

SPENDING MONEY WISELY

GETTING THE MOST FROM SCHOOL DISTRICT BUDGETS



TARGETING NEW INVESTMENTS: Funding a Better Future, Despite Declining Resources

Opportunity Brief • Getting Started

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OPPORTUNITY BRIEF

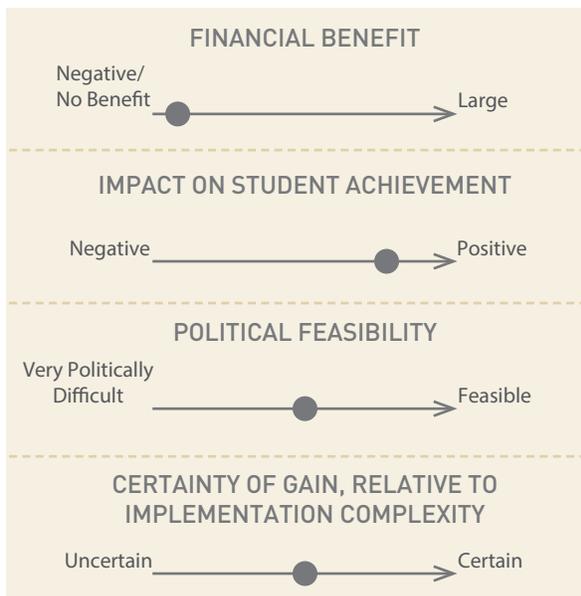
TARGETING NEW INVESTMENTS: Funding a Better Future, Despite Declining Resources



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As K-12 budgets shrink, it is not uncommon for district leaders to subtly and perhaps subconsciously shift to a defensive posture – trying to preserve as much as possible and minimize the impacts of budget cuts, given the weak hand they have been dealt. This is an understandable reaction to budget shortfalls and a very reasonable way to ride out a temporary budget crunch.

The recent pressures on district budgets are different, and require a different reaction. A recent *New Yorker* cartoon showed a caveman having a talk with his son. The caption read, “When I was your age, everything was exactly the same.” Nothing could be further from reality for today’s district leaders. A superintendent in 2013 talking to a superintendent from 2007 about school budgets could honestly say, “Practically nothing is the same!”



A seismic shift has taken place – many districts today are facing sustained, multi-year funding gaps. In the past, tough times came, and then a few years later, spending levels typically returned to normal. As Secretary Duncan aptly noted, school districts are now facing a “new normal.”

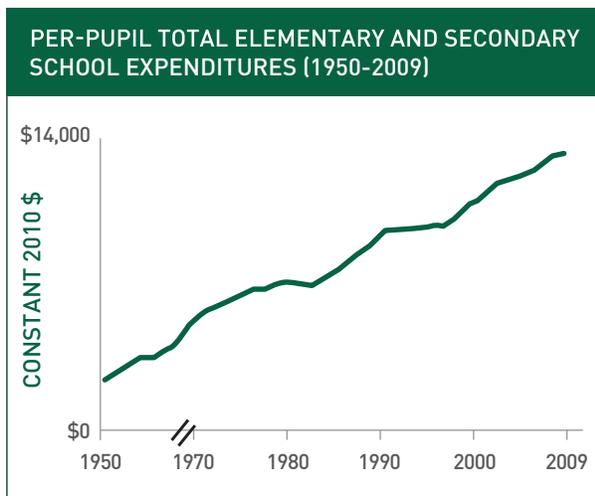
Sustained Unsustainability

What is different? The traditional budgeting process in many districts in years past started by “rolling everyone forward.” Sometimes called the “everyone comes back” budget, the CFO built the first draft of next year’s budget by advancing each existing staff member one step in the salary schedule, adding for any known lane

movements, factoring in anticipated increases for health insurance, and finally topping it off with a cost of living increase. It is common for these standard increases to represent a 2%-6% increase over the prior year.

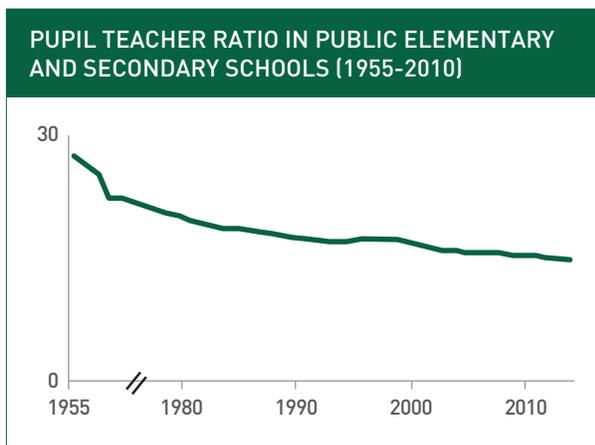
In the past, K-12 funding allowed districts to bring everyone back as well as add some new staff each year. In fact, per-pupil spending has increased every year in the past hundred years, with the exception of brief periods during the Great Depression and World War II (Exhibit 1).¹ The last five decades have also been marked by a constant increase in the number of adults working in schools, even when adjusted for increases in enrollment (Exhibit 2).

Exhibit 1



Source: National Center for Education Statistics, Digest of Education Statistics 2011

Exhibit 2



Source: National Center for Education Statistics, Digest of Education Statistics 2011

Short-term factors like the 2008 financial meltdown threw most districts into the position of not having the funding needed to maintain the status quo levels of staffing and services. Districts had seen this before, and employed past strategies of protecting the classroom, hunkering down, and riding out the storm. These budget gaps were often managed through short-term fixes, such as delaying textbook and technology purchases, deferring maintenance, reducing professional development, and cutting back on coaching.

Now, however, a number of long-term trends will shape district finances for years to come, and the familiar short-term solutions will not suffice. Many economists believe that the cost of health insurance and unfunded pension liabilities will strain future district budgets. They will also strain the budgets of city, state, and federal governments, which provide the lion's share of funds to many urban districts. Funding problems will be compounded as the federal government wrestles with a mounting deficit. It is unlikely that many school districts will, year after year, have enough money from these sources to maintain the status quo, let alone fund new efforts to raise student achievement, implement the Common Core, increase the use of technology, pay for longer school days, and implement other reform efforts.

Revenue from new tax increases is unlikely to be available to address the budget gap. In many communities, it is increasingly difficult to raise taxes; any new tax dollars are split between health and pension costs as well as deficit reduction, and are not just for K-12 staff and programs. For example, during the good years, from 2000 to 2007, the Massachusetts legislature raised taxes and increased K-12 spending by 13.6% each year, but rather than being used to supercharge educational improvement, fully 30% of the increase was needed to cover increased teacher benefit costs.² These external, macro-economic forces suggest that many districts will experience tight budgets for many years to come.

Years of tight budgets are not only a headache for district leaders, but can dramatically slow the pace of school improvement.

Investing While Cutting

“If things are to change, some things must change” is a simple but profound truism. If student achievement is to rise (or increase more quickly), then some things must change in our schools and classrooms. Historically, many school districts have linked new improvements to having new funds. Often a new grant kickstarts a new reading initiative or a tax increase supports large-scale technology purchases. Longer school days or intensive teacher coaching is often contingent upon larger than usual budget increases. In a world of costs rising faster than revenue, this approach to education reform can no longer be the norm. The new normal will require school

districts to fund improvement efforts, while also cutting the budget, programs and/or staff.

It can feel wrong to add new programs or invest in new staff while also cutting the budget, but this juggling act is fast becoming a key aspect of district leadership. For students not yet ready for college and career, it is a moral imperative to invest and improve.

The downside for staff is clear: lost jobs, more work, and much change. The upside for staff of investing while cutting is less obvious, but real. If a district simply struggles to minimize the pain of cuts, morale can drop because the budget becomes more about survival than mission. Being able to highlight steps that move the district forward can buoy the energy and commitment in the district. For example, one district, faced with the unpleasant task of closing schools, found the mood turned from one of defeatism to resolve and even optimism that some of the funds freed up from having fewer schools would go towards adding needed services to the remaining schools. The pain was paired with a gain.

One midsized urban school district in Pennsylvania exemplified the “investing while cutting” mindset. A visionary superintendent and school board embarked on a strategic planning process. They honestly assessed their strengths and needs and found they were wanting in a few critical areas. For example, they lacked a robust reading program at the secondary level and needed a more significant summer program to help reduce the number of students dropping out. This is not an uncommon list. What was atypical was that they made the list at all. In a state with a 15% decrease in funding for districts over a four-year period, the district had just experienced large-scale layoffs. The next year, the budget was forecasted to drop another 5%.

Declining funding did not change the fact that the district needed reading teachers at their middle and high schools and more staff during the summer. Rather than delay, water down, or abandon these efforts, the district leaders reminded stakeholders that the strategic plan clearly prioritized these efforts. By definition, most other spending was less important – not unimportant, but not the top priority.

As the following year’s budget was built, new reading teachers and summer school were budgeted first, and deeper cuts were made elsewhere. The results were good for both students and staff. More students learned to read and comprehend, and

more students stayed in high school. Despite more layoffs, many staff were energized by the decision to invest in critical areas of need. A few years of deep cuts had started to create a sense that things would be going from bad to worse in the district. These high profile investments and subsequent positive outcomes showed that while the budget was “bad, and maybe getting worse,” the district and its students were getting better.

A Few Guiding Principles

Staying focused on improving student achievement while budgets are shrinking can be challenging. Starting or expanding new efforts while others are being cut can be particularly difficult to justify and to implement. A few ideas can help ease the way.

1 Believe doing more with less is possible

It is difficult to support and fight for a losing proposition. If leaders believe that higher student achievement requires higher spending, then it is unlikely that there will be much support for the hard work ahead. Fortunately, district leaders have a few tools beyond personal salesmanship to turn naysayers into believers. Performance measurement and benchmarking are two effective ways of persuading others that doing more with less is not just propaganda, but a 21st century reality.

Performance measurement is a rigorous process of tracking the effectiveness of current spending. If leaders know for certain, for example, that a particular dropout prevention effort was not reducing the number of dropouts, or that a costly summer school program did not stem summer learning loss, then cutting these programs and investing the funds saved into new efforts or expanding effective programs will not feel like a terrible loss.

Benchmarking is the process of comparing one system to other best-practice organizations. The power of benchmarking is that it helps highlight what is possible. Human nature can make the familiar seem inevitable. If a district for decades did or had X, people might over time start to believe that X is absolutely required, and its loss would lead to worse outcomes for students. All the while, many higher-performing, like-districts do not do X at all.

The Xerox Corporation might have been the first to

Targeting New Investments

Guiding Principles

1
Believe doing more with less is possible

2
Say you believe

3
Normalize strategic abandonment and invest in the budget development cycle

4
Don't ignore the power of away-from-classroom investments

formalize benchmarking in 1976. At that time, the company was the largest manufacturer of copiers in the world. They were flourishing, and it was believed that everything they did contributed to their success. Big opportunities for improvement were not obvious, and cuts would likely jeopardize their winning formula. Then, their world changed. A small number of Japanese companies seemed to make better copiers at a much lower cost. Still, it did not seem possible to cut costs and maintain, let alone improve, quality. Benchmarking changed these beliefs. Through detailed benchmarking, they learned that Xerox, as compared to best-practice companies, had twice as many supervisory and support staff, ten times more rejects during production, and shipped machines with seven times more defects.³

Imagine, before the benchmarking study, a leader's suggesting that Xerox cut supervisory and support staff by half, reduce prices, and dramatically improve quality. Many would have felt it was a fool's effort. Few would have backed such a reform effort. However, fortified by the benchmarking data, the company was energized to do more with less; quality improved, costs came down, and they continued to flourish.

Over time, benchmarking has expanded to government agencies and municipalities and, to a smaller degree, public schools. As districts seek to cut in one area in order to free up funds to invest elsewhere, they can increase support for such a plan if it is clear that other high-performing similar districts have already experienced success with this as well.

Benchmarking can be helpful in aspects of district management, including operations like custodial, maintenance, and food service, as well as for leadership staffing such as assistant principals and central office, and for workload and teaching load for special education, ELL, Title I, and reading teachers.

2 Say you believe

Simply believing that a district can raise achievement and should invest scarce dollars in new efforts despite tight budgets is not enough. District leaders need to help win support for these initiatives by publicly and privately voicing their beliefs.

The challenge is that leaders often say just the opposite, for understandable reasons. As districts jostle for funding from city leaders or taxpayers, they sometimes paint a picture of impending doom if more funds are not provided. It is not uncommon to hear district leaders declare proposed funding cuts to be devastating if not reversed.

Advocating for funding is an important part of leadership, but staff also listens to the debate. While lobbying for more, district leaders are also messaging to staff that children will suffer and learning will decline. When the cuts are not restored, staff could reasonably believe that improvement is not likely and that lackluster results are inevitable.

It might be more productive when advocating for needed funds to describe the alternative as requiring hard choices and new approaches, rather than disaster. Even the most compelling benchmarking data and a passionate vision of higher achievement despite fewer funds cannot be very persuasive after months of voicing the opposite.

In one district, the superintendent's cabinet read as a team-building exercise the story of Ernest Shackleton's 1914 Antarctic expedition. They learned how the crew came together to survive their boat's becoming frozen and subsequently destroyed by polar ice flows. It is a great example of people coming together in adversity. It is also a powerful example of effective leadership during tough times. Shackleton gave his

crew hope; he believed and communicated that all would end well.

The importance of a leader's sustaining a positive attitude within the organization is a lesson worth emulating. Superintendents can certainly regret having to make cuts, and should empathize with those impacted by reductions, but superintendents must also energize the vast majority of staff who remain serving students. Providing targeted investments and new ways to meet old demands can help staff believe that improving student outcomes is possible, despite limited resources.

3 Normalize strategic abandonment and invest in the budget development cycle

Often, when building the following year's budget, the first step is, as mentioned earlier, to build the "everyone comes back" budget that rolls forward all programs and people. Then, the painful process of cutting begins. Each potential cut is debated as advocates try to save the existing program and staff, and push to cut elsewhere. Implicit in this approach is the idea that every program and strategy should be continued and cuts are only being made because sufficient funds are not available.

Student and taxpayers would be better served if, before the first draft budget is built, district leaders spent time

Each year, if districts methodically discuss what not to do before they start building a budget, it can create space to discuss what to add.

examining what is helping children and what is not. District leaders should take a fresh look to determine what is aligned with the strategic plan and what is no longer in sync with district strategy and should be abandoned.

Jim Collins, author of *Good to Great*, has long advocated that what you stop doing matters as much as what you do. He suggests, “You should create a ‘stop doing’ list to complement your ‘to do’ list. Set aside time to explicitly discuss with your managers what to stop doing. The world is full of smart executives who take decisive action. It is woefully short of wise executives who take decisive inaction.”⁴ In some districts, when these kinds of “stop doing” conversations do occur, they tend to focus on what *other* departments or more senior leaders could/should abandon. Often, the process is not self-reflective or grounded in data.

Each year, if districts methodically discuss what not to do before they start building a budget, it can create space to discuss what to add, even when the overall budget is shrinking. There are a number of side benefits to formalizing abandonment as a part of building a budget. It creates an expectation that programs, strategies, and efforts must be effective if they are to continue. It also heightens the need to create systems to measure effectiveness and cost-effectiveness. Imagine if a program were deemed “ineffective” unless data proved otherwise. Raising the burden of proof could squarely keep the focus on results. Lastly, by pairing abandonment with investment, district leaders may challenge old spending with the confidence that cuts to ineffective programs make possible new spending on programs expected to have higher efficacy.

Don't ignore the power of away-from-classroom investments

When confronting a budget gap, there can be a strong desire to preserve what we have. It is hard to consider adding new programs or investments, while budgets and even some staff are being cut. This locks in the status quo, at best. When cuts cannot be avoided, an equally strong desire can be “to protect the classroom.” At one superintendents’ conference devoted to balancing budgets, speaker after speaker exhorted the need to keep the cuts away from the classroom. A generous interpretation of this advice is that students come first, and the budget should also put their needs first. This focus on the classroom, however, can undermine the importance of leadership, management, and expertise which is also critical to helping students learn.

Relatively small investments away from the classroom can magnify the impact teachers have on student learning. For example, clerical support for principals can allow building leaders to spend more time in classrooms; adding data analysts can allow districts to pinpoint what is working and what is not; instructional coaches can improve teacher effectiveness; and,

a skilled purchasing manager can save millions, thus freeing up funds for students.

Paying for expertise can also be a fruitful investment. School reform efforts depend on school leaders assuming prominent roles as instructional leaders, yet few districts have found cost-effective ways to free up principals’ time and energy to devote more attention to supporting instructional excellence. One small urban district of 14,000 students in Massachusetts accomplished just that by investing \$200,000 to employ two lawyers to work directly with principals and assistant principals in matters related to student discipline hearings, student records, parental rights, Section 504 on handicapping conditions, civil rights, and special education. Each of the district’s 29 school leaders and their assistants can call the district lawyers at nearly any hour of the day or night. The administrators have an expert to provide advice and support, especially in high-stress situations. Additionally, the lawyers collaborate to spot trends so that procedures can be updated and relevant.

Principals report that the legal support has helped them free up time to play more active roles in educator evaluation and other instructional leadership efforts. Just as importantly, district leaders point to the following gains: more consistent implementation of district policies and new state mandates related to student services; an improved reputation of the district with special education advocates, local police and county courts; and a \$200,000 net savings in virtually every year of the ten years the staff counsel positions have been in place.

Away-from-classroom expenditures like these can seem frivolous during declining budgets. In fact, they are equally important in tight or flush times and ultimately benefit students.

Rebirth, not Destruction

Cutting a budget will always be hard. Good people may be let go or moved, and cherished programs may end, but this is also the beginning of new, hopefully more effective, initiatives. Just as a forest fire can cause much damage, it also is a needed step in maintaining a healthy ecosystem. The ash nourishes new growth, and a healthier forest emerges. Districts that create a culture of cutting and adding even as budgets shrink will also see a better future.

¹ James W. Guthrie and Arthur Peng, “A Warning for All Who Would Listen – America’s Public Schools Face a Forthcoming Fiscal Tsunami,” from *Stretching the School Dollar: How Schools and Districts Can Save Money While Serving Students Best*, edited by Frederick M. Hess and Eric Osberg, (Cambridge, Massachusetts: Harvard Education Press, 2011).

² Edward Moscovitch, *School Funding Reality: A Bargain Not Kept*. (Boston: Massachusetts Business Alliance for Education (MBAE), 2010).

³ Joseph Blakeman, “Benchmarking: Definitions and Overview,” Center for Urban Transportation Studies, University of Wisconsin-Milwaukee, 2002, <http://www4.uwm.edu/cuts/bench/bm-desc.htm#history> (accessed August 8, 2013).

⁴ Jim Collins, “Pulling the Plug,” 1997, http://www.jimcollins.com/article_topics/articles/pulling-the-plug.html, (accessed August 8, 2013).

GETTING STARTED

TARGETING NEW INVESTMENTS: Funding a Better Future, Despite Declining Resources

With years of tough budgets ahead, districts cannot wait for better times to fund new or expanded improvement efforts. Districts have an obligation to their students to invest in staff and programs that can raise student achievement, even though it can feel wrong and uncomfortable to do so when other staff and programs are being cut.

HERE'S HOW TO GET STARTED:

- 1 VOICE YOUR BELIEF THAT MORE CAN BE DONE WITH LESS**
If district leadership, staff, and stakeholders believe that higher student achievement requires higher spending, it is unlikely that they will support the hard work ahead. It is essential that superintendents message both publicly and privately that their districts can and will raise student achievement even as funding declines.
- 2 USE DATA TO CONVINCE OTHERS THAT IT IS POSSIBLE**
Performance measurement (tracking the effectiveness of current spending) and benchmarking (comparing systems to best-practice organizations) can highlight what works and what is possible. They can be powerful tools for persuading skeptics that districts can do more with less.
- 3 MAKE A “STOP DOING” LIST**
During the budget development process, many districts roll forward the budget from the previous year and then begin the painful process of cutting. Instead, before building the budget, methodically address what not to fund in order to ensure that ineffective programs are abandoned to make space for more promising efforts.
- 4 PAIR A LOSS WITH A WIN**
Pairing abandonment with investment can help boost morale. Staff and stakeholders can witness the district’s commitment to improvement, which can help to turn defeatism into resolve.
- 5 SHIFT THE MINDSET FROM “PROTECTING THE CLASSROOM” TO MAXIMIZING THE IMPACT OF EVERY DOLLAR SPENT**
When confronting a budget gap, many superintendents feel the need to “protect the classroom” from budget cuts. Yet, relatively small investments in leadership, systems, and expertise (such as instructional coaching, increased data-analysis capacity, etc.) can have a big impact on the classroom and on student learning.

A word to the wise: WHEN ADVOCATING FOR FUNDING, AVOID “DOOM AND GLOOM” RHETORIC

As districts lobby for more funding from city leaders or taxpayers, they sometimes paint a picture of impending disaster if more dollars are not provided. Staff and stakeholders, who listen to the funding debate, may believe that learning will inevitably decline if funding declines. It is essential that district leadership message a “can-do” attitude while acknowledging the difficult circumstances.



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SPENDING MONEY WISELY

Getting the Most from School District Budgets

This chapter is from *Spending Money Wisely: Getting the Most from School District Budgets* by Nathan Levenson, Karla Baehr, James C. Smith, and Claire Sullivan of The District Management Council. To access this chapter and the rest of the series, please go to www.dmcouncil.org. Topics in this series include:

1. **Calculating Academic Return on Investment: A Powerful Tool and a Great Investment**
2. **Managing to Existing Class-Size Targets: Systems and Tools to Staff More Closely to Current Policy**
3. **Adding Precision to Remediation and Intervention Staffing Levels: Data-Driven Guidelines Improve Schedules, Building Assignments, and Workload**
4. **Finding Politically Acceptable Ways to Increase Class Size or Teaching Load: Freeing up Funds for Strategic Priorities**
5. **Strategically Spending Federal Entitlement Grants: Making the Connection to District Priorities**
6. **Ensuring More Students Read on Grade Level: Cost-Effective Strategies**
7. **Improving the Cost-Effectiveness of Professional Development: Reducing Expenses While Increasing Impact**
8. **Rethinking Purchasing: A Strategic Approach to Increasing the Value of Each Dollar Spent**
9. **Lowering the Cost of Extended Learning Time: Creating Financial Sustainability**
10. **Targeting New Investments: Funding a Better Future Despite Declining Resources**

About the Authors

Nathan Levenson is Senior Managing Director of The District Management Council (DMC). After a career in the private sector and six years as an elected school board member, he served as superintendent in Arlington, Massachusetts. His work at DMC has led him to more than 50 districts, always looking to help them do more with less.

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Karla Baehr is Senior Advisor and Consultant at The District Management Council. Her many years of experience as a superintendent in both urban and affluent districts provide a unique perspective. Karla also served as deputy commissioner of the Massachusetts Department of Elementary and Secondary Education.

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About the District Management Council

The District Management Council (DMC) partners with public school district leaders to help improve student outcomes, operational efficiency, and resource allocation. DMC was founded in 2004 to address the most pressing and important management challenges facing American educators. The trusted advisor to school district leaders, DMC works with districts on these important issues to achieve measurable results. With the firm belief that leadership and management matter, DMC helps to strengthen and increase the managerial capacity of the people leading school districts to systemically improve the performance of the American public education system. To learn more, visit www.dmcouncil.org.

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