

Improve System Deficiencies to Make Stronger Budget Decisions

Cycle-based budgeting empowers these district leaders to make informed decisions.

By Bo Yan



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As stewards of taxpayer money, district leaders often take most, if not all, of the blame for not using those tax dollars effectively and efficiently to improve student outcomes. What the public does not always recognize and appreciate, however, is how difficult it is for district leaders to make informed budget decisions and how much they may be hampered by system deficiencies.

Making budget decisions involves looking at both new investments and existing spending from multiple angles. With regard to new

investments, district finance leaders must examine the alignment of proposed new budget items with district priorities, evaluating their potential effectiveness and assessing fiscal soundness and sustainability.

For existing spending, they must recheck alignment and scrutinize effectiveness and costs.

Then, they must compare and synthesize this analysis to select a limited number of new programs to fund and some existing programs to possibly defund.

During the process, district finance leaders are expected to be critical

of their own and one another's work and judgment. And they are expected to be able to justify and explain their decisions to their direct reports and constituents, which is critical for gaining buy-in to implement new programs and discontinue existing programs.

System Deficiencies

Although blaming district leaders for poor budget decisions is easy and convenient—and rightly justified in some situations—the root cause often lies in two system deficiencies that fail to provide the conditions for district leaders to make informed decisions:

- Lack of linked program alignment, budget, and outcome data that provide a complete picture of resource allocation and return on investment.
- An organizational structure and processes that fall short of institutionalizing routine scrutiny of spending using such data.

With a few clicks of a mouse, today's technology allows most districts to ascertain such information as how much money is allocated to instruction, personnel, and infrastructure and how much money goes to elementary, middle, and high schools. Such information provides an important perspective to understand resource use, but it has limited value when making budget decisions that revolve around programs.

To make informed decisions about which new programs to fund and which existing programs to cut, district leaders need to answer the following questions:

- How much money has been invested in which areas (e.g., student behavior, literacy, social-emotional skills), through which programs, and for how many years to improve which student outcomes?
- Does redundancy exist among those programs?
- Are programs that target the same area coherent, complementing and supporting one another, or are they incoherent, competing for time, attention, and resources?
- What is the return on the investments?

Unfortunately, many districts' budget infrastructure—which has developed over the years mainly for compliance purposes—is inadequate for providing such data. The absence of accurate information about spending, its alignment with district priorities, and its effectiveness makes it difficult for district leaders to make an objective assessment of how limited resources have been used, which adjustments are needed, and which new programs should be funded.

Most districts *do* have some data that can be used to inform certain budget decisions. For example, it is not that difficult to compile data on the costs and outcomes of a few intervention programs. In practice, however, districts scarcely use such data to examine cost-effectiveness of existing programs and to make decisions on whether those programs should be continuously funded or which adjustments are necessary to improve program outcome.

The system disincentivizes leaders to be courageous and responsible because doing so often makes them “unsupportive of teachers” or “uncaring about the kids.”

This process deficiency is primarily due to the fact that budget decisions on new programs and initiatives are largely driven and determined by needs assessment. Rarely does the deliberation involve setting program success metrics and time frames for delivering the results, which should be part of the budget decisions.

Without those two critical elements, no system check is in place to make sure that new programs will be reviewed at a certain time for return on investment. And district leaders have no incentive to raise issues over existing spending or to propose cuts, especially when money is available. In fact, the system disincentivizes leaders to be courageous and responsible because doing

so often makes them “unsupportive of teachers” or “uncaring about the kids.”

With these two system deficiencies, we should not be surprised when district leaders rely on passion, perception, or anecdotal stories for budget decisions; the squeaky wheels get the grease (people who cry loudest and most often get their programs funded); wasteful spending gets funded year after year; and across-the-board cuts instead of strategic cuts are implemented when there is a budget crunch.

Our Solution

Two years ago, Jefferson County Schools in Louisville, Kentucky, addressed those two system deficiencies by developing and implementing a new budget process called cycle-based budgeting (CBB) supported by an online tracking system. For any new initiative or program, district personnel must submit a budget request online specifying (a) alignment with district priorities, (b) budget needs and intended use, (c) target measurable outcomes (either academic or nonacademic), and (d) time needed to achieve the target outcomes, which becomes the cycle for the program to be implemented and reviewed.

If a program has no or low return on investment at the end of its cycle, it does not necessarily mean it will be automatically discontinued.

This online system fills the data deficiency and allows us to easily track how the \$48.7 million new investment has been made in which strategies through which programs in the past two years. Figure 1 shows clearly that some strategies in the strategic plan (e.g., “Eliminate achievement, learning, & opportunity gaps” and “Provide equitable access”) received more significant new investment than some other strategies (e.g., “Improve communication” and “Develop leaders”).

In 2017, we also rolled \$20.4 million in existing programs into the cycle-based budgeting model. As a result, we can show how \$69.1 million of the district budget is invested in which strategies to target which areas for improvement.

As Figure 2 illustrates, the \$69.1 million CBB-accounted budget has put more focus on academic-related areas, including academic achievement and college and career readiness, rather than on areas such as physical health and arts.

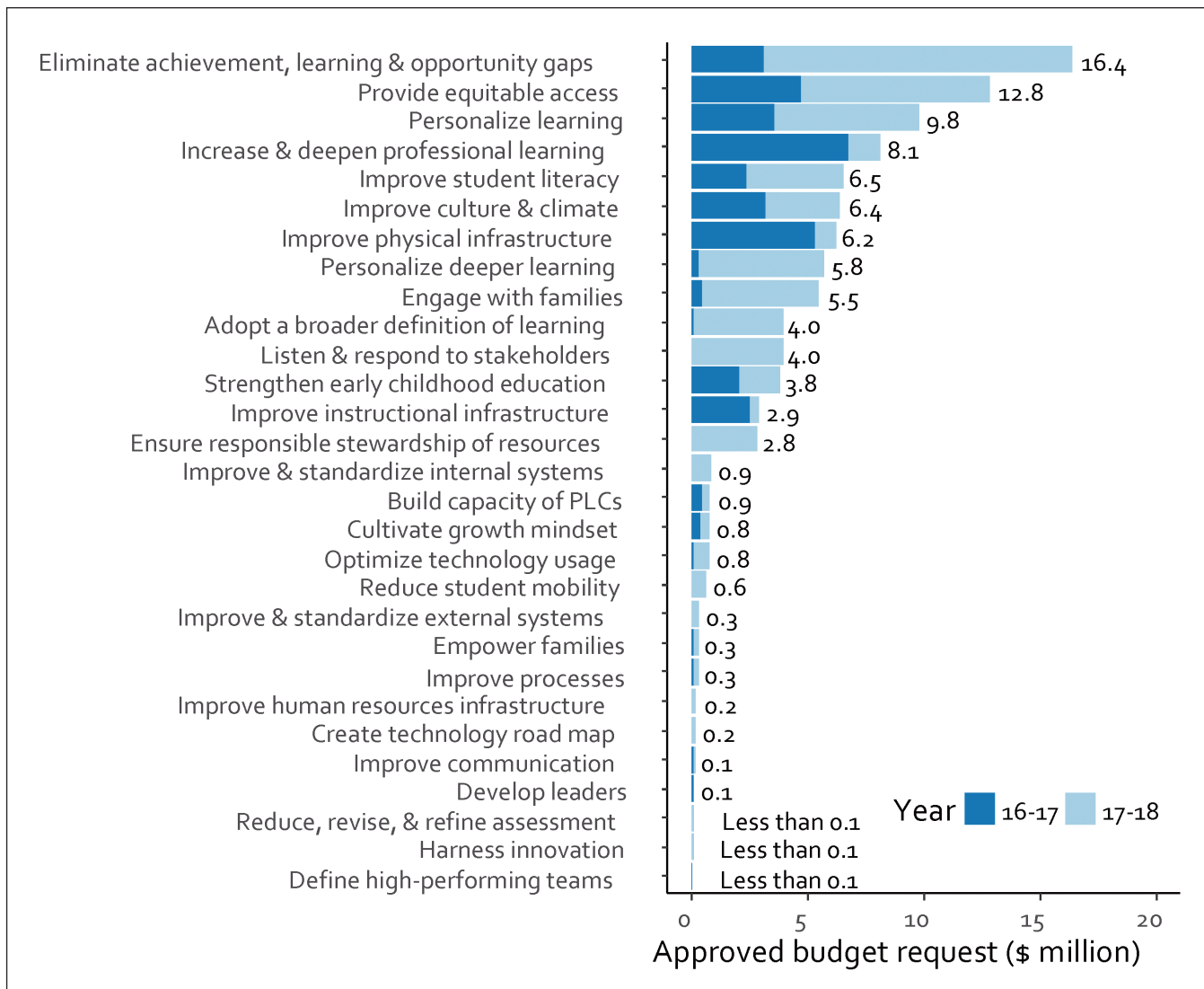


Figure 1. The district’s approved budget request

With the cycle associated with each budget request, we can address the process deficiency by institutionalizing routine return-on-investment review with the CBB-accounted existing programs, based on their cycles and the target measurable outcomes program owners set for themselves.

If a program has no or low return on investment at the end of its cycle, it does not necessarily mean it will be automatically discontinued; CBB ensures that the discussions and debates about what should be done to such programs and how to best spend that budget take place in an open and safe environment and are anchored on tracking evidence rather than perceptions, anecdotal stories, or political influence.

Impact on the District

By addressing the two system deficiencies, we could provide data on how our district has made \$48.7 million in new investments to implement district priorities

during the past two years; district leaders used the data to set funding priorities for the 2018–2019 school year. District leaders not only made informed new-year funding priority decisions, they also could explain those decisions to their direct reports and constituents to gain support and buy-in.

At the same time, we have set expectations for the CBB-accounted spending over success metrics and the time frame for delivering results. District leaders expect to review a certain number of end-of-cycle programs each year (and know what those programs are) and to make funding or adjustment decisions. Program owners realize that money is not unlimited and that district support is not unconditional.

As a result, we have created the conditions to transform spending on programs from entitlement into time-bound conditional commitment. For the 2018–2019 school year, we are scheduled to review 105 programs totaling \$33 million and to make decisions based on

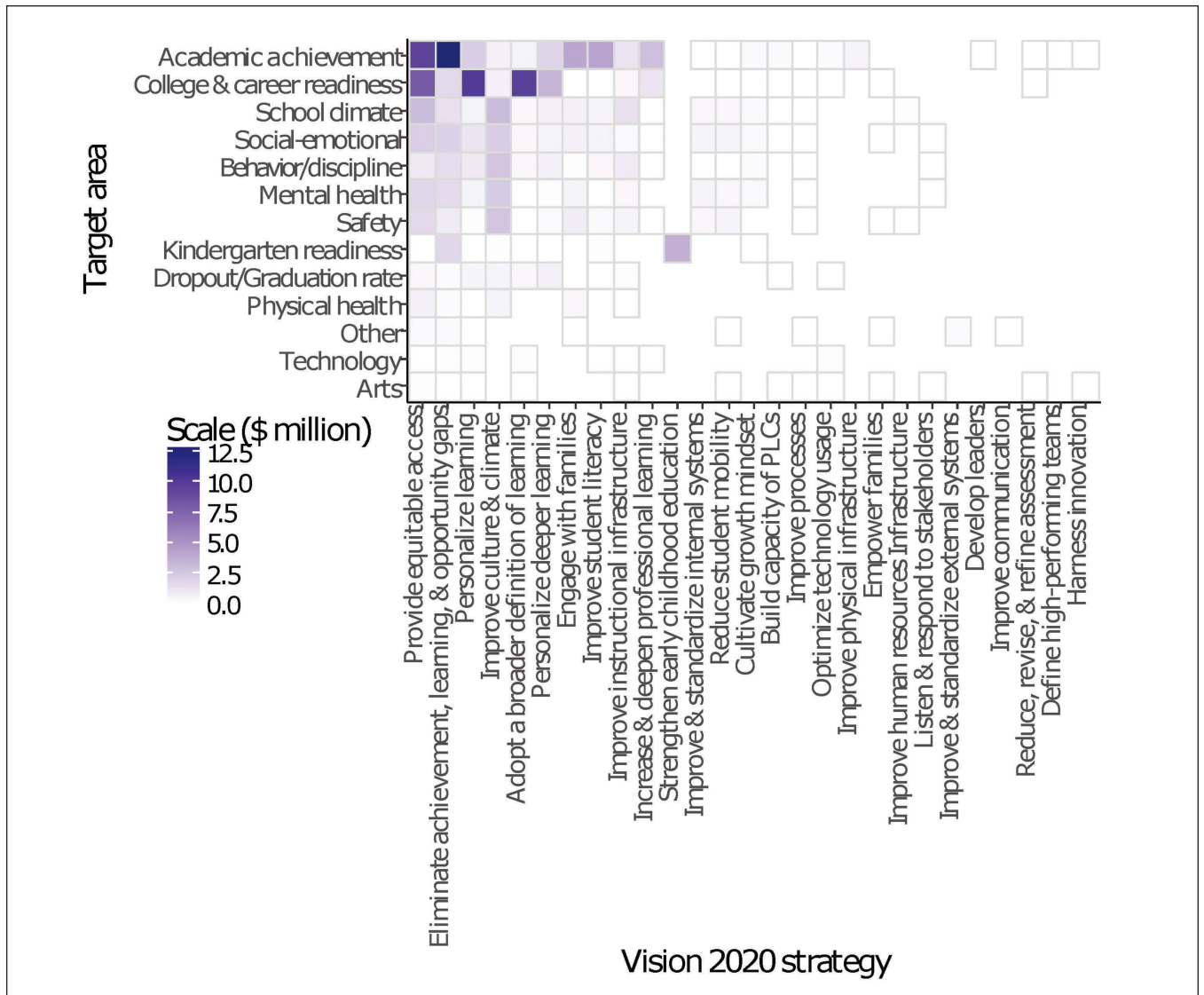


Figure 2. CBB-accounted spending by Vision 2020 strategy and target area. CBB-accounted spending amounts to \$69.1 million (\$48.7 million new and \$20.4 million existing) by Vision 2020 strategy and target area for improvement. Each square corresponds to a Vision 2020 strategy on the x-axis and a target area on the y-axis. The color scale represents the amount of the investment: the darker the color, the larger the amount of the investment. If the intersection of a target area and Vision 2020 strategy is blank, no money has been invested in that strategy for improving the corresponding area.

their return-on-investment data. This opportunity will cause us to adjust some programs. In addition, we can potentially save some money by discontinuing or downsizing some ineffective or low-impact but high-cost programs, which will give the district more resources to meet the unmet needs and fund innovations.

Empowering Fiscal Leadership

Making sound budget decisions is not an easy task. When leaders are the focus of the blame for wrong decisions or indecision, the solution tends to be replacing those leaders with new ones. However, that solution often sends us back to the same situation, only with

different leaders and programs. The fact is that if one leader or a few leaders are making bad decisions or avoiding tough decisions, then the problem is personnel and replacing those leaders is the right path. However, if most leaders are doing the same things, then it is usually a system issue.

By addressing the two system deficiencies through cycle-based budgeting, we have empowered our leaders to make informed and tough decisions, which will lead us to more optimal use of the taxpayer money to improve student learning.

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