Project Proposal

Improving the Collection and Use

of Financial Data by School Districts

August 20, 2007 (v5)

Purpose

The purpose of this document is to put forth a project plan for improving the collection and use of financial data by school districts. Current financial data are reported largely to serve accounting compliance purposes with little attention paid to the effective and efficient use of resources in the pursuit of improving student achievement. More attention to effectiveness and efficiency will serve Ohio and school districts well in the current state of school funding as well as in the case where additional resources are made available.

Background

In his first state-of-the-state address, Governor Ted Strickland called for the creation of "a better system for knowing what we're getting for our money." He called for a "transparent accounting system" that "will finally let us see exactly where our money goes and what it accomplishes." In making this call, the Governor referred to a recently complete report by Achieve, Inc. that said:

Ohio should make school operations transparent and measure school efficiency. The State should establish standardized reporting procedures for collecting detailed financial data at the school and district levels. To ensure they are relevant, the standards should be designed with principals and other officials who are responsible for local finances. This step supports the recent recommendations of the Ohio State Board of Education's school funding subcommittee on school funding on the importance of fiscal transparency.

In its report entitled "A New Direction for Ohio School Funding: Designing a System that Relates Resources to Results" (January 7, 2007), the School Funding Subcommittee of the Ohio State Board of Education called for many systemic changes, stating that, "tools and mechanisms are needed to drive the analysis and systemic decision-making necessary to determine the best use of funds." The subcommittee stressed that we needed a better understanding of where our

current education dollars are being spent, are they being expended effectively and efficiently, and perhaps most importantly, are the expenditures leading to improved student achievement.

To support the Governor's and the State Board's vision, the FY2008-09 biennial budget act (Am. Sub. H.B. 119) contains the following language.

"Of the foregoing appropriation line item 200-422 School Management assistance, up to \$250,000 in each fiscal year shall be used by the Department of Education to work with school districts and entities that serve school districts to develop and deploy analytical tools that allow districts and other stakeholders to analyze more thoroughly district spending patterns in order to promote more effective and efficient use of resources. Quarterly updates of the progress for implementation of these tools shall be provided to the Governor, and the Department shall give due diligence to implementing these tools in the shortest reasonable timeline."

The Vision

The goal of Ohio's education system is for every child to achieve at high levels. It is recognized that key to this goal is a financing system that supports it. Such a financing system needs to be appropriately funded and ensure that dollars are equitably distributed. Appropriate funding levels and equitable distribution are not in the scope of this project. Also important, however, is that the financing system promote the effective and efficient use of resources in the interest of attaining the goal. The vision behind this project is that Ohio become a national leader in the effective and efficient use of resources by the state and school districts driving education improvement.

To meet this vision, the "better system" referenced by the Governor will have several main components:

- Improved financial reporting including better and more accurate data at the building level that attempts to, as much as possible, focus on those activities and functions that are important for achieving academic success;
- Measures for identifying varying levels of effectiveness and efficiency in the use of funds;

- **Decision support and evaluation tools** for understanding the impact of different resource choices to improve the effective and efficient use of funds; and
- Strategies for assisting districts and schools with improving effective and efficient use
 of funds.
- **Information** for Ohio's policymakers and taxpayers to better understand what our education system is paying for, and whether it is working to get us the results we want.

Two Dimensions

There are two key dimensions to the vision of being a leader in the effective and efficient use of resources.

- Educational dimension: This dimension involves how money is spent to directly support those activities that constitute the educational experience. This is a more nuanced dimension. In this dimension, efficiency and effectiveness are important. The key questions include: Are we getting the best deal for the money? and, Is what we're buying having an impact on improving student outcomes?
- Operational dimension: This dimension involves how money is spent to support the operations of schools those things that are not directly part of the educational experience. This dimension includes areas like food service, transportation, utility management, building management, etc. The key question in this dimension is more about getting the best value for the dollar at an appropriate level of quality.

Levels of Understanding: Building, District, and State

It is hoped that the results of this project will have implications for policy-making and action at the school building level, the school district level, and the state level.

The **school building** is the unit of formal educational delivery closest to the needs of students. Principals and building leadership can benefit from better information about resource utilization and effectiveness and can integrate this information with building level improvement plans. Perhaps the biggest deficiency at the present time is reliable, meaningful, and useful financial information at the building level.

- ➤ School districts carry the responsibility for the various buildings under their jurisdiction. School district leadership school boards, superintendents, treasurers, and other members of district leadership teams can benefit from a better understanding of the relationship between resource allocation and outcomes. How funds are allocated among school buildings and what educational strategies are supported by those investments can have great implications for student achievement.
- > State policymakers can benefit from a better understanding of what financial practices and investment strategies hold promise for the greatest return if properly implemented. Such knowledge can guide investment decisions as well as the design of incentive strategies to promote school and district improvement.

Relevant Activities Currently Underway

A variety of activities have relevance to the work to be conducted as part of this project. It is the intention to integrate the activities currently underway in support of this work. Some of this work includes:

- ➤ *Transportation efficiency measure*: The Office of Pupil Transportation at the Department of Education has developed a measure for transportation system efficiency that is posted to the web and being used to guide districts towards improving efficiency.
- School Improvement Diagnostic Tool: ODE is developing a diagnostic framework to assess certain qualitative information about a district's capacity for school improvement. A component of this framework is designed to qualitatively assess resource management capacity.
- ➤ Integration of Finance and Improvement: The Center for School Finance of the Department of Education is undertaking a variety of efforts that shed light on the capacity-building needed for districts to improve their resource management practices. In implementing the state superintendent's spending order rules, practical experience is being gained in the capacity needs for school districts. In collecting data about expenditure patterns for Poverty Based Assistance, important information about practices related to improving educational outcomes for low-income students is being gained. The newly adopted guide for learning supports help districts better understand what good

- student intervention efforts look like. It is likely that Academic Distress Commissions will be appointed for qualifying districts in the coming year, which will drive inquiry into effective use of resources.
- ➤ Professional Development and Learning Support Standards: Two areas key to solid school improvement are quality professional development for teachers and quality learning supports for students that are falling behind. ODE has developed standards in both these areas and is close to completing assessment tools to guide districts in evaluating their practices.
- > Education Resource Strategies District Resource Allocation Modeler (DREAM) Tool:
 The Center for School Finance is piloting the use of this tool with a number of school
 districts to explore its capability to assist districts in examining alternative allocations of
 resources. The tool is designed to help districts create financial allocation choices driven
 by research-based practices for school improvement.
- > Staffing and Financial Analyses: Two standard services provided by ODE's Center for School Finance are the staffing analysis and the financial analysis. While both tools are fairly rudimentary, they provide key insights into understanding a district's financial and operational position. The staffing analysis can help point to areas that are over or under staffed. The financial analysis can point to areas where allocation amounts are outside comparable district comparisons.
- School District Performance Audits: The Auditor of State conducts a number of performance audits of school districts each year. These audits involve the review of a variety of operational aspects of the school district and include cost-saving recommendations.
- > School Employees Health Care Board: This board is engaged in analyzing health care benefits costs for school employees and making recommendations to reduce costs.

Phase I: Where are we today?

Before determining where Ohio needs to go, a better understanding of the current condition is required. Ohio already collects a tremendous amount of financial information. What is lacking

is how best to use these data for purposes of promoting the effective and efficient use of resources. Key questions that will be considered during phase 1 include:

- 1. What financial data are currently collected in Ohio? How are they used? To what extent can they be used to shine light on effectiveness and efficiency?
- 2. What is the quality of building-level data? To what extent are building-level data being provided in a manner that is an accurate portrayal of the spending taking place?
- 3. What best practices can be identified at the local district level in Ohio that drive effective and efficient use of resources?
- 4. What can be learned from district performance audits that could serve to help highlight best practices or point to benchmarking and measurement approaches?
- 5. What work is happening in other states relative to effective and efficient use of resources?
- 6. What tools, rubrics and protocols does Ohio have in place to gauge good educational practices?
- 7. What tools rubrics and protocols does Ohio have in place to gauge the linkage of money resources to student outcomes?
- 8. What role can the newly available value-added data play in measuring effectiveness and efficiency?
- 9. What kinds of reports are already generated and/or available and who has access?
- 10. What work is occurring to ensure that Ohio's data are compliant with federal Schools Interoperability Framework (SIF) data standards?

The result of the information gathering process will be a document summarizing the current state of fiscal data reporting and utilization. It is planned at this time that the findings from phase 1 will be used as the basis for one or more outreach forums that will be used to communicate the findings, gain insights to help ensure the credibility of the findings, and provide input for phase 2 work. It is expected that phase 1 will be completed by December 31, 2007, with the forum(s) held in early 2008.

Phase II: Where do we want to go?

Phase II will involve taking what is learned about the current condition and determining what gaps exist between it and the desired condition. Elements of the desired condition include the following:

- **Financial Data:** It is envisioned that changes will need to be made to Ohio's financial data collection processes and systems. Recommendations will be made as to the changes needed and the timeframes for implementation.
- Measures: It is envisioned that Ohio have an annually updated district-by-district compilation of key efficiency and effectiveness measures. In early iterations, the number of measures may be 3 or 4. Over time, however, it is estimated that as many as 12-15 measures could be developed that would be useful and important in shaping district/state policies and practices.
- <u>Tools to analyze causes:</u> While it may be complicated, the computation of measures is the easy part of the system. The more difficult issue is asking, "What are the practices that cause a district to be ineffective or inefficient?" ODE already provides a service to school districts through a process called a staffing analysis. This service compares a district's staffing levels to peer districts and state averages. It would show inefficient resource utilization in those instances where the level of staff is lower than comparable districts. However, our work with this could be refined.

The staffing analysis concept could also be replicated into other areas of "efficient practice."

• Interventions: Right now, the most visible fiscal assistance available to school districts is in the form of Financial Planning and Supervision Commissions for school districts that are in fiscal emergency. These commissions, however, are constituted to address conditions of insolvency or potential insolvency – and not issues of effective use of resources. What Ohio needs is an increased capacity for outreach to districts to help foster change. This must be integrated with the state's school improvement efforts.

For Phase 2, the project team will use an iterative recommendations development process that will involve two cycles of drafting of recommendations, sharing drafts for comment, modifying the recommendations based on comments received, etc. The final iteration will lead to a full set

of recommendations completed by June 30, 2008. It is also anticipated that during this phase, is may be possible to provide some tangible products – such as measures of efficiency and effectiveness, rubrics for analyzing resource management capacity – that may be deployed as they are developed.

The Process

The project leadership team will consist of the following individuals:

- ➤ Paolo DeMaria, Associate Superintendent for School Finance, Ohio Dept. of Education
- ➤ Barb Mattei-Smith, Assistant Director, Office of School Funding and Fiscal Support Services, Ohio Dept. of Education
- Paul Marshall, Financial Planning Commission Administrator, Office of Budget and Management

The project team will draw on staff from the Dept. of Education as well as OBM and other state agencies as appropriate. Also, the team will seek input from private organizations that have an interest in education finance policy. The project team will develop a list of practitioners that it will consult in completing phase 1 of the project. This group will serve in an ad-hoc advisory capacity and will include district treasurers and superintendents, school finance policy experts, and accounting/auditing experts from the Office of the Auditor of State. The team will evaluate the need to contract for services that may include a more formal evaluation of the state's current financial data-collection mechanisms, and/or recommendations for the development of efficiency and effectiveness measures.

Project updates will be provided as specified in Am. Sub. H.B. 119 on Oct. 1, 2007, Jan. 1, 2008 and April 1, 2008 with a final report presented by June 30, 2008.

Phase 1 Timeline

Phase 1 has four key strands of work:

- Understanding the current financial reporting system (questions 1, 2, 8 and 9)
 - o Aug. 20 to Sept. 28: Information gathering relative to USAS
 - Sept. 17 to Nov. 2: Outreach to ad-hoc group and others to collect information regarding how financial data used at district level.
- Concentration on rubrics and best practices (questions 3, 4, 5, 6, and 7)
 - Aug. 20 to Sept. 28: Collect internal ODE rubrics, protocols, etc. relative to resource management. Review of national literature and other state/local examples of resource management research and practice.

> Development of measures

- Oct. 1 to Nov. 16: Develop computations for efficiency measures related to food service and building operations and maintenance. Develop computations for effectiveness measures. Submit computational approach for external review.
 Collect other available data (workers' compensation).
- Nov. 16 to Dec. 7: Compute efficiency and effectiveness measures. Circulate draft for comment.
- ➤ Report writing: Phase 1 report drafting will begin around Oct.15, with a first draft competed by Nov. 7. Draft circulated and suggestions received through Nov. 30. 2nd draft completed by Dec. 14. Circulation to project sponsors (OBM, Governor's Office, ODE Leadership, etc.)

A public "Discussion Forum" for phase 1 work will be planned for early 2008, possibly in partnership with other interested organizations.

The Phase 1 report will include a more detailed recommendation for the work to be undertaken as part of Phase 2 including timelines and deliverables.

Short Term Deliverables

This section is intended to describe some possible short term deliverables (low hanging fruit) that could emerge from this project. Of the five areas specified in the "vision" section of the project plan (improved reporting, measures, decision support and evaluation tools, strategies for assistance, and information for policymakers) it is in the areas of measures and decision support tools that the most progress likely can be made.

- 1. Measures: This is likely where we can make some quick progress and harvest some low hanging fruit, as follows:
 - a. Transportation efficiency measure refined and reported
 - b. Food service efficiency measure developed and reported
 - c. Building maintenance/building utilization efficiency measure developed and reported
 - d. Workers Compensation Rate reported for all districts as a measure of effectiveness in managing workplace safety
 - e. Needs-Adjusted Expenditure Per Pupil measure developed and reported
 - f. Preliminary Effectiveness Measure using Value-Added Data developed and released for comment.
 - g. Health Care Costs/Benefits Costs measures developed and reported.
- 2. Decision support and evaluation tools
 - a. Draft rubric for qualitative measures of district resource management capacity