

# Rethinking School Budgeting: Supporting Your District's Strategic Plan

*GFOA's Best Practices in School Budgeting brings leaders together districtwide to ensure student achievement goals drive the budget process.*

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**A**s we emerge from the COVID-19 pandemic, we see overwhelming evidence of systemic change in public education. As we evaluate the changes in educational delivery and assessment, we must also evaluate the budget process necessary to support those changes.

Now is the time to critically examine spending patterns to ensure that the goals for student achievement are driving the budget process.

## Smarter School Spending

The Alliance for Excellence in School Budgeting (Budget Alliance) is a group of school districts working to implement the Government Finance Officers Association's (GFOA) Best Practices in School Budgeting. The Budget Alliance includes a diverse group of districts from across the United States. Member districts range from several hundred students to several hundred thousand students, representing a broad range of student performance and other key demographics.

To implement and support GFOA's Best Practices in School Budgeting, the Budget Alliance uses a framework provided by the GFOA's Smarter School Spending Program. The framework offers guidelines centered on a comprehensive budget process focused on collaboration

among academic and finance to align limited resources with desired student outcomes.

The budget process framework is based on a continuous improvement cycle that includes a baseline budget assessment, collaboration and communication between all stakeholders, a rigorous process of goal setting, a data-driven evaluation of instructional priorities, and a budget that communicates the financial steps necessary to implement and support the district's strategic plan.

The budget process framework is organized into five steps:

1. Plan and prepare.
2. Set instructional priorities.
3. Pay for priorities.
4. Implement the plan.
5. Ensure sustainability.

These major steps are accompanied by 15 sub-steps to provide additional guidance on implementation, including documentation and recommendations of key highlights.

While school districts across the country may vary in size and location, they are far more similar than they are different. School districts have a singular purpose: to educate students. This may sound simplistic, but it drives home why the Best Budgeting Practices were developed to support all types of school districts.

A very unscientific review of strategic plans from random school districts identifies four similar goals across school districts. Review your district's strategic plan to see the similarities:

- Provide the very best education to students.
- Maintain and support a highly qualified staff.
- Provide an environment of active parent and community support.
- Be a good steward of public funds by being effective and efficient in fiscal operations.

Now ask these questions about your current budgeting process:

- Does your budget support your strategic plan?

- Do you know where you are currently budgeting and expending your funds?
- Do you use SMARTER goals to support your strategic plan through your budget?
- Do you use data-driven analysis to support decision-making?

In addition to being based on a continuous improvement cycle, the Best Budgeting Practices also provide a framework that is embedded with change management. The practices are not intended to replace your existing budget methods; instead, they are designed to provide a framework to improve those practices.

## Plan and Prepare

One of the foundational steps to begin implementing smarter school spending is to establish a partnership between academics and finance under the superintendent's leadership. Working together, the finance officer, academic officer, and superintendent translate a coherent instructional strategy into dollars.

Limiting the governance of the budget process to the finance officer may have been adequate when the budget process was considered a financial exercise to allocate dollars to line items, but when districts view it as a strategic activity to distribute scarce resources most effectively based on student achievement, they realize the governance structure needs to be expanded.

A governance structure is a system of management processes and structures that help steer how the budget process operates. It gives key participants (e.g., the academic officer) a more significant stake in the success of the budget process without asking participants to micro-manage the budget process. A typical governance structure recruits executive leaders from different functions within the district to work together as a committee.

Organizational resistance is the most challenging hurdle to overcome in implementing a change to the budgeting process; the instinct is to continue using familiar methods rather than implementing changes. Therefore, the school district's challenge is to cultivate key stakeholders' willingness to embrace new ideas and strategies. A shared effort between the finance department and the academic and 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. 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 governance committee should 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 standards for success helps the governance committee maintain focus on what is most important in the budget process.

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 budget process should include a strategy for communicating to the participants, stakeholders, and general public about how the process works, what decisions were made, and why.

When implementing a communications strategy, the messenger, message, and communications channel will be slightly different depending on the audience. Thus, it is essential for the district to identify its target audience and designate a credible messenger to relay the budget message. 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.

## Setting Instructional Priorities

A school district should assess learning achievement across grade levels to determine whether students are making progress toward college or career readiness. Performance data provide the starting point for determining the current state of student performance in quantifiable terms. The district can use this quantified performance baseline to determine how students are currently performing, identify a desired future level of performance, and analyze the gap between the two, both district-wide and for individual school sites.

Performance data also form the basis for tracking progress relative to district and school goals and evaluating whether the district and schools have accomplished their objectives. The district must understand where it is today to develop a goal for where it wants to be.

Ambitious goals for student achievement are a starting point for the school district budget process. Goals articulate the board and executive leadership's vision for the district. District-wide goals are the basis for distributing performance objectives to individual school sites and district's goals should require that every student make progress.

District-wide goals should then be translated into goals for individual school sites. While not strictly part of the budget process, school goals should become the basis for goals pursued by principals, teachers, parents, and students.

Goals form 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 to the district's plan to improve student achievement.

Goals also form the basis for evaluating whether resources have been used effectively. After resources have been used, the effectiveness of that investment can be assessed more easily.

## Pay for Priorities

Data on current costs and staffing for existing instructional strategies are essential to the budget process. Data on a school district's current cost and staffing structure help a district identify underinvestment in high-priority programs, provide a starting point for identifying trade-offs amongst different uses of resources, and may spur an investigation into new ways of providing a service.

Personnel is the most significant cost for school districts. Hence, analyzing a district's cost structure must start with understanding staffing patterns and allocations. Districts should also analyze their cost structure more generally. 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 for personnel and equipment used. Districts should also identify a clear timeline for reviewing and, where necessary, sunseting programs. This can improve stakeholder support.

A district should ensure that the programmatic element review and sunset process are transparent, especially the rationale for sunseting a programmatic element. It should also ensure that all costs associated with the programmatic element are eliminated 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.

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

## Implement the Plan

After deciding on the instructional priorities that the district will pursue and how to pay for those priorities,

the decisions should be documented in a strategic financial plan. This plan is intended primarily to serve as a communication device that looks at 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.

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% 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 simple and powerful communications tool. The GFOA recommends that a district document the strategic financial plan in a concise, understandable, and interesting way.

## Ensure Sustainability

Finally, the district should establish a reporting process to inform district administrators and the board about implementing the strategy. An appropriate timeline and set of milestones should be developed. The district should evaluate progress towards milestones within its plan of action that will ultimately lead to improved student learning.

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 to help the district make decisions on whether to continue, expand, or cut spending on a given program.

## Find Out More

The Smarter School Spending process website (<http://smarterschoolspending.org>) helps school districts address challenges associated with the ever-present need to improve student outcomes within the constraints of limited funding. The website provides free tools and resources, including GFOA's Best Practices in School Budgeting.

The website is organized around a multi-step process for districts to develop and implement a strategic financial plan and budget on their own or with support from a technical assistance provider. In addition it provides districts with various resources, from meeting materials to analytical tools that will guide districts through the financial planning and budgeting process.

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