



A Case Study in Smarter School Spending

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Lake County School District Sustains Smarter School Spending

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 long-term, coherent approach to reaching its student achievement goals. LCSD took on an accelerated implementation schedule for Smarter School Spending, putting in place a complete process within one year. Though stressful, these efforts were successful – the school board unanimously adopted a long-term strategic plan that aligned the District's financial capacity with its student achievement goals. LCSD has since continued on this journey, creating even greater alignment between finance and academics and making Smarter School Spending practices integral to how decisions are made at LCSD.

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.

Because of the persistent financial stress the LCSD was under, budget decisions were more often about where to cut than where to add. But with no clear, factual basis for determining where 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.

"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

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.

The Long Arc of Smarter School Spending in LCSD

LCSD's board approved its first Strategic Financial Plan on December 16, 2013. Because the process used to develop the plan was inclusive and collaborative, the plan was approved with minimal controversy. Three years later, LCSD approved a new strategic financial plan on January 25, 2016 in order to guide the next three years. Again, the board vote was unanimous, with minimal controversy.

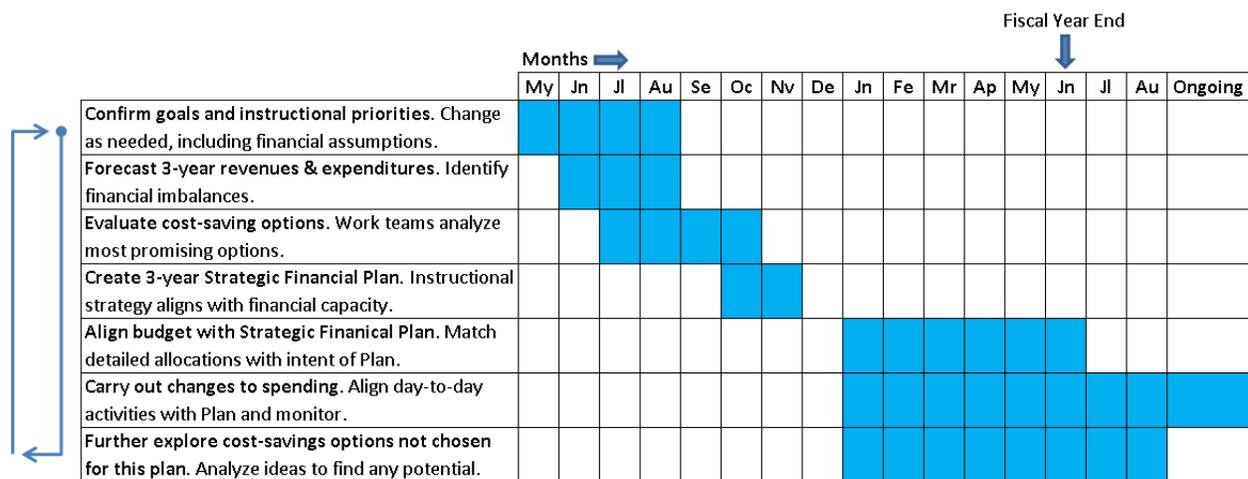


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The general process that LCSD used to create its first plan, shown below, did not change much for the development of the second strategic financial plan, though the District did find that the time and energy required was less because of the skills and capacities that LCSD created during the first planning cycle. They have also eliminated the time-consuming and painful budget meetings that took place prior to Smarter School Spending. Before, stakeholders came to budget meetings ready to defend their “turf,” which generated the amount of conflict one might expect. After Smarter School Spending, LCSD’s priorities had been long identified and vetted by the time budget meetings arrived, so the budget allocations were not a point of debate.

LCSD’s Schedule for Developing a Plan



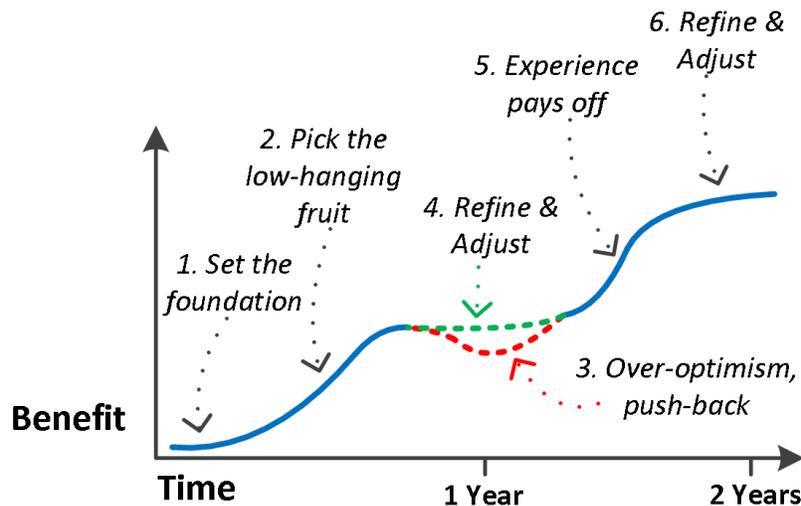
Though the general process of developing a plan did not change much, LCSD’s experience did evolve in other important ways. First, consider the chart on the next page, which shows how the perceived benefit of Smarter School Spending grew over two years of using it.¹ It shows that the benefits are small and grow slowly in the very beginning. This is because time must be spent preparing to plan, which provides little immediate academic or financial payoff. (See point 1 on the chart.) Then, benefits began to accrue as the District started pursuing the most readily available opportunities to obtain its goals and redirect resources (point 2). As these strategies ran their course, the benefits began to plateau. In some cases, the benefits even declined as LCSD either realized that their initial assessment of the available benefits was over-optimistic or that resistance from certain stakeholders rolled back progress (point 3). At this time, LCSD began to refine their planning approach (point 4). This led to another series of gains in the next year, as their experience with Smarter School Spending paid off (point 5). Again, the refined set of strategies ran their course, causing benefits to plateau and leading to another period of refinement of LCSD’s strategies and plan (point 6). If the third year were depicted, a similar pattern of growing benefits followed by plateauing would be shown.



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The Growth of Benefits from Smarter School Spending Over Two Years



Fortunately, LCSD's executive leadership recognized that the uneven growth in benefits would be a feature of Smarter School Spending and prepared participants accordingly. For example, they coached the participants on the strategic financial planning work teams to recognize that benefits may be slow in coming at some points and may even be significantly less than expected. Further, it was OK if the some of their work did not have the results they had hoped. The important thing was to learn from the disappointments in order to refine and adjust the approach.

Going beyond a two-year time horizon, LCSD's Smarter School Spending journey evolved in a number of important ways. These experiences offer lessons to other school districts on how to get the most from Smarter School Spending over the long term.

Make sure that instructional strategies are implemented with fidelity. In the first year, LCSD was able to identify clear goals and associated instructional priorities, and it was able to direct resources to these priorities. However, the quality of the implementation of these priorities was less certain. Hence, in the second and third years, LCSD focused on the quality of the implementation of the programs it had funded and on setting up the systems to monitor quality and schedule.

Retain some consistency in the goals. LCSD's educational priorities have retained a basic consistency over the course of the three years. LCSD's current goal statements are very similar to the six goals that LCSD adopted at the beginning of the Smarter School Spending journey. There have been some minor adjustments, but maintaining a fundamental consistency has helped everyone keep in mind the destination of the Smarter School Spending journey.

Increase 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. A-ROI is still a work-in-progress for LCSD as they find the right staff and processes to conduct it, but LCSD sees A-ROI as important for their continued success.



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Manage change and institutionalize Smarter School Spending. Going into the second year, not everyone in LCSD was completely convinced the Smarter School Spending was a change for the better, but by the third year, commitment among the current elected and appointed officials was established. LCSD's focus has, therefore, shifted to the future. Superintendent Susan Moxley and CFO Carol MacLeod are contemplating retirement in the foreseeable future and there is also the natural turnover that occurs in an elected school board to consider.

Hence, LCSD is transitioning Smarter School Spending to a new generation of officials. For example, District's new Supervisor of Strategic Initiatives, Melissa DeJarlais, who used to be a principal at one of LCSD's elementary schools, took over the management and development of the strategic financial plan. CFO MacLeod is working towards financial policies so that future board members will understand the principles that should guide financial decision-making. LCSD is also building habits among management staff that support Smarter School Spending. The District has established a process by which the advocate for any investment above \$75,000 must answer questions like: How will the investment impact student achievement? What is your evidence? How much will it cost and where will the money come from? The intent is to start conversations about how the District can use third-party research, pilot projects, and efficiencies to give students and the public the most value for the dollar.

Reduce financial stress by finding efficiencies. During the first years, LCSD found the most obvious and ripe opportunities for saving money, or the "low-hanging fruit." However, because costs like salaries, health care, and pension often increase at a rate greater than the District's revenues, it has to keep looking for other opportunities. But, because the low-hanging fruit has been picked, LCSD found that it needed to reach further. First, LCSD has broadened the search for opportunities to include strategies that will eliminate or at least moderate future cost increases, rather than limiting the search to strategies that will lower costs immediately. For example, through its analysis of clerical staff and guidance counselors, LCSD has found opportunities to use these staff more effectively, perhaps forestalling the need to add new staff later, as the District's enrollment grows.

Second is to deepen LCSD's academic return on investment (A-ROI) capabilities. For example, the District spends a significant sum of money on teacher coaching, however, it is not clear that coaching is delivering the best value for the money. Currently, the cost-effectiveness of coaching is a matter of gut feeling. An A-ROI analysis would help to move the conversation into the realm of empirical observation.

Third is to continue to better align categorical funding sources with the budgeting processes. LCSD has found that the organizational silos that separate categorical funding and the general fund are well-established. LCSD is still working on bridging these silos in order to make more effective use of categorical funds while still respecting the regulations that govern their use. For example, LCSD has made progress on presenting a consolidated operating budget and strategic financial plan, which is inclusive of both the general fund *and* federal grant funds.

A fourth, and still emerging, strategy is an increasing emphasis on preventative instructional strategies. If an instructional strategy can eliminate the need for more costly intervention later, then it has a value far greater than its immediate, short-term impact. An early experience LCSD had in this vein was with its



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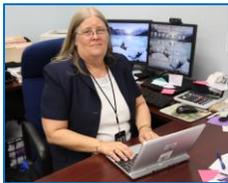
Rosetta Stone program for ELL students. A cursory cost-effectiveness analysis might have called into question the value of this program because a decreasing number of students used it over the course of a year. However, a deeper look revealed that use of the program declines because the students were gaining the intended English proficiencies, so had no more need for the program.

If you use consultants, have them teach the skill(s) for which they were hired. Some districts require technical assistance for some elements of Smarter School Spending. If consultants are engaged, be sure their goal is to work themselves out of a job by transferring the knowledge and skills necessary for the district to go forward on its own. Building the district's capabilities was a significant focus of LCSD's work with The Boston Consulting Group and Education Resource Strategies (ERS) during Smarter School Spending.

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



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¹ “Benefits” refers to a subjective assessment from LCSD on the benefit that LCSD has received.