Education Budget Strategies for Challenging Times

HOW CALIFORNIA SCHOOL DISTRICTS ARE ADDRESSING THE SILENT RECESSION

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INTRODUCTION

Despite increases in per-pupil funding for K–12 education in California since the enactment of the Local Control Funding Formula (LCFF) in 2013, many school districts face increasingly severe budgetary challenges, as education expenses continue to grow far beyond the revenue increases resulting from the LCFF. As detailed in *Silent Recession: Why California School Districts Are Underwater Despite Increases in Funding* (Krausen & Willis, 2018), increased expenses include the rising costs of special education services, maintaining aging facilities, pension contributions, employee health care, and recruiting and retaining quality staff. As education expenses continue to outpace revenues, districts are experiencing a "Silent Recession," which will force many school districts to make difficult decisions about how best to invest and maximize limited dollars and may push them to make reductions in funding for current employees and educational programs.

This executive summary encapsulates key points from *Education Budget Strategies for Challenging Times: How California School Districts Are Addressing the Silent Recession,* a follow-up to the first Silent Recession report. The Budget Strategies paper draws from research literature and from interviews with over 25 school business leaders from school districts and county offices of education throughout California. Interviews focused on the budget strategies that district and county leaders have begun to employ to manage rising expenses and ensure that resources are utilized effectively.

SUMMARY OF KEY FINDINGS

The key budget strategies identified by district and county budget leaders fall into four broad categories: increasing effectiveness, increasing efficiency, focusing on high-leverage budget decisions, and strengthening communication and collaboration.

1) Strategies for increasing effectiveness

- **Using data to measure the effectiveness of investments.** By measuring investments' impact on student outcomes, districts can prioritize those investments that have the greatest impact.
- **Tracking the quality of investments, not just the quantity.** Rather than simply measuring how many dollars are spent per pupil *(the quantity),* districts can measure investments' *quality* by examining how those dollars translate into hiring staff in various roles and observing how those staff impact students' learning experiences.
- **Defining and prioritizing funding allocations.** Districts can first define what constitutes the base (or core) program, and then use the Local Control and Accountability Plan as a guide for strategically allocating resources to improve or increase services. During tight budget periods, focusing on *improving* services — for instance, through tracking their quality, not just the quantity of services — may present less fiscal pressure than *increasing* services.
- **Strengthening connections between business and educational services.** Effective resource allocation requires a strong understanding of both the fiscal and instructional landscape of the district. A close partnership between leaders of business and educational services can help ensure that fiscal decisions are aligned with instructional goals.

2) Strategies for increasing efficiency

- **Streamlining administrative processes.** Streamlining by investing in automated digital systems or merely simplifying forms, for example, can reduce required staff time and costly human error.
- **Reducing costs for required expenses such as transportation and utilities.** Re-examining bus routes may reveal opportunities for greater efficiency. Districts

reported that they had achieved significant utilities cost savings through examining the district's water bill, switching to solar energy, installing more energy-efficient equipment, and implementing protocols to reduce energy use.

- **Comparing costs and using benchmarking data.** Benchmarking data — allowing district leaders to compare services' costs against those of other similar districts — can be valuable for evaluating the cost-effectiveness of the district's expenditures. Comparing costs can inform whether savings may be found through outsourcing services, moving services in-house, or switching to another provider (e.g., for employee health care benefits).
- **Maximizing revenues by improving student attendance and by looking for opportunities to increase revenue sources.** With state funding based on average daily attendance (ADA), marketing campaigns to combat declines in enrollment and increase attendance can offer a worthwhile return on investment. Community outreach can also help increase local revenues through voter-approved school bonds and tax measures, as well as from public facility rentals.

3) Strategies for focusing on high-leverage budget decisions

- **Carefully considering resources for special education.** Strengthening trust and working collaboratively with parents of students with disabilities may help reduce costly litigation fees and may reduce pressure to provide students with excessive (and costly) services that can hinder their growth. Investing in internal capacity and inclusive general education programs, including a Multi-Tiered System of Support (MTSS), have also been cost-effective strategies for improving student outcomes.
- **Ensuring the highest-quality teaching to meet student needs.** With staff salaries and benefits accounting for 82 percent of district expenditures statewide, efforts to avoid overstaffing may hold the greatest potential for reducing costs. Such efforts can include closely monitoring staff ratios, reconsidering whether to fill vacancies, providing retirement incentives, and offering some staff the opportunity to work hours that total more than 1.0 full-time equivalent (FTE) positions.

4) Strategies for strengthening communication and collaboration

- **Ensuring that stakeholders are well-informed for financial decision-making.** By providing clear and complete information to stakeholders about the district's budget, programs, goals, and financial health, districts can help stakeholders understand the necessary trade-offs and difficult choices that must be made, so that stakeholders can then provide more informed, productive input.
- **Creating an inclusive budget development process by establishing trusting, productive relationships with stakeholders.** Developing positive relationships with board members, staff, unions, and other stakeholders, and actively including them in the budget development process can help reduce external pressure from stakeholders and may lead to collaborative, cost-saving solutions. Furthermore, creating a shared culture of fiscal conservatism, in which decisions strive to maximize each dollar's impact on student outcomes, can enable districts to become more effective, fiscally solvent organizations.

Strategic Resource Management and Continuous Improvement

Despite the difficulty that districts face in navigating the Silent Recession, research suggests that budget crises can create new opportunities to improve budgeting practices and shift to more strategic approaches to resource management (Coleman, Walker, & Lawrence, 2012). By re-evaluating current programs and more carefully measuring the impact of each investment, districts can improve the cost-effectiveness of their resource-allocation decisions.

The most effective practices will vary from one district to the next, based on local needs and resources. Economic pressures from the Great Recession propelled California's recent shift toward more flexibility and local control (Weston, 2011), and district leaders have expressed that with rising costs outpacing revenues, having even greater flexibility may help with optimizing resource-allocation decisions. The state will have to balance requests for greater flexibility with the concerns of advocacy organizations and others — namely, concerns that more flexible funding may allow supplemental and concentration dollars to be diverted away from the students for whom the funding was intended (The Education Trust-West, 2017; Fensterwald, 2017). Finally, regardless of state policy decisions, district budget leaders need ongoing opportunities to learn from each other and from research about the most effective ways to leverage funding to improve student outcomes. Efforts to continuously improve the cost-effectiveness of district systems will be critical for weathering the Silent Recession and establishing fiscal solvency for decades to come.

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