

Budget Process Framework and Strategic Financial Planning



Government Finance Officers Association

May 24, 2018



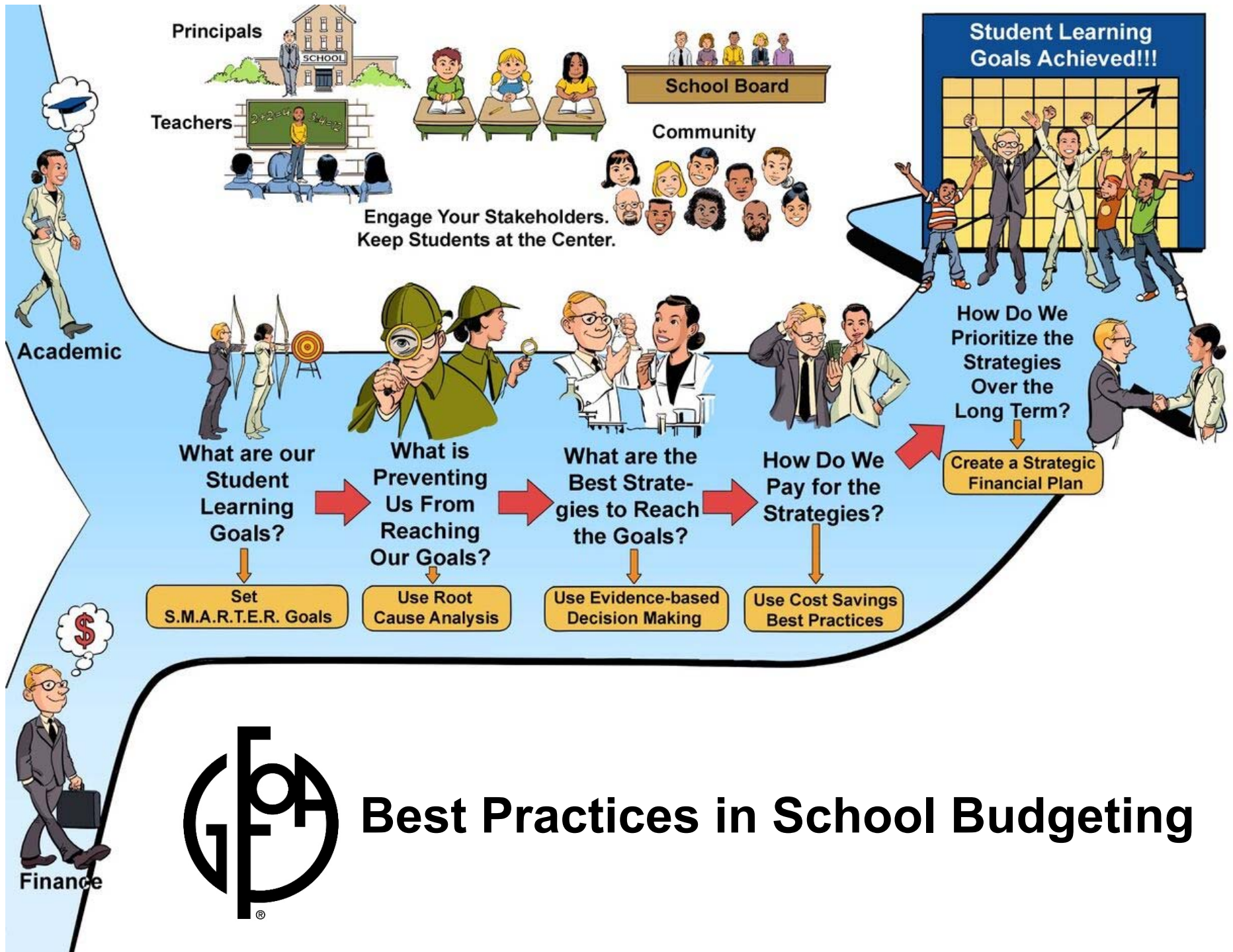
Topics Covered

- Budget process framework
- Goal setting overview
- Strategic planning
- Strategic financial planning



Need for Better Budgeting

- Trying to shift from:
 - Incremental budgeting
 - Limited resources drive spending plan
 - Being more reactionary than pro-active
 - Primary focus on next year challenges than long-term strategies
 - Paper based budget document
- Also making better connections with outcomes:
 - Attempts likely made
 - Are they sustainable?





The Process Brings Together Strategic Academic Planning and the Budget Process

In many districts...

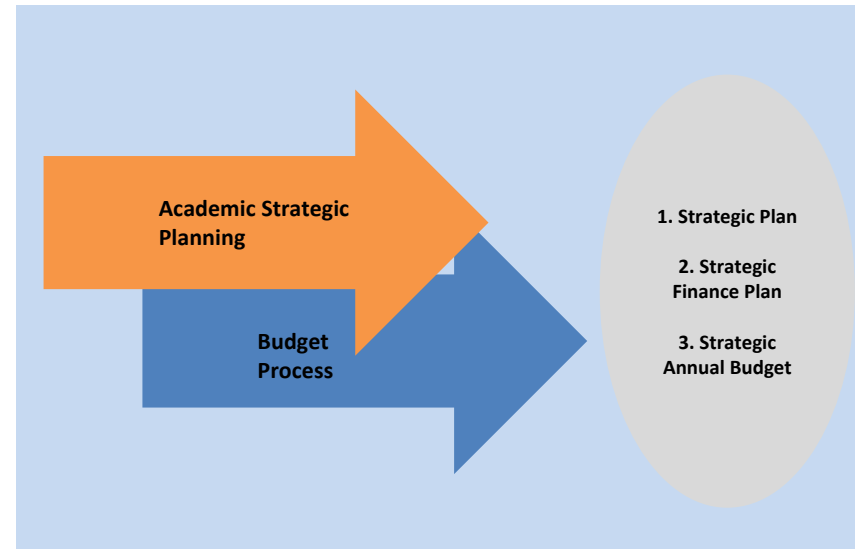
... strategic planning and budget processes happen in parallel tracks that don't intersect:



When these processes happen in isolation, a district is at risk for creating a strategic plan that cannot be funded and a budget that has no strategic basis

In Smarter School Spending...

... strategic planning and the budgeting process are merged to create a process for strategic use of resources in the district:



Merging these processes allows for greater alignment of district strategy and finances, and allows the district to balance financial decisions as tradeoffs for increasing strategic investments in students



Best Practices in School Budgeting

- Focus on 5 major areas:
 1. Plan and Prepare
 2. Set Instructional Priorities
 3. Pay for Priorities
 4. Implement Plan
 5. Ensure Sustainability





Development

- **Best Practices in School Budgeting** developed by GFOA with input of several districts and other experts - <http://gfoa.org/pk-12-budget>
- **Smarter School Spending initially** developed in partnership with four districts - resource library of examples, tools, etc. - <http://smarterschoolspending.org/>
- **Award for Best Practices in School Budgeting** is a new GFOA budget award based on the Best Practices in School Budgeting - <http://gfoa.org/school-budgeting>
- **Alliance for Excellence in School Budgeting** is an early adopter group of nearly 100 districts formed by GFOA to aid in implementing the new Best Practices - <http://gfoa.org/alliance-excellence-school-budgeting>



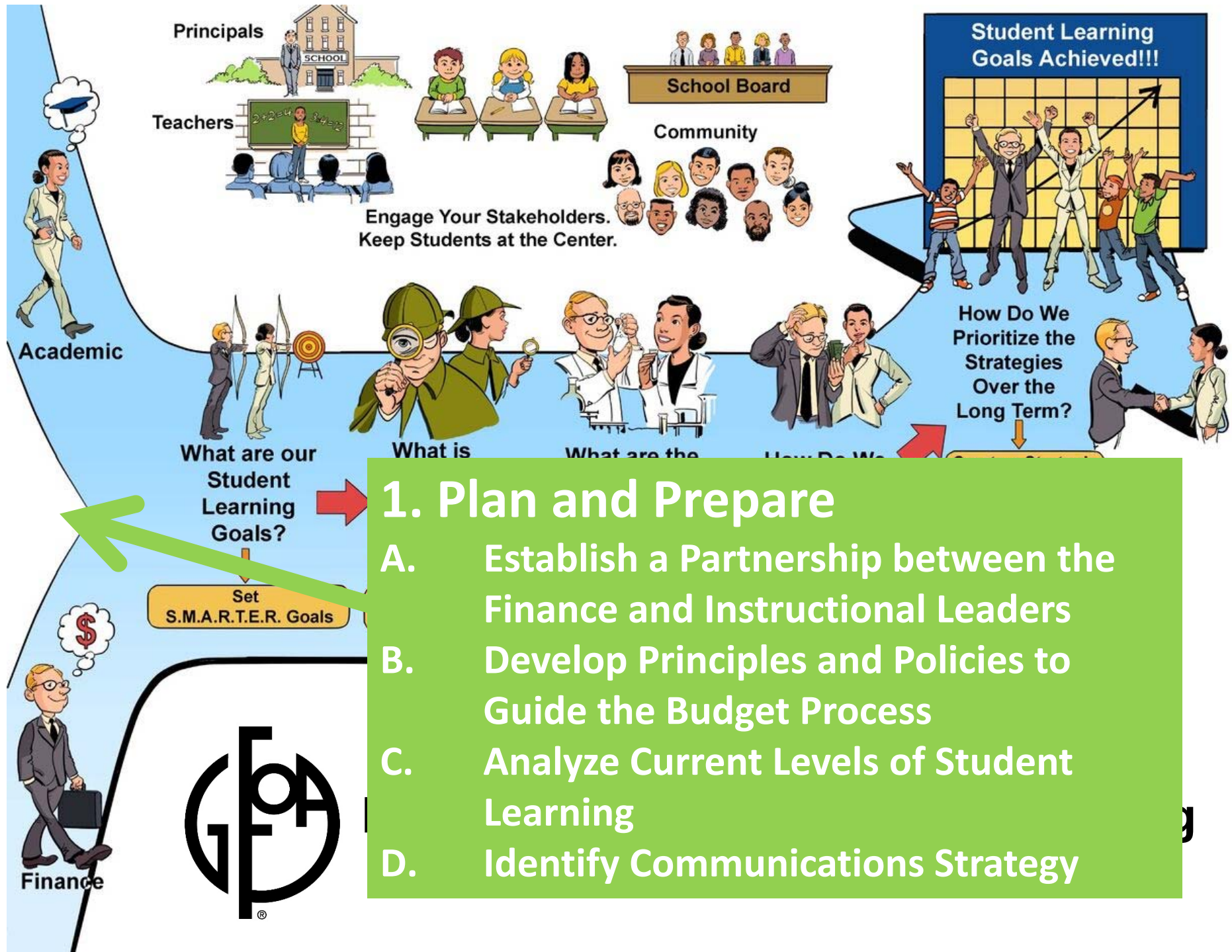
Implementing the Best Practices

- Not meant as an outright replacement of existing budget process
- Framework to integrate current efforts to help move the bar forward
- Way to help identify areas that may need improvement
- Not a linear path - focus on areas of most immediate benefit to gain quick wins

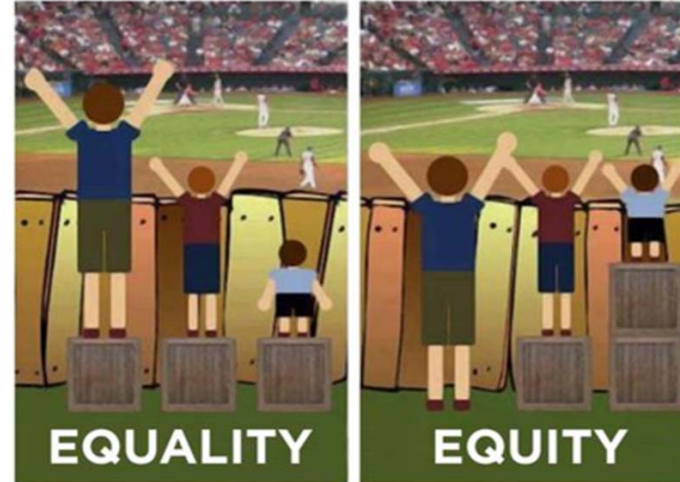


First – How to Begin

- Emphasis on planning and setting the stage
 - Collaboration
 - Framing the process
 - Baseline performance
 - Engagement



Key Resources



Collaboration Case Study:

<https://smarterschoolspending.org/resources/gfoa-best-practice-establish-partnership-between-finance-and-instructional-leaders>

Principles Example:

<http://smarterschoolspending.org/resources/district-examples/portland-public-schools-budget-principles>

Policy Templates:

<http://www.gfoa.org/step-1-plan-and-prepare>

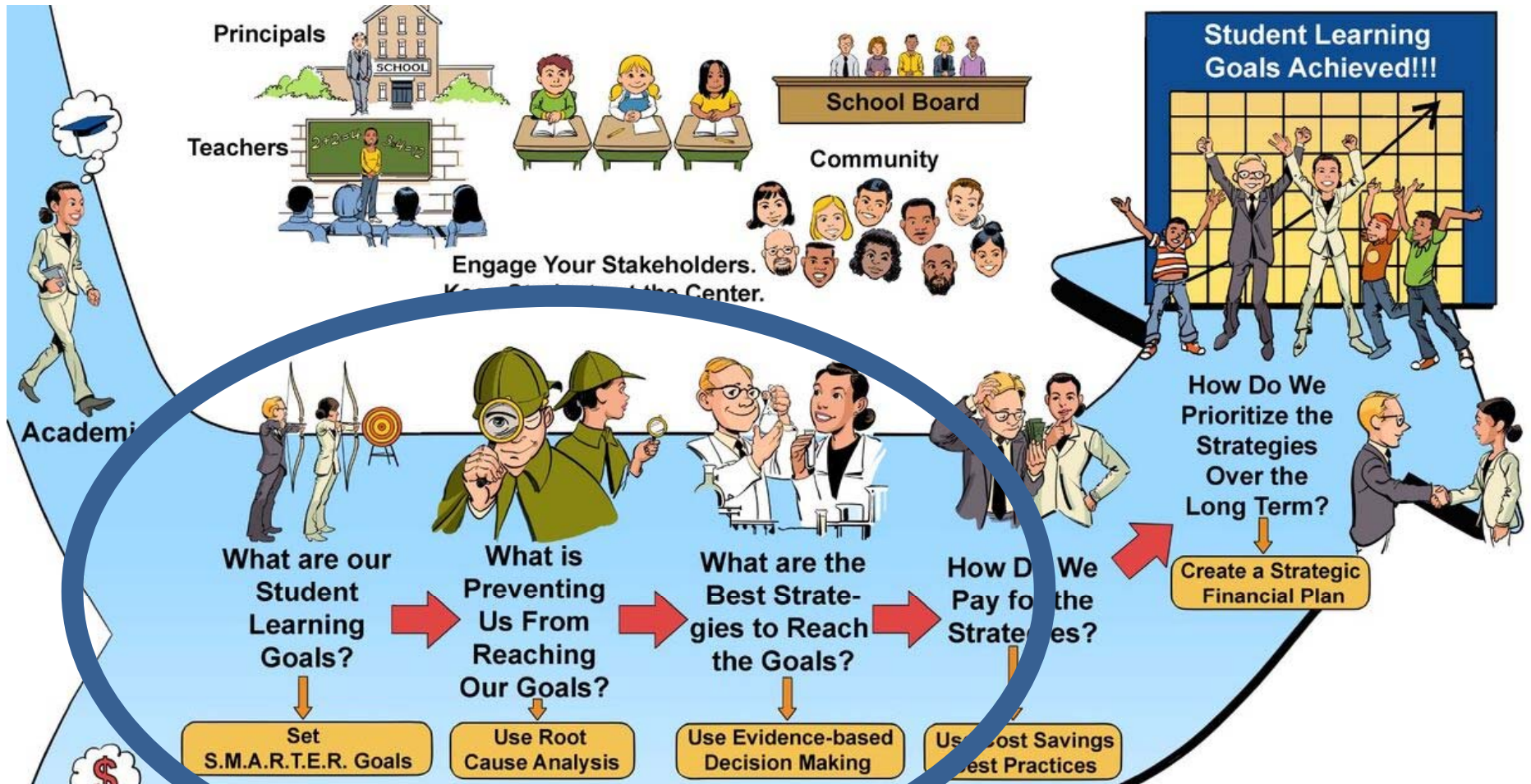
Engagement Case Study:

<http://smarterschoolspending.org/resources/district-examples/traverse-city-area-public-schools-elevator-speech-case-study>



Second – What is the Focus

- Establishing direction
 - Goal-setting
 - Deep dive on issues
 - Develop strategies
 - Prioritization



2. Set Instructional Priorities

- A. Develop Goals
- B. Identify Root Cause of Gap between Goal and Current State
- C. Research and Develop Potential Instructional Priorities
- D. Evaluate Choices amongst Instructional Priorities

Key Resources

Specific
Measureable
Achievable
Relevant
Time Bound
Engaging
Resourced

Goals Case Study:

<http://smarterschoolspending.org/resources/district-examples/lake-county-school-district-smarter-goals-case-study>

Root Cause Analysis Case Study:

<http://smarterschoolspending.org/resources/district-examples/beaverton-school-district-root-cause-analysis-case-study>

Instructional Priority Planner Tool:

<https://smarterschoolspending.org/resources/instructional-priority-planner>

Priority Setting Tool:

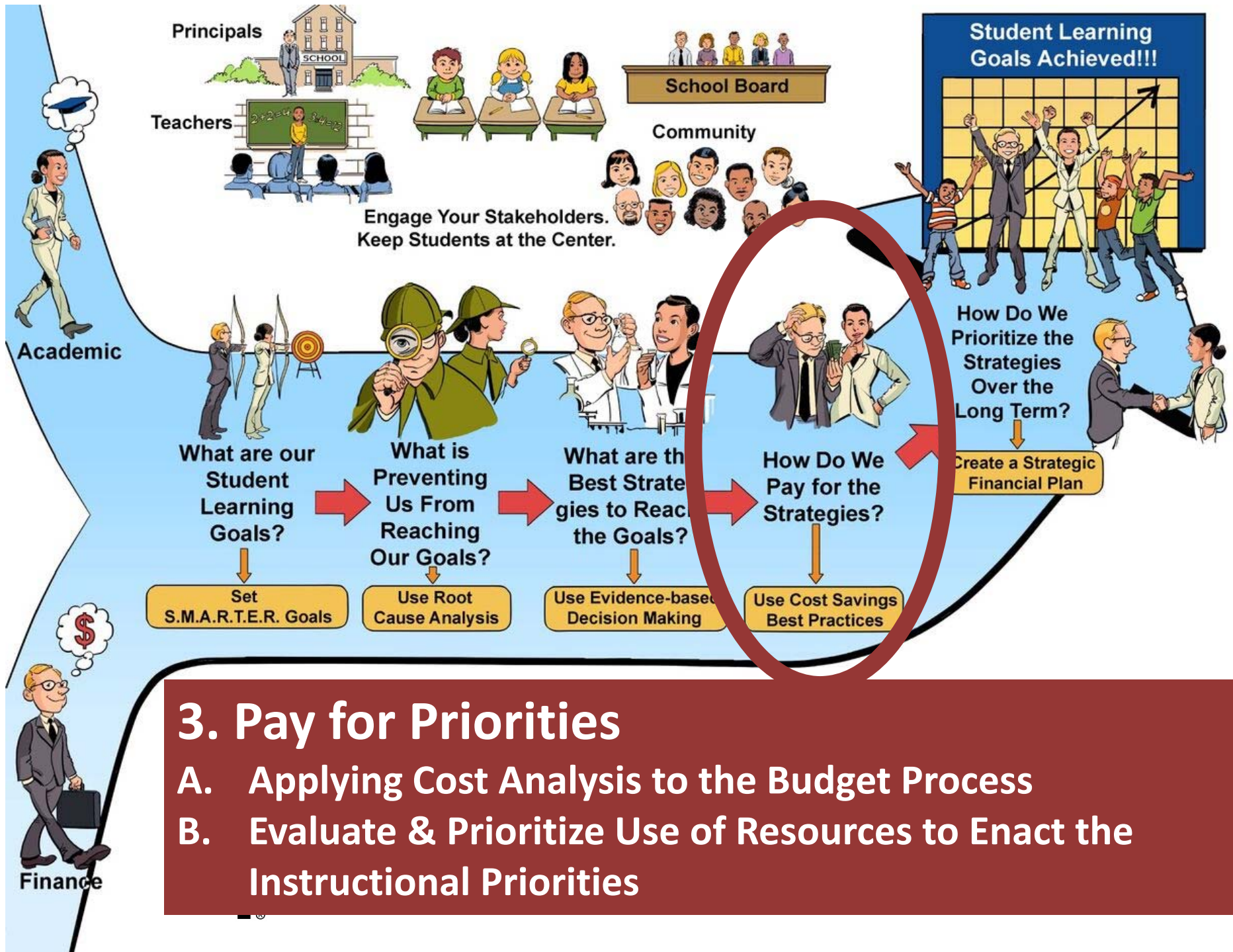
<http://www.gfoa.org/pk-12-budgeting-evaluating-options>



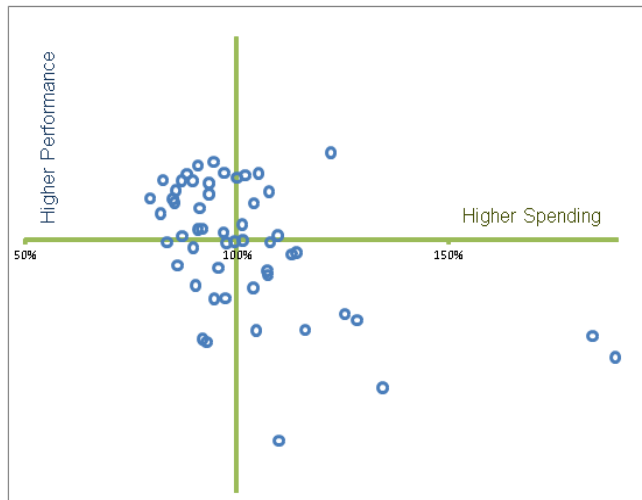


Third – How to Fund

- Allocating/finding resources
 - Analyzing current programs
 - Evaluating new proposals



Key Resources



GFOA AROI White Paper:

<http://www.gfoa.org/academic-return-investment-foundations-and-smart-practices>

AROI Case Study:

<http://smarterschoolspending.org/resources/district-examples/traverse-city-area-public-schools-academic-roi-case-study>

Cost Savings Idea Tool:

<https://smarterschoolspending.org/resources/cost-savings-options-screening-sizing-tools>

Strategic Abandonment Tool:

<http://www.gfoa.org/pk-12-budgeting-strategic-abandonment-tool>

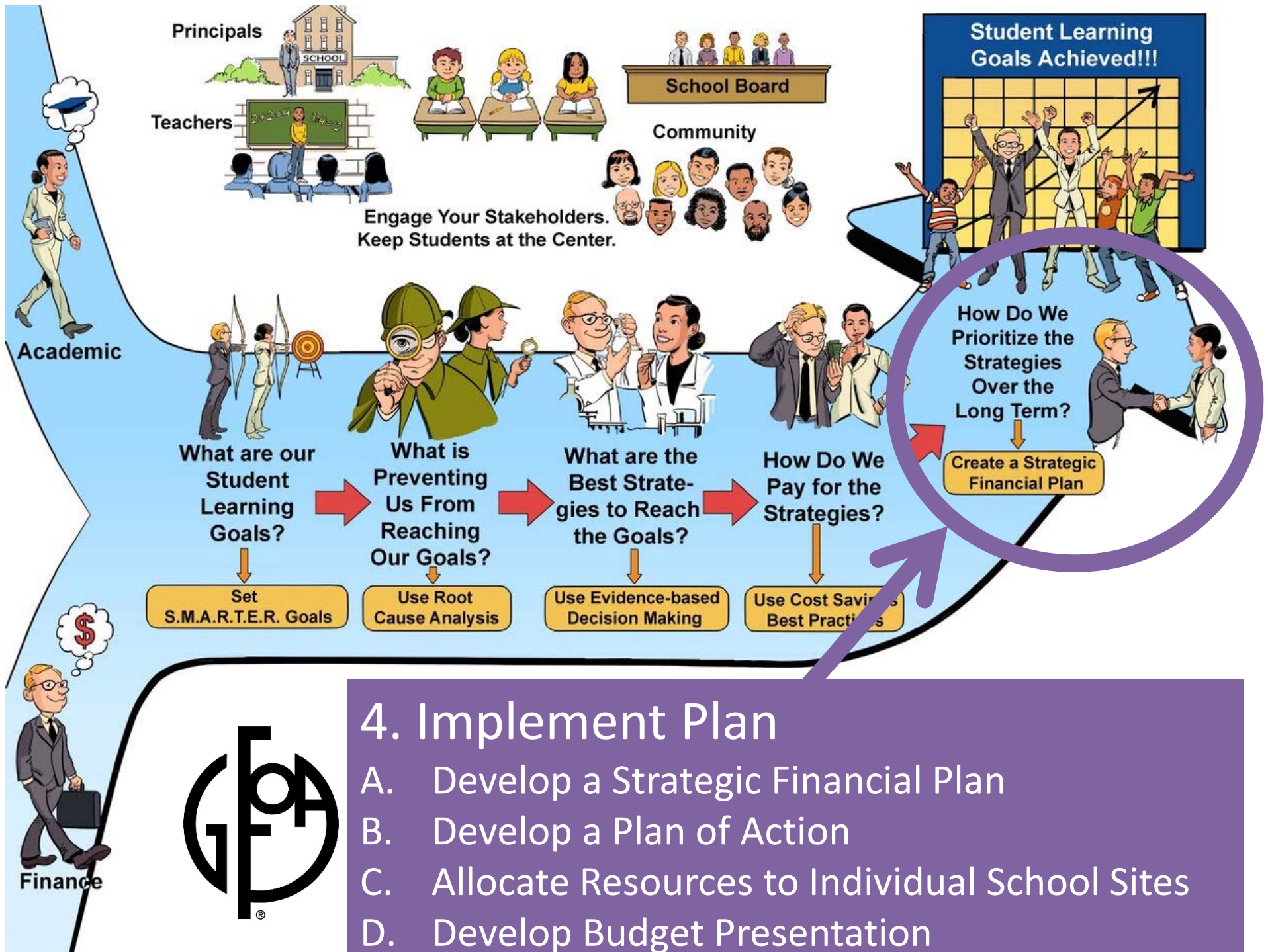
Procedural Justice Case Study:

<https://smarterschoolspending.org/resources/gaining-commitment-paying-your-priorities-0>



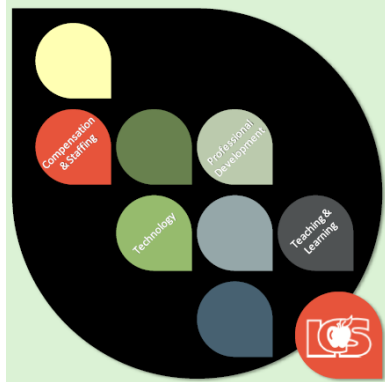
Fourth – Put Plans to Action

- Implementing with fidelity
 - Financially
 - Clear steps/responsibilities for implementation
 - Impacts to school sites
 - Communicating through the budget





Key Resources



Strategic Financial Plan Template:

<https://smarterschoolspending.org/resources/strategic-financial-plan-template>

District Strategic Financial Plan Example:

<http://smarterschoolspending.org/resources/district-examples/lake-county-school-district-strategic-financial-plan-case-study>

Case study/District example – Allocation

Methodologies:

<http://smarterschoolspending.org/resources/district-examples/beaverton-school-district-allocation-models-case-study>

Budget Document Example:


https://docs.google.com/document/d/1E5n3RCKJutRo2ck1cun_QZ4sc6D_-_pLcWKBlvge4WGA/edit#heading=h.17dp8vu

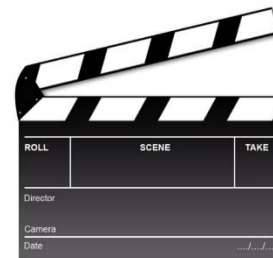


**2017-18
Adopted Budget**



Prepared by the Goochland County Public Schools Finance Department
Deborah H. White, CPA
Director of Finance
Goochland, Virginia
<http://goochlandschools.org/school-board/budget-and-finance/>
February 14, 2017

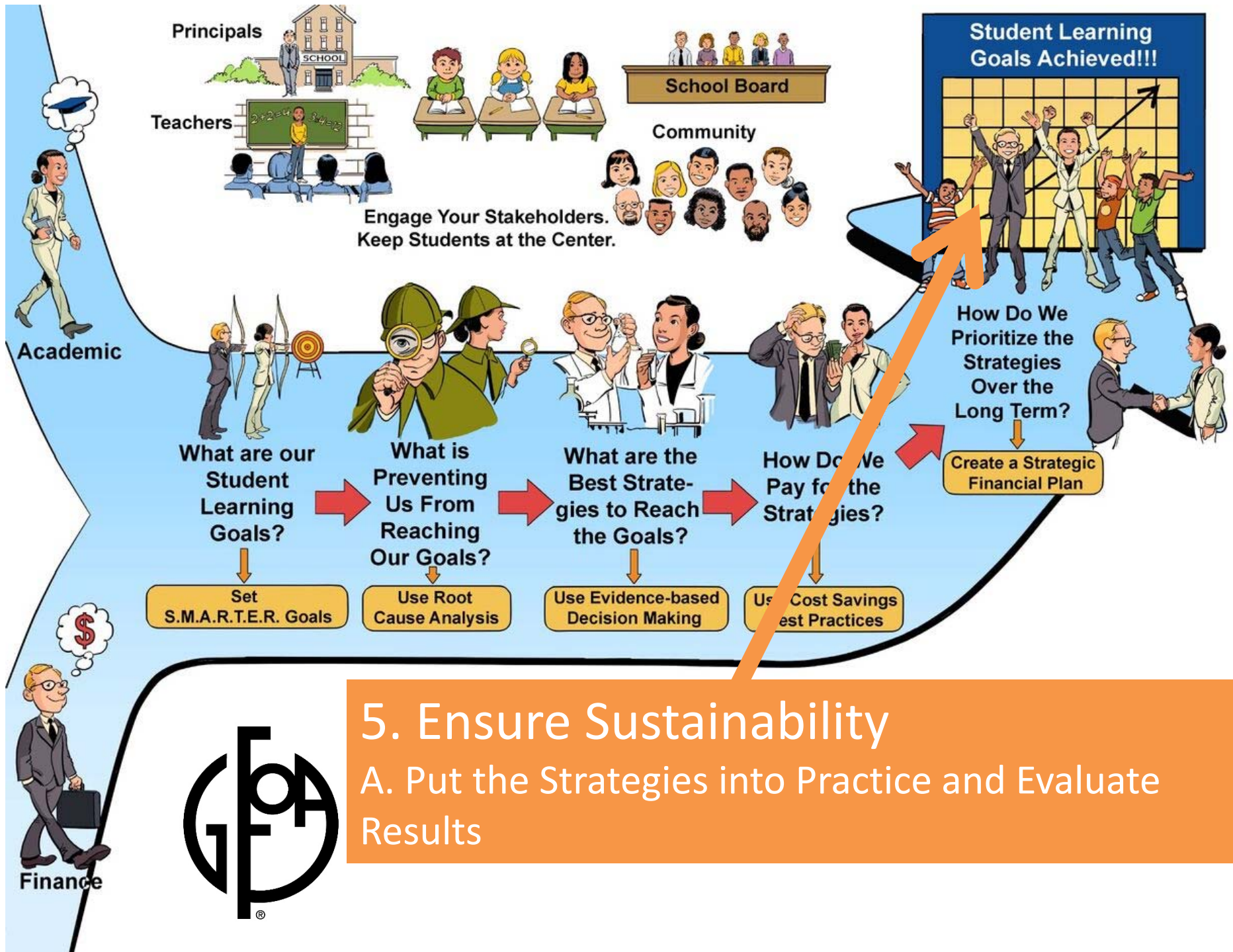






Finally - Sustaining

- Measuring results and evaluating process



Observations to Date

- Two core areas with additional opportunities for improvement:
 - Goal development
 - Strategic financial planning



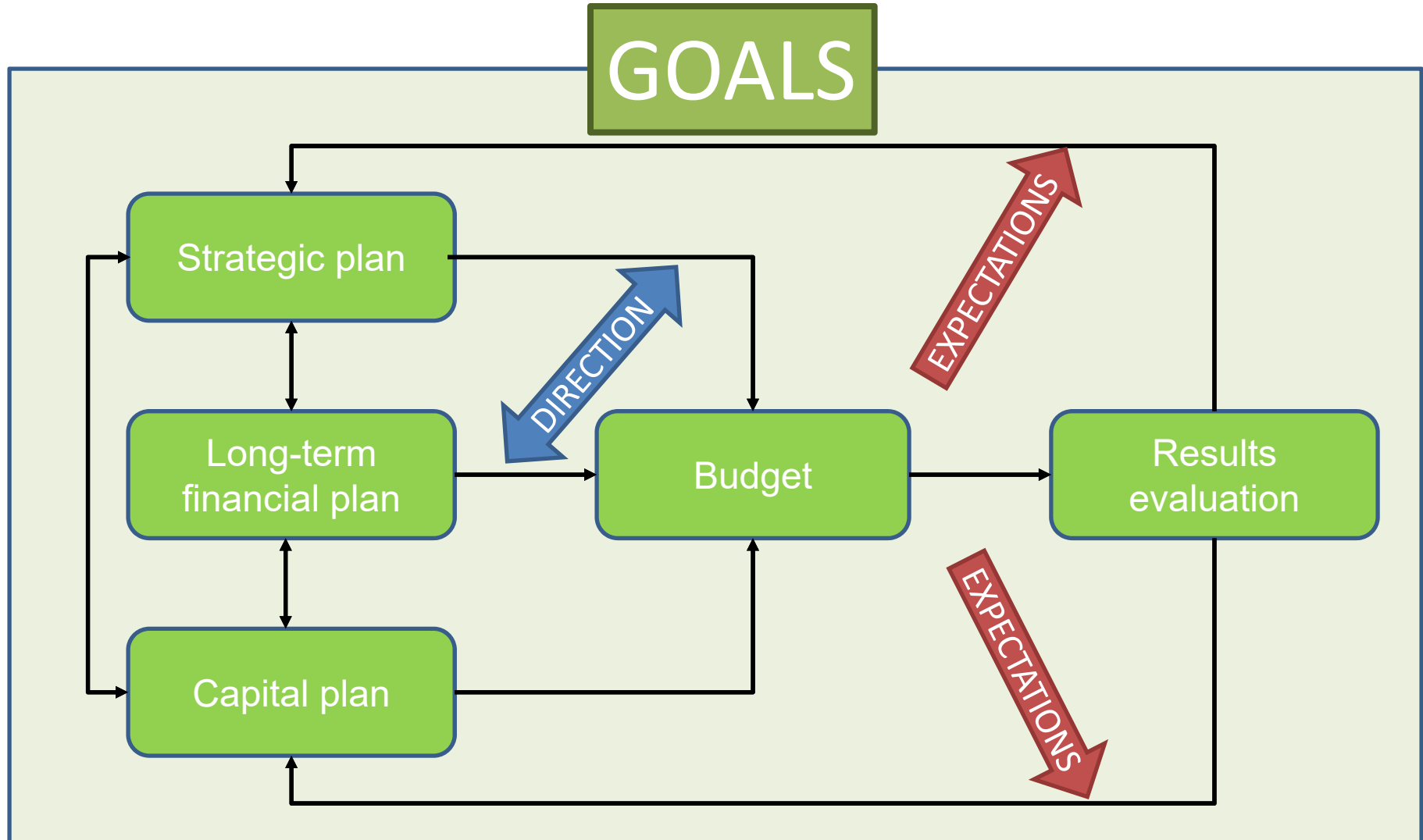
Quick Goal Setting Overview

Broader Goal Purpose

- Two-fold:
 - Direction
 - Expectations



Connections





SMARTER Framework

- Format for Goals – **SMARTER** Framework:
 - **Specific** - precise outcome or result
 - **Measureable** - verifiable, ideally quantifiable
 - **Achievable** - grounded in reality
 - **Relevant** - focused on student achievement
 - **Time-bound** - short and long-term objectives
 - **Engaging** - reach for ambitious improvement
 - **Resourced** - finances aligned with goals



Example: Lake County Schools, Florida

Major Goal: Immediate Investment in Struggling Students

Specific - Adds Precision
to the Major Goal

Sub-Goal: ELL Students. Fund programs aimed at closing the achievement gap of English Language Learner (ELL) students

Relevant – says why this
goal matters

What is the need? LCS spends less on ELL students than comparison districts. The LCS ELL population is growing steadily as the student achievement rates continue to be low

<http://smarterschoolspending.org/resources/district-examples/lake-county-school-district-smarter-goals-case-study>



Example: Lake County Schools, Florida

What will the District do?

- Determine programming options
- Compare options by potential A-ROI
- Select highest return option(s)

Achievable
Clear path
laid out

Resourced – Est. cost for
budget

What will it cost?

Year 1	Year 2	Year 3
\$1.9 million	\$2 million	\$2 million

Measureable,
Time-bound,
& Engaging

What gains does the district expect?

Measure	Proj. '15	Act. '15	Goal '16	Goal '17	Goal '18	Goal '19
ELL Grad. Rate	70%	57%	70%	80%	90%	95%

Strategic Planning and Strategic Financial Planning



Co-Dependency

“Good financial planning without aspirations is accounting. Great aspirations without financial planning is a recipe for disaster.”

- Former Minneapolis Mayor R.T. Rybak



What is Strategic Planning?

Strategic planning is an organizational, management activity used to set priorities, focus energy and resources on goals, establish agreement on outcomes and results, and assess and adjust the organization to a changing environment

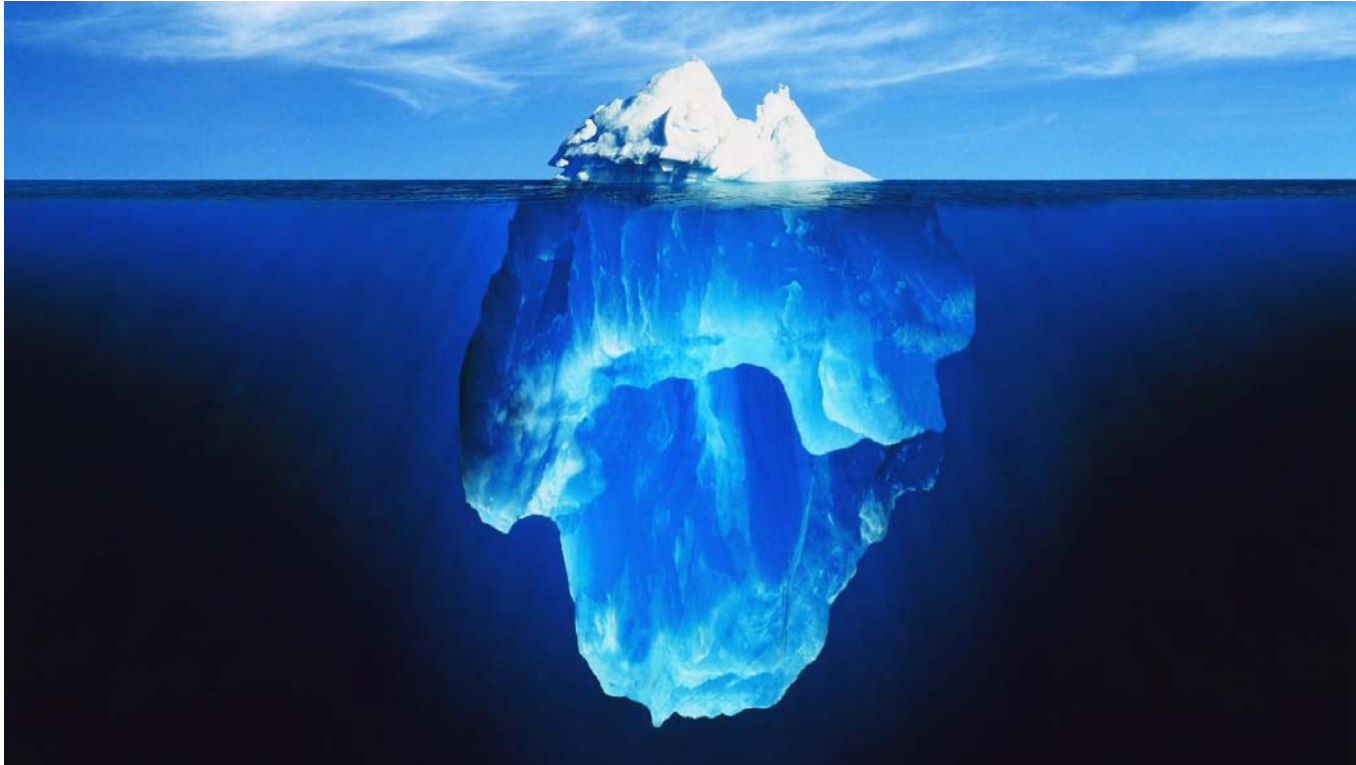


What is Long-Term Financial Planning?

Long-term financial planning uses financial forecasting and analysis to identify future financial challenges and opportunities, and then identifies strategies to secure financial sustainability in light of the challenges and opportunities.



Plans vs. Planning



“Plans are nothing, planning is everything”

-General Dwight D. Eisenhower

Strategic Planning – Breakdown





Strategic Planning – Key Steps

1. Initiate the process
2. Prepare a mission statement
3. Assess environment
4. Identify critical issues
5. Agree on limited number of broad goals
6. Develop strategies to achieve goals
7. Create action plan



Strategic Planning – Key Steps

(continued)

8. Develop measurable objectives
9. Incorporate performance measures
10. Obtain approval of plan
11. Implement plan
12. Monitor progress
13. Reassess strategic plan

Strategic Plan 2015-2020

Strategic Goals

2015-2020

The strategic goals provide guidance for APS leadership in the development of policies and regulations, objectives, strategies and initiatives to achieve the vision.

The following pages communicate APS' five year strategy and translate the strategy map into action. Each page highlights the strategic goals, objectives and initiatives we will pursue to close the gap between current and desired performance. All components work together to achieve our strategic vision.



ACADEMIC PROGRAM ...

Our students will be well-rounded individuals who possess the necessary academic skills and knowledge and are excited about learning.



TALENT MANAGEMENT ...

We will retain an energized and inspired team of employees who are capable of advancing ever-increasing levels of achievement for students of all backgrounds.



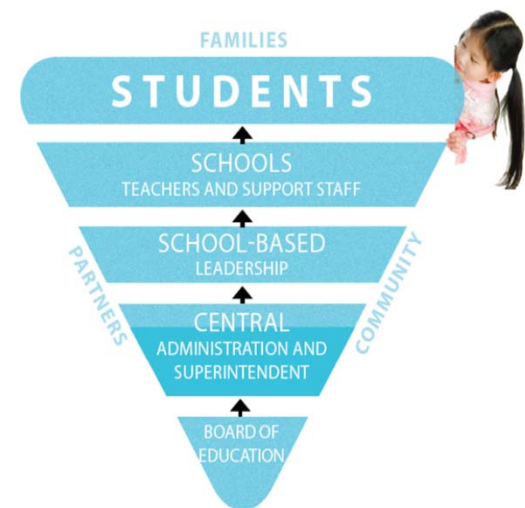
SYSTEMS AND RESOURCES ...

We will improve efficiency (productivity, cost, etc.) while also making decisions (including resource allocations) that are grounded in a strategic academic direction and data.



CULTURE ...

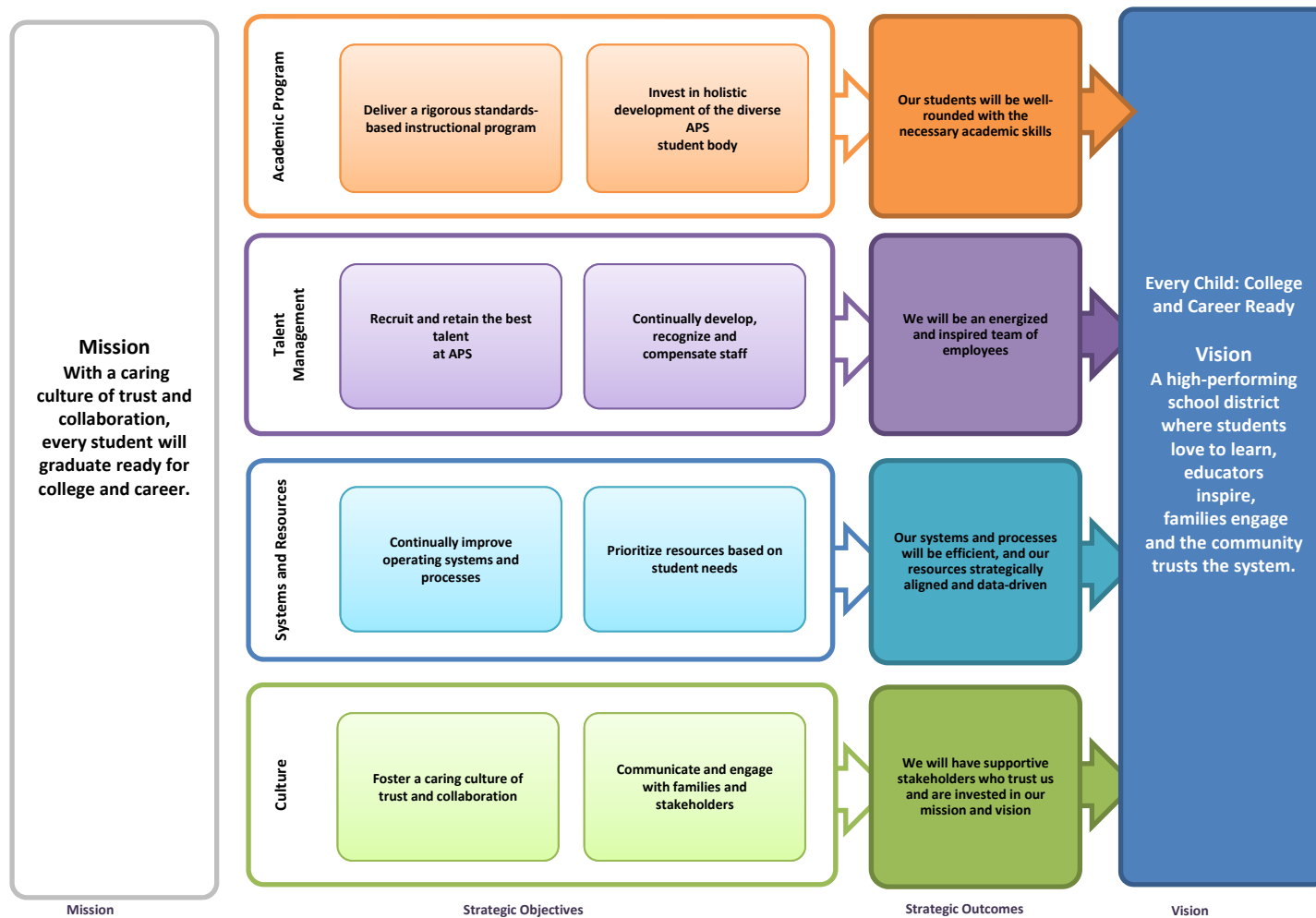
We will build trust with the community, and we will have engaged stakeholders (employees, students, parents, community members, partners, etc.) who are invested in the mission and vision and who support the creation of student-centered learning communities.



Atlanta's Strategic Plan - <https://smarterschoolspending.org/resources/district-examples/atlanta-public-schools-strategic-plan>

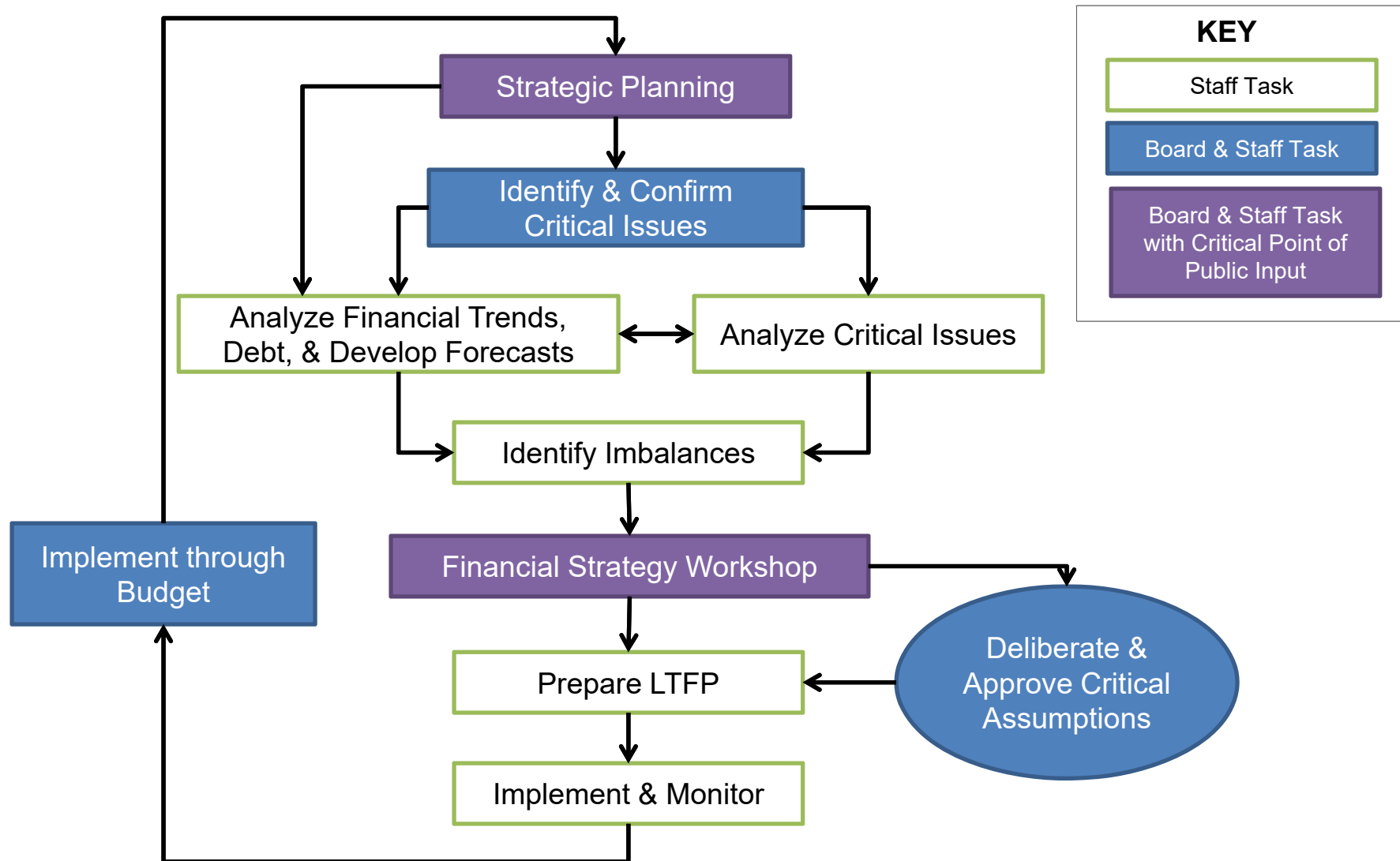


Strategy Map





LTFP Process and Involvement





Pillars of LTFP

- Successful LTFPs share the following characteristics:
 - Long-term service vision
 - Financial policies
 - Technically sound analysis & forecasting
 - Revenue
 - Expenses (Operating & Capital)
 - Collaborative & participative process
 - Connection to other plans – i.e. Strategic Plan
 - Identifying and addressing threats and opportunities (SWOT analysis)



What-If Scenarios

- May help credibility
- Can be used for ranges of projections
- Will help explain threats and opportunities
- But scenarios introduce complexity and can create confusion
- Experiment and see what works best



Framework from the Best Practices in School Budgeting

- Reference to district's strategic plan
- Goals for the district
- Description of the instructional priorities
- Evaluation criteria for student outcomes
- Funding of instructional priorities
- Long-term forecasts
- Analysis of scalability to impact
- Review trigger

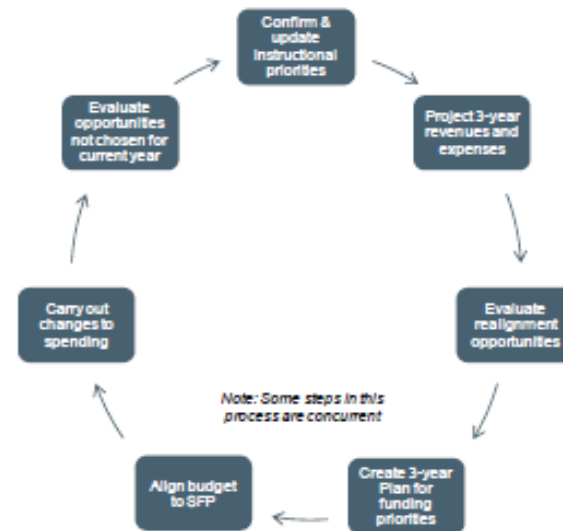
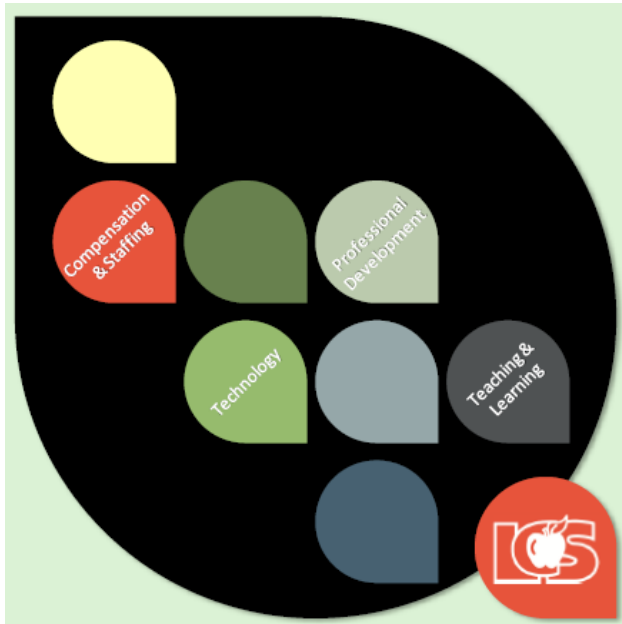
Strategic Financial Planning Best Practice - http://gfoa.org/sites/default/files/GFOASchoolBudgetBP-4A-DevelopStrategicFinancialPlan_2017FINAL.pdf

Strategic Financial Planning Template -

<https://smarterschoolspending.org/resources/strategic-financial-plan-template>



Example - Lake County Schools, FL



District Example - <https://smarterschoolspending.org/resources/district-examples/lake-county-school-strategic-financial-plan>

Case Study - <http://smarterschoolspending.org/resources/district-examples/lake-county-school-district-strategic-financial-plan-case-study>



'Balance Sheet' Approach

Total Savings				
Realignment Opportunities				
	Budget			
	2015-16	2016-17	2017-18	2018-19
Shift of Expenses out of General Fund (\$M)				
Capital Expenditures	2.00	2.50	2.50	2.50
Realignment within General Fund (\$M)				
High School Schedule	4.70	4.70	4.70	4.70
Consolidated Purchasing	0.85	0.60	0.60	0.60
IDEA Funding	-	-	-	-
Maintenance - Lawn Care	0.08	TBD	TBD	TBD
Management Discretion	0.48	0.48	0.48	0.48
Transportation	0.30	0.30	0.30	0.30
Administrative Salaries	0.33	0.38	0.42	0.42
Athletic Transportation	0.12	0.12	0.12	0.12
Clerical	2015-16			
Guidance Counselors	2015-16	0.09	TBD	TBD
Completion of FST Assignments	2017-18		0.65	0.65
Other TBD Ideas	2017-18			
Other TBD Ideas	2015-16	-		
Other TBD Ideas	2015-16	-		
Total Realignments	8.95	9.08	9.77	9.77
Additional Savings (\$M)				
Self-Funding PD (TITLE I/ TITLE II) (Moved from Investment Opportunities)	1.27	1.27	1.27	1.27
Total Savings	10.22	10.35	11.04	11.04

Total Investments				
Investment Opportunities				
	Budget			
	2015-16	2016-17	2017-18	2018-19
Baseline				
Roll Forward (GAP)- Estimated	(1.79)	(1.34)	(4.00)	(6.55)
Instructional Priorities Costs				
Roll Forward from previous year	0.94	2.50	2.50	
ELL / Struggling Students and Schools	(1.91) *	(1.94)	(1.96)	(1.99)
Investment in People	(1.65) *	(1.75)	(1.86)	(1.97)
Teacher Induction & Coaching	(0.37) *	(0.42)	(0.42)	(0.43)
Leadership Advancement	(0.16) *	(0.22)	(0.22)	(0.22)
Program Evaluation & Innovation	(0.17) *	(0.17)	(0.18)	(0.18)
Pers. Learning (Teachers/Leaders)	(0.96) *	(0.98)	(0.32)	(0.30)
Pers. Learning (Students)	(1.00) *	(1.85)	(3.08)	(2.81)
Total Investment Priorities	(6.22)	(7.33)	(8.04)	(7.90)
Additional Investments (\$M)				
Additions:				
High School Testing Facilitator/Supervision	(0.42)	(0.53)	(0.53)	(0.53)
Academic Tutors (additional 21 for First Grade)		(0.75)	(0.77)	(0.79)
International Baccalaureate (First Year Start-up)		(0.20)	TBD	TBD
Total Additional Investments	(0.42)	(1.48)	(1.30)	(1.32)
Total Investments	(6.64)	(8.81)	(9.34)	(9.22)
Total Including Baseline Gap and Roll-Forward	(7.49)	(7.65)	(10.84)	(15.77)
Potential Roll Forward for Investments in Instructional Priorities (Gap)	2.73	2.70	0.20	(4.73)



Detailed Initiative Budget

Item	2015-2016 Budgeted	2016-2017 Estimated Cost	2017-2018 Estimated Cost	2018-2019 Estimated Cost
1 ESOL Program Specialist @ \$68,435 for 216 days Salary & Benefits	\$68,435	\$70,488	\$72,603	\$74,781
1 Secretary II @ \$40,042 for 247 days Salary & Benefits	\$40,043	\$41,244	\$42,482	\$43,756
4 Regional ELL School Specialists @ \$55,763 for 196 days Salary & Benefits	\$223,052	\$229,744	\$236,636	\$243,735
21 School-Based Academic Tutors for Kindergarten	Funded through general budget	---	---	---
42 School-Based Academic Tutors for Kindergarten-1 st Grade	----	Shown as addition on SFP Summary		
19 School-Based Acceleration Resource Teachers @ \$55,763 for 196 days Salary & Benefits	\$1,059,497	\$1,091,282	\$1,124,021	\$1,157,741
15 Title I Paraprofessionals to support literacy for 30 hours a week @ \$23,210 + Benefits	\$348,150	\$358,595	\$369,352	\$380,433
Substitutes for professional development	\$71,098	\$60,000	\$50,000	\$40,000
Supplies/materials for professional development	\$50,000	\$40,000	\$30,000	\$20,000
Program Cost and Consultants	\$50,000	\$40,000	\$30,000	\$20,000
In and Out-of-County Travel	\$5,000	\$5,000	\$5,000	\$5,000
Total Cost	\$1,915,275	\$1,936,352	\$1,960,093	\$1,985,446

* Two ART positions were removed because of a reduction in IDEA funding



Beaverton's Multiyear Finance Plan

Investments

Analysis and additional stakeholder feedback pointed to specific investments and goals



Finance: Maintain 5% fund balance and 5% rainy day fund

District Example - <http://smarterschoolspending.org/resources/district-examples/beaverton-school-district-multiyear-finance-plan>



Be Practical and Look to the Future

- What works for the organization (guess!)
- Integrate with other planning or projection processes
- May need to be incremental
- An achieved smaller benefit is better than an unachieved great theoretical benefit
- The budget process is often a great place to start



Resources

- Smarter School Spending
 - Free resources – including case studies, district examples, templates, etc
 - www.smarterschoolspending.org
- GFOA School Budgeting Resource Center
 - Additional free resources – more district examples, outside links, GFOA best practices, etc.
 - www.gfoa.org/pk-12-budget
- GFOA Best Practices on Long-Term Planning
 - <http://www.gfoa.org/establishment-strategic-plans>
 - <http://www.gfoa.org/long-term-financial-planning-0>
 - <http://www.gfoa.org/financial-forecasting-budget-preparation-process>
- GFOA Resiliency Resource Center
 - <http://www.gfoa.org/resiliency-resource-center>
- Alliance for Excellence in School Budgeting
 - Next kick off meeting in Chicago October 18-19
 - <http://gfoa.org/alliance-excellence-school-budgeting>





Questions?

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