

# The Resurgence of Zero-Based Budgeting

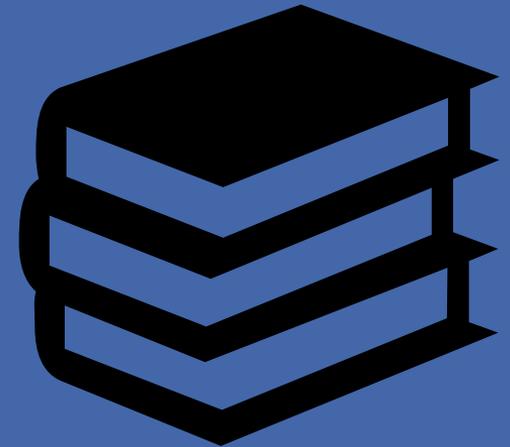
CMSBO November 8, 2019

**Donald Sovey CPA, CFO**  
School and Municipal Advisory Services, PC

**Stephen C. Bigelow, Ph.D**  
Superintendent, Bay City Public Schools

**Jolene Compton, CFO**  
Director of Finance and Accounting, Bay City Public Schools

**Jennifer Griggs**  
Director of Human Resources, Bay City Public Schools



# Resume

Donald  
Sovey,  
CPA, CFO

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Michigan Certified Public Accountant

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Michigan School Business Official

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Chief Financial Officer Certification MSBO

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MSBO Distinguished Service Award 2009

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MSBO President's Award 2009

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Member MASA, MSBO, MASB, MICPA, Rotary Club

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GFOA Adjudicator for Best Practices in Budgeting

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Professional Musician / Kayaker

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School and Municipal Advisory Services, Owner

Licensed Michigan CPA Firm

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[donsovey@gmail.com](mailto:donsovey@gmail.com)

(517) 231-0563

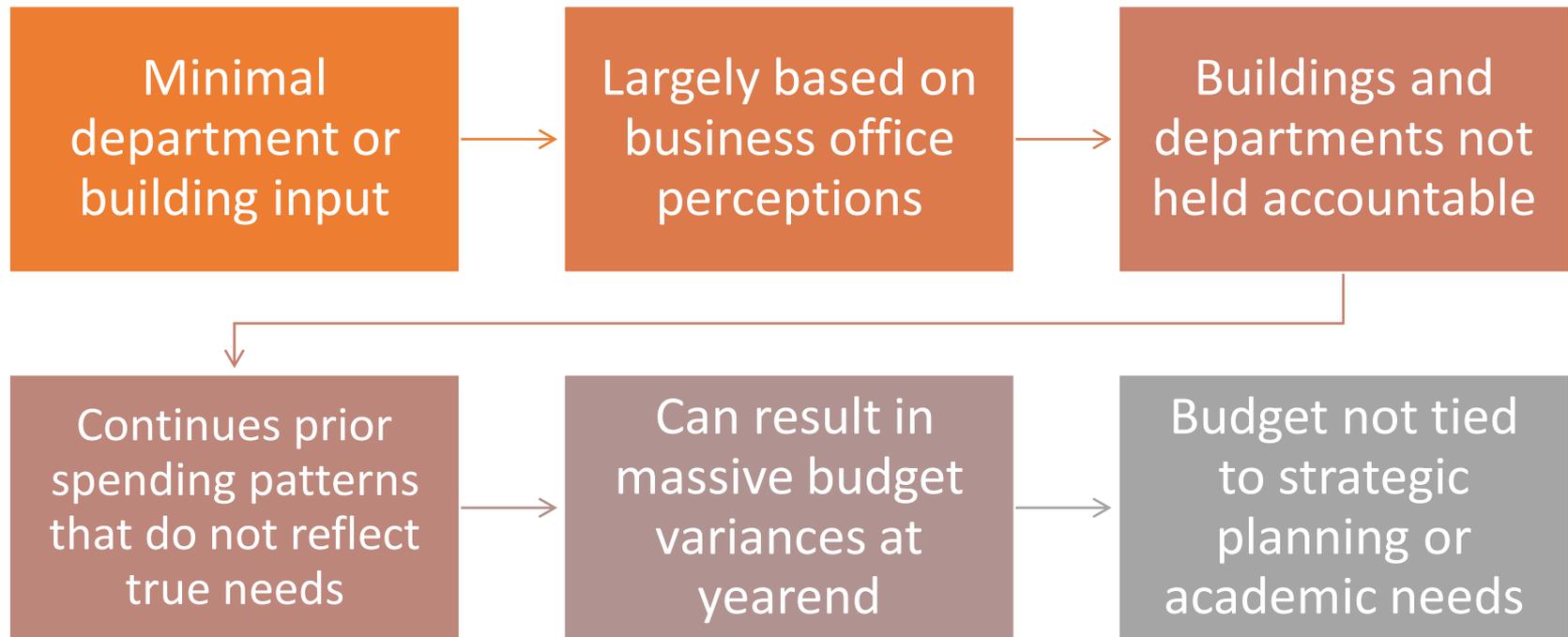


# Agenda

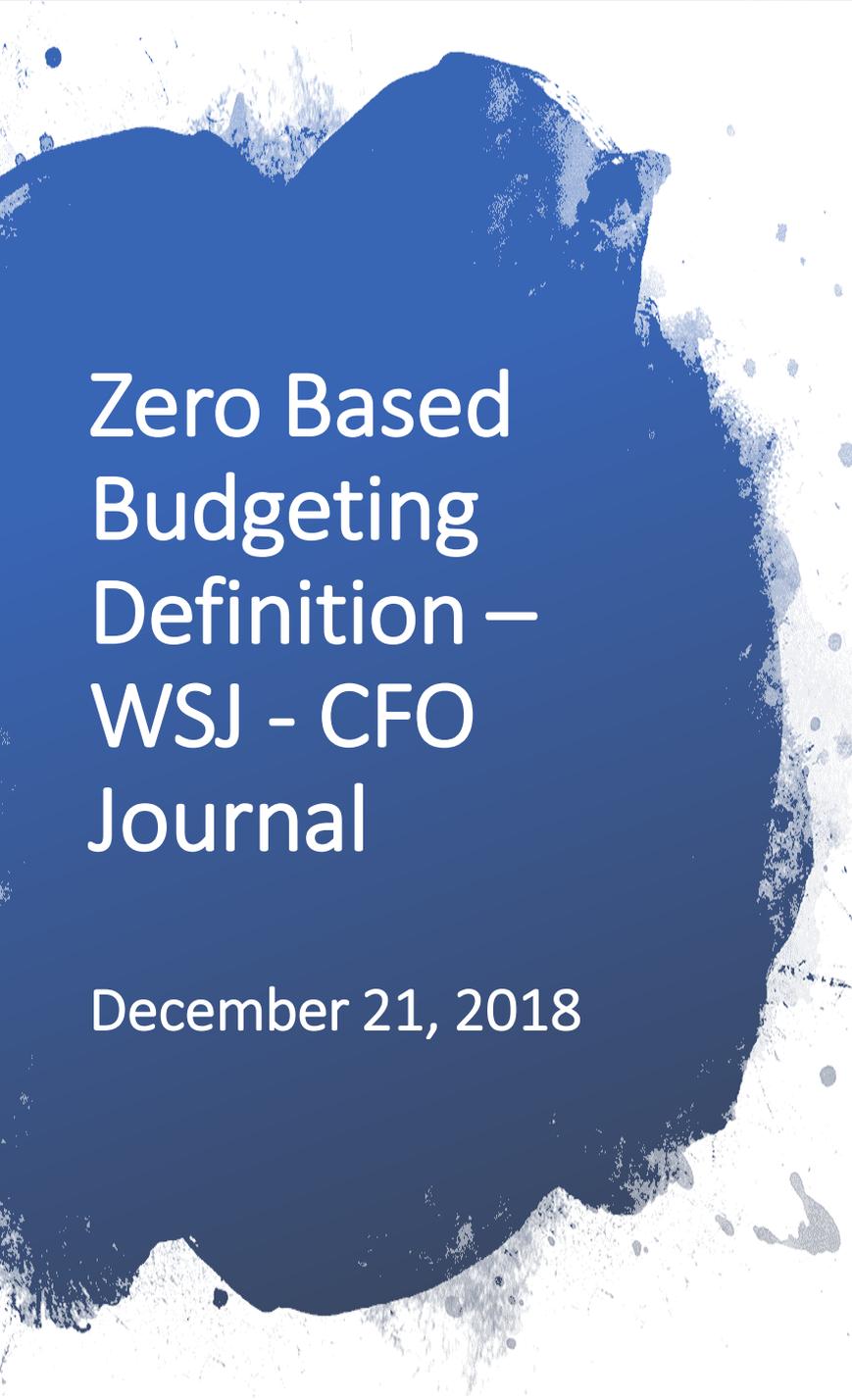
- **Rollover / Traditional Budgeting**
- **Zero-Based Budgeting**
- **Top 10 Budget Tools**
- **District Application**
- **Current National Budget Research**
- **Academic Return on Investment (A-ROI)**
- **Strategic Abandonment**

# Budget Process Options Used in Michigan

1. Rollover Budget
2. Modified Zero-Based Budgeting
3. Full Zero-Based Budgeting
4. GFOA Smarter School Spending



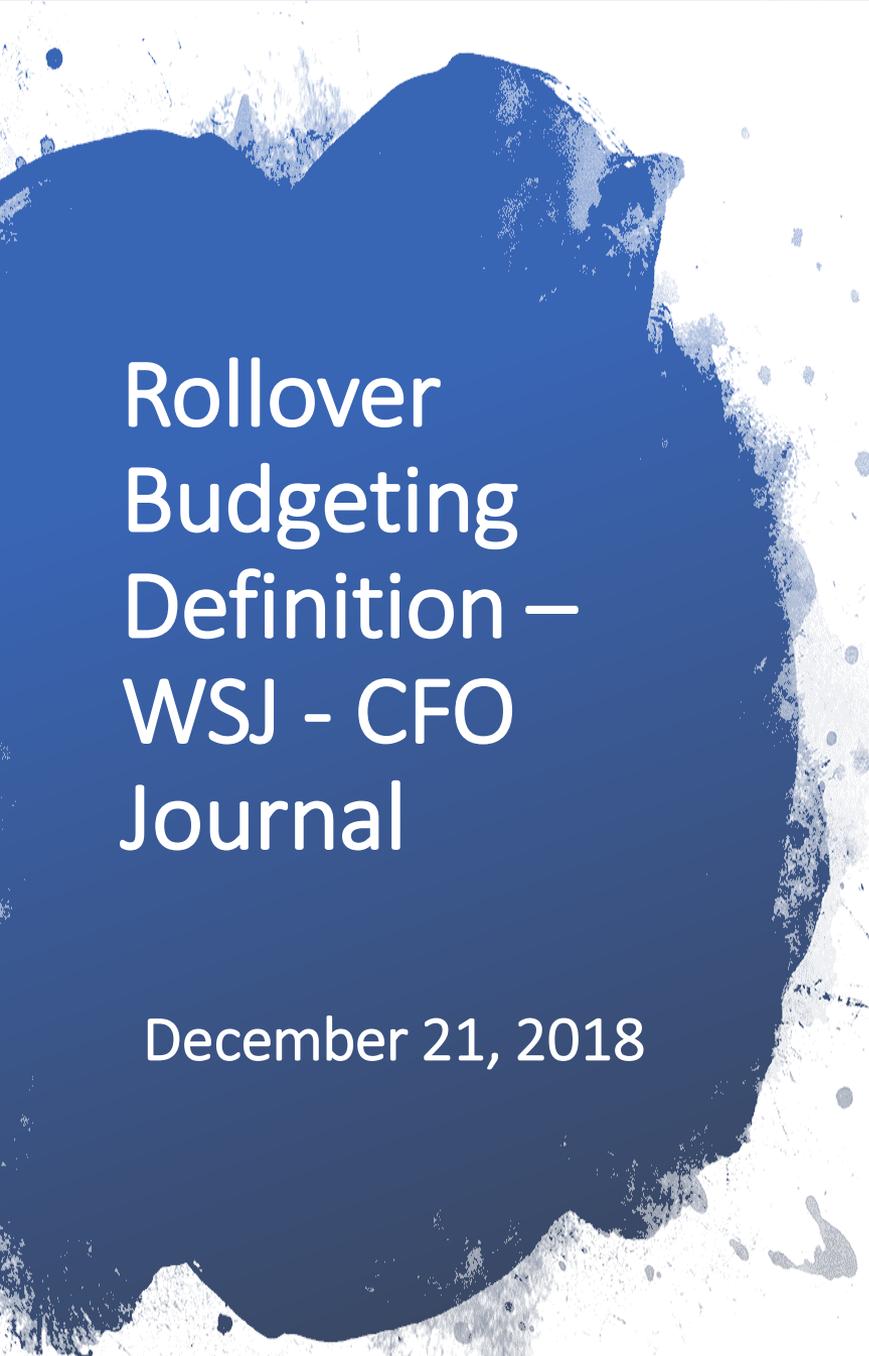
# Rollover Budgeting **DISADVANTAGES**



# Zero Based Budgeting Definition – WSJ - CFO Journal

December 21, 2018

The belt-tightening approach requires managers to start from a budget of zero, justify every expense, assess the benefits of spending patterns and rethink how to deploy resources to more swiftly achieve organizational priorities.



# Rollover Budgeting Definition – WSJ - CFO Journal

December 21, 2018

The practice stands in contrast to traditional budgeting techniques that rely on historical spending patterns to determine future allocations, a tactic that can mask the true needs and spending of business segments, if not managed properly.

# ZBB Engages Entire Organization

**Superintendent and Board of  
Education Support Required!**



**Budget  
Development  
Process**

***Levels of  
Collaboration***

**Teachers and Building Support**

**Principals and Supervisors**

**Superintendent and  
Central Office**

**Board of Education and  
Community**

**Michigan Departments of  
Education / Treasury**

**Emergency Manager**

# Recommended Budget System



- **Proactive, transparent, and collaborative budgeting**
- **User friendly data**
- **Cost centers**
- **Focus on monthly financial statements**
- **Budget development timeline**

# Recommended Budget System



- **Involve stakeholders**
- **Budget amounts must be annually justified**
- **Assess costs while weighing benefits**
- **Various levels of service are presented so final decisions can be made in reaching balanced budget**

## **Rollover Budgeting (Traditional)**

## **Zero Based Budgeting**

Starts with existing base

Starts with “clean slate”

Examines cost / benefits for  
NEW activities

Examines cost / benefits for  
ALL activities

Does not examine new ways  
of operating as a part of the  
budget process

Explicitly examines new  
approaches

Results in a “take it or leave  
it” budget approach

Results in a choice of  
several levels of service and  
cost

# Levels of Service

1

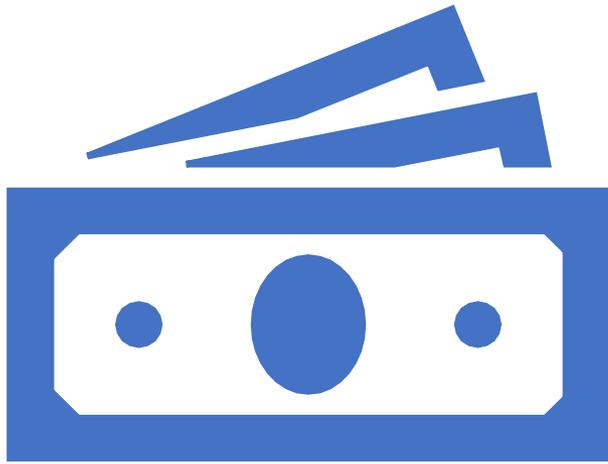
Must do

2

Should do

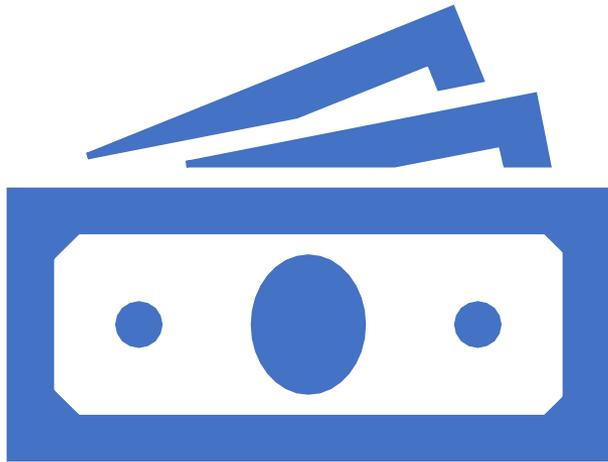
3

Wishes



# A Change of Culture

- Principals and Supervisors become responsible and accountable for their cost center budgets
- Spending is tied to district goals
- Central office is no longer the “piggy bank” that bails out mid-year spending impulses



# A Change of Culture

- Business office and superintendent monitor but do not propose budget amounts for cost centers money
- Year end spending just to spend budget is minimized
- Building leaders assist in district-wide budget balancing goals

## Zero Based Budgeting Advantages

Eliminates “spend it or lose it” thinking

Creates budget ownership by department

Detailed FTE Compensation (85%) and Grants Input Required

Reduces mid-year budget requests

Minimizes budget surprises and year end variances

# **Zero Based Budgeting Applications**

**See Exhibits A and B**

# 2019-20 ZERO BASE BUDGET PROPOSAL FORM

FOR ACCOUNTS OTHER THAN BUILDING ALLOCATIONS AND INSTRUCTIONAL PERSONNEL

(Requested By / Department):

(Date):

(Account Name):

(Account Number):

|    | DESCRIPTION  | QUANTITY | TOTAL AMOUNT |
|----|--|----------|--------------|
|    | <b>MINIMUM SERVICE LEVEL TO REMAIN VIABLE (MUST DO):</b>       |          |              |
| 1  |  |          | \$0          |
| 2  |  |          |              |
| 3  |  |          |              |
| 4  |  |          |              |
| 5  |  |          |              |
| 8  |  |          |              |
|    | SUBTOTAL (MUST DO)   |          | \$0          |
|    | <b>CONTINUATION OF CURRENT SERVICES (SHOULD DO):</b>           |          |              |
| 9  |  |          |              |
| 10 |  |          | \$0          |
| 11 |  |          |              |
| 15 |  |          |              |
| 16 |  |          |              |
|    | SUBTOTAL (MUST DO <u>plus</u> SHOULD DO)                       |          | \$0          |
|    | <b>DESIRED NEW SERVICE LEVEL (WISHES):</b>                     |          |              |
| 17 |  |          | \$0          |
| 18 |  |          |              |
|    | GRAND TOTAL (MUST DO <u>plus</u> SHOULD DO <u>plus</u> WISHES) |          | \$0          |

Please Attach Narrative Justification

**2016-17 ZERO BASE BUDGET PROPOSAL FORM**  
**FOR ACCOUNTS OTHER THAT BUILDING ALLOCATIONS AND INSTRUCTIONAL PERSONNEL**

(Requested By / Department):

 High School

(Date):

February 12, 2016

(Account Name):

OTH PROF SVCS-INST-BAND-HS

(Account Number):

11-1-113-3190-000-0000-00570-005010

|    | DESCRIPTION  | QUANTITY | TOTAL AMOUNT |
|----|--|----------|--------------|
|    | <b>MINIMUM SERVICE LEVEL TO REMAIN VIABLE (MUST DO):</b>       |          |              |
| 1  | Marching Band Drill/Arrangement                                |          | \$4,000      |
| 2  | Color Guard Choreography                                       |          | \$1,500      |
| 3  | Accompanists   |          | \$500        |
| 4  | Percussion/Clinicians  |          | \$2,000      |
| 5  |  |          |              |
| 6  |  |          |              |
| 7  |  |          | \$0          |
| 8  |  |          |              |
|    | SUBTOTAL (MUST DO)   |          | \$8,000      |
|    | <b>CONTINUATION OF CURRENT SERVICES (SHOULD DO):</b>           |          |              |
| 9  |  |          |              |
| 10 |  |          | \$0          |
| 11 |  |          |              |
| 12 |  |          | \$0          |
| 13 |  |          |              |
| 14 |  |          |              |
| 15 |  |          |              |
| 16 |  |          |              |
|    | SUBTOTAL (MUST TO <u>plus</u> SHOULD DO)                       |          | \$8,000      |
|    | <b>DESIRED NEW SERVICE LEVEL (WISHES):</b>                     |          |              |
| 17 |  |          | \$0          |
| 18 |  |          |              |
|    | GRAND TOTAL (MUST DO <u>plus</u> SHOULD DO <u>plus</u> WISHES) |          | \$8,000      |

**Please Attach Narrative Justification**

**2016-17 ZERO BASE BUDGET PROPOSAL FORM**  
**FOR ACCOUNTS OTHER THAN BUILDING ALLOCATIONS AND INSTRUCTIONAL PERSONNEL**

(Requested By / Department):

Math

(Date):

February 12, 2016

(Account Name):

Math

(Account Number):

11-1-113-5110-000-0000-00570-005001

|    | DESCRIPTION  | QUANTITY      | TOTAL AMOUNT |
|----|--|---------------|--------------|
|    | MINIMUM SERVICE LEVEL TO REMAIN VIABLE (MUST DO):              |               |              |
| 1  | Graph Paper  | 20 reams      | \$179        |
| 2  | Batteries  | 45 four packs | \$99         |
| 3  | Repair (replace) TI graphing calculators                       | 15            | \$750        |
| 4  | Safety Compasses   | 4             | \$84         |
| 5  | Classroom supplies (pencils,tape,expo)                         |               | \$500        |
| 6  | Scantron   | 5 packs       | \$257        |
| 7  |  |               |              |
| 8  | SUBTOTAL (MUST DO)   |               | \$1,868      |
|    | CONTINUATION OF CURRENT SERVICES (SHOULD DO):                  |               |              |
|    | IT 83 plus graphing calculators                                | 35            | \$3,850      |
| 9  | SAT test prep booklets/Computer program                        |               | \$1,560      |
| 10 | Scientific Calculators   | 35            | \$409        |
| 11 |  |               | \$0          |
| 12 |  |               |              |
| 13 |  |               |              |
| 14 |  |               |              |
| 15 |  |               |              |
| 16 | SUBTOTAL (MUST TO <u>plus</u> SHOULD DO)                       |               | \$7,687      |
|    | DESIRED NEW SERVICE LEVEL (WISHES):                            |               |              |
|    |  |               | \$0          |
| 17 |  |               |              |
| 18 | GRAND TOTAL (MUST DO <u>plus</u> SHOULD DO <u>plus</u> WISHES) |               | \$7,687      |

# 2014-15 ZERO BASE BUDGET PROPOSAL FORM

## FOR ACCOUNTS OTHER THAN BUILDING ALLOCATIONS

### AND INSTRUCTIONAL PERSONNEL

Facility Maintenance  
(Requested By)

May 29, 2014  
(Date)

(Account Name)

(Account Number)

| DESCRIPTION   | QUANTITY                                      | TOTAL AMOUNT   |
|---|---|--|
| <b>Minimum Service Level to Remain Viable<br/>(MUST DO):</b>  |   | Dollars represented are basic<br>Estimates or Projections only |
| 1. Boiler Digital Control Boards for Heat Timing Schedules (Middle & Bessie Hoffman ) + (1) Spare   | Four (4) Units                                | \$12,000   |
| 2. Recondition or Replacement of Football Field Lighting system (48 light fixtures & Wiring ) Need Electrical Engineer Opinion for scope of work  | One (1) Field                                 | \$25,000 - \$65,000<br>( Possible DET Grant Funding)           |
| 3. Boiler Control Surge Protection – District Electrical Services should be Monitored by DET for Surges, Fluctuations and Brown-Outs  | Six (6) Units                                 | \$30,000<br>(Possible DET Grant Funding)                       |
| 4. Replacement of Facility Maintenance Equipment – Requires Gov. Lease / Purchase program, Purchase of Pre-Owned Van and Contracted Snow Plowing  | (1) Maint Van<br>(2) U Tractors<br>(3) Mowers | \$85,000   |
| 5. MIOSHA / OSHA, MDEQ, MDCH, AHERA, LARA, Regulatory Compliance Programs & Staff Training  | District                                      | \$30,000   |
| 6. Develop & Implement a District Preventive Maintenance Program with Staff Training, Safety Inspections and Program Records Organization   | District                                      | \$30,000   |
| <b>Continuation of Current Services<br/>(SHOULD DO):</b>  |   |  |
| 7. Mortar Tuck Pointing and Caulking at Brick Elementary  | Brick Elem. & Central Admin                   | \$55,000   |
| 8. Repair or Resurface Track Running Surface and Repaint all Lines / Markers  | High School                                   | \$45,000   |
| 9. Remove / Demolition of Portable Classroom at Bessie Hoffman  | Bessie Hoffman                                | \$3,000  |
| <b>Desired New Service Level<br/>(WISHES):</b>  |   |  |
| 10. Pursue Sinking Fund or Capital Improvement Budget: District Capital Projects for Roofing, Asphalt, HVAC systems, Pool Operation, Lighting, Plumbing, ADA Concrete repair / replacement, Electrical, Energy etc. | Annual  | \$800,000 - \$1,200,000  |

# Basic Program Allocation



- Student Membership 907 @ 60 dollars
- Total Allocation \$54,420

|                       |          |
|-----------------------|----------|
| ● SALARY-SUB TCH-HS   | \$15,000 |
| ● INST SVCS-SUBS-HS   | \$25,000 |
| ● MISC-INST-HS        | \$2,000  |
| ● MISC-INST-HS        | \$5,000  |
| ● PRINTING            | \$4,500  |
| ● MISC-PRIN-HS        | \$1,000  |
| ● OFF SUPLIES-PRIN-HS | \$2,000  |

# Classroom Teaching Staff Projection



## 2017-18 Grade Level Sections & Avg Class Size

|  |            |                     |
|--|------------|---------------------|
| <input type="checkbox"/> Kindergarten          | 3 Sections | 21 students/section |
| <input type="checkbox"/> 1 <sup>st</sup> grade | 3 Sections | 28 students/section |
| <input type="checkbox"/> 2 <sup>nd</sup> grade | 3 Sections | 25 students/section |
| <input type="checkbox"/> 3 <sup>rd</sup> grade | 3 Sections | 27 students/section |
| <input type="checkbox"/> 4 <sup>th</sup> grade | 3 Sections | 27 students/section |
| <input type="checkbox"/> 5 <sup>th</sup> grade | 4 Sections | 29 students/section |

## Proposed 2018-19 Grade Level Sections & Avg Class Size

|  |                 |                               |
|--|-----------------|-------------------------------|
| <input type="checkbox"/> Kindergarten          | 3 Sections      | 20+ students/section          |
| <input type="checkbox"/> 1 <sup>st</sup> grade | 2 (-1) Sections | 31 students/section (monitor) |
| <input type="checkbox"/> 2 <sup>nd</sup> grade | 3 Sections      | 28 students/section           |
| <input type="checkbox"/> 3 <sup>rd</sup> grade | 3 Sections      | 25 students/section           |
| <input type="checkbox"/> 4 <sup>th</sup> grade | 3 Sections      | 27 students/section           |
| <input type="checkbox"/> 5 <sup>th</sup> grade | 3 (-1) Sections | 27 students/section           |

# Classroom Teaching Staff FTE Summary



| 2017-18 FTE<br>Actual | 2018-19 FTE<br>Recommended |
|-----------------------|----------------------------|
| 19                    | 17 (-2)                    |

# Other Support Staff - FTEs

|                             | 2017-2018            | 2018-2019                    |
|-----------------------------|----------------------|------------------------------|
| Secretarial                 | 5.5                  | 4.5 (with office remodel)    |
| Secretarial Athletic        | .5                   | .5                           |
| Guidance Counselor          | 3                    | 3                            |
| At-Risk Counselor           | 0                    | 0                            |
| Special Ed (1:1)            | 0                    | 0                            |
| Special Ed                  | 3                    | 3                            |
| Hall Monitor/Detention Room | 2                    | 3 (add neighborhood liaison) |
| School Service Worker       | 1 (started mid-year) | 1                            |

# Preferred Budget Timeline

- November – Board / administrative workshop on budget process and facts
- Jan / Feb – Departments / buildings prepare budget requests
- March (beginning) – Formal budget presentations are made to central office administrators

# Preferred Budget Timeline

- March – Administrators narrow budget imbalance to develop balanced budget recommendation
- April – FIRST DRAFT of budget reviewed in board / administrative workshop
- May – June – Board presentations and adoption



# Top 10 Tools for Michigan School Budget Development

# Budget Tool 1

**District Strategic Planning** is the process of determining what an organization wants to be at some point in the future and how it will get there, according to MASB. In my experience, I have observed that a minority of districts have a recent strategic plan. A collaboratively developed plan is critical for moving the district to the next level of operation. Avoid minimalist thinking. Visit [www.MASB.org](http://www.MASB.org) for more information on district strategic planning.

# Budget Tool 2

**Budget Development Goals and Decision-Making Parameters** is a document based on district vision and mission that is jointly developed by stakeholders to assist with decision-making alternatives for the budgetary areas of personnel, professional development, supplies, capital outlay and financial integrity with sustainability as an overriding goal. For more information, contact [donsovey@gmail.com](mailto:donsovey@gmail.com)

# Budget Tool 3

**Collaborative Budget Process** is the basis for development of a sound budget document that will reflect clear goals for student achievement in alignment with the district strategic plan. I recommend a **zero-based budget approach** for your underlying budget development process. For more information, contact [donsovey@gmail.com](mailto:donsovey@gmail.com).

# Budget Tool 4

**Best Practices in School Budgeting** is published (Copyright 2017 ) by the Chicago-based Government Finance Officers Association (GFOA). GFOA is a non-profit organization serving the US and Canada which specializes in research for best practices. Copies are available at <http://www.gfoa.org/publications>. This is the most authoritative document for developing your higher-level budget process based on national research.

# Budget Tool 5

***A Better Way to Budget – Building Support for Bold, Student-Centered Change in Public Schools*** by Nathan Levenson; Copyright 2015; Harvard Education Press; Available at Amazon.com. This is an easy must-read for all central office personnel and will bring your district to a new level of budgeting and communication.

# Budget Tool 6

**Enrollment projection by Stanfred Associates;** Email [f.ignatovich@att.net](mailto:f.ignatovich@att.net). This service provides the most research-based five-year projection available for budget development purposes.

# Budget Tool 7

**Long-Range Financial Projection** is a highly recommended tool that should be developed annually at the time of the original budget development and each time the budget is amended. There are various products available to assist with the development of a projection. For more information on a customized projection contact [donsovey@gmail.com](mailto:donsovey@gmail.com)

# Budget Tool 8

**State Aid Payment Calculation** is an Excel spreadsheet that will replicate your current state aid payment and can be used for state aid payment calculation for future years in conjunction with your Long-Range Financial Projection. Visit

<http://www.michigan.gov/mde/0,4615,7-140-6605---,00.html>.

# Budget Tool 9

**Strategic Abandonment Tool** from GFOA provides a good discussion document for evaluation of program effectiveness and potential program sunseting; Visit <http://www.gfoa.org/pk-12-budgeting-strategic-abandonment-tool>

# Budget Tool 10

**Academic Return on Investment (A-ROI)** is a tool used to emphasize cost effectiveness in budget decisions and help decision makers make more informed choices between different potential uses of resources;

Visit <http://www.gfoa.org/pk-12-budgeting-academic-roi>.

**COST CENTER EXAMPLE - ABC ELEMENTARY EXAMPLE**  
**FY 16-17 Budget**

| Description                                  | YTD Budget          |
|--|---------------------|
| Salaries                                     | \$ 820,154          |
| Benefits                                     | \$ 576,155          |
| <b>Total Salaries &amp; Benefits</b>         | <b>\$ 1,396,309</b> |
| <b>Other Expenses</b>                        |                     |
| All Other Purchased Services                 | \$ 221              |
| Edustaff Subs                                | \$ 18,609           |
| Telephone, Water & Sewer, Waste              | \$ 10,241           |
| Equip Repair                                 | \$ 500              |
| All Other Repairs and Maintenance            | \$ 11,256           |
| <b>Total Services</b>                        | <b>\$ 40,827</b>    |
| <b>Supplies and Nondepreciation Equip</b>    |                     |
| Supplies                                     | \$ 6,664            |
| Heating & Electricity                        | \$ 20,444           |
| Custodian/Maintenance Supplies               | \$ 13,146           |
| <b>Total Supplies &amp; Non Depr. Equip.</b> | <b>\$ 40,254</b>    |
| <b>Total Budget and Actual</b>               | <b>\$ 1,477,390</b> |
| <b>Per Pupil Cost to Run Building</b>        | <b>\$ 6,208</b>     |

| Fulltime Equivalent Students |            |
|------------------------------|------------|
| Kindergarten                 | 70         |
| 1st Grade                    | 77         |
| 2nd Grade                    | 91         |
| <b>Total FTE</b>             | <b>238</b> |

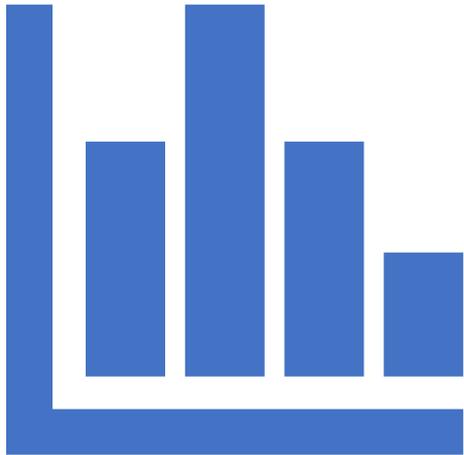
**Pupil Teacher Ratio w/ SPED 21.6**  
**Pupil Teacher Ratio w/o SPED**

|                               |          |
|-------------------------------|----------|
| Supplies Allocation           | \$ 6,664 |
| Per student supply allocation | \$ 28    |

**CRAFT MESSAGES THAT RESONATE WITH STAKEHOLDERS - APPLICATION**

| Employee Name                     | FTE | Union Name         | Job Title                |
|-----------------------------------|-----|--------------------|--------------------------|
| <b>Administration</b>             |     |                    |                          |
| Name                              | 1.0 | 001 ADMINISTRATORS | ELEMENTARY PRINCIPAL     |
| <b>Secretary</b>                  |     |                    |                          |
| Name                              | 1.0 | 012 SECRETARIES    | SECY - PROGRAM/FAC 10 MO |
| <b>Support Staff</b>              |     |                    |                          |
| Name                              | 1.0 | 008 NOON HOUR      | NOON HOUR SUPERVISOR     |
| Name                              | 1.0 | 008 NOON HOUR      | NOON HOUR SUPERVISOR     |
| Name                              | 1.0 | 008 NOON HOUR      | NOON HOUR SUPERVISOR     |
| <b>Maintenance and Operations</b> |     |                    |                          |
| Name                              | 1.0 | 009 MAINTENANCE    | ENGINEER                 |
| Name                              | 1.0 | 009 MAINTENANCE    | FIREMAN                  |
| <b>Teachers</b>                   |     |                    |                          |
| Teacher 1                         | 1.0 | 015 TEACHERS       | GRADE 2                  |
| Teacher 2                         | 0.6 | 015 TEACHERS       | ENRICHMENT GRADE K - 5   |
| Teacher 2                         | 1.0 | 015 TEACHERS       | GRADE 2                  |
| Teacher 4                         | 1.0 | 015 TEACHERS       | KINDERGARTEN             |
| Teacher 5                         | 1.0 | 015 TEACHERS       | KINDERGARTEN             |
| Teacher 6                         | 0.4 | 015 TEACHERS       | ART GRADE K - 5          |
| Teacher 7                         | 1.0 | 015 TEACHERS       | GRADE 1                  |
| Teacher 8                         | 1.0 | 015 TEACHERS       | GRADE 1                  |
| Teacher 9                         | 0.4 | 015 TEACHERS       | MUSIC GRADE K - 5        |
| Teacher 10                        | 1.0 | 015 TEACHERS       | GRADE 2                  |
| Teacher 11                        | 0.6 | 015 TEACHERS       | PHYS ED GRADE K - 5      |
| Teacher 12                        | 1.0 | 015 TEACHERS       | GRADE 1                  |
| Teacher 13                        | 1.0 | 015 TEACHERS       | GRADE 2                  |

11.0



# Data Analytics

[eidexinsights.com](http://eidexinsights.com)

[Munetrix.com](http://Munetrix.com)



# The 2018 Bay City Public Schools Experience with Zero-Based Budgeting

**Stephen C. Bigelow, Ph.D**  
Superintendent, Bay City Public Schools

**Jolene Compton, CFO**  
Director of Finance and Accounting,  
Bay City Public Schools

**Jennifer Griggs**  
Director of Human Resources,  
Bay City Public Schools

# Current National Research on School Budgeting Best Practices

- Process should engage and communicate with stakeholders, along with prioritizing goals, allocating resources, and tracking progress
- The process is a plan, a tool for transparency, and a structure for ensuring accountability
- A partnership between business and academics
- Develop principles and policies collaboratively by the board and staff members who develop and recommend the budget
- Create the most student learning from the money available

# Current National Research on School Budgeting Best Practices

- Select programs and service providers based on student outcomes
- Adhere to evidence based-decision making
- Prioritize strategies and programs with proven cost-effectiveness
- Make student-centered decisions
- Critically re-examine patterns of spending – develop and implement program review and sunset process
- Equal chance to succeed: Ensure Equality of Opportunity for students

# Current National Research on School Budgeting Best Practices

- Take a long-term perspective
- Be transparent
  - Make performance data readily available
  - Consider all costs in evaluating the cost of educating students
  - Use a consolidated budget
  - Be clear on what actions are being funded and their intended outcomes
- Analyze current levels of student learning
  - Performance data – summative assessments, which review what a student has learned over the course of a year, are the most important for budgeting and planning
  - Measuring student performance – the most critical aspects of student performance with achievement testing are math and English Language Arts (ELA) assessment data conducted over multiple grade levels

# Current National Research on School Budgeting Best Practices

- Identify root cause of gap between goal and current state
- Apply cost analysis to the budget process
- Budget presentation should communicate:
  - Goals
  - Strategies and programs being pursued
  - The financial plan
  - Risks to long-range financial sustainability

Source: GFOA Best Practices in School Budgeting; Copyright 2017

# Current National Research on School Budgeting Best Practices

- Include a communications strategy to inform participants, stakeholders, and the general public about how the process works and why each decision is made
- Transparency is a key tenet of any budget process
- GFOA recommendation:
  - Assess district strategic environment
  - Set SMARTER goals for multi-year district-wide improvement
  - Understand baseline performance at the school level
  - Set school site goals

Principals



Teachers



School Board

Community



Engage Your Stakeholders.  
Keep Students at the Center.

Student Learning  
Goals Achieved!!!



How Do We  
Prioritize the  
Strategies  
Over the  
Long Term?

Create a Strategic  
Financial Plan



What are our  
Student  
Learning  
Goals?

Set  
S.M.A.R.T.E.R. Goals

What is  
Preventing  
Us From  
Reaching  
Our Goals?

Use Root  
Cause Analysis

What are the  
Best Strategies  
to Reach  
the Goals?

Use Evidence-based  
Decision Making

How Do We  
Pay for the  
Strategies?

Use Cost Savings  
Best Practices



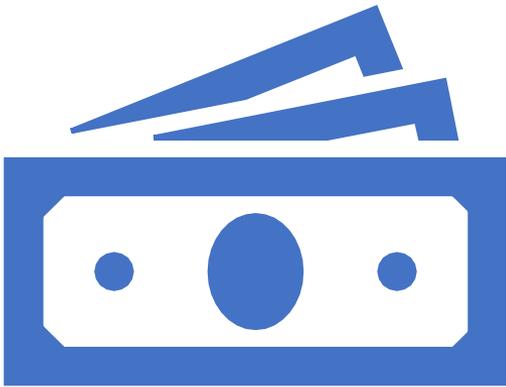
Academic

Finance



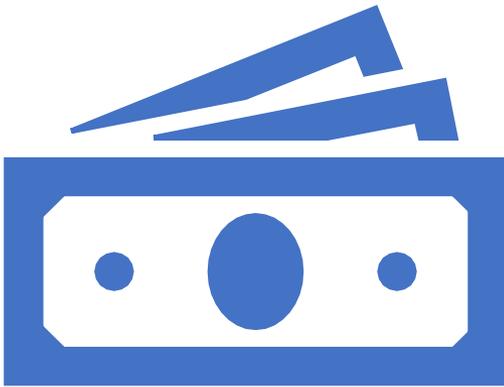
# Smarter School Spending Best Practices in School District Budgeting

# Reasons for Fund Balance



- *Provides stability and sustainability in a highly volatile school funding climate*
- *Helps cover unexpected expenses such as higher utility bills, unanticipated building maintenance, and one-time costs*
- *Serves as a hedge to temporarily offset unplanned student enrollment loss*
- *Allows districts to pay bills , including payroll, until the first state aid payment is received in late October*

# Reasons for Fund Balance



- *Helps to offset ordinary budget variances that occur in the normal course of business*
- *Provides cash to pay for up front state and federal grant expenditures, primarily payroll, that are reimbursed after the fact*
- *General fund reserves help boost bond ratings and lower related borrowing costs*

# Early Warning Law

- **Signed by governor July 1, 2015**
- **Provides option for ISD oversight of local district or PSA finances**
- **Budgetary assumptions must be reported by July 7 for any district without a positive fund balance of at least 5% for the two most recent school fiscal years**
- **Allows for withholding of certain payments**
- **Emergency manager appointment option by Treasury instead of State Superintendent**

# **Early Warning Legislation MCL 380.1219**

## **Assessing Financial Health**

- 1. Financial Practices (Uniform Budgeting and Actg Act, Bud Variance, Amendments)**
- 2. Comparative staffing, wages, and benefit costs with other districts**
- 3. School building student capacity utilization**
- 4. Comparative non-instructional costs**
- 5. Enrollment projection methods**

# **Early Warning Legislation MCL 380.1219**

## **Assessing Financial Health**

- 6. Deferred maintenance and capital investment needs**
- 7. Substitute costs, workers comp, unemployment, insurance**
- 8. Pupil transportation costs / routing**
- 9. Bargaining agreement costs current and future**



# Budgeting Tools



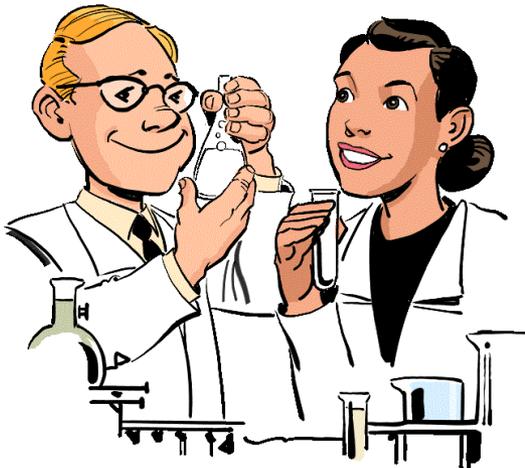
# What are the Best Strategies to Reach our Goals?

Academic Return on Investment  
(A-ROI)

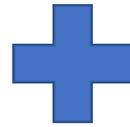


# What is A-ROI?

The practice of scientifically evaluating the cost-effectiveness of academic programs / strategies and then deciding on where to allocate resources accordingly



# What is A-ROI?



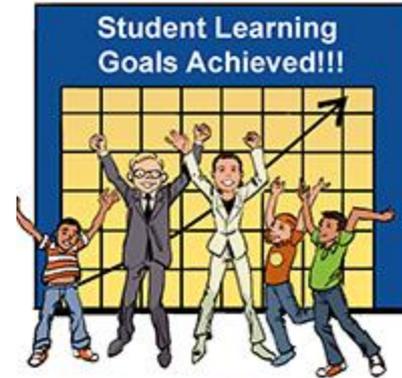
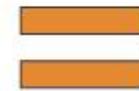
# Foundations of A-ROI



*Evidence-based  
Decision-Making*



*Cost-Benefit  
Analysis*



*A-ROI  
Achieved*



# Evidence-Based Decision-Making + Cost-Benefit Analysis

- Program “A” = 1.25 year’s reading improvement
- Program “B” = 1.4 year’s reading improvement

12%  
Better!



With just that information the choice is obvious



# A-ROI Conceptual Foundations

1. Reconsider your knowledge of what really works
2. Define the problem before seeking its solution
3. Follow the scientific method

# A-ROI Conceptual Foundations

4. Seek out the greatest net benefit

5. Ignore sunk costs

6. Pay attention to opportunity costs

## A-ROI “smart practices” themes

- Establish your own principles of A-ROI
- Recognize that not all forms of evidence are equal
- Be meticulous about the research question and outcomes

## A-ROI “smart practices” themes

- Make sure the program is implemented well
- Make the results resonate
- Specify the outcome you are measuring and how it will be measured
- Avoid common decision-making pitfalls



# Strategic Abandonment Application

## Example of a Strategic Abandonment Tool

Source: GFOA

The following is a simple tool that can be used to help districts to consider when to discontinue a program. A program is given a score for each criteria (1, 2, or 3 points) and the total points indicate whether the program's degree of conformance with the criteria is unacceptable, questionable, or acceptable.

| Criteria  | Acceptable (3)   | Questionable (2)  | Unacceptable (1)  |
|---|--|---|---|
| 1. The program maintains a clear metric for measurement.                                    | The program's outcome or service rendered is defined, and a clear metric exists to measure the program on a frequent basis.  | The program's outcome or service rendered is defined, but no metric to measure the program is available.  | The program's outcome or service rendered is unclear and undefined.   |
| 2. The program's outcome or service rendered is measured frequently and without undue bias. | The program's outcome or service rendered is measured in an impartial manner on a regular (weekly or monthly) basis or better.   | The program's outcome or service rendered is measured regularly (weekly or monthly), but bias cannot be eliminated from the evaluation.   | The program's outcome or service rendered is not measured regularly. No documentation exists to verify accountability.                      |
| 3. The program supports teaching and learning.  | The program directly supports teaching and learning through enhancing the educational setting, and faculty and staff can identify the tie between the program and instruction. | The tie between teaching and learning and the program is related to evaluation. However, faculty and staff are not aware of the program's direct impact on instruction.                   | There is no close tie or a very limited tie between the program and teaching and learning.  |
| 4. The program's service cannot be replicated otherwise.                                    | The program's service is specialized and must be provided by specially trained personnel to ensure effectiveness, efficiency, and safety to all that the program serves.       | The program can be provided by alternative personnel. But training and specialized supervision are necessary for the service to be conducted in an efficient, effective, and safe manner. | The program's service can be provided by alternative personnel with little to minimal training within the scope of the workday or workweek. |

|  |  |   |  |
|--|--|---|--|
| 5. The program's cost-to-service ratio is defensible.                          | The program's total cost divided by those it serves is better than what is found in similar districts without compromising the service provided.                               | The program's total cost divided by those it serves is within the normal range of districts with similar programs.  | The program's total cost divided by those it serves is beyond the norm for similar programs in similar districts or industries.                              |
| 6. The program is operated by the best personnel.                              | The program is administered by personnel who are familiar with the program and who stay within timelines and budget the vast majority of the budget year.                      | The program is administered by personnel who are familiar with the program, yet personnel struggle to meet timelines or stay within budget.                                 | The program is administered by personnel who are unfamiliar with the program or unable to execute the program's intent within acceptable timelines and cost. |
| 7. The program is necessary for the successful functioning of the district.    | Should the program not operate, the district would feel an immediate impact and the service would have to begin immediately for the district to maintain successful operation. | Should the program not operate, the district would function at a less-than-acceptable level, and the service would have to begin anew within a month of its discontinuance. | Should the program not operate, the district would continue to function with minimal disruption within a semester or an academic year.                       |
| 8. The loss of the program would cause a problem with a key stakeholder group. | A significant stakeholder group depends on this program, and loss would create a loss of faith.  | A significant stakeholder group is interested in this program, but loss would not create a loss of faith.   | No significant stakeholder group is invested in this program.  |
| Total = _____  | 19-24 = Acceptable   | 15-18 = Questionable  | <14 = Unacceptable   |
| Program Evaluator:   | Program Evaluated:   | Date:   |  |

# Sources of Reference and Research

- MSBO website: <http://www.msbo.org/>
- MDE State Aid and School Finance: [http://www.michigan.gov/mde/0,1607,7-140-6530\\_6605---,00.html](http://www.michigan.gov/mde/0,1607,7-140-6530_6605---,00.html)
- CEPI Enrollment: <https://cepi.state.mi.us/msds/AuditForm.aspx>
- MDE / Administrators / Money Matters  
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- Hiring Solutions, LLC; [www.hiringsolutionsllc.com](http://www.hiringsolutionsllc.com)
- Excel Consultant Group – Consulting on Food Service, Custodial, Facilities, Transportation – Email: [excelconsult.group@gmail.com](mailto:excelconsult.group@gmail.com); (517) 627.5728

# Sources of Reference and Research

- School and Municipal Advisory Services, PC; Donald Sovey, CPA, CFO – [donsovey@gmail.com](mailto:donsovey@gmail.com); (517) 231-0563; Bond/millage communications; Budget process training; Business office staffing review and mentoring; CFO search service; Distressed/deficit district technical assistance; Fact finding research and testimony; Financial mentoring for newer; superintendents and school boards; Interim business official service; Long-range financial projection training
- ***A Better Way to Budget – Building Support for Bold, Student-Centered Change in Public Schools***; Nathan Levenson; Harvard Education Press; Copyright 2015; Available on Amazon.com
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- Informed Decision-Making through Forecasting: A Practitioner's Guide to Governmental Revenue Analysis; Shayne Kavanagh and Daniel W. Williams; Government Finance Officers Association; Copyright 2016
- What Does the Most Good....and for Whom?: A Guide to Academic Return on Investment Analysis; The District Management Council, Copyright 2014

Questions?

**Donald Sovey, CPA**

**(517) 231-0563**

**donsovey@gmail.com**

## Donald Sovey CPA, CFO

- Audit RFP facilitation
- Auditor independence assessment
- Bond / millage communications
- Budget process training
- Business office staffing review and mentoring
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**School & Municipal**  
Advisory Services, PC

517-231-0563  
donsovey@gmail.com