking advanced placement courses); and demographic and socioeconomic information. Surveys and observations are also useful for capturing human judgments and opinions that may not be included in formal record keeping.[12]

Even the most robust data collection system will fail to make an impact if the data are not used correctly to make decisions. Hence, training and capacity building to use data are essential. Data analysis is particularly powerful when it takes place in collaborative, team settings where staff analyze student work together based on common assessments or assignments.[13]

Adopt Effective Instructional and Curriculum Programs

"Most improving schools adopt new curriculum programs and over time identify a set of effective instructional practices to implement the new program" — according to school researchers Allan Odden and Lawrence Picus.[14] Further, specific curriculum programs may have much higher impacts on student learning than other curriculum programs and other educational reforms.[15] Examples of effective practices in instructional and curriculum design include:

- **Use common instruction.** Districts should use a common curriculum for core subjects (e.g., reading, science, math) across all schools in the district. A common curriculum facilitates the ability of teachers to work collaboratively and to share experiences and materials.

- **Follow National Reading Panel guidelines.** The National Reading Panel (NRP) was formed by the federal government to assess the status of research-based knowledge about reading, including the effectiveness of various approaches to teaching students to read. The NRP identified a number of instructional strategies that are very promising for teaching students with reading difficulties.[16]

- **Be strategic and intentional about core and elective classes.** While elective classes are an important, enriching experience for students, districts must be cautious that the well-intended desire to offer such classes does not crowd out time or money for core classes. For example, researchers at the Center on Reinventing Public Education calculated the cost per-pupil to offer core and elective courses at one district and found that per-pupil staffing costs averaged $512 per elective course, but only $328 per math class.[17] Districts should understand how resources are allocated between core and elective courses and make sure that this allocation is a result of strategic and intentional decision making.

Give Students Who Struggle Additional Instructional Time

"If schools have no choice other than special education for struggling learners, students may be over-diagnosed into this expensive model, one that may not be well suited to providing accelerated academic instruction" — according to the nonprofit organization Education Resource Strategies.[18] Therefore, districts should devote resources to providing extra attention to struggling students as a more cost and academically effective

alternative.[19] Response to intervention (RTI) is one highly regarded approach to providing "just in time" intervention. RTI models emphasize ongoing identification and response-to-learning needs of struggling students before they are placed into special education programs. In an RTI model, student learning is continuously monitored and interventions are continuously refined based on the student's learning response.[20] Some of the options for providing additional instructional time for students who are identified as in need of assistance include individual or small group tutoring, before and after school supplementary classes, and summer school.

Leverage Outside Resources

Engagement with parents and the community is an important ingredient for student success. School districts should strive to increase the level of parental and community engagement.[21] For example, the National PTA promulgates national standards for family involvement programs that can be reflected in how districts run their budgeting process. There are also many opportunities to work with community groups or nonprofits that can extend and enhance the programs offered to students.[22]

II. Articulate Instructional Priorities

Background. A district's instructional priorities are a comprehensive approach for achieving goals and overcoming the problems uncovered by a district's root cause analysis. Instructional priorities should articulate a clear direction for the district without being overly specific on the exact action steps to be taken.

In addition, a district's instructional priorities will guide action planning and budget allocations.[24] Note that in a budgeting process where much budgetary decision-making authority has been given to individual school sites, it would be necessary for each school site to develop its own instructional priorities.

Recommendation. While a variety of formats and approaches are acceptable, a district's instructional priorities should have the following key characteristics:

- **Be clear about intent.** The district should be clear about how each instructional priority it develops will improve student achievement. This clarity of intent will be helpful in the future if the district needs to prioritize the instructional priorities against each other.

- **Do not be overly specific on implementation details.** Leaving out the implementation details allows decision makers to more easily consider the big picture of how various instructional priorities might fit together or conflict. Also, it prevents the process from becoming bogged down in disagreements over implementation details, which can be settled later in the planning and budgeting process.

- **Articulate presumed cause-and-effect relationships.** An instructional priority should describe the assumed mechanism by which it will help the district meet its goals. A shared, explicit understanding of the assumed cause-and-effect relationship at work forms a powerful foundation for budgeting as it becomes the basis for deciding which uses of the district's limited funds have the most potential.[25]

- **Limit the number of instructional priorities.** A school district needs to maintain focus when planning to improve student achievement. Developing too many instructional priorities will dilute this effort.

Endnotes

1 William D. Eggers and Shalabh Kumar Singh, The Public Innovator's Playbook (Cambridge, MA: Harvard Kennedy School/Deloitte, 2009).

2 Allan R. Odden and Lawrence O. Picus, *School Finance: A Policy Perspective*, 5th Ed. (New York: McGraw Hill, 2014). The authors cite a number of researchers, particularly Williams Sanders and June Rivers, "Cumulative and Residual Effects of Teachers on Future Student Academic Achievement," *Research Progress Report* (University of Tennessee Value-Added Research and Assessment Center. 1996); Thomas Kane and Douglas Staiger, *Estimating Teacher Impacts on Student-Achievement: An Experimental Evaluation* (NBER working paper #14601, December 2008); Jonah Rockoff, "The Impact of Individual Teachers on Student Achievement: Evidence from Panel Data, *American Economic Review* 94, no. 2 (2004).

3 In a 2010 Wallace Foundation survey, school and district administrators, policymakers, and others identified principal leadership as among the most pressing matters on a list of issues in public school education. Teacher quality stood above everything else, but principal leadership came next, outstripping other subjects, including dropout rates, STEM (science, technology, engineering and math) education, student testing, and preparation for college and careers. See Linda Simkin, Ivan Charner, and Lesley Suss, *Emerging Education Issues: Findings from the Wallace Foundation Survey*, prepared for The Wallace Foundation by the Academy for Educational Development, unpublished (2010), 9-10.

4 These are examples of practices followed by high-performing districts, as described by Karin Chenoweth, *It's Being Done: Academic Success in Unexpected Schools* (Cambridge, MA: Harvard Education Press, 2010).

5 Many researchers have found that inequitable distribution of teacher talent between schools is often a problem in school districts, where veteran teachers are over-represented in certain schools (typically the ones with student populations that are considered easier to teach). See for example Marguerite Roza, *Educational Economics: Where Do School Funds Go?* (Washington, D.C.: Urban Institute Press, 2010).

6 Researchers Anthony Bryk and Barbara Schneider point out that "a school that tolerates manifest gross incompetence in a few teachers can be highly corrosive to the collective efforts toward improvement being made by others." See Anthony Bryk and Barbara Schneider, *Trust in Schools: A Core Resource for Improvement* (New York: Russell Sage Foundation, 2002).

7 Alan Blankstein's views are supported by other researchers including Odden and Picus, and Chenoweth. Blankstein also cites a number of other sources. See Blankstein, *Failure is Not an Option* (Thousand Oaks, CA: Corwin-Sage, 2013).

8 "School Design: Leveraging Talent, Time, and Money" (Watertown, MA: Educational Resource Strategies).

9 Allan R. Odden, *Improving Student Learning When Budgets are Tight* (Thousand Oaks, CA: Corwin-Sage, 2012).

10 Chenoweth, *It's Being Done.*

[11] Blankstein, *Failure is Not an Option*.

[12] For example, districts may wish to survey students on their views of the academic environment of their schools or on perceptions of safety in the schools.

[13] Blankstein, *Failure is Not an Option*.

[14] Odden and Picus, *School Finance*.

[15] According to the views of Grover Whitehurst, former director of the Institute of Educational Sciences. See Grover J. Whitehurst, *Don't Forget Curriculum* (Washington, D.C.: The Brookings Institution, 2009).

[16] The National Reading Panel prepared the results of its research in two reports and a video titled, "Teaching Children to Read." See www.nationalreadingpanel.org.

[17] The researcher's work suggests that these findings are not anomalous, but represent a common pattern. See Marguerite Roza, "Now is a Great Time to Consider the Per-Unit Cost of Everything in Education," in *Stretching the School Dollar*, ed. Frederick M. Hess and Eric Osberg (Cambridge, MA: Harvard Education Press, 2011).

[18] "School Design," Educational Resource Strategies.

[19] This strategy is supported by a number of school researchers, including Educational Resource Strategies, Chenoweth, Odden, and others.

[20] Description of RTI taken from "School Design," Educational Resource Strategies. Note that response to intervention is sometimes also abbreviated RtI or RTI to denote different approaches to response to intervention. GFOA uses "RTI" in a generic sense and does not advocate for one particular approach over another.

[21] For a fuller description of how to engage the community in school activities, see Blankstein, *Failure is Not an Option*.

[22] For example, at one school a partnership with the nonprofit organization provided a trained coach who managed six periods of recess and physical education each day. Previously, special education teachers had staffed these periods. As a result of the partnership, the school improved the quality and reduced the cost of valuable physical activity time for young students and better deployed special education teachers to focus on their specialties. Taken from Chris Gabrieli, "TIME— It's Not Always Money," *Educational Leadership* (January 2012).

[23] Chenoweth, *It's Being Done*.

[24] The concept and definition of instructional priorities have been adapted from Richard Rumelt's concept of a "guiding policy." See Richard P. Rumelt, *Good Strategy, Bad Strategy: The Difference and Why It Matters* (New York: Crown Business, 2011).

[25] This idea is a more recent entry into public-sector budgeting, but has been supported by the success of budgeting methods such as budgeting for outcomes.

2D Evaluate Choices amongst Instructional Priorities

SUMMARY

Prerequisite Best Practices:

- Best Practice in School Budgeting, 2C — Research and Develop Potential Instructional Priorities

Key Points

- In evaluating options, a school district should identify the instructional priorities being considered to increase student achievement, describe the options to decision makers, provide the concrete consequences of the choices, and engage the public in evaluating the options.

- The first step in evaluating a district's options is to clearly identify the instructional priorities under consideration. This is handled through research into leading practices, an analysis of the conditions the district faces in its own environment, and stakeholder input.

- A district will also need to describe the instructional priorities under consideration in a way that allows participants to easily compare the options in the decision-making process. Useful guidelines for accomplishing this are to limit the number of options presented, provide concrete analysis on the consequences of the choices, and categorize the choices by their potential impact (e.g., student learning, long-term affordability, feasibility of implementation, level of stakeholder support, and structure).

- A district should engage stakeholders such as the school board, school site leadership (e.g., principals), teachers, union/association leadership, parents, and the broader community in the decision-making process. A district should design the stakeholder engagement process to enhance the understanding of the problems the district faces and explore and generate potential solutions through deliberative techniques, such as small group discussion.

Related Award Program Criteria

- **Criterion 2.D.1: Option Analysis.** The applicant has followed a well-designed process to present options and engage stakeholders, as evident by the description of the process in the award application. Applicants can support their description with submittal of supplementary materials that describe the process.

Introduction

A school district faces an array of different programmatic, organizational, talent management, and revenue practices that can be pursued in order to increase student achievement. In some cases, the district may be able to develop a coherent and concise set of instructional priorities that it will follow such that further evaluation of options may not be necessary (see Best Practice in School Budgeting, 2C — Research and Develop Potential Instructional Priorities). In other cases, however, stakeholders may respond with alternative ideas that the district could follow, making it necessary to assess the individual potential of each option in order to select which ones will be reflected in the budget and which ones will not.

This best practice document describes:

I.   Identifying the options under consideration

II.   Describing the options

III. Communicating that consequences do exist

IV. Engaging the public in the evaluation process

I. Identifying the Options under Consideration

Background. The first step to evaluating a district's options for which practices to pursue is to clearly identify the instructional priorities that are under consideration.

Recommendation. A district should identify its options by considering the following sources:

- **Research leading practices and development of guiding practices.** The Best Practice in School Budgeting, 2C — Research and Develop Potential Instructional Priorities describes how districts can research effective practices for increasing student learning and develop instructional priorities. This work would produce a number of clear options.

- **Analyze the environment, goal setting, and root cause analysis.** Though a district's instructional priorities are a product of these activities, not all of the issues raised may be reflected in the instructional priorities. For example, an analysis of the environment might show a steady decline in the value of the district's property tax base and projected declining enrollment, calling for practices to adapt the district to a lesser resource base.

- **Seek stakeholder input.** As democratic organizations, districts will need to solicit input from a variety of stakeholders. Stakeholder input might suggest that certain ideas be taken under consideration.

II. Describing the Options

Background. The next step is to describe the potential instructional priorities under consideration in a way that allows the options to be more easily compared by the participants in the decision-making process.

Recommendation. Districts should follow the guidelines below when describing options that will ultimately contribute to a simpler and more successful decision-making process.[1]

- **Reduce the number of options.** While more options will give the appearance of a more comprehensive decision-making process, it will most likely frustrate and confuse the participants. For example, a single option to "increase teacher collaborative time to an amount sufficient for effective collaboration" would be adequate to compare against other potential uses of the district's resources, rather than presenting a range of options covering different amounts of collaborative time.

- **Make the consequences of the choices concrete.** Provide definitive analysis of the consequence of the choices to make the options more real to decision makers. Districts should consider using standard classifications of consequences, such as potential impact on student learning, long-term affordability, feasibility of implementation, and level of stakeholder support. This will make presenting the consequences easier.

- **Categorize.** Categories make it easier for decision makers to absorb larger amounts of information. This guideline has two implications. First, options could be categorized along major types of practices. For example, options could be grouped into categories for improving instructional guidance, increasing professional capacity, improving the school learning climate, strengthening parent-community ties, improving school leadership and management, and strengthening the district's financial condition. Second, categories could be used to present the consequences of the practices under consideration. For example, rather than present raw data on the potential impact to student learning or on long-term costs, the consequences could be presented as "rating" categories: very high, high, medium, low, and very low.

- **Structure the order of the presentation to make choosing easier.** Structure the presentation of the choices to put the simpler, easier choices first. This helps to warm up decision makers and acclimate them to making choices.

III. Communicating that Consequences Do Exist

Background. Conveying the consequences of various choices may be the most challenging and analytically demanding aspects of evaluating choices. The consequences of choices can be divided into standard classifications such as potential impact on student learning, long-term affordability, feasibility of implementation, and level of stakeholder support.

Recommendation. Districts follow the guidelines below for describing the potential impact on student learning, long-term affordability, feasibility of implementation, and level of stakeholder support.

Examine the potential impact on student learning. The potential impact on student learning will be difficult to estimate with precision for any option. Therefore, a description of the potential impact on student learning should address the policy's alignment with the district's findings from the root cause analysis, the strength of any external research the practice is based on, and any actual experience the district may have with the practice already (through a pilot program, for example).

Consider long-term affordability. To make a significant, lasting impact on student learning, most education practices must be sustained over a multi-year period, making the long-term affordability of a practice a key

consideration. Examples of considerations that should enter into a description of the long-term affordability of a practice include:

- **Escalation in staffing costs over time.** For example, a new program staffed with junior teachers may become higher paid senior teachers in few years.

- **Termination of a supporting revenue stream.** To illustrate, a grant that sets up a permanent program, but only provides funding for a limited term, leaves the district to pay for the program out of its own funds after the grant ends.

- **Operating and maintenance cost of assets.** Purchases of new assets (facilities, equipment, etc.) will likely entail ongoing costs, such as maintaining the condition of the asset, replacing the asset when it becomes obsolete, or retaining staff to operate the asset.

Consider the feasibility of implementation. The feasibility of implementation speaks to the district's technical capacity to successfully carry out a practice. For example, if a new practice would require a prodigious amount of staff time and effort and staff is already stretched very thin, then feasibility of implementation might be low. Other considerations in implementation feasibility might include the degree of change a policy represents from the current way of doing things at the district and the level of technical expertise to which the district can access.

Level of stakeholder support. As a political environment, the acceptability of a practice to the district's stakeholder groups must be taken into consideration when weighing the different practices under consideration. This includes both stakeholder support for moving forward with a given practice, but also the political implications of not moving forward with a practice that has a great deal of stakeholder support. A district should have many opportunities to assess the level of stakeholder support for a practice, including surveys, public engagement forums, and one-on-one meeting with key actors.

IV. Engaging the Public in the Evaluation Process

Background. A district will face many pressures from the community. It is important that these pressures are addressed in the public engagement process so that the process is relevant to the public's concerns. While the pressures each district face will differ, some of the most prevalent pressures include:

- **Public pressure for practices that are less effective than the alternatives.** Sometimes a district will face pressure from the public to pursue practices that aren't as effective for achieving the district's goals as the alternatives. For example, public pressure to increase the number of elective courses offered may come at the expense of core courses or public pressure to reduce class sizes may divert resources from more cost-effective learning interventions (e.g., more effective professional development for teachers).

- **Pressures caused by changing demographics.** Changing demographics in the district might call for a change in how services are provided to the community. For example, increasing numbers of immigrant families (and the attendant increase in English Language Learner (ELL) students) might bring pressure for ELL tutoring, which might need to be weighed against pressure for advanced technology classes for other student populations.

- **Pressures for equity.** A district may need to make hard decisions on whether all schools will be treated essentially the same way or if a concerted effort will be made to provide more resources to schools with greater need (e.g., higher proportions of students living in poverty).

- **Pressures for job preservation.** Changes to the district's resource allocation strategy could have impacts on jobs. Job losses or the elimination of some positions in favor of creating other positions could provoke resistance.

- **Pressures for lower taxes.** The community may not be willing to support additional tax revenues for the district. Hence, funding for new programs to enhance student achievement must be found either through reallocating resources from existing uses or new revenue sources that that the community finds acceptable.

Hence, a district should engage stakeholders such as the school board, school site leadership (e.g., principals), teachers' union/association leadership, parents and the broader community in a decision-making process to select between the various options it faces and that addresses the community's pressures and issues of concern.

Engaging Funders

Some districts may have external funding bodies that have a specific interest in the district's performance and instructional priorities. For example, an overlapping city or county government might provide funding to the district. Especially where these funders exercise discretion on how much money to provide to the district, the district should consider engaging these funders in the evaluation process as well.

Recommendation. A largely unstructured public participation process often results in a "wish list" of ideas and budget requests from the participants and, perhaps, domination by unrepresentative input from special interests. Hence, the stakeholder engagement process should be designed to suit the purpose. Design considerations for stakeholder engagements/public involvement that are intended to enhance the understanding of public problems and explore and generate potential solutions include:[2]

- Develop approaches and small-group formats that can help participants understand issues and contribute to problem solving.

- Design processes for sharing information and engaging and exchanging views among participants to promote understanding and discovery of new options; help participants learn about each other's perspectives, the broader context, and possibly change their views; present information in various formats and from a variety of sources.

- Balance technical expertise and broader stakeholder representation.

Endnotes

[1] The research of Sheena Iyengar suggests that typically the opportunity to evaluate many choices is initially enjoyable to the participants, but results in delays, relatively low-quality decisions, and ultimately diminished satisfaction with the results of the selection process. Iyengar's research suggests the choice simplification guidelines described in this best practice. See for example Sheena Iyengar, *The Art of Choosing* (New York: Twelve, 2010).

[2] John M. Bryson, Kathryn S. Quick, Carissa Schively Slotterback, and Barbara C. Crosby, "Designing Public Participation Processes," *Public Administration Review* (January/February 2013).

3A | Applying Cost Analysis to the Budget Process

SUMMARY

Key Points

- Data on current costs and staffing are an essential input to the budget process. These data help a school district identify underinvestment in high-priority courses, provide a starting point for identifying trade-offs between different uses of resources, and may spur an investigation into new ways of providing a service.

- A staffing analysis shows how personnel are allocated to specific types of services within a school. In doing this analysis, a district should show the actual full-time equivalent positions for each school site and by each programmatic element (budgetary input associated with a service provided) at the school site. The district should also use actual compensation figures and include all personnel who work at the school site regardless of funding source or who they report to.

- A cost of service analysis identifies the cost of providing a service by highlighting key cost drivers. There are a variety of analytical methods to determine cost of service. One is to use fully loaded cost where employee salaries and benefits are included in the calculation. Another method is to use per-unit cost, such as costs per student served. Another is to use cost effectiveness measures to measure the benefit the district receives for the money it spends.

Related Award Program Criteria

- **Criterion 3.A.1: Cost Structure Analysis.** The applicant submits an analysis of its cost structure as a supplementary material. In the award application the applicant explains why it chose the particular analytical techniques (e.g., staffing analysis, unit cost analysis — see this best practice for details) it has employed and what insights it gained.

- **Criterion 3.A.2: Cost-Effectiveness Measurement.** The applicant should demonstrate the use of cost-effectiveness measurement techniques (see this best practice for details) and/or explain in the award application how it is building its capacity to more easily calculate cost-effectiveness measures.

Introduction

Data on current costs and staffing for existing instructional strategies are an essential input to the budget process. Data on a school district's current cost and staffing structure help a district identify underinvestment in high-priority courses (i.e., core courses, remedial courses), provide a starting point for identifying trade-offs amongst different uses of resources (e.g., larger class sizes or more instructional coaches), and may spur an investigation into new ways of providing a service.

Personnel is the largest cost for school districts. Hence, an analysis of a district's cost structure must start with understanding staffing patterns and allocations. Districts should also analyze their cost structure more generally. District budgets are usually constructed at the level of broad objects of expenditure, such as salaries, benefits, contractual services, equipment and supplies, etc. However, substantial insight into a district's expenditures can be gained by reporting costs in a way that supplies information regarding the true cost of providing a service or program.

Accordingly, this best practice document describes:

I. Considerations in analyzing staffing for each school site
II. Considerations and methods for a cost-of-service analysis, including:
    a) Fully loaded costs
    b) Per unit costs
    c) Cost effectiveness measurements

I. Staffing Analysis

Background. An analysis of staffing should show the actual full-time equivalent (FTE) positions for each school site, including the associated compensation for each position. Critically, the analysis should also show how personnel are allocated to specific types of services within the school. Ideally, personnel would be grouped by programs, which are defined as a set of activities with a common goal.[1] However, GFOA recognizes that state-mandated charts of accounts and reporting requirements might render development of a full "program" structure quite impractical for a school district. A more realistic alternative may be "programmatic elements." A programmatic element is a categorization of direct budgetary inputs (e.g., personnel, dollars) that can be clearly associated with a service provided by the school.[2] Analyzing personnel by programmatic element provides insight into how personnel are being used, not just the number of personnel at each school site.

Examples of personnel grouped by programmatic elements include:
- Teachers of core subjects (e.g., English language arts, math, science, social studies)
- Specialty teachers (e.g., teachers of art, music, electives, vocational topics)
- Instructional facilitators/coaches

- Tutors for struggling students or staff who provide extra help to struggling students within the regular school day (referred to as "Tier II" interventions under a "Response to Intervention (RTI)" model[3]), for extended day programming, and for summer school
- Teachers for English Language Learner (ELL) students
- Teachers for special education
- Pupil support staff, including guidance counselors, nurses, social workers, paraprofessionals, etc.
- Other support and administrative personnel, such as principals, school office staff, central administration, operations and maintenance, transportation, etc.

Recommendation. When conducting a staffing analysis, districts should analyze staffing by programmatic elements for each school site. Further, districts should observe the following practices when conducting the analysis:

Identify a clear analytical question to be answered. A staffing analysis can take any one of a number of possible focuses, including but not limited to comparing levels of teacher experience/effectiveness between schools sites (to reveal inequities in resource allocation between school sites), examining long-term trends in staffing (which might be of interest to rapidly growing or shrinking districts), or identifying the funding sources for

each position (if a district is trying to obtain a better understanding of the complete and comprehensive set of resources available to each school site across all funding sources, not just general operating funds). Districts should, therefore, specify the question it wants to answer with a staffing analysis and then structure the analysis accordingly. A clear analytical question helps districts focus its data gathering and analysis activities.

Use actual compensation. Districts often use average salaries of staff when analyzing the total cost of staff at a school site. Under this method, first, the total salary cost of all staff positions in a given classification (e.g., licensed teachers, principals) district wide is divided by the number of staff in that position district wide to arrive at an average salary figure for that position. Next, this average salary figure is applied to all positions at a particular school site (or working within a particular programmatic element) in order to estimate the cost of the staff assigned to that school site (or programmatic element). However, the average teacher compensation and average teacher experience/effectiveness within a particular school can vary widely across schools within the district, often reflecting the fact that there is a greater prevalence of more junior teachers in hard-to-staff schools.[4] Analyzing cost using actual teacher salaries unmasks these inequities. Further, adding the cost of benefits (e.g., health care, pension, etc.) to this analysis (which is a substantial portion of staff compensation) provides a fuller picture of staffing costs and distribution of staffing costs. Districts need to understand how differences in teacher compensation drive differences in spending across schools. With this information, districts can make better decisions about staff assignment and support, take steps to remedy differences in the distribution of teacher talent between schools, and/or provide additional funding and/or support to schools with a high number of junior teachers.[5]

Develop policy on how to account for centralized personnel. Staff that provides direct services to students (e.g., nurses, psychologists) should be included in the staffing count for each school (partial FTEs, if necessary), even if they aren't under the direct supervision of the school principal. This shows the complete portfolio of resources available to each school.

Include all staff, not just those funded by the general fund operating budget.[6] Although the general fund operating budget usually is the largest budget in a district, a substantial amount of the district staff is often funded by separate "sub-budgets," such as state

programs triggered by student poverty counts, Title I, Individuals with Disabilities Education Act (IDEA), federal preschool program, food service funds, etc. Hence, an analysis of the total staffing at the district's disposal would be incomplete without including these staff in the school sites that they serve.

Consider analyzing actual time teaching. In some cases, raw staffing figures may not provide a completely accurate representation of the time teachers spend with students due to their assigned duties other than instruction. In this case, districts might consider analyzing actual time teaching where there is reason to believe that raw staffing figures may not tell the whole story.

II. Cost-of-Service Analysis

The objective of a cost-of-service analysis is to provide a more accurate portrayal of the cost of providing a service by highlighting key cost drivers. The analysis may also help the district to see how class sizes and course offerings, teacher compensation schemes and assignments, and the school schedule affect spending. All of this allows the district to make more informed decisions on resource use. This best practice covers three cost-of-service analytical methods: fully loaded cost of compensation, per-unit costs (e.g., costs per student served), and cost-effectiveness measurements.

Fully Loaded Cost of Compensation

Background. Districts often only consider employee salaries when making resourcing decisions, neglecting benefit costs (e.g., employee health care, pensions, etc.), which are a substantial portion of employee cost. Adding benefit costs to an employee's salary enables the district to make a more informed decision among budgeting alternatives. For example, replacing fully licensed teachers with paraprofessionals is sometimes proposed in school districts as a way to stretch limited budget dollars.[7] When comparing only salaries, it may appear that moving towards paraprofessionals would yield a substantial increase in manpower — perhaps as much as three paraprofessionals to one teacher, if you assume a salary of $60,000 for the teacher and $20,000 per paraprofessional. However, if you include benefit cost of $15,000 per position (assuming paraprofessionals receive similar benefits to teachers), the ratio becomes far less favorable because the total cost of a teacher is now $75,000 versus $35,000 for a paraprofessional — or only 2.1 paraprofessionals to 1 teacher.

Other direct costs (e.g., the cost of materials and equipment used by the teacher or other service) and

indirect costs, such as overhead allocations (e.g., cost for the support services associated with a teacher or service, such as payroll/human resources staff, central administration), are sometimes considered as part of "fully loaded" total cost. However, other direct and indirect costs should only be used as part of a cost of service analysis to the extent that this additional information will provide greater analytical insight than the cost to produce the information.

Recommendation. Districts should use fully loaded compensation costs to analyze costs, especially when comparing alternative uses of funds. Districts should also include other direct costs and overhead allocations in the fully loaded costs, where such information will provide significant additional insight relative to the analytical questions being asked.

Per Unit Costs

Background. The budgets for routine business and operational services, as well as services that impact students directly, can be broken down into per-unit costs (e.g., cost per student served).[8] In addition to the more general benefits of cost analysis described earlier in this best practice, there are two other specific potential uses of converting expenditures into per pupil, per teacher, or other per-unit costs:[9]

- **Enhance communications.** Converting larger budget figures (perhaps expressed in millions or hundreds of thousands of dollars) into smaller per-unit costs makes the numbers more meaningful to the audience.

- **Reveal differences in costs.** Per unit costs can reveal where the district is spending greater amounts to deliver one service versus another. For example, researchers at the Center on Reinventing Public Education calculated unit costs at one district and found that per-pupil staffing costs averaged $512 per course for electives, but only $328 for basic math classes.[10]

Per-unit costing need not be complex; a simple approach for instructional services would be to divide proportionately each teacher's (and any aide's) salary and benefits among the courses taught and the number of participating students,[11] thus providing a per pupil expenditure. This approach does not represent a "full cost" because it excludes the cost of building, equipment, and support services. However, it does provide a basis for comparing the relative resource

requirements of different services. This simple approach can be supplemented by adding other relevant aspects of an expenditure to the per-unit cost calculation, with technology and other equipment costs being of the most immediate relevance, in most cases.

Per-unit costs can also be developed for support services, where salary and non-salary costs of a support department are divided by the number of departmental outputs. For example, procurement cost per $100,000 spent can be calculated where the sum of all goods and services purchased is divided by the total cost of the procurement department.[12] However, while the per-unit costs for instructional services can be compared against other instructional services within the district to evaluate trade-offs (e.g., the cost per student of an elective versus a core course), internal comparisons for support services are not always straightforward. Accordingly, districts should strongly consider performing trend analysis and benchmarking with other districts in order to better analyze the per-unit costs of support services.

Recommendation. Districts should use per-unit costs as analytical tools only as needed to provide additional insight. Districts should not express their entire budget in per-unit costs.

Cost Effectiveness Measurements

Background. The foregoing discussion of cost analysis does not address the benefits created by the money spent. Cost effectiveness measurements account for the benefits produced by spending. Three types of cost effectiveness measures that a district might consider are:

- **Cost per outcome.** This measure is defined as the district's total spending in pursuit of a given outcome (e.g., reading proficiency) divided by the number of proficient students. So, for example, a district might calculate the cost per reading proficiency point achieved. This measure provides insight into the overall efficiency of the district's spending and will likely be the easiest measure for a district to calculate of the three measures profiled here.

- **Relative cost per outcome.** This measure is defined as a school site's actual cost divided by the expected cost of the school site if all funding was allocated purely on per student basis. The quotient of this calculation is then plotted against the level of student performance achieved at that school site. The result is a matrix that compares school sites in

the district on their relative cost and their relative achievement, such that a school could fall into one of four categories relative to other schools: high performing and high cost, low performing and low cost, high performing and low cost, and low performing and high cost.

- **Academic return on investment (A-ROI).** This measure is defined as the cost of a given programmatic element divided by the student outcomes achieved as a result of the spending on the programmatic element. A-ROI will likely be the most challenging of the three measures to calculate for most districts, but will have the most use for guiding detailed budgetary decision making.

Recommendation. Districts should address cost-effectiveness in their cost analysis during the budget process. Cost-effectiveness information communicates that budgeting is about more than just costs and supports better decision making. However, cost-effectiveness measures are more difficult to calculate than measures that only address cost. Therefore, districts should balance the benefit available from such measures against the effort needed to calculate them, and should build capacity over time to more easily calculate cost-effectiveness measures in order to reduce this effort (thereby gradually making cost-effectiveness data a more readily available input into the budget process).

Endnotes

1   Definition of a program from Robert Bland and Irene Rubin, *Budgeting: A Guide for Local Governments* (Washington, D.C.: ICMA, 1997).

2   Note that a programmatic element is not intended to capture indirect costs.

3   RTI is an educational framework that emphasizes regular monitoring of student progress, reliance on rigorously tested and proven instructional methods, and use of data to make decisions on educational strategies. RTI identifies different "Tiers" of instruction. Note that response to intervention is also sometimes abbreviated RtI. GFOA's best practices do not differentiate between RTI and RtI, though the two abbreviations are sometimes used to refer to two different approaches to response to intervention.

4   Marguerite Roza showed that a number of districts exhibited systematic inequities between schools when actual salaries where considered (up to 30 percent differences in budget spending), typically weighted in favor of the lowest-need schools. In other words, high-poverty, high-need schools generally employed more junior staff. See Marguerite Roza, *Educational Economics: Where Do School Funds Go?* (Washington, D.C.: The Urban Institute Press: Washington, 2010).

5   *School Funding Systems: Equity, Transparency*, Flexibility (Watertown, MA: Educational Resource Strategies, 2010). http://www.issuelab.org/resource/school_funding_systems_equity_transparency_flexibility.

6   Adapted from the work of Nate Levenson, *Smarter Budgets, Smarter Schools: How to Survive and Thrive in Tight Times* (Cambridge, MA: Harvard Education Press: Cambridge, 2012). Not all school districts will have separate budgets for those items funded by federal funds. Many will have only a total operating budget, which will include state and local funding, as well as federal funds, special grants, and other revenues.

7   Ideas and example adapted from Levenson. *Smarter Budgets, Smarter Schools*.

8   The concept of per-unit costs in education is taken from Marguerite Roza, "Now is a Great Time to Consider the Per-Unit Cost of Everything in Education," in *Stretching the School Dollar*, ed. Frederick M. Hess and Eric Osberg (Cambridge, MA: Harvard Education Press, 2011).

9   Ibid.

10 Ibid.

11 Ibid.

12 Michael Casserly, "Managing for Results in America's Great City Schools" in *Stretching the School Dollar*, ed. Frederick M. Hess and Eric Osberg (Cambridge, MA: Harvard Education Press, 2011).

3B

Evaluate and Prioritize Use of Resources to Enact the Instructional Priorities

SUMMARY

Prerequisite Best Practices:
- Best Practice in School Budgeting, 2C — Research and Develop Potential Instructional Priorities
- Best Practice in School Budgeting, 2D — Evaluate Choices amongst Instructional Priorities

Key Points
- Prior to evaluating proposed expenditures for alignment with instructional priorities, a school district must understand the cost of the activities needed to implement the instructional priorities. It is recommended that a district prepare an inventory of programmatic elements, including the purpose of the programmatic element, its cost, and some type of objective evidence of its effectiveness. A district that is unable to develop a comprehensive inventory of existing programmatic elements should, at a minimum, identify the costs associated with implementing its instructional priorities.
- After identifying the cost to implement its instructional priorities, a district will need to identify how it will pay for them. Three basic options include raising new revenue, sunsetting services that are not aligned with instructional priorities or are not cost effective, or identify efficiencies to perform existing services for a lower cost.
- Once resources to pay for the instructional priorities have been identified, it is recommended that a district use a "structured judgment" approach to weighing trade-offs. A district should develop transparent criteria to evaluate the options, establish a transparent scoring system, and use data to support the score.
- Making trade-offs may also require a district to review any perceived barriers to determine the level of constraint they are actually subject to. A district should further investigate ways to overcome these constraints by seeking waivers, obtaining legal advice, and addressing organization change management concerns.

Related Award Program Criteria
- **Criterion 3.B.1: Analyze Revenues (Mandatory).** The applicant has submitted documentation with its supplementary materials that shows the results of its revenue analysis. The applicant can explain the analysis and important conclusions reached in the award application.
- **Criterion 3.B.2: Sunset Programs (Mandatory).** The applicant has submitted documentation with its supplementary materials that shows the results of its evaluation of its services to determine if any of them might be sunset in order to free resources for the instructional priorities. The applicant can explain its approach to evaluating the potential for sunsetting a service and any important conclusions reached in the award application.
- **Criterion 3.B.3: Finding Efficiencies. (Mandatory).** The applicant has submitted documentation with its supplementary materials that shows the results of its efforts to find efficiencies in its existing services. The applicant can describe the efficiencies found in the award application.

Introduction

An essential feature of a budget that best aligns resources with student achievement is that spending on activities that support the school district's instructional priorities is prioritized above spending on other items. (An instructional priority is an overall approach for overcoming the challenges the district faces and achieving its goal. See Best Practice in School Budgeting, 2C — Research and Develop Potential Instructional Priorities.)[1] This approach requires that districts abandon an incremental approach to budgeting wherein the next year's budget is the same as last year's budget with changes around the margin to the degree necessary to distribute incremental revenue gains or losses among the district's subunits. Aligning resources with student achievement also implies that the district will take steps to actively determine the extent to which spending proposals align with the instructional priorities, and how cost effective a given expenditure proposal is compared to other options for enacting the instructional priorities.

Of course, budgeting is an inherently political activity and incremental budgeting is common because it minimizes political conflict.[2] As such, a non-incremental approach to budgeting must take steps to manage political differences and channel those differences into constructive conversation.

This best practice document describes:

I. Preparing to evaluate and prioritize spending by first understanding the options that are on the table.

II. Finding opportunities to obtain the resources to pay for the new spending necessary to implement the instructional priorities.

III. Weighing trade-offs between the benefits available from pursuing the instructional priorities against the cost associated with raising the resources to pay for the instructional priorities.

IV. Overcoming constraints on changing how resources are used.

I. Preparing to Evaluate and Prioritize Expenditures

Background. As a prerequisite to evaluating proposed expenditures for alignment with instructional priorities, a district must understand, at a minimum, the cost of the activities needed to implement the instructional priorities. Ideally, however, the district will understand the full breadth of the programs and services it offers by conducting an inventory of its current expenditures. Districts should organize this inventory by "programmatic elements." A programmatic element is a categorization of budgetary inputs (e.g., personnel, dollars) that can be clearly associated with a service provided by a school or district.[3] Programmatic elements provide more insight into the services that the district and its schools are providing to students compared to raw object-of-expenditures (e.g., personnel, contractual services, materials, etc.). With this information in hand, the district can evaluate how well its inventory of current programmatic elements aligns with instructional priorities and how it compares to other spending options. It is likely that a district will find that at least some of its programmatic elements do not align with its instructional priorities. The resources funding these unaligned elements may be better spent elsewhere.

Recommendation. Districts should prepare an inventory of programmatic elements as the foundation for evaluating and prioritizing spending. Ideally, the inventory will include the purpose of the programmatic element, its cost, and some type of objective evidence of its cost-effectiveness. The costs of each element should include all direct costs, including compensation of personnel and equipment used. For evidence of cost-effectiveness, a district should consider the three following methodologies:

- **Academic return on investment (A-ROI).** A-ROI seeks to quantify the total learning impact (student learning gains multiplied by the number of students helped) per dollar spent. A-ROI is an ideal form of cost effectiveness measurement, but is not practical to use in all situations. The following two types of cost-effectiveness measures could provide substitutes, if A-ROI calculations are not possible.

- **Per-unit costs.** The budgets for routine and operational services, as well as programmatic elements that impact students directly, can be broken down into per-unit costs (e.g., cost per student served, cost per teacher impacted).[4] (Methods for calculating per-unit costs are discussed in greater detail in Best Practice in School Budgeting, 3A Applying Cost Analysis to the Budget Process.) While the cost per student served or teachers impacted is an imprecise measure of effectiveness, per unit costs still represent an improvement for decision-support over aggregate expenditure figures when A-ROI information is unavailable.

- **Performance measures.** A performance measure provides information or data to help understand or make decisions on a particular topic or issue. Performances measures can be used to track how much of a service was "produced" (e.g., number of students served), assess the efficiency of how well a service was executed (students served per $), and evaluate to the extent that anyone is better off (learning gain). Measures can also be used to track environmental conditions that help districts understand overall challenges or opportunities. It is rare that a single measure will provide sufficient information to base a decision on. Districts are encouraged to track data on a variety of factors or conditions related to a specific program or programmatic element to best understand the situation, obtain necessary feedback, and ultimately inform decision making. Most districts already track performance data as a component of good management. However, from GFOA's experiences, a more limited number have organized efforts to track, share, and use performance measures district-wide in a way that provides sustained benefits. Districts that have been successful with performance measures have approached the topic in a variety of ways. However, most include common themes or principles such as 1) having the support of top executives, 2) developing a culture that asks tough questions and relies on data to back up claims and 3) develops a common sense approach to measurement that balances both the added value of having performance data with the costs of collecting and storing the data. The use of technology, however, can assist in reducing the administrative burden. Performance management systems or dashboards can be valuable tools used throughout the organization to help track, store, analyze, and display information to relevant audiences.

II. Finding Resources to Pay for the Instructional Priorities

Background. After analyzing the cost of its programmatic elements and/or instructional priorities, a district will often find it does not have sufficient resources to fund all current and proposed items. Given the primacy of the instructional priorities, a district must find a way to pay for them. There are three basic ways in which a district might find resources:

- **Revenues.** Though raising taxes may be an unrealistic option for many districts, districts should still consider how their revenue structure could support funding for the instructional priorities.

- **Sunset programs.** The district could discontinue certain services and redirect the funding to the instructional priorities.

- **Find efficiencies.** The district could find ways to perform existing services for a lower cost and direct the savings to the instructional priorities.

Recommendation. Districts should consider all three options described above for paying for the instructional priorities.

Revenues. All districts should start by conducting an analysis of their current revenue sources, including a three- to five-year forecast, in order to get a sense of the revenues that are available to fund the instructional priorities. Districts might also consider options for raising new revenues. Districts should adopt revenue policies that provide guidance on the acceptable features of new revenue sources and the proper role of one-time versus ongoing revenues to guide its search for new revenues.[5] For districts that fund the acquisition of capital assets with current revenues, those districts might also consider adopting a debt policy to guide the use of debt to fund capital facilities. This could help optimize the use of debt versus current revenues to fund capital expenditures, thereby freeing up current revenues to fund instructional priorities.

Sunset programs. A district should actively seek to identify and discontinue services that are not aligned with its instructional priorities or that are not cost-effective. An inventory of programmatic elements is the ideal way to systematically look for services that could be eliminated. In the absence of good cost-effectiveness data a "strategic abandonment tool" may be utilized to help districts with the review and sunset process.[6]

A district should ensure that the programmatic element review and sunset process is transparent, especially the rationale for sunsetting a programmatic element. It should also make sure that all costs associated with the programmatic element are eliminated and/or reallocated to another programmatic element. In the case of personnel, accommodations should be made to the greatest extent possible, including transfer to available positions elsewhere in the district. Districts should also identify a clear timeline for reviewing and, where necessary, sunsetting programs. This can improve stakeholder support.

Find efficiencies. All districts should actively investigate possibilities for providing existing services more efficiently. Resources are available to help districts identify top saving opportunities.[7] Districts should start by conducting a high-level screening of these ideas to quickly identify those that may have potential. They should then undertake a more detailed feasibility assessment to get a better sense of the financial benefit, the impact on student achievement (if any), the political feasibility, and the certainty of the financial gain relative to the complexity of implementing the idea. A broad cross-section of the district's management should be involved in evaluating the ideas.

III. Weighing Trade-Offs

Background. After searching for resources to pay for the instructional priorities, a district must weigh them against the identified resource opportunities. Does the benefit available from the instructional priorities justify the cost to the organization to raise taxes, discontinue other programs, or change the way some services are provided? The district's budget principles are the starting point for weighing these trade-offs because they describe the spirit that will guide decision making (for more information on this topic, see: Best Practice in School Budgeting, 1B — Develop Principles and Policies to Guide the Budget Process).

The district's decision makers should review and reaffirm the policies and principles before weighing the trade-offs. Using the principles as a touchstone, a district should develop a decision-making process that suits its unique culture and organizational structure.

Recommendation. Districts should use a "structured judgment" approach for weighing trade-offs, wherein the options under consideration (e.g., cutting a program, providing a program in a new way, implementing an

entirely new program) are rated against various criteria. Many different rating approaches can work (e.g., forced ranking, weighted scorings), but any system should include the following features:

- **Transparent criteria.** Clearly define the criteria that will be used to conduct the evaluation so that stakeholders understand what the options will be weighed against. The primary criteria should be the potential impact on the district's goals and consistency with the instructional priorities. Other criteria might include:

  - **Scalability.** Can the activity start small and be easily scaled up if it proves successful? This is especially important for new or unproven ideas.

  - **Reversibility.** If the expected benefit does not occur, can the decision be easily changed, or are there significant sunk costs? Options that have large sunk or fixed costs may be less attractive.

  - **Certainty of benefits.** How likely are the expected benefits to occur? A risky course of action might be a lower priority than a more certain one.

  - **Ability to implement.** Does the district have the time, people, skills, and other resources necessary to successfully implement the change required?

- **Transparent scoring.** Those performing the evaluation should be required to provide a written or at least verbal justification of their evaluation scores. Requiring judges to provide justifications may increase the consistency of their scoring and help move the process away from intuition and towards analysis.[8] Documentation makes the process more transparent and may also help increase the overall quality by making the participants more conscious of their decision-making approaches.[9]

- **Use of Data.** Very high scores for any option should require some form of evidence to support the score.

IV. Overcoming Constraints on Change

Background. Making trade-offs often suggests new patterns of spending, but some forces in a district may favor retaining past patterns of spending and constrain change. Examples of such forces include:

- **Categorical funding limitations.** Categorical funding sources such as Title I are often seen as highly constrained in their use, thus precluding the possibility of re-investing these funds in different types of activities.

- **Legal mandates.** The district may be subject to certain legal mandates that are presumed to require specific spending patterns, such as class size maximum, maintenance of effort, targeted or school wide use of Title I funds, special education services related to Individualized Education Program (IEP), or Section 504 requirements.

- **Organizational culture.** The culture of the district may possess a natural resistance to change.

- **Contractual or practical limitations on personnel transfer and reassignment.** Labor contracts or management issues may pose an obstacle to reassigning personnel.

Recommendation. Districts should consciously recognize that it is common to overestimate (sometimes drastically) the level of constraint they are subject to.[10] The district should commit to investing the time to figuring out how to overcome these barriers and assesses possible solutions, such as:

- **Determine whether the constraint is real.** Some constraints are less restrictive in reality than they are imagined to be. For example, a legal mandate may not require the exact type of expenditure a district is making or a labor contract may not actually have provisions that restrict a certain course of action.

- **Seek waivers.** The district may be able to obtain a waiver or exemption from a particular constraint. For example, when trying to use categorical funds differently, a district could write a letter to the funder stating how it wants to use the money and why the district believes it is within guidelines. The district should also request a written response addressing correct procedure.

- **Get legal advice.** Ambiguity in regulations does not necessarily mean that something cannot be done. A district should seek legal advice or clarification from regulatory body to help understand how it can work within laws and regulations while still developing a budget that does the most possible to improve student achievement.

- **Organizational change management.** The district can work with individuals who are resistant to change to understand and address their concerns.

Endnotes

1. An instructional priority is an overall approach for overcoming the challenges the district faces and achieving its goal. See Best Practice in School Budgeting, 2C – Research and Develop Potential Instructional Priorities.

2. Wildavsky describes how incremental line-item budgeting successfully accommodates different policy objectives, along with other reasons for its persistence in public financial management: See Aaron Wildavsky. "A Budget for All Seasons? Why the Traditional Budget Lasts." *Public Administration Review* Vol. 38, No. 6 (Nov. - Dec., 1978), pp. 501-509.

3. A programmatic element is similar to what is commonly termed a "program" in public budgeting literature (i.e., "a set of activities with a common goal"), but is intended to be a little less precise in its application because GFOA did not wish to describe "program budgeting" as necessarily being a best practice for school districts given that the state-mandated charts of accounts and reporting requirements might make development of a true "program" budget very difficult for a school district. Instead, school districts should seek to go beyond analyzing and budgeting just by objects-of-expenditure and that school districts impart a programmatic perspective into their budget, even if the analysis does not fully comply with the literature's definition of a "program." Note: the definition of a program is taken from Robert Bland and Irene Rubin, *Budgeting: A Guide for Local Governments* (Washington, D.C.: ICMA, 1997).

4. The concept of per-unit costs in education is taken from Marguerite Roza, "Now is a Great Time to Consider the Per-Unit Cost of Everything in Education" in *Stretching the School Dollar*, ed. Frederick M. Hess and Eric Osberg (Cambridge, MA: Harvard Education Press, 2011).

5. See Shayne Kavanagh, *Financial Policies* (Chicago: Government Finance Officers Association, 2012).

6. Strategic abandonment tool taken from Hess, who adapted it from Heliodoro Sanchez, *Strategic Abandonment Tool* (Houston: Center for Reform of School Systems, 2012), http://www.crss.org/tll_files/Documents?Strategic%20Abandonment%20Tool.pdf.

7. In *Spending Money Wisely*, the authors detail the top 10 saving opportunities for school districts and provide ideas for over 50 more. Please see Nathan Levenson, Karla Baehr, James C. Smith, Claire Sullivan, *Spending Money Wisely: Getting the Most from School District Budgets* (Boston: District Management Council, 2014). The book is also available for free online.

8. Thomas R. Stewart discusses research in forecasting science that shows that requiring expert judges to justify their opinion led to greater consistency and toward a more analytic process. See Thomas R. Stewart, "Improving Reliability of Judgmental Forecasts" in *Principles of Forecasting,* ed. J. Scott Armstrong (Boston: Kluwer Academic Publishers, 2001).

9   Forecasting science research describes the value of documenting how forecasts are made when expert judgment is a primary input into the forecast (as opposed to a forecast based solely on a quantitative statistical model, for example). See for example Derek Bunn and George Wright, "Interaction of Judgmental and Statistical Forecasting Methods: Issues and Analysis," *Management Science*, 37, no. 5 (May 1991): 501-518.

10 Frederick M. Hess, *Cage-Busting Leadership* (Cambridge, MA: Harvard Education Press, 2013).

4A Develop a Strategic Financial Plan

SUMMARY

Prerequisite Best Practices:

- Best Practice in School Budgeting, 2C — Research and Develop Potential Instructional Priorities
- Best Practice in School Budgeting, 2D — Evaluate Choices amongst Instructional Priorities

Key Points

- The strategic financial plan outlines the school district's instructional priorities over the next three to five years and how the district will pursue and pay for those priorities. The strategic financial plan is primarily intended to be a communication device, and also, if well-crafted, as an agreement among stakeholders about what defines success in the district and what it takes to be successful.

- When developing a strategic financial plan, a district should reference its strategic plan, if applicable, and describe its goals and instructional priorities. The strategic financial plan should also describe the measures and other sources of evidence that the district is using to measure current levels of student achievement relative to the desired goal state.

- Districts should take a comprehensive approach when developing a strategic financial plan and include all district resources. Districts should also document the conditions that will trigger an update to the strategic financial plan. Material changes that occur in major assumptions that the plan is predicated on (e.g., state funding, enrollment trends, etc.) would also warrant a review and update to the plan.

Related Award Program Criteria

- **Criterion 4.A.1: Strategic Financial Plan Document (Mandatory).** The applicant provides, as supplementary material, a copy of its strategic financial plan (note that the applicant may choose any title it likes for this document)

- **Criterion 4.A.2: Strategic Financial Plan Formally Adopted (Mandatory).** As supplementary material, the applicant can provide a copy of a resolution or other document evidencing that the strategic financial plan has been officially adopted by the applicant's governing board.

Introduction

After deciding on the instructional priorities that the school district will pursue and how to pay for those priorities, the decisions should be documented in a strategic financial plan. The strategic financial plan is primarily intended to serve as a communication device that looks ahead over the next three to five years and provides a broad outline of the instructional priorities the district will pursue and how it will pay for them.

This best practice document describes:

I.   Developing a strategic financial plan

I.   Developing a Strategic Financial Plan

Background. A strategic financial plan communicates the district's intended instructional priorities for the next three to five years. The plan also explains how the district intends to fund those priorities. In many, if not most, cases, the funding strategies will involve changing existing services and programs, but could also include finding new resources. The strategic financial plan documents the trade-offs between the gains in student achievement available from the instructional priorities and the costs associated with raising new resources or economizing existing programs. Hence, the strategic financial plan plays an important part in communicating the choices that have been made to stakeholders.

Recommendation. A strategic financial plan should contain the following elements at minimum:

- **Reference to district's overall strategic plan:** Ideally, the instructional priorities should be derived from and consistent with a longer-term strategic vision, as articulated in a district's strategic plan. The strategic financial plan should reference the reader to this foundational work.

- **Goals for the district.** The district-wide goals should be described in the strategic financial plan. The Best Practice in School Budgeting, 2A — Develop Goals, describes the goal-setting process.

- **Description of the instructional priorities.** The strategic financial plan should clearly state the district's instructional priorities, including the presumed cause-and-effect relationship between the instructional priorities and the district's desired goal state. The description of the instructional priorities should also address the coherence of the district's approach. Do the district's proposed instructional priorities represent a coordinated, consistent approach to achieving the goals?

For more information on the defining characteristics of instructional priorities, please see the Best Practice in School Budgeting, 2C — Research and Develop Potential Instructional Priorities.

- **Sources of evidence that will be used to determine if the desired student learning outcomes are being achieved:** The strategic financial plan should describe the sources of evidence that the district is using to measure current levels of student achievement relative to the desired goal state as well as to measure the progress made towards the goals in the future. The sources of evidence used in the Strategic Finance Plan should measure outcomes that make a significant difference in the lives of students such as graduation rates, degree of college and/or career readiness, math and reading skills, etc.

The Role of Mandates

State and federal mandates often require that a district spend resources on a specific program, such that those resources cannot be used for other purposes. While this reality must be acknowledged, districts must also be careful not to overestimate the degree of restrictions they are subject to from mandates. Districts should actively investigate the "letter of the law" of presumed mandates to determine what, specifically, is required, and, in some cases, could even seek waivers where a mandate is out-of-line with local needs. For more information on seeking alternatives to mandates, please see Best Practice in School Budgeting, 3B — Evaluate & Prioritize Expenditures to Enact the Instructional Priorities.

- **How the instructional priorities will be funded:** To fully implement the instructional priorities will often require resources above and beyond what the district currently has available. The strategic financial plan should describe the trade-offs the district will make to secure these additional resources, including both economies found by reforming or discontinuing existing programs and services and obtaining entirely new revenues (e.g., new taxes, increase in state funding). It is essential that the instructional priorities become more than a "wish list." Attaching funding mechanisms helps make the instructional priorities a reality.

- **Long-term forecasts:** The full financial or learning impact of the instructional priorities and even the trade-offs will often not to be felt within the upcoming budget year. Therefore, the strategic financial plan should project impacts forward over a three- to five-year period. The learning impacts should include the anticipated number of impacted students compared to the total number of students potentially eligible (e.g., Will a third grade reading program impact all third graders or just some?). The learning impacts should also include the magnitude of the expected impact per student (e.g., A 10 percent improvement? A 50 percent improvement?). The financial impacts should highlight new costs the district will incur, including salaries, benefits, training, commodities and capital. Because personnel are such an important component of a district's cost structure, the forecast should show the number of full-time equivalents (FTEs) that will be required to implement a priority in addition to the dollar impact.

- **Analysis of scalability to impact:** The strategic financial plan should present an analysis of the extent to which the proposed actions will take place at a scale sufficient to make a material difference on the district's goal state (or if they are taking place as part of a pilot in order to prove effectiveness before scaling up). For example, the strategic financial plan might compare the number of students impacted by an instructional priority to the total number of students who are potentially in need of service, or the strategic financial plan might compare the total number of students to be served to the total resources available. For example, 100 at-risk students to be served by one guidance counselor may be sufficient to make a difference in the lives of those students, while 500 at-risk students to be served by one guidance counselor would not.

- **Review trigger:** The strategic financial plan should identify the conditions that will trigger an update to the plan. Foremost is the passage of time – a strategic financial plan should be updated at least every two to four years. Material changes that occur in major assumptions that are the basis of the plan (e.g., state funding, enrollment trends, etc.) would also warrant a review and update to the plan.

Put the Strategic Financial Plan into Action

A strategic financial plan is primarily a high-level communication device. A district needs a set of clear action steps to implement the strategic financial plan. The Best Practice in School Budgeting, 4B — Develop a Plan of Action describes how a district can do this.

Further, the strategic financial plan should be comprehensive, reflecting all district resources. For example, the plan should not be limited to just direct instructional services, but should also articulate the role of support services and central services in achieving the district's performance goals. The plan should also include 100 percent of the district's resources (e.g., general funds as well as categorical funds).

Finally, a well-crafted strategic financial plan becomes an agreement among stakeholders about what defines success in the district and what it takes to be successful. Accordingly, it is a very simple and powerful communications tool. A district should document the strategic financial plan in a way that is concise, understandable, and interesting. The Best Practice in School Budgeting, 1E — Identify Communications Strategy, describes a broader approach to communicating budget decisions which the strategic financial plan can fit into.

4B Develop a Plan of Action

SUMMARY

Prerequisite Best Practices:

- Best Practice in School Budgeting, 4A — Develop a Strategic Financial Plan

Key Points

- A plan of action complements the strategic financial plan by describing action steps the school district will carry out in order to implement its strategic financial plan. The plan of action is primarily intended for use by district staff as an implementation document and should be updated and refined at least annually.

- The plan of action should identify who is responsible for implementing the action steps and how the district will ensure that the actions are being implemented on schedule and with fidelity. The plan of action should also clearly identify when and how the implementation progress is reviewed and adjusted.

- When developing a plan of action, districts should be comprehensive and include all district resources. In addition, the plan of action should describe any critical resourcing assumptions, such as targeted class sizes, number of teacher work days, number of teachers and other key positions for each school site, or per pupil spending for non-personnel resources.

Related Award Program Criteria

- **Criterion 4.B.1: Plan of Action (Mandatory).** The applicant has developed a plan of action that provides a coherent presentation of how the applicant will implement its instructional priorities. The plan of action should be developed at the district-wide level. Applicants should submit a district-wide plan of action as part of the supplementary materials.

- **Criterion 4.B.2: Plan of Action Accepted by Administration.** The plan of action is formally accepted by district administration, as described in the application.

Introduction

After the strategic financial plan is developed and adopted, a school district needs to develop a plan of action. A plan of action complements the strategic financial plan by describing the steps needed to implement and fund the instructional priorities. Together they communicate the district's complete strategic vision.

This best practice document covers:

I.   Developing a Plan of Action

I. Developing a Plan of Action

Background. A plan of action describes the actions needed to implement the district's strategic financial plan. A plan of action is essential to the budget process because it describes precisely the steps the district will take to achieve its educational goals. Ideally, the budget becomes a financial reflection of the plan of action.

The reader should note that the strategic financial plan (Best Practice in School Budgeting, 4A — Develop a Strategic Financial Plan) is intended to be the primary communication device of the district's goals, instructional priorities, and intended funding sources. The plan of action is primarily intended as an implementation document that is used by district staff. Therefore, the level of detail and degree of refinement of the presentation should differ between the two.

Recommendation. Districts should develop a plan of action to describe how the district will implement its instructional priorities and associated funding methods (i.e., repurposing existing resources, raising new revenues, etc.). The plan of action should flow from the decisions made in the strategic financial plan. However, districts should update and refine the plan of action more often (at least annually) than the strategic financial plan because implementation details are likely to require more frequent adjustment than the district's larger strategic vision.

A plan of action should contain at least the following elements:

- **Instructional priorities for the district.** The plan of action should briefly identify the district's instructional priorities. The goals and instructional priorities identified in the plan of action should be identical to those originally identified in the strategic financial plan, although they can be summarized.

- **How the instructional priorities will be funded.** The plan of action should briefly identify the trade-offs that the district made in order to fund the implementation of the instructional priorities. Again, this should exactly reflect the funding approaches that were originally identified in the strategic financial plan, though it can be summarized.

- **Actions that are intended to implement the instructional priorities.** The plan of action describes the specific actions the district will take to implement the instructional priorities. The actions should form a coherent, coordinated approach to implementing the instructional priorities.

- **Actions that are intended to implement the funding approaches.** The plan of action describes the specific actions the district will take to implement the funding approaches. For example, if an existing service is to be performed more efficiently or more economically, then the plan of action should describe how that will happen.

- **Sponsorship structure.** The plan of action should specify who is responsible for implementing the actions and identify where coordination is required between different organizational units. The plan of action should also describe how the district will achieve that coordination.

- **Sources of evidence to determine if actions are being taken.** The plan of action should identify how the district will ensure that the actions are being implemented on schedule and with fidelity. Foremost, the district should identify due dates for the actions. The plan of action should also identify key progress indicators to determine if the actions are being implemented effectively. These indicators should address intermediate steps that precede the student achievement outcomes, rather than more forward-looking indicators, such as the student

achievement outcome measures described in the strategic financial plan. For example, if a student achievement outcome of "improved reading ability" is to be reached by implementing personalized learning technology, a progress indicator in the plan of action might address the degree to which the technology has been adopted by the user base.

- **Guidance on personnel counts and other critical resourcing assumptions.** The plan of action should describe critical resourcing assumptions – all such assumptions made at any point during the financial planning process — that need to be carried through to budget formulation. These could include, but are not limited to, targeted class sizes, number of teacher work days, student time on core subjects (e.g., math and reading), number of teachers and other key positions for each school site, or per pupil spending for non-personnel resources (e.g., technology investment).

- **Process for review and adjustment.** The plan of action should clearly identify when and how implementation progress (both in terms of schedule and effectiveness) will be reviewed and how adjustments will be made in response to the findings.

The plan of action is intended to be a district-wide implementation document; however, some districts may find that in order to achieve the intended results they must allow for substantial differences in how a given district-wide instructional priority is implemented at one school site versus another. While there should always be a district-wide plan of action, a district should consider how to address site-to-site differences in implementation approaches. For instance, some districts may prefer to address these differences directly in the district-wide plan of action while others might prefer to create subsidiary plans to the district-wide plan of action for each school site.

Finally, the plan of action should be comprehensive of the district's resources. For example, the plan of action should not be limited to just direct instructional services, but should also articulate the role of support services and central services. The plan of action should also include 100 percent of the district's resources (e.g., general funds as well as categorical funds) and should describe how all resources will be used to improve student achievement.

Endnotes

[1] For an explanation of instructional priorities, see Best Practice in School Budgeting, 2C - Research and Develop Potential Instructional Priorities.

[2] Allan R. Odden, *Improving Student Learning When Budgets are Tight* (Thousand Oaks, CA: Corwin-Sage, 2012).

4C   Allocate Resources to Individual School Sites

SUMMARY

Prerequisite Best Practices:

- Best Practice in School Budgeting, 3B — Evaluate and Prioritize Use of Resources to Enact the Instructional Priorities

- Best Practice in School Budgeting, 4B — Develop a Plan of Action

Key Points

- A school district should allocate its budget in a way that makes it clear how resources will be used to achieve increased student success at the district's individual school sites including the allocation of resources to school sites and also actual dollars allocated.

- Allocation methods should be utilized by districts that align resources at the school sites with the district's plan of action for effective instructional strategies and resource deployment. Two common allocation methods include staffing ratios and weighted student funding. When employing these methods, a district should use current student enrollment figures and document supporting rationale for selecting any basis.

- To show greater transparency and to provide better support for decision making, a district should move beyond basic line-item budgeting for allocating dollars. This best practice describes a number of specific techniques that a district might use. Additionally, a district should consolidate all funds in the budget to show _all_ funds available to the district in order get the most value from all its resources.

Related Award Program Criteria

- **Criterion 4.C.1: Allocation Formula (Mandatory).** The ratios and formulas used for allocation are clearly described in the budget document and the rationale behind the formulas is clearly described in the award application. The academic officer can describe how the ratios work in the application interview.

- **Criterion 4.C.2: Programmatic Elements.** The applicant allocates to programmatic elements, as is evident in the budget document.

- **Criterion 4.C.3: Consolidated Budgeting (Mandatory).** The budget allocation process includes all of the funding available to the applicant, as made evident in the budget document.

- **Criterion 4.C.4: Direct Cost of Personnel (Mandatory).** Allocation decisions are made using the direct cost of personnel (salaries and benefits), as is evident in the budget document.

Introduction

A plan of action to optimize student achievement should be reflected in the budgets for individual school sites. The budget should be allocated in such a way that the resources provided for the various elements of the plan of action are clear. It should also be clear how resources will be used to achieve student outcome goals.

This best practice document describes:

I. Allocation of resources to individual school sites

II. Actual dollars allocated

I. Allocation of Resources to Individual School Sites

Background. School districts, especially those with a large number of school sites, must have a clear and transparent method for determining how resources will be allocated to individual school sites. Districts should use allocation methods that work to align resource used at the school sites with the district's plan of action for effective instructional strategies and resource deployment. For this purpose, many districts use staffing ratios that allocate staffing to school sites based on enrollment. For example, a ratio might call for one tutor/interventionist per 100 students in poverty, with a minimum of one per school. More recently, some schools have employed a weighted student funding (WSF) formula, also known as student-based allocation (SBA) and student-based budgeting, among other names. This is a means of allocating resources from districts to schools, where fixed-dollar amounts are allocated to schools based on the total enrollment of a school site as well as its relative share of students within particular categories that the district has designated for extra funding.

Recommendation. While this best practice does not provide a specific method of allocating resources to individual school sites, the chosen allocation method can have a substantial impact on how a district's strategy is implemented at the school sites and, consequently, on student achievement. Therefore, districts should examine the following guidelines on how to apply the two most common allocation methods: staffing ratios and weighted student funding.

Guidelines for staffing ratio allocation methods:
- Student enrollment count will be the denominator for most ratios (i.e., dollars per student). Districts should use current (not historical) enrollment

figures. Historical figures may result in over or under resourcing for schools where enrollment has recently experienced a significant change.

- The ratios should be supported by a solid rationale, which should flow from the district's strategy for improving student performance.

- In many cases, ratios will result in the allocation of fractions of an employee to a school site. To the extent possible, districts should explore other options (e.g., part-time employees, improved scheduling, sharing a full-time employee between multiple school sites) before rounding up to the nearest full-time employee.

- In all cases, the ratios should be widely shared and understandable to stakeholders of the budget process.

- Districts should develop processes for school site leaders to request the ability to shift resources from one purpose to another when there is a compelling reason to do so at the school site.

Guidelines for weighted student funding methods:
- As with staffing ratio formulas, the most current student enrollment figures should be used as the basis of the formula.

- Weighting categories and weights should be clear. Common categories used to assign weights are limited English proficiency, students in poverty, and students with a disability. Weights can be expressed as flat dollar amount per student above the base amount (e.g., $400 additional goes to the school site for each student in poverty) or as a percentage of the base (e.g., an additional 10 percent of the base per student allocation goes to the school site for each student in poverty).

- Districts should have a solid rationale behind their category and weights. The rationale should be

derived from an analysis of student performance and should be designed to support the district's strategy for improving student achievement.

- Some principals may not be well-equipped to serve as the budgeting leaders of their school. The district should provide support to principals, such as training on how to budget and information to help principals make better budgeting decisions.

- Some principals and their schools will perform better than others under weighted student funding. Districts should have a system to differentiate the level of budgeting authority given to principals based on their proven performance as budgeting leaders (e.g., school site meets student performance goals while remaining within budgetary limits) and to remediate poor performers.

II. Actual Dollars Allocated

Background. Many districts must use a chart of accounts prescribed by the state government for tracking revenues and expenditures. However, districts should seek to improve the level of transparency in their budget and support better decision making by going beyond the basic line-item budgeting that is reflected by states' chart of accounts.

Recommendation. Districts can improve the transparency of their allocations through the following five practices

- **Allocate to programmatic elements, rather than just objects of expenditure.** Budget allocations should show how resources are allocated to specific types of services within each school. Ideally, resources would be grouped by programs, which are defined as a set of activities with a common goal.[1] However, GFOA recognizes that state-mandated charts of accounts and reporting requirements might render development of a full "program" structure quite impractical for a district. A more realistic alternative may be programmatic elements. A programmatic element is a categorization of direct budgetary inputs (e.g., dollars and personnel) that can be clearly associated with some service provided by the school.[2] Examples of programmatic elements might include "instruction in core subjects," "help for struggling students within the regular school day," or "instruction for English Language Learners." Allocating dollars by programmatic element provides insight into how dollars are being used to serve students, not just

how many dollars are being spent on traditional objects of expenditure like "salaries and benefits" and "contractual services" for example.

- **Show the full cost of personnel compensation.** Generally, personnel compensation costs are, by far, the largest component of a district's budget, so every effort should be made to reflect the full cost of personnel compensation in budgeting decisions. This means that benefit costs, including pensions, should be allocated along with salary costs in school budgets for all positions.

- **Consider actual versus average compensation costs in the budget.** When formulating budgets for school sites, compensation can be allocated in one of two ways: by average compensation or by actual compensation. With average compensation, the amount, including salary and benefits, is allocated to a school for every teacher position at the school. For example, if the average cost of a teacher is $60,000 across the entire district and a given school had 100 teachers, then that school's cost would be $6,000,000. Under actual compensation, the allocation for each school is based on the actual compensation of the teachers assigned to that school. Using the example of a hypothetical school with 100 teachers, the cost would be the sum of the actual compensation of all 100 teachers, which could be significantly different from $6,000,000.

Using actual compensation increases transparency regarding how resources are allocated amongst schools sites. This is important because average teacher experience/effectiveness in each school can differ widely, often reflecting the fact that there is a greater prevalence of more junior teachers in hard-to-staff schools.[3] Allocating by actual compensation unmasks these inequities because schools with more experience/effective teachers will have higher actual costs. Further, under budgeting systems in which principals have significant decision-making authority in how budgetary resources are used, actual compensation information causes principals to think differently about how they use staff.

However, for various reasons many districts may find it more practical to build budgets using average teacher compensation (e.g., financial system may not be able to administer a budget based on actuals). Average compensation can still be used to build budgets without sacrificing all of the benefits of transparency if the following practices are applied:

- The budget, while showing average compensation, should be supplemented with data on levels of teacher experience or effectiveness at the school site (e.g., average experience levels).
- Actual compensation should be used when reporting expenditures because it automatically accounts for differing years of experience (assuming that experience is the primary determinant of compensation). Reporting actual compensation for each school site helps reveal inequities in funding between school sites that might not be apparent from the budget figures,[4] which in turn may promote more informed uses of resources.
- Districts should respond to actual spending over or under the budgeted compensation amount by developing methods to provide additional support to school sites that have less experienced teaching staff.

- **Consolidate all funding in the budget**. Districts often have multiple funding sources that support their mission outside of the general operating fund (e.g., Individuals with Disabilities Education Act (IDEA) grants, Title I funds, etc.). Although some funds are subject to categorical or formulaic restrictions, the budget allocation process for each school should consider all funds for a comprehensive approach to student achievement. A consolidated budgeting process allows districts to more easily take a unified, coherent approach to optimizing student achievement with the monies they have available.

- **Allocate the majority of funds to school sites, rather than district-wide budgets.** Because the budget is intended to demonstrate how resources have been allocated at the individual school-site level in order to implement the plan of action the majority of a district's operating budget (i.e., excluding debt service and capital expenditures) should be reported at the school-site level. In particular expenditures for instruction, pupil support, instructional support, and school administration should be reported at the school-site level.

In some instances, school districts may treat district level cost differently (e.g., insurance, utilities, textbooks, etc.). As such, when allocating funds to school sites, districts should note these differences to avoid incomplete comparisons across districts.

Endnotes

1 Definition of a program from Robert Bland and Irene Rubin, *Budgeting: A Guide for Local Governments* (Washington, D.C.: ICMA, 1997).

2 Note that a programmatic element is not intended to capture indirect costs.

3 Marguerite Roza showed that a number of districts exhibited systematic inequities amongst schools when actual salaries were considered (up to 30 percent differences in budget spending), typically weighted in favor of the lowest-need schools. In other words, high-poverty high-need schools generally employed a more junior staff. See Marguerite Roza, *Educational Economics: Where Do School Funds Go?* (Washington, D.C.: The Urban Institute Press: Washington, 2010).

4 Marguerite Roza showed that a number of districts exhibited systematic inequities between schools when actual salaries where considered (up to 30 percent differences in budget spending), typically weighted in favor of the lowest-need schools. In other words, high-poverty, high-need schools generally had a more junior staff. See: Marguerite Roza, *Educational Economics: Where Do School Funds Go?* (Washington, D.C.: The Urban Institute, 2010).

4D Develop a Budget Presentation

SUMMARY

Key Points

- The budget presentation is one of a school district's most important policy documents. As such, districts need to consider how the presentation is organized, what information is included, and how it is presented.

- It is recommended that a district organize its budget in five major sections: challenges faced by the district; goals; strategies and initiatives being pursued; the financial plan; and risks to long-range financial sustainability. A district should consider other matters in its budget presentation, including inclusion of all funds in the budget, detailing full cost of services, using program accounting judiciously, and providing contextual information, such as enrollment figures, number of teacher workdays, personnel time budgeted for critical strategies, etc.

Related Award Program Criteria

- **Criterion 4.D.1: The Challenges (Mandatory).** The budget document should describe the challenges faced by the applicant — the ones that primarily shaped the budget discussion for that year.

- **Criterion 4.D.2: Goals (Mandatory).** The budget document should present the district-wide goals that guide resource allocation and how the goals are applied to individual school sites.

- **Criterion 4.D.3: Strategies and Initiatives (Mandatory).** The budget document should describe strategies that the applicant will pursue to achieve its goals. The budget document should highlight the most important initiatives the applicant is undertaking in support of its strategies.

- **Criterion 4.D.4: Financial Plan (Mandatory).** The financial plan section of the budget document should describe the applicant's expected revenues, expenditures, reserves, and debt and capital spending.

- **Criterion 4.D.5: Long-Term Financial Sustainability (Mandatory).** The budget document should describe the long-range sustainability of the applicant's financial trajectory, looking out a minimum of three years beyond the existing year.

- **Criterion 4.D.6: Understandability and Usability (Mandatory).** The budget document is designed so that it can be navigated and understood by the non-expert reader.

Introduction

The budget presentation is one of the most important policy documents that a school district produces because it describes how the community's resources are being allocated to create the best value for the community and its children.

This best practice document describes:

    I.   Fundamental organization of the budget presentation

   II.   Special issues and considerations in the budget presentation

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I. Fundamental Organization of the Budget Presentation

Background. There are two major organizing principles for conveying the budget presentation. The first is to tell the story of the budget by describing the challenges that the district faces and how the budget plan will help the district overcome those challenges and achieve better results. The second is to focus the presentation on the needs of the primary audience for that presentation, the school board.

Recommendation. Districts should use their budget to communicate the following: challenges faced by the district; goals; strategies and programs being pursued; the financial plan; and risks to long-range financial sustainability.

The challenges. The challenges section of the budget presentation should set forth a limited number of the most important challenges faced by the district. The challenges should be the ones that primarily shape the budget discussion for that year. Each district will face unique challenges and the district's analysis of its strategic and financial environment will suggest which challenges are the critical ones. Example of the types of challenges that might be described in the budget presentation include:

- Student under-performance in key areas or by large subgroups
- Funding declines
- Demographic trend changes, such as rapidly increasing or decreasing enrollment, significant changes in the tax base, or changes in the socioeconomic composition of the student body
- Legal environment changes that have a significant impact on the budget, such as changes to state or federal legislation
- Workforce challenges, such as retention or professional capacity

- Important capital asset acquisition or maintenance needs

The presentation should use comparative data to put the challenges in context. Two ways to help the audience to better understand the nature and magnitude of the challenge are a historical trend analysis of the district's own data, and a benchmark analysis against other districts.

Districts should also take other steps to help the audience better appreciate the challenges, such as anecdotes that help to personify the challenge and translate data to a personal scale. For instance, a financial challenge might be presented on a cost-per-student basis, rather than as an aggregate number.

Goals. The budget presentation should present the district-wide goals that guide resource allocation. The district-wide goals should be applied to individual school sites and customized to be relevant to the specific challenges faced by each particular school site.

However, depending on the size and management system of the district, the budget presentation may or may not include school-site level goals in the budget presentation itself. Where school-site goals are not included in the budget presentation, the presentation should clearly indicate to readers where they can obtain a copy of the school-site goals.

The goals presented in the budget should roughly parallel the "SMARTER" goal development framework described in Best Practice in School Budgeting 2A — Develop Goals. While the development of the goals should take account of the entire SMARTER framework, the presentation can focus on just those aspects most important to communicating an understanding for the goals to the audience for the presentation. This should include: precise outcomes (specific); performance

measures (measurable); academic focused (relevant); and time period for accomplishment (time-bound).

Strategies and initiatives. The strategies and initiatives describe how the challenges will be addressed. The budget presentation should describe strategies that the district will pursue to achieve its goals. The budget presentation should then highlight the most important initiatives the district is undertaking in support of its strategies. The description of each initiative should address:

- **What the initiative will accomplish, relative to the district's challenges and goals.** The presentation should make clear why the district is undertaking each particular initiative and what will be different as a result. The presentation should describe the logic behind how the initiative is presumed to have an impact.

- **Cost, where determinable.** To the extent possible, the cost of the initiative should be included. The budget presentation should also be clear if the costs are:

  ○ One-time/short-term (such as might be the case with a special project) or ongoing.

  ○ All-new spending or a repurposing of existing funds/resources. If existing resources are being repurposed, the budget presentation should also describe what activities the district is discontinuing in order to make funding of the new initiative possible.

In cases where the district's cost-accounting methods make it impractical to determine the precise cost of an initiative, the budget presentation should still address the two bullet points above.

- **Accountabilities and schedule.** The presentation should describe who is responsible for the success of each initiative and the timeline for completion of the initiative or when the initiative is anticipated to make an impact.

Financial plan. The financial plan summarizes how the district is allocating its resources to best meet its challenges and achieve its goals. The financial plan section of the budget presentation should address the following items: revenues, expenditures, reserves, and debt and capital.

- **Revenues.** The budget presentation should show the district's total revenues for the year. The presentation should present revenues from all funds and sources, and also by the district's most important accounting

funds. The presentation should identify the most important sources of revenue and provide the reader with insight into major trends, revenue projections, assumptions underlying the revenue forecast, and other points of analysis that are critical to the district's financial capacity.

- **Expenditures.** The budget presentation should show expenditures for the district as a whole and also by major organizational units, with school sites being the most important organizational unit.

A "Programmatic Element" versus a 'Program'

Traditionally, in public budgeting, a "program" is defined as a set of activities with a common goal.[1] However, state-mandated charts of accounts and reporting requirements might render development of a full program structure impractical for a school district. Programmatic elements may be a more realistic alternative for presenting the full range of expenditures undertaken by the school district. Examples of a program might include a dropout prevention program or a tutoring program for students struggling to meet standards, whereas a programmatic element might simply be "extra assistance for struggling students within the regular school day."

Within a given organizational unit, objects of expenditure (e.g., personnel, contractual services, commodities) are traditionally the most common way to classify expenditures. Districts should go further by classifying expenditures by programmatic element, not just objects of expenditure. A programmatic element is a categorization of direct budgetary inputs (e.g., dollars and personnel) that can be clearly associated with a service provided by the school.[2] Examples of programmatic elements might include instruction in core subjects, extra assistance for struggling students within the regular school day, or instruction for English Language Learners.

The expenditures section of the budget presentation should describe how staff is allocated according to the programmatic elements. Ideally, it also shows the time allocated for critical strategies. This might include, for example, the number of minutes per

week for reading and math instruction in elementary schools, the time available for teachers to collaborate each week, the amount of time for extended-day education and summer school, the number of periods in the schedule for middle and high school, how many periods each teacher instructs, the number of instruction days per year, and the number of days that are free of pupils for professional development. These time allocations are critical drivers of a district's cost structure and are highly relevant to student achievement.

Finally, the budget presentation should discuss any major trends, assumptions, or other points of interest that are critical to a full understanding of the district's cost structure. Examples might include important external influences like inflation, contractual obligations, legislative requirements, or internal policy changes like new programs or discontinued programs.

- **Reserves.** The budget presentation should describe the district's policy on reserves, including the district's target level of reserves for its major accounting funds. The presentation should then describe major anticipated changes to the reserve levels.

- **Debt and capital.** The budget presentation should describe the district's major debt issues and the purposes of those issues and how the district's current debt levels relate to relevant debt limits (e.g., as might be established by the district's financial policies).

  The budget presentation should describe the capital projects being undertaken by the district and should provide a reference to the district's long-range capital improvement plan. The budget presentation should discuss the extent to which the district's asset acquisitions are on budget and on schedule and should also discuss the anticipated impact on the operating budget.

Risk to long-range financial sustainability. The budget presentation is primarily focused on the upcoming fiscal year, but the budget presentation should also consider the long-range sustainability of the district's financial trajectory, looking out a minimum of three years beyond the existing year. Specific elements that should be included in the budget presentation include:

- **Long-range enrollment projections**. Enrollment is a primary determinant of expenditures and, often, revenues.

- **Long-range financial projections.** Revenue and expenditure projections show the district's future financial position and may foreshadow potential budget shortfalls.

- **Risk analysis.** The budget presentation should highlight the risks to ongoing financial sustainability that are of the greatest local significance. Examples of common risks that districts might consider include:

  ○ **District's ability to continue to fund its strategies and initiatives.** Improvements due to new initiatives often take multiple years to fully manifest. Might financial constraints or other forces prevent the district from providing a coherent, consistent approach to its strategies over a multi-year period?

  ○ **Grant funding.** Does the district's grant policy result in the district taking on grant-funded programs that are unsustainable (i.e., that create ongoing commitments that the district has to fund out of discretionary monies after the grant ends) and/or that distract the district from its strategic goals?

  ○ **Personnel costs.** Are personnel costs sustainable? This might include the district's ability to afford contractual wage increases and the affordability of post-employment benefits.

  ○ **Tax base changes.** Are there important vulnerabilities in the district's tax base that could impact the district's revenues?

  ○ **Capital projects.** Can the district afford to build and/or maintain the capital assets it believes are necessary? Does the district's capital asset acquisition plan adequately consider the impact on the operating budget of the acquisitions (e.g., the cost to operate and maintain)?

  ○ **New technologies.** What implications do new technologies have for the district's budget? Can the district afford to maintain the new technologies it would like to acquire and afford to train staff to effectively use the new technology?

  ○ **Pensions and Other Post-Employment Benefits (OPEB).** Pensions and other post-employment benefits are high-profile long-term liability for many school districts. The budget presentation should help readers understand the status of these liabilities.

II. Special Issues and Considerations in the Budget Presentation

Background. In addition to the essentials described in the foregoing sections, there are a number of other matters that districts should consider in the budget presentation in order to fully realize a budget that best aligns student achievement with resource allocation.

Recommendation. A district should address the following in its budgeting presentation.

Include all funds in the budget. In many districts, the general operating fund is often considered "the budget," when in fact there are a multitude of different budgets representing the many special funds the district receives (e.g., Title I funds, grants, etc.). This approach fragments resources, making for a less coordinated approach to serving students. A district should report all funds in its operating budget, showing how all resources are used to improve student achievement. Ideally, this integration is not just a matter of reporting, but reflects integrated operations and planning between these funds as well.

Demonstrate transparency in spending. Line-item budgets are intended to enhance control over the budget process, but fail to do so if they do not accurately reflect how a district is spending its money. For example, if the costs of student transportation are distributed among line items for "salaries," "fuel," "equipment," and "contracted services," without a connection to the broader service of student transportation, then it would be very difficult to discern the true cost of student transportation. Districts should develop presentation methods that more accurately describe the full cost of providing services. Programmatic elements, described earlier in this document, can be used to provide transparency on how the district is spending its money.

Use true program accounting judiciously. Elsewhere in this document, it is recommend that districts present the budget using programmatic elements, which allow a more practical alternative to classic "program" accounting for many school districts. While true program accounting is more precise than programmatic elements and could provide greater management insight, the practical challenges in setting up and maintaining true program accounting can be considerable. Hence, districts should consider developing and tracking true program budgets for the most important or strategic programs, especially those that entail significant costs. In addition to tracking costs, districts should track the results produced by these programs in order to be able to evaluate the cost effectiveness of this spending.

Provide context. It can be difficult for the reader of the budget presentation to fully understand a district's strategies and budget without context. Therefore, the budget presentation should include contextual information such as enrollment numbers, number of teacher workdays, and the personnel time that has been budgeted for critical strategies.

Endnotes

[1] Definition of a program from Robert Bland and Irene Rubin, *Budgeting: A Guide for Local Governments* (Washington, D.C.: ICMA, 1997).

[2] Note that a programmatic element is not intended to capture indirect costs.

5A Put Strategies into Practice and Evaluate Results

SUMMARY

Key Points

- A school district should establish a system to ensure that its strategies and priorities are being implemented. The system should monitor all processes associated with implementation and collect and evaluate interim performance results.

- The monitoring system should identify responsible parties to carry out and oversee the plan of action's implementation and to manage specific elements and initiatives within the plan, including milestone dates for necessary steps to put into practice, and a reporting process to inform district administrators and the board on the implementation of the strategy.

- Throughout the year, the district should evaluate student progress towards academic achievement goals. A district should schedule regular interim assessments to gather data to determine whether or not progress has been made.

Related Award Program Criteria

- **Criterion 5.A.1: Monitoring Implementation.** The applicant shows documented responsible parties, milestones, and system of reporting for monitoring strategy implementation in its supplementary materials.

- **Criterion 5.A.2: Continuous Improvement.** The applicant can document in its supplementary materials and budget document the difference between planned and actual results (both financial and student achievement results), the root causes of those differences, and plan for how the planning, budgeting, and/or implementation process will be adjusted accordingly.

Introduction

To ensure that the strategies and priorities are implemented with fidelity to the budget document, a school district needs to establish a system for evaluating results.

This best practice document covers:

I. Monitor strategy implementation

II. Evaluate interim results throughout the year

I. Monitor Strategy Implementation

Background. A well-developed budget outlines the dollars and resources for implementing a plan of action (see Best Practice in School Budgeting, 4B — Develop a Plan of Action) to align student outcomes with resources for the upcoming fiscal year. However, there are numerous examples where excellent plans are improperly or incompletely put into practice. In some cases, the plan may never even get off the ground.

Recommendation. A district should start by assigning responsibility to a senior staff member (e.g., the chief academic officer) for carrying out and overseeing the implementation of the plan of action. It should also assign responsibility to other managers for specific elements and initiatives within the plan. Next, it should identify the steps needed to successfully implement the plan (a new program or activity may require many steps). When the district is building upon existing activities, however, the implementation may be more straightforward. Regardless, an appropriate timeline and set of milestones should be developed. Finally, the district should establish a reporting process to inform district administrators and the board about implementation of the strategy. The district should also evaluate progress towards milestones within its plan of action that will ultimately lead to improved student learning. For example, have teacher collaborative groups been formed, are they meeting regularly, and are the meetings productive? Have instructional coaches been deployed? Are they working with teachers to the full extent originally envisioned, and has instruction in the classroom changed as a result?

II. Evaluate Interim Results throughout the Year

Background. Ideally, a district will monitor whether or not students are making progress towards academic achievement goals using the data from assessments aligned to grade levels and standards throughout the year. Summative assessments are typically administered near the end of the school year, so a district will need to identify interim measures of performance. Regularly scheduled benchmark assessments (e.g., sometimes given in mid-fall, January, and May) or shorter-cycle "formative" assessments can serve this purpose.

Recommendation. When available, data from interim assessments, not just standardized test scores, should be collected and used to measure learning improvement to determine if progress is being made. Monitoring interim results makes it possible to identify potential problem areas early on and to determine whether any adjustments to the original strategy are needed.

The experiences of implementing the budget and plan of action as well as the actual results achieved should be "fed back" into the budget process for the following year in order to help the district make decisions on whether to continue, expand, or cut spending on a given program. (See Best Practice in School Budgeting, 3B — Evaluate and Prioritize Use of Resources to Enact the Instructional Priorities for how to incorporate performance data into budget decision making.)

Updates on both the implementation process and performance should be reported to the board and district administrators, and made available as part of a broader communication strategy.

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