Fiscal First Aid for School Districts

AUGUST 7, 2020

Quick Agenda

- Overview of GFOA's Fiscal First Aid framework
- More in Depth on Fiscal First Aid for School Districts
- Update from GFOA's Federal Liaison Center

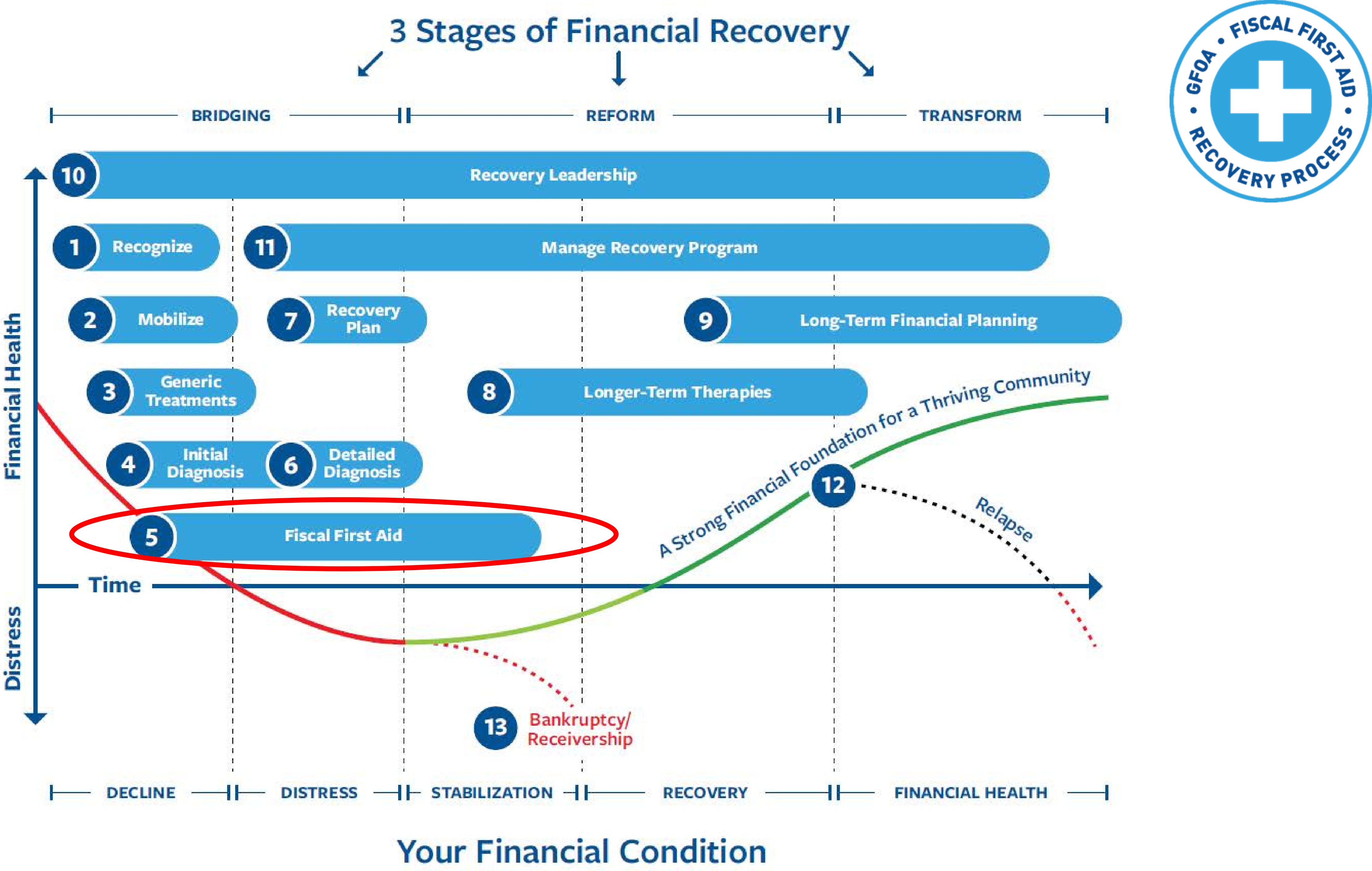
3 Phases of Recovery

1. Bridge

2. Reform

3. Transform

12 Steps through the process



Fiscal First Aid Step 5 Overview

- Near term strategies:
  - Primary treatments i.e. preferred and/or recommended
  - Cautionary tactics
  - Extreme cautionary
- All are included in GFOA's Balancing the Budget in Bad Times white papers:
  - Balancing the Budget in Bad Times Part 1 (primary treatments) – https://www.gfoa.org/balancing-the-budget-part1
  - Balancing the Budget in Bad Times Part 2 (cautionary treatments) - https://gfoa.org/balancing-the-budget-part2

Framing the Environment

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- Create a culture of frugality
- Spending to save – if necessary
- Framing and communicating the crisis being faced:
    - Be prompt
    - Be straight
    - Provide solutions
- Consider long-term consequences of short-term actions

Primary near term tactics

The “primary” techniques mostly take sound, proven financial management practices and explain how they can be especially helpful during financial distress. Governments should use these tactics, in good times and bad, to maximize the value of taxpayer money. They include:

Control personnel costs

Vacancy control

Monitor and limit use of overtime

Address health care costs

Review workers’ comp claims

Increase revenues

Obtain federal and state/provincial assistance

Examine fees for service

Improve billing and collections procedures

Debt, capital & equipment spending

Review opportunities to refinance debt

Improve fleet management

Align capital financing with project schedules

Develop an equipment replacement schedule

Enhance purchasing practices

Review ongoing expenditures

Investigate risk management patterns

Review use of consultants

Pooling resources & partnering

Pool departmental resources

Look for opportunities to partner with private organizations

Cooperate with other governments

Cautionary near term tactics

Many governments will not be able to balance their budget following COVID-19 by just doing the basics well. They will have to use at least some of the "cautionary" treatments identified below, even though they have a greater risk of hurting the quality of government service, lowering employee morale and exacerbating long-term challenges if used for a long time.

Control Personnel Costs	Organizational strategies
Wage freeze	Small or temporary across-the-board cuts
Hiring freeze (more stringent than vacancy control)	Reorganization
Increased use of part-time labor	Centralize finance and HR functions
Reduce hours worked and paid	**Sourcing strategies**
Close facilities or reduce hours of service	Outsourcing
Layoffs, furloughs or reductions in force	Insourcing
Increase employee contributions toward cost of retirement benefits (pension, OPEB)	Divesting

Cautionary near term tactics (cont.)

Reduce near-term debt, capital, equipment spending	Enhancing revenues
Defer or cancel capital projects, maintenance or replacement	Revisit interfund transfer policies
Defer non-capital special projects	Obtain better returns on idle cash
Use short-term debt to pay for vehicles	
Restructure debt	

Extreme caution near term tactics

Some governments will have to go even further to balance their budget. GFOA has identified the following “extreme caution” tactics, though they should also be among the last options considered. Some are variations on or more extreme versions of tactics in the primary and caution categories.

Reducing expenditures	Increasing revenues
Large or sustained across-the-board program cuts	Levy a broad based tax increase
Across-the-board wage cuts	Create an independent special district with its own taxing authority
Defer compensation	Long-term borrowing
Offer an early retirement incentive program	Tax anticipation notes

“Shouldn’t we first think about…”

Some items you might expect to find on this list are in the primary techniques. For example, GFOA recommends reviewing and curtailing use of consultants and temporary staff before looking at full-time staff.

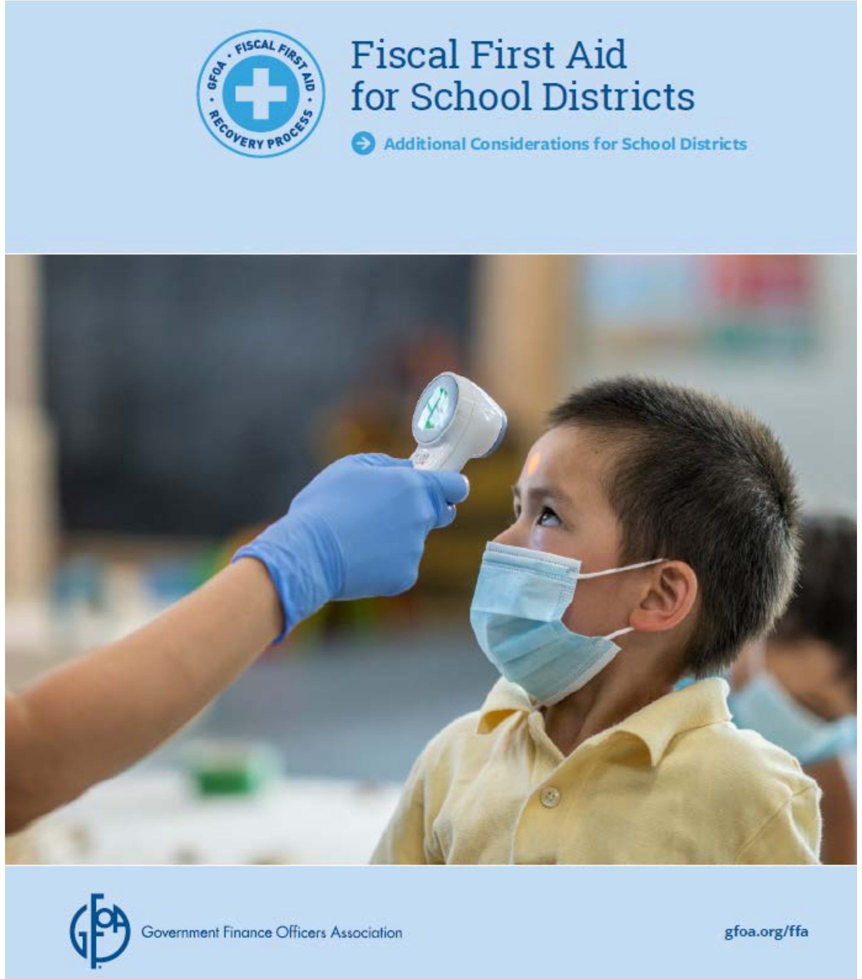
Polling Question #1

Which of the following **best** describes your biggest concern over the next month?

a. Trying to figure out how we are opening schools in the next few days/weeks
b. Expenses related to re-opening are placing a huge pressure on my budget already
c. Revenue projections already look so bad it is the only thing I can think about
d. Don’t tell anyone else – but things aren’t looking that bad for us right now

Fiscal First Aid for School Districts

- Report just released – available here – https://www.gfoa.org/materials/school-ffa
- Guidance and considerations for a number of areas of cost savings and better strategic alignment of resources
- Divided into:
  - Shorter term opportunities
  - Longer term opportunities



Shorter Term Opportunities

1. School Site Budgets, Expenditures, and Allocation Formulas
2. Better Leveraging of Staff Providing Instructional Support Services
3. Rethinking How Instructional Staff Can Be Leveraged Now
4. Partnering with Other Districts/Entities
5. Short-Term Pause on Specific Capital Expenses

1. School Site Budgets, Expenditures, and Allocation Formulas

- Contingency Pooling – School Sites and Departments
  - Example – District with 10 school sites each with a $5 million budget. A contingency of just 1% at each site is $50,000 for a district total of $500,000. Is this used/needed? Why? How can this be better leveraged centrally?
- Budget to Actuals
  - Analyze historic patterns
  - Look for back-loading of expenditures
  - GFOA's best practices on Budget Monitoring and Performance Measures to help
- Staffing Allocation Formulas
  - Do you have guidelines in place?
  - Are your guidelines readily understood, followed, and available?
  - See GFOA's guidance from Smarter School Spending available here

2. Better Leveraging of Staff Providing Instructional Support Services

- Classroom Aides
  - How are they being used in virtual setting?
  - Do they have the technology to help virtually?
- Special Education Aides
  - Do they have the technology to help? Is it effective?
  - What can they do to support special education teachers?
- Librarians and Non-Classroom Teaching Positions
  - How are their expertise being leveraged to help with virtual learning?
  - How can they be better leveraged to help reduce class sizes to promote social distancing for in-person learning?

3. Rethinking How Instructional Staff Can Be Leveraged Now

- Instructional coaches and similar positions
  - How can they be used on a short term basis to help provide best virtual instruction?
  - How can they be used to support in-person social distancing needs?
- Blended models
  - How can teachers’ key strengths be leveraged more broadly?
  - Can virtual instruction be covered by fewer teachers to help support in-person needs?
- Fully virtual openings
  - Sharing resources that work well
  - Internal professional development

4. Partnering with Other Districts/Entities

- Partnering with Other Districts
  - Combining efforts on providing virtual instruction
  - Ensuring access to high-speed internet
- Other Organizations
  - Low cost facility needs
  - Risk management issues
  - Pooling resources to acquire goods needed to protect students/staff

5. Short-Term Pause on Capital Expenses

- Help address any shorter-term cash flow issues
- Chance to re-assess/course correction on any glaring needs for projects in the works
- Using virtual learning time as a chance to catch up on deferred maintenance and
- Needs for social distancing when in-person learning resumes

Polling Question #2

Which of the following **best** describes your biggest concern over the next one to two years?

a. Figuring out how to pay for remedial learning and lasting academic needs related to the pandemic

b. Loss of revenue related to the economic downturn and how we can possibly cut enough to balance our budget

c. How to prepare for the next time something like this happens

d. I am not even sure what tomorrow is going to do to me, let alone the next year or two

Longer Term Opportunities

1. Strategic Alignment
2. Better Leveraging of Staff Providing Instructional Support Services
3. Opportunity to Rethink How Instruction is Delivered
4. Tackling Key Areas of Concern for Both Performance and Cost
5. Outsourcing of Non-Core Functions
6. Longer-Term Considerations for Capital Projects

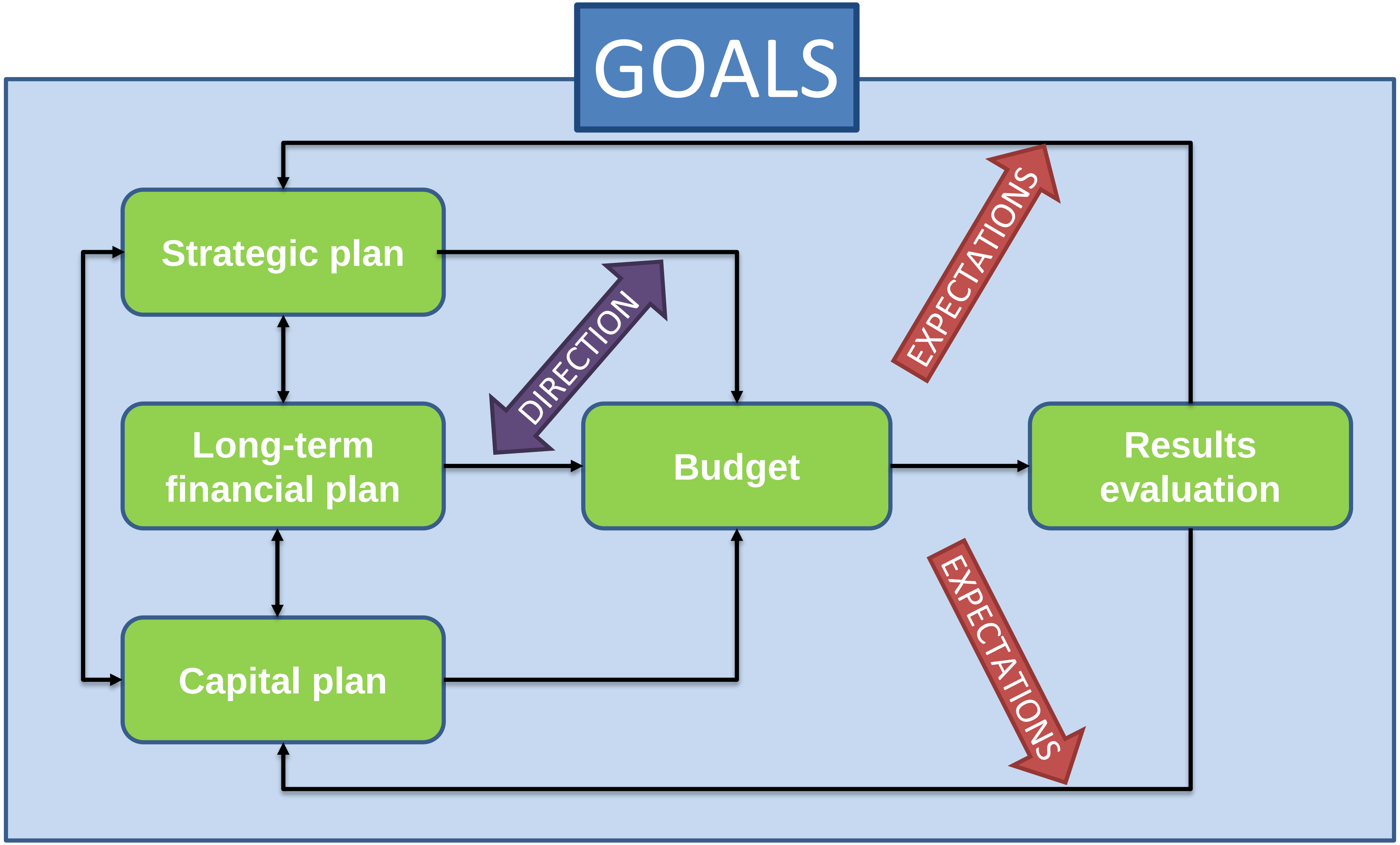
But First – Two Broader Considerations

- Strategic Financial Planning
  - Now is the time more than ever to examine forecasts and have senior leadership conversations on the future financial impacts of the pandemic
  - GFOA offers additional guidance specifically for school district here as well as a strategic financial planning template here
- Avoiding Across the Board Cuts
  - Using strategic cuts of specific programs and services instead – even though more difficult
  - Across the board cuts hamper the entire organization – placing pressures on all areas regardless of priority, performance, etc.

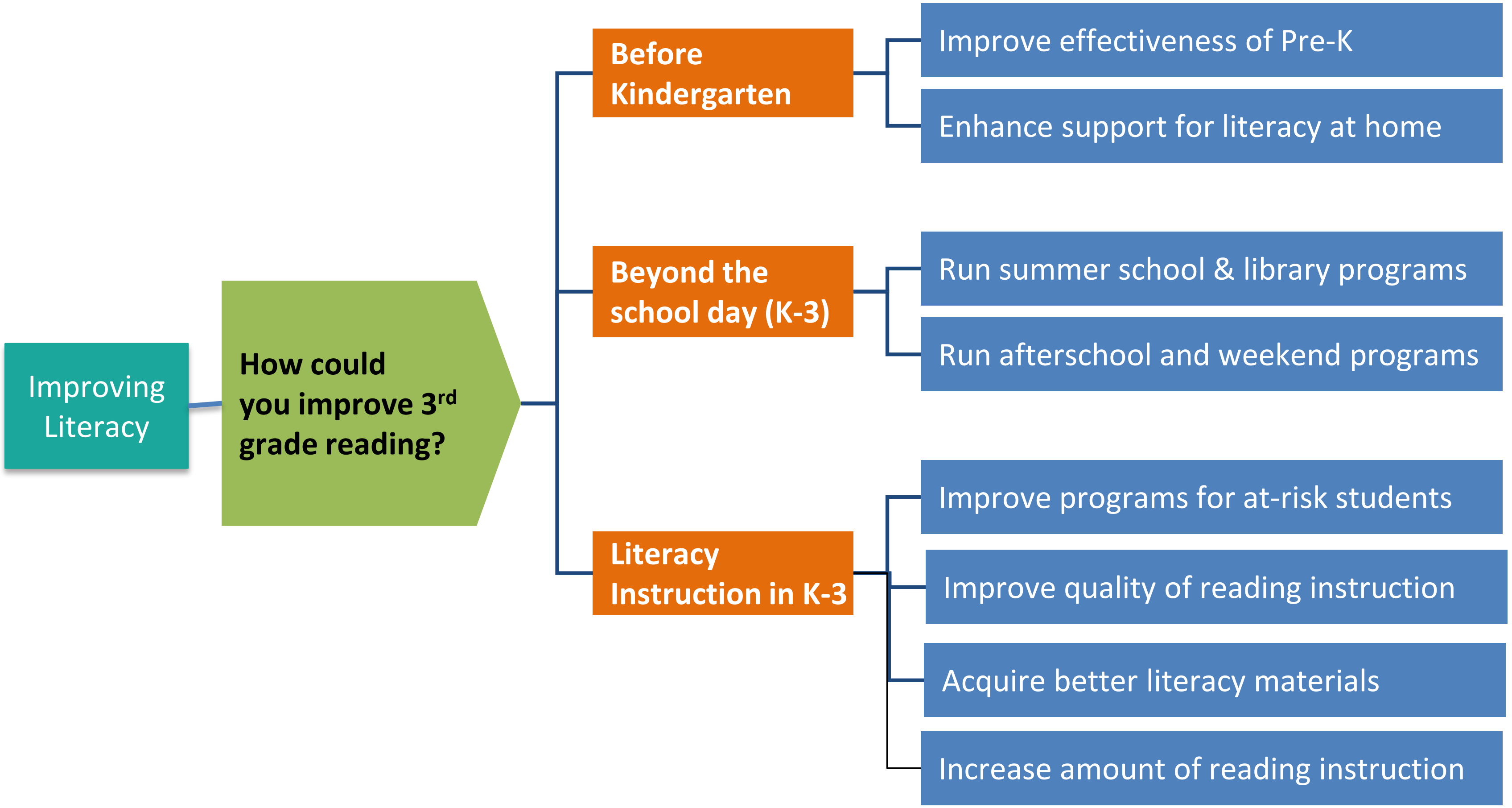
1. Strategic Alignment

- Development of Robust Goals
  - Specific, Measurable, Achievable, Relevant, Time-Bound, Engaging, Resources – more info here
  - Are your current goals still the right goals?
  - How well aligned are your strategies to your goals and what you are trying to achieve?
  - How well do you track performance? GFOA's best practice here

Leveraging Long Range Plans



Mapping the Levers



Available in the Instructional Priority Planner tool: https://smarterschoolspending.org/resources/instructional-priority-planner

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2. Better Leveraging of Staff Providing Instructional Support Services

- Assessment of types of positions, job descriptions, and most importantly how position is actually utilized
- Alignment of position’s function and use to strategic goals and needs
- What is driving the use of the position? State requirements? Something else?

3. Opportunity to Rethink How Instruction is Delivered

- What are the lessons learned from how virtual learning worked (or didn't) this spring?
- How can better virtual learning be leveraged after returning to school in-person – for outside school hours, summer learning, etc.?
- Paper materials – how relevant are they?
- Leveraging charters for blended learning models

4. Tackling Key Areas of Concern for Both Performance and Cost

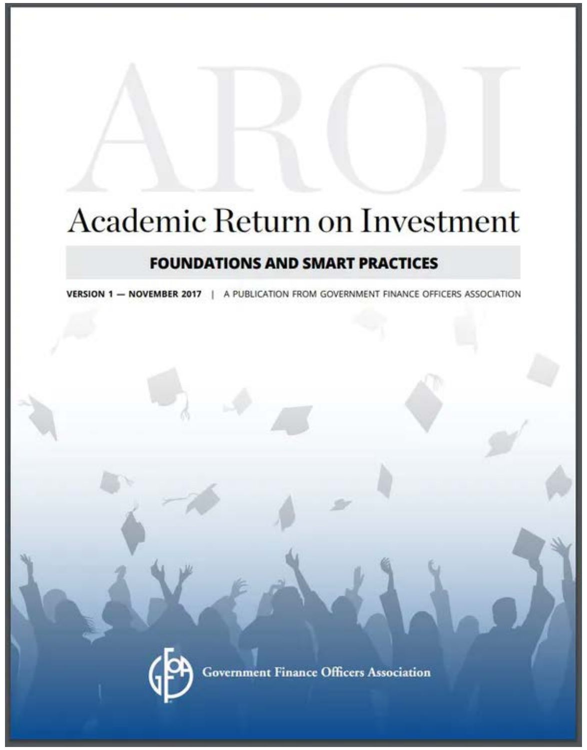
- What are the areas commonly discussed in your district that are low performance and high cost?
- Focus on long term outcomes not short term needs or costs overall – avoid perception of a ‘money grab’
- Some areas for consideration could include:
  - Special Education and Related Supports – how does academic and student related outcomes compare to costs? Is there good understanding or areas of need? Good understanding of processes behind how supports are identified and provided?
  - Professional Development – how is effectiveness being measured? How well aligned is professional development to identified needs of district?

5. Outsourcing of Non-Core Functions

- First and foremost, take a measured approach
- Careful planning and engagement with stakeholders including community and also impacted staff
- Consider risks related to loss of direct control over service provision
- Care in structuring contracts for service level needs and also for reduction/stoppage of need for service
- A fiscal impact study should be done as well with considerations for:
  - Short-term impacts – saving significant enough to proceed? Savings marginal to potentially justify keeping in house?
  - Long-term impacts – how can outsourcing offset major future needs – including infrastructure/equipment and also collective bargaining related increases
- See GFOA's best practice on Evaluating Service Delivery Alternatives

Additional Resources Related to Cost

- Cost Savings Idea Tool – from GFOA's Smarter School Spending site benchmarks 30 key academic and operational areas based on your response to key questions and whether or not your district aligns or is an area to investigate further. Available here.
- Academic Return on Investment – cost-effectiveness measurement tool that weighs the getting the most out of your funding for particular outcomes. GFOA has done more research in this area which can found here.



6. Longer-Term Considerations for Capital Projects

- Pressures related to affordability
- Consideration for how projects may need to be altered to accommodate social distancing, other needs, including:
  - Design of common areas
  - Sizing of classrooms and types of furniture for social distancing
  - Better HVAC systems
  - Upgraded Wi-Fi
- Additionally – how should potential upgrades be done?
- Creating better access for students to high speed internet

Impacts on Enrollment

- Potential shift in population away from crowded areas and also demand for larger homes, yards, etc.
- What does this potentially mean for your district?
  - Impact on facility needs
  - Impact on revenue received on a per student basis
- Also – shorter term impacts based on how local private, charter, and other nearby options are re-opening

Polling Questions #3

Which of the following **best** describes your district's current stance and/or need related to any federal funding assistance for COVID-19 impacts?

a. We won't be able to survive without
b. It is a nice to have, but we can manage without
c. We aren't counting on the federal government for anything
d. Even if we do receive, it will likely have too many strings attached to utilize well

Federal Update

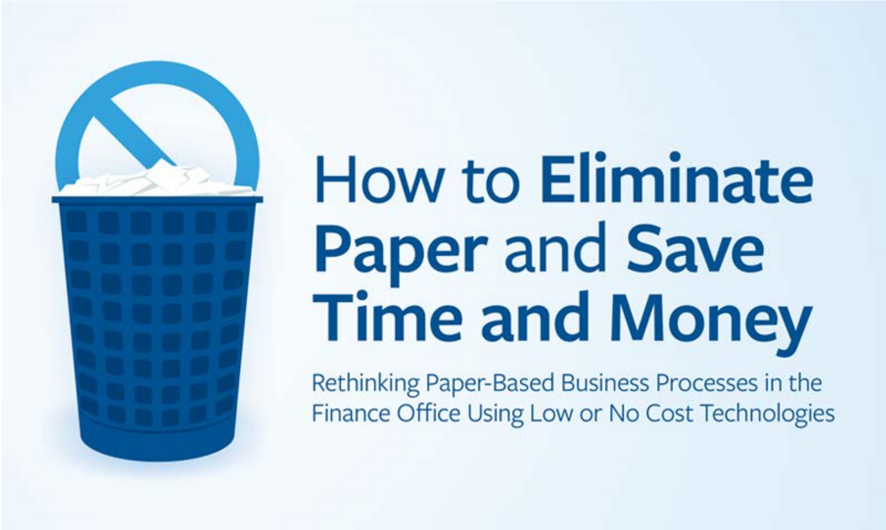
- Status of current discussions
- Resources related to COVID-19 response: https://www.gfoa.org/coronavirus
- Help us help you – brief request for information on pressures you are currently facing related to your budget, funding, etc.: https://www.gfoa.org/detail/school-district-covid-19-survey


Balancing the Budget in Bad Times
PART 1
Primary Treatments for Reducing Cost and Enhancing Revenues in the Next 12–18 months


Balancing the Budget in Bad Times
PART 2
Riskier Treatments for Reducing Cost and Enhancing Revenues in the Next 12–18 months


Fiscal First Aid for the Procurement Office
Strategies for balancing the budget while maintaining critical services during a financial crisis


Cash is King
Short-Term Strategies to Slow the Flow of Money Out the Door and Keep the Budget Balanced
BY SHAYNE C. KAVANAGH AND JOSEPH P. CASEY, PH.D.


How to Eliminate Paper and Save Time and Money
Rethinking Paper-Based Business Processes in the Finance Office Using Low or No Cost Technologies

Upcoming Events/Webinars

- August 12^{th} - School District Roundtable on COVID-19 Financial and Related Impacts – Free Webinar
- August 18^{th} - Communicating in Uncertain Times: The Role of a Strategic School District CFO – Webinar
- September 29^{th} – October 1^{st} - School Budgeting Best Practices Virtual Readiness - Training
- November 6^{th}, 10^{th} and 13^{th} – Alliance for Excellence in School Budgeting – Fall Meeting – also have a pre-meeting on November 5^{th} to review framework for new members and those wanting a refresher.

Resources/Questions

- Fiscal First Aid - www.gfoa.org/ffa
- Smarter School Spending – https://smarterschoolspending.org/
- GFOA Best Practices - https://www.gfoa.org/best-practices
- GFOA's COVID-19 Response Center - https://www.gfoa.org/coronavirus

- Other questions?
- Contact - Matt Bubness, mbubness@gfoa.org

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