



A Case Study in Smarter School Spending

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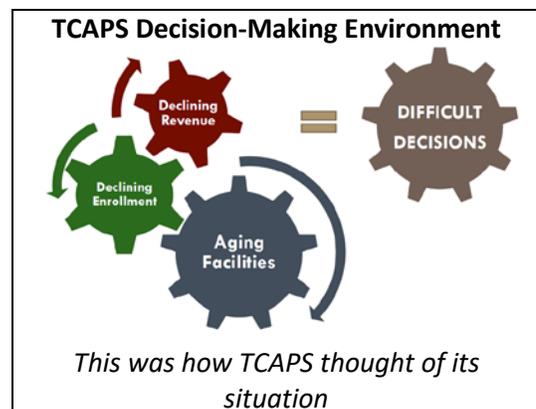
Traverse City Area Public Schools Pays for Priorities

Traverse City Area Public Schools (TCAPS) was facing declining enrollment, declining revenues, and aging facilities. TCAPS realized that it needed to make smart investments to reach its student achievement goals, given the serious financial pressures it faced. TCAPS translated the ideas behind Smarter School Spending into a series of principles that supported better decision-making. The principles help generate support for the decisions needed to pay for TCAPS' instructional priorities.

The entire state of Michigan had been experiencing serious challenges to the way it traditionally funded and ran public education. Traverse City Area Public Schools (TCAPS), serving about 10,000 students and located at the northern end of Michigan's Lower Peninsula, was experiencing many of the same challenges as the state generally, including declining enrollment, declining revenue, and increased competition from charter schools. On top of this, TCAPS had to contend with aging facilities. At the same time, TCAPS also aspired to provide a world-class education for its learners. This combination of challenges and aspirations made for difficult decisions on how to move forward.

Putting the Principles in Place

To get started with Smarter School Spending, Superintendent Paul Soma presented a series of principles for how TCAPS might approach the relationship between its financial resources and its academic goals, rather than focusing on a technical process of planning and budgeting. Though Paul and TCAPS' leadership recognized that the process is important too, thinking about Smarter School Spending as a series of principles provided touchpoints for making consistently better decisions, even outside of the planning and budgeting process. Paul emphasized the following three principles with TCAPS' leadership:



- **Education priorities should drive the budget.** Though it might seem like this principle should go without saying, Paul pointed out that it is often the budget that drives educational priorities. The budget process had a way of freezing in place decisions about curriculum and instruction made years ago. This is because each year's budget was usually largely based on historical precedent. Instead, TCAPS's budget should intentionally reflect the most current strategies for providing a world-class education to its learners.
- **You can't be all things to all people.** Again, this principle at first seemed to be a truism to some people, but as TCAPS leadership thought more deeply about it they realized that, in many cases, they were trying to be all things to all people. There is probably a tendency for many school districts, as democratic institutions, to try to please as many people as much as possible. However, delivering world-class education at an affordable cost demands focus.
- **Get value for money using Academic Return on Investment (A-ROI).** Finally, A-ROI, which states that a district should choose its academic programs based on cost-effectiveness, follows



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naturally from the first two principles. Put another way, a district should seek the most bang for its buck. The A-ROI principle highlighted the need to make a practical connection between academic and financial decision-making.

The big advantage of starting Smarter School Spending as principles is that it did not necessitate that TCAPS make major changes to its planning and budgeting process right away. Rather, the principles could percolate with the board and staff first. As they became more familiar and comfortable with the concepts, they became more comfortable with and even eager to try a new and better process for planning and budgeting.

Paying for Priorities

The principles helped provide the impetus for TCAPS to undertake a yearlong academic return on investment study to pick a new math curriculum. The project was highly successful, receiving accolades from the board, staff, and local press. Though the math curriculum pilot test was a success that TCAPS could build on, TCAPS knew that it would have to remain mindful of the financial viability of making new investments in curriculum and instruction. The financial environment had changed. Before, declines in revenue could be waited out by cutting professional and curriculum development. Then, TCAPS could reinvest in those areas when revenues came back as the economy improved. However, TCAPS now found itself in a “new normal” of permanent fiscal scarcity, which resulted in not only cuts to professional development and curricula, but also the elimination of entire programs and cuts to teacher compensation (e.g., freezing salaries while simultaneously increasing teachers’ share of fringe benefit costs). This meant that there were not just unmet curriculum needs – like a 20-year old science curriculum, where the covers were falling off of the books – but also pressure to remediate some of the most painful cuts in other areas.

In order to provide coherence to the investments it would need to make to reach its student achievement goals, TCAPS adopted the MIExcel framework. MIExcel is a school improvement framework promulgated by the Michigan Department of Education. The framework addresses a comprehensive set of factors that influence district performance, including managing teacher talent, instructional infrastructure, school learning climate, communications, and others.

Any of these academic improvements would require funding, so TCAPS needed to make the connection between cost-saving strategies and its academic goals. Though the decisions TCAPS would need to make to find the resources would be difficult, knowing that cost-saving measures were in the service of the larger purpose of providing students with a world-class education provided TCAPS with the motivation to move forward.

“We love math! We love math!”

—A chant of 4th grade students at TCAPS Westwoods Elementary after the new curriculum



Success with the math pilot not only excited students, but was also a victory for all of TCAPS, which inspired it to expand the application of the Smarter School Spending principles.



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TCAPS examined the saving strategies offered by Smarter School Spending. Specifically, TCAPS focused on freeing up funds from general education transportation, freeing up funds from custodial services, and increasing state and federal funding by maximizing free and reduced-priced meals enrollment. TCAPS found it difficult to find funds because years of budget cuts meant that TCAPS was already rather lean. Further, since there was not a lot of “fat” to cut, further reductions in cost came at the expense of service quality. For example, increasing the length of the routes and the number of students who ride on a given bus makes for a less pleasant commute between home and school. Accordingly, TCAPS was only able to realize very modest savings from these strategies.

Hence, TCAPS would need to look elsewhere to find the resource to meet its academic goals. The biggest opportunity to shift resources was in low-enrollment schools. Declining enrollment combined with TCAPS’ inventory of older and, in some cases small, buildings meant that a couple of schools had less than 170 students. The overhead needed to manage these schools was substantial. For example, closing two of the lowest enrollment schools would provide the ability to shift up \$700,000, or just under 1 percent of TCAPS total budget away from the overhead needed to operate these schools (e.g., custodial services, utility costs, administrative support, etc.) and towards TCAPS academic priorities. Of course, closing any school building is not a decision to be taken lightly. TCAPS considered its principles and came to the conclusion that it was not possible to justify the continued operation of these schools, given the pressing needs to improve curriculum and attract and retain high-quality teachers.

TCAPS helped stakeholders understand the nature of the decision by comparing the costs of maintaining the schools with the cost of the new curricula and other programs that TCAPS could purchase with that same money. Though closing a school is never a pleasant experience for those affected, being able to talk about why the decision was needed in terms of the choice between overhead costs and academic progress for students did help make the decision more understandable to those involved. For instance, out of the 170 students affected by the first closing, only seven elected not to continue with TCAPS at another TCAPS school building, and four of the seven had moved out of the area for reasons likely unrelated to the school closing.

Invest Now versus Saving for a Rainy Day

TCAPS has a policy to maintain a reserve equal to 10 percent of TCAPS’ annual revenues. Though, as of this writing, TCAPS reserves are below this target, having the target provides the basis for serious discussion between board and staff about what amount of reserves is sufficient, and about striking the right balance between putting money away for a rainy day and investing in programs to meet current needs.

Also, the decision to close the building was endorsed by the local Chamber of Commerce and the local teachers’ union.

The Lessons from TCAPS

The following lessons can be learned from TCAPS’ experience:

Articulate the ideas behind Smarter School Spending as principles. Superintendent Soma established the principles behind Smarter School Spending on numerous occasions before TCAPS got to the Pay for Priorities phase of Smarter School Spending. This allowed the principles to percolate and for the board



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to gradually acclimate to them. Thus, when it came time to make decisions about shifting resources, decision-makers were familiar with and supportive of the principles that would lead to better decisions.

Show that cost-saving strategies are in the service of academic priorities. At TCAPS, articulating the principles and the success with the math pilot helped demonstrate that the TCAPS was not pursuing cost savings simply so it could balance the current year's budget and continue as it always had. Instead, it was pursuing a new direction where cost savings would be used to support instructional priorities that would help TCAPS provide a world-class experience for its learners. At TCAPS the MI Excel framework provided coherence to the academic priorities that TCAPS would need to pay for.

Produce some early wins to embolden people to make bigger changes. After the principles, one of TCAPS' first experiences with Smarter School Spending was its successful academic return on investment study to pick a new math curriculum. This generated enthusiasm for doing more, including shifting resources to pay for it.

Acknowledgments



Paul Soma is the Superintendent of Traverse City Area Public Schools (TCAPS). Before taking the Superintendent position, Paul was the Chief Financial Officer for TCAPS. Paul is a recognized leader on working for equity in school funding in the state of Michigan. He co-authored *Transforming the Way We Do Business*, a book about continuous improvement in school districts.



Jessie Houghton has been with Traverse City Area Public Schools since 2004. She holds a Bachelor of Science with a major in mathematics and minor in biology. She later earned a Master of Arts in Education Technology from Michigan State University and a Master of Arts in Educational Administration. Jessie taught all levels of high school mathematics prior to becoming an administrator in 2012. She is now the head principal at Traverse City Central High School.



Christine Thomas-Hill is the Executive Director of Finance and Operations at Traverse City Area Public Schools. Christine has been with TCAPS since 2005. Prior to being named Executive Director, she served as the Director of Transportation. She has been certified in continuous improvement techniques since 2011 and has applied her skills to many departments within TCAPS.



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.