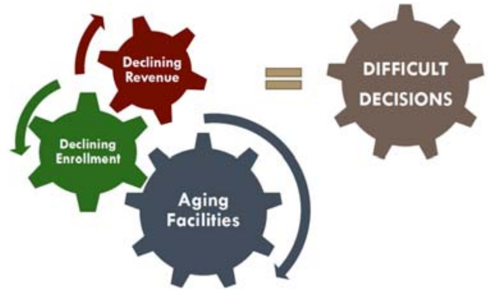
Traverse City Area Public Schools' Smarter School Spending Journey

Traverse City Area Public Schools (TCAPS) was facing declining enrollment, declining revenues, and aging facilities. TCAPS realized that it needed to make smart investments to reach its student achievement goals, given the serious financial pressures it faced. TCAPS translated the ideas behind Smarter School Spending into a series of principles that supported better decision making. The principles help lead TCAPS to conduct a year-long, rigorous pilot test to select the most cost-effective new math curriculum and to make hard decisions about whether to close low enrollment schools. In addition to producing higher quality decisions, the principles helped generate a high degree of support for the decisions and for TCAPS' continued progress on the Smarter School Spending journey.

The entire state of Michigan had been experiencing serious challenges to the way it traditionally funded and ran public education. Traverse City Area Public Schools (TCAPS), serving about 10,000 students and located at the northern end of Michigan's Lower Peninsula, was experiencing many of the same challenges as the state generally, including declining enrollment, declining revenue, and increased competition from charter schools. On top of this, TCAPS had to contend with aging facilities. At the same time, TCAPS also aspired to provide a world class education to its learners. This combination of challenges and aspirations made for difficult decisions on how TCAPS would move forward.

TCAPS Decision-Making Environment



This was how TCAPS thought of its situation

Acclimating to Smarter School Spending

TCAPS Superintendent Paul Soma became involved with the Alliance for Excellence in School Budgeting and saw the potential for Smarter School Spending to help TCAPS. However, rather than present smarter school spending as a technical process of planning and budgeting, Paul presented it as a series of principles for how TCAPS might approach the relationship between its financial resources and its academic goals. While Paul and TCAPS' leadership recognized that the process is important too, thinking about Smarter School Spending as a series of principles provided touchpoints for making consistently better decisions, even outside of the planning and budgeting process. Paul emphasized the following three principles with TCAPS' leadership:

- **Education priorities should drive the budget.** Though it might seem like this principle should go without saying, Paul pointed out that it is often the budget that drives educational priorities. The budget process had a way of freezing in place decisions about curriculum and instruction made years ago. This is because each year's budget was usually largely based on historical precedent. Instead, TCAPS's budget should intentionally reflect the most current strategies for providing a world class education to its learners.
- **You can't be all things to all people.** Again, this principle at first seemed to be a truism to some people, but as TCAPS leadership thought more deeply about it they realized that, in many cases,

they were trying to be all things to all people. There is probably a tendency for many school districts, as democratic institutions, to try to please as many people, as much as possible. However, delivering world class education at an affordable cost demands focus.

- **Academic Return on Investment.** Finally, and following from the first two principles is academic return on investment or A-ROI. Academic return on investment states that a district should choose its academic programs based on cost-effectiveness. Put another way, a district should seek to get the most bang for its buck. The A-ROI principle highlighted the need to make a practical connection between academic and financial decision-making.

The big advantage of starting Smarter School Spending as principles is that it did not necessitate that TCAPS make major changes to its planning and budgeting process right away. Rather, the principles could percolate with the board and staff first. As they became more familiar and comfortable with the concepts, they became more comfortable with and even eager to try a new and better process for planning and budgeting.

A First Foray into a New Planning and Budgeting Process

TCAPS' first opportunity to put the principles into practice was in elementary math. Its elementary school math scores had been consistently below state averages. There were no shortage of ideas for interventions, but, in accordance with the academic return on investment principle, TCAPS wanted to be sure it invested in the most cost-effective solution.

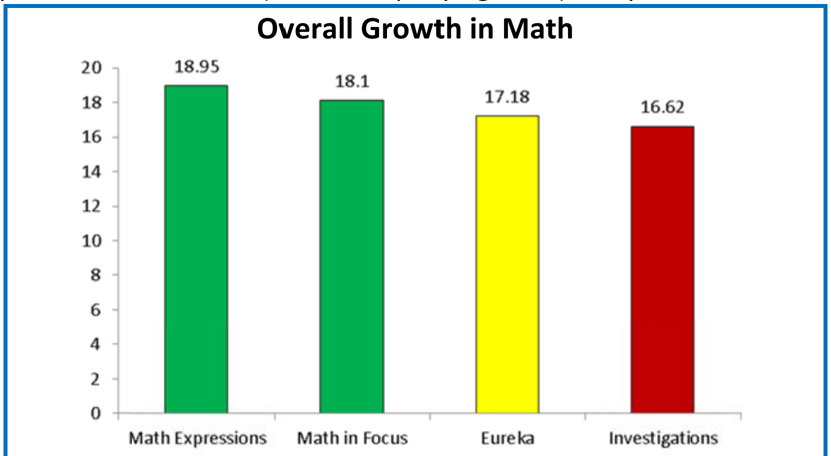
The first step was to investigate the problem in order to develop a solid hypothesis for why math scores were low. TCAPS noted that it was above the state average for elementary school reading scores. The same teachers and students who were producing the below average math scores were producing these above-average reading scores, so TCAPS concluded that the problem was specific to how math was being taught and learned. TCAPS also noted widespread dissatisfaction with the current math curriculum and that in the few classrooms where students were having success with math, the teachers had deviated significantly from the standard curriculum. These were good clues, so TCAPS examined third-party studies on curriculum effectiveness and found that the existing math curriculum compared unfavorably to many of the available alternatives.

Hence, it seemed reasonable to hypothesize that procuring a new math curriculum could address TCAP's math problem. But, in the words of the TCAPS school board vice president buying a new curriculum in the traditional way was like "buying a house based on the blueprint" – full of promise, but also rife with uncertainty as to how it will ultimately turn out.

The solution was to run an experiment to see the effect of a new curriculum before committing to full purchase and implementation. TCAPS decided to include three new curricula in the experiment, each supported by third-party studies of effectiveness. Besides providing TCAPS leadership with more information on which curriculum would be the best fit for TCAPS, testing three curricula sent a signal that this was a real experiment and not just a formality on the way to a predetermined conclusion. The experiment was scheduled over a full year to make sure it ran long enough to produce valid results.

Several schools volunteered to test one of the new curricula. TCAPS recognized that using volunteers to test the curriculum was a potential weakness in their experimental design because the performance of volunteers might not be representative of how all schools will perform. However, TCAPS decided that the enthusiasm it generated for A-ROI analysis was worth the risk. The remaining schools continued with the old curriculum, serving as a control group. TCAPS measured the results from multiple perspectives, including growth in test scores, teacher and parent satisfaction, and cost-effectiveness. Including the cost of the curricula in the analysis enabled TCAPS to think about the academic return on investment it would get from a new curriculum.

After a year, TCAPS found that two of the three curricula they tested produced a statistically significant improvement in test scores over the old curricula—that is, the differences in performance were large enough that they were highly unlikely to be due to chance (see accompanying chart). They also found that teachers greatly preferred any of the new curricula to the old one.



Two of the new curricula (Math Expressions and Math in Focus) outperformed the existing curriculum (Investigations) by statistically significant amount

An unexpected result of the experiment was the great enthusiasm for the process. Staff felt that TCAPS was making the best possible decision for the future of the students, with the associate superintendent calling it the "best experience of his career." The former chief financial officer and now-current superintendent said: "The process brought a great deal of credibility to this decision due to its transparency and use of objective data. Perhaps most importantly, it established a framework for future decision-making". The school board vice-president likened using an experiment to select a curriculum to doing a walk-through of a house before buying it—process that lends far more certainty to the decision. In fact, the school board unanimously approved the staff's recommendation to move forward with the curriculum that proved the best in the pilot study and, at the same meeting, approved the funding for a similar pilot test to find a new English curriculum. The school staff was also enthusiastic about the results. In fact, the first meeting to introduce the new math curriculum to the teaching staff took place during the beginning of summer break and was so well attended that TCAPS found itself short on both seats and handouts. The public also recognized the work TCAPS had done. According to an editorial in the Traverse City Record Eagle, TCAPS' A-ROI analysis "shows commitment to students, parents, and taxpayers".[1]

Expanding Smarter School Spending

Though the math curriculum pilot test was a success that TCAPS could build on, TCAPS knew that it would have to remain mindful of the financial viability of making new investments in curriculum and instruction. The financial environment had changed. Before, declines in revenue could be waited out by cutting professional and curriculum development. Then, TCAPS could reinvest in those areas when revenues came back as the economy improved. However, TCAPS now found itself in a "new normal" of permanent fiscal scarcity, which resulted in not only cuts to professional development and curricula, but also the elimination of entire programs and cuts to teacher compensation (e.g., freezing salaries while simultaneously increasing teachers' share of fringe benefit costs). This meant that there were not just unmet curriculum needs – like a 20-year old science curriculum, where the covers were falling off of the books – but also pressure to remediate some of the most painful cuts in other areas.

In order to provide coherence to the investments it would need to make to reach its student achievement goals, TCAPS adopted the MIExcel framework. MIExcel is a school improvement framework promulgated by the Michigan Department of Education. The framework addresses a comprehensive set of factors that influence district performance, including managing teacher talent, instructional infrastructure, school learning climate, communications, and others.

Any of these academic improvements would require funding, so TCAPS needed to make the connection between cost-saving strategies and its academic goals. Though the decisions TCAPS would need to make to find the resources would be difficult, knowing that cost-saving measures were in the service the larger purpose of providing students with a world-class education provided TCAPS with the motivation to move forward.

"We love math! We love math!"

A chant of 4th grade students at TCAPS Westwoods Elementary after the new curriculum

Success with the math pilot not only excited students, but was a victory for all of TCAPS, which inspired them to expand the application of the Smarter School Spending Principles.

TCAPS examined the saving strategies offered by Smarter School Spending to see if there were any opportunities to shift funds towards its academic priorities. Specifically, TCAPS focused on freeing up funds from general education transportation, freeing up funds from custodial services, and increasing state and federal funding by maximizing free and reduced-priced meals enrollment. TCAPS found it difficult to find funds because years of budget cuts meant that TCAPS was already rather lean. Further, since there was not a lot of "fat" to cut, further reductions in cost came at the expense of service quality. For example, increasing the length of the routes and the number of students who ride on a given bus makes for a less pleasant commute between home and school. Accordingly, TCAPS was only able to realize very modest savings from these strategies.

Hence, TCAPS would need to look elsewhere to find the resource to meet its academic goals. The biggest opportunity to shift resources was in low enrollment schools. Declining enrollment combined with TCAPS' inventory of older and, in some cases, small buildings, meant that a couple of schools had less than 170 students. The overhead needed to manage these schools was substantial. For example, closing two of the lowest enrollment schools would provide the ability to shift up $700,000, or just under 1% of TCAPS total budget, away from the overhead needed to operate these schools (e.g., custodial services, utility costs, administrative support, etc.) and towards TCAPS academic priorities. Of course, closing any school building is not a decision to be taken lightly. TCAPS considered its principles and came to conclusion that it was not possible to justify the continued operation of these schools, given the pressing needs to improve curriculum and attract and retain high quality teachers.

TCAPS helped stakeholders understand the nature of the decision by comparing costs of maintaining the schools with the cost of the new curricula and other programs that TCAPS could purchase with that same money. Though closing a school is never a pleasant experience for those effected, being able to talk about why the decision was needed in terms of the choice between overhead costs and academic progress for students did help make the decision more understandable to those involved. For instance, out of the 170 students effected by the first closing, only 7 elected not to continue with TCAPS at another TCAPS school building, four of which moved out of the area for reasons likely unrelated to the school closing. Also, the decision to close the building was endorsed by the local Chamber of Commerce and the local teachers' union.

Invest Now versus Saving for a Rainy Day
In the background of this story is TCAPS policy to maintain a reserve equal to 10% of TCAPS' annual revenues. Though, as of this writing, TCAPS reserves are below this target, having the target provides the basis for serious discussion between board and staff about what amount of reserves is sufficient, and about striking the right balance between putting money away for a rainy day and investing in programs to meet current needs.

The Trajectory for TCAPS

The paramount role of an organization's culture in achieving an organization's goals has been established by scientific research.[2] Hence, TCAPS is looking to transform the principles that it started with into an organizational culture that is unified in its purpose of doing the most good for the most students, and encouraging people to think differently from what has been customary about how TCAPS can best serve its learners.

Of course, words won't be enough to change a culture - the principles that will underpin the new culture must be translated into specific behaviors. The behavior changes don't need to be dramatic, but it is important that they can be widely understood and are practical. For example, TCAPS is working on a strategic financial plan to better formalize the connection between its academic goals and financial capacity. It is also looking to expand its use of A-ROI analysis beyond curricula selection, to other programs. This will help cement a cultural value of always thinking about if a given expenditure will help TCAPS reach its academic goals.

TCAPS has always made efforts to better engage the community in the work of public schools. After all, like in many public school districts, a large portion of the constituents within TCAPS boundaries are not directly served by TCAPS, such as senior citizens and local businesses. Yet, these stakeholders are very influential in determining TCAPS' funding. However, in line with its principle of not trying to be all things to all people, TCAPS has narrowed and focused its outreach efforts in order to concentrate on critical stakeholder groups such as the Chamber of Commerce and senior citizens' groups. This has allowed TCAPS to make greater headway in forming productive relationships with these groups. For example, it received an endorsement of its decision to close low enrollment schools from the Chamber of Commerce.

Finally, an example of not letting the budget drive academic priorities can be seen in how TCAPS is approaching its relationship with its teachers. In the past, TCAPS had balanced the budget, in part, by reducing teacher compensation. It is has been proven, though, that teacher quality is the most important determinant, within the school, of student performance. Clearly, balancing the budget at the expense of teachers is not conducive to attracting and retaining the highest quality teachers. TCAPS is, therefore, working with staff to find strategic budget balancing options that satisfy TCAPS' financial imperatives while remaining fair to staff. For example, TCAPS recently moved to a high-deductible health plan (HDHP) for administrative staff. An HDHP allowed TCAPS to lower its cost for health benefits, while still providing a similar health benefit to employees.[3]

The Lessons from TCAPS

The following lessons can be learned from TCAPS' experience.

Articulate the ideas behind Smarter School Spending as principles. TCAPS Superintendent Paul Soma discussed the principles behind Smarter School Spending on numerous occasions before the pilot test of the math curricula was proposed. This allowed the principles to percolate and for the board to gradually acclimate to them. Thus, the subsequent proposal to pilot test the curriculum and base the selection on cost-effectiveness had a receptive audience.

Start with a tangible problem that everyone agrees is a problem. At TCAPS there was a consensus that the math curriculum should be examined. It was easy to see that that TCAPS' math scores were below the state average. Further, the scope of the decision was limited – decision-makers were asked only to pick a new curriculum, not to reconsider the entirety of TCAPS spending priorities. Agreement on the problem and the limited scope of the decision made it easier to start on Smarter School Spending.

Reduce risk with experiments. TCAPS reduced the risk in picking a new curriculum by conducting an experiment to see if changing curriculum would have an impact on student achievement, before making a full commitment to a new curriculum. The technique of conducting an experiment can be applied to many aspects of smarter school spending. Many things can be tried out on a smaller scale before making a full commitment. That will make the change less intimidating and, likely, more successful.

Decisions aren't easier, but they are better. Part of TCAPS motivation for undertaking the Smarter School Spending journey was the difficult decisions it faced due to declining enrollment, declining revenues, and aging facilities. TCAPS did not find that Smarter School Spending made it easier to make these decisions, but it has found that it has increased the quality of the decisions. For example, closing schools is never an easy decision, but TCAPS and most of its stakeholders were convinced that it was the right decision.

Culture eats strategy for breakfast, so be sure not to overlook it. Even the most elegant educational and financial strategies may amount to nothing if the organization's broader culture does not support the strategies. TCAPS is consciously looking to translate its Smarter School Spending principles into cultural values so that members of the TCAPS organization live the principles every day.

Acknowledgments

Paul Soma is the Superintendent of Traverse City Area Public Schools (TCAPS). Before taking the Superintendent position, Soma was the Chief Financial Officer for TCAPS. Soma is a recognized leader on working for equity in school funding in the state of Michigan. He co-authored *Transforming the Way We Do Busine*ss, a book about continuous improvement in school districts.

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To learn how Smarter School Spending can benefit your students, email Matt Bubness at Mbubness@gfoa.org or visit the website at www.smarterschoolspending.org.

Endnotes

[1] "Recognition for due-diligence well earned". *Traverse City Record Eagle.* May 26, 2016.

[2] For example, one study performed in-depth analysis of the culture of technology firms, tracking their performance over a decade. The study found that, even after controlling for different variables, culture has an enormous impact on outcomes such as staying in business, reaching the stage of a public stock offering, and overall profitability. See: James N. Baron, Michael T. Hannan, and M. Diane Burton, "Labor Pains: Change in Organizational Models and Employee Turnover in Young, High-Tech Firms," American Journal of Sociology 106, no. 4 (2001): 960– 1012. Also, see the expanded reporting done on this work in: Charles Duhigg. *Smarter Faster Better: The Secrets of Being Productive in Life and Business*. Random House Publishing Group. 2016.

[3] For more information on how an HDHP works, see: Shayne Kavanagh. "Containing Health Care Costs: Proven Strategies for Success in the Public Sector". GFOA. 2011. Available at www.gfoa.org.