Promising Practices in School District Budgeting Under LCFF

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The implementation of the Local Control Funding Formula presents local education leaders with the power and flexibility to use resources in new and different ways. Taking full advantage of this opportunity requires leaders to adopt budgeting practices that highlight the tradeoffs among system goals and facilitate the reallocation of scarce resources to support their top priorities. In this brief Mark Murphy reviews the experiences of three California school districts with budget tools that increase their ability to meet their students' needs. Murphy discusses key lessons from these districts, which yield three recommendations:

- Integrate district budgeting with strategic planning.
- Focus on critical questions prior to investment decisions.
- Develop internal structures that help sustain the strategic budgeting approach.

Adopting more strategic budgeting practices is one key step toward district policies that respond to community preferences and improve the performance of local schools and students.

California's new accountability and continuous improvement framework relies on district and school leaders using multiple measures of school performance to identify where change is needed, and to monitor carefully the development, testing, and evaluation of improvement strategies over time. This process of continuous improvement requires that local leaders have access to research-based evidence and strategies that they can implement in their schools and opportunities to learn from one another about what works, under which conditions, and for which students. PACE's series of Continuous Improvement Briefs aims to support education leaders at all levels in learning how to improve the performance of their schools and students.

Introduction

With the adoption of the Local Control Funding Formula (LCFF) California committed itself to establish an education system driven by the goal of continuous improvement (Darling-Hammond and Plank 2015). The LCFF replaced a rigid, centralized categorical funding model with a dynamic, locally focused system that gives districts substantially more budget flexibility. The state's 40-year legacy of categorical funding is not easily or quickly forgotten, however, and remnants of the old system including the Standardized Account Code Structure (SACS) remain in place. Indeed, practices fostered by categorical funding continue to be "deeply embedded in the DNA of many state, district and county officials" and also in school district budgeting processes (Koppich, Humphrey, and Marsh 2015). Adopting strategic, evidence-based and district-driven budgeting practices instead of relying on approaches established under the categorical funding system is a substantial challenge, but it can help districts to make budgeting choices that support continuous improvement in the performance of schools and students.

Categorical System

Under the previous school funding system districts budgeted within the confines of revenue limits and categorical funding streams established by the state. Dependence on categorical funding made it difficult for administrators and stakeholders to address critical tradeoffs and budgeting choices in ways that were responsive to local conditions and demands. Spending decisions were strongly influenced by state priorities rather than district needs.

LCFF System & Continuous Improvement

Expectations for the budgeting process under the LCFF are fundamentally different. The LCFF calls for a locally-driven, transparent and strategic approach to school budgeting and accountability that sets continuous improvement rather than compliance as the key goal. The LCFF allows districts to establish unique priorities for their schools, and obliges them to make steady progress toward those goals.

With the enactment of the LCFF, many of the extensive reporting requirements associated with the categorical system were eliminated. Instead, school districts are now required to prepare Local Control and Accountability Plans (LCAPs), in consultation with their local communities. Each district's LCAP is intended to articulate the unique goals and needs of the district around eight state priorities, including student achievement, parent involvement and school climate. Not surprisingly, many districts are still in the process of adapting to this new policy environment. They are learning how to integrate their budgeting and strategic planning efforts to align district actions toward long-term outcomes, how to use critical questioning early on to better identify evidence-based practices, and how to embed these practices in district budgeting routines.

This report summarizes key lessons from a panel discussion during PACE's 2017 Policy and Research Conference that focused on innovative school district budgeting. We highlight promising budgeting practices in three California school districts, and conclude with three recommendations for the development of district budgeting practices that support continuous improvement.

Evidence from Three California Districts

The basic question that districts face in the annual budgeting process is how best to allocate finite resources to improve student outcomes. Districts inevitably confront difficult tradeoffs and must make choices as to which programs merit budgetary allocations. In the era of categorical funding, state priorities largely governed how money should be spent. Under the LCFF, in contrast, districts have more discretion, which can produce significant gains for students when resources are allocated to support effective educational strategies that target district needs.

The three districts we describe in this brief partnered independently with Education Resource Strategies or the California Smarter School Spending project for technical and strategic support in improving their budgeting practices under the LCFF.

Education Resource Strategies (ERS)

Oakland Unified School District (OUSD) worked with ERS in 2015-16 to identify opportunities to improve the allocation of district resources to better support the success of each school in the district. The ERS approach emphasized consideration of the district's whole budgetary picture as well as the identification of actions that could transform resource allocations across the district so that schools succeed for every student. It also involved strategically setting priorities and goals, informed by resource metrics, and aligning strategies and resources with these goals. Data-informed conversations were fundamental to district decisions about the reallocation of time, people and money.

California Smarter School Spending (CSSS)

Santa Ana Unified School District (SAUSD) and San Francisco Unified School District (SFUSD) worked to improve resource allocation by participating in the CSSS project, which was led by Pivot Learning. Project staff worked with districts to align strategic planning and budgeting processes, as depicted in Figure 1 (Pivot Learning 2017). The goal was to craft short- and long-term budgeting strategies that effectively targeted student success. The approach followed the five steps in the Government Finance Officers Association's (GFOA) Smarter School Spending process in order to develop a more strategic district finance plan:

- planning and preparing;
- setting instructional priorities;
- paying for priorities;
- implementing the plan;
- and ensuring sustainability.

The CSSS project offered participating districts guidance to help them consider budgeting tradeoffs by thinking critically about instructional priorities and how to best shift resources to fund those priorities. One essential tool, the Screening and Sizing Tool (developed by the GFOA and illustrated in Figure 2), enabled districts to assess cost drivers and potential savings within their own budgets. Using this tool, participating districts identified several potential opportunities for cost savings. Such opportunities were then analyzed systematically using a process that involved:

- understanding the budget and program details;
- identifying cost drivers;
- determining policy and other constraints;
- sizing and prioritizing;
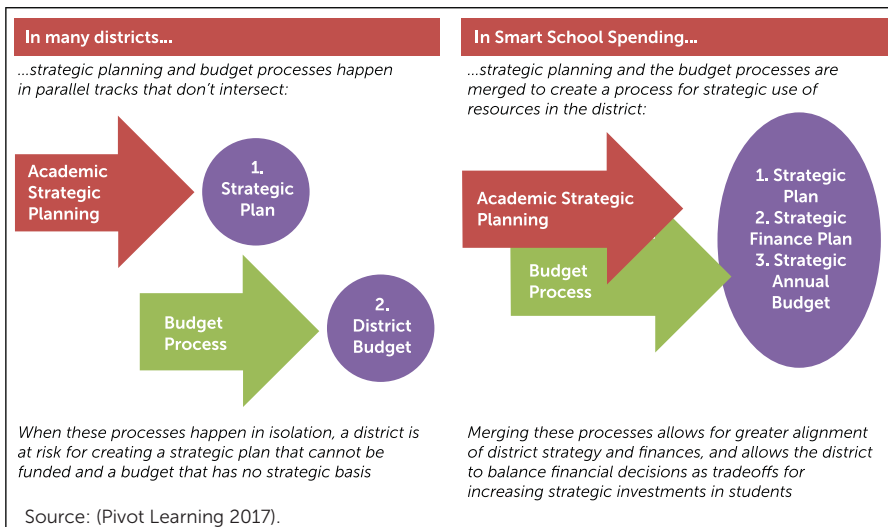- and supporting the work plan.

Districts making use of the tool aimed to better define strategic priorities, identify operational and other savings efficiencies, and improve the effectiveness of stakeholder engagement.

OUSD, SAUSD, and SFUSD provide examples of innovative budgeting practices in action, which we describe below.

Oakland Unified School District (OUSD)

In recent years, OUSD has focused on developing resource snapshots that provide measures of how people, time and money are used by the district, and

Figure 1. Smarter School Spending Process Brings Together Strategic Academic Planning and Budgeting.

Source: (Pivot Learning 2017).

aligning budgeting and LCAP processes to identify and support core priorities. During the LCAP process in 2015-16, for example, the district identified a troubling pattern: many students were struggling to access the right mix of high school classes to earn the credits needed to graduate. OUSD conducted research to find out why, in partnership with ERS. They learned that a number of high schools were under-scheduling students in the years prior to their senior year and that only 73 percent of attempted credits in these schools were A-G aligned (Frank and Galvez 2016). Many students were thus prevented from earning enough credits during their senior year.

Guided by their analysis of district resources and benefitting from their efforts to integrate planning and budgeting processes, OUSD took action to address the under-scheduling issue. The district shifted from 7-period school days to 8-period school days at some schools to allow future cohorts to complete more courses. They also used LCFF resources to fund new summer, before-school, and after-school credit recovery options for immediately-affected students. The integration of the LCAP and budgeting processes helped OUSD identify a critical need and target both short- and long-term resources to respond to a key district challenge.

Santa Ana Unified School District (SAUSD)

SAUSD has adopted a budgeting approach that relies on data-based decision making and strategic questioning to better ensure that spending aligns with districtwide strategic priorities. During the 2016-17 budgeting cycle, for example, the district prioritized funds to employ additional reading coaches in grades K-5 for targeted schools in order to increase early literacy interventions

Figure 2. Government Finance Officers Association Cost Savings Screening and Sizing Tool

Category	#	Opportunity
Reducing operational costs	1	Can the district free up funds from **general education transportation**?
	2	Can the district free up funds from **energy expenditures**?
	3	Can the district free up funds from **maintenance services**?
	4	Can the district free up funds from **custodial services**?
	5	Can the district free up funds from **food services**?
	6	Can the district free up funds from classroom and other **instructional technology**?
Rethinking service delivery models for students who struggle	7	Can the district **address mild special needs** differently?
	8	Can the district free up funds from **paraprofessional positions**?
	9	Can the district free up funds by increasing the impact of **intervention teaching positions**?
	10	Can the district free up funds from **special education teaching positions**?
	11	Can the district free up funds from **speech and language therapist positions**?
	12	Can the district increase the impact of **Title I spending**?
	13	Can the district free up funds by reducing reliance on **out-of-district special education placements**?
	14	Can the district free up funds by reducing its reliance on **alternative schools** for students with behavioral challenges?
Maximizing revenue	15	Can the district increase state and federal funding by maximizing **free and reduced-priced meals enrollment**?
	16	Can the district increase federal **Medicaid** reimbursement for health-related student services?
Boosting the impact and cost-effectiveness of professional development for teachers	17	Can the district free up funds from **professional development expenditures**?
	18	Can the district provide more **professional development opportunities** for core teachers at little or no additional cost?
	19	Can the district **increase the impact of the coaching model** at little to no additional cost?
	20	Can the district free up funds from **instructional coaching positions**?
Examining staffing levels of non-instructional staff	21	Can the district free up funds from **central office spending**?
	22	Can the district free up funds from school-based administrator **positions and/or increase the impact of existing positions**?
	23	Can the district free up funds from **clerical support positions**?
	24	Can the district free up funds from **library/media specialist** positions and/or increase the impact of existing positions?
	25	Can the district free up funds from **guidance counselor** positions?
Using instructional time more cost-effectively	26	Can the district free up funds associated with **teacher absences**?
	27	Can the district free up funds from **extended school day and/or year** programs?
	28	Can the district free up funds from **blended learning and/or online classes** and/or increase the impact at little or no additional cost?
Managing class size	29	Can the district free up funds by managing class sizes differently at the **elementary schools**?
	30	Can the district free up funds by managing class sizes differently at the **middle schools**?
	31	Can the district free up funds by managing class sizes differently at the **high schools**?

Source: (Government Finance Officers Association 2017)

and improve academic achievement for English Learner students. In 2017-18, guided by the GFOA's Screening and Sizing Tool (Figure 2), SAUSD identified cost savings of more than a million dollars in Maintenance Services, which can be reallocated toward programs that directly align with district goals.

District leaders note that reframing budget conversations to focus on the strategic allocation of resources and supporting regular evaluation of district programs are critical steps toward improved budgeting practices. In SAUSD allocation conversations now focus more on the questions of "why?", "where's the evidence?" and "is this working for our students?" An initial result of this shift in focus has been clearer alignment between resource allocation and important district goals.

SAUSD aims to make further progress in the current budget cycle by considering:

- how funding supports the theory of action or intended outcome of an initiative;
- which indicators of effectiveness will determine the success of a program;
- how implementation of initiatives is tracked over time to ensure intended outcomes are reached;
- and how initiatives align with system priorities and the best use of resources for students.

San Francisco Unified School District (SFUSD)

SFUSD has also worked toward a more coherent budgeting strategy that emphasizes student success while aligning districtwide priorities and the LCAP. Prior to joining the CSSS project SFUSD had just completed a strategic plan refresh that illuminated the district's top academic goals and helped in developing a short list of prioritized initiatives. These priorities included:

- targeted strategies to address the needs of underserved students;
- investments to recruit, retain and develop teachers, principals and other staff;
- continued, gradual restoration of site-based budgets;
- investments in technology (e.g. learning experience redesign);
- and investments in key operations functions (e.g. facilities, business services, etc.).

As district leaders note, it can be easy to develop a "wish list" of programs, but it requires a far more concerted effort to craft a budget that prioritizes specific district goals after weighing difficult tradeoffs.

Having already set priorities SFUSD focused on the last three steps of the Smarter School Spending process, and on the goal of improving its return on investment (ROI) districtwide. Their work included monitoring the fidelity of implementation of district initiatives and assessing the impact of funding for these programs (SFUSD and SFCOE 2017). In 2016-17, for example, SFUSD utilized the CSSS impact assessment framework to analyze the implementation and effectiveness of three districtwide initiatives: a program to deploy

instructional coaches, a program to reduce the disproportionate identification of students needing social emotional support, and the district's teacher residency program. Findings were incorporated into the district's LCAP to guide future investment decisions.

SFUSD has also taken steps to adopt strategic budgeting practices in order to regularly improve alignment between financial resources and long-term district goals. One example is the inclusion of new fields in the district's internal budgeting forms, such as the district's Balanced Score Card. These now request information on how LCFF base and supplemental dollars are being used to advance LCAP priorities. Information obtained through this simple form modification helps the district to see more clearly how initiatives and programs align with established district goals.

Recommendations

Strategic budgeting practices help districts weigh tradeoffs in the allocation of scarce resources, in order to guide budget choices and address district priorities. These practices support continuous improvement by privileging evidence-based programs, focusing on long-term goals, and responding to community priorities. Here we highlight three promising practices for strategic budgeting:

- Integrate the district budgeting process with strategic planning, including the LCAP;
- Focus on addressing critical questions prior to making important investment decisions; and
- Develop internal strategies that help sustain the strategic budgeting approach.

Integrate District Budgeting with Strategic Planning

In each of the three districts, the strategic planning process is strongly integrated with the budgeting process. All three districts craft their budgets and LCAPs in a coordinated and complementary manner. Integration spotlights the tradeoffs that must be faced in the annual district budget, and helps to generate critical conversations to inform budgeting and planning processes. By coordinating these efforts, districts are able to ensure that programs that align with district priorities are supported in the budgeting process. Facilitating collaboration among district staff in finance and programming departments also helps ensure that instructional programs directly tied to improving student achievement receive the most resources in the budget.

Focus on Critical Questions Prior to Investment Decisions

Experts in school budgeting stress that asking critical questions at opportune moments leads to more effective budgeting. Addressing questions about operational costs, delivery of services for struggling students, revenues, professional development for staff, staffing levels, class sizes, and other issues (as illustrated in Figure 2) can help districts to identify ways to reallocate resources that reflect strategic priorities. Asking these questions before or during the budget development process--when districts have the most latitude to adjust or augment their plans--can help to identify areas for possible resource reallocation and prioritize strategies that promise positive results. Failure to consider these questions early in the budget process can deprive important services or strategies of the funds they need to produce results.

Develop Internal Structures that Help Sustain the Strategic Budgeting Approach

The third broad recommendation for strategic budgeting is to develop internal strategies and methods to sustain a strategic budgeting approach over time. Examples include frequently collecting resource snapshots (in OUSD), shifting the culture of questioning toward intentional alignment of resources and instructional priorities (in SAUSD) and linking regularly used district specific budgeting tools to district goals (in SFUSD). Making these practices routine helps to build capacity for strategic budgeting, and ensures that new practices continue to guide decision making over time.

Conclusion

As California school districts work toward the goal of continuous improvement they must develop coherent, strategic, and integrated budgeting practices. The LCFF provides districts with the latitude to make funding decisions that respond to local priorities. Districts can take full advantage of this flexibility by adopting budgeting practices that are aligned with long-term strategic planning, consider difficult questions and tradeoffs early on, are grounded in evidence-based decision making, and embed these practices in the district's budgeting routine. Adopting and retaining smarter budgeting practices is one key way for districts to support continuous improvement in the educational services they provide for their students.

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