

1A

Establish a Partnership between the Finance and Instructional Leaders

SUMMARY

Key Points

- The budgeting process is a strategic activity to align scarce resources with student achievement and to succeed it must feature a partnership between the finance/budget officer and academic officer, under the leadership of the superintendent. The finance/budget officer “owns” the budget process, but the academic officer is responsible for ensuring a clear student performance strategy. The superintendent guides the participants in the budget process through the hard choices between competing potential uses of resources. Working together, the finance officer, academic officer and superintendent will be able to translate a coherent instructional strategy into dollars.
- The process also involves key participants, such as executive leaders from different functions within a school district. A district should develop a governance system that brings the participants together so they will have a greater stake and role in achieving success.
- Together the key participants should establish criteria (e.g., time, cost, and quality) against which to judge the success of the budget process. This helps the governance committee to maintain focus on what is most important in the budget process.

Related Award Program Criteria

- **Criterion 1.A.1: Finance-Academic Partnership (Mandatory).** The academic officer is a key participant in the budget process as evident by the academic officer’s cosignature on the award application and participation in the award interview. The applicant can describe how the academic officer has been an active participant in the budget process in the award application.
- **Criterion 1.A.2: Criteria for Success of the Budget Process.** The applicant has described the measures it uses to evaluate the timeliness, cost (e.g., time and effort), and quality of the budget process in the award application.

Introduction

As the budget process is initiated, a school district should identify the criteria that will be used to evaluate the success of the budget process itself. Are budgeting decisions timely? Is the cost and effort required to complete the budget process reasonable? Are the decisions produced of high quality? And, ultimately, does the budget process help produce positive results for student achievement? If these questions cannot be answered in the affirmative as the process proceeds and ultimately concludes, adjustments will clearly be needed for the next year's budget process.

This best practice document describes:

- I. Establishing governance and ownership over the budget process
- II. Establishing criteria and measures for success of the budget process.

I. Establishing Governance and Ownership over the Budget Process

Background. Traditionally, a finance officer or budget officer develops and orchestrates the budget process. Limiting the governance of the budget process to the finance or budget officer may have been adequate when the budget process was seen as just a financial exercise to allocate dollars to line items, but when it is viewed as a strategic activity to optimally align scarce resources with student achievement, the governance structure will need to be expanded. Specifically, the budget process must become a partnership between the district's finance/budget officer, the academic officer, under the leadership of the superintendent. The academic officer is responsible for making sure that the student performance improvement strategy is clear and coherent and must work with the finance/budget officer to clearly translate this strategy into dollars. The superintendent guides the district through the tough choices it will have to make between different potential uses of its limited budget.

Recommendation. Districts can take a variety of approaches to creating a close working relationship between the academic and finance/budget officer, but observe the following guidelines:¹

- **Maintain a single owner of the process.** While the academic officer must be closely involved in the budget process, the budget process is one of the core responsibilities of the finance or budget officer. Accordingly, the finance or budget officer should remain the "owner" of the budget process. The owner is ultimately responsible for making sure the process moves forward and stays on schedule.
- **Develop a governance structure to help the process owner.** A governance structure is a system

Governance: A Key to Changing the Budget

Organizational resistance is the most difficult hurdle to overcome in implementing a budgeting process designed to re-align, perhaps drastically, a district's resources. There is a natural instinct to continue using familiar processes instead of changing the ways things have always been done. The district's challenge, therefore, is to cultivate a willingness in key stakeholders to embrace new ideas and strategies. A shared effort between the finance department and the instructional departments will help ease the task of analyzing the comparative worth of different goals or programs. A governance structure provides the forum for that cooperation to happen.

of management processes and structures that help steer how the budget process operates. A governance system gives key participants (e.g., the academic officer) a greater stake in the success of the budget process and role in achieving that success, without asking participants to micromanage the budget process. A typical governance structure recruits executive leaders from different functions within the district to work together as a committee. Committee members may help the process owner make key design decisions for the budget process, such as how other stakeholders will be involved, what methods will be used to identify the district's student performance goals, and how budget requests will be gathered and prioritized. Involving

key members of the district’s executive team in these design decisions upfront creates a basis of support for the budget process when the hard resource allocation choices must be made.

- **Use existing committee structures whenever possible.** Developing a governance structure should not entail the creation of new management committees, if it can be avoided. Using existing committees and meeting times for budget process governance will reduce the amount of time and effort required of all participants.
- **Define decision-rights and accountabilities.** The participants in the governance structure should have a clear understanding of their roles, which areas they have decision-making authority over, and what they are expected to accomplish. For example, academic leaders may be responsible for making sure school principals understand the district-wide strategy for improving learning and how they are expected to participate in the strategy, while it is the responsibility of the budget/finance officer to make the allocation formulas and methods that allocate resources to support those strategies fair and transparent. One key issue to define is the extent to which central authorities will set school budgets versus the flexibility school principals will have to allocate the funds they have been given.
- **Show how the budget process will make the organization more effective.** If the participants in the governance structure understand how the budget process is intended to help them improve results, they will likely be more enthusiastic participants. The finance/budget officer should also find sources of dissatisfaction with the old budget process and show how those problems can be solved using a new budget process.

II. Establish Criteria and Measures for Success of the Budget Process

Background. The governance committee should jointly identify a limited number of criteria against which to judge the success of the budget process, including measures to determine if the criteria are being met. Establishing criteria for success helps the governance committee maintain focus on what is most important in the budget process.

Recommendation. Districts should define a limited set of measures within the three broad categories: time, cost, and quality.²

- **Time:** the duration of the budget process and budget decisions. Did the budget process start and end on time and was the budget adopted on time?
- **Cost:** the amount of time and effort spent on the budget process. Were the costs of time and energy worthwhile and acceptable?
- **Quality:** the extent to which the budget process fulfilled its intended purpose. There at least three dimensions to quality to consider, including financial health, level of engagement, and decision making.
 - **Financial.** Did the budget produce financially sustainable decisions? For example, was the budget balanced without using reserves or one-time revenues for ongoing expenditures? Is the district trending in the right direction on measures of financial health, such as level of reserves, budgetary balance (revenues vs. expenditures), and bond ratings? If trends are negative, has the budget process resulted in a plan to restore fiscal health in the following years?
 - **Engagement.** Did the process substantively engage a wide variety of stakeholders? For example, was there a wide breadth of participation in the budget process? Did participants understand how and why decisions were made? Did they feel budget decisions were made with adequate input and deliberation? Can principals and department heads explain their budget allocations and how they were determined? Did they feel the process was fair, even if they don’t like some of the final allocation decisions?
 - **Decisions.** Perhaps most importantly, were good decisions made? Measures of student achievement provide a “bottom line” measure on the quality of decisions, but districts could also ask questions like: do all school sites have a clear set of goals and action plans? Are school board budget discussions characterized by a high-percentage content of strategic issues, rather than minutiae? Is the budget process characterized by heavy use of performance and cost-effectiveness data to make decisions, rather than just cost data? Does the district understand the root causes of problems that are preventing it from reaching its goals and are those root causes used as the basis for action? Is there evidence of resources being allocated or re-allocated to more closely align with desired student outcomes?

Endnotes

- ¹ Guidelines of governance suggested by research on effective governance systems for other support service disciplines, especially information technology (IT) services. See Peter Weill and Jeanne W. Ross, *IT Governance: How Top Performers Manage IT Decision Rights for Superior Results* (Boston, MA: Harvard Business School Press, 2004).
- ² The categories of time, cost, and quality are standard categories of measures of process performance and are commonly used in methods like Lean and Six Sigma, as well as in project management.