Financial Leadership: Meeting This Moment

The strategic part of the district financial leader's job is mission-critical and includes a variety of functions.

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It's tough to overstate just how much the pandemic is asking of district financial leaders. Most are scrambling to revise budgets in the face of whiplash-inducing on-again, off-again scenarios for reopening school buildings—all set against a backdrop of evaporating enrollment counts, unstable state revenues, and swirling rumors about federal stimulus funds.

All this makes the school business leader's role much more complicated than in years past. The current moment calls on district leaders to decide whether to invest heavily in digital learning or double down on ways to reopen buildings; raise or cut salaries; maintain or furlough non-working staff; accept or push back on labor demands; drain or protect reserves; and more.

But the demands on district financial leaders were growing even before the pandemic. Over the years, the focus of district financial leadership has expanded to include topics of equity across schools, spending trade-offs, and the link between money and student outcomes (Roza 2017). That expanded focus has amplified expectations for school or community engagement in budgeting, so much so that district officials have had to take a more public-facing role in communicating about their systems' financial choices.

Strategic Finance Skills: More Critical Than Ever

All this means that we're leaning hard on the thousands of district superintendents, CFOs, budget directors, and

other financial leaders in this immensely challenging moment as they develop financial strategies to best serve students with scarce resources.

Although financial leaders do get important training in accounting, financial processes, budget and audit cycles, and other financial mechanics, they often aren't adequately trained in the big strategic responsibilities that come with their roles. But they should be, because the strategic part of the job for district financial leaders is mission-critical and includes functions such as the following.

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■ Developing plans for how to spend the country's $700 billion for K-12 education.

As a country, we expect a lot in return for our collective investment in schools. We ask that schools prepare students for college or other life paths, address achievement gaps, attend to social and emotional learning, feed and transport students, offer athletics, and on and on. The district finance leaders are the ones tasked with the complex planning for how to leverage the $700 billion at play in our system to deliver on the nation's goals for our students. Sure, some of that money comes to districts with strings attached from state or federal sources but in general, it is the district leaders who draft these spending plans and present them to local school boards for approval.

These spending plans are an accumulation of hundreds of smaller district decisions about things like salaries and benefits, class sizes and special staffing, stipends and sick days, sports teams and supplies, and more. With district budgets that can be in the tens or hundreds of millions of dollars (some even in the billions), understanding how these different commitments come together in a comprehensive and coherent spending plan is no small task.

In "normal" times, school boards approve these budgets but lean heavily on district staff to ensure the financial outlook and investments indeed add up to a productive and sustainable plan to achieve the district's goals. And now, with many school boards granting their districts emergency financial powers in the pandemic, the responsibilities (and risks of getting it wrong with less process and oversight) are even greater for district staff.

■ Tackling equity concerns in newly emerging school-by-school financial data.

With a June 2020 deadline, states began reporting school-by-school financials as required by the Every Student Succeeds Act. In some cases, the numbers lay bare inequitable spending patterns across schools within districts. (These data can be reached directly through the online School Spending Data Hub: https://edunomicslab.org/our-research/data-hub.)

To be sure, patterns vary and uneven spending can be intentional and strategic at times. But sometimes unexpected spending patterns stem from long-standing—and largely unexamined—policies and practices that work to drive fewer dollars to the schools with the neediest students.

For instance, a district might spend more on schools with a bigger share of senior teachers who draw higher salaries (and who may tend to concentrate in lower-needs schools). Or a district may have concentrated STEM or arts magnets (with extra staffing and therefore extra dollars) in communities with fewer high-needs student.

Intentional or not, these spending patterns are the product of district decisions. With school-by-school spending data now public, many communities will be asking districts to be more intentional about how and where they spend, with an eye toward more equitable spending across the district's schools. Some district leaders are already being called on to rethink some entrenched district financial practices and instead phase in savvier allocation solutions that better reflect today's priorities.

As the dust settles on this 2020 pandemic year, we can expect these new school-by-school financials will continue to drive thorny questions about equity and about why districts allocated (or cut) dollars the way they did. That's because this focus on impacts *per school* from district budgets and decisions is new. And it's here to stay.

■ Understanding how well dollars are leveraged to deliver outcomes.

Gone are the days when district finance was considered a back-office activity isolated from other major district strategy meetings. With increasing emphasis on student performance, a district's investment choices are seen as an articulation of the district's strategy for improving student results.

That emphasis on the central role district finance plays in district strategy is long overdue. Education spending always involves choices; smart choices require understanding value for the dollar. Here, we're talking

about the value to students of one investment relative to another. Who best understands relative costs and trade-offs through that value lens? Financial leaders. They should be weighing in with this invaluable insight as academic leaders weigh different strategies to meet student needs. For instance, it's not enough for district academic leaders to support class-size reduction. They need to understand what it costs and what other options exist to positively affect student learning with that same amount of money.

Many states have granted districts and schools more flexibility in deciding how they spend their dollars on behalf of students. and states have clearly put responsibility for how these decisions pan out for students squarely on the shoulders of those in districts and schools. Especially during this pandemic, living up to these expectations for student outcomes will require more flexible financial thinking and, in some cases, more creative solutions.

■ Thinking nimbly and out of the box on how best to apply resources to better serve students now.

With no financial playbook for this unprecedented moment, district budget decisions have been all over the map. (We're following many of them in our online District Budget Decisions & Labor Implications tracker: https://edunomicslab.org/district-budget-decisions-labor-implications.)

When it comes to balancing budgets, district decisions have ranged from freezing pay to laying off staff to furloughing them; to raising salaries while depleting reserves; to letting principals decide what to cut and what to protect. Some systems are moving forward with proposed levies while others have postponed them. With financial conditions varying by state and additional federal aid still up in the air, districts have no clear guide on how to proceed.

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Adding to the complexity are uncertainties about how schooling will be delivered in the months ahead. Some districts are budgeting for the full complement of in-person services delivered in "normal" times—with the full complement of staff—even if in-person learning isn't (yet) happening. Others are starting to unlock some of that money to offer different services like pandemic pods (Washington 2020), payments for parents to get their students to school (The School District of Philadelphia), or outdoor learning experiences that can meet the needs of students while indoor classrooms are closed (Einhorn 2020).

What's true nearly everywhere is that district leaders are between a rock and a hard place, forced to plunge ahead with spending commitments at a time when there is so little clarity about what works now and what lies down the road.

To date, most states have not intentionally trained district leaders for the mammoth responsibilities of strategic financial leadership.

Flexing Financial Muscles

None of us wished for this wildly uncertain future, yet here we are. Even in these extraordinary times, the essential job description for district financial leaders continues to be one of leveraging limited resources to maximize student learning. But doing that job now may mean exercising financial muscles in completely new ways.

So, how do we ensure that district leaders have the financial muscles to meet this moment?

To date, most states have not intentionally trained district leaders for the mammoth responsibilities of strategic financial leadership. The little finance training these leaders do get tends to be more about the timing of budgets and audits, compliance with federal grants, and financial conflicts of interest than about how to do the most with public dollars on behalf of students. For most district leaders, the finance knowledge they do have tends to be picked up on the job in their school systems.

That means few have had training that helps them explore what each school is spending and what to expect in return for those investments. And they have likely not been exposed to the array of strategic financial trade-offs made outside their local system or school.

Many have not been taught what financial metrics matter most. Nor are they likely to know how their system stacks up with peers vis-à-vis performance and

spending nor what allocations can help schools do more with the dollars at hand.

That dearth of skill and knowledge may be hamstringing leaders who could otherwise be making better-informed decisions for deploying money on behalf of students—at a time when students need more help than ever.

After years of fielding training requests and not finding a go-to source for strategic finance training, I and my colleagues incorporated these elements into the Certificate of Education Finance at Georgetown University's McCourt School of Public Policy. The program has grown immensely since 2018, with even greater participation since we began offering it virtually due to the pandemic.

But the need for training is vast. I hope the Georgetown effort ignites similar initiatives and informs leadership and certification programs nationwide. District financial leaders today carry the weight of tremendous responsibility to make smart, tactical decisions that wring as much from scarce dollars as possible so that those dollars do the most for students, especially in this moment. Let's admit that job is incredibly difficult right now, but never has it been more critical to get it right.

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