



A Case Study in Smarter School Spending

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Lake County School District Applies Cost Analysis to the Budget

Lake County School District (LCSD) was growing rapidly, but the revenues needed to keep up with growth weren't materializing and student achievement was suffering as a result. LCSD decided to embark upon the Smarter School Spending journey to put an end to reactive, short-term budget cutting and thereby enable a coherent long-term approach to reaching its student achievement goals. Establishing a "fact base" of financial information was critical for putting LCSD on solid ground to make decisions.

Lake County School District (LCSD), in central Florida, needed to improve student achievement. At one time, the letter grade assigned to LCSD by the Florida Department of Education had been an "A." However, due to declining test scores, the District's grade had fallen to a "C" in 2012. At this point, revenues were largely stagnant, and enrollment was increasing rapidly – reaching just over 41,000 students in 2013. This meant that expenditures routinely outgrew revenue as more staff were needed to serve the growing student body, resulting in a perpetual cycle of financial stress.

LCSD's Superintendent, Dr. Susan Moxley, knew that more funding was not forthcoming. Therefore, the District would need use its existing money more wisely by finding efficiencies and investing in the most cost-effective ways to increase student learning.

The District's planning and budgeting process was not up to the challenges that the District faced. It was an incremental budget process, where last year's spending was the basis for the next year, with some percentage adjustment up or down, depending on available revenues. This meant that the programs that LCSD had offered in the past were generally the same ones that were offered going forward. Historical precedent, rather than cost-effectiveness, was the primary determinant of what programs got funded. When the budgeting conversation did turn to the effectiveness of LCSD's spending plans, it was driven largely by anecdotal evidence and personal opinion.

Because of the persistent financial stress the District was under, budget decisions were more often about where to cut than where to add. But with no clear factual basis for determining where to focus its resources, LCSD's cutback strategy was reactive and often relied on retrenchment, like furlough days. This approach satisfied no one. There had to be a better way.

In late 2012, Dr. Moxley and her team looked to Smarter School Spending in order to move away from a reactive approach to budgeting that was fueled by short-term emotions, and towards a system that allowed the district to logically evaluate what it should and should not be doing.

"Money is not increasing. We must invest our dollars in the most efficient and effective way possible, and that requires us to really go back and analyze. It requires us to be incredibly innovative in our approach to how we optimize resources."



Susan Moxley, LCSD Superintendent



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Establishing the Fact Base

Early on in its Smarter School Spending journey, LCSD developed the analytical information that it would need to conduct a logical evaluation of its planning and budgeting options. This was led by LCSD's Chief Financial Officer, Carol MacLeod, and an outside consultant, Education Resource Strategies (ERS). For example, the district found that 28 percent of ELL students scored satisfactory or above in reading on 2013 Florida standardized tests, compared to 46 percent across all LCSD students. The district found that they spent 70 percent less than the median of comparable districts in funding above the state minimum on ELL students. LCSD also found many of its schools lacked adequate resources to effectively support the struggling students who were most at risk of falling further behind. These findings supported setting distinct goals for ELL and struggling students.

More generally, LCSD was able to document and demonstrate where the District was really spending money more precisely than a traditional line item budget. Particularly beneficial were per-unit spending figures. Most stakeholders cannot easily relate to the multimillion dollar figures that LCSD's budget is expressed in. Per-unit costs, like spending-per-student, is more understandable because stakeholders can envision a single student (or unit) more easily. Spending-per-unit also enables better comparisons to other school districts. One example of how LCSD used per-unit costs was the average compensation costs for different categories of teacher, such as basic classroom, vocation, and exceptional student teachers. These costs helped LCSD understand and communicate how much it would cost to expand services that employed these types of teachers. An example of LCSD's per-unit spending analysis is available at the end of this paper.

The final major piece of the fact base was a three-year financial forecast. In order for a long-term forecast to be effective, it must impact decision-making. A major barrier to the forecast being inducted into decision-making is uncertainty surrounding the forecasted numbers, especially as the forecast looks further out into the future. CFO Carol MacLeod needed a way to acclimate stakeholders to using a long-term forecast to guide decisions about the operating budget. One way was to draw an analogy with the District's five-year capital plan. The capital plan represents the District's ideal course of action over the next five years, but the District changes the projections and its course when circumstances demand it. Similarly, the long-term planning and budgeting forecast sets a common expectation for how the future will go, but the District would recognize changing circumstances and adapt accordingly.

Forecasting Compensation

Employee compensation is a major part of school districts' budgets. Forecasting compensation over the long term is challenging because it requires making assumptions about changes in compensation, which could then create expectations for actual future compensation among a district's employees. Lake County handled this by presenting compensation forecasts in highly aggregated categories, avoiding the level of detail that would have allowed an employee to reach conclusions about how much his or her compensation was expected to change. LCSD also emphasized that long-term forecasts have an inescapable uncertainty, so only represent a best estimate of where expenditures might go and should not be taken as a commitment.



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The forecast included cost estimates for the instructional practices that would be used to achieve the goals. Small teams were convened to define what instructional practices would be prioritized and to develop long-range cost estimates. Some examples of LCSD's instructional priorities were to add instructional coaches to support new teachers, increase collaborative planning time for teachers by hiring substitutes and paying stipends, and putting in place the professional development opportunities and other resources to support the implementation of personalized learning.

The Fact Base Going Forward

After the first year, LCSD continued to evolve its use of financial analysis and data. For example, the per-unit cost analysis was initially used primarily to help search for cost savings opportunities. It later evolved into a tool that showed the school board how the instructional priorities were reflected in the budget. For example, LCSD's instructional priorities required spending more on professional development. You will notice in the example of LCSD's detailed per student costs, provided at the end of this document, that the professional development spending per student goes up significantly in fiscal year 2015 (which is highlighted in yellow). This is when LCSD began to implement its instructional priority. It is much easier for board members to appreciate the financial impact of the strategy when it is presented on per-student basis because this presentation brings the numbers down to a more personal level. A total budget, presented in millions of dollars, is an abstract concept by comparison.

Going forward, LCSD plans to increase its focus on academic return on investment (A-ROI). In the first year, LCSD did not do much to measure the cost-effectiveness of its programs, because it was occupied with identifying which programs were the priorities and implementing them. In the second year, LCSD began to measure academic return on investment. Academic return on investment is still a work-in-progress for LCSD as they find the right staff and processes to conduct A-ROI, but LCSD sees A-ROI as important for the district's continued success.

The Fact Base as an Instrument of Change?

There could be many reasons why stakeholders could be unresponsive to change to a district's academic and/or financial strategy. One reason could be that district leadership is operating from a different set of facts than other stakeholder groups. If other groups have different facts that suggest the change is a bad idea, then their resistance is quite logical. Including the stakeholder groups likely to be most adversely impacted by budget reforms (e.g., labor unions) in the development of the fact base could improve the quality of decision-making, especially when a district is confronted with a highly divisive issue.¹ This joint fact-finding would add time to the development of the fact base because different stakeholders' views of what the facts are must be reconciled. However, the time investment would be justified by smoother decision-making later on, when the veracity of the facts used to make the decision would not be at issue.



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Summary of LCSD Total Dollars Spent per Student

Total Dollars per FTE (Student)			
Instruction	4,377	4,361	4,409
Instructional Support Services	422	403	492
Student Support Services	473	456	465
School Leadership & Support	755	763	787
Leadership	97	108	105
Business Services	291	374	330
Operations & Maintenance	489	479	514
Transportation	473	447	436
Food Service	523	494	497
TOTALS	7,900	7,884	8,037

Example of Detail of LCSD Total Dollars Spent per Student

Use	Function2	FY13	FY14	FY15
Instruction	Teacher Compensation - Basic	2,092	2,108	2,067
	Teacher Compensation - ESE	507	519	511
	Teacher Compensation - CTE	104	100	91
	Teacher Compensation - PreK	31	32	29
	Teacher Compensation - Media	55	56	58
	Virtual Instruction	7	7	3
	Instructional Supplements	49	49	80
	Other Compensation	51	32	67
	Aides Compensation	60	64	74
	Aides Compensation - ESE	111	123	131
	Substitute Compensation	47	58	68
	Instructional Benefits	786	847	883
	Contracted Services	119	110	135
	Instructional Materials & Supplies	260	207	165
Technology & Equipment	100	48	46	
Instruction Total		4,377	4,361	4,409
Instructional Support Services	Curriculum Development	209	210	217
	Professional Development	181	159	241
	Research & Accountability	26	28	25
	Grant Development Services	6	6	9
Instructional Support Services Total		422	403	492



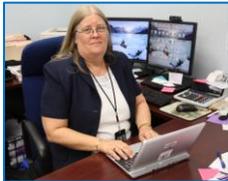
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Acknowledgements



Dr. Melissa DeJarlais is the Supervisor of Strategic Initiatives and Grant Acquisitions for LCSD. Before that, she served as Principal of Fruitland Park Elementary School for LCSD. She has also been an assistant principal, guidance counselor and teacher. She has doctoral degree in educational leadership. She is also a veteran of the United States Air Force.



Carol MacLeod became the Chief Financial Officer for LCSD in 2007. Previously, she was the Director of Finance and Executive Director of Business Services for the School District of Hernando County (FL). She was a member of the Florida Auditor General's staff for 14 years and has been a licensed certified public accountant in Florida since 1986.



Dr. Susan Moxley was appointed Superintendent of LCSD in 2008. Prior to that, she was a business teacher, occupational specialist, elementary and high school Principal, and Assistant Superintendent for School Administration and Human Resource Services all in LCSD. She has also served in leadership positions for Orange County Public Schools (FL). Dr. Moxley has an Ed.D. in Educational Leadership.



Shayne Kavanagh (author) is the Senior Manager of Research for GFOA. He led the development of GFOA's Best Practices in School Budgeting. He has worked with school districts across the United States to put the GFOA Best Practices into action.

To learn how Smarter School Spending can benefit your students, email Matt Bubness at mbubness@gfoa.org or visit the website at www.smarterschoolspending.org.

Endnotes

¹This is referred to as "joint fact finding." See: Nathan Levenson. *A Better Way to Budget: Building Support for Bold, Student-Centered Change in Public Schools*. (Boston, MA: Harvard Education Press). 2015.