



Government Finance Officers Association

Smarter School Spending

Lake County School District Pays for Priorities



Lake County School District (LCSD) was growing rapidly, but the revenues needed to keep up with growth weren't materializing and student achievement was suffering as a result. LCSD embarked upon the Smarter School Spending journey to put an end to reactive, short-term budget cutting and take a coherent long-term approach to reaching its student achievement goals. Part of the journey was finding opportunities to shift resources away from lower value activities and towards academic priorities.



Lake County School District (LCSD), in central Florida, needed to improve student achievement. However, revenues were largely stagnant, and enrollment was increasing rapidly — reaching just over 41,000 students in 2013. This meant that expenditures routinely outgrew revenue as more

staff were needed to serve the growing student body. This resulted in a perpetual cycle of financial stress.

Because of the persistent financial stress the District was under, budget decisions were more often about where to cut than where to add. But with no clear, factual basis for determining where to focus its resources, LCSD's cutback strategy was reactive and often relied on retrenchment, like furlough days. This approach satisfied no one. There had to be a better way.

"Money is not increasing. We must invest our dollars in the most efficient and effective way possible, and that requires us to really go back and analyze. It requires us to be incredibly innovative in our approach to how we optimize resources."

*Susan Moxley, LCSD
Superintendent*



In late 2012, Dr. Susan Moxley, LCSD Superintendent, and her team looked to Smarter School Spending in order to move away from a reactive approach to budgeting that was fueled by short-term emotions, and towards a system that allowed the District to logically evaluate what it should and should not be doing. Using the Smarter School Spending approach, LCSD refined its goals and set its instructional priorities. It then needed to pay for the priorities.

Paying for the Priorities in the First Year

In its first year of Smarter School Spending, LCSD established the four principles to guide its search for cost-savings to pay for its instructional priorities:

- **Focus on educational priorities rather than simply bottom line financials.** This meant that LCSD would end reliance on overly broad cost-reduction strategies, like furlough days, that adversely affected the ability of LCSD to execute its instructional priorities.
- **Increase focus on academic return on investment for strategic choices.** Rather than relying on the gut instincts of administrators, LCSD would use data to determine which programs were the most and least cost-effective. For example, LCSD learned that a highly regarded program to help teachers improve their skills in areas that their personal performance evaluation suggested necessary was actually seldom used.
- **Create more differentiation in resource allocation where possible.** LCSD had, historically, used rigid formulas to allocate staff to buildings. This had ushered in a view that all buildings should be treated “equally,” with number of students as the basis for determining equality. This did not take into account the differing needs of the type of students at each school. Further, the rigidity of the formulas even encouraged some schools to attempt to “game” the system. For example, one formula called for a school to get an additional assistant principal when it exceeded 900 students. Some schools attempted to manipulate enrollment figures to get across this threshold.
- **Better align categorical funding sources with the budgeting processes.** Funding sources like Title I and IDEA were important to LCSD, but largely operated in their own silos and were not coordinated with the rest of the District. As a result, there was duplication of services.

Guided by these four principles, LCSD examined a number of potential cost-savings opportunities. In some cases, LCSD’s fact base suggested where the greatest opportunities might be, and, in other cases, Smarter School Spending simply provided an opportunity to address issues that LCSD’s management team already knew needed attention. The most important opportunity was changing the high school schedule. LCSD had traditionally been on a “4x4 schedule” (also known as a “block schedule,”) wherein each student was scheduled for four 90-minute classes each semester for which they received one full credit each. (They took four classes for four credits.) Therefore, each school year a student would receive eight credits, receiving a total of 32 for their entire high school career. However, the State of Florida only required 24 hours to graduate and would only fund LCSD for 24, meaning that LCSD was not receiving state financial support for 25 percent of the credit hours that students were taking.

The solution was to go to a more conventional seven-period day each semester, where the student received seven credits per year and 28 credits for their high school career. This would offer both financial and academic benefits.

With respect to academics, because of the greater number of periods in a seven-period schedule the students had more flexibility to take different classes than would have been possible under the 4x4 schedule. For example, they might take classes required by universities (e.g., foreign languages) or make up classes that they did not pass before. The seven-period schedule also provided more instructional time per course than the block schedule. For example, it better accommodated LCSD's career and technical program. In short, LCSD could not find evidence that the costlier block scheduling was producing academic benefits sufficient to justify its cost.

The schedule change saved money because it made more efficient use of teacher time. Under the 4x4 schedule, a teacher taught three of four periods each day, with the remaining one set aside for planning. Under the new schedule, a teacher still had one period set aside for planning, so they would teach six of seven periods. Put another way, under the 4x4 schedule teachers taught 75 percent of the day, while under the conventional model they taught about 85 percent of the day. This meant that about 15 percent fewer person-hours were needed to cover the same number of classes across the entire District. Seventy-three fewer teachers were required to teach the District's 11,000 high school students, translating into savings of about \$4.6 million. Though the change caused some consternation among the teaching staff and principals, no teachers lost their jobs due to the schedule change, which helped ease concerns. Because teaching positions were added to carry out the instructional priorities, the actual net loss in teaching positions was less than 73. For the positions that were cut, the savings were realized through attrition and retirements rather than layoffs.

Not all of the cost-saving ideas lived up to expectations. For example, the fact-finding phase showed that LCSD had significantly more clerical staff and guidance counselors than comparable school districts. A work team was assigned to investigate this. Initially, there was some disquiet on the team about the potential for the team's work to result in layoffs among clerical staff and guidance counselors. In fact, some team members even began by defining their role as justifying current staffing. However, after some coaching by Dr. Moxley and the executive leadership team, the work team came to understand that the goal of Smarter School Spending was not to make broad cuts in a knee-jerk response to staffing benchmarks, but rather to use the benchmarks as a clue as to where the District might be able to use money more judiciously. The team then began a more in-depth investigation and found that the reasons behind LCSD's apparently higher staffing were complicated — LCSD's clerical staff and guidance counselors often had broader responsibilities than their counterparts at other districts. So, while there might be some opportunities to shift resources, it would require careful task analysis of clerical staff and guidance counselor positions, and the savings would not be immediate.

In another example, the fact-finding phase suggested that large savings were available from consolidating purchasing across school buildings. Though LCSD did realize some savings from centralizing the warehousing of janitorial supplies and making other adjustments to its purchasing process, the original estimate turned out to be overoptimistic by a significant margin.

A final example was lawn care at the school buildings. Because the district is spread over a large geographic area, each school building had its own lawn care capability. It was suggested that this capability could be outsourced to a private firm. Like most local governments throughout the United States, the compensation that LCSD provided for the maintenance worker jobs materially exceeded what would be available in the private sector for work of similar skill requirements. Because several of these jobs would have been eliminated, lively discussion regarding the validity of the estimates took place in workshops and Board Meetings. The result was that the topic was tabled for further review and discussion. To date, the matter has not been resolved.

Fortunately, the District had a number of other ideas for cost-saving strategies, so was able to survive some of them not living up to expectations. LCSD's other ideas included more efficient route planning for school buses and using the District's capital funding to pay for capital assets that had been purchased with general operating dollars previously. In total, the District realized approximately \$9.8 million of the original \$10.7 million of cost savings ideas projected.

Paying for Priorities over the Long-Term

During the first years, LCSD found the most obvious and ripe opportunities for saving money, or the "low-hanging fruit." However, because costs like salaries, health care, and pension often increase at a rate greater than the District's revenues, it had to keep looking for other opportunities. But, because the low-hanging fruit has been picked, LCSD found that it needed to reach further. First, LCSD broadened the search for opportunities to include strategies that will eliminate or at least moderate future cost increases, rather than limiting the search to strategies that will lower costs immediately. For example, through its analysis of clerical staff and guidance counselors, LCSD has found opportunities to use these staff more effectively, perhaps forestalling the need to add new staff as enrollment grows.

Second is to deepen LCSD's academic return on investment (A-ROI) capabilities. For example, the District spends a significant sum of money on teacher coaching; however, it is not clear that coaching is delivering the best value for the money. Currently, the cost-effectiveness of coaching is a matter of gut feeling. An A-ROI analysis would help to move the conversation into the realm of empirical observation.

Third is to continue to better align categorical funding sources with the budgeting processes. LCSD has found that the organizational silos that separate categorical funding and the general fund are well-established. LCSD is still working on bridging these silos in order to make more effective use of categorical funds while still respecting the regulations that govern their use. For example, LCSD has made progress on presenting a consolidated operating budget and strategic financial plan, which is inclusive of both the general fund and federal grant funds.

A fourth, and still emerging, strategy is an increasing emphasis on preventative instructional strategies. If an instructional strategy can eliminate the need for more costly interventions later, then it has a value far greater than its short-term impact. An early experience LCSD had in this vein was with its Rosetta Stone program for ELL students. A cursory cost-effectiveness analysis might have called into question the value of this program because a decreasing number of students used it over the course of a year. However, a deeper look revealed that use of the program declines because the students were gaining the intended English proficiencies, so had no more need for the program.

Lessons Learned at Lake County School District

This section reviews the lessons that other school districts can take from LCSD's experience.

Use quantitative data as a clue, not necessarily as a conclusion. Smarter School Spending emphasizes the use of quantitative data to make decisions. Certainly, this is a big improvement over pure gut-level decision-making. However, quantitative data is subject to its own set of drawbacks. At worst, the data could be flawed, or it could simply not tell the whole story. LCSD experienced both of these. For example, the potential savings from consolidating purchasing was overstated and cost-effectiveness data on Rosetta Stone suggested the program was underutilized. This means the districts must use data as a

clue as to where to dig deeper and should avoid giving the impression that “data-based decision-making” means making sweeping knee-jerk changes based on a statistic. LCSD found that this latter interpretation of “data-based decision-making” led the workgroup assigned to investigate clerical and guidance counselor staffing to become, at first, defensive, rather than inquisitive.

Have a diverse portfolio of strategies. Strategies can fail to meet expectations for a number of reasons, such as flawed analysis or over-optimism about the ease of realizing the expected benefits. Therefore, districts should have a number of different strategies, so that if one (or more) doesn’t work out, the district isn’t caught short of what it needs to reach its goals. LCSD saw this when a number of its cost-strategies did not meet expectations, but this was balanced out by the success of other strategies. This lesson could apply to strategies to improve academic achievement as well.

Pick the low-hanging fruit, but be prepared to reach further. After the first couple of years, LCSD had largely exhausted the “easy” cost-saving opportunities. To reach further for cost-savings, a district should develop capabilities to analyze the cost-effectiveness of programs so that it can make informed choices about which ones provide a good value for the dollar and which don’t. Districts should also emphasize academic programs that will prevent the need for costlier inventions down the line. These preventative interventions provide the dual benefit of improved achievement and reduced cost.

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