

## EDUCATION WEEK

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# Districts Ramp Up Efforts to Link Spending, Academic Priorities

By **Denisa R. Superville**

When the **Wylie school district** in Texas crafts its annual budget, finance officials closely consult with key academic leaders to ensure spending decisions match up with the district's strategic plans and goals. Michele Trongaard, the chief financial officer in the 14,000-student district, shadows principals to better understand their needs as she shapes the budget.

Until two years ago, Wylie, in suburban Dallas, built its budget like many public school systems: without deep consideration for long-term improvement goals and with little communication between finance and academic officials. Now, though, Wylie uses a budgeting approach that not only has finance officials working in tandem with their peers in curriculum and instruction, but also embraces new levels of transparency for school board members and the public.

Wylie is one of six districts that has signed onto a **pilot effort** by the Chicago-based Government Finance Officers Association to persuade school districts around the country to follow a set of practices that bring budgeting decisions in line with clear instructional priorities. The organization of public finance officials is pushing for school districts to drop the year-to-year budget cycles and follow a budgeting process that requires long-term planning guided by efforts to improve student achievement.

Collaborations between budget officials and their academic counterparts are relatively rare in school districts, GFOA officials said.

"Probably the vast majority of districts don't have that kind of regular dialogue that's really needed in order to budget properly, [and] also budget effectively, especially given that most districts across the country are operating under continued pressures in terms of their finances," said Matt Bubness, a manager at GFOA and a former operations director for the Chicago Public Schools.

GFOA's best practices for budgeting emphasize planning and preparation time during which districts are expected to identify goals and their instructional priorities—such as improving graduation rates, retaining teachers, implementing a 1-to-1 technology initiative, or starting a literacy program targeted at a particular group of students. They encourage district officials to ensure they have sound financial procedures in place; that there is a framework to guide those processes; and that there are the resources, financial and otherwise, to ensure that the goals and priorities are executed, supported, and sustained for the long haul.

The best practices also encourage community engagement

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and the creation of multi-year financial plans, along with frequent reviews to ensure that the stated goals remain relevant and are prioritized when scarce dollars are allocated.

GFOA is now expanding efforts its budgeting approach to more places. Fifteen additional school districts have signed on so far, and more have expressed interest, Mr. Bubness said.

### Hard Choices

Shayne Kavanagh, GFOA's senior manager of research, said adopting all of those steps is a difficult undertaking for districts, especially when it comes to stating clear spending priorities.

"You are being asked to make hard choices," Mr. Kavanagh said. "The old budget method has stuck around for a reason. It's because it's relatively uncontroversial. You do the same thing you did more or less [the year before]. You make a few changes around the margins, based on whether revenues are up or down, and that's pretty much it.

"In our budget, we are asking you to define what your critical priorities are," he continued. "You are essentially saying that some things are not a priority, which is not going to make some people happy. ..."

GFOA's program grew out of a 2013 project that started with grant funding from the Bill & Melinda Gates Foundation. The four school districts that shared the grant—the Fayette County district in Lexington, Ky.; the Knox County district in Knoxville, Tenn.; the Lake County district in Tavares, Fla.; and the Rochester City district in New York—partnered with technical advisers such as the Boston Consulting Group, the District Management Council, and McKinsey & Company, which helped them with financial audits, the establishment of their instructional priorities and strategic goals, and the creation of plans to pay for those priorities across multiple years.

At the same time, GFOA shaped its best practices for school finance, which were based on the some of the work underway in the districts. It invited other districts that were not part of the pilot program to start using the principles.

That's when Ms. Trongaard, a GFOA member with the Wylie district, decided to apply.

Though the district had sound financial practices, it was facing some challenges that required careful planning and smart spending, she said. The state had slashed \$12.5 million from the school district's budget, and the district's population had grown at a rapid clip through the previous decade. At the same time, a new state mandate required school districts to ensure that all students were ready for college or jobs, which led to an increase in the number of career and technical courses school districts offered and a demand for additional teachers and counselors, Ms. Trongaard said. (Wylie's current

The Government Finance Officers Association advocates for school districts to integrate their budgets with longer-term academic goals.

### Plan and Prepare

1. Organize process
2. Assess landscape
3. Start engaging stakeholders

### Set Instructional Priorities

4. Develop priorities
5. Estimate cost of priorities

### Pay for Priorities

6. Identify top savings options
7. Analyze top savings options

### Implement Plan

8. Balance budget tradeoffs
9. Adopt strategic finance plan
10. Adopt annual budget

### Ensure Sustainability

11. Build internal capacity
12. Plan for continuous improvement

Source: Government Finance Officers Association; Smarter School Spending

budget is \$106 million.)

Before Wylie signed onto its new budgeting approach, Ms. Trongaard, who is a certified public accountant, said it was not unusual for some areas of the district's academic program and operations to get too much money, while others, such as career and technical education, did not get enough.

To help it figure out what their greatest staffing needs were, the district conducted a study to determine the most in-demand, high-paying jobs in the area. The findings showed that engineering jobs were the most in-demand in the region, leading the district to hire a former engineer from Texas Instruments as a robotics teacher.

It also hired more health, science, and engineering teachers because students had indicated in surveys that they were likely to take those career and technical courses in the future, Ms. Trongaard said. And with the expansion of the career and technical education budget, the district hired a director for those services and centralized the position. It also centralized purchases districtwide.

### 'Paradigm Shift'

Ms. Trongaard said it was difficult to quantify savings that may have been realized from the realignment between spending and academic priorities because the majority of the funding was reallocated to hiring teachers and redirected to classrooms. Wylie did shift \$200,000 that had been used for custodial staff to instructional services, said Ms. Trongaard, who has taught an e-learning course on financial policy with Mr. Kavanagh.

Around the time that Florida's 41,000-student **Lake County district** signed onto the GFOA program, it faced flat-funding, a growing student population, and a state mandate to implement more rigorous academic standards.

Lake County had technical assistance from the Boston Consulting Group, a management consulting firm. The district spent four months working on a three-year strategic financial plan that identified priorities, estimated the cost of those priorities, and devised ways to pay for them even in the face of projected budget shortfalls, according to the strategic plan document it crafted.

Lake County officials decided to focus on their talent-development pipeline, which they estimated would cost \$4.6 million over the life of the three-year strategic plan, along with teacher and principal induction and development at an estimated cost of \$1.6 million. The district also identified the need to create programs for specific student groups, including English-learners, at a cost of \$3 million, and programs for struggling schools, at a cost of \$3 million. The district's budget for the current school year is \$308 million.

As a result of the preplanning, the district knew that beginning in the 2014-15 budget year, it had to allocate \$5.5 million, \$7.2 million, and \$8.4 million in each of the successive budget years to support those three initiatives. And it identified \$40 million in other areas of the budget that could be shifted toward those priorities, according to GFOA.

For the first year, it planned to cut travel funding, scale back some administrative salary increases, charge a fee for some student transportation services, change the high school schedule, and reduce custodial staff, among other measures. Susan Moxley, Lake County's superintendent, called this way of doing business a "real paradigm shift." The long-term planning has made it easier to deal with annual

budget adjustments, she said.

"It brought to light the importance of our resources and how precious they are and that they all need to be very strategically and deliberately focused on those outcomes," Ms. Moxley said.

That philosophy is now imbued into every expense the district undertakes—whether it is transportation services or lawn care, said Carol MacLeod, the district's chief financial officer. Every expenditure is subjected to a return-on-investment check that considers not only the initial cost but the expense during the life of the purchase or service, and ultimately how it aligns with district's stated priorities, she said.

"Everything, at the end of the day, the focus is instructional priorities," Ms. MacLeod said, adding that because the process of crafting the plan was so public, all departments are now aware of the interdependencies and how their expenses affect other departments.

"The benefit down the road has been a much-more transparent and thorough budget process where we have an understanding that we are making conscious decisions about where to spend our dollars," she said, "with student achievement being at the forefront of the conversation."

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