

Are You Getting the Most Out of Your ARRA Spending?

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INTRODUCTION

These are tough times for schools and districts, and they will get tougher. Costs are rising on autopilot, while education revenues are declining. State and local budgets are almost certainly facing deficits over the next few years that will be even more serious than the current shortfalls. One study found that state revenues fell by a record \$63 billion in fiscal year 2009¹, and another report notes that 27 states are predicting shortfalls for fiscal year 2011 totaling over \$61 billion, with other states forecasting unspecified budget deficits.²

Federal stimulus funds have created some breathing room, and have helped many states fill or reduce budget gaps in the short term. This was clearly part of the intent of the stimulus package—to prevent massive layoffs in states and districts hard hit by the economic downturn. But, unless districts use these funds—and the breathing room—to plan for and invest in fundamental changes to their underlying cost structures, they will have lost the historic opportunity that the stimulus offers.

In the private sector, it is standard operating practice to invest time and money to adapt strategy and operations to changing times and the availability of new technologies. Economic pressure and demand for better results are forcing districts and schools to change. To do so successfully, they must invest to revamp their underlying strategies and dismantle the old cost structures to support new ways of working. Districts have two choices—do less with less, or take dramatic steps now to ensure that despite budget gaps, they end up with a transformed system that generates better results.

At Education Resource Strategies, we have been working along with district leaders to respond to this historic challenge. This work highlights the need for districts to proceed in four key ways to make the most of federal stimulus funds and the mandate to close achievement gaps:

- Be strategic.
- Reallocate and invest to sustain transformation.
- Build your case for hard but needed changes.
- Collaborate with your state.

¹ Ed Week, *K-12 Cuts Continue Despite Stimulus Funds*, Oct. 16, 2009; study was conducted by the Nelson A. Rockefeller Institute of Government

² Washington Post, *Report says stimulus preserved education jobs*, Oct. 20, 2009; study by the National Conference of State Legislatures

BE STRATEGIC

The most powerful and lasting transformations come from strategically realigning current resources and using new resources to invest in the transition to the realigned system. Your plan for stimulus funding must be embedded in your broader district strategy for transformation, a strategy that incorporates all funds and programs. Don't start by planning for how you will use new funds. Start with your strategy for improving student performance and the changes you need to make in how you organize current resources (people, time, and money) to achieve better results. Then decide how new funds can support those changes.

The Department of Education (ED) is heavily emphasizing four policy “assurances,” or policy priorities, as the centerpiece of the competitive grant programs that will award billions of dollars to winning states and districts³:

1. Make progress toward rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including English language learners and students with disabilities.
2. Establish pre-K to college and career data systems that track progress and foster continuous improvement.
3. Improve teacher effectiveness and the equitable distribution of qualified teachers for all students, particularly students who are most in need.
4. Provide intensive support and effective interventions for the lowest-performing schools.

The states and districts that can address these four assurances as part of a **transformational strategy** for improving schools at scale will have a head-start. Our work in districts nationwide has convinced us that while no two high-performing districts will look the same, they all enact seven core strategies.

1. Ensure equitable, transparent, and flexible funding across schools.
2. Restructure the teaching job.
3. Support schools in organizing people, time, and money to maximize learning.

³ U.S. Department of Education.

4. Ensure access to aligned curriculum, instruction, assessment, and professional development.
5. Build school and district leader capacity.
6. Redesign central roles for empowerment, accountability, and efficiency.
7. Partner with families and communities.

To see how strategic you are and where you most need to act, consider the following:

- Review your district’s strategic plan. Does it follow these transformational strategies? Are your priorities the right ones? Use our ResourceCheck (<http://www.educationresourcestrategies.org>) to assess to what degree you are following effective practice.
- Use one-time stimulus funds as a lever to move your district forward in critical areas. Make sure your applications for competitive stimulus funds show how you will use the funds effectively—in a coordinated way—and as part of your overall strategic plan, to have the maximum impact.
 - Look at the full strategic context for all funds, not just at the narrow stream in each grant, to get maximum leverage from grant funds.

For example, given your district’s school turnaround strategy, how will you use Race to the Top (R2T), Title I School Improvement Grant (SIG), and additional IDEA and Title 1 funds, plus district funds to expand, amplify, and drive accelerated school turnaround?

- Make sure the right people are at the table. Strategic thinking cannot be delegated to the traditional departmental silos. Involve planning and budget staff from the beginning to ensure that you understand cost implications of your decisions and actions.

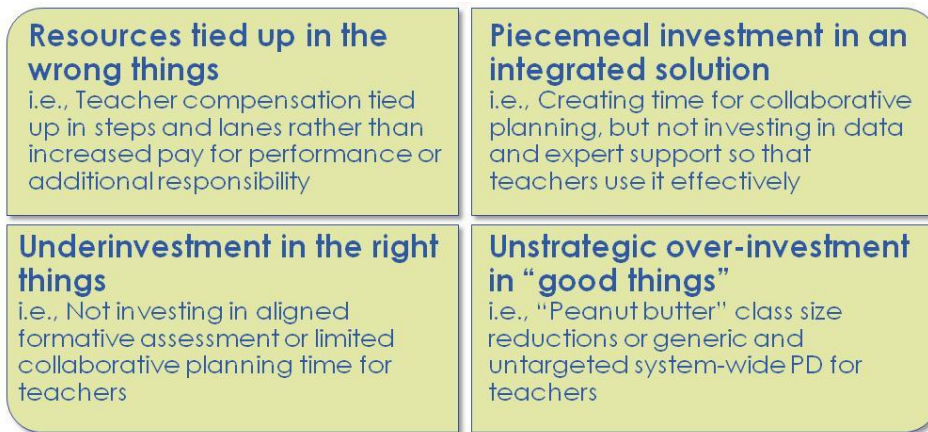
For example, your Title I SIG strategy is not just a Title I office function—the right district-level strategic leadership group must be engaged in the discussion of how to use these funds in the context of existing resources and the district’s overall school turnaround strategy.

REALLOCATE AND INVEST TO SUSTAIN TRANSFORMATION

As currently structured, most districts have to cut every year just to keep doing the same thing—and falling short of the mark in helping all students succeed. This is not sustainable.

It is time to finally shatter the industrial-age model of schooling and move towards information-age ways of using data, technology, and knowledge to improve instruction and organize work at all levels of the system. The stimulus funds and the broader interest in funding transformation that surrounds them provide an opportunity to do so. We recommend the following:

- **Identify key misalignments.** Look at your current spending in light of your overall strategy. Identify old, less effective uses of resources and redirect investments to transition to new, strategic uses. Are you focusing resources on your priorities? We typically see four basic types of *Resource Misalignments*:



- **Act now** to reverse misalignments between current resource use and instructional priorities.
 - Be clear about what few key changes are absolutely critical, and make sure that they are fully funded. Target stimulus funding towards investing in these key changes, in ways that will enable the system to sustain the changes post-funding.
 - When using stimulus funding to backfill budgets and save jobs, resist pressure to maintain the status quo and focus on saving the most strategic jobs and the people with the most strategic skills first. *Make sure you can accurately identify your most important people.*
 - Identify low-priority spending. In the current fiscal climate, waste is not an option. Quickly identify what you can stop spending money on in order to redirect those funds to more critical areas that will have the most impact on student performance.

- Identify how you can start reallocating resources in the short term, and lay the groundwork for longer-term investments that will deepen the transition to a more effective system. See the table below for examples (*italics indicate direct link to ED's policy priorities, although all of these examples contribute to transformation to the kind of system that is positioned to realize those priorities*).

Examples of Opportunities for Resource Reallocation and Investment in Transformation

Typical Misalignments	Short-term cuts/shifts	Investment in System Transformation
Schools and students with same needs receive different levels of resources	Make necessary budget cuts from the most well-funded schools, and avoid cutting resources for the least well-funded schools with the neediest students	Invest in <i>data systems</i> so you know which schools have students with the greatest needs, and where your highest teaching capacity is
Teacher salary and job structure do not encourage effectiveness and contribution	Reduce across-the-board salary increases for experience and course credits to pay for targeted salary increases based on better results and leadership roles	<i>Measure and evaluate teacher quality</i> ; restructure teacher time and workload to support collaboration among teachers
Traditional school schedules and staffing patterns do not match time and individual attention to priority needs	Adjust class size to target high need students and subjects; revise schedules to maximize time on core subjects	Invest to create new, 21 st -century designs for schools and <i>reorganize people, time, and money to ensure high-performing schools</i>
Spending and organization of professional development (PD) and instructional support are not strategic	Concentrate and focus existing PD resources to ensure priorities are fully achieved; focus on lowest performing schools and teachers first	Invest to create a <i>research-based PD strategy</i> that responds to individual school and teacher needs and has a <i>strategy for turning around lowest performing schools</i>
Limited investment to build and reward school and district leader effectiveness	Identify low-potential principals and expand responsibilities and increase salary of high-potential principals; ensure highest performing principals are in lowest performing schools	Create systems to <i>measure and build leadership capacity</i>
Central office services are not redesigned to improve productivity and customize support to school needs	Identify outsourcing opportunities and minimize inefficiencies	Invest in technologies to improve productivity and <i>data systems to measure effectiveness</i> , and ensure that school needs drive central support
District pays too much for social services and non-core instruction that could be provided through community partners	Look for potential partners to provide lower-cost, high-quality options for non-academics and family support; look for community organizations and private sector companies interested in volunteering	Include in data systems information to track effectiveness of partnerships and alternative ways to provide non-core academic instruction

BUILD THE CASE

It is critical to have the support and engagement of your internal school community, parents, the public, unions, and other key stakeholders (e.g., local education funds and businesses that support education).

- **Create a sense of urgency around current and imminent budget gaps.** Widely discuss the data showing the dire fiscal status of your district and comparable districts nationally. At the same time, show that you don't intend to back off from investing stimulus funds to drive transformation that is sustainable after the funds are gone, and how your transformation will leave your district more efficient and effective than it was before.
- **Be clear that your current cost structure (as in virtually all districts) is unsustainable, and why.** Most people, even many of those working within school and political systems, do not understand what drives costs—how teacher salaries and benefits work, the inexorable nature of annual increases, the high cost of running schools that are underfilled without changing programs and staffing, the rapidly rising cost of special education, how expensive it is to offer a wide range of courses and many high-level or highly specialized electives and specialty courses, etc.. They do not understand the kinds of actions—legislative, regulatory, contractual, etc.—that can be taken to address these drivers.
- **Build common understanding among stakeholders to strengthen collaboration and support in your contract renegotiations.** Most district contracts are built around old models of schooling and central office functioning; they support factory models of organization originally developed at a time when we had to specify inputs because we couldn't measure or report results. Large-scale changes in organization will require districts to renegotiate multiple contracts. They need support from key stakeholders—funders, political leaders, etc.—to succeed in these renegotiations.

COLLABORATE WITH YOUR STATE

Most stimulus funds flow through the state. Districts that are well-positioned to get competitive stimulus funding are working with their states to improve their chances of winning Race to the Top grants, and to help states understand their school turnaround strategies and how state policies and programs can reinforce district and school success.

- Support the state office in preparing applications for competitive funds. Provide any and all data that can support the applications; work with unions and school boards to engage support.
- Point to your comprehensive plan as an example to show the state how you would use funds for maximum, sustained impact and how you will report results.
- Show how Title 1 SIG funds allocated to your district will combine with existing resources and other funds to have maximum impact for quickly turning around low-performing schools and lead to continuous improvement in these schools and in overall state results.

CONCLUSION

The districts that end up with the most competitive stimulus funds—and the districts that have the best shot at actually improving achievement for their students—will be the ones dedicated to becoming leaner, stronger, and focused on instructional improvement. They will create sustainable transformation by using a comprehensive, data-driven strategy to make tough resource reallocation choices and using ARRA funding as an investment to enable effective transition.