

Develop a Strategic Financial Plan

SUMMARY

Prerequisite Best Practices:

- Best Practice in School Budgeting, 2C — Research and Develop Potential Instructional Priorities
- Best Practice in School Budgeting, 2D — Evaluate Choices amongst Instructional Priorities

Key Points

- The strategic financial plan outlines the school district's instructional priorities over the next three to five years and how the district will pursue and pay for those priorities. The strategic financial plan is primarily intended to be a communication device, and also, if well-crafted, as an agreement among stakeholders about what defines success in the district and what it takes to be successful.
- When developing a strategic financial plan, a district should reference its strategic plan, if applicable, and describe its goals and instructional priorities. The strategic financial plan should also describe the measures and other sources of evidence that the district is using to measure current levels of student achievement relative to the desired goal state.
- Districts should take a comprehensive approach when developing a strategic financial plan and include all district resources. Districts should also document the conditions that will trigger an update to the strategic financial plan. Material changes that occur in major assumptions that the plan is predicated on (e.g., state funding, enrollment trends, etc.) would also warrant a review and update to the plan.

Related Award Program Criteria

- **Criterion 4.A.1: Strategic Financial Plan Document (Mandatory).** The applicant provides, as supplementary material, a copy of its strategic financial plan (note that the applicant may choose any title it likes for this document)
- **Criterion 4.A.2: Strategic Financial Plan Formally Adopted (Mandatory).** As supplementary material, the applicant can provide a copy of a resolution or other document evidencing that the strategic financial plan has been officially adopted by the applicant's governing board.

Introduction

After deciding on the instructional priorities that the school district will pursue and how to pay for those priorities, the decisions should be documented in a strategic financial plan. The strategic financial plan is primarily intended to serve as a communication device that looks ahead over the next three to five years and provides a broad outline of the instructional priorities the district will pursue and how it will pay for them.

This best practice document describes:

- I. Developing a strategic financial plan

I. Developing a Strategic Financial Plan

Background. A strategic financial plan communicates the district's intended instructional priorities for the next three to five years. The plan also explains how the district intends to fund those priorities. In many, if not most, cases, the funding strategies will involve changing existing services and programs, but could also include finding new resources. The strategic financial plan documents the trade-offs between the gains in student achievement available from the instructional priorities and the costs associated with raising new resources or economizing existing programs. Hence, the strategic financial plan plays an important part in communicating the choices that have been made to stakeholders.

Recommendation. A strategic financial plan should contain the following elements at minimum:

- **Reference to district's overall strategic plan:** Ideally, the instructional priorities should be derived from and consistent with a longer-term strategic vision, as articulated in a district's strategic plan. The strategic financial plan should reference the reader to this foundational work.
- **Goals for the district.** The district-wide goals should be described in the strategic financial plan. The Best Practice in School Budgeting, 2A – Develop Goals, describes the goal-setting process.
- **Description of the instructional priorities.** The strategic financial plan should clearly state the district's instructional priorities, including the presumed cause-and-effect relationship between the instructional priorities and the district's desired goal state. The description of the instructional priorities should also address the coherence of the district's approach. Do the district's proposed instructional priorities represent a coordinated, consistent approach to achieving the goals?

For more information on the defining characteristics of instructional priorities, please see the Best Practice in School Budgeting, 2C – Research and Develop Potential Instructional Priorities.

- **Sources of evidence that will be used to determine if the desired student learning outcomes are being achieved:** The strategic financial plan should describe the sources of evidence that the district is using to measure current levels of student achievement relative to the desired goal state as well as to measure the progress made towards the goals in the future. The sources of evidence used in the Strategic Finance Plan should measure outcomes that make a significant difference in the lives of students such as graduation rates, degree of college and/or career readiness, math and reading skills, etc.

The Role of Mandates

State and federal mandates often require that a district spend resources on a specific program, such that those resources cannot be used for other purposes. While this reality must be acknowledged, districts must also be careful not to overestimate the degree of restrictions they are subject to from mandates. Districts should actively investigate the “letter of the law” of presumed mandates to determine what, specifically, is required, and, in some cases, could even seek waivers where a mandate is out-of-line with local needs. For more information on seeking alternatives to mandates, please see Best Practice in School Budgeting, 3B – Evaluate & Prioritize Expenditures to Enact the Instructional Priorities.

- **How the instructional priorities will be funded:** To fully implement the instructional priorities will often require resources above and beyond what the district currently has available. The strategic financial plan should describe the trade-offs the district will make to secure these additional resources, including both economies found by reforming or discontinuing existing programs and services and obtaining entirely new revenues (e.g., new taxes, increase in state funding). It is essential that the instructional priorities become more than a “wish list.” Attaching funding mechanisms helps make the instructional priorities a reality.
- **Long-term forecasts:** The full financial or learning impact of the instructional priorities and even the trade-offs will often not to be felt within the upcoming budget year. Therefore, the strategic financial plan should project impacts forward over a three- to five-year period. The learning impacts should include the anticipated number of impacted students compared to the total number of students potentially eligible (e.g., Will a third grade reading program impact all third graders or just some?). The learning impacts should also include the magnitude of the expected impact per student (e.g., A 10 percent improvement? A 50 percent improvement?). The financial impacts should highlight new costs the district will incur, including salaries, benefits, training, commodities and capital. Because personnel are such an important component of a district’s cost structure, the forecast should show the number of full-time equivalents (FTEs) that will be required to implement a priority in addition to the dollar impact.
- **Analysis of scalability to impact:** The strategic financial plan should present an analysis of the extent to which the proposed actions will take place at a scale sufficient to make a material difference on the district’s goal state (or if they are taking place as part of a pilot in order to prove effectiveness before scaling up). For example, the strategic financial plan might compare the number of students impacted by an instructional priority to the total number of students who are potentially in need of service, or the strategic financial plan might compare the total number of students to be served to the total resources available. For example, 100 at-risk students to be served by one guidance counselor may be sufficient to make a difference in the lives of those students, while 500 at-risk students to be served by one guidance counselor would not.

- **Review trigger:** The strategic financial plan should identify the conditions that will trigger an update to the plan. Foremost is the passage of time – a strategic financial plan should be updated at least every two to four years. Material changes that occur in major assumptions that are the basis of the plan (e.g., state funding, enrollment trends, etc.) would also warrant a review and update to the plan.

Put the Strategic Financial Plan into Action

A strategic financial plan is primarily a high-level communication device. A district needs a set of clear action steps to implement the strategic financial plan. The Best Practice in School Budgeting, 4B – Develop a Plan of Action describes how a district can do this.

Further, the strategic financial plan should be comprehensive, reflecting all district resources. For example, the plan should not be limited to just direct instructional services, but should also articulate the role of support services and central services in achieving the district’s performance goals. The plan should also include 100 percent of the district’s resources (e.g., general funds as well as categorical funds).

Finally, a well-crafted strategic financial plan becomes an agreement among stakeholders about what defines success in the district and what it takes to be successful. Accordingly, it is a very simple and powerful communications tool. A district should document the strategic financial plan in a way that is concise, understandable, and interesting. The Best Practice in School Budgeting, 1E – Identify Communications Strategy, describes a broader approach to communicating budget decisions which the strategic financial plan can fit into.