



The FY23 Budget Development Process Using *The Strategic CFO Guide*

Select Components of Strategic CFO Core Functions	Strategic CFO Practice <i>See the full guide here.</i>	FY23 Pain Points	Imperatives for Approaching FY23 Budget Development
<p>1.1 Long-Term Financial Planning: Assess the Forecast</p> 	<ul style="list-style-type: none"> ✓ The plan goes beyond a forecast based on past trends by: (A) proactively identifying changing cost drivers or future areas of uncertainty, and (B) explicitly framing choices that district leadership and stakeholders must make. For example, if enrollment may continue falling in future years, what are the set of levers the district will pull to annually right-size cost structures? ✓ The long-term plan uses the forecast to assess the sustainability of current strategies. 	<ul style="list-style-type: none"> • Some districts are using ESSER funding to implement new programs, but still need to think about the long-term costs and revenues needed to sustain these programs. • On top of this, many districts are facing declining enrollment. 	<p>Use sustainability to inform — not stifle — decision-making that supports schools and students in FY23, while also investing in outyear design.</p> <p><i>Consider:</i></p> <ul style="list-style-type: none"> • How can I think about long-term cost structures as I consider the sustainability of my funding decisions? • Can I implement cost reductions to maintain investments that have the most impact on students’ experiences? • If I am facing factors such as declining enrollment, am I addressing that now instead of waiting for the “financial cliff” to happen?



1.2
Long-Term Financial Planning:
Communicate Root Causes



- ✓ The planning process provides **transparency around inputs and assumptions** so that stakeholders understand the range of challenges, trust the forecast, and feel a sense of ownership before the district engages in solutions.
- ✓ The plan emphasizes the financial and strategic necessity of long-term sustainability by articulating the **fiscal risk and potential consequences** for students.

- CFOs are under a spotlight because stakeholders know that there has been an influx of ESSER dollars. Therefore, there is heightened awareness about how this money is spent. CFOs must prioritize transparency and collaboration with stakeholders — including other district leaders, school board members, principals, and families — given this spotlight.

Reach outward to collaborate with other district leaders, your school board, principals, and families to build joint accountability around resource decisions.

Consider:

- Do stakeholders understand the challenges that our district faces, the financial forecast, and why we are prioritizing certain investments?
- Do stakeholders — including other district leaders, school board members, principals, and families — feel like their input is valued?

3.1
Annual District Budgeting: Plan Around the Priorities



- ✓ The district’s budget development process begins with the question, “What are the district priorities (from the strategic plan) that our budget should address?” Then, the process works backward to identify **spending that meets those goals**.
- ✓ A **collaborative, cross-functional team** determines investment decisions and checks that initiatives align with district priorities and can realistically be implemented with the allocated resources.
- ✓ The final budget document is **bucketed by program or strategy, including connections across departments**. This allows stakeholders to clearly see how the district is funding its big priorities.

- District leaders are dealing with so many changes this year — they have limited capacity and are stretched very thin.
- Focusing on only one or two “big bets” to get right can be empowering and ensure the districts’ highest priorities are implemented with fidelity.

Get clear about your district’s one or two “big bet” investments — and prioritize these investments in your budget process.

Streamline the budget development process. Small line items and “non-strategic” discussions should be resolved by individual chiefs and principals directly.

Consider:

- What vision are we building toward for the future?
- What are our “do now” investments that bring us closer to our vision?
- How do we reflect those investments in our resource allocations and budget for next year and beyond?



<p>3.2 Annual District Budgeting: Integrate All Funds</p> 	<ul style="list-style-type: none"> ✓ All funds are included for consideration during annual budgeting — which could mean working off of restricted revenue estimates and revising as revenue becomes known. ✓ All grant budgets are evaluated for alignment to the district’s strategic plan. Grant-based spending considers other decisions that may impact the implementation of grant funding. 	<ul style="list-style-type: none"> • Although some ESSER money is earmarked for specific purposes, there is still a lot of funding that is nonrecurring and outside of districts’ general funds. This one-time, time-bound funding presents districts with the opportunity to pay for redesign investments — but it also presents the challenge to choose investments that can be sustained in the long run or underscores the need to be able to pivot in the future. 	<ul style="list-style-type: none"> • How can we streamline the budget development process so that we can focus on the “big bets?” <p>Use the budget development process to bring together revenue from all funding sources, including ESSER and general fund.</p> <p>Consider:</p> <ul style="list-style-type: none"> • Am I strategically using all my revenue in one pool to achieve my goals? Or am I creating unnecessary roadblocks in my budget development process by separating my general fund from other sources of revenue? • At the school level, is my district planning expenditures in an integrated process? Or is the spending split out by revenue source?
<p>3.3 Annual District Budgeting: Facilitate Community Decision-Making</p> 	<ul style="list-style-type: none"> ✓ School staff, department heads, and community members — including parents, partner organizations, and advocates — are integrated into budget decision-making in ways that provide clarity about <i>their</i> relative prioritization of different investment options. This might take place through community meetings, focus groups, or electronic communications. 	<ul style="list-style-type: none"> • Community members are wrestling with many challenges during these fast-changing times and have varying priorities with respect to the budget development process. 	<p>Reach outward to collaborate with other district leaders, your school board, principals, and families to build joint accountability around resource decisions.</p> <p>Consider:</p> <ul style="list-style-type: none"> • Am I gathering input from stakeholders early in the budget development process and revising as necessary based on that input? • Am I clearly and transparently communicating my priorities and a plan for executing on those priorities to all stakeholders?



3.4

Annual District Budgeting: Proactively Balance the Budget



- ✓ The CFO uses prior year budgets as a reference, not as a default. The finance team manages uncertainty by publishing prioritized investments and cuts to a **range of potential revenue levels and scenarios**.
- ✓ The CFO understands how decisions compound year-over-year and **actively plans for multi-year impact** — for example, communicating that a teacher compensation increase this year may be unsustainable in three years.
- District leaders are being pulled in many directions and must choose certain “big bet” priorities to focus on.
- Leaders must be able to differentiate investments that will have lasting impact over many years from those that are temporary “band-aid” measures.
- Many districts are under-spending their ESSER funds this year and must include remaining funds as revenue for FY23.

Reflect on ESSER spend YTD to reforecast expected FY23 ESSER ‘revenue’ and to inform decision-making about further investments.

Get clear about your district’s one or two “big bet” investments — and prioritize these investments in your budget process.

Use sustainability to inform — not stifle — decision-making that supports schools and students in FY23, while also investing in outyear design.

Consider:

- Am I communicating my priorities to all stakeholders, including other district leaders, school board members, principals, and families?
- Am I looking down the road while assessing the value of my “big bet” investments?

3.6

Annual District Budgeting: Monitor Impact Metrics



- ✓ **Trackable metrics are defined for each big decision**, including:
 - Cost: Are we on budget?
 - Implementation: Are we executing what we intended?
 - Performance: Are we achieving what we wanted to?
- ✓ There is a **clear process for engaging leadership in these metrics**, including feedback and accountability
- ESSER has resulted in almost all districts undertaking new initiatives during the 2021-22 school year. Due to a variety of factors (such as hiring shortages, procurement timeline challenges, and lack of leadership bandwidth), districts may not be spending as much as they intended this year. Before planning for the 2022-23 school year, it is critical to evaluate how much can be carried over into next year and which initiatives are

Reflect on ESSER spend YTD to reforecast expected FY23 ESSER ‘revenue’ and to inform decision-making about further investments.

Consider:

- Are we spending as much as we had intended to this year?
- To what extent are our investments for ESSER showing signs of success? Why?



EDUCATION RESOURCE STRATEGIES

	<p>mechanisms that enable course corrections (for example, rotating six-week presentation slot in cabinet meetings for the teams managing the set of high-priority investments to share progress).</p>	<p>working or not working to determine what should be continued, modified, or abandoned.</p> <ul style="list-style-type: none">• However, some of these initiatives are too new to evaluate and there is little data to consider. For these, districts will need to establish processes (some new) to evaluate efficacy and outcomes at a reasonable point this year.	<ul style="list-style-type: none">• Where are we <i>not</i> achieving what we intended? Why?• How are we consciously and proactively creating ways to collect data for evaluation?
--	--	---	---