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EDUCATION BUDGET STRATEGIES FOR CHALLENGING TIMES

HOW CALIFORNIA SCHOOL DISTRICTS ARE ADDRESSING THE SILENT RECESSION

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DECEMBER 2018

Acknowledgments

First and foremost, the authors would like to thank the Bill & Melinda Gates Foundation for its generous support of the Smarter School Spending Community of Practice. The Smarter School Spending project strives to provide school districts with tools and strategies to align and prioritize investments based on the districts' goals for improving student achievement, and to evaluate program success relative to student outcomes.

The authors would also like to thank Dr. Thomas B. Timar for his thought partnership on this paper, including his suggestion to use Baumol's theory as a way to frame the cost-efficiency challenges faced by educational systems. The authors are grateful as well to Tye Ripma and Cecelia Dodge for their insight into the complexity of managing special education costs.

Suggested citation: Krausen, K., Caparas, R., & Willis, J. (2018). *Education budget strategies for challenging times: How California school districts are addressing the silent recession.* San Francisco, CA: WestEd.

This report was developed with funding from the Bill and Melinda Gates Foundation through the Smarter School Spending project. The content of this paper does not necessarily reflect the views or policies of the foundation or the Smarter School Spending project.

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PART I: INTRODUCTION

California has steadily increased per-pupil funding for K–12 education since the enactment of the Local Control Funding Formula (LCFF) in 2013, which was intended to increase funding back to 2007/08 (pre-recession) levels, adjusted for inflation. With additional funding available for California schools, many people may assume that the LCFF has resolved the deficits of past years and that school system budgets have stabilized. However, the financial reality for school districts is quite to the contrary. As detailed in *Silent Recession: Why California School Districts Are Underwater Despite Increases in Funding* (Krausen & Willis, 2018), many education expenses have continued to grow far beyond the revenue increases resulting from the LCFF. Over the period from 2012/13 to 2016/17, these rising expenses have included increases of approximately 49 percent for employee benefits, 21 percent for teacher salaries, and 75 percent for books and supplies.[1] Many California school districts are struggling to cover such rising costs as they outpace increases in state revenues.[2]

The rising costs in California come during a challenging fiscal period for school districts and for state education systems across the country. In many states, funding for K–12 education remains below pre-recession levels in what Leachman, Masterson, and Figueroa (2017) refer to as a "punishing decade for school funding," despite efforts in recent years to restore funding levels. Consequently, the multiyear budget forecasts for California school districts are increasingly grim, and many school districts are being forced to make difficult decisions about how to maximize limited dollars to best meet the needs of students.

As a follow-up to the first Silent Recession report, this paper presents findings on how districts throughout California are addressing these financial challenges.[3] The 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 with chief business officers (CBOs) focused on the budget strategies that district and county leaders have begun to employ to manage rising expenses.[4] In addition, the paper focuses on the strategies that districts and counties are utilizing to ensure that their limited dollars are allocated to programs and initiatives that they believe will generate the greatest possible benefit for students.

The key budget strategies identified by district and county budget leaders who were interviewed for this paper fall into four broad categories: increasing effectiveness, increasing efficiency, using high-leverage strategies (those that are fundamental during difficult budget periods), and focusing on

1 http://www.ed-data.org/

2 California adjusts per-pupil funding by using a cost-of-living adjustment (COLA) that is based on a broad index of government-related expenses, which are not education- or California-specific. Because California faces unique challenges that include flat student counts and rising costs for pensions, facilities, and labor, COLA increases are presently inadequate to address the cost of doing business for many districts and charter schools. As a result, many California school districts are struggling to cover rising costs that are outpacing increases in state revenues.

3 The paper is part of a series that WestEd is developing through the Smarter School Spending project, which is funded by the Bill and Melinda Gates Foundation to provide school districts with tools and strategies to align and prioritize investments based on the districts' goals for student achievement, and to evaluate program success relative to student outcomes. This paper and the first in the series (Krausen & Willis, 2018) capture some of the discussions that occurred through a WestEd-facilitated Smarter School Spending Community of Practice and are intended as resources for school district budget leaders and key decision-makers, including other district administrators and governing board members.

4 See the Appendix for more information on the interviewees and the development of this paper.

communication and collaboration. In particular, the budget strategies presented in this paper include the following:

Strategies for increasing effectiveness

- Using data to measure the effectiveness of investments
- Tracking the quality of investments, not just the quantity
- Defining and prioritizing funding allocations
- Strengthening connections between business and educational services

Strategies for increasing efficiency

- Streamlining administrative processes
- Reducing costs for required expenses such as utilities and transportation
- Comparing costs and using benchmarking data
- Maximizing revenues by improving student attendance and by looking for opportunities to increase revenue sources

Strategies for focusing on high-leverage budget decisions

- Carefully considering resources for special education
- Ensuring the highest-quality teaching to meet student needs

Strategies for strengthening communication and collaboration

- Ensuring that stakeholders are well-informed for financial decision-making by communicating transparently and providing clear and complete information
- Creating an inclusive budget development process by establishing trusting, productive relationships with stakeholders

In fleshing out how district and county leaders describe these strategies, the paper also conveys how CBOs are increasingly assuming the role of strategic resource managers to guide resource-allocation decisions in their districts (Willis, Krausen, Byun, & Caparas, 2018).

Context: The Silent Recession

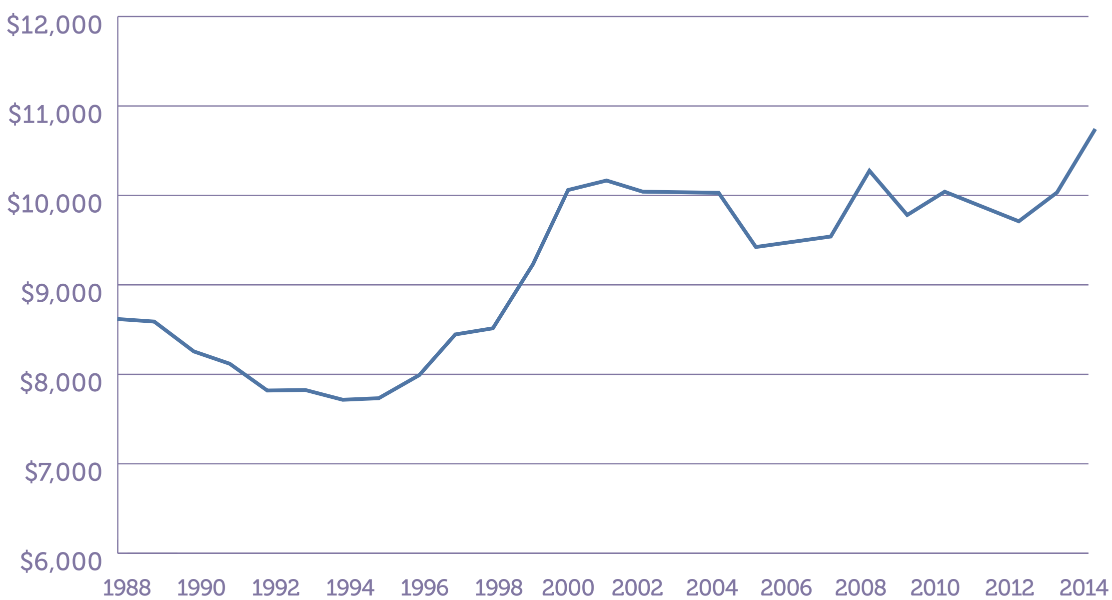
Funding challenges are not new for school districts. Although California's per-pupil school spending was among the highest in the nation during the 1960s (Schrag, 2006), the passage of Proposition 13 in 1978 led to a steep decline in the state's K–12 education funding compared to the national average. Specifically, Proposition 13 dramatically reduced property taxes, thereby reducing education funding overall throughout the state (Silva & Sonstelie, 1995) while also shifting funding responsibility from local jurisdictions to the state level. This reduction in funding was compounded by rapid enrollment growth in the 1980s, without enough additional state funding to support the increased student population.

During the recession of the early 1990s, funding for California's schools plunged once again, dropping from $8,599 per pupil in 1989 to $7,726 per pupil in 1994, adjusted to 2016 dollars.[5] Funding for California school districts declined again during the Great Recession of 2008 — the nation's most severe economic downturn since the Great Depression — creating unprecedented challenges for California's education system (Evans, Schwab, & Wagner, 2014). This decline included a reduction in spending of nearly $600 per student — from $10,295 in 2008 to $9,721 in 2012, adjusted to 2016 dollars (Figure 1 on page 3).

Yet, the current budget challenges facing California school districts are different in that California is not in the midst of an economic crisis. In fact, the current economic climate in California is healthy, with major labor market indicators exceeding their pre-recession performance (Public Policy Institute of California, 2018). Moreover, in 2013, through the LCFF, California reformed its state funding distribution formula for the first time in nearly 40 years, creating a simpler and more equitable TK–12 education funding system. Since enactment of the LCFF, funding for TK–12 education in California has increased each year, and the governor's 2018/19 state budget

[5] The funding figures in this paragraph are from the 2016 Common Core of Data from the National Center for Education Statistics, retrieved from https://edsource.org/2015/states-in-motion-school-finance-naep-child-poverty/83303.

Figure 1: California K–12 Per-Pupil Expenditures, 1988 to 2014, Adjusted to 2016 Dollars



Source: 2016 Common Core of Data from the National Center for Education Statistics, retrieved from https://edsource.org/2015/states-in-motion-school-finance-naep-child-poverty/83303

Table 1: Increases in K–12 Per-Pupil Funding, Based on Average Daily Attendance, Since LCFF Enactment

General Fund Revenues by Category	2012/13	% Change	2013/14	% Change	2014/15	% Change	2015/16	% Change	2016/17
Federal Revenue	$721	-10.3%	$647	+3.8%	$672	+0.8%	$678	+1.3%	$687
LCFF	$5,645	+26.6%	$7,149	+11.8%	$7,994	+13.6%	$9,079	+5.9%	$9,615
Other Local Revenue	$619	+1.8%	$630	+8.1%	$681	+1.5%	$691	+0.1%	$692
Other State Revenue	$1,809	-49.0%	$922	+2.0%	$941	+70.4%	$1,603	-16.4%	$1,340
Total	$8,794	+6.3%	$9,348	+10.0%	$10,288	+17.1%	$12,050	+2.4%	$12,334

Source: http://www.ed-data.org/

provides funding to fully fund the LCFF two years before it was projected to reach target funding levels (Table 1). In addition to increasing funding through the LCFF, the state has provided one-time discretionary funding for school districts every year since 2014/15 to support implementation of major policy initiatives, such as the Common Core State Standards and other, local initiatives.

Nevertheless, increasing expenses for particular services such as special education programs and for aging facilities, escalating pension contributions, employee health care, and recruiting and retaining quality staff are unmatched by projected revenues in many districts, even including cost-of-living adjustment (COLA) increases (Krausen & Willis, 2018; Taylor, 2018; Legislative Analyst's Office, 2018).

As education expenses continue to outpace revenues, districts are experiencing a "Silent Recession" (discussed in detail in Krausen & Willis, 2018) that 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.

Budgetary Responses: Increasing Efficiency and Effectiveness

As William Baumol (1967) argued in the *Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis*, there are two types of economic sectors. In one sector, when labor and overall production costs increase, higher productivity may offset such costs. The other sector, however, lacks the ability to take advantage of productivity improvements. As Baumol describes, this sector includes musical performances, the arts, and education. For example, if the cost of producing an opera increases, the costs cannot be reduced by having the opera performed with half the cast or twice as fast. As production costs increase, therefore, the opera has the potential to become unaffordable unless additional dollars can be raised through patrons or other sources. According to Baumol, education similarly falls into this category. It is not a practical solution to try to reduce costs by teaching children twice as fast or with half the staff while still expecting student outcomes to improve.

Although scholars such as Marguerite Roza have investigated strategies to make production functions in education more efficient (Roza, 2009), efficiency alone is unlikely to solve the deep-rooted fiscal challenges faced by districts when expenses continue to outpace increases in revenues. *Silent Recession: Why California School Districts Are Underwater Despite Increases in Funding* (Krausen & Willis, 2018) describes some of what Baumol predicted. The unit costs of providing education keep rising without commensurate changes in productivity. Moreover, many of the increased costs are outside the control of school districts. As Baumol notes, "We see then that costs in many sectors of the economy will rise relentlessly, and will do so for reasons that are for all practical purposes beyond the control of those involved" (Baumol, 1967, p. 420).

In the interviews for this paper, school district budget leaders reported a number of budget strategies that focused on increasing efficiency (e.g., reducing utility costs or automating systems) in the district as a way to address the challenges that Baumol describes. This perspective indicates that while adjustments in productivity may be challenging in education (as in the opera), there are still some opportunities for productivity gains. However, as Baumol notes, rising cost pressures create an "inherent threat to quality" as labor costs — which account for the lion's share of district budgets — are not easily reduced without threatening quality. For example, hiring amateur actors to perform an opera will reduce costs but will likely also result in a reduction in the quality of the performance. Similarly, a singular focus on budget strategies that increase efficiency in a school district neglects to account for the *quality* of the district's investments. To ensure continued improvement in student outcomes, district leaders may also need to focus on strategies to improve effectiveness.

PART II: STRATEGIES FOR INCREASING EFFECTIVENESS

Establishing a clear process for prioritizing district investments is important for districts during both healthy and difficult budget forecasts. Accordingly, districts need to establish systems to "assess all expenditures and how they are furthering school goals; prioritize programs accordingly; and cut those that do not further goals" (Rennie Center for Education Research and Policy, 2012, p. 4). This process of prioritization includes attention both to student achievement and to cost-efficiency (Levenson, 2012).

The CBOs interviewed for this paper described a range of strategies for prioritizing investments to ensure the greatest returns for students, as detailed in the sections that follow. Embedded within all of the strategies is the use of data — both financial and student outcome data — to measure the effectiveness of district investments.

Using Data to Measure the Effectiveness of Investments

Research (e.g., Schwartz, Hamilton, Stecher, & Steele, 2011; Ladd & Loeb, 2013) and the interviews conducted for this paper suggest the importance of measuring and monitoring not just *inputs* into the education system, but also the *outputs* — in other words, analyzing how investments impact student outcomes as a way to prioritize budget allocation decisions. Accordingly, the ability to prioritize school district resources requires a broad understanding of district needs with specific attention to results. The Government Finance Officers Association (2015) created a budget prioritization framework — which has been adapted to create Figure 2 (p. 6) — to build these prioritization strategies into a districtwide continuous improvement system. Under this framework, resource allocations are aligned with the district's instructional goals and are informed by financial and student outcome data that the district monitors and evaluates. Prioritization is also guided throughout the process by informed input from stakeholders.

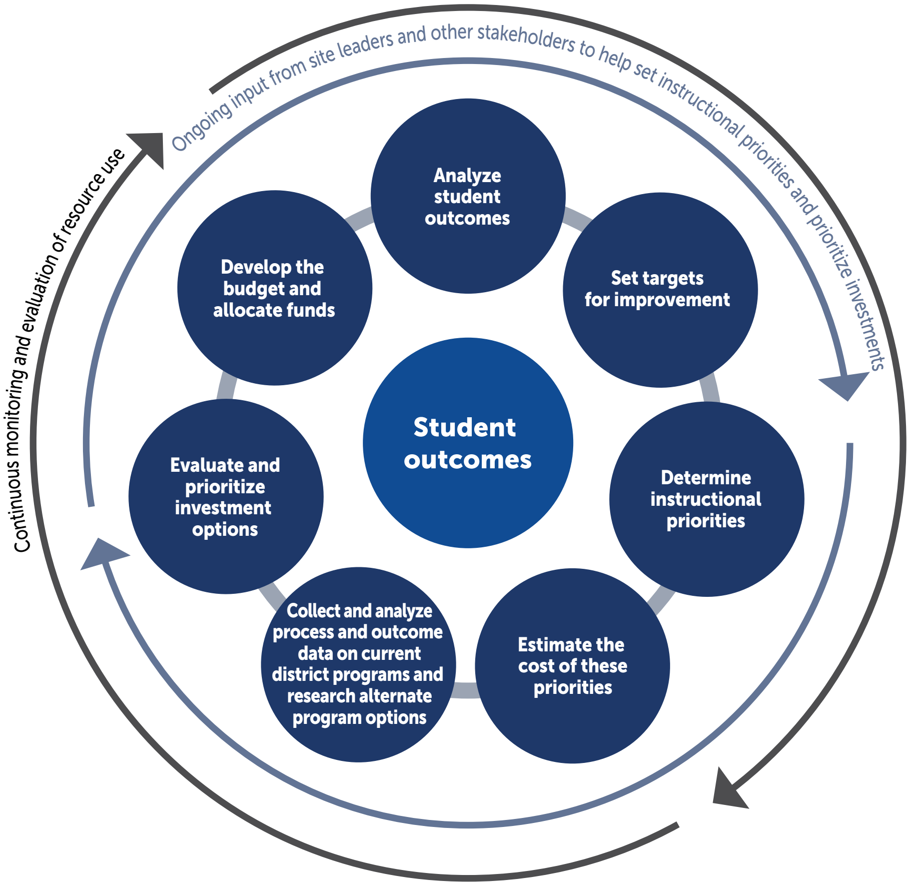
OUTCOME DATA

The CBOs who were interviewed for this paper frequently noted the need to use outcome data to measure the effectiveness of their investments and expressed a desire to improve their district's data use. One district leader, referring to the district's Multi-Tiered System of Support (MTSS) program, described the district's use of data to measure and monitor the effectiveness of its programs and investments: "When we start a new program or start a new thing, we say, 'What is the desired outcome in three years?' We implemented a pilot program for MTSS within 13 schools, right. And we said, 'Okay, when we implement this, these are the things that we should see. . . . We should have improved attendance. We should have lower suspensions.' We monitor it in every quarter. . . . And then the principals are held accountable to those goals."

As part of its process to measure effectiveness, the district compares outcome data between similar schools with and without the MTSS program. The district leader noted that these outcome data provide more valid justification for whether to continue investing in the program. "We could then prove that we need to implement MTSS across the district, not just because everybody likes it. . . . I like it when I have MTSS, and I like it when I have a teacher on campus who is working individually with my little kids. But if it's not making a difference, then we're not going to do it." Accordingly, the district has clear metrics and a system of benchmarking progress to determine whether or not a program is working and should be expanded. This strategy is reflective of a continuous improvement approach in which change strategies are tested on a small scale first, and then decisions are made whether to continue, adjust, or expand the effort based on its impact on student outcomes.

Another business officer noted a desire to have budget-cutting decisions more firmly grounded in data and evidence. As the leader explained, "There will obviously be very strong advocacy to protect programs. And without very clear metrics to

Figure 2: A Conceptual Model for Budget Prioritization as Part of a Continuous Improvement System



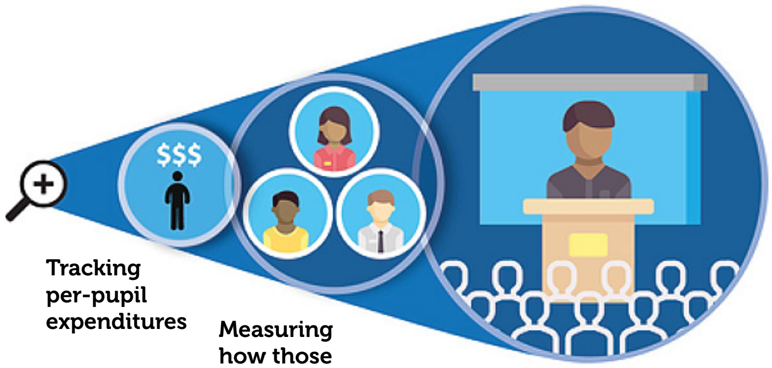
Source: Adapted from Government Finance Officers Association, 2015

measure the effectiveness and the return on investment on the resources, it becomes challenging to make any concrete decisions about whether to continue to support a program or not." These data exist in some districts, but reviewing the data requires additional staff time and expertise — capabilities that vary across districts.

INPUT FROM SITE LEADERS

CBOs also identified input by site leaders as another important source of data on program effectiveness. Specifically, several CBOs noted the value of having principals weigh in on the prioritization of funds, including when cuts had to be made. One CBO reported that when her previous district had to make cuts, the district worked with principals to determine possible areas for cutting costs. Using this strategy, principals identified possible solutions that could work in the specific context of their school and local community. The CBO emphasized that because of principals' proximity to the classroom, they hold valuable perspective on the school's specific needs. "One of the things I always believe is that principals, they know their site. They know what their needs are. So, instead of me, [the] CBO, making the recommendations to the superintendent to cut certain areas, I think it's really helpful to go to the site and talk to the principal." In addition, getting input from principals can help with getting their buy-in for difficult budget decisions that need to be made in the future. As such, input from site leaders and other stakeholders (discussed further in the Strategies for Strengthening Communication and Collaboration section of this paper)

Figure 3: A Strategic Resource Management Framework — Measuring Quality of Inputs



constitutes a key source of data for determining how to prioritize investments and reduce spending.

Tracking the Quality of Investments, Not Just the Quantity

A related strategy for increasing effectiveness is to move beyond simply tracking the *amount* of investments in particular programs or student groups to also tracking the *quality* of those investments. Typically, tracking the amount of per-pupil expenditures forms the baseline of sound accounting, while districts that move toward a more strategic approach to resource management also attempt to measure the quality of per-pupil expenditures. To illustrate this approach, WestEd developed a strategic resource management framework based on experiences working with districts to maximize investments and improve student outcomes (Figure 3).

Under this framework, as the budget officer and other district leaders examine expenditures in more detail, a district may gain greater insight into how its resources are being allocated.[6] For example, district leaders may begin by tracking per-pupil expenditures by school site. By comparing total expenditures between schools with similar demographics, the district can measure whether funds are being distributed equitably across similar schools. Next, district leaders may measure expenditures by the total number of employees, by title and by site, to see how each site is using its budget allocations to pay for particular types of staff. This analysis provides a fuller picture of how resources are being used for staff at the school site to improve student outcomes (e.g., by illuminating the per-pupil staffing ratio by position type). In the third level of the framework (furthest to the right in Figure 3), the district measures how each full-time employee works individually and collectively to improve student outcomes. For example, the district may gather data on whether teachers have opportunities to collaborate through professional learning communities to improve their practice, or it may gather information on how much time individual teachers dedicate to classroom discussion and group work, as opposed to lecturing.

The same framework can also be applied to investments such as technology. Again, as a baseline, district leaders track per-pupil expenditures on technology. Next, district leaders track how school sites spend their technology allocation (e.g., the number of laptops in which classes, and in which schools). To further track the quality of expenditures,

[6] This strategy has multiple advantages, including greater transparency in resource use and a way to understand how specific investments impact student outcomes.

the district tracks how the purchased technology is actually used in classrooms to improve student learning. In this way, district leaders avoid the assumption that technology is being used in the same way across all classrooms and in all schools, allowing them to more accurately measure the quality of this resource use within each context.

There are many possible types of data to collect as quality indicators, and these will vary by school and classroom context. Moreover, the work of collecting and analyzing data about the quality of inputs is complex and requires the time and attention of district leaders who are also working to keep districts solvent. Also, correlating teacher effectiveness to specific student outcomes is challenging because there may be other support staff (e.g., literacy coaches or intervention specialists), enrichment programs (e.g., after-school programs or tutoring), and other supports supplementing what students are learning in the classroom (Darling-Hammond, Amrein-Beardsley, Haertel, & Rothstein, 2012). Nevertheless, these data provide the opportunity for fuller descriptions and discussions about how resources are being used in the district to improve student outcomes.

Defining and Prioritizing Funding Allocations

Another major budget strategy that was evident from interviews with county and district leaders and is supported by the literature (Odden & Archibald, 2001; Pan, Rudo, Schneider, & Smith-Hansen, 2003; Kirst & Rhodes, 2007) is to align the budget to district or school goals. This practice is supported through the LCFF. The LCFF requires California school districts to prepare a plan commonly known as the Local Control and Accountability Plan (LCAP), which describes goals, actions, and how the budget meets such goals. Using either the LCAP or other means, districts must now identify clear *instructional strategies* as well as clear *spending priorities,* both of which can serve as a guide for districts to make decisions about where to invest limited resources.

One CBO described the importance of the LCAP to the district's prioritization process, particularly in terms of measuring the effectiveness of investments. "The LCAP is a really great process because it forces these conversations [about return on investment] to take place because we're setting these metrics by which it is going to be measured later. And it becomes really important to use evidence-based strategies in order to bring that into place because it puts us in a position where we have to defend it later if it doesn't work. Or, really be willing to shift." Similarly, over half of the CBOs interviewed for a 2018 *Getting Down to Facts* study in California reported that they and other district leaders use the LCAP as a tool for the prioritization of funds (Willis et al., 2018).

Yet, the CBO who is quoted in the prior paragraph went on to describe the difficulties of making changes to the budget for certain long-standing investments, such as school libraries. As the CBO explained, "We read and consume differently now. Our kids are reading books on tablets . . . [but] we hold our libraries as monuments that have a lot of books in them. Many of those books are not being read because our kids enjoy new things and exploring different opportunities." Therefore, the district made a decision to shift its investments in ways that leaders believed resulted in a better match for students' 21st century learning style. "We are investing in computer technology positions. . . . Then they have a makerspace where they can go and create, and learn, and do those things. So, the cuts — well, they're painful. [But] when you grow again, it also creates the opportunity to look at things in new ways and say, 'Well, we don't necessarily need as much of this. If the kids are only reading 20 percent of these books, can we use the rest of the space for other things that engage them and get them involved in the learning process?'"

This CBO's comments, referring to libraries as "monuments," echoed the descriptions of others regarding the difficulty of making changes to the budget. However, the CBO also noted the importance of re-evaluating investment decisions to ensure an effective use of resources and remarked that the LCAP has become a helpful tool for this purpose. As another district budget leader explained, "That's where the LCAP really is coming into play in today's environment. . . . You have to make those decisions that are quantifiable. . . . This is the goal we've got to meet, and if we're not meeting it, there [are] not going to be any sacred cows anymore." As yet another CBO said, the key is to "never get complacent." Part of the work of business officials, therefore, is to confront budget allocations that should be discontinued as educational practice evolves.

MEASURING INCREASED AND IMPROVED SERVICES

Under the LCFF, the bulk of the funding that the state provides to each district is known as *base* grant funding. In addition, the LCFF also includes supplemental funding and concentration grant funding. *Supplemental* funding is based on unduplicated student counts, meaning the numbers of students from certain targeted populations: English learner students, low-income students, and foster youth in the district. The state also provides *concentration* funding to a district if more than 55 percent of the district's enrollment is from these targeted student populations. School districts are required to use supplemental and concentration funding to "increase or improve" services for the targeted student groups.

One CBO shared a novel approach to measuring return on these investments: requiring contractors who work with the district to demonstrate that supplemental and concentration funds are being used to increase or improve services for targeted student groups. As the CBO explained, the district "developed a template that our contractors have to fill out. . . . We have to measure whether or not they're improving services [or] increasing services for kids. So, there are metrics in there to show that it's a good return on investment. . . . We want to measure that what they're providing us will actually improve student outcomes."

Another district's CBO noted that the district used its LCAP process to ensure "that we were capturing the services that were truly supplemental and were providing an extension of service to students that qualified for supplemental funds." As this CBO's comment illustrates, many districts may be more focused on *increasing* services with their supplemental and concentration funding, rather than *improving* services. Providing evidence of increases in services may be easier than providing evidence of improvement to services for targeted groups, which may be a reason for this focus. In addition, advocacy groups have been active in efforts to push districts for greater transparency in the use of supplemental and concentration funds (The Education Trust-West, 2017). Specifically, advocacy groups and others have largely focused on increasing transparency around the *amount* of the inputs into the system for targeted student groups, rather than on the *quality* of inputs. Other groups, such as the California Association of School Business Officials, have opposed legislation that called for closer tracking of per-pupil expenditures, arguing instead that it is more important that districts should be held accountable for the outputs — i.e., student outcomes (Fensterwald, 2017b).

In any case, in response to rising costs, districts will likely have to work differently with less purchasing power in the years to come. As a result, districts may begin focusing more on how to improve services — rather than increasing services — for targeted student groups. However, because efforts to improve services may prove more difficult to track, a collective effort from state policymakers, advocacy organizations, and district leaders will likely be needed to create new strategies to measure and report improvements in services. This focus has the potential to help ensure that targeted student groups continue to get the support they need for success, despite changes in districts' fiscal realities. These strategies for focusing on the quality of inputs into the system also have the potential to make resource allocation decisions more equitable, as leaders can ensure that funds are not only *distributed* equitably but also *utilized* equitably.

DEFINING THE BASE PROGRAM

Another budget strategy described by CBOs to prioritize funding is to define the needs of the district's base (or core) program. Importantly, a district's base program should be defined locally to meet the specific needs and context of the district. One district budget leader, for example, reported that a Budget Advisory Committee — composed of principals, union leaders, and district leaders — began its budget discussions by defining the essential needs in the district and whether the district was meeting these needs.

Budget leaders in another district similarly described the structure they created to define which resources constitute the base program and which resources constitute supplemental supports as a way to ensure greater equity across schools and to better meet the needs of the most vulnerable student groups. The district designated each school site as Tier 1, Tier 2, or Tier 3, and this designation was used to determine each school site's allocation. School designations were determined through equity-focused calculations based primarily on the school's student demographics, along with some metrics of teacher experience and turnover. The district then defined the base resources that Tier 1 schools would receive, such as access to core curricula and behavioral supports, while higher-tier schools received additional, customized supports and interventions. In this manner, all school sites had access to the resources defined under the base program, and individual school sites received additional, supplemental, customized supports to account for differences in student demographics or lower academic performance. The district called this structure a Multi-Tiered System of Support (MTSS), having based it on the more widely known, student-level MTSS model. As a district leader described, "In the same way that schools use student-level data to tier their interventions, MTSS has become the central office's way of tiering interventions within our portfolio of schools." In this manner, the district has created a structure to allocate resources within the district based on clear and transparent metrics that are aligned with student needs.

This strategy of outlining student needs and defining the base program can serve as a useful starting point for building out the budget. Organizations such as WestEd use this approach in their technical assistance to districts to help them define the types of services that all students will receive and how the districts will use additional funding (e.g., supplemental and concentration funds) to provide enhanced services and support for disadvantaged and underperforming student groups. Accordingly, concentration and supplemental funding are not used merely to add on programs and staff, but are viewed as part of a broader strategy to build a strong instructional program for all students with additional supports for students with greater need. The strategy also involves blending federal, state, and local funding sources to maximize the use of funds to best support student learning.

Strengthening Connections Between Business and Educational Services

A collaborative relationship between business and educational services staff is regarded as a key strategy to support the alignment of district investments with its goals (Government Finance Officers Association, 2015; Murphy, 2017). As one CBO noted, the partnership between business and educational services staff has helped the district to refine its goals and strategies for achieving those goals. "We have . . . a fantastic partnership with our instructional side of house, so both business and instruction work hand-in-hand on these lists [of goals and strategies] together. Just like we work hand-in-hand on the LCAP so that there's a clear understanding from both sides of the house [about] what it takes in order to [improve outcomes]."

A county budget leader also underscored the importance of the relationship between fiscal and academic staff, noting that frequently superintendent search firms focus on recruiting educational leaders with more experience on the instructional side and fail to recruit candidates with a strong understanding of school business and operations. The county leader reported that superintendent search firms should "recruit educational leaders who understand the operational aspects of a school business. Search firms don't necessarily look for that, and I know, in this county, we suffer as a result."

Yet, it may not be realistic to expect all superintendents or elected board members, for that matter, to have deep knowledge and expertise on district finances. Strong communication and working relationships between CBOs, superintendents, and board members can help superintendents and the rest of the leadership in making sound financial decisions that align with instructional goals.

PART III: STRATEGIES FOR INCREASING EFFICIENCY

Many county and district leaders described how lean budgets drove them to maximize the cost-efficiency of standard district operations in order to keep cuts as far away from the classroom as possible. This approach includes streamlining administrative processes such as payment collection, reducing utility costs, comparing costs of in-house services and outside vendors' services to find the least expensive option, and benchmarking district services' costs against those of other districts. These efforts aim to reduce costs without sacrificing the quality or effectiveness of services — striving not only for cost-efficiency but also cost-effectiveness. Compared with other cost-cutting measures that involve significant trade-offs, these measures can represent somewhat easier budget decisions during a challenging fiscal period.

However, at least one CBO noted that years of lean budgets have left the district with little remaining to cut:

> In the early 2000s, when the budget started getting tight and we were cutting everything, we pretty much did. Any low-hanging fruit, we've already done it. And none of those things got turned back on. . . . We already expanded the mileage radius for busing. We reduced the number of copiers allowed at a school to one. . . . There's not much left to cut there. We're kind of at the mercy now of just what those expenses are. The only time we feel like we can leverage bigger cuts is if we eliminate bus routes, because then we lose the cost of the driver. But unless it's fully turning off a position, we've trimmed it and cut it down as much as is reasonable without getting rid of the service completely.

Although this CBO's district and some other districts have already seized many opportunities to increase efficiency and reduce costs, there is likely variation across districts in how much they have historically attended to issues of efficiency in their budget process. The CBO's comment is also indicative of the challenges reported by many school districts around the adequacy of funding for California school districts (California School Boards Association, 2016).

Streamlining Administrative Processes

One strategy for increasing efficiency within the district is to find ways to reduce the number of staff-hours required to conduct administrative tasks. As one district chief financial officer (CFO) described, "The areas that have taken the most cuts have been your central support [and] operational support areas." In particular, several district leaders described efforts to replace manual systems with more efficient, automated systems. For example, one described how the district's travel expense system shifted from a manual, paper process to an automated process. The district leader noted that the district tries to use "one-time dollars on system improvements that will look at our workflow and automate a lot of things that are done manually. . . . We try to look at one-time dollars that you can invest in systems that can translate to ongoing savings."

This strategy of using one-time dollars to invest in technology and equipment upgrades, rather than putting those dollars toward ongoing expenses, was a key strategy described by several budget leaders. One described how the district's special needs preschool, which collects tuition, is adopting an automated, online system that is utilized by many private preschools: "The parent will set things up in motion, and then they'll get [payments] automatically pulled from their checking account or the credit card every month."

As this district leader described, not only is the system expected to reduce the amount of staff time required for collecting payments, but it may reduce the frequency of costly human errors. Currently, the district has one staff member "doing Accounts Receivable along with 50 other things, and then all of a sudden it would be like, 'Oh my gosh, this person hasn't paid in three months,' and here we are providing free services." Similarly, another district found that streamlining its enrollment process — not by automating the process but by centralizing it — improved the cost-efficiency of the system by improving accuracy. As the district's CBO explained, "We've been able to clean up a lot of data errors that we used to have, because it used to be 30 people, 30 different schools, adding information into a system. And now it's two people for the whole district." The CBO added that this more accurate, streamlined system has helped the district identify more low-income and English learner students "at the point of enrollment," enabling the district to quickly begin receiving supplemental funding for these students.

A budget leader in another district similarly described how the district improved its process for obtaining counts of low-income students, resulting in a higher and more accurate unduplicated student count. Specifically, the leader described how adopting the Community Eligibility Provision (CEP) at four of the district's schools enabled the district to gain more flexibility in how it collects information on students' free and reduced-price lunch eligibility, resulting in higher response rates and higher eligibility counts.[7] According to the district leader, the CEP enables schools to use alternative forms to collect student household information for the LCFF eligibility requirements. The leader noted that the National School Lunch Form, the standard federal form for determining free and reduced-price lunch eligibility, "is the most complicated form, and it's very hard to fill out and intimidating." Instead, under the CEP, the district's four participating schools used an alternative form and "designed it in a [much] more friendly way that is very easy to fill out." Subsequently, three of the four participating schools found that their unduplicated student counts increased about 2 to 3 percent. As the district leader noted, "a 2 percent increase is big bucks," making the shift to the CEP a worthwhile investment that could also be leveraged for LCFF funding purposes.

Reducing Costs for Required Expenses

TRANSPORTATION COSTS

Nearly 40 percent of interviewed district leaders mentioned having sought ways to reduce transportation costs. For example, some evaluated ways to reduce vehicle or driver costs. One described how district leaders realized that transportation expenses could be reduced by leasing vehicles because the costs for buses that the district owned kept rising as the vehicles aged. Another CBO found that for students with disabilities, whom the district must transport regardless of the students' or schools' locations, district-provided transportation would save money. "Because the route is so far away a lot of times, you may put the kids on taxis," but the district could reduce costs by bringing the transportation services back in-house.

Furthermore, over half of the leaders who discussed transportation efficiency mentioned having re-examined bus routes. One CBO said that by staggering the district's elementary, middle, and high school start times, "we can use the same [buses] for multiple routes. . . . We did that, and we were able to save ourselves quite a bit of money." Indeed, staggering school start times in order to reduce transportation costs is a widespread practice across the United States (Edwards, 2012). However, in order to accommodate parents' work schedules, staggering school start times has generally led to earlier school start times for some students, which has proven controversial. Research has linked earlier school start times to reductions in student health and academic performance as a result of inadequate sleep (Boergers, Gable, & Owens, 2014; Boergers, 2015; Barnes et al., 2016). Such findings led to an attempt to pass Senate Bill 328 in 2018, which proposed prohibiting California middle and high schools from starting earlier than 8:30 in the morning.

[7] The CEP became available in California in 2014/15 as a result of the federal Healthy, Hunger-Free Kids Act of 2010. The provision allows high-poverty schools — those with at least 40 percent of students eligible for free meals — to serve free breakfast and lunch to all students and receive federal reimbursement for much of the cost. Schools are reimbursed at the federal "free" rate (capped at 100 percent of costs) for their proportion of Identified Student Percentage (ISP) students, and all other meals are reimbursed at the lower "paid" rate. To determine this eligibility, schools use their ISP: students qualified to receive free meals due to household enrollment in programs such as Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance for Needy Families (TANF), or due to certain classifications such as homeless students or foster youth. Alongside improving student nutrition, which is linked with improved student performance, the CEP reduces schools' administrative burden, as they no longer have to collect and certify student eligibility applications, complete the annual verification process, or collect any student meal payments (California Department of Education, 2018).

The issues with transportation scheduling underscore the need to examine cost-cutting measures for potential, unintended side effects. If a district's ultimate goal is to improve student outcomes, then some cost-cutting measures may not be worth doing if they hinder student performance. Thus, when considering system adjustments — especially those close to students — district leaders should consider the existing evidence and monitor early outcomes after implementation to avoid unintended, counterproductive consequences.

UTILITY COSTS

Utilities were another area in which districts aimed to reduce costs without negatively impacting services and programs. Leaders from eight districts — nearly half of those interviewed — reported having found ways to reduce utility costs, with one referring to the water bill and seven referring to their energy bills. The district that reduced its water bill reported saving $250,000 after it realized that there were different rates for irrigating fields than for running water in the buildings. Consequently, by "installing water meters in different places" across the school sites, the district could ensure that it was paying the lower rate (irrigation) wherever appropriate.

From the seven districts that reported reducing their energy costs, several strategies were described, including switching to renewable energy, installing more energy-efficient equipment, and implementing protocols for reducing energy use. Three district leaders mentioned the possibility of switching to solar electricity. One considered solar but decided not to go that route, and another district managed to go solar by using school bonds to pay for installation. Another district leader recalled previously having been in a nearby district that had gone solar and reaped tremendous benefits. "We eliminated our utility bill, which is about $980,000 a year; we got all of that and basically preserved options for kids."

Describing another solution, two districts reported upgrading to more energy-efficient equipment, such as new HVAC systems, energy-efficient light bulbs, and sensor-enabled light systems that shut off automatically. Yet, upgrading to more energy-efficient equipment often requires an up-front investment, and some districts do not have funds available for these types of investments or cannot justify them due to limited funding and pressures to invest in other areas.[8] Perhaps as a consequence, reducing energy consumption, which does not require up-front investments on the part of the district, was the most frequently cited strategy for reducing utility costs. As one district leader described, "We literally unplugged and took away microwaves, refrigerators, heaters. You cannot imagine, if you take all those things out from classrooms, how much money you actually save."

Comparing Costs and Using Benchmarking Data

With employee benefits representing an increasingly large expense for districts (Legislative Analyst's Office, 2017; Krausen & Willis, 2018), 22 percent of district and county leaders who were interviewed reported finding cost savings by comparing benefit plans and providers. All of these leaders specifically mentioned comparing health care plans, while one also described "significant savings" from shifting to self-insurance for worker's compensation and changing the district's third-party provider for life insurance.

One district CBO described the success of a collaboration, known as the Joint Health Care Coalition, between district administrators and bargaining unit representatives, which negotiated lower costs on the district's health care options. As the CBO noted, "When we added our third carrier, [one of our existing carriers] became very competitive." In previous years, this health care provider had increased rates 3 to 5 percent each year, but once it had an additional competitor, it kept its rates flat. Additionally, the district collaborated with its health care provider to introduce an employee wellness program and reported that "we have better rates because of this wellness program . . . because we're keeping people in the workplace and well."

In another district, leaders determined that they could save significantly by self-insuring their employees' health care, and they have begun that process. A leader from this district

8 From 2012 to 2017, the state provided close to $1.5 billion in one-time grants to districts from the passage of Proposition 39 by voters in 2012. These funds could be used for energy-efficiency improvements but were available for only 5 years.

explained, "We could potentially save $2 to $4 million per year by going self-insured. So, we're pretty excited about that." However, the interviewee acknowledged that making such a shift would not be fast or simple: "The bad news is that it's going to take us two years to implement because it has to be negotiated and, to do it right, you have to have stakeholder meetings."

In addition, county and district leaders noted the importance of regularly reassessing the cost-effectiveness of various services and exploring possible alternatives, including bringing programs in-house or simply conducting cost comparisons of competing vendors. Although several leaders described bringing programs in-house, another noted that in some cases, the opposite strategy — outsourcing — may end up providing the most cost-effective solution. This district leader described a re-examination of the cost-effectiveness of the district's internal supply warehouse: "In today's environment, how is the warehouse compared to Amazon? How are you utilizing Amazon, probably at a lower cost, to how you're doing your purchasing?" The same budget leader described another decision to outsource, even at a higher up-front cost, to implement a revenue-earning program faster. In this case, the district hired an outside company to launch its Saturday school because the outside provider could begin offering the Saturday school sooner and could provide a high-quality service. The district leader explained: "How can we get it up and running quicker than us doing it ourselves? How can we partner with people that are better at it than we are, so that we don't have to recreate the wheel?" Through the Saturday school, the district can recapture funding from the state based on average daily attendance as students make up missed school days due to absences.

Several district leaders mentioned the role of benchmarking data — comparing their services' costs against those of other similar districts — in evaluating the cost-effectiveness of their expenditures. For example, one district leader reported that the district began considering charging students for transportation after recognizing that out of 40 districts in the county, their district was the only one providing school transportation free-of-charge. Another district mentioned planning an evaluation of its transportation systems by the American Productivity & Quality Center, a company that provides research, benchmarking, and advisory services.

Two other districts described a much more intense, continual, internal use of benchmarking data. Leaders from both districts specifically mentioned using data from ActPoint KPI, an online system built in partnership with the Council of the Great City Schools, which compares key performance indicator (KPI) data across school districts nationwide in areas including finance, human resources, and operations. As one district leader described, the district uses this information for "comparing ourselves to the nation, comparing ourselves to districts in California, and comparing ourselves to ourselves." Another district leader described using both ActPoint KPI and another data analytics software, Forecast5 Analytics, "to look at where we're outliers and say, 'Okay, why is everybody else here, and your expenditures are so much higher?' . . . I'm just looking across all districts for benchmarking in today's environment." The district identified this benchmarking as a "key process" in evaluating the cost-effectiveness of the district's investments.

Importantly, benchmarking is often used in tandem with continuous monitoring of the budget by district business leaders. As one CBO reported about the district's use of KPIs to monitor its budget, "You just have to keep watching and making sure that everybody is on track and within your budget. . . . There are things that I watch every single month, like what percent are we at payroll right now? . . . I watch my power, I watch my gas, I watch my trash. . . . Little things, if you don't watch, can really add up." Although this budget-monitoring does not directly connect district operations to student outcomes, it is still an important, ongoing part of budget officers' efforts to ensure that their districts remain fiscally solvent and can make sound budget decisions based on real-time data.

Maximizing Revenues

Recognizing that cost-cutting measures have their limits, several county and district leaders described efforts to maximize district revenue. Such efforts included increasing state funding by using marketing campaigns to combat declines in enrollment and to increase attendance, and drawing on community support for potential opportunities to generate local revenue through voter-approved school bonds and tax measures, as well as from public facility rentals. In nearly all such efforts, community outreach played a critical role to garner support.

COMBATTING DECLINES IN ENROLLMENT

Of the local leaders interviewed, nearly 40 percent cited declining enrollment as a budget challenge. While some cited demographic shifts outside of the district's control, several attributed at least part of the enrollment decline to students transferring to charter schools. California charter school enrollment has grown 150 percent in the past 10 years — an increase of over 25,000 students every year — and approximately 630,000 California students, or 10 percent of the statewide total, currently attend charter schools (Reese, 2018). When a student transfers from a traditional public school to a charter school, the funding for that student follows the student to the charter school. However, many of the school district's fixed costs, such as those for facilities, utilities, and administrative staff, remain the same, leading to a net loss for the district's budget. A recent analysis of three large California school districts found that for each student that transferred to a charter school, the school district experienced a net loss in the range of $4,913 to $6,618 (Lafer, 2018). This finding is consistent with a 2012 analysis of Philadelphia schools, which found that when students transfer from district-operated schools to charter schools, the district typically was able to cut only 50 percent of the expenses associated with those students (Knudson & School District of Philadelphia, 2012).

To avoid losses in per-pupil funding, district leaders described efforts to keep students enrolled in the district. Such efforts included marketing, public outreach, and improved district program offerings. One district budget leader reported at least temporary success reversing the district's declining enrollment by working with the community to ensure that parents had accurate information about district-run school options. In addition, after hearing about plans for a new charter school petition, the district reached out to find out why some community members thought that a charter school would be better equipped to meet students' needs. The district then "ended up opening up a magnet school to meet those needs, and so that avoided the whole charter petition."

For another district, the CBO described a strategy to retain students by improving the public's perception of the district and publicizing what the district offers: "We're going to work on our customer service, and we're working on marketing ourselves — because I think we have to do a very good job at telling our story, because we have wonderful programs for kids, [like] CTE and band, and some wonderful programs that the charter schools don't offer." The CBO reported that the district planned to contract with a marketing firm to improve its Facebook page, launch a Twitter account, and mail promotional flyers to all students' homes. As the CBO explained, "We have to now treat ourselves like a business and market ourselves to the students."

INCREASING ATTENDANCE

Because much of California school districts' funding is tied to average daily attendance,[9] higher attendance leads to a district receiving increased funding from the state. Accordingly, one district CBO described success in increasing revenues by establishing a department dedicated to reducing chronic absenteeism, defined as missing 10 percent or more of the school year. Its staff identifies chronically absent students and tries "to reach out to parents and to the student to find out why they're not coming to school [and] if there are barriers, so they can break down [the barriers] in order to get them to school." Additionally, the district invests in public campaigns to increase school attendance, such as running ads about the importance of school attendance at the local theater. The CBO estimated that the district spends about $30,000 per year on its attendance campaign and that the district is already seeing returns on this investment.

Strategies to increase attendance have tremendous potential for increasing district revenue because the cumulative effect of student absences can have a major fiscal impact. An analysis for the Los Angeles Unified School District found that in 2016/17, if every student in the district had attended one more day of school, the district would have received $30 million

[9] For more detail on how schools are funded in California, see https://www.cde.ca.gov/fg/fo/profile.asp?id=1296.

more in revenue (Los Angeles Unified Advisory Task Force, 2017). Most importantly, reducing chronic absenteeism, in addition to having a positive fiscal impact, can have a positive impact on student engagement and outcomes (Balfanz & Byrnes, 2018).

DRAWING ON COMMUNITY SUPPORT

While California law limits the local revenue generated from property taxes, some opportunities exist for districts to raise capital through other voter-approved measures. Additionally, there are no limits on the amount or use of private donations to public schools (Perry & Edwards, 2009). Budget leaders reported that efforts to increase local revenues, particularly through community-supported initiatives, have had a positive impact on their district budgets. However, communities' capacity for fundraising varies, and research shows that districts in lower-wealth communities are not able to generate as much in private donations (Weston, Cook, Murphy, & Ugo, 2015).

Budget leaders from two districts mentioned parent-driven fundraising efforts, while two other district leaders mentioned having partnerships with private foundations. One described how foundations are "key partners" to the district, both through direct contributions and through non-financial support. For example, one foundation provides training and instructional coaches to build teachers' capacity to improve early literacy for English learner students. With the foundation providing this support, the district can then redirect some of its professional development funds to other needed areas.

Budget leaders from four districts mentioned the impact of local voter-approved measures, including parcel taxes and school bonds. As one district leader noted, "We are fortunate to be in a [county] that does provide a lot of voter-initiated support for our arts and libraries and other types of enrichment activit[ies]." This leader indicated that the county also had a parcel tax on an upcoming ballot that would, if it passed, "provide additional salary increases to our teachers." In 2016/17, California school districts received a total of $423 million in revenue from parcel taxes.[10] However, in 2012/13, when California school districts received a total of $362 million from parcel taxes, these taxes benefited only 108 California school districts, or about 1 in 10. Furthermore, a 2013 analysis indicated that districts with parcel tax measures in place were disproportionately located in more affluent communities (Chavez & Freedberg, 2013), and 86 of the 108 districts were located in the San Francisco Bay Area.

In talking about efforts to pass parcel taxes, district budget leaders described the importance of proactive efforts to engage the community — and not just leading up to the election. One CBO described how the district's recent emphasis on transparency and community engagement, championed by its new superintendent, had been critical in achieving voter support that was reflected in promising early poll results for a parcel tax measure. The CBO reported that this level of voter approval "would not have happened five years ago, four years ago, because there was a lot of distrust." Now, with its shift toward greater openness and community engagement, the district has achieved "a greater ability to have our community partner with us on long-term solutions." One of the leaders whose districts passed parcel tax measures expressed a similar sentiment, stating, "Communication is huge." This leader described the district's focus on communication as part of a long-term relationship-building effort with the community, and the leader credited the success of the parcel tax measures to "the trust the community has in the school district and the leadership of its board."

District leaders also reported alternatives such as pursuing local bond measures. Between 2004 and 2016 alone, local bond measures provided more than $91 billion in school district funding, with bonds spread across districts in all but 5 of California's 58 counties (Lopes & Ugo, 2017). Districts can issue general obligation bonds for facilities purposes, including construction, renovation, equipment, or land acquisition, though the bonds are restricted to these purposes.[11] One CBO reported successfully passing a $126 million bond in 2008, which has allowed the district to "modernize all our schools except for the high school." Another described that a school's investment in a solar energy system was made possible by

[10] http://www.ed-data.org/
[11] Cal. Const. art. XIII, § 1

local bonds. And a third leader, representing another district, reported that the district is proposing a $213 million bond after having put out "a poll to just test the waters last summer, and the polling showed 76 percent support for a potential measure that large."

RENTING OUT FACILITIES

While most district leaders' revenue-building strategies focused on enrollment, attendance, or community support, one district leader described the district's effort to build a "pretty aggressive rental program," renting out a variety of spaces across the district's facilities. The leader described how the district first had "general facility rentals that I'm sure are pretty common with a lot of [districts], where we rent out our performing arts [spaces], our theaters, and our fields, and our pools, and our gyms, and everything on the weekends and at night." Beyond that, the district relocated its continuation program onto a comprehensive school site, so now the district can "rent the whole facility [the prior location of the program] out to a private school." In addition, on a few campuses with declining enrollment, the district is "able to carve out pieces of the campus and rent a block of rooms to a Montessori preschool." The leader described how the district has "tried really hard to bring in revenues in random places where we could," and so in an effort to think outside the box, it has even leased out the light posts on the football field to a cell tower company.

Accordingly, district leaders may want to consider the trade offs between selling surplus property and retaining these properties for rental purposes or considering alternate ways to leverage district assets. These are important considerations given how many districts are experiencing declining enrollment and therefore have additional space available.

However, state law establishes regulations for how school districts can charge fees to external groups for using district facilities. For "nonprofit organizations, and clubs or associations organized to promote youth and school activities," state law limits allowable fees to the direct costs associated with the facility use (e.g., janitorial services, utilities), while other groups can be charged "fair rental value."[12]

[12] Education Code § 38134(g)

PART IV: STRATEGIES FOR FOCUSING ON HIGH-LEVERAGE BUDGET DECISIONS

Not all budget decisions are within the purview of district leaders. This condition may be due to the political implications of a particular decision or because a particular expense is mandated by the state or federal government. As one district business leader noted, "There are some things that . . . we cannot touch. And we want to be mindful of that. And then there are also certain departments that — for example, special education — it's a body of work that's critical to some of our most vulnerable students and we recognize that that may not be an area that can absorb the same level of reduction as others." Therefore, district business leaders must seek out places to make reductions or adjust investments in their budget based on these complex considerations.

The prior Silent Recession paper (Krausen & Willis, 2018) presents a conceptual framework for districts to consider when looking for places in their budget that are within their control and have the potential for greater impact. The framework describes high-leverage areas of budgeting — areas in which districts have greater control over their budget and have greater opportunities to increase efficiency and effectiveness. These areas of the budget can be key entry points for strategic resource management.

The following sections of this paper outline the strategies that district leaders described for addressing rising costs in two areas that have a substantial impact on the budget, but where districts are also constrained by state and federal mandates or contract negotiations: special education and staffing. These are areas that have high political implications when decisions are made to reduce expenditures. A subsequent section describes some of the strategies that district budget leaders have employed to build robust communication with stakeholders — another high-leverage approach to navigating budget decisions, particularly when making difficult choices that directly impact students.

Carefully Considering Resources for Special Education

Special education is an area in which many county and district leaders sought strategies for improving cost-efficiency while also noting the sensitivity required and challenges involved. Seventy-two percent of interviewed leaders described the increasing costs of special education as a major fiscal pressure on their districts' budgets. As detailed in the earlier Silent Recession paper (Krausen & Willis, 2018), increases in federal and state funding have not matched the escalating costs of providing high-quality, legally compliant special education services. Consequently, districts reported using their limited unrestricted funds, that now come in the form of the LCFF base funding, to make up for the difference.

Of the six leaders who offered strategies for controlling or reducing the cost of special education services, five noted the significance of avoiding costly litigation. As one explained, "If the school district is denying services to save money, then you're just paying in a different form. Then you're paying for lawyers and dispute resolution instead of just paying for the service, but the cost is probably close to the same." According to the CBO, the district would rather have the funds go toward providing special education services than toward legal costs. Other times, if the district does not provide the services outright, it opts for "mediation to try to settle a disagreement" rather than allowing a case to escalate to court.

The CBO of another district described a similar approach focused on ensuring compliance, with the hope that avoiding legal fees will outweigh the costs of additional special education services. This CBO's district created additional special education positions, including a Director of Compliance whose role is "to work with sites to make sure that we're in timeline on IEPs [Individualized Education Programs] and that everything is being done right, so that we don't end up in litigation." The CBO noted the successful reduction of legal expenses since adding this position: "Our filings are down . . . our lawyer costs and number of incidents. . . . We're seeing fewer issues rise to that level." However, the CBO acknowledged that because the position was added only within the last two years, the district would probably need another year to conclusively determine whether "it's saving any money yet, because [it's] kind of lumped in with all the services, additional services that we need to provide."

As districts work to avoid costly litigation, they must also attend to issues of equity and issues with the continuation of restrictive or unnecessary services. Not all families have equal time and financial resources to challenge the school district to provide additional services for their children with disabilities. Research indicates that a chief cause of inequity within special education is that wealthier parents are more likely to demand additional services through litigation (Pasachoff, 2011). Given districts' limited budgets for special education, these affluent families' disproportionate demands then leave fewer resources for other students to receive the services they need. Research also suggests that students from minority groups are less likely to receive adequate special education services than their white peers (Losen & Welner, 2001; Morgan et al., 2015).

Districts also have an important legal responsibility to provide services in the *least restrictive environment*, meaning that "to the maximum extent appropriate, children with disabilities . . . are educated with children who are not disabled," and are provided with appropriate aids and supports rather than being educated in separate classes.[13] For most students, special education supports are meant to serve as a stepping stone; services are provided to build capacity and then are gradually reduced as the student exhibits more independence. Providing students with excessive or unnecessary services can hinder student growth and have detrimental effects. For example, providing an unnecessary paraprofessional aide can lead to dependence on the aide, separation from classmates, feeling stigmatized, loss of personal control, and interference with teacher engagement (Giangreco, Yuan, McKenzie, Cameron, & Dialka, 2005). Thus, districts' acquiescing to litigious parents may end up negatively impacting students' abilities to function independently in the short term and in the future.

Therefore, while avoiding costly litigation may be an effective cost-saving strategy, caution must be exercised so as to avoid providing excessive services that may contribute to inequity or hinder students' growth. To balance these concerns, district leaders may consider strengthening efforts to build relationships and work in partnership with the parents of students with disabilities. Parents often disagree with school districts regarding eligibility, recommended services, and placement of their children, and some of these disputes may stem from parents' confusion around the language, procedures, and best practices within special education (Wellner, 2012). Moreover, the win/lose mentality of litigation can further deepen mistrust between parents and school districts (Wellner, 2012). But as one CBO pointed out, "The parents really care about their kids, [and] the district cares about services to the entire population," so the key is to "find common ground." By strengthening communication with parents of students with disabilities, districts can potentially build more trusting relationships, collaboratively determine the appropriate supports for each student, and avoid conflicts that can lead to costly litigation.

Along with avoiding expensive conflicts, another strategy identified by district leaders for improving the cost-effectiveness of special education services is to invest in increasing internal staff capacity. In some cases, this approach included bringing special education programs in-house. One district leader reported, "We designed a lot of in-house programs so that we're not sending kids outside and paying privately for other services." Indeed, a school district in Massachusetts, exploring various special education cost-effectiveness solutions found that it could replace out-of-district special education programs with comparable in-house programs at 50 percent of the cost, a savings of $1.6 million per year (Levenson, 2009).

Similarly, one county leader conveyed the importance of a robust and responsive general education program, which can reduce the number of students needing special

[13] This responsibility is a requirement of the Individuals with Disabilities Education Act (IDEA), defined in 20 U.S.C. § 1412(a)(5)(A).

education services. The leader cited learnings from the California State Board of Education on this strategy, noting that "a good general education program, if it's robust and has RTI programs — Response to Intervention programs — [then] there's a reduced amount of referrals to special education." The county leader added that "a number of districts believe that once you identify a student for special ed, you're able to get rid of the problem, rather than addressing the problem . . . [students are] getting shuttled over to special ed because they're not being addressed in a general ed program."

Indeed, research suggests that a focus on teacher effectiveness and content knowledge, rather than on special education certification and low caseloads, can both improve the outcomes for students with disabilities and significantly reduce costs (Levenson, 2012) as can investments in a Multi-Tiered System of Support (MTSS) (Reedy & Lacireno-Paquet, 2015). A case study of two California school districts with exemplary outcomes for students with disabilities further supports this notion. Both districts achieved high performance among students with disabilities, as well as lower referral rates and lower costs. Both largely credited these successes to their emphasis on successfully integrating students with disabilities into inclusive general education classes, as well as strong RTI programs (Parrish, 2012). A statewide evaluation of Kansas's MTSS system found that implementation of MTSS led to a significant increase in student performance, a decrease in discipline referrals, and a decrease in special education referrals (Reedy & Lacireno-Paquet, 2015).

Ensuring the Highest-Quality Teaching to Meet Student Needs

Because staff salaries and benefits make up such a substantial portion of each district's budget — 82 percent, on average statewide, in 2015/16[14] — an analysis of staffing needs is an important component of a CBO's work. In fact, 45 percent of CBOs interviewed for a 2018 *Getting Down to Facts* study noted that they analyze their staffing needs, both current and future, as a prioritization strategy (Willis et al., 2018). However, analysis of staffing needs may not be sufficient by itself to *strategically* prioritize funding. Rather, districts should make staffing decisions based on the needs of students, rather than the needs of the adults in the system (Levenson, 2012). Accordingly, analyzing staffing needs requires more than counting the number of staff and their associated costs as a foundation for the budget (as discussed earlier in this paper in the Tracking the Quality of Investments, Not Just the Quantity section). Instead, analyzing staffing needs requires investigating how staffing can best be structured around the provision of the highest-quality support to meet student needs.

For example, one CBO focused on the district's teacher evaluation system as the primary strategy for ensuring the greatest return on the district's investments. This CBO noted, "The most important [prioritization strategy] is definitely the evaluation system. . . . The biggest way we measure the return on the investment is making sure all of our employees are doing their jobs."

Monitoring staff ratios was also one of the most frequently cited cost-saving measures, reported by nearly 78 percent of CBOs. As one district leader explained, "You could negotiate the best deal for copiers in the history of the world; it's not going to save you budget-wise because it's such a small fraction of what any district spends. It's almost all employee cost in this business." Furthermore, this leader noted that the cost per person cannot easily be reduced, as districts must maintain salaries and benefits to remain competitive. "You really can't do much to decrease the employee cost per person. You've got to decrease the total numbers of employees."

While county and district leaders acknowledged that reducing staff can be challenging, they also noted, in some cases, its inevitability. They described a variety of strategies to mitigate the challenges associated with staff reductions, including increasing hours for some staff members to more than full-time, creating combined-grade classes, reconsidering whether to hire for open positions in the district, offering retirement incentives, and gradually reducing staff over time.

Given that California prescribes maximum class sizes, with penalties for districts that exceed the maximum,[15] leaders

[14] Based on data available from http://www.ed-data.org/
[15] Education Code § 41376

described efforts to carefully budget staff based on each year's student enrollment. However, some pointed out that staffing closely around the maximum allowed class size can be challenging because, as one interviewee stated, "kids don't come in neat little bundles." For example, if a class is permitted to have a maximum of 30 students, and 75 students enroll in that grade, then there is no straightforward way to keep the student-to-teacher ratio close to the maximum. Consequently, as one district leader noted, "It's pretty easy to overstaff . . . and if you do that at every grade level to make the numbers work, and at 20 school sites, you could easily end up with 10 to 15 additional FTEs [full-time equivalent positions]. That's a lot of money."

To avoid overstaffing, district leaders suggested strategies that offer more year-to-year flexibility. Two districts mentioned creating classes that combined grade levels when needed. Another pointed out that not all full-time staff positions need to equal exactly 1.0 FTE each year. This district leader described a strategy of offering some staff positions as 1.2 FTE. As they described, "It's cheaper, it's more cost-efficient for the district to give some people an extra assignment than to try to find a kind of cobbled-together, full-time person. . . . [For example,] a high school teacher may teach six classes instead of five." Each staff member commands a higher annual salary than a 1.0 FTE staff, but this eliminates the need to pay for the benefits and pension of an additional full-time staff. In addition, "that then provides a lot of movement and flexibility within fractional changes up or down" as enrollment changes.

This year-to-year flexibility is valuable not only from a cost-effectiveness standpoint but from an efficiency standpoint as well. That is, it may reduce the need to hire additional staff in a given year — a costly and time-intensive process. Furthermore, it may reduce the need for yearly layoffs, which can bear a steep cost in terms of public relations and employee morale (Guin, 2004; Taylor, 2012).

Indeed, when county and district leaders described methods of cutting existing staff positions, layoffs were consistently described as a last resort. Several leaders reported that their first step was "when people leave positions, we scrutinize a little bit more whether or not we should fill that position." If enough vacancies did not naturally occur, some districts offered retirement incentives. One county leader reported, "We have probably 7 of out 27 districts that are doing retirement incentives." Another district financial leader suggested that while staff reductions, whether through layoffs or other means, are perceived negatively by the public and staff, districts may be able to mitigate the harm by reducing staff numbers gradually. "I think [the superintendent] staffs our schools a lot more stringently than what we've done in the past. But he's done it gradually over the course of several years so that we haven't really got a lot of pushback."

PART V: STRATEGIES FOR STRENGTHENING COMMUNICATION AND COLLABORATION

Given the numerous priorities competing for limited funds, district leaders emphasized the importance of strong communication, transparency around the budget, and building trusting relationships with stakeholders, including board members, staff, unions, and the public. District leaders described how investing in these efforts reduced external pressure and, at times, led to more collaborative, cost-saving solutions.

Ensuring That Stakeholders Are Well-Informed

Under the LCFF, community members, parents, teachers, and students are considered partners and collaborators as the district sets priorities and determines how to allocate funding to meet these priorities. In order for the process of engaging these stakeholders to be successful both for the district and for the community, the process should be structured so that stakeholders can provide *informed* input. District budgets are complicated, and most stakeholders can provide informed recommendations about how to prioritize investments only if they are provided with information about the current budget, district programs, goals, and financial health. Accordingly, CBOs interviewed for this study noted the need to provide clear, comprehensive, and accurate information to stakeholders — from teachers to board members — to help guide decision-making, build trust, and ensure a transparent resource-allocation process.

BUILDING PUBLIC TRUST THROUGH TRANSPARENT COMMUNICATION

Many leaders described the importance of transparent communication with all stakeholders, including the community, in order to build trust during fiscally challenging times. One CBO described a philosophy of transparency and openness with the community in this CBO's district as follows: "They can come and ask you questions if they have any questions. I said, this is our family budget. Don't just think it's mine. It's not mine. I oversee it, but it's ours together."

District leaders also shared their varied, proactive efforts to make budget information accessible to the public. As one CBO described, "I put all of my presentations on our website. . . . And then I show them, wow, look what happened with the $5.5 million in cuts and the fiscal stabilization plan." In addition, the district provides information via social media, mailers, and other channels, in an effort to "engage in a long-term public relations, community relations process . . . to the extent that we can increase greater trust." Another superintendent described similar efforts to build trust by making information easily accessible to stakeholders through the district's website, newsletters, a Facebook page, flyers, and presentations at city council and neighborhood meetings. The superintendent noted that this active community engagement is valuable not only for responding to concerns but also "to market the success that you're having."

HELPING OTHERS UNDERSTAND THE FULL PICTURE

Several leaders mentioned that transparency around the budget helped people who are not district leaders to understand the full picture of the district's financial situation — including some of the lesser-known fiscal pressures. One district leader reported that for both teachers and classified staff, "we've been doing a series of training classes and just trying to lay the breadcrumbs and explain school district finance to more people. . . . [We] take them through the whole thing with LCFF and how it's funded. . . . I think the more of this outreach that we do, the more people are going to understand, to have a foundation to build on when we start talking about cuts." This communication and understanding of the district's financial situation is particularly important at a time when K–12 public education funding is at an all-time high, and there may be misconceptions amongst voters, parents, and school staff that the districts are all benefitting from increases in state revenues. Moreover, since there is an expectation that LCFF funds will be available for increasing or improving services, the district leadership needs to clearly articulate to stakeholders why there may be insufficient LCFF funds to meet all of the desired strategies outlined in the district's LCAP.

Another district leader described the value of convening a Budget Advisory Committee that had "broad representation from different stakeholder groups" and came to understand the district's full financial picture. The committee devoted time to "building an understanding around our budget and gaining awareness of the district's financial obligations and the trends around enrollment, and understanding those pieces to then work on a set of recommendations that were presented to [the CBO] for possible reductions into our budgets." This example suggests the value of providing background on the district's full financial context, including ongoing obligations, particularly when engaging stakeholders to collect input on the district's priorities and financial decisions. With stakeholders advocating for a wide range of priorities, and with limited funds to implement different priorities, helping stakeholders understand the fiscal pressures that districts face may lead to more realistic expectations and thus more productive conversations around prioritization.

According to the interviewed leaders, providing information to stakeholders when a district is forced to make cuts to the budget serves several additional purposes. First, stakeholders become aware of why the district must make cuts. Second, stakeholders can help the district make informed choices about where those cuts should be made. In addition, having informed stakeholders is not only relevant during times of crisis (i.e., when cuts need to be made) but also when districts are taking a proactive approach and are looking to implement cost-efficiency measures or reevaluate program effectiveness. The provision of this critical information means that stakeholders have the context and background to base their decisions on facts (including financial and academic data) rather than on anecdotal evidence or pre-existing notions about the district's finances. As one district leader noted, "What usually happens to the parent who makes the argument is they'll have it anchored in some misinformation. . . . So, I'm really careful to never say something that's not true and that can't be independently verified. . . . We will often make presentations off of databases that are publicly searchable — EdData, DataQuest, the CAASPP website — and openly tell people, 'You can go right now to this web address and confirm everything we're saying.'"

COMMUNICATING A FISCALLY CONSERVATIVE MINDSET

Several district leaders also noted the value of embracing and communicating a firm, fiscally conservative mindset. As one CBO explained, this mindset includes a commitment to maintaining savings whenever possible, even when the budget starts to look more optimistic: "If I could find any savings and increase the reserves, I'm not apologetic about that. Some districts that have a high reserve and wind up their year looking better than they promised everyone they would — they're almost apologetic about it and maybe even give money and raises. For us, that's not the way it is." Another echoed this sentiment, explaining, "We don't have as many long-term obligations as other districts. So, we don't offer retirement benefits to people who aren't employed anymore. . . . We don't have ongoing salary increases that we don't think we can afford. We built in a lot of one-time payments [instead], because we kept getting one-time money from the state."

Another CBO emphasized the importance of instilling this long-term, cautious mindset across the rest of district leadership, even if others are reluctant to accept it. "My predecessor did a real good job of giving warnings, but nobody listened to him. . . . [So] I started to, in a concerted effort, issue warnings publicly in front of my board." This same leader noted, "Probably over half of the school districts in the state have got these stormy clouds out on the horizon. But yet they're not addressing them. I'm just so proud of my agency here and my board that we saw the storm clouds. And we did something to address them."

In comparing their fiscal decisions with those of other districts, these district leaders suggested that many districts are not yet adopting a conservative enough approach. One county leader suggested that because the fiscal pressures are rising gradually, some districts do not yet feel a sense of urgency: "Everybody looks okay this year, then we just see different districts start deficit spending in the next year, and then it looks worse the third year out. So, they're not making dramatic changes right now. They're looking for kind of easy wins right now."

Some also noted that a fiscally conservative mindset is critical not just for district leadership but for school staff as well. As one district leader explained, "We kind of had a heart-to-heart talk with our site leadership that this is going to take everybody to pull this off. And typically, in school districts, I know you've heard that 'spend it or lose it,' so in April, everybody starts spending down their money. . . . Well, we told them, it's okay to not spend all of your money, and we thank you for not spending all your money . . . because that money goes back into the general fund and into our reserve." Another CBO provided the example of persuading all school staff to only use sick days for actual illnesses. "They were able to save so much money in one year . . . [by saying] if you're not really sick, don't take a day. . . . Because then there's the sub cost and then all these additional costs that go on with it. . . . The superintendent there, she went out and met and [spread the] message."

Creating an Inclusive Budget Development Process

PARTNERING WITH THE BOARD

Board members hold decision-making authority over the budget, and they serve as key representatives of the school district to the public. Consequently, many of the leaders interviewed for this report expressed the importance of building a strong partnership with the board to improve the district's ability to maintain a healthy budget and a healthy relationship with the community. As one district leader said, "It's important that you can depend on your school board to help make the hard decisions." However, this CBO also went on to say that some of the district's board members have not always been willing to make these difficult decisions.

Another district leader linked their local board members' hesitance around cost-cutting to the pressure that boards receive from the public. "It's hard on them because if they represent this school that's losing staff, those parents don't understand the details of why and, with social media now, they put a ton of pressure on the board." The same district leader offered a specific example of how parents can apply pressure: "'Well, why can't you just sign the money to keep these three teachers?' And that's a great argument if we were a one-school district, but if you keep three teachers times 40 school sites, now it's incredibly expensive. So, the board has to be very conscious of the overall impact of these decisions, not [just] the individual decisions themselves."

School board members may often be torn between the demands of their constituents, the impact on students, and what's best for the district's fiscal health. These competing interests can be intensified by the fact that in California, school board members must live in the district that they represent,[16] so their constituents may also be friends, co-workers, neighbors, or families of their children's classmates. However, research indicates that the most effective school boards — those whose districts attain higher-than-expected student achievement — have board members who approach decision-making with a data-based, accountability-driven mindset (Dervarics & O'Brien, 2011). This finding suggests that despite possible pressure from community interests, boards should try to maintain a goal-focused mindset, considering parent and community feedback as just one data source — albeit a critical one — to inform district decision-making.

Along with their leadership role in district priority-setting and financial decisions, boards can play a critical role in long-term budget stabilization. One district leader noted that board buy-in was essential to the district's success in stabilizing the budget through the strategic use of one-time funds. As the leader explained, "One of the most effective things that we've done is we've taken the one-time money out of the equation for salaries and benefits and all the other strains on that." Because the board must approve the budget, the district administrators made a significant effort to help the board understand this strategy. "It is just a mindset and I'm

[16] Education Code § 1000

very up-front, and when we pass the budget, I make sure that the board understands that ongoing money is used for ongoing expenses. One-time money can be used for one-time expenses." Several budget leaders echoed this caution that one-time funding from the state should only be used for one-time expenditures and not to cover ongoing costs. Indeed, the use of one-time funds for ongoing expenses, particularly with regard to staffing, has raised some concern at the state level (Fiscal Crisis and Management Assistance Team, 2015).

Several other district and county leaders reported success in building partnerships with their boards. Most of all, they emphasized that building trust takes time. First, it requires dedicating time to helping board members understand the district's full financial situation. As one district leader reported, "It really takes time, and it takes time between 8 and 5, and it takes time [for the] superintendent at 11:30 at night." Many board members have full-time jobs in addition to serving on the board, so, as this leader pointed out, maintaining ongoing communication with them can require working around their schedules.

Another interviewee described similar investments of time in communicating with the board: "I would say my superintendent does an outstanding job when it comes to his communication and his interface with the board. . . . He has one-on-one meetings with them monthly. He communicates a lot to them, gives them a heads-up on things. . . . They trust him." Specifically, these communication efforts included providing comprehensive information in advance about upcoming measures that might concern the board. "We should never spring something on a board out of the blue, especially on a major decision. You've got to have a study session. . . . [We] never give anything to a board on a major decision unless we've had at least one prior informational session on the matter." One district leader also noted the importance of ensuring that the information is accurate and transparent. "Almost everything we run, you can independently verify. And the board knows that, so there's a lot of trust built up that we're not trying to get one over on somebody or trick them."

Some interviewees also noted the value of recruiting outside experts, such as county office of education representatives or other third-party representatives, to present to the board and give non-biased opinions and information on the fiscal challenges. Such outside perspectives can contribute additional detail to messages from the CBO and superintendent and can demonstrate that the fiscal challenges are not isolated to an individual district. Having a third-party share the messages may also add credibility to information about the district's financial health, particularly if union leaders and board members do not necessarily trust information from the superintendent or CBO.

BUILDING RELATIONSHIPS WITH UNIONS

District leaders also described their relationships with unions as both a challenge and an opportunity for building trust and working collaboratively on solutions. Over 44 percent of those interviewed specifically mentioned unions' pressures for salary increases as a major challenge. Half of these reported that if base funding from the state were to increase, unions would expect most or all of that funding to be allocated directly to salaries. As one district leader stated, "I would get a lot of pressure to give that amount as compensation increases, and I'd be ending up doing the cuts [to other areas] anyway."

However, several district leaders reported having established positive, trusting relationships with their unions' bargaining units. As for communicating with stakeholders and board members, CBOs identified transparency and open communication as critical for establishing trust. For example, one CBO reported, "We just haven't had dysfunction in that area, and I think it's because we are transparent and we provide the financial information when asked. And we do sit down together and we go over it." This transparency and open communication can help union members, just as it helps other stakeholders, understand the full picture of the district's finances, including underlying fiscal pressures. Another district leader reported, "The union came to the superintendents and said, 'Well, we hear this all the time that you don't have enough money. But why is it that the teachers' compensation as a percentage of expenditures continues to drop?'" This leader then explained, "That's not really a fair way of looking at things because the governor is giving us one-time money every year," and one-time funds are not a reliable source of revenue to fund permanent salary increases.

One district CBO pointed out that district administrators share the unions' desires to increase staff salaries, and identifying this common ground can help unions understand the districts' perspective, including the necessary trade offs involved. "It was connecting pretty closely with them to let them know [the] fiscal impact of compensation increases. And we were all aligned on wanting to afford more for our teachers and staff, and it was a good level of conversation of how much and what would the impact be." Similarly, another CBO described how the CBO's district made over $5 million in cuts, approximately 80 percent of which was from cutting certificated staff, yet managed to justify these reductions to the union. "The union presidents and the teachers, they got up and said, 'Hey, listen, I can't tell you that we're happy with these cuts. We can't say that we support these. Well, we understand why you're doing it, what your long-term goal is, and we support that. And we're willing to work with you on this."

Several leaders reported that trusting relationships resulted in successful collaboration with their unions to find solutions to budget pressures, particularly with regard to reductions to staff costs. For example, one described meeting with union groups for "more of a brainstorming" about how to make some necessary cuts. After the district leadership explained that the cuts were unavoidable, "each union was able to craft [a solution] as they wanted to. . . . One group decided to take furlough days instead of cutting employees. They felt they could each suffer a little bit but they didn't want to lose those people. So people get creative." Another budget leader reported collaborating with unions to delay negotiations over salary increases. "Coming into 2017/18, our projected ongoing revenues were more significantly reduced than we had projected. And our bargaining unit thankfully agreed to wait to do any bargaining until January of 2018. So our cycle with our bargaining units, and how we're actually expending ongoing monies, has been a very collaborative process. That's been really, really helpful and it's kept us from deficit spending in year two and year three."

Another district leader pointed out that even when the union's desires were in opposition to those of the district, a compromise with the union may indeed lead to better outcomes. "We're a big school district, so people get really anxious about changing work locations. If the district's staffed however we wanted, it wouldn't be good, and if the union got what it wanted, it wouldn't be good. So that balance and that back and forth and that compromise leads to better results in the long run."

PART VI: CONCLUSION

Despite the difficulty that districts face in navigating the Silent Recession, research suggests that budget crises can create new opportunities to disrupt status quo programs and budgeting practices, and can prompt a shift to a more strategic approach to resource management (Coleman, Walker, & Lawrence, 2012). For example, while some districts have systems in place to regularly measure and evaluate the impact of their investments, the budget crises emerging in districts throughout California provide an additional impetus to focus on the impact of investments. As one CBO noted, a budget crisis can provide the opportunity to make the difficult choices that seem unattainable in more stable budget periods. "Sometimes you think this [program or practice] really isn't the best thing for our kids, but it just might be, for instance, political. . . . I find education is not good at stopping doing things that aren't working. They want to add things that are better, but they don't want to stop." The silver lining to a difficult budget period, then, is that it can "give us that opportunity to have those conversations around 'why are we doing this?'"

Strategic Resource Management and Continuous Improvement

In overseeing processes for prioritizing budget allocations, some CBOs have come to occupy a new role within their organizations, one that is at the intersection of resource use and data use. In this evolving role, the CBO is a "strategic resource manager" (Willis et al., 2018). Several CBOs, for example, reported that their existing processes for prioritizing budget allocations include analyses of current student outcomes, setting targets for improved outcomes, collecting and analyzing data on current district investments intended to meet these targets, and continuing to monitor and evaluate the impact of these investments. This role aligns with California's shift to the LCFF, which requires that districts track, monitor, and report their goals for student achievement, how their expenditures are aligned to these goals, and their progress toward reaching the goals.

Having CBOs act as strategic resource managers differs from undertaking other, more traditional approaches to budgeting, such as the incremental approach. In the incremental approach to budgeting, "the next year's budget is the same as last year's budget with changes around the margin to the degree necessary to distribute incremental revenue gains or losses among the district's subunits" (Government Finance Officers Association, 2015, p. 46). By contrast, when CBOs act as strategic resource managers, they engage in multiple-step processes for strategically aligning resources to system needs, as well as measuring and continuously monitoring both the quality of investments (the inputs) and how these inputs improve outcomes for students (the outputs). In this continuous improvement framework for strategic resource management, districts typically test programs on a small scale before investing in them districtwide, data are used to measure whether a program or investment creates its intended outcomes, and data analyses are the basis for decisions about the most effective and efficient allocation of funds to meet student needs.

Communication and Mindset

The strategies outlined in this paper also suggest the value of thinking long-term, not only in regard to budget planning but also in communicating and relationship-building with staff and the community. To maximize every dollar's impact on student outcomes, district leaders often must make tough choices. These choices may include decisions to cut programs or staff if the data suggest the associated financial resources could be more effectively utilized elsewhere. While these decisions may be unpopular among staff and other stakeholders at times, education leaders' mandate is to prioritize the needs of students, not adults.

Creating opportunities for informed input from a range of stakeholders is a critical asset in the prioritization process, and maintaining a positive staff climate is a key factor in retaining high-quality staff. Consequently, district and county leaders underscored the importance of establishing trusting relationships built on transparent communication with key stakeholders, including staff, unions, board members, and the public. With this foundation of trust and openness, leaders can help others understand the district's full financial picture, including the necessary trade-offs and difficult financial decisions that the district faces.

Interview responses also suggest that rather than abandoning ineffective programs or increasing efficiency only during the most difficult budget periods, these steps should be part of districts' everyday work as they continuously strive to become more effective organizations. As part of this work, a shared culture and mindset are critical. Districts that already have a culture of fiscal conservatism — and practices that align with this culture — will be in a much better position when there is an economic downturn.

The Need for Flexibility from the State

The most effective practices will vary from one district to the next, based on local needs and resources, and district leaders indicated the need for fiscal flexibility to make budget decisions. Economic pressures propelled the state's decision during the Great Recession to eliminate categorical funding and provide districts with more flexibility (Weston, 2011). If expenses continue to outpace revenues in California school districts, the district leaders may call on state policymakers, once again, to extend local discretion and flexibility in resource allocation decisions even further.

In survey findings released in June 2018 by the Local Control Funding Formula Research Collaborative (LCFFRC), close to three-quarters of superintendents (74%) reported that the fiscal flexibility afforded under the LCFF has allowed their districts to allocate funding to meet local needs (Marsh & Koppich, 2018). Yet, on the same survey, 90 percent of superintendents agreed that districts should be allowed to use supplemental and concentration funding for other disadvantaged students, beyond just English learner students, foster youth, and low-income students — the student groups specifically targeted for additional funding under the LCFF. These responses indicate superintendents' desire for even greater flexibility in allocation decisions under the LCFF.

The state will need to balance any such requests for greater flexibility with the concerns of advocacy organizations and others — namely, concerns that making funding more flexible may mean that supplemental and concentration dollars will be diverted from the students for whom the funding was intended (The Education Trust-West, 2017; Fensterwald, 2017a). Yet, California's funding and accountability system, the LCFF, is built on the theory that those closest to students are best positioned to make decisions about where to allocate funds to provide the greatest benefit to students. As budget pressures continue to rise for many districts across the state, this theory will be tested, and conditions may demand that policymakers make adjustments — such as adjusting base funding ratios, modifying guidance on the use of supplemental and concentration funding,[17] or providing support to address unfunded liabilities — to ensure that districts have the flexibility they believe they need to remain fiscally solvent.

Regardless of state policy decisions about education funding in California, 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. The budget strategies described in this paper represent just a small slice of the many ways that district budget leaders across California are beginning to navigate the Silent Recession. Given the strong motivation to increase effectiveness and efficiency within their districts, CBOs have also suggested the need for additional opportunities to collaborate with and learn from each other (Willis et al., 2018). The authors of this paper hope that the information presented here from district and county leaders will help spur those conversations and will contribute to existing and future discussions among education leaders about how to ensure that resources are allocated to generate the greatest benefits for students — during the Silent Recession and beyond.

[17] The Legislative Analyst's Office suggests that upon full implementation of the LCFF, the state will have several possible options to weigh, primarily concerning whether to increase base funding, whether to adjust funding for targeted student groups through concentration and supplemental funding, and/or whether to adjust the flexibility afforded to districts, particularly flexibility regarding the use of concentration and supplemental funding (Taylor, 2018).

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APPENDIX. METHODOLOGY

The development of this paper and its companion paper, *Silent Recession: Why California School Districts are Underwater Despite Increases in Funding* (Krausen & Willis, 2018), grew out of discussions among California school district and county budget and education services leaders, representing three school districts and two county offices of education, who were involved in WestEd's Smarter School Spending Community of Practice (CoP) from February 2016 to June 2018.

The CoP and the development of the Silent Recession papers were supported by funding from the Bill and Melinda Gates Foundation through the Smarter School Spending project, which provides school districts with tools and strategies to align investments, to prioritize investments based on the districts' goals for student achievement, and to evaluate program success relative to student outcomes. This paper is intended to capture some of the discussions that occurred through the WestEd-facilitated Smarter School Spending CoP and follow-up interviews and is intended to be a potential resource for school district budget leaders and other administrators.

In developing the Silent Recession papers, WestEd researchers invited each member of the CoP to participate in a 45- to 60-minute semi-structured interview about the most pressing budget challenges in their district (or districts, for the leaders representing county offices of education) and the strategies they were employing to mitigate some of these rising costs. All members of the CoP participated in in-person interviews, with the exception of one district which opted instead to provide written responses to interview questions.

WestEd researchers decided to expand the interview pool to include an additional group of chief business officers (CBOs) to gather greater insight into the most pressing issues facing school districts and to better understand the types of strategies that districts are employing to navigate these increased costs. Many of the CBOs were selected based on having worked with WestEd in the past and being considered by WestEd staff to take a reflective and strategic approach to budgeting. Other CBOs were selected in order to ensure that the set of interviewees represented the full range of sizes, types, and regions of California school districts.

WestEd sent invitations to 25 school districts and 3 county offices of education to participate in an interview. In response, budget and education leaders from a total of 17 school districts and 3 county offices of education, including the CoP members, were interviewed for this paper. Most interviews were conducted with a single interviewee, but some were done in a small-group format with 2–4 interviewees.

This paper draws mainly on the interviewees' responses describing the budget strategies that they are employing to manage rising expenses and to ensure that their investments are aligned with district goals and result in improved outcomes for students.

Limitations

Although the interviewees were selected to be representative of the range of districts in the state, they might not fully represent all districts in California or in other states, particularly because the CBOs who were interviewed were selected intentionally for their perceived approach to budgeting. Moreover, the sample of districts used to inform this paper is relatively small (California has nearly a thousand school districts in all), and school district revenues and expenditures vary considerably from district to district based on many factors.