Gaining Commitment to Paying for Your Priorities

At is very essence, Smarter School Spending comes down to three questions:[i]

1. How will you improve student outcomes?
2. How will you pay for it?
3. How will you build community support?

In order to fund initiatives for improving student outcomes, districts must find money somewhere. For many districts, more tax revenue is not forthcoming. This means that districts will have to cut costs in lower priority areas of spending to make room in the budget to improve student outcomes. However, because the overwhelming majority of a school district's expenses are salaries and benefits for employees, saving money often raises the specter of job losses. Hence, paying for student outcomes can't be approached just as a rational exercise in shifting resources from lower-value activities to higher-value activities. District leaders must recognize that there is a large, inescapable emotional component in shifting resources and plan accordingly. This emotional component can be approached with forethought and planning, thereby maximizing the chances that people will commit the strategies needed to pay for improving student outcomes. This research report describes how you can build support with your community of stakeholders to pay for improved student outcomes.

> **Scientific Proof Losses Are Emotional**
> Psychological research has definitively shown that people weigh prospective losses more heavily than an equal-sized gain. In fact, researchers have measured the relative weights and found that people weigh losses twice as heavily. A purely rational person would weight an equally sized gain and loss the same.[ii]

Establish Principles Early in Your Journey

Principles answer questions like: What kind of district do we want to run? What kind of district leaders do we want to be? These are emotional questions that speak to passions and values.[iii] When your principles are explicitly stated, it is easier to recognize which emotions should take precedence when making a decision. Traverse City Area Public Schools (TCAPS), in Michigan, established the following three principles at the beginning of its Smarter School Spending journey.

- **Education priorities should drive the budget.** In many districts, the budget process has a way of freezing in place decisions about curriculum and instruction made years ago. This is because each year's budget is often largely based on historical precedent. Instead, TCAPS wanted to be the kind of district where the budget intentionally reflects the most current strategies for providing a world-class education to its learners.

- **We can't 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 possible. However, becoming a district that delivers world-class education at an affordable cost demands focus.
- **Get high academic return on investment (A-ROI).** Finally, there is academic return on investment (A-ROI). TCAPS' principle articulated the aspiration to make a practical connection between academic and financial decision-making and to get the most bang for its limited bucks.

A number of months later, after decision-makers had acclimated to the principles, TCAPS was struggling with how to pay for its academic priorities. It had investigated some options to improve day-to-day efficiencies in transportation and janitorial services, but found that years of belt tightening had made those services about as lean as they could get. The most significant opportunity seemed to be in closing low-enrollment schools in the district. There is perhaps no decision that is more emotional than closing school buildings. However, by recognizing its principles, TCAPS was able to build a lot of support for this decision. In fact, both the local chamber of commerce and teachers' union supported the decision to close the schools, and over 95 percent of the students at these schools chose to continue their education with TCAPS at another building.

TCAPS' board thought about the kind of district it wanted to be before considering how to pay for its priorities.

Before having conversations about how to pay for academic priorities, school districts should establish their own principles that speak to the kind of district people want. The principles that TCAPS established are a good blueprint from which to start, but districts must put deep thought into the principles that are most needed for their particular circumstances. In particular, most, if not all, districts could benefit from the principle that "there is no substitute for long-term stability and predictability." There is nothing more important to a school system than predictability, stability, and continuity. The lack of these things has disrupted even the most affluent districts. Student progress cannot be made when there are constant disruptions and when teachers don't know what resources to expect from one year to the next.

Strategic financial planning is absolutely critical to realizing this stability. The strategic financial plan should be constructed to support the district's education priorities. When the budget is linked to a strategic financial plan, it becomes easier to shift resources from one area to another because they are not sudden shocks, but are rather part of a long-term financial and educational blueprint. Schools and the community need to know what is coming and have sufficient time to adjust to it. There is nothing more infuriating than decisions that appear capricious or reactive.

Recognize that though Kids Come First, Adults Still Matter

A central tenet of Smarter School Spending is that all budget decisions should be driven by what is best for the students. However, adults are affected by these decisions too, and will often go against them if they perceive these decisions to threaten their livelihood. Therefore, school districts must remain mindful of how decisions will affect adult stakeholders, recognize the emotional consequences, and seek to remediate ill effects and preserve or restore a sense of safety and pride among adults.

One of the most effective tactics to defuse the stress associated with cost-saving strategies that entail job cuts is to rely on attrition. In some districts, natural attrition might be high enough for the district to make acceptable progress in reducing its costs. In *A Better Way to Budget*, Nate Levenson points out that the challenge with using attrition to reduce costs is that budgets are typically formulated in the winter and spring, but staff often don't notify the district of their intent to leave their position until sometime in the summer. This makes it difficult to plan to use attrition to fund a new instructional strategy. Levenson offers a few different strategies to help solve this problem:[iv]

- **Know the trends.** Especially when the district has a large enough labor force, there is usually at least some turnover that occurs every year. By examining data, a district can find minimum, maximum, and average turnover and plan accordingly.
- **Make contingent decisions.** Historical trends do not offer complete certainty, so districts can hedge their bets by making a decision to spend on a new program or service contingent on the anticipated attrition occurring.
- **Increase certainty by aligning incentives with prompt notification.** Districts can increase their certainty about the level of attrition they will actually experience by adopting a policy of prompt payout of benefits for people that provide prompt notice of their intent to leave (such as by February 1st). Late notice results in delayed payout of benefits.
- **Plan for the long term.** Over multiple years, a district is much more likely to realize a level of attrition close to what historical averages suggest. A multiyear plan can help the district maintain focus on shifting resources over to academic priorities.

However, attrition is not a panacea. For example, it might not free up the amount of resources needed soon enough, meaning that the district has to resort to layoffs. A more insidious problem is that although an attrition strategy might be effective for providing a sense of financial safety to adults, it does little to address the loss in pride some might feel when they see resources being shifted away from the programs and activities they have dedicated their lives to. The resistance this elicits can be just as powerful as when financial safety is threatened.

The "S.C.A.R.F." model of emotional needs can help you think about the feelings that staff might be experiencing and develop strategies to help people work through them.[v] Below is a description of the SCARF model with examples of how the model might apply in school districts. [vi]

Status: Does this person feel important, recognized, or needed by others? For example, if communications about the need to shift resources away from an old program have painted the program

as a failure that the district needs to leave behind, then the people associated with that program will experience a loss of status. If communications honor the past, perhaps framing the past as a necessary step on the path of continuous improvement, then status can be preserved.

> ### The S.C.A.R.F Model
> SCARF says people must perceive the following conditions in order to go along with a change.
> - ✓ Status
> - ✓ Certainty
> - ✓ Autonomy
> - ✓ Relatedness
> - ✓ Fairness

Certainty: Does this person feel confident that they know what's ahead, and that they can predict the future with reasonable certainty? The typical school district budget calendar often does not leave a lot of time between when a difficult budget decision is made and the implementation of that decision. That leaves a lot of uncertainty around the details of the implementation. By adopting a longer-term time horizon and leaving more lead time between when a decision is made and implemented, the district leaves more time to for people to ask questions, for district leaders to research and communicate good answers, and for people to come to terms with the decision before it is carried out.[vii]

Autonomy: Does this person feel like they have control of their life, their work, and their destiny? District leaders can look for ways to give those negatively impacted by change a sense of personal control. For example, one superintendent wanted to move away from the practice of co-teaching special education students because it was not cost-effective. A number of special education teachers supported the move, but a number did not. The superintendent therefore allowed special education teachers to voluntarily opt out of co-teaching. A number did so immediately, and others later followed after they acclimated to the idea.[viii]

Relatedness: Does this person feel like they belong? Do they feel a sense of relatedness? Do they trust the group to look after them? Attrition strategies or at least finding new positions for displaced employees can help them feel like the district cares about them as a person. Also, simple expressions of empathy to people for whom decisions don't work out can be quite helpful.

Fairness: Does this person feel like they are being treated fairly? Do they feel that the "rules of the game" give them a fair chance? The prevalence of seniority rules in layoff decisions and use of across-the-board budget cuts as response to fiscal stress demonstrates the importance of fairness in cost-reduction decisions. Seniority rules offer clarity – those with the least tenure are the first to go. Across-the-board cuts distribute the pain of cost reductions evenly. However, there is increasing awareness among districts that although these methods do provide a sense of fairness, they are not the best way for districts to reach their student learning goals. The longest serving staff are not necessarily the most effective. Reducing the budget of all programs evenly takes resources away from where they are most needed. So, how can districts make decisions that are both strategic and perceived as fair? This topic is so important that it is taken up in detail in our next section.

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Strive for "Procedural Justice"

A body of research known as "procedural justice" shows that people are often willing to accept and even support decisions that aren't in their self-interest if they perceive that the process used to reach that decision was fair, operated by rules that are consistently applied to all participants, and truly considered their views. For example, research has shown that when managers believe that a strategic plan was put together using a fair process, they are more supportive of the plan even if the plan doesn't fulfill all of their wishes.[x] However, what about high-stakes decisions, such as layoffs? Even here, perceptions of procedural justice matter a great deal. For example, research with casualties of layoffs showed that among those who felt they were unjustly treated, 66 percent were considering legal action against their former employers, while the figure was just 16 percent for those who felt they were treated fairly.[xi]

> **The Court Rules in Favor of Procedural Justice**
> One striking finding that supports the importance of procedural justice comes from civil trials, which found that losers who perceive procedural justice are almost as happy as winners who don't perceive it.[ix] In other words, a winner who thought the procedure was arbitrary or capricious will not be very satisfied with the outcome. (After all, what would such an experience say about our justice system?) A loser who thought the process was fair and who thought they had the opportunity to state their case would obviously prefer to have won, but respects the outcome.

A procedurally just decision-making system has the following features:[xii]

- Decisions are based on accurate information.
- A transparent and consistent set of decision-making criteria are applied to everyone equally.
- All affected stakeholders are given the opportunity for input.
- Mistakes are recognized and corrected.

A school district has many opportunities to operationalize these features. Let's start with making decisions based on accurate information. A fundamental step is to build a fact base. Lake County School District, in Florida, built a database of benchmarking information and per-student costs to help guide its cost-saving strategies. Nate Levenson suggests that districts undertake a process of "joint fact finding" when faced with difficult budgeting decisions.[xiii] Although people will feel better about a decision when it is based on accurate information, there may be widely varying opinions on what information is accurate and what is not. For example, there may be different views on the cost-effectiveness of certain kinds of educational interventions. In short, joint fact-finding is a process by which stakeholders with diverging interests work together to research the facts surrounding a decision before a decision is made.

We've already seen one example of transparent and consistent decision-making criteria in TCAPS' principles. Other districts have taken a similar approach. Wylie Independent School District, in Texas, had to decide which career and technical education courses it could offer within its budget. Wylie first decided that its criteria would be "to get the most bang for the buck." This led Wylie to discontinue courses that either had a high cost per student or where students did not earn a professional certification at the conclusion of the course. In another example, Rochester City School District (RCSD),

in New York, needed to narrow down its academic goals, with the implication that its limited resources would be focused on a smaller number of activities. RCSD adopted two decision-making criteria:

- "Treat every child as if they were one of our own." This principle stated that RCSD should seek to make the biggest possible impact on the lives of students.
- "Focus and finish." This principle encouraged focusing on a small set of goals that are achievable, where solid research says that they can be done and are within the power of RCSD to start pursuing immediately.

The participants in RCSD's decision-making process used the criteria of "treating every child like our own" to eliminate goals for "work-life balance for teachers and administrators" and "teacher job satisfaction" because these goals didn't directly address the needs of students. "Focus and finish" prompted the participants to drop a proposed goal to reduce teacher attrition because there was no evidence that showed a solid link between attrition rates and student learning. RCSD applied the criteria equally to more than 20 ideas for goals in order to prioritize just a handful.

The next feature on the list for procedural justice is that "all affected stakeholders are given the opportunity for input." It is important to note that this does not necessarily mean that stakeholders must participate in making a collective decision. After all, we saw earlier that procedural justice has a powerful effect on the satisfaction of winners and losers of court cases—yet neither the plaintiff nor defendant has any role in actually deciding the case. There are many kinds of substantive inputs that stakeholders can provide, short of collective decision-making. For example, they can be given the opportunity to articulate their interests and positions. They could provide input on what they think the options under consideration should be and how those options should be evaluated (e.g., help define the decision-making criteria). In all of these cases, the district leadership should do their best to understand the perspective of the stakeholder, including by verbally paraphrasing the stakeholder's views. This helps ensure that the leadership has an authentic understanding of their views and demonstrates as such to the stakeholder. When a decision is made, district leadership should explain why the decision was made, including acknowledging any drawbacks or weaknesses of the decision, especially in light of other options that stakeholders might have suggested.

Though procedural justice doesn't necessarily require collective decision-making, it doesn't necessarily eschew it either. In fact, research shows that when parties bargain to reach a final decision it can increase commitment to the decision.[xiv] However, Nate Levenson points out that compromise is not always a good thing. If compromise has the effect of diluting an educational strategy to the point where it becomes ineffective, then the district's leadership will lose credibility when improvements in student learning fail to materialize. Hence, district leaders will need to use their judgment to determine where bargaining and compromise could help the district make and follow through on a difficult decision versus where it could compromise the quality of the outcomes the district seeks.

The final element of procedural justice is that mistakes are recognized and corrected. This starts with district leadership acknowledging the risks that the decision will not work out as hoped. This demonstrates to stakeholders with opposing views that leadership took into account the drawbacks and

weaknesses of the option they decided to go with. Next, the district should have a means of evaluating how a decision is working out and correcting mistakes. A good example of this is a pilot project, where a new strategy is tested on a small scale first. In cases where a pilot is not possible, district leadership should clearly outline and conduct a formalized approach to monitoring the implementation of a decision and taking actions to smooth out the hitches.

The paragraphs above describe a number of disparate tactics for implementing procedural justice. However, districts can also take a systematic approach to establishing procedural justice by developing, maintaining, and updating a strategic financial plan. The plan should be developed and updated via a partnership between the education community and financial leaders in the district. The plan must have very clear, well-defined goals that ensure equity and focus on student achievement. It must also include a governance structure to facilitate the flow of accurate information, to ensure complete transparency and to allow for education community input.

A governance structure is a method of giving stakeholders voice and insight into the direction that the district is moving, so that decisions do not feel like surprises. A governance structure does not entail a loss of autonomy or accountability by school administrators. The structure merely provides for effective two-way communication and allows opinions and recommendations to be heard and formalized. The stakeholders feel they have a vehicle for providing input in school decision-making. It also becomes a vehicle for the district to mobilize support. Appendix 1 provides an example of a governance structure.

Point to an Inspiring Future

Cost-savings strategies will be more palatable when they are seen as helping the district move towards a better future, as opposed to if they are seen as the latest case of annual budget trimming in response to declining revenues. For example, Rochester City School District (RCSD) emphasized how its cost-savings strategies would allow RCSD to close the opportunity gap by putting in place valued programs for students. Lake County School District saw its comprehensive portfolio of cost-saving strategies as a way to end the reactive cycle of revenue shortfalls and budget cuts that had exhausted the patience of many people at LCSD.

Reading and music were two of the programs that made the pain worthwhile at RCSD.

A vision for an inspiring future can be even more effective if the district is able to start its Smarter School Spending journey with some early improvements to student achievement. This can embolden people to reach further, including looking for cost-savings opportunities that they might have avoided before. For example, after establishing its principles, TCAPS conducted a pilot test to find a cost-effective new math curriculum. This was a positive experience for all involved, which helped inspire TCAPS to do more, including taking bolder action to shift resources to programs that would make the biggest impact on student learning.

Appendix 1 – Governance Structure for Strategic Financial Planning

(A) **District Academic Team (DAT).** A team at the district level that is led by the chief academic officer and that includes other people in positions of districtwide academic leadership (e.g., accountability, data, SPED, etc.). Ideally, the district's technology leader would work closely with the DAT to ensure an integrated approach to technology and education.
   - The DAT provides a two-way conduit of information flow between district leadership and school buildings, teachers, and parents.
   - The DAT retains final decision-making authority regarding districtwide policy on curriculum, instruction, and instructional support.

(B) **Instructional Leadership Teams.** Each school has an Instructional Leadership Teams (ILT) led by the principal or a designee, and composed of the school's lead teachers.
   - The ILT drives instruction at the local school level.
   - The ILT provides input to the District Academic Team.
   - The ILT is a vehicle for greater teacher involvement in local school decision-making and communication.
   - The ILT is a vehicle for building school staff support.

(C) **Local Parent and Community Councils**:
   - Parent and community representatives.
   - Briefed on the budget and the long term strategic education plan. Have access to school district budget and personnel decisions.
   - Institutionalizes opportunities for the community to provide input and make recommendations on the budget, education plan and hiring decisions.
   - Provides the community with respect, a sense of empowerment and a vehicle for participation in local school decision-making.

(D) Labor Management Committee:
   - Vehicle for constant communication and interaction with the teachers' union leadership.
   - Cabinet level committee is briefed on the budget and allowed to have input.
   - Interaction with the District Academic Team on the district's long-term strategic plan helps solidify teacher support.

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End Notes

[i] Thank you to Pivot Learning for developing this three-part framework.

[ii] This phenomenon is called "loss aversion." For a detailed description see: Richard H. Thaler. *Misbehaving: The Making of Behavioral Economics.* W.W. Norton and Company. 2015.

[iii] This concept is suggested in: Chip Heath and Dan Heath. *Decisive: How to Make Better Choices in Life and Work.* Crown Business. 2013.

[iv] Nate Levenson. *A Better Way to Budget: Building Support for Bold, Student Centered Change in Public Schools.* Harvard Education Press. 2015.

[v] David Rock, "SCARF: A Brain-Based Model for Collaborating with and Influencing Others." *NeuroLeadership Journal*, Issue 1 (2008).

[vi] Description of the SCARF model and questions adapted from: Dave Gray. *Liminal Thinking: Create the Change You Want by Changing the Way You Think.* Two Waves Books. 2016.

[vii] Nate Levenson. *A Better Way to Budget: Building Support for Bold, Student Centered Change in Public Schools.* Harvard Education Press. 2015.

[viii] Example taken from: Nate Levenson. *A Better Way to Budget: Building Support for Bold, Student Centered Change in Public Schools.* Harvard Education Press. 2015.

[ix] This phenomenon was described in: Chip Heath and Dan Heath. *Decisive: How to Make Better Decisions and Life and Work.* Crown Business. 2013. They base their statements on research described in: Joel Brockner and Batia M. Wisenfeld. "An Integrative Framework for Explaining Reactions to Decisions: Interactive Effects of Outcomes and Procedures." *Psychological Bulletin.* 1996. 120: 189-208.

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[xii] Criteria derived from: Russell Cropanzano, David E. Bowen, and Stephen W. Gilliland. "The Management of Organizational Justice." *Academy of Management Perspectives*. November 2007.

[xiii] Nate Levenson. *A Better Way to Budget: Building Support for Bold, Student Centered Change in Public Schools.* Harvard Education Press. 2015.

[xiv] This phenomenon was described in: Chip Heath and Dan Heath. *Decisive: How to Make Better Decisions and Life and Work.* Crown Business. 2013. They base their statements on research described in: Paul C. Nutt. "Search During Decision-Making". *European Journal of Operational Research*. 2005. 160: 851-76.