



BUDGET PROCESSES AND REDUCTIONS

February 2021

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INTRODUCTION

A Hanover partner expects reductions in state funding for the 2021-22 school year and needs to make difficult budgetary decisions. To navigate the conversations that will surround these decisions, the partner has partnered with Hanover Research (Hanover) to identify best practices for navigating budget shortfalls and examples of budget strategies in peer districts. This report includes the following section:

- **Section I** reviews best practices for making emergency budget reductions. This section draws on recommendations from the secondary literature, including recommendations developed in response to the COVID-19 pandemic and recommendations developed in response to previous financial challenges.
- **Section II** presents case studies of two peer districts that have cut budgets in response to COVID-19.

KEY FINDINGS



A strategic budgeting process minimizes the impact of budget reductions on student outcomes. In the short term, districts can engage with stakeholders to identify programs and supports that can be cut with minimal impacts on student achievement, such as underused technology programs. In the longer term, aligning the budget process with district-wide strategic goals ensures that all expenditures contribute to student achievement.



Peer districts vary in their response to budget reductions. Among districts that have implemented budget cuts, Lawrence Public Schools implemented a hiring freeze and took advantage of voluntary attrition to restructure central office staffing. Natrona County School District plans to focus cuts on specific expenditures such as school resource officers and out of district special education placements.



Peer districts use structured processes to incorporate stakeholder feedback into budget decisions. For example, Lawrence County Public Schools in Kansas relies on a Budget Evaluation and Program Committee (BEPC) made up of board members and representatives of employee stakeholder groups to review spending during challenging budget years. Likewise, Natrona County School District relies on a Board Budget Committee that includes representatives of internal and external stakeholder groups.



Districts may be able to identify cost savings through a careful review of school and central office budgets. In some cases, schools and central office departments maintain contingency funds that can be redeployed to support district-wide needs. A budget monitoring process should also ensure that actual expenditures align with budgeted allocations and that schools adhere to staffing allocation formulas. If schools exceed staffing formulas, districts should consider sharing some positions across sites.



Staffing reductions in response to budget cuts may be unavoidable, as staff salaries and benefits compose 80 percent of total district expenditures on average. Districts such as Lawrence Public Schools have realized cost savings by freezing new hires and taking advantage of voluntary attrition to restructure central office staffing. If layoffs are necessary, districts should consider alternatives to the traditional seniority-based layoff policy, which research finds exacerbates the negative effects of layoffs.

SECTION I: BEST PRACTICES

In this section, Hanover reviews secondary literature on best practices for responding to financial disruptions. Anticipated financial disruptions resulting from the COVID-19 pandemic include both the direct effect of school closures and reductions in state funding for education due to lost revenue.¹

Related to school closures, districts may face a long-term decline in enrollment as students choose homeschooling or other remote learning options.² Additionally, districts may experience increased expenditures related to the transition to online learning and the cost of health and safety measures.³ Specific to state funding, districts anticipate a reduction in revenue due to the economic recession, and Wyoming specifically asked districts to make voluntary 10 percent budget reductions in the summer of 2020 and is planning further reductions.⁴ With these many financial challenges, districts have granted superintendents emergency powers to make financial decisions without consulting the board.⁵

This section reviews strategies recommended in the secondary literature to address these challenges and minimize the impact of funding reductions on students. Because the literature on best practices specific to budget decisions during COVID-19 is limited, this section draws on recommendations and district examples related to previous financial challenges, particularly the late-2000s recession. This section begins with a review of best practices for making financial decisions in times of crisis, including decisions related to staffing and best practices for long-term financial management. This section goes on to review best practices for engaging stakeholders to build support for difficult budget decisions.

FINANCIAL DECISIONS

Strategic leadership by district superintendents and financial officers is essential to manage budget reductions while ensuring that funding is used equitably and efficiently.⁶ Figure 1.1 presents general principles for resource use decisions during COVID-19 recommended by WestEd, a nonprofit education research organization. These principles include a focus on maintaining essential services and prioritizing the students most in need of support. Economically vulnerable students are more likely to experience learning challenges as a result of extended school closures or remote learning and may also face challenges such as housing insecurity and hunger. Where possible, district leaders should adjust resource use to support these students,⁷ including reviewing school-level funding allocations to ensure that resource use is equitable across schools.⁸

¹ Willis, J., K. Krausen, and R. Caparas. "Managing Public Education Resources in California during and after the Coronavirus Crisis: Practical Tips and Considerations for School District and Charter School Leaders. Crisis Response Resource." WestEd, April 2020. p. 1. https://eric.ed.gov/?q=budget+reduction&ft=on&ff1=dtysince_2017&id=ED605943

² Cai, J. "School Budget 2020-21: How Enrollment Changes and the COVID-19 Dollars Affect K-12 Funding." National School Boards Association, November 12, 2020. <https://www.nsba.org:443/Perspectives/2020/school-budget>

³ Morgan-Standard, C. and D. DeSchryver. "With Budget Cuts Looming, Here's How Districts Will Decide What to Keep or Cut - EdSurge News." EdSurge, June 16, 2020. <https://www.edsurge.com/news/2020-06-16-with-budget-cuts-looming-here-s-how-districts-will-decide-what-to-cut-or-keep>

⁴ LaChance, B. "Wyoming May Dip into Rainy Day Fund to Cover \$300 Million K-12 Education Budget Shortfall - Casper, WY Oil City News." *Oil City News*, November 17, 2020. <https://oilcity.news/wyoming/education/2020/11/16/wyoming-may-dip-into-rainy-day-fund-to-cover-300-million-k-12-education-budget-shortfall/>

⁵ Roza, M. "Financial Leadership: Meeting This Moment." *School Business Affairs*, December 2020. p. 28. <https://edunomicslab.org/wp-content/uploads/2020/12/Financial-Leadership-Meeting-This-Moment.pdf>

⁶ *Ibid.*, p. 27.

⁷ Willis, Krausen, and Caparas, *Op. cit.*, p. 5.

⁸ Roza, "Financial Leadership: Meeting This Moment," *Op. cit.*, p. 28.

Figure 1.1: Guiding Principles for Decisions Around Resource Use



Source: WestEd⁹

In the short term, districts should review budgets for school sites and central office departments to identify opportunities for cost savings. Figure 1.2 presents short-term strategies school districts can use to control expenditures without cutting services by ensuring that financial decisions reflect best practices for budget monitoring and control.¹⁰

Figure 1.2: Short-Term Strategies to Control Expenditures

Identify contingency funds at the school site or central office department level and pool these funds to support specific financial needs;

Implement a budget monitoring process if one is not already in place to reconcile actual expenditures with budgeted allocations; and

Ensure adherence to staffing allocation formulas and identify opportunities to share positions across school sites.

Source: Government Finance Officers Association¹¹

Schools can also realize cost savings through energy efficiency measures that reduce spending on utilities. For example, Huntington Beach City School District implemented an energy conservation initiative in response to budget cuts associated with the late 2000s recession. This initiative was forecast to realize around \$16 million in cost savings over 20 years.¹²

In addition to prioritizing equity, districts should prioritize the programs that yield the strongest returns on their investment. In the current accountability environment, school funding is expected to contribute to student achievement, and districts' financial decisions are seen as an element of their strategy for improving student achievement. District financial and academic leaders should collaboratively consider financial trade-offs and the relative benefit to students of different investment options.¹³ When considering cuts to specific programs or purchases, districts should prioritize funding for programs that have demonstrated positive impacts on student achievement and consider cuts to less effective programs.¹⁴ For example, districts can identify underused technology programs that can be cut with relatively little impact on student achievement.¹⁵ Figure 1.3 shows a recommended process for aligning budget decisions with priorities for student achievement recommended by the Government Finance Officers Association (GFOA). Tools and resources to support each substep in this process are accessible [here](#).¹⁶

⁹ Chart contents taken verbatim from: Willis, Krausen, and Caparas, Op. cit., p. 1.

¹⁰ Bubness, M. "Fiscal First Aid for School Districts: Additional Considerations for Schools Dealing with COVID-19." Government Finance Officers Association, August 2020. p. 2. <https://www.gfoa.org/materials/school-ffa>

¹¹ Chart contents adapted from: Ibid., pp. 2–3.

¹² Battise, L. "New Savings through Sustainability." *Leadership*, 40:4, 2011. p. 14.

¹³ Roza, "Financial Leadership: Meeting This Moment," Op. cit., pp. 27–28.

¹⁴ Morgan-Standard and DeSchryver, Op. cit.

¹⁵ Ibid.

¹⁶ "Best Practices in School District Budgeting." Government Finance Officers Association. <http://www.gfoa.org/best-practices-school-district-budgeting>

Figure 1.3: GFOA Recommended Budgeting Process

| STEP | SUBSTEPS |
|---|--|
| Step 1. Plan and Prepare Mobilize key stakeholders, gather information on academic performance and cost structure, and establish principles and policies to guide the budget process. | <ul style="list-style-type: none"> Establish a partnership between the finance and instructional leaders. A collaborative process increases the likelihood that decisions will be supported after the budget process is over. Develop principles and policies to guide the budget process. These formalize standards and fundamental values that should govern the budgeting process. Analyze current levels of student learning. The current state of academic performance must be assessed to determine what course of action to take. Identify a communications strategy. The budget process should include a plan to inform participants, stakeholders, and the general public about how the budget process works, why each decision was made, and how to provide input. |
| Step 2. Set Instructional Priorities The budget needs to be rooted in the priorities of the district. Intentionally created instructional priorities provide a strong basis for developing a district's budget and strategic financial plan, as well as presenting a budget document. | <ul style="list-style-type: none"> Develop goals. Goals should be specific, measurable, and reasonable in order to provide a strong foundation for the budget process. Identify root causes of gaps between goals and the current state. By finding root causes of problems, a district can identify the most effective solutions. Research and develop potential instructional priorities. The district's instructional priorities should be informed by practices proven by research and also be limited to items critical to optimizing performance. Evaluate choices amongst instructional priorities. A district needs to weigh its different options for achieving its goals against one another in order to focus on those with the greatest potential for student achievement impact. |
| Step 3. Pay for Priorities Current resources and expenditures must be thoroughly analyzed in order to find capacity to pay for top instructional priorities. | <ul style="list-style-type: none"> Apply cost analysis to the budget process. A cost analysis and staffing analysis are essential to identifying how the district might allocate its limited resources. Evaluate and prioritize use of resources to enact the instructional priorities. Instructional priorities need to be thoroughly quantified as a first step to determining how much money is needed to implement the priorities and where that money will come from. Trade-offs need to be weighed to determine the viability of the costs, financial or otherwise, of implementing each priority. |
| Step 4. Implement Plan The "strategic financial plan" is the long-term road map for implementing the district's instructional priorities. A "plan of action" describes how the strategic financial plan will be translated into coherent actionable steps. | <ul style="list-style-type: none"> Develop a strategic financial plan. A strategic financial plan provides a three to five-year perspective on how the district will pursue its instructional priorities and how success will be determined. Develop a plan of action. Roles and responsibilities for implementing the strategic financial plan should be made clear for greater accountability. Allocate resources to individual school sites. Resources have the most direct impact at school sites and should be allocated transparently and consistent with the district's overall strategy. Develop a budget presentation. A budget document needs to be well organized and clearly lay out the challenges the district is facing and how the district's strategies and financial plan will address these challenges. |
| Step 5. Ensure Sustainability The planning and budgeting process should be one that can be replicated in the future in order to ensure the district remains focused and plans accordingly for reaching its student achievement goals. | <ul style="list-style-type: none"> Put the strategies into practice and evaluate results. To ensure timeliness and accountability, the district should establish a system to implement the plan and monitor its progress while making necessary adjustments to stay on track. |

Source: Government Finance Officers Association¹⁷

¹⁷ Chart contents taken verbatim from: Ibid.

DECISIONS RELATED TO STAFFING

Where possible, districts should avoid teacher layoffs, as research finds a negative effect of layoffs on student achievement. If contracts allow, districts can reduce human resources expenditures without laying off teachers through salary freezes or reductions, furloughs, and reductions in health benefits.¹⁸ For example, the Edunomics Lab at Georgetown University estimates that a temporary reduction in salary of five percent for all employees, eliminating district contributions to teacher retirement savings, and furloughs could realize the same cost savings as a reduction in force of four percent of the total workforce.¹⁹ Districts should implement these policies proactively to prevent or reduce layoffs in the event that budget conditions do not improve.²⁰

Districts may also wish to consider redeploying support staff to accommodate the shift to remote learning. For example, districts can deploy staff members whose job duties are not as relevant during remote learning, such as librarians and physical education teachers, to support small group tutoring.²¹ When school buildings reopen, these staff members can work with small groups of students to reduce the number of students in a classroom at one time. If these staff members cannot be redeployed to support remote learning, or if current staffing levels are sufficient to support remote learning, districts should consider a hiring freeze or furlough.²² In addition to redeploying staff, districts can use voluntary retirements to reduce staffing levels without resorting to involuntary reductions in force.²³

Although experts recommend avoiding layoffs if possible, districts may not be able to meet budget challenges without reductions in force. Nationally, staffing expenditures make up 80 percent of total district expenditures on average.²⁴ If reductions in force are necessary, districts should consider alternatives to the traditional seniority-based layoff process. Empirical research suggests that these seniority-based layoffs have negative effects on student achievement as they result in the loss of highly effective teachers while less effective teachers with more seniority remain in the classroom. Seniority-based layoff policies may also have negative effects on equity in cases where less-experienced teachers disproportionately work in schools with high populations of vulnerable students. Districts that replaced seniority-based layoff policies with policies that make determinations based on measures of teacher effectiveness have improved student outcomes.²⁵ For example, Charlotte-Mecklenburg Schools in North Carolina responded to the late-2000s recession by implementing a discretionary layoff policy in which principals were empowered to make final layoff decisions. Most principals decided to lay off teachers based on licensure and performance rather than tenure. A study of Charlotte-Mecklenburg Schools finds that the negative effect of layoffs on student achievement was less severe than a seniority-based reduction in force would have been, and that the total number of job losses was lower due to principals' ability to lay off more tenured teachers with higher salaries.²⁶

¹⁸ Gordon, N. et al. "Reducing District Budgets Responsibly." EdResearch for Recovery Project, July 2020. p. 4.
<https://eric.ed.gov/?q=school+district+budget+cuts&ft=on&id=ED607719>

¹⁹ Modan, N. "'A Different Kind of Horrific' for K-12 as States Anticipate Revenue Shortfalls." K-12 Dive, May 29, 2020.
<https://www.k12dive.com/news/a-different-kind-of-horrific-for-k-12-as-states-anticipate-revenue-shortf/578701/>

²⁰ Gordon, N. et al. "Budget-Cut Decisions Loom. Here Are First Steps." *Education Week*, July 1, 2020.
<https://www.edweek.org/leadership/opinion-budget-cut-decisions-loom-here-are-first-steps/2020/06>

²¹ Roza, M. "Analysis: Pandemic-Fueled Financial Turbulence Is Hitting School Districts Across the Country. Here's What to Watch for." *The 74*. <https://www.the74million.org/article/analysis-pandemic-fueled-financial-turbulence-is-hitting-school-districts-across-the-country-heres-what-to-watch-for/>

²² Bubness, Op. cit., p. 4.

²³ Fine, M. "Navigating the Education Budget Crisis Following COVID-19." Policy Analysis for California Education, May 26, 2020.
<https://edpolicyinca.org/newsroom/navigating-education-budget-crisis-following-covid-19>

²⁴ Gordon et al., "Budget-Cut Decisions Loom. Here Are First Steps," Op. cit.

²⁵ Gordon et al., "Reducing District Budgets Responsibly," Op. cit., pp. 5–6.

²⁶ Kraft, M.A. "Teacher Layoffs, Teacher Quality, and Student Achievement: Evidence from a Discretionary Layoff Policy." *Education Finance and Policy*, 10:4, 2015. p. 2.

DECISIONS RELATED TO PURCHASING

District leaders should continue to exercise scrutiny when approving new purchases and vendor contracts. Due to the impact of COVID-19 on public meetings and the need to rapidly implement safety and remote learning supports, district leaders have been forced to approve purchases in shorter time frames and with less oversight. This may result in stakeholder perceptions that money has been spent inappropriately, particularly if district leaders approve large purchases while making cuts in other areas. To avert criticism, leaders should thoroughly review purchases and engage transparently with stakeholders.²⁷ Superintendents should consider pausing or delaying capital expenditures that are not immediately necessary, particularly those that are funded from the district's cash reserves or through debt financing.²⁸ Districts should also defer purchases of new textbooks and curricular materials until their budget outlook improves.²⁹

Districts may also wish to consider pooling or shared purchase arrangements with nearby districts and other government agencies. Collaboration among districts and agencies creates economies of scale for purchases such as technology and safety equipment and creates opportunities for districts to share expertise in pursuit of the most effective reopening strategy.³⁰ Districts most commonly share services related to support functions such as transportation and food services, but some districts began sharing teaching and administrative staff after the late-2000s recessions. These shared services arrangements may be particularly useful for smaller districts in rural areas that face challenges providing specialized academic services.³¹

LONG TERM FINANCIAL MANAGEMENT

The economic effects of the COVID-19 pandemic may result in long term financial challenges to school districts.³² Figure 1.4 presents long-term financial management strategies recommended by the Government Finance Officers Association (GFOA), which provides [tools and resources](#) to support school districts in improving their financial management.

Figure 1.4: Long-Term Financial Management Strategies

-
- Ensure the alignment of budget decisions with the district's strategic plan goals;
 - Review support staff structures to identify opportunities to improve efficiency and outcomes;
 - Consider opportunities to modify instructional delivery, such as switching from paper to electronic instructional materials;
 - Review spending in key areas of concern such as special education and professional development while continuing to prioritize student outcomes;
 - Determine whether cost savings can be realized by outsourcing functions such as food services and transportation; and
 - Consider potential long-term impacts of COVID-19 on capital spending needs.

Source: Government Finance Officers Association³³

²⁷ Roza, M. "Use Caution, District Leaders: Even in a Pandemic, There's No Immunity from Financial Missteps." The Thomas B. Fordham Institute, November 13, 2020. <https://fordhaminstitute.org/national/commentary/use-caution-district-leaders-even-pandemic-theres-no-immunity-financial>

²⁸ Bubness, Op. cit., p. 5.

²⁹ Fine, Op. cit.

³⁰ Bubness, Op. cit., p. 5.

³¹ Williamson, R. "Dealing with Budget Cuts. Research Brief." Education Partnerships, Inc, April 22, 2011. p. 5. <https://eric.ed.gov/?q=school+district+budget+cuts&ft=on&id=ED538211>

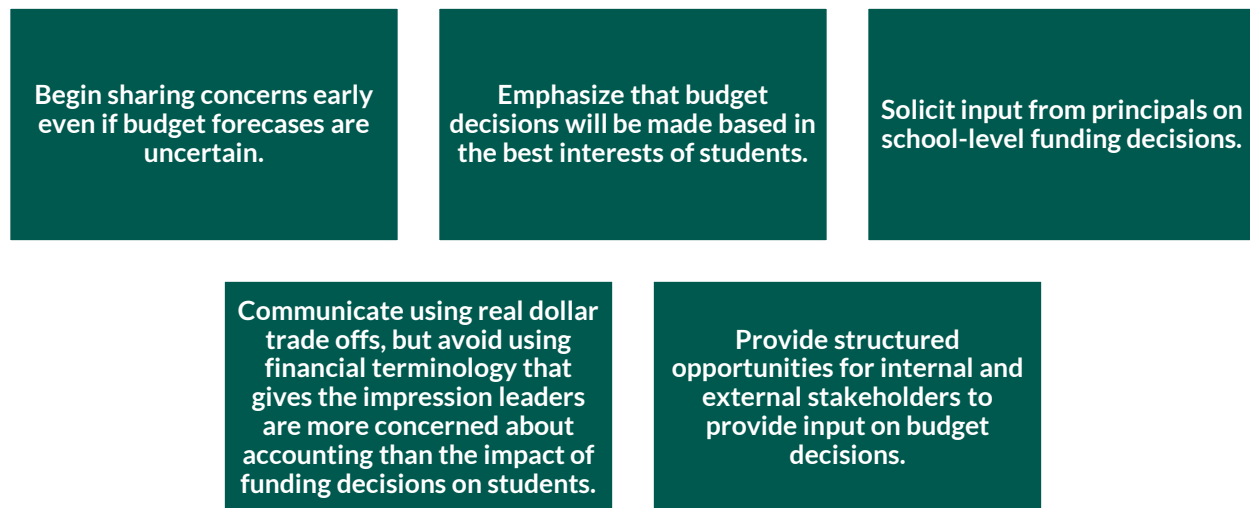
³² Bubness, Op. cit., p. 11.

³³ Chart contents adapted from: Ibid., pp. 6–12.

STAKEHOLDER ENGAGEMENT

Effective stakeholder engagement is essential for building consensus around difficult budget decisions. District leaders need to communicate transparently with internal and external stakeholders to ensure buy-in for financial decisions and implementation of financial strategies.³⁴ The Edunomics Lab at Georgetown University recommends the strategies listed in Figure 1.5.

Figure 1.5: Strategies for Stakeholder Engagement Around Budget Cuts



Source: Edunomics Lab³⁵

Many districts formalize stakeholder involvement in the decision-making process by convening a committee of stakeholders to advise district leadership on financial decisions.³⁶ For example, Lawrence Public Schools, profiled in Section II of this report, commissioned a Budget and Program Evaluation Committee (BPEC) made up of employee stakeholders to make recommendations on budget cuts.³⁷ Districts can convene budget committees at both the school and district level to help identify what positions and supports are essential for student achievement and what programs or services can be cut with minimal disruptions for students. Figure 1.6 presents recommendations for district budget committees to review financing and identify cost savings as recommended by a 2009 article in the professional publication *School Business Affairs*.³⁸

Figure 1.6: Recommendations for District Budget Committees

- Review and analyze the current student enrollment numbers and expenditures for the district, schools, and individual programs within the district and the schools. They should compare data from the previous years with projections for the upcoming school years.
- Identify programs and personnel positions that cannot be cut because they are required and funded federally and by the state. They should also identify supplemental programs and personnel positions that are in place for enrichment and are not required by the state and federal governments.
- Identify programs and instructional personnel positions that have the greatest effect on student learning and transitioning into adult living.

³⁴ Ibid., p. 1.

³⁵ Chart contents adapted from: Anderson, L. and M. Roza. "Straight Talk in Financially Uncertain Times: How District Leaders Can Communicate about the Messy Financial Landscape Coming Their Way." Edunomics Lab, May 20, 2020. <https://edunomicslab.org/communication/>

³⁶ Williamson, Op. cit., p. 2.

³⁷ "Budget Report: Board of Education Meeting." Lawrence Public Schools, April 27, 2020. p. 5.

https://www.usd497.org/cms/lib/KS01906981/Centricity/Domain/7043/04%2027%202020%20BOE_Budget%20Report.pdf

³⁸ Cortner-Castro, C. "Trimming the Budget: How to Make the Cuts." *School Business Affairs*, 75:7, 2009. p. 28.

- Identify areas of low student population, yet high expenditures. Consider combining those areas to increase the efficiency of services and free up resources and staff to serve in other areas of need.
- Identify the administrative personnel and positions that are necessary and have the greatest effect on students and student learning. Determine whether administrative positions can be cut with minimal effect on student learning.
- Evaluate whether classes can be combined so one certified teacher oversees the program, replacing other certified teachers with paraprofessionals who can assist with individual needs and small group instruction.
- Evaluate whether positions can be cut, and their duties given to other personnel. Consider offering a stipend to compensate for the additional duties. Determine whether cutting the hours of some classified staff to part-time is possible in order to reduce expenditures of benefits
- Consider reducing elementary school ancillary teaching positions and reassigning those duties to the elementary general classroom teacher. Consider reducing or cutting extra stipends for personnel, building supply budgets, or travel for staff and students.
- Review, research, compare, and evaluate school models that may reflect cost management. A four-day school week and flex schedules are models that some districts have adopted to assist with cost management. It is important to research the immediate and long-term effects of such school models on the budget, student learning, and the community. Obtain input regarding those models from stakeholders whose school districts have applied them. Evaluate whether those models would work in your school district and for your community, keeping in mind the unique needs of your district and community.

Source: *School Business Affairs*³⁹

³⁹ Chart contents taken verbatim from: Ibid.

SECTION II: CASE STUDIES

In this section, Hanover presents case studies of two districts, Lawrence Public Schools in Kansas and Natrona County Schools in Wyoming, that have published information on budget reductions. These case studies draw on data collected by the [Edunomics Lab](#) at Georgetown University, as well as information from district websites and local news reports. Both districts were identified as peer districts of the partner using the National Center for Education Statistics' Public School District Finance Peer Search tool.⁴⁰

The districts examined in this section vary in their response to budget challenges. Natrona County School District froze spending on new initiatives early in the COVID-19 pandemic and plans to focus budget cuts on school resource officers, out-of-district placement for special education students, and a program that distributes books to students in Grades K-3.⁴¹ Lawrence Public Schools reduced staffing spending without involuntary layoffs by freezing new hires and taking advantage of voluntary attrition to restructure central office spending.⁴²

LAWRENCE PUBLIC SCHOOLS

Lawrence Public Schools in Kansas made substantial budget reductions for the 2020-2021 school year due to policy changes and anticipates additional cuts for the 2021-2022 school year due to the impact of COVID-19. Figure 2.1 presents background information on enrollment and funding in Lawrence Public Schools for the 2020-2021 fiscal year.

Figure 2.1: Lawrence Public Schools Background Information

| | |
|---|---------------|
| Total FTE Enrollment (includes virtual students) | 11,330.9 |
| Total Expenditures per Pupil | \$15,789 |
| Total Local Revenue | \$61,339,755 |
| Total State Revenue | \$104,895,875 |
| Total Federal Revenue | \$12,662,580 |

Source: Kansas State Department of Education⁴³

Lawrence Public Schools began the budget process for the 2020-2021 school year in August of 2019. At this time, the district was facing a \$500,000 budget shortfall due to a reduction in state aid for special education and the approval of a new teacher contract, which increased compensation.⁴⁴ The district assigned responsibility for reviewing funding decisions to a Budget and Program Evaluation Committee (BPEC).⁴⁵ The BPEC includes board members and representatives of employee stakeholder groups within Lawrence Public Schools who systematically review expenditures for alignment with the district's strategic plan and recommend necessary additions or reductions to spending.⁴⁶

⁴⁰ "Public School District Finance Data." National Center for Education Statistics.
https://nces.ed.gov/edfin/search/search_intro.asp

⁴¹ Hughes, M. "Natrona County School District Could Lose \$18 Million Annually under State Funding Proposal." *Casper Star-Tribune Online*. https://trib.com/news/local/education/natrona-county-school-district-could-lose-18-million-annually-under-state-funding-proposal/article_19d256e3-9fc7-5654-add6-6907ba44a565.html

⁴² "Budget Report: Board of Education Meeting," Op. cit., pp. 11–12.

⁴³ Chart contents obtained from: "Lawrence Public Schools Financial Accountability Report." Kansas State Department of Education, 2021. pp. 1–3. https://datacentral.ksde.org/dist_funding/2021/D0497.pdf

⁴⁴ Lysen, D. "Before Approving 2020 Budget, School District Will Have to Find \$500K in Cuts to Fund Teacher Contract." *Lawrence Journal-World*, August 11, 2019. <https://www2.ljworld.com/news/schools/2019/aug/11/before-approving-2020-budget-school-district-will-have-to-find-500k-in-cuts-to-fund-teacher-contract/>

⁴⁵ "Budget Report: Board of Education Meeting," Op. cit., p. 5.

⁴⁶ "Establishment of a Board Committee for Budget and Program Evaluation." Lawrence Public Schools, December 10, 2018. p. 1.

The BPEC recommended that Lawrence Public Schools maintain the previous year's staffing levels at the elementary and middle school levels, rather than adding staff, and take advantage of voluntary resignations and retirements to restructure central office staff and reduce the number of special education facilitators by one FTE. Overall, the district was able to realize net cost savings of \$1,734,416 before the COVID-19 outbreak while hiring additional custodial staff.⁴⁷

In April of 2020, the superintendent reported to the school board that Kansas anticipated a reduction of \$827 million in state tax revenue as a result of COVID-19. Although state officials had announced a goal of avoiding cuts to education funding, the superintendent noted that previous financial shortfalls had resulted in mid-year cuts to school funding.⁴⁸ A July update reported that the district had experienced a decrease in enrollment and a bond downgrade due to low cash balances and the anticipated effect of COVID-19 on funding. Lawrence Public Schools was required to continue paying all staff members during its remote learning phase, with an additional stipend to remote staff. The district was also forced to pay for technology upgrades and safety equipment and experienced a net loss of \$120,549 in food services revenue after accounting for partial reimbursement through the CARES Act.⁴⁹

Another update in November reported that the district had experienced a net decrease in enrollment of 325 students, after accounting for students enrolled in a virtual learning option. Under Kansas state law, districts are allowed to use the previous year's enrollment for budget purposes when they experience a decrease in enrollment. By using this provision, Lawrence Public Schools was able to reduce the expected decrease in state funding to \$1.15 million.⁵⁰ The district plans to convene another BPEC, along with committees to evaluate boundary changes and employee benefits.⁵¹

NATRONA COUNTY SCHOOL DISTRICT

Natrona County School District in Wyoming provides an example of a school district that has incorporated adjustments for COVID-19 into its existing budget process. Figure 2.2 presents background information for Natrona County School District in the 2019-2020 school year, the most recent year for which data are available from the Wyoming Department of Education.

Figure 2.2: Natrona County School District Background Information

| | |
|---------------------------------------|---------------|
| Average Daily Membership (ADM) | 13,125.479 |
| Total Staff (FTE) | 2,072.4 |
| Total Expenditures | \$224,639,572 |
| Instruction Cost per ADM | \$16,714 |

Source: Wyoming Department of Education⁵²

<https://www.usd497.org/cms/lib/KS01906981/Centricity/Domain/2140/Establishment%20of%20a%20Board%20Committee%20for%20Budget%20and%20Program%20Evaluation.pdf>

⁴⁷ "Budget Report: Board of Education Meeting," Op. cit., pp. 11–12.

⁴⁸ Ibid., p. 4.

⁴⁹ "July Budget Update." Lawrence Public Schools, July 27, 2020. pp. 4–5.

<https://www.usd497.org/cms/lib/KS01906981/Centricity/Domain/7043/07%2027%202020%20V2.BOE%20Budget%20Update%20and%20Approval%20for%20Publication.pptx.pdf>

⁵⁰ Lysen, "Lawrence School District Expects \$1 Million Budget Shortfall for Current School Year; Board to Hear Budget Report Monday," Op. cit.

⁵¹ "November Budget Update." Lawrence Public Schools, November 9, 2020. p. 24.

[https://go.boarddocs.com/ks/usd497/Board.nsf/files/BV4PTJ5DFE0E/\\$file/11%2009%202020%20BOE%20Budget%20Presentation%20\(1\).pdf](https://go.boarddocs.com/ks/usd497/Board.nsf/files/BV4PTJ5DFE0E/$file/11%2009%202020%20BOE%20Budget%20Presentation%20(1).pdf)

⁵² Chart contents obtained from: "2019-20 Financial Summary by Fund Group and District Profile for Natrona #1." Wyoming Department of Education. [https://portals.edu.wyoming.gov/Reports/\(S\(m5d03femimyjrlld1f12cgr1k\)\)/Public/wde-reports-2012/finance/stat-3](https://portals.edu.wyoming.gov/Reports/(S(m5d03femimyjrlld1f12cgr1k))/Public/wde-reports-2012/finance/stat-3)

Natrona County School District finalized its budget for the 2021 fiscal year in July of 2020.⁵³ The budget preparation process began in September of 2019, before the COVID-19 outbreak.⁵⁴ Figure 2.3 shows the district's budget process, which is led by a Board Budget Committee in collaboration with district staff. The Board Budget Committee includes representatives from the school board, district administration, and relevant stakeholder groups. Natrona County School District solicits additional stakeholder input through a public hearing during the Adoption phase.⁵⁵

Figure 2.3: Natrona County School District Budget Process, 2019-2020

| PHASE | TIMELINE | ACTIVITIES |
|-----------------------------------|---------------------------|---|
| Phase I – Preparation | October 2019 – April 2020 | During this phase, the Board Budget Committee (BBC) and staff prepare for the development of the Conceptual Budget Plan. This includes monitoring state action that will impact funding and analysis of district plans with budgetary impact. |
| Phase II – Conceptual Budget Plan | March 2020 – May 2020 | During this phase Conceptual Budget Plan is developed, reviewed, and revised by the BBC. |
| Phase III – Implementation | May 2020 – June 2020 | During this phase, the Conceptual Budget Plan is implemented, resulting in a detailed budget for the next fiscal year. |
| Phase IV – Adoption | June 2020 – July 2020 | During this phase, the final draft of the fiscal budget is reviewed, revised, and adopted |

Source: Natrona County School District⁵⁶

After the COVID-19 outbreak began, Natrona County School District's Board Budget Committee decided not to implement any new spending initiatives.⁵⁷ This decision reflects an estimate from the Consensus Revenue Estimating Group (CREG) of a 20 percent decline in school foundation tax levy revenue for the 2020 calendar year.⁵⁸ Instead of implementing new initiatives, Natrona County School District calculated expenditures for the 2021 fiscal year by using the 2020 budget as a baseline and applying pre-approved formulas for spending changes.⁵⁹ When making budget decisions, the Board Budget Committee is guided by the priorities listed in Figure 2.4.

Figure 2.4: Natrona County School District Guiding Principles for Budgeting

| | | | |
|--|---|--|---|
| Maintain a focus on student learning and the District strategic goals, funding essential functions and services. | Achieve operational efficiencies and effectiveness. | Maintain a competitive compensation package. | Maintain facilities to avoid the effects of deferred maintenance and ensure safe and secure environments. |
|--|---|--|---|

⁵³ "NCSD Board of Trustees Adopts 2021 Fiscal Year Budget." Natrona County Schools, July 9, 2020.

<https://natronaschools.org/ncsd-board-of-trustees-adopts-2021-fiscal-year-budget/>

⁵⁴ "Annual Budget – Fiscal Year 2020-21." Natrona County Schools, July 8, 2020. p. 5.

[https://go.boarddocs.com/wy/ncsd1/Board.nsf/files/BR9KM9523BB3/\\$file/FINAL%20FY21%20Budget%20Document.pdf](https://go.boarddocs.com/wy/ncsd1/Board.nsf/files/BR9KM9523BB3/$file/FINAL%20FY21%20Budget%20Document.pdf)

⁵⁵ Ibid., p. 10.

⁵⁶ Chart contents taken verbatim with very minor alterations from: Ibid., p. 5.

⁵⁷ Ibid.

⁵⁸ Ibid., p. 12.

⁵⁹ Ibid., p. 5.

Source: Natrona County School District⁶⁰

Although the adopted budget for the 2021 fiscal year did not include a net spending decrease, Natrona County School District anticipates additional budget cuts in the near future due to state funding cuts. A January 18, 2021 board presentation estimates that the most recent legislative proposal would result in a net loss of \$18 million, representing around eight percent of the total budget.⁶¹ This estimate was lower than previous estimates of a \$32 million budget reduction.⁶² The superintendent proposed initial reductions of \$1.5 million, focusing on school resource officers, out-of-district placements for students with disabilities, and a program that distributes books to students in Grades K-3. However, the superintendent acknowledged that fully closing the anticipated funding shortfall would likely require cuts in staffing, as staff expenditures compose around 80 percent of the total budget.⁶³

⁶⁰ Chart contents taken verbatim from: “NCSD Board of Trustees Adopts 2021 Fiscal Year Budget,” Op. cit.

⁶¹ Hughes, Op. cit.

⁶² Anderson, Op. cit.

⁶³ Hughes, Op. cit.

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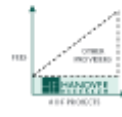
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