Value Based Budgeting:
Does it have a place in the Anchorage School District budget process?

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Section I: Executive Summary

This evaluation of the Anchorage School District explores the benefits of value based budgeting and its potential impact on the district’s budget process. Annually, the Anchorage School District faces multiple challenges in approving and implementing a budget. By analyzing what has been done in the past to alleviate past budgetary shortfalls, and looking ahead to new solutions, value based budgeting offers promising potential tools the Anchorage School District can utilize to navigate the obstacles inherent in budgeting. The benefits of value based budgeting are initially observable, however, there are limitations if not implemented fully and consistently, and in conjunction with supplemental measures to streamline and improve the budget process.

Section II: Introduction

Government has a duty to “enhance or maintain the well-being of its citizens by providing public services in accordance with public policy goals” (Why Governmental Accounting and Financial Reporting is and Should be Different). One of the ways in which government accomplishes this goal is through the budgeting process. Budgeting serves as “the mechanism for documenting public policy choices and authorizing the allocation of those resources” (Why Governmental Accounting and Financial Reporting is and Should be Different). While this definition appears to encompass the basic premise of budgeting, the process is “fraught with multiple accountabilities, untested assumptions, vague goals, and limited causal knowledge” (Kelly & Rivenbark, 2011).

School districts around the country recurrently deal with a plethora of issues ranging from curriculum to the formation of their budgets. The Anchorage School District (ASD) is certainly no exception, as one of the nations one hundred largest school districts the ASD has a
substantial burden of working with the budget in such a unique state that is Alaska. The factors which contribute to the complexity and mixture of variables which make up the budget process for the ASD are exacerbated by the fact that it operates within the Municipality of Anchorage (MOA). Performance budgeting is one particular form of budgeting, also known as results-oriented budgeting or value-based budgeting, is increasing in popularity among federal, state and local governments.

**Section III: The Problem**

The MOA has recently gone through some minor turmoil concerning the tax cap limitations on the local property tax. The property tax specifically has constituted a substantial portion of the MOA contribution to the ASD budget over the years, as it is the municipality’s greatest form of taxation of its residents. The last five year average has allocated nearly fifty percent of MOA collected property taxes to the ASD, which exacerbates the arguments over fair and efficient taxation brought forth before the Anchorage assembly. The concern over local taxation is omnipresent in Alaskan political debates. When measuring state and local tax collection per capita Alaska ranks the highest in the country (Tax Foundation). However, these measurements can be deceiving if not understood by measuring actual resident taxation. Alaska ranks last in tax burden upon residents with an average of $1,433 collected from residents per capita in 2008, while the same year brought in $6,431 from non-residents per capita (Tax Foundation). This equates to roughly over eighty percent of tax revenue collections being supplied from non-residents in the state of Alaska.

Though taxation of Alaska residents is exceptionally low and comparatively less burdensome the issue is still hotly contested in local politics. This tumultuous environment of debate trickles down to concerns over ASD funding. The MOA has placed a cap on the level of
appropriations from property tax allocated to the ASD which limits their ability to adjust their operations. Public resistance to property taxes in MOA stems from sentiment of being over encumbered by one form of taxation. The Tax Foundation reports, in a measurement of nationwide municipal and county median property taxes based on average household income, that the Municipality of Anchorage ranks 107 out of over 3000 measured (Tax Foundation. Various projections show the differing levels of funding which may be given to ASD depending on what outcome the tax cap debate finally rests with.

![Property Tax Scenario](image)

Anchorage is a growing community with expected rises in school age demographics projected for many years to come. The combination of increasing population, inflation, and accountability has created an environment in which the ASD must continually attempt to reorganize and re-strategize their budget. As with any governmental organization in today’s financial environment, the ASD is now more so than ever charged with maximizing efficiency in its operation. The most recently developed goals and directives brought forth by the ASD approach an array of subjects improving graduation rates to improved community relationships.

One third of the published School-Board directed objectives directly cover issues of financial management. First and foremost ASD intends to improve their budget process in order to identify and prioritize importance of all ASD programs and services in a fashion that creates a
level of comparability or standardization (ASD, Budget Basics). In a step toward increased accountability ASD also intends to amend the budget to utilize measurable and meaningful deliverables which will help structure budgets in the future. Other significant financial reform measures include staff evaluation processes as well as purchasing program restructuring (ASD, Six Year Fiscal Plan).

ASD funding is partitioned into different areas such as food service, debt service on MOA bonds, grants for specific purpose, and the general fund. The general fund budget is the area which recurrently goes under the most scrutiny in measuring for effectiveness and efficiency because it covers operating costs such as payroll and facilities. The funding sources for ASD general fund are broken down into major areas which can be categorized in descending level of size as state, local, federal, and other minor local contributors (ASD, Budget Basics).

Though there are but a few main categories, the degrees to which they provide funding are drastically separated. State funding to the ASD provided through the Alaska Public School Funding Program generates, for example, slightly over sixty four percent of the general fund budget. Local taxes appropriated through the MOA constitute roughly over thirty percent for the upcoming school year budget (ASD, Budget Basics). The financial troubles experienced in recent years have heightened the debate concerning taxation and governmental tax appropriation. If funding is to remain at a stagnant level, that is not expecting any drastic changes in revenues beyond inflation, the projected level of necessary budget cuts to sustain operations range from fiscal year 2012-2013 at $29 million to $102 million during fiscal year 2016-2017 (ASD, Six Year Fiscal Plan).
These expectations are very ominous in projecting the future of education in Alaska. The soon to expire American Recovery and Reinvestment Act funds, as well as various other federal grants, is expected to be a substantial contributing factor to this looming crisis. Limitations in future revenues are being placed upon already growing trends in ASD expenditures, which have seen a substantial increase in just the last six year span. The rising costs are attributable to various areas within the ASD budget including substantial increases in operating expenses, special education, utilities and fuel, group medical, retirement, and incremental TRS/PERS. The state legislature is currently undergoing debates concerning the proposed $110 million increase in base student allocation which is primarily meant to address increasing energy costs, and not many of the other growing budget issues.

Section IV: Previous Attempts

In 2011, the Anchorage School District (ASD) was facing a $15 million budget shortfall, which simply put, means the revenues pulled in by the district are considerably less than the cost of operation. This $15 million shortfall – or “gap” – has been a heavily debated topic during the
budgetary process of this fiscal year. There are many schools of thought and solutions to closing gaps such as the one faced early in 2010-2011, however, not one single solution can be alone considered the right one. There must be some sort of combination or compromise between the benefits of initiating a budgetary-cutting program and the consequences it imposes. Right off-the-bat, ASD was able to reduce the $15 million shortfall to $12 million. This was done after the School Board recently approved up to a $3 million draw on its Fund Balance, which is an account set up for emergencies. According to the Anchorage Daily News, the Anchorage School District hosted a series of group exercises in which participants targeted specific departments and areas where cuts could potentially be made (ADN 1).

These exercises were an open group, and the district has participants ranging from employees to parents to community members who are simply involved and concerned about how the school district spends its money. The hope was to have more community and at-large involvement in this process, because at that time, about 48 percent of employees were involved, and the balance of the cuts was shifted too far from within the teaching community (ADN 2). Heather Sawyer, executive director of communications of the ASD reiterates this point by saying:

“Our goal is to get the priorities from the community, get their suggested cuts, and analyze those to see if it makes sense. We know that one of the biggest concerns that came out of the municipal forums is 'We don't want you to cut anything; we want to look at government inefficiencies.' Basically all of our departments are running at minimum. Obviously we're going to keep looking at that aspect, but we need to look at other areas, too” (ADN 2).
Through the community forums, one important concern that was aired was the desire to minimize cuts such as those which directly impact education on a daily basis, including interactions with teachers and time in the classroom. During the group forums – which included students as well – the students suggested three major cuts; first, to special education services. Second, technology upgrades. And lastly, instruction support staff; saying that computer upgrades could wait and that teachers in the classrooms seemed to be handling their jobs well enough without needing additional training or in-class specialists.

Some suggest the cuts should be made at the administration level. For instance, some of the functions of secondary level principals can be combined into one position at the high school level. Also, increasing energy efficiency in lighting and heating, and eliminating activity buses for after school events. According to the ASD, the district had a payroll of more than 12,000 employees last year, with more than 700 of those employees earning more than $100,000 in salary and benefits annually (Budget 1). Today, the budget shortfall scare has been cut to zero.

A difficult year: 2004-2005 shortfalls

During the fiscal year 2004-2005, the Anchorage School District was faced with similar circumstances relative to their budget. The projected budget shortfall was $26 million. Because of this vast gap, the citizens of Anchorage were tasked with developing recommendations to address this problem. These task forces presented their recommendations, which can be used today as potential solutions to the problems faced today. The shortfall of 2004-2005 was caused by state education cuts, increased district contribution to state retirement systems, inflation of supply and utility costs, additional programs and services created to meet federal and state education mandates, and increased costs for union contracts. During this time, 150 citizens
volunteered to spend six weeks looking deep into the district’s budget, searching for reductions, efficiencies, and revenue enhancements.

According to the Anchorage School District 2004-2005 Budget Shortfall Report, ASD Superintendent Carol Comeau presented the School Board with a proposed budget for the ’04-05 school year that included larger class sizes, higher fees and a long list of program and personnel cuts, all forced by a $26 million budget shortfall. The board reviewed and deliberated the proposed budget during a series of meetings approving most (Budget 2005).

Other types of cuts

In 2004-2005, Superintendent Comeau proposed that the district’s 13 Community Schools be closed, for a savings of $716,000. Community Schools provide educational, cultural and recreational activities and classes for Anchorage residents of all ages. The program was officially cut July 1, 2004. Also, seventh-period classes at middle schools were eliminated, and the remaining six periods lengthened to preserve the overall length of the school day. Eliminating seventh-period classes meant that middle school teachers lost one of their two daily planning periods, and students were not able to take as many elective classes as before. The move resulted in 54 fewer teaching positions at the middle school level, and saved $3.7 million. Class sizes at all grade levels district-wide were increased by an average of 1.5 students, eliminating 103 teaching positions and reducing the budget by $7 million. There was no way to cut the budget to the degree necessary without increasing the pupil-teacher ratio. Comeau proposed a 10 percent cut to every school and department’s supply and equipment budget, which totaled $566,000.
The supply cut also reduced the amount of money the school district had for printing and postage. The proposed budget reduced half the number of kindergarten aides in schools, cutting 81 part-time positions for a savings of $1 million. The budget cut all library aides for elementary and middle schools, equivalent to 11 full-time positions, and cut five assistant principals district-wide. Swimming was also no longer offered as a high school physical education class (Budget 2005).

*Private schools*

Some looking to cut the amount of expenditures, such as consolidating schools, reduce benefits, larger class size, cut bus systems, are also looking to limit the amount of people they have to serve. One solution to this is the use of private schools. Public school systems similar in size to the ASD are servicing a smaller percentage of students than Anchorage. This is because these cities have quite a few private school opportunities. About a quarter of the kids in these communities attend private schools. So in effect, the public school districts there are left with the 75% of the kids whose parents have chosen not to not take on the additional cost of private schooling. To add to the lack of private school opportunities, those cities with both forms of school are typically surrounded by suburban communities that are perceived to have generally better school systems. Again, these cities are left with school age kids whose parents have chosen not to move to better neighborhoods for their children. This is not really an option in the Anchorage Municipality.

*Improbable Solutions: Across-the-board-salary and benefit cuts*

According to the Anchorage School District, personnel costs consumed 89 percent of the district’s total operating budget this year, which consists of an $8 million increase from last year.
Because the majority of district employees have union representation, and the contract approval process is typically drawn out and lengthy; the across-the-board salary and benefit cuts are not entirely possibly. Medical costs alone represent a nearly 60 percent increase since 2007. By the terms of the most recent teacher’s contract, the district is obligated to fund teacher healthcare at the rate of $1,180 per month, per teacher, or more than six times the national average. By 2013, that number would have increased to $1,400 per month, per teacher. Medical costs also increased at nearly ten times the rate of inflation annually. Without drastic changes to employee salary and benefits, the district would soon be unable to fund the ever-growing personnel costs (ASD 2).

Section V: Performance-based budgeting

Our nation’s current fiscal crisis is putting increased pressure on financial managers and officials to “provide services and goods to constituents in an efficient, effective economical and sustainable manner” (Why Governmental Accounting and Financial Reporting is and Should be Different). Along with the financial pressures the recession as initiated comes demands of increased accountability from stakeholders such as citizens and elected officials. Many localities, including school districts, are looking for ways to satisfy their constituents’ demands for service and accountability while maintaining high quality education and closing budget gaps. In some cases, performance budgeting has answered the call.

“Performance measurement,” writes Terrell Blodgett of the University of Texas and Gerald Newfarmer of Management Partners, Inc., is “(arguably) the hottest topic in government today” (Behn, 2003). Despite its long established history (to be examined later in the discussion) and wide spread use, a definition of performance based budgeting is not easy to pin down. The arduous task of defining the term is made difficult by the “absence of an agreed-upon definition”
in addition to “the nature of the budget process itself” (Kelly & Rivenbark, 2011). Rivenbark and Kelly define performance budgeting as “a budget development, implementation and evaluation process that emphasizes performance management, allowing funding decisions to be based in part on the efficiency and effectiveness of service delivery” (Kelly & Rivenbark, 2011). Similarly, a report issued by the Legislative Research Commission classifies performance based budgeting as an approach that “focuses on the outcomes of programs-the things that citizens want the government to accomplish, such as safer neighborhoods, better health, or effective schools” (Hager, Hobson, & Wilson, 2001).

As was previously mentioned, performance budgeting is not a novel concept. The origins of this form of program evaluation and resource allocation can be traced as far back as “the turn of the twentieth century in the work of the New York Bureau of Municipal Research” (Rivenbark & Kelly, 2004). Components of performance based budgeting was utilized “by the Hoover Commission in the late 1940’s” and various “localities have been experimenting with some form of performance budgeting since the early 1950’s” (Rivenbark & Kelly, 2004). In the 1980’s, the Governmental Accounting Standards Board started “recommending that governments report on service outcomes” (Hager, Hobson, & Wilson, 2001). The concept was brought to mainstream conscientious in 1992 with Osborne and Gaebler’s book entitled Reinventing Government. That same decade, “the Chief Financial Officers Act of 1990 mandated the use of performance measures for many federal agencies” (Hager, Hobson, & Wilson, 2001).

While it is clear that performance or value based budgeting emphasizes outcomes, the process itself can be difficult to nail down. When developing a working definition of performance budgeting, it is essential to acknowledge that “public officials operate in an environment of constrained resources and public preference” (Rivenbark & Kelly, 2004).
According to Rivenbark and Kelly, “performance budgeting occurs when program managers use performance results to justify their budget requests… during budget preparation and adoption” (Rivenbark & Kelly, 2004). As opposed to incremental budgets, which “provide defensible funding, that is, spending stays within the budget; performance budgeting represents justifiable funding that is linked directly to outputs” (West, Cronk, Goodman, & Waymire, 2010).

**Performance based budgeting in the Anchorage School District**

The Anchorage School District (ASD) consists of 100 individual schools, including 60 elementary, 10 middle and 8 high schools, and serves 50,000 students. With a project 2011-2012 budget of over $600 million, ASD is not immune to the pressures of the poor fiscal climate or increased public scrutiny. As was pointed out previously, “current economic and political events have fueled taxpayer interest in government budgeting” (West, Cronk, Goodman, & Waymire, 2010). A transition from traditional practices must be made in order to “increase manager accountability, improve process transparency and achieve…strategic objectives” and the ASD has recognized this reality, (West, Cronk, Goodman, & Waymire, 2010). Like all other public organizations, ASD has its own set of objectives and goals it strives to adhere to, these goals are listed below.

1. All students will graduate from high school prepared for postsecondary academic/vocational/career opportunities.

2. The achievement gap between racial, ethnic and economic groups in the highly diverse ASD will be eliminated through education that is accessible, culturally responsive, supportive of students and safe.

3. ASD will partner with parents and the community for greater educational success for our students.

4. ASD will manage effectively and efficiently all financial and human resources.

5. All ASD departments will support the mission of the District with good customer service, both internally and externally.
This new style of budgeting is so popular that “thirty-nine states now include performance measures in agency budget requests, and 42 states report some level of performance measures online, according to the National Association of State Budget Officers (NASBO), (PEW, 2011)”. It has become so successful among the States that programs such as school districts have started to adopt its methods to help reform their budgeting and close the gaps that have been created.

Faced with a $15 million budget short fall, ASD had to take action to protect their ability to fulfill the aforementioned goals. Consequently, reflecting a first for the Anchorage School District, their 2011-2012 “budget was developed using value based budgeting, which included listing and ranking of programs and functions of each department within the district” (ASD, 2011). Cognoscente of high public expectation and dwindling revenue, Superintendent Carol Comeau stated their budgeting efforts reflect their desire to “bring forth a fair and balanced proposal” while acknowledging that “increasing financial challenges require ever-increasing frugality” (ASD, 2011).

In their efforts to solve the budget dilemma, ASD presented a list of nine board-directed objectives they described as “specific areas of effort that are designed to help the district achieve its overall goals” (ASD, 2011). The first of these objectives was to “develop a value-based budget process that the board can use to weigh the effectiveness of existing programs and the use of taxpayer dollars” (ASD, 2011). In its endeavor to embrace the highest degree of public input possible, the Anchorage School District “held three community discussions and one meeting with the Student Advisory Board, and accepted public comments online and at board meetings” (Anchorage School District, 2011).
In their 2011 report entitled Budget Basics, the ASD’s Board put forth two objectives they utilize in their development of a budget process. The School Board intends to continue efforts to cultivate a budgeting process “that (1) identifies the relative value and importance of all ASD programs and services to establish a comparability standard for allocation of funding, and (2) uses measurable and meaningful deliverables to provide accountability, to test the benefit assumptions used to assign values, and to inform subsequent budgeting” (Anchorage School District, 2011). The report goes on to state that it is intended that the process be effective in providing “information with which the Board can weigh the effectiveness of tax payer dollars… and be capable of comparison to other school districts of comparable size” (Anchorage School District, 2011).

Budget Director Marie Laule for ASD states, “A change in the budgeting process for ASD was needed. ASD took it upon themselves to reorganize that process by having each department list their programs out and put a value on them.” This was to ensure that there was “no duplication of programs and that they were being consistent in working their way up in all of the k-12 programs that were offered.” Ms Laule states “Performance based budgeting is a work in progress, it will take a few years to get data back to see any results” but her and her staff are optimistic about the outcome and they are “excited to see how effective it will be”.

The urgency of the need for change and increased efficiency is exasperated by the fact that “school district budgeting decisions take on added significance in light of fulfilling the objectives of No Child Left Behind Act (NCLB). If NCLB’s goal of 100% student proficiency by 2014 is to be realized, school districts, as part of their improvement plans, need to focus on how to ensure that appropriate resources are available to fund proven instructional strategies which produce results. Budgeting merges resources and results (Burckbuchler, 2008)”.

Budget Director
Marie Laule insists that ASD “has just scratched the surface by implementing performance based budgeting and that there are a lot of critics out there but by developing and improving key performance indicators they hope to see a big difference in the future including improving efficiencies for ASD.”

Implementation

The Anchorage School District must keep in mind that “performance measurement is meaningful only if it is tied directly to the budget process” and program performance is measured “in a way people find meaningful” (Andrews, 2004). Performance budgeting must be tied to the constituency and “measures selected must be understandable by a wide range of stakeholders” (West, Cronk, Goodman, & Waymire, 2010). Performance budgeting measures and processes “should be part of a continuous feedback loop that is used to report on program value and accomplishment and identify areas where performance is weak so that steps can be taken to promote improvements” (Behn, 2003). If stakeholders and ASD administrators are not being consistently updated regarding program measures and results, value budgeting has no real benefit.

Value or performance measures must also be utilized in the decision making and budgeting processes in order to be useful and worthwhile. “Neither the act of measuring performance nor the resulting data accomplishes anything itself; only when someone uses these measures in some way do they accomplish something” (Behn, 2003). Such performance measures fill a variety of roles. The Governmental Accounting and Standards Board suggests that performance measures are “needed for setting goals and objectives, planning program activities to accomplish these goals, allocating resources to these programs, monitoring and evaluating the results to determine if they are making progress in achieving the established goals.
and objectives, and modifying program plans to enhance performance” (Behn, 2003). The ASD, like many of its counterparts “currently endures tremendous pressure to couple service-delivery demands with limited revenue generating options,” making widespread implementation of value based budgeting a viable option for ensuring budget stability (Melkers & Wiloughby, 2005).

Consideration for successful future implementation and development of value based budgeting strategies may include a restructuring of the entire budget structure. As Rivenbark and Kelly point out “our research indicates that most local governments engaged in performance budgeting use the line-item approach” (Rivenbark & Kelly, 2004). The line item or “laundry list” (seen in Figure 1) approach to budgeting does not “encourage the ability to see the interdependencies between dependant and independent variables and the ‘ripple effect’ when a change occurs in one or more variables” (Grizzle & Peltijohn, 2001).

ASD currently utilizes line item budgeting in addition to the introduction of vaule based budgeting practices. A “system dynamics approach” to budgeting is more conducive to performance budgeting in that it has the ability “to more accurately reproduce the behavior of a particular system, to study the changes throughout the system… and to better understand which variables are more critical to the success of the system as a whole” (Grizzle & Peltijohn, 2001). In order to reap the full benefit of value based budgeting, it may be necessary for the ASD to restructure their budgeting framework and apply performance budgeting measure to a wider variety of its programs.
Section VI: Why is it important to the ASD?

This is a very valuable technique for ASD and other schools that are having budget conflicts and deficits. There are many benefits to implementing Performance Based Budgeting. It “provides accountability to the public: In the public sector, resources are borrowed from the shareholders. As stewards of the resources, governments are required to deliver some product or result.” It also “drives redesign of programs (focuses on improvement): Performance supported budgeting can be a driving force in the redesign of programs and the driving force in integration within agencies, and across agencies. If it is focused on improving, there will be a more effective overall plan.” It also “helps rationalize budget allocations (uses performance information as a basis of evidence): Performance budgeting ensures that performance information is part of the budget and resource allocation debate. Performance information needs to be, in some manner, part of the resource allocation (Young, 2003)”.

It also “improves understanding of crosscutting programs in government: It is possible to better understand total costs and benefits of comparative crosscutting programs if they can indeed frame them to be understandable to each other, outsiders, and stakeholders” and “helps agencies link their daily activities to overall government outcomes and similar activities of other
agencies” by “tracking costs and performance-based budgets against goals helps to understand roles in achieving government goals. Process outputs need to be identified and measured at each step, then tracked against the outputs. Also, each agency has to reassess its outcomes”. This technique also “helps align government spending with overall goals: there needs to be an assurance that the resources provided by the public are spent sensibly for public purposes. Performance has to be an integral part of that equation of getting it done right.” Furthermore, it “compares cost effectiveness between programs: More can be achieved if we know which activities are most effective. It is a cost-effectiveness argument where there are similar measures for different programs (Young, 2003)”. Although this is viewed from a government perspective on budgeting, these same techniques are being used by other school districts in other states to help close their budget gaps and the outlook is promising.

Who is doing it?

Believe it or not, this idea of performance based budgeting is not a new one, and in its current form, has been around since before the mid 90s. “Researchers from New York University's Institute for Education and Social Policy spent five years tracking the progress of New York’s long-running experiment with “performance-driven budgeting.” The idea behind the system, which was been tried around the country in one form or another with mixed success, was to move control of the purse strings from the central administration to the city’s local districts and schools (Viadero, 2002)”. They saw how poorly the schools were doing and tackled the problem by using a “quiet but radical” overhaul that has “transformed the New York City public
schools from a top-down to a bottom-up management system—and seems to have improved student achievement in the bargain, a study concludes (Viadero, 2002)‖.

A study was done to evaluate the effectiveness and degree of change this style of budgeting affected the school district. It turns out, “the change to a more locally driven budgeting system was dramatic for a district long bound by its massive central bureaucracy, according to the study. Where administrators once had to wait six weeks for an OK from the central office to order a box of pens or hire a new teacher, they could get overnight approval for such expenditures from their local district offices under the new system” (Melkers & Wiloughby, 2005).

Besides boosting efficiency, the performance-driven budgeting system also gave local districts and schools the flexibility to target resources better, the researchers say. If students' math and reading achievement presented particular problems, for example, a school could use money that would normally go for a new teacher to hire a part-time reading specialist and a part-time math specialist. To help schools determine where to put their money, community districts furnished them with a sophisticated software system that provided data on students' academic performance as well as on schools' ongoing budget statuses. “Administrators, working with local site councils, are required to use the achievement data in drawing up educational plans for their schools each year (Viadero, 2002)”. New York had great success in their school districts by implementing performance based budgeting and it has taken off from there.

There are now specific companies that are targeting their seminars towards school districts such as Curriculum Management Systems Inc (CMSI). This company’s goal is to offer “Curriculum Audits and Services for Educators Dedicated to Improving Student Learning.”
CMSI believes that “the purpose of the performance-based (also called curriculum-driven) budgeting seminar and process is to train participants in effectively using participatory decision making to develop an efficient but productive budget. Using curriculum needs and requirements, participants learn how to design and build budgets that are results and performance focused, and how to apply quality improvement strategies with limited or [shrinking] resources. The focus is on keeping budgets lean while maintaining the quality of the educational system, and on involving more stakeholders and decreasing conflict during the decision-making process (CMSI, 2011)”.

The program also assures that, “participants will gain the following from this seminar: Ways to reduce or contain the budget without damaging the educational mission, Performance-based budgeting techniques that improve quality, Procedures to ensure the budget is driven by educational needs and strategic planning, Anticipating the unforeseen consequences of budget reductions, Maximizing productivity in hard times, Increasing revenues and expanding resources despite economic austerity, Budget and request activities and forms that enhance educational priorities, What to do about the repercussions of central office reductions and program cutbacks, New strategies for communicating with employees, parents and the community and Strategies that foster collaboration (CMSI, 2011)”.

Many K-12 schools and colleges across the country are very interested in this budgeting technique, which is growing in popularity. States from Alaska, New Hampshire, Chicago and Milwaukee have each started looking into Performance based budgeting and creating plans that outline the implementation process into their schools within the next coming years (some already have implemented it). The State of Alaska has devised a plan to be implemented into the 2011-
2012-school budget and it will be interesting to see which techniques they apply from this style of budgeting and what the results will be.

The state of Milwaukee began its transformation in 2007 in the hopes that by 2009 the plan would be fully realized. “Milwaukee Public Schools prepares for FY09 with the administration, the Board of School Directors and district staff fully aware of the urgency of the district’s educational mission and the compelling need to coordinate resources and efforts to achieve the goals the community has set. In July 2007, the Board adopted a new strategic plan, “Working Together, Achieving More.” It outlines high-level goals for the district. It also serves as a master plan for the FY09 budget (MPS, 2009”).

The criteria were set as follows: “The Superintendent’s proposed FY09 budget is built on the framework established by the eight goals of the strategic plan: Students meet and exceed Wisconsin academic standards and graduate prepared for higher education, careers and citizenship, school communities work together for improvement in academic achievement, leaders and staff demonstrate continuous improvement through focused professional development, school staffs are accountable for high quality teaching and learning, measurable gains in student achievement and fiscal responsibility, school staffs are supportive and responsive to students and families, the district is accountable for measurable results, the district’s central services departments support student learning and, the district builds partnerships to support student achievement (MPS, 2009”).

The State of New Hampshire and “the Mascenic Regional School District prepared for the FY 11 Budget proposal by meeting with administrators, teachers, and the school board with district staff fully aware of the urgency of the district's compelling need to coordinate resources
and efforts to achieve the goals the board has set to create excellent schools. In December 2009, the school board will adopt a new strategic plan, "Working Together to Achieve Excellence for Everyone," which outlines six high level goals for the district and serves as a master plan for budget development and proposals to voters (Corriveau, 2010).

Change was just around the corner for this school district in New Hampshire. “The superintendent's FY11 Budget was built on the framework established by the six goals of the proposed strategic plan: 1. Create a financial plan utilizing various streams of funding to ensure educational success and the highest standards of financial management while improving facilities and student programming. 2. Establish an integrated; standards-based P-12 educational program to promote academic achievement and increase core competencies at all levels. 3. Foster connections with our communities to enhance educational opportunities and ensure a collective voice in the educational experience of students. 4. Build successful professional learning communities by attracting, developing, and retaining highly qualified and motivated staff. 5. Further the implementation of the district's mission and strategic plan by collaborating with all stakeholders. 6. Ensure that all members of our educational system use technology proficiently and responsibly (Corriveau, 2010)”.

States, elementary and high schools are not the only ones looking into the concept of performance based budgeting. Colleges have had their eye on it for a while too and the results have become more tangible at this level. “Whether you call it a "double whammy," "perfect storm," or "tipping point," public higher education has reached a crossroads, and new, more strategic ways to support universities are required if they are to meet state priorities. The demands are soaring while state appropriations are shrinking, and it will take much more than an improved economy to close the gap between institutional needs and available resources. States
and public higher-education institutions must do business differently to educate and train a labor force with the skills that our country needs to compete globally. If fundamental changes don't occur, the nation will be short millions of college-educated workers in the next few decades (Conklin, 2004)“.

Colleges, such as Washington State, have “adopted a new performance-based budgeting model that includes such strategies. To produce more graduates in high-demand fields like science, math, engineering, and special education, the state increased institutional support in those disciplines. Similarly, the state responded to a demand from industry for a more skilled work force in the area spanning Portland, Ore., to Vancouver, Wash., by investing in a science and engineering institute there. In the next budget cycle, public colleges and universities will be required to change how they describe their activities; instead of just naming specific programs, like "libraries," "instruction," "plant operations," or "research," they will have to detail how they benefit the public (Conklin, 2004)”.

Does it work?

The implementation in these K-12 schools mentioned in this paper are relatively new and results regarding their effectiveness may not be seen for a few years, but as we saw in the case of the New York schools, a significant change did happen in areas such as boosting efficiency, giving local districts and schools the flexibility to target resources better and more control on where the money should be placed based and helping to close the budget gaps as data results show by better budgeting their time money and resources. It will be very interesting to see how the plans that were implemented into their budgeting forecasts work out and what the results will be. It is simply just too soon to tell at the K-12 level districts discussed in this paper.
The University of Cincinnati is a strong believer in performance based budgeting. “Performance-based budgeting is a good thing,” states McMicken Dean Valerie Gray Hardcastle, “It allows us to control our own destiny and it allows us to get resources as we grow, which has not historically been the case.” The university created a task force more than two years ago to overhaul the way resources were distributed to the many colleges and auxiliaries on campus.

After researching a number of performance-based budgeting models at other universities, members of the task force discovered that the most successful models were resource, and enrollment-driven, where issues of reputation and centrality to the university’s mission took part in setting revenue goals. “Every college will be assigned a threshold number that you have to reach,” Hardcastle said. “Because we’re going to be entering a budget cut, you can manage that by increasing enrollments or decreasing costs. Performance-based budgeting really allows colleges to take charge of their own financial futures.’ If a college is able to offset its running costs (such as salaries, scholarships and other expenditures) with the revenue it receives from tuition, fees and state subsidies, it will gain a profit. If that profit exceeds the previously determined threshold number, the college will get to keep a chunk of that extra cash—an incentive that was not previously included in the university’s budget model (Burdett, 2009)”.

*Importance summarized*

The idea of performance based budgeting has been around for many years. It is just recently that it has become very popular not only among the States but also K-12 schools and even colleges. The idea of performance based budgeting is to help these entities better allocate their time and resources to help students (or workers) perform better and close budget gaps and deficits. Each of these entities has their own plan and criteria for what is to be implemented into their budget forecast and what is to be expected in the years to come. There are so many
variables and loopholes as to why performance based budgeting may or may not work. The examples in this paper are of circumstances where performance based budgeting is working or being put into implementation. For some it is too soon to tell whether it will be a success, for others it has been and continues to be. Performance based budgeting may not work for all schools but right now it is the direction these different entities are looking at for change, whether it lasts and continues to be a success remains to be seen.

Section VII: Final recommendation

The introduction of value based budgeting has initially shown strong potential to increase and streamline the efficiencies of the ASD budgetary process. The amount of funds received by ASD is still an issue that supersedes the level of effectiveness that value based budgeting can achieve on its own. Programs should be given an opportunity to prove that they reflect and carry out ASD goals and increase efficiencies. The benefits of implementing forward budgeting practices, in conjunction with value based budgeting, will strengthen both and compound the benefits seen by the ASD as well as the community as a whole. To reach maximum efficiency, value based budgeting must be consistently implemented in its entirety. The contribution of value based budgeting to stakeholder participation and input is an essential component which will increase accountability and transparency within the ASD budgetary process.
Works Cited


