District Management Group

SPOTLIGHT

Strategic Budgeting

Align Your Budget to Your Strategic Plan to Make the Most of Every Cent for Students

by Sam Ribnick and Nathan Levenson

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Align Your Budget to Your Strategic Plan to Make the Most of Every Cent for Students

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Seminal points in historical narratives often focus on the charismatic figureheads, the great orators, the inspiring visionaries, and the brilliant strategists. But behind these legendary depictions often lies an untold story: the crucial role of budgeting in translating vision into reality. In many ways, the very existence of the United States can be traced back to a budgeting decision. Thomas Jefferson's writing inspired a revolution, George Washington led the Continental Army to defeat England, and James Madison gave us our Constitution. But even after these historic events, the loose ties between the states threatened to unravel. It was Alexander Hamilton, as the first treasury secretary, who permanently united the states through a simple but crucial budgeting change: by combining state debts into a single federal debt, he transferred responsibility for tax revenue to the newly formed federal government, giving it the resources needed to fund the growth of the young nation.

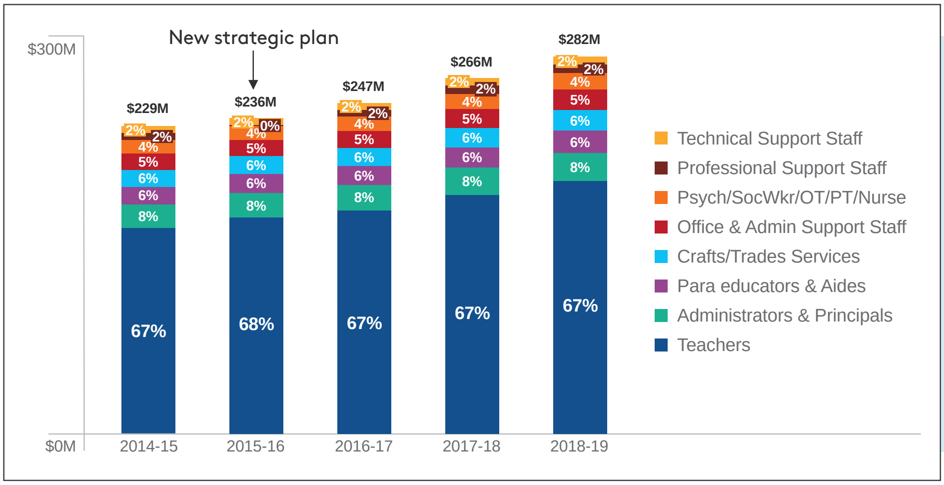
DMGroup Spotlight represents the thinking and approach of District Management Group.

This story has important lessons for school districts. Confronted by years of tight budgets since 2008, districts have become much more aware of the importance of managing resources effectively. Superintendents think about strategic investments, finding efficiencies, and repurposing staff and teaching positions. Yet for the majority of districts, the budget process itself remains an untapped tool for creating change. In Exhibit 1, an analysis of a district's budget showed a nearly identical breakdown of spending on staff over a five-year period. Even with a new strategic plan and 20% growth in personnel spending, the district made very little change to how they spend the money. It's not that district leaders consciously decided that the mix of staff from 2014-15 was precisely the right use of resources; rather, the way the budget was built had a tendency to uphold the status quo rather than enable change. Further, as in many districts, the political demands of the school board created an environment in which it is riskier to make changes to spending than to repeat the previous year's budget.

> ***"The role of the district business official is being reinvented from the person who balances budgets and writes the checks to a crucial partner in translating strategy into reality.***

Some leaders have embraced the enabling power of redesigning the budget process to translate strategy into reality. They have drawn on a range of emerging budget practices. Multi-year strategic budgets have helped districts escape structural deficits and focus on future needs. Weighted student funding has been utilized by some districts and states as a tool to ensure equitable allocation of resources to schools with needier students. Academic return on investment (A-ROI), an approach to measure what works, is gaining ground as a way of basing budget decisions on data and evidence. The role of the district business official is being reinvented from the person who balances budgets and writes the checks to a crucial partner in translating strategy into reality.

Exhibit 1 **A DISTRICT'S PERSONNEL COSTS BY YEAR**



After a new strategic plan, how much has really changed?
In this district, the distribution of personnel spending has remained almost exactly the same for five years, despite a new strategic plan in 2015 and a 20% increase in personnel budget.

Source: DMGroup.

Building a Better Budget

In our work with dozens of districts on budgeting and strategic planning, District Management Group (DMGroup) finds that the challenge districts face is almost always the same: it feels nearly impossible to cut anything, and therefore, the disconnect between strategy and budgeting persists. For example, a superintendent calls for a new coaching initiative to support teacher practice, but can only find funding for two coaching positions across 10 schools. Or, district leaders want to add social-emotional supports, but contractual pay increases and benefit costs outpace revenue every year, making it difficult to dedicate new funds to the initiative. Or, a district invests time and energy to create a new strategic plan, but three years later has only managed to shift a few positions. Communities demand greater equity for schools with high levels of need, but are unable to reduce supports to other schools or departments.

In Austin Independent School District (TX), the Superintendent had tried to instill more discipline in the district's use of resources by creating a Sunset Review Committee explicitly charged with identifying programs to sunset. After months of meetings and debate, the committee recommended further study for all of them and nothing was cut. With no reductions, the Superintendent was unsure if the process would free up additional resources to address a priority on equity. Only after thoroughly redesigning the budget process to base decisions on A-ROI did the district succeed in freeing up funds.

Effectively linking budget to strategy is an involved and complex process that needs to be tailored to each district's unique situation, but there are five key practices present in districts that do this well.

1. **Clarify and align priorities:** While most districts have strategic plans in place, few plans are specific enough to drive budget decisions. Plans with overly broad goals and too many initiatives end up preserving the status quo rather than creating change. District leadership teams often need to revisit their strategic plans and have honest discussions about which goals to prioritize.

2. **Create a multi-year plan to shift resources:** With expenses typically growing faster than revenue increases, districts get caught in a cycle of yearly cuts, crowding out the possibility of new investments. When districts understand these long-term trends, they can phase in the structural changes needed for financial sustainability and new investments.

3. **Reassess the budget process:** Following the same old process is likely to produce the same old results. Aligning your budget to support your strategic priorities requires breaking down silos between departments, redefining ownership in the budget process, and aligning leaders behind a common set of goals. Districts should consider four key elements of the process: timeline, cross-department collaboration, school autonomy, and equity.

4. **Measure what is working via academic return on investment (A-ROI):** Teachers, principals, and district leaders alike tend to agree that there are too many initiatives, yet districts find it very difficult to scale back. Measuring what is really working, for which students, and at what cost, gives districts the data needed to expand what works and sunset what does not.

5. **Communicate and build support:** People have a natural tendency to focus much more on what they are losing than on what they are gaining. Superintendents and budget leaders must overcommunicate the priorities to show stakeholders that reductions are actually part of meeting community needs.

The more of these ideas a district can apply, the more meaningful the improvements the district can make to the budget process and to the realization of the strategic plan.

1. Clarify and align priorities

Steve Jobs famously said about prioritization: “People think focus means saying yes to the thing you’ve got to focus on. But that’s not what it means at all. It means saying no to the hundred other good ideas that there are. You have to pick carefully.” For school districts with limited funds, this is certainly true.

While virtually every school district has a strategic plan, a large proportion of these strategic plans are clear on the high-level goals, but fuzzier on prioritization and the specifics of implementation. Raising achievement, closing achievement gaps, increasing graduation rates, strengthening school climate, and improving family engagement are appropriate goals in almost every district in the country. But a strong strategic plan must go further by clearly identifying which of these goals is being prioritized and how the district plans to achieve it. When plans put all goals on equal footing, leaders are left without a guide to making resource decisions.

In Jefferson Parish Public Schools (LA), near New Orleans, the strategic plan has six goals that are indeed similar to the overarching goals of many other districts. However, the Superintendent has articulated three “big rocks” as the foremost priorities: evidence-based curriculum, embedded professional development, and cycles of observations and feedback. These clear priorities have translated into a major realignment of Title I funding to buy new Common Core–aligned textbooks and put in place more instructional coaches, and has sent a clear message to principals about how to prioritize their own investment of time and funds at a school level.

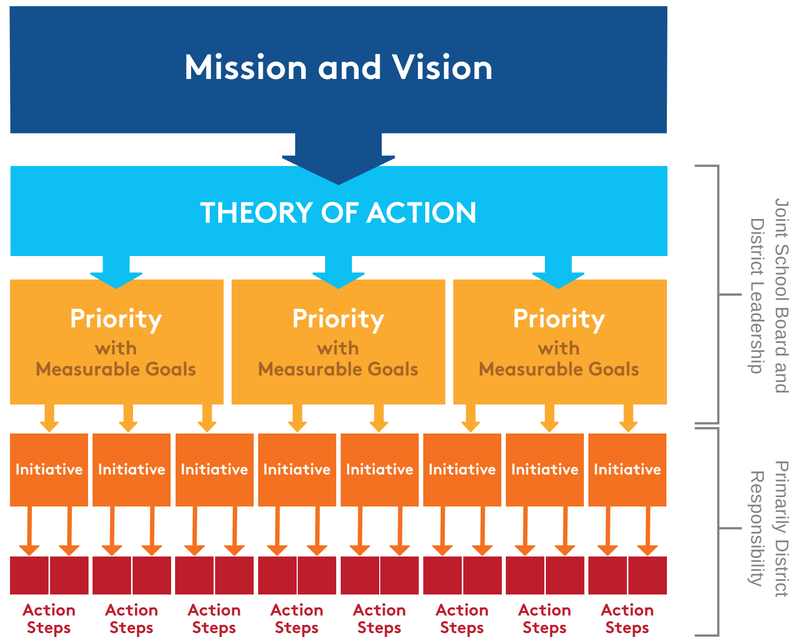
Districts need not wait until they develop their next strategic plan to create this kind of focus. A superintendent or committee can refine an existing strategic plan to clarify the true first priorities. To assess whether your existing plan is in fact strategic, challenge yourself to answer this question: “Would any stakeholder reading this strategic plan understand how we will invest time and resources to achieve the goals?” If not, your plan likely is overly broad, merely affirming the general goals of school districts but not prescribing a strategy to achieve your goals in your district.

Call on your leadership team to develop a deeper, fact-based understanding of the strengths and challenges of your district, asking: What kind of district are we trying to become? What are areas of strength to maintain? What do we need to change? If your plan has four, five, or six “strategic priorities,” strive to determine which one or two will serve as enablers of the other priorities — these will be the priorities to tackle first.

These key priorities must then be supported by specific investments to be included in the budget. When a strategic plan calls for “Closing the achievement gap in elementary reading,” there are many possible ways to get there. Are you investing in reading interventionists? Research-backed intervention programs? Professional development in a new literacy instructional model?

A strategic plan should translate these priorities into specific initiatives and action steps that call for investment of time and resources (*Exhibit 2*).

Exhibit 2 **DMGROUP'S STRATEGIC PLANNING FRAMEWORK**



Source: DMGroup.

Districts are often focused primarily on how to make the most of their existing budgets. This focus on effectiveness, or academic return on investment (A-ROI), is warranted but can also lead to an implicit assumption that the current budget for each department or school will be sufficient if it is used well. This focus on effectiveness can reinforce incremental approaches to budgeting, missing the more strategic question of whether the district is investing enough in its highest priorities. In an incremental budget process, district leaders are likely to spend more time asking themselves, "How can I do more with the funds I'm given?" when instead district leaders should be asking, "Do we need to spend drastically more or less in some areas to truly be successful?"

Resources need to be allocated to support the highest priorities, and as Steve Jobs said, prioritization "means saying no to the hundred other good ideas." Strategic leadership in the face of limited funding means making tough decisions to bring the needed focus to achieve results.

2. Create a multi-year plan to shift resources

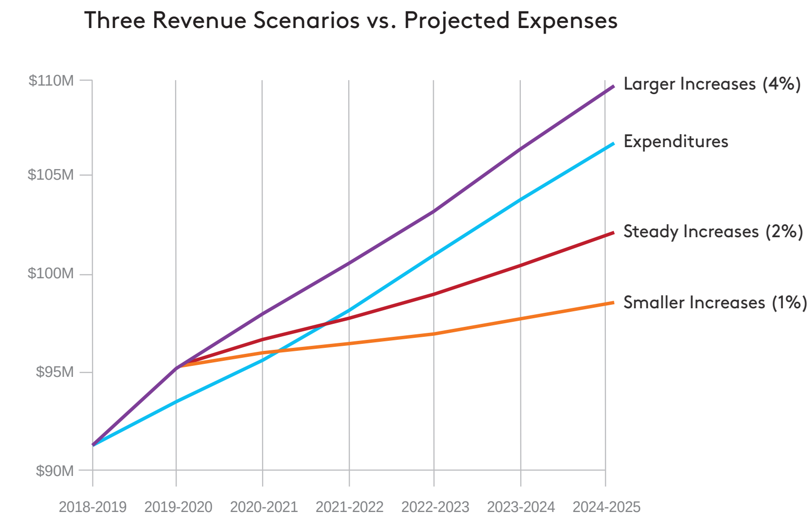
More and more districts are facing structural deficits. With states such as Connecticut, Pennsylvania, California, and others facing enormous pension liabilities, districts have seen small or non-existent increases in state funding most years. Though local revenue increases and overrides have helped compensate, many cities have reached the limit of what their communities will bear. In Illinois, local property tax rates have grown three times faster than median income, which leaves little room for further increases.

While revenue increases flatten out, districts still face unrelenting growth in expenditures: climbing health-care costs, cost-of-living increases locked in via teacher contracts, and rising special education costs. With these cost increases outpacing revenue, many districts need to make cuts every year. While the district's five-year strategic plan should in theory guide investment decisions, annual budget deliberations are typically consumed with finding reductions to offset increases in salary and benefits. Districts have a way of patching together budgets year after year, but finding funds for new strategic investments can be extremely challenging. Creating a multi-year budgeting plan can help to shift resources in the face of these pressures.

Middletown Public Schools, a mid-sized district in Connecticut, is using a multi-year approach to financial planning and budgeting to support its newly created strategic plan. The district faces many common fiscal challenges: contractual increases in salaries and benefits, reduced state funding, and significant variation in schools' level of funding and student need. District and town leaders had managed to balance the budget each year, but saw the signs of a structural deficit. Rather than being reactive year after year, the district decided to create a multi-year financial plan.

Using past trends and known factors influencing future growth, the district created a five-year projection of revenues and expenses. The projections showed that if existing trends for expenditures held true, it would be

Exhibit 3 **MIDDLETOWN PUBLIC SCHOOLS (CT) FIVE-YEAR PROJECTIONS**



Projections and sensitivity analyses allowed the district to plan ahead and make strategic changes in anticipation of the structural deficit to come.

Source: DMGroup analysis.

possible to balance the budget for the next couple of years, but starting in FY2022, the district would face growing deficits each year (*Exhibit 3*).

In parallel, district leaders began prioritizing the strategic plan's initiatives and assessing the cost to implement each one. Together with the board, district leaders mapped out a five-year plan for investments and offsetting cuts to keep the budget in balance. The multi-year plan not only promotes financial sustainability and reduces last-minute budget scrambles, but it also ensures a degree of stability and follow-through on the strategic plan. For example, though the district can only afford to add counselors to two schools in the first year, the multi-year plan shows the community that there is a plan to add counselors to all schools over time.

When creating multi-year plans, district leaders must think broadly about the resources they have at their disposal. Dedicating resources to a priority does not have to mean adding dollars to the budget. Districts must also look for opportunities to repurpose positions or even redirect staff time. For example, one Minnesota district planned to add reading intervention special education teachers to schools and offset the cost by reducing the number of paraprofessionals. To make this change in one year would have required layoffs to free up the needed funds. Instead, the district examined the typical rate of turnover of paraprofessionals, and planned to phase in the reading teachers over time by strategically converting paraprofessional vacancies. In another district seeking to strengthen reading, leaders examined how literacy coaches used their time and found they were largely focused on one-on-one coaching with struggling teachers. Simply by redirecting the coaches to work more broadly with all teachers, the district was able to devote more resources to strengthen reading without adding a dollar to the budget.

Multi-year financial plans are also a valuable tool for building school board support for the difficult changes needed to address structural deficits. Reductions in teacher pay, increases in class size, and school closures are all unpopular when discussed in isolation, and boards will typically vote against any one of these changes. As a result, boards tend to defer difficult decisions until the deficit becomes unsustainable — when the budget problem has become a full-blown budget crisis. However, when board members are faced with data demonstrating a looming deficit, the difficult decisions can be reframed. When board members understand that the choice is between making smaller difficult decisions now and larger difficult decisions later, we have seen boards muster the political courage to make proactive decisions to avoid a future budget crisis or tax increases. Communities also can better understand the reason for the decision if they are shown the future projections, and will have higher trust in administrators' management of resources.

3. Reassess the budget process

An idea attributed to organizational expert W. Edwards Deming is that "Every system is perfectly designed to get the results it gets," and this certainly holds true for budgets. The process you use to make decisions and build budgets unavoidably shapes the types of outcomes that are produced. Following the same old process is likely to produce the same old results. If your aim is for the strategic plan to translate to meaningful change or faster progress, you may find that the existing budget process constrains the district's ability to make change and in fact reinforces the status quo.

> *"The process you use to make decisions and build budgets unavoidably shapes the types of outcomes that are produced. Following the same old process is likely to produce the same old results.*

Districts seeking to build a better budget process should consider four key elements of the process: timeline, roles and responsibilities, school autonomy, and equity. Some of these elements may already be purposefully designed in the existing budget process, but in many districts the norms and rules have simply evolved over time. In any district striving for a new way of doing business, it is worth re-examining the existing process through these four angles:

Timeline: Budget timelines have moved earlier and earlier in many districts. While the final budget may not be adopted until June, it is becoming increasingly common for districts to create a preliminary or tentative budget as early as November (with some beginning before the start of the school year!). Simply starting earlier can be helpful in some cases, but it does not ensure a more effective budgeting process.

Instead, districts should look at the interplay between the budget timeline and the timelines for other related processes such as retirement notifications, hiring, staffing assignments, and improvement planning. If a district has a strategic focus on hiring and retaining the best staff, the budget process should give schools or human resources the information needed to initiate hiring as early as possible. On the other hand, if a district serves a highly transient population, the timing of enrollment counts and staffing assignments can have a major impact on the district's ability to staff schools effectively. In this case, district leaders may need to accept that the budget will actually be finalized *later*, to retain the flexibility to adjust staffing as population shifts.

Roles and responsibilities: District leadership teams commonly cite siloed thinking as a barrier to progress; what they may not recognize is that the budget process actually promotes this siloing. In a typical process, each department head receives a copy of last year's budget, has a chance to make changes and requests for additions, then receives approval or rejection of each request from the business office, which has to keep each department's budget in check to balance the overall budget. When the district faces cuts, each department is asked to propose reductions to reach a needed total, which in some cases means cutting deep into highly valued programs or initiatives.

It's no surprise that this process promotes territorial, department-focused thinking rather than district-wide strategic thinking. Further, it puts too much responsibility on budget officials and superintendents to be the ultimate decision makers. They are left feeling that only they see the big picture, and they have to arbitrate squabbles between department heads fighting over a limited budget.

To undo these practices requires a new, more strategy-oriented distribution of decision-making responsibility. One Minnesota district followed a DMGroup-designed process to break down silos and make district-level decisions guided by their strategic plan. As a first step, the team looked back to the top strategic priorities they had already identified, and determined the specific investments needed to enact each one over the coming years. For their early learning priority, they planned to start free half-day preschool and add literacy specialists in early grades; for their International Baccalaureate (IB) priority, they planned to add five coaches and other professional development. Second, the business office calculated the expected cost of these investments along with the anticipated budget gap for the coming years. This gave the team a target for offsetting reductions that would be needed in each year. Third, the team analyzed staffing levels, efficiency benchmarks, and nonprioritized programs to assess where the reductions could come from, ultimately identifying savings through more efficient elementary scheduling and larger high school class sizes. This process resulted in a multi-year plan to guide the leadership team during each budget year. The reductions were still not easy, but all members of the leadership team and school board came together to make decisions about the cuts and investments.

School autonomy: Some districts have clearly defined strategies about centralized or decentralized decision making. However, in most cases, rules about which decisions get made at central office rather than at schools are the ad hoc result of budget processes that developed over time and reinforce the practices of the individuals who created them. We have seen districts have a highly centralized approach to staffing simply because a business official who left the district 10 years ago had created a spreadsheet to assign staff that continues to be used year after year.

If your strategic plan has a theory of action centered on either greater commonality across schools (perhaps via a guaranteed viable curriculum, equity in course offerings, common interventions, or consistent SEL supports) or more school-driven innovation, it is important to re-examine the budget process to ensure it supports the type of decision making you seek to promote.

In the most centralized districts, each school receives specific staffing allocations for each role based on the district's strategy. For example, a district may assign classroom teachers at a level that leads to higher class sizes in order to provide each school with a counselor (to support priorities related to social-emotional wellbeing) or a coach (to support a priority to strengthen instruction). In high schools, districts may even assign staff by course to prioritize lower class sizes for certain subjects or grades.

Centralizing can be about more than staffing allocations. Districts should also consider how decisions are made about professional development (PD) time. Between pre-service days, in-service days, early release, and stipends,

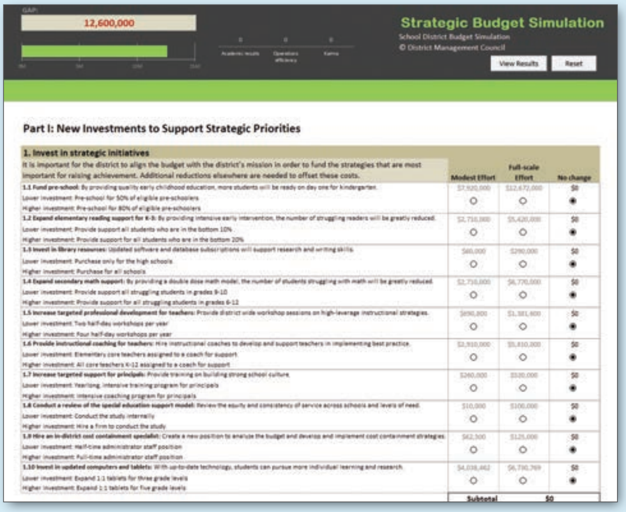
DMBudget

A Powerful Budget Simulation Tool to Practice Strategic Budgeting

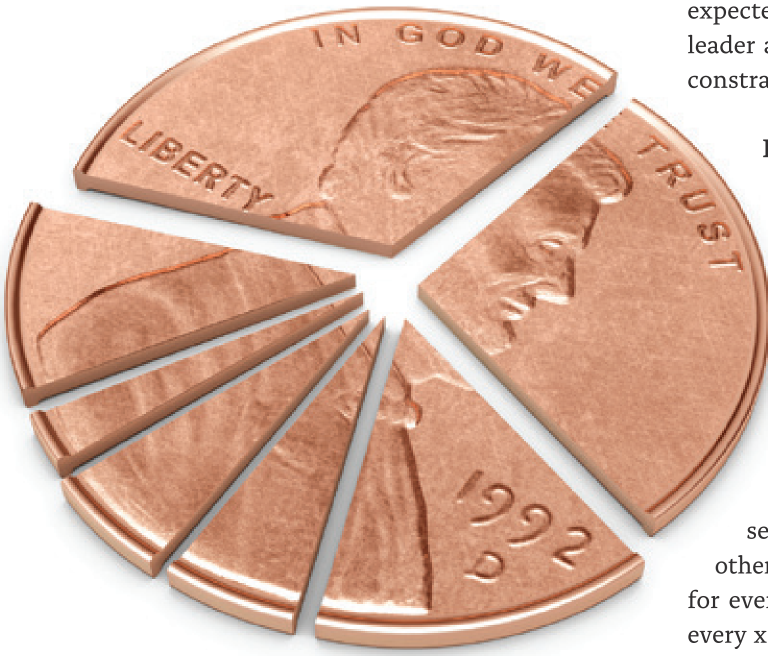
District Management Group runs an interactive training for district leaders to introduce the ideas behind strategic budgeting. Using our proprietary dynamic budget simulation tool DMBudget, district leaders work together to close a budget gap for a fictional district while helping the fictional district achieve its strategic objectives.

With each investment or budget cut, participants can see the effect on the budget as well as on academic results, operational efficiency, and "karma" — the level of political capital with stakeholders in the community. By working through this simulation exercise, leaders can explore the types of bold changes that might feel taboo or too risky when real funds are at stake. It also provides an opportunity for a district team to have discussions about tradeoffs and to better understand each other's viewpoints.

By the end of the workshop, district leaders are ready to apply the new ideas to reshape their district's approach to resource decisions and are armed with a better shared understanding of the process and of each other.



To learn more about the DMBudget Simulation Tool, contact us at **info@dmgroupk12.com**



districts invest an immense amount on PD. A district trying to set common standards for curriculum and instruction can take control of how that PD time is used to ensure that all teachers receive the same standard of professional development.

Districts that pursue a more decentralized approach need to review the budget process to ensure that more decision-making is in the hands of principals and that principals have the appropriate supports to take on this responsibility. One large district in Illinois discovered that even when they redesigned staffing processes to give principals autonomy, most principals at first reproduced nearly the same staffing they had the previous year. The district found that principals needed training on strategic thinking and organizational alignment, and benefited from seeing examples of different staffing arrangements.

Some districts adopt a weighted student funding approach as a tool to promote principal autonomy. In these models, instead of allocating specific staff to schools, districts allocate a budget in dollars to each school. The amount is typically calculated based on the school's enrollment, with weighting factors that increase funding for certain student groups (often including special education, English language learners, students on free/reduced price lunch, or students with low performance). In these models, principals are expected to manage the budget as both an instructional leader and a business official of their school, within the constraints of union agreements and district policies.

Equity: Other districts, and many states, embrace versions of weighted student funding to achieve a strategic goal on equity for students with greater needs. Certainly, weighted student funding models (or similar need-based allocation models) are one way to direct more resources to students in greater need, but districts focused on equity should not see weighted funding as the sole tool at their disposal. Equity can also be managed and improved in centrally designed budgets by setting different staffing rules based on factors other than total enrollment, such as one reading teacher for every 40 struggling readers or one social worker for every x number of students experiencing trauma.

These types of approaches offer a way to add resources to schools with more needy students (as the district defines need), but districts encounter a few common challenges to implementation. Unless the district is expecting large budget increases, a weighted model that adds to some schools typically achieves this goal by taking resources from other schools. This is a very difficult prospect politically, and districts adding "soft landing" or "hold harmless" measures to reduce objections from the more affluent communities facing reductions may find that these measures make the model cost-prohibitive. Districts may be able to add funding to the neediest schools from reductions at the central office, but it can be difficult to free up enough funds.

Even if the district can fund the model, increasing funding to needy schools is far from guaranteed to improve student outcomes. A weighted model with higher principal autonomy makes the quality of the principals more important than ever. If principals will have high autonomy, then the district should establish clear goals and accountability measures to be able to track whether principals' decisions are leading to results. In some districts, increased funding for needy schools is paired with greater support from central office. The neediest schools often face higher staff turnover, sometimes seeing a new principal every year or two. Strong support from central office can create stability.

4. Measure what is working via academic return on investment (A-ROI)

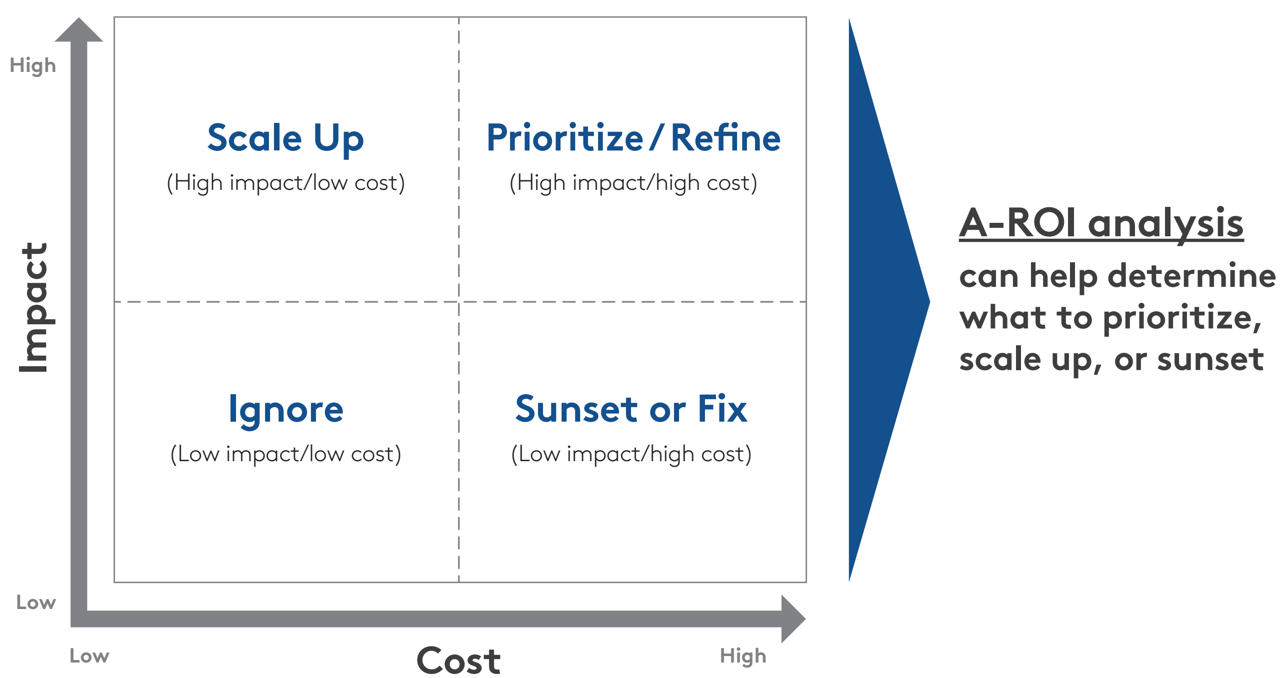
Teachers, principals, and district leaders alike tend to agree that districts have too many initiatives, yet districts find it very difficult to scale back. The majority of districts seem to hold the default assumption that every program is working as intended. Programs get funded year after year without close examination unless there are major budget cuts or the program champion leaves the district. In reality, some programs are working well, while others are being implemented ineffectively, or are not targeting the students who could potentially benefit, or perhaps were simply ill-conceived from the start. Having too many initiatives not only leads to ineffective use of funds but also strains the district's most precious resource: staff time.

Districts can overcome these strains on budget and time through a close examination of initiatives using the academic return on investment (A-ROI) approach. A-ROI is a means of measuring the impact of a program relative to its cost. This approach can help measure what is really working, for which students, and at what cost. It provides the data needed to expand what works and sunset what doesn't. Some districts already have evaluation departments or partnerships with universities to conduct in-depth research, but these sorts of deep dives often end up focusing on only a few programs that constitute a very small percentage of spending. Districts must recognize that a range of approaches to evaluation are needed, from in-depth academic research to district-owned review of outcomes measures to a broad assessment of the impact and cost of all programming.

Boulder Valley School District (CO) began to undertake these approaches in advance of the onboarding of a new superintendent and a new strategic planning process. Over the course of six months, the district assembled a list of over 250 initiatives, programs, and efforts underway in the district's 56 schools. For each initiative, the district collected information on the initiative's objective, any evidence of outcomes, and an estimate of cost (see the case study "Investing in What Works at Boulder Valley School District (CO)" in this issue of *District Management Journal* for more detail).

The initiative inventory gave the district a full picture of the range of activities taking place in schools. With this information in hand, district leaders then used the matrix (*Exhibit 4*) to compare different initiatives and inform decision making. Leaders found that nearly two-

Exhibit 4 **ASSESSING INITIATIVES WITH A-ROI**



Source: DMGroup.

thirds of initiatives had no specific outcomes data available, so in some cases the input of principals and program leaders was utilized to estimate impact. They also found that certain strategic priorities had far too many initiatives all working toward the same goal while other strategic priorities were under-resourced. Despite the district's focus on equity, they found that 72% of initiatives were targeted to all students, with only 28% targeted to specific populations (it should be noted that these numbers do not include the higher staff allocation for some schools to meet the needs of specific student populations).

A district may focus its inventory on programs related to just one strategic priority. For example, in Austin Independent School District (TX), district leaders chose to focus first on their strategic goal to increase graduation rates and created an inventory of all programs focused on high school completion or dropout prevention. With this narrower focus, it can be even easier to see which programs are producing the greatest impact relative to their cost. Through a structured decision-making process, district leaders carefully examined the A-ROI data for each program and ultimately decided to sunset some programs, merge others, and expand those that had proven most cost-effective.

In some cases, assessing the impact of a program can be difficult, especially if the district had not established a clear objective for the program and metrics for evaluation. For large, critical programs with uncertain outcomes, districts may want to invest time to conduct a thorough study of A-ROI (Exhibit 5). Maynard Public Schools (MPS), a suburban/rural district in Massachusetts serving 1,300 students, decided to study the A-ROI of their budding efforts to strengthen social-emotional supports for students. District leaders had recognized a growing need, and had decided to invest in training for a few staff members.

To measure the academic return on this investment in paraprofessional training, the district followed a protocol from District Management Group to define what success would look like for the investment in both the short term and long term. The district set the following targets:

- 20% decrease in behavior disability referrals to special education
- 50% reduction in office referrals from lunch and recess
- Reduce suspension rates for grades K-3 to zero

In a small district like MPS, many of these data points existed only in paper files as referral forms, IEP paper-work, and suspension write-ups. Following the A-ROI process, the district team first established a baseline for each measure. District staff then set up a simple system to record data for each measure, and updated it regularly throughout the year.

A key step in determining A-ROI is accounting for the resources required for the investment. The cost of the training vendor was only a fraction of the total invest-ment. The district's finance officer learned to include other important costs: compensation for staff time during training, substitute coverage, administrative time

Exhibit 5 **DMGROUP'S 10-STEP A-ROI PROCESS**

Plan	Design Analysis	Evaluate	Act
• Select Target • Define Success • Identify Comparison Group	• Collect Segment Data • Collect Outcomes Data • Map the Cost	• Evaluate Program Effectiveness • Analyze Cost-Effectiveness • Draw Insight	• Translate insights into actions and commit to program improvements

Source: DMGroup.

> *As a district demonstrates its commitment to seeing a return on investments through a structured process of reviewing results, boards will be more likely to trust that future budget increases will be spent effectively.*

spent on oversight, and the cost of regular staff meetings focused on SEL and behavior. The district then determined the total investment and the cost per student impacted by the new supports.

As MPS nears the end of the first year of implementation, they are prepared to analyze progress on each metric and adjust implementation based on the data. This process, when shared with the board and community, creates a common language and approach for the district to demonstrate A-ROI and ensure that investments truly lead to impact.

Districts eager to demonstrate the A-ROI of new investments should consistently set measurable targets for any new initiative, and establish a plan to assess results and report back. Tigard-Tualatin School District, near Portland, Oregon, decided to formalize this process by creating a "New Project A-ROI Plan," a document required for any new investment. This form, based on common practice in many other industries, requires the leader of the initiative to think through its alignment with key district priorities, articulate expected impact, establish measures of success, establish a process to gather data, and set a timeline for evaluation. The intent is to instill discipline in both the initial decision making and the process to later evaluate the effectiveness of spending.

The Superintendent's leadership was critical, since she was able to enforce accountability. DMGroup recommends that a district's A-ROI team include someone with sufficient leadership clout (often the superintendent), someone from the budget office, and someone from the academic office. In larger districts, a data or evaluation team member should also be part of leading the A-ROI work.

Introducing this practice will also require educating the board, since there can otherwise be an expectation that every single investment will be successful. As districts adopt A-ROI as their way of doing business, board members and administrators come to expect that some initiatives will succeed and others will not; the important thing is to use data to know which is which, and act accordingly. Boards are often hesitant to grant funding increases if they believe the district is not disciplined about ensuring funds are used effectively. As a district demonstrates its commitment to seeing a return on investments through a structured process of reviewing results, boards will be more likely to trust that future budget increases will be spent effectively.

5. Communicate and build support

Nobel laureate behavioral economist Daniel Kahneman documented many reliable quirks that demonstrate the fallibility of human judgment and decision making. One of these is loss aversion: the natural tendency for people to focus much more on what they are losing than what they are gaining. In studies, participants who experience a loss of $25 report a higher level of pain compared with the level of pleasure reported by participants who gained $25.

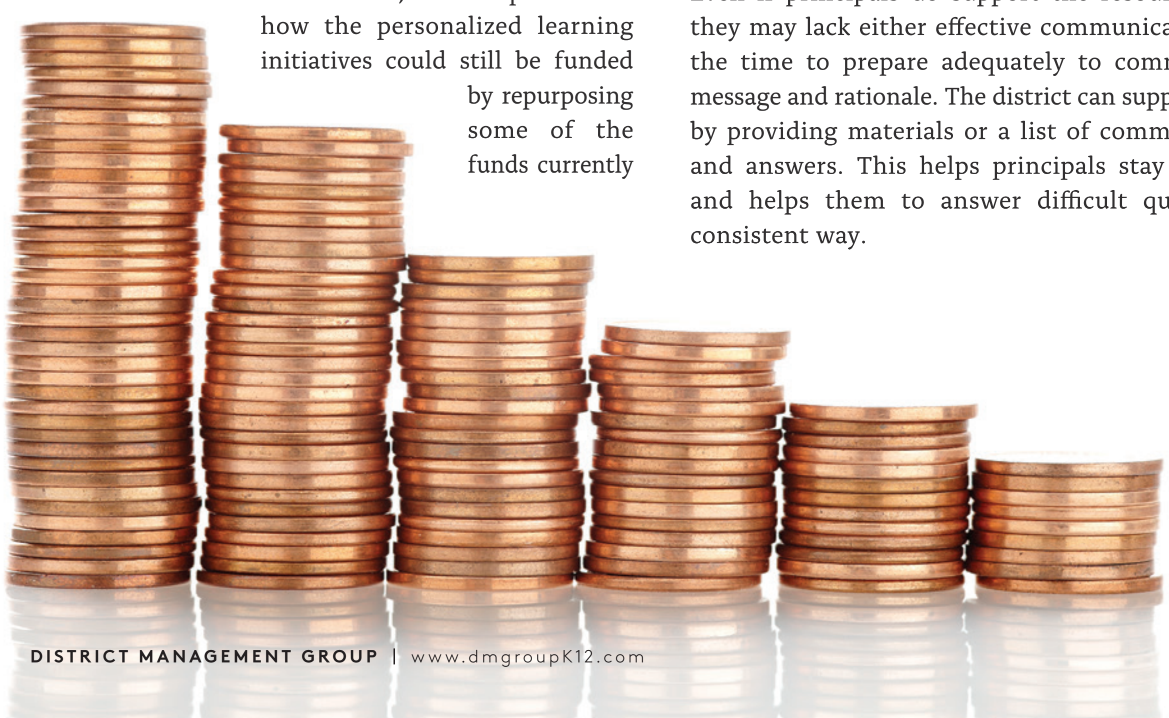
Superintendents have learned this same lesson from experience. The praise and support for adding key positions is quickly overshadowed by the outcry related to any cuts, even if they are small. We recommend that superintendents and budget leaders overcommunicate to keep the focus on what is being added, and show the community how any reductions are actually part of meeting community needs.

> “Budget processes are not agnostic — they inherently shape what gets done.

To do this effectively, leaders should repeatedly reinforce the district's vision, reminding the community of the needs and desires they expressed in the strategic planning process. Change management guru John Kotter reminds leaders that you may feel as if you spend 50% of your time talking about your vision, but that level of communication still only makes up less than 1% of your audience's time. District leaders should incorporate the vision into their meetings and presentations, and highlight how decisions large and small serve to make the vision a reality.

This approach is especially important when discussing resource reallocation or cuts. It can be tempting to frame these decisions in terms of fiscal responsibility, but except in the most fiscally conservative communities, these messages tend not to be well received. Superintendents who talk about "tightening our belts" or "living within our means" often find themselves the target of advocacy from unions or other community groups that do not see fiscal responsibility as a virtue.

One Minnesota district was seeking to win a public referendum for a levy to invest in a vision centered on personalized learning. In the event that levy funds could not be raised, leadership identified how the personalized learning initiatives could still be funded by repurposing some of the funds currently used for specials staffing at the elementary schools. Rather than focusing communication on the potential cuts to specials that would be needed without the levy, the district pitched the levy as a way to make a big investment in personalized learning. They won the referendum, made the investments, and ultimately decided to still address the specials staffing inefficiencies so that those funds could be dedicated to more strategic uses.



When districts communicate about resource decisions, the support of principals is absolutely critical. If parents are upset about class size or staffing changes, they typically do not expect teachers to have sufficient influence and may doubt that central office will take their concerns seriously, so they turn to the principal. District leaders should authentically engage principals in shaping resource decisions, and then provide them with materials (e.g., memos, fliers to send home, FAQs) to support effective communication.

Involving principals in resource decisions will look different for large and small districts. In either case, it's a process that cannot be hurried or accomplished in just one meeting. Principals are too often informed about budget cuts late in the process and then asked to be spokespeople for the changes, repeating the district's rationale to families and staff. If principals themselves do not believe in the district changes, they may undermine the district's messaging when they communicate with parents and staff. On the other hand, if principals truly had input in shaping the district's vision, they are more likely to support the resulting decisions and to be able to explain them effectively.

Even if principals do support the resource decisions, they may lack either effective communication skills or the time to prepare adequately to communicate the message and rationale. The district can support principals by providing materials or a list of common questions and answers. This helps principals stay on message, and helps them to answer difficult questions in a consistent way.

Ultimately, the best way to win support for changes is by showing people successful results. When each new initiative has a measurable goal and a plan to assess the academic return on investment, a structure has been created to demonstrate successes and to celebrate early wins. And when results do not show improvement, district leaders can demonstrate their commitment to using resources effectively by transparently sharing the results, reflecting on them, and making adjustments going forward.

Making Strategy a Reality

Districts recognize the importance of vision and strategy, and accordingly invest significant time, energy, and funds to create their strategic plans. But to make the plan a reality, districts should view their budget process as worthy of the same time and attention and appreciate the importance of aligning the budget to the strategy. Budget processes are not agnostic — they inherently shape what gets done. If a district's strategic plan calls for only minor changes, then the existing budget process may be well-suited to bring the district into the future. But for any district with a bold vision or plan, the existing budget processes will likely constrain the level of change that is possible.

Leaders must ask themselves two key resource questions: Are we spending on the right things? And is the spending having the intended impact? To successfully harness the budget process in service of your district's vision requires clear priorities, a multi-year view, and a thoughtful realignment of the budget process to ensure that resources are allocated toward the highest priorities. And once the money is spent, reviewing the academic return on investment is critical to ensure that the funds are used effectively.

As more district leaders recognize the importance of strategic and effective resource allocation, they also have come to see the value of having a business office that truly understands the strategic work of the district. Translating plans into reality will require academic leaders and business leaders to collaborate to ensure that the strategic plan is reflected in the budget. By incorporating the practices outlined here, districts can build a more strategic, collaborative, and effective approach to resource decisions. ◆