Connecting financial support for public schools with performance is nothing new. Over fifteen years ago, the National Institute on Educational Governance, Finance, Policymaking, and Management identified this issue as one of the key questions facing public education. The Institute raised the question, “How can school finance systems be linked to performance?” (Schwartz, 1997). Both policy makers and education leaders wanted sound information to help them budget for results and to judge program quality and expenditure cost-effectiveness. The need continues to this day.

INTRODUCTION

Most people, especially teachers, have learned to cope with occasions in their lives when funds available were not sufficient to provide all the things they needed in their work. Wants were clearly subordinate to needs, and teachers learned how to do without something until it became necessary and affordable. Somehow the choice was made with discriminating judgment, and at minimum, there was usually some rational decision-making process.
This hasn’t always been the case with school systems. The process of budgeting often has trumped the rational needs of the instructional process by limiting expenses without regard to a sense of priorities in terms of the system’s mission. An arbitrarily determined budget has constrained many education systems. Schools have often been given an amount of funding, and instructed to carry out the work of the system in delivery of learning.

This is not unlike a tailor or seamstress who has selected a pattern for a garment which requires a certain amount of fabric but the amount of fabric available is less than needed. If the seamstress chooses to go ahead and make the garment anyway, the result is likely a missing part of the garment, perhaps rendering it useless. So it is with schools—sometimes teachers and administrators are expected to cut the pattern to fit the cloth. The educational program is cut or shaped to fit within a budget, and frequently, quality suffers and some important things are left out.

For example, some school districts engage in long-range planning in order to identify emerging needs and to prepare for meeting them. Then another, often clandestine or closely held, planning (budgeting) process develops a different plan, which ignores the needs by fragmenting programs and services with “line-item” or cost accounting–based funding. Often, the budget plan trumps the needs-based organizational plan for financial reasons. It is virtually impossible for a school system to improve its quality and effectiveness over time given these circumstances.

A productive school system is one that gets better over time, independent of changes in the level of resources available to it. In other words, even if the school were declining in enrollment and financial support, it should be possible to improve performance given certain actions by the system. The trick is to use the tools at the disposal of the system to improve the effectiveness and quality of the school organization’s operations and to improve the efficiency of its processes at the same time.

The Less Is More Conundrum

How can one make a school more educationally effective and at the same time more cost-efficient? It sounds like the impossible dream—getting better and doing more but doing it with less. In effect, it would be an exercise in improving productivity. There is a way to do that, which at first blush may appear counterintuitive.

Primarily, achieving greater productivity involves research-based systems characterized by accumulation of hard data, extrapolation of findings, and implementation of action accordingly. As a school organization plans, organizes, implements, and evaluates its activities, it can only get better if it makes adjustments or modifications in its activities as a result of feedback on its performance. If feedback is spotty, flawed, or ignored, productivity is jeopardized. If feedback is comprehensive, thorough, valid, and used in decision making, productivity is enhanced.
If a school organization establishes a solid tie-in between what it does and how well it does it, and then uses that link to shape what it does next, the organization normally will improve in performance. In addition, it should improve in its use of resources, reduce wasteful activity, terminate ineffective programs, and generally get better at what it does over time (Deming, 1986). It simply may end up doing less, but gaining greater effectiveness and improved results.

A Model for Productivity

One way to look at the development of productivity is by illustrating its components in graphic form, as shown in the following exhibit. In this illustration, a linear relationship among needs, mission, goals, objectives, methods, matériel, activities, and feedback is shown.

Steps to productivity in organizations include these nine components, in varying degree, and progression through specific procedures like these improves productivity. The key to success in improvement usually involves consideration of the steps.

### Productivity Model

![Productivity Model Diagram](image)
Cautions and Considerations

Some cautions should be noted here. This program quality cycle is considerably boiled down in complexity and scope. For more comprehensive direction in planning and decision making, consult more complete and useful information found in the References and the Additional Suggested Reading at the end of the References.

Some conditions for use of this simple decision-making cycle for productivity should also be noted. There are certain administrative precepts that need to be followed. For example, collaboration of appropriate parties, generally representatives of affected groups, in decisions is essential. The more “voices” that provide information, the better subsequent decisions will be.

Also, definitions of goals, objectives, mission, and other components must be in measurable terms so it can be clearly seen whether or not those expectations were achieved. Moreover, feedback needs to be comprehensive and continuous. Continuous evaluation through this process will help the organization stay on track in terms of unity of purpose and action.

Budgeting: What It Is and What It Isn’t

Budgeting has many definitions. In the school organizational context, budgeting at its simplest is a plan to manage resources. At its best, it is a plan for use of resources to accomplish organizational goals and to obtain maximum productivity. Productivity is the relationship between resources used by an organization and that organization’s results, outputs, services value, and performance benefits (“bang for the buck”). School leadership calls for the following distinct parts:
- Identifying income and revenues from all sources well in advance of their intended use
- Evaluating current organizational status, standing, or performance through an appropriate assessment of needs
- Planning future expenditures and resource allocations in a way that will most likely produce the greatest achievement of organizational purpose
- Communicating the allocation plan appropriately within the social, political, and economic context in which the school organization dwells
- Providing smooth implementation for effective achievement of the purposes of the organization including use of sound fiscal and managerial control
- Evaluating the plan and allocations made for soundness, performance, and value derived and making changes as needed to provide for continuous improvement over time

School budgeting is part prediction, part communication, part planning, and part decision making. Decisions to be made are often very difficult, given the intricacy of school organizations and a pervasive public sensitivity for the gravity of educational consequences in modern-day society. Education is a high-priority component of modern life, and it provides the avenue for social, economic, and personal success and well-being. Education, in the minds of the public, provides a ticket to adult prosperity and happiness when coupled with ample effort and commitment. Its undertakings and activities often occupy the spotlight of public scrutiny and commentary, and its use of monies and other resources often is the center of the collective interest and focus of attention.

School-Based Budgeting

School-based budgeting is another way for school systems to make decisions and allocate resources. The process calls for individuals who implement budgetary decisions to help make those decisions. The idea is to put the power for making decisions at the organizational level closest to the decision. In school-based budgeting, the principal, in collaboration with staff and constituents, has been delegated the responsibility to budget resources at the individual building level. Given the discretionary authority to determine how resources are used in a given school, it’s believed that people will feel a sense of ownership and commitment for improvement in the activities and programs within their school.

However, school-based budgeting, as with school-based management, in and of itself, is no guarantee of quality improvement. Several conditions have to be in place and some characteristics have to be prevented or eliminated. Regrettably, expected results of success have been inconsistent across the country (Mohrman & Wohlstetter, 1994).

Rationale for School-Based Budgeting

Given the challenge to improve schools, research has taught that efficiency and productivity are more likely to flourish with school autonomy than with
extensive central control. In the use of resources, quality demands both centralized and decentralized operations, but in different dimensions and with different responsibilities.

Centralization of authority has not always led to the outcomes that productivity needs in schools. Educational history in recent decades has revealed that the central office has done some things well, and has done other things not so well. For example, central direction has been very effective in dealing with issues of justice in equal access to educational opportunity. It has been less effective in dealing with issues of organization and operation of individual schools for instructional quality. Factors associated with effectiveness in instruction are more likely to be found at the individual school level (Barr & Tagg, 1995).

Another reason for school-based budgeting is simply that the school is frequently the basic cost center in the delivery of educational services. It is the smallest “whole” unit within the greater “whole” of the school system. Moreover, the principal is likely to be the most significant factor in the improvement of instruction. Consequently, the belief is that the school system must be configured to allow individual schools to deal with their own problems, as much as makes sense. However, sufficient resources allocated from the system to deal with those problems are essential for success.

There is a need for central direction and regulation and for the necessary forms of accountability. However, balance is needed that gives individual school units enough flexibility and discretion to effectively deliver their services and products. This balance of responsibility and distribution of authority should (1) foster prudent monitoring and sound execution of districtwide functions at the central level and (2) foster creative and ample autonomy for organizational decision making aimed toward successful attainment goals and standards at the school level.

Central Responsibilities in School-Based Budgeting

There are shared and separate responsibilities in school-based budgeting, and the system needs to decide which is which. The governance team—superintendent and governing board—should have the responsibility to define and disseminate systemwide curriculum expectations and organizational goals. The overall system budget or spending plan must be established at the central level, although prudent judgment provides for broad and vertical organizational collaboration in the process.

Capital expenditures, including major maintenance and construction, are best planned and directed from the system level, as are other major systemwide activities, such as energy management, food services, and transportation. Equity and standards in personnel selection generally also must be assured by the system office, including the screening of personnel and the administration of compensation and benefits.

The board and superintendent must have major responsibilities in setting policies, developing and implementing regulations and procedures, defining staffing configurations and levels, and managing collective bargaining agreements.
In addition, textbooks and overall program tests and assessment procedures and instruments are best selected for districtwide use at the central level. Evaluation of performance against standards is perhaps the most important responsibility the board and superintendent have. Without careful assessment of results, no system has a way of knowing whether or not its expectations are being met.

_School Responsibilities in School-Based Budgeting_

It isn’t enough that schools, or building-level administrators, receive increased autonomy and administrative discretion in decision making and organizational operations. In addition, any increase in authority must be always accompanied with an increase in accountability. School-based budgeting doesn’t mean that schools have freedom to buy or spend anything they want. Rather, it means that schools have flexibility and greater latitude in decisions about how to allocate the resources designated for their school to best achieve success.

For example, one principal in a large Arizona suburban elementary school was allocated a certain number of teachers by the central office based upon the number of students in the school. The principal and people at that school mutually decided not to hire their full complement of teachers, but to use the salary monies of two teaching positions to hire paraprofessionals instead. They were able to hire three or four paraprofessionals to work with individual students for each teaching position they converted. The flip side was that all teachers had to accept a few more students in each classroom because of the resulting increases in class size. Further, the school was just as accountable for the results they received with their locally determined distribution of resources as before.

School-based budgeting also calls for collaborative planning, careful determination of strengths and weaknesses, clearly defined school goals and objectives, training and time to develop processes needed for implementation, and a monitoring system in place at the school level. In addition, different budget development procedures and processes are needed, which are explained later in this chapter.

Autonomy and discretion are two of the prime ingredients for leadership opportunity, and school-based budgeting provides a great setting for its development. You, as the administrator and leader, need to constantly seek new and better ways of doing things, with more cost-efficiency, to advance the quality of the learning environment under administrative direction. However, support and flexibility for significant school-level budget decisions are essential. Given these factors, school-based budgeting is another tool to help schools match available resources to the needs of their students, develop plans and programs to meet unique goals, and get the best results from efforts of the staff, faculty, and administration.

_Systemwide Budgeting Processes_

The basic purpose of a budget is to serve as a guide or plan for use of financial resources in the management of programs and services. The budget should
(1) provide a framework for the school system’s work toward organizational goals within limited resources and (2) balance projected expenditures with anticipated revenues. It comes as no surprise to note that budget requests in most school systems generally exceed available financial resources. Of course, several approaches to budgeting are available to schools; but in this chapter, four levels or classifications of budgeting will be considered.

Levels of Budgeting

There are several kinds of budget processes, but all types fall into four classifications or levels. Formula, or administrative, budgeting is perhaps the most common in public schools. Less common is program budgeting and incremental budgeting. The least utilized budget process is performance-based, or sometimes called “curriculum-driven” budgeting (English, 1987).

Level 1: Formula (Line-Item) Budgeting

In formula budgeting, relationships between resources available and cost projections are established. Given a certain level of revenues, a configuration of services, materials, or other commodities is developed and organized in terms of its end use. In other words, its “object of expenditure” is the mode of organization such as salaries, benefits, supplies, purchased services, and so on. In effect the budget is a representation of what the system “buys,” where it is used, and what it costs. The purchased or procured line item usually is not linked to the objective it ultimately addresses, and the connection is seldom defined in organizing projected costs.

In addition, the process is often “closely held,” usually by a small policy-making or executive group or individual (superintendent or business official). The executive body reviews revenues and exercises control over the expenditures within defined procedures or formulas. Public or staff involvement in decision making is limited, and it is difficult to connect planned expenditures to specific educational objectives or purposes.

Level 2: Program Budgeting

In program budgeting, the purpose or intended activity of the expenditure is the organizing variable. This level involves organizing and presenting information about costs and benefits of the school’s activities related to purposes or goals. Program budgeting establishes connections between programs, services, or activities with plans for allocation of funds. Objectives and goals are established, alternative programs are costed and considered, and allocations are made by choosing among the alternatives to the limit of available resources.

In program budgeting, it is possible to find tangible relationships between the school’s programs and budget and to identify a planned (and observable) congruence between the purpose of the school and expenditures. Usually, the “function-object” classification of expense from level 1 is incorporated into level 2.
Ineffect, this type of budgeting makes it clear what the programs and activities of the system actually cost and what the money does, making it possible to compare costs and benefits more easily.

**Level 3: Incremental Budgeting**

Incremental budgeting is simply a process in which programs are organized into packages, or increments, costed separately, rank ordered as to preference, and funded in ordinal fashion up to the limit of available resources. “Zero-based” budgeting falls into this category. Incremental budgeting relies on a program structure, usually is convertible to object format, and involves decision making as to the level or quantity of service for a program. For example, class size could be treated as a program and funded at one of several increment levels, as shown in the following chart taken from a school district in Montana.

<table>
<thead>
<tr>
<th>Increment ID</th>
<th>Increment Name (w/Class Size)</th>
<th>Increment Cost</th>
<th>Cumulative Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>101–01</td>
<td>Elementary instruction 1:30</td>
<td>$21,503,032</td>
<td>$21,503,032</td>
</tr>
<tr>
<td>101–02</td>
<td>Elementary instruction 1:28</td>
<td>$2,197,063</td>
<td>$23,700,095</td>
</tr>
<tr>
<td>101–03</td>
<td>Elementary instruction 1:26</td>
<td>$2,109,719</td>
<td>$25,809,814</td>
</tr>
<tr>
<td>101–04</td>
<td>Elementary instruction 1:24</td>
<td>$2,078,887</td>
<td>$27,888,701</td>
</tr>
<tr>
<td>101–05</td>
<td>Elementary instruction 1:22</td>
<td>$2,005,332</td>
<td>$29,894,033</td>
</tr>
</tbody>
</table>

In the above example, class size could be funded from 22 pupils per teacher to 30 pupils per teacher, depending upon how much the decision-making body determined to allocate for this program. It’s interesting to note that in this district of about 25,000 pupils, increasing or reducing the average elementary class size by one pupil adds or subtracts about $1,000,000. This is just one way the process provides various decision options. In addition, other program packages (i.e., gifted and talented education, instrumental music, etc.) would be arranged in the same fashion, permitting funding at differential levels or with quantities of each program. In a sense, program increments compete for funding in this process.

**Level 4: Performance-Based (Curriculum-Driven) Budgeting**

Performance-based budgeting is often called curriculum-driven, data-driven, or results-based budgeting. The underlying nature of performance-based budgeting is to tie measured performance, or achievement of established outcomes or objectives, into the decision-making process. Funding is based upon the
observable value obtained from the program and level. Resources are allocated by program activities, quantity or level, and measurements of results that link outcomes to resources. The aim is to implement a process that results in a planned budget based upon the measured and defined educational needs and accomplishments of a school system. Assessment data on educational effectiveness, or viability, is used to build the budget; and performance budgets are generally highly collaborative in nature and definitely lean toward decentralized decision making.

Over two decades ago, Fenwick English stated that “budget development and curriculum development should be intertwined, the latter preceding the former. The budget ought to be curriculum driven, when too often that is not the case” (English, 1987, p. 205).

**Comparisons of Budgeting Levels**

The four levels described previously are graphically illustrated in the proceeding exhibit. The exhibit shows how each level incorporates the features of the lower levels, and in a few words attempts to describe the nature of each level.

<table>
<thead>
<tr>
<th>Budget Level Characteristics and Components</th>
<th>Levels</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics and Components</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formula/Object (What is purchased)</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Purpose/Activity (What is performed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increment/Level (What quantity is provided)</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Results/Performance (What value is procured)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

**Implementing School-Based Performance-Based Budgeting**

School-based budgeting should provide for allocation of a school’s discretionary funds based on assessment data and built with participation of key staff members. In this way, it can promote not only greater productivity but teamwork and commitment on the part of members of the organization as well. School-based budgeting uses the individual school’s educational programs as the framework for planning and places the school’s administrator right in the middle of the budgeting process. The specific configuration of the process depends upon many factors, particularly the capability of the system to define and measure quality and equity.

Quality can be measured in many different ways. For example, one school district evaluated the reading achievement levels of its elementary schools, finding
considerable discrepancy and wide differences. The range of difference in one school system is shown in the chart below.

**Introducing Equity in Budget Allocations**

In the example above, reading achievement ranges from a norm curve equivalent score of 28 to a high of 83. Despite such discrepancy in achievement levels among schools, the school system had allocated staff resources uniformly to all of its schools for years. This resulted in each school receiving a formula allocation of one reading specialist for each 400 pupils. Since most elementary schools were about 900 students, each school received two specialists. After reviewing the assessment data, it was determined that allocation by enrollment was inequitable, and the assignment of reading specialists was changed. Specialists were assigned on the basis of measured pupil performance and differential needs in the reading program. Some schools received a part-time specialist; other schools received two or more specialists, depending upon distance from the district mean. Schools achieving below the mean received additional reading specialist time; schools above the mean received fewer services. This is one example of a performance-driven budget decision, and it is a manifestation of the principle of equity.

Equity is attending to individual differences in students and schools. Some schools achieve at lower levels than others, due mostly to the socioeconomic nature of the community and students. Providing equal resources to students with different needs perpetuates the discrepancies between groups; however, when allocations for programs, services, and materiel are structured in response to diagnosed needs, the “playing field is leveled.” This is a very fundamental
principle of commitment to individual needs and to assuring equal success among all clientele (learners).

Parents with two or more children know all too well that each child is unique and that uniqueness requires distinctive consideration and treatment. However, in schools, the “one size fits all” pattern often prevails, to the detriment of some individual learners.

Other Implementation Considerations

In performance-based budgeting, if guidelines and assigned responsibilities aren’t properly worked out, problems can result. For example, one educational writer offered many proposals, some highly questionable, for school-based management. Among these were the suggestion that selection of textbooks be handled by individual schools and that reallocation of funds should be permitted within a school regardless of source.

Such reckless statements fail to recognize the inviolability of categorical funding (such as federally funded programs) or to acknowledge major standards of quality control in curriculum management within a school system. It wouldn’t make sense to have several different textbooks at a given grade level in a school system, any more than it would make sense to have several different curricula. Another statement called for school principals to be accountable for energy costs within their school. This would cause shivers among principals of schools built before energy consciousness changed the way many schools were designed. Some common sense is called for in carefully delegating school responsibilities in budgeting.

Ignoring differential needs of individual schools will almost guarantee differential success.

GENERAL BUDGETING FACTORS

Several factors need to be considered in budgeting, and budgets must be prepared after a full examination and evaluation of each dimension. Factors to be considered include the following:

- Purpose and intended outcomes of each program (What does the program intend to accomplish?)
- Alternative activities and procedural options (What different ways can the outcomes be reached?)
- Personnel requirements: professional and support (What are the human resource requirements?)
- Matériel requirements: supplies and equipment (What are the things needed to do the job?)
• Space and environmental requirements (What conditions or facilities are required?)
• Assessment results from previous budget cycles (What do we know has worked before?)
• Cost projections for subsequent years (What cost alternatives are available?)
• Time requirements and scheduled flow of events (What are the reasonable time requirements?)

After information is obtained relative to the factors in budgeting, the planning process may begin. Certain assumptions then need to guide the planning, which are described in the next section.

Performance-Based Budgeting

Performance-based budgeting is uncommon in school systems in North America today. This process, referred to earlier as level 4 budgeting, requires the use of assessment data and evaluation information to determine whether or not, or to what level, a program receives funding. For example, if a dropout prevention program is funded for three years, the system is obligated to consider results of the program at some point. Given adequate performance, or success, the program may be considered for continued funding. If success is lacking, the program may need to be modified or terminated, releasing its funding for another intervention with greater promise.

In the vernacular, funded programs have to “put up or shut down” based on their results and success. Funding programs and services simply because they were funded in earlier years makes little sense if the results are known to be inadequate.

Performance-Based Budgeting Assumptions

Certain assumptions underlie budgeting for productivity. Focusing on the precepts of level 4 budgeting described previously, the budgeting process should be guided by the following assumptions:

1. Curriculum and instructional program outcomes can be defined.
2. Levels in achievement of programs may be identified and measured.
3. Results from assessment can be translated into program needs.
4. Needs and program priorities change over time.
5. Program needs can be expressed as budget requests.
6. Budget requests generally exceed available financial resources.
7. Assessment data and feedback can direct the establishment of priorities among programs.
8. Budget decisions should be driven by curriculum and program requirements and value.
An illustration of these assumptions was imbedded in comments of Glen Robinson, the former executive director of the Educational Research Service, when he stated,

[T]he demand for improved educational productivity in our public schools lies at the heart of the educational reform and renewal movement. . . . The challenge to find ways of making schools more educationally effective, and at the same time more cost-efficient, could not have come at a more propitious time. . . . 20 years ago, there would have been little hard data and research on which to rely when making decisions (Robinson, 1986, p. 2).

**Elements in Performance-Based Budgeting**

As to how our process can be best implemented at the school level, several elements must be incorporated within curriculum-driven budgeting. These elements in the process include the following:

1. Budget requests should be built in incremental, programmatic form.
2. Principals and teachers must be active participants in the budget planning decisions.
3. Cost benefits of budget requests must be clearly delineated.
4. Priorities must be rank ordered by a school-based, decision-making body.
5. Requests publicly compete for funding priority.
6. Tangible evidence of program results must guide allocations.

Considering the above elements, it is easy to distill the performance budget into three basic characteristics, or hallmarks.

**Hallmarks of a Performance-Based Budget**

There are three hallmarks of a performance-based, or curriculum-driven, budget.

1. First, the developmental planning process preceding the budget must be participatory. That is, those who are affected by the budget decisions would be a part of the decision-making process. Submittal of requests and justifying needs is not enough. Unless teachers and principals, the primary deliverers of the mission, are involved in the actual budget decision-making process, the process cannot hope to be valid.

2. Second, the decision-making process must be public and open to scrutiny by others, especially parents and patrons. This calls for a format that is easily understood and well disseminated throughout the process. In the best of cases, even very large budgets can be presented in just a few pages in highly readable, comprehensive form, revealing ample program, financial, and performance information.
3. Third, budget ingredients should be comprised of increments, or connected pieces, of programs. These levels, or increments, can facilitate rank ordering on the basis of measured needs, demonstrated cost benefits, and assessment results. Increments build upon one another in cumulative fashion. This provides a tangible connection between what the money does and how much money is needed.

Given these three hallmarks, the performance budget process enables the system to be in a sound position to properly allocate funds or resources to carry out the system’s needs and programs in priority order.

Moving Toward Performance-Based Budgeting

Once the school has put the system and tools together to link goals and performance feedback, it will be possible to move ahead with performance-based budgeting. Remember that it’s critical for organizational goals, objectives, activities, and programs to be evaluated and reviewed on the basis of results and cost by a team of school personnel. Recommendations for budgeting must be independent of previous budget and program allocations and must not be recurrences of previous year formulas or decisions. Major steps for moving toward performance-based budgeting are delineated in the following section.

Developing Programmatic Units

Begin with identifying various educational activities or programs within the school, and group them into broad areas of like need, similarity of service, or commonality of purpose. Exclude all programs that are handled at other levels in the organization, such as textbook selection, utilities, transportation, and so on. An example might be “instruction—class size.” Other examples might include “library services, student activities, custodial services, instrumental music, etc.” Program units should be about twenty-five to forty in number. Having too many units complicates the decision process unnecessarily. More about this process will be discussed in later chapters.

Building Unit Increments

Within each programmatic unit, increments or “packages” are built, which provide varying levels of allocation (increasing or decreasing) from some standard. For example, last year’s funding level may be used as a standard, and then several levels of funding can be developed above and below the standard. In this example, which is illustrated in the following table, if last year’s budget provided library staffing sufficient to keep the library open four days a week, packages or increments could be built above or below that level and costed accordingly.

Program increments should be reasonable in number, but providing not more than five or six for each program unit is preferred for ease of management of the system.
Configuring Increment Packages

Each increment needs four things to be used in the budget process. First, each increment needs a goal statement or objective that defines what purpose it serves in measurable and operational terms. The goal or objective must be concise, easily understood, and able to deliver services if funded by itself. In other words, if funded at the increment’s level, it must be able to stand alone and deliver a workable program or services within its cost allocation. Second, each increment must have a breakout and compilation of the delivery requirements to support the proposed activities, with full description and all accompanying costs. If the increment is class size, then teacher salaries, benefits, classroom quantities, and so on, are examples of things to be compiled and described. Third, each increment must have a defined cost, which describes what it will take to fund the increment independent of other increments. Last, each increment must have a report or digest of performance data if it has been operating previously or proposed strategies for measuring its accomplishment if newly developed. Organizational consequences, outcomes, or results should be clear from the evaluation data, whether the increment will or will not be funded.

Developing a Decision-Making Process

Guidelines and procedures for decision making must be established prior to implementation. The people who will be involved in the process should make recommendations as to how the process should proceed. Some guidelines used in other settings have included a number of useful items. For example, preparation of “catalog” type collections of program unit descriptions has been useful in keeping track of many different units and increments. Also, cost information in traditional line-item format has been useful for later conversion to standard budget reporting and accounting systems. Rules about assessment data have been

<table>
<thead>
<tr>
<th>Increment Title</th>
<th>Description</th>
<th>Cost</th>
<th>Cumulative Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library Services – Minimal</td>
<td>Professional staff provided two days per week at each school</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>Library Services – Current</td>
<td>Professional staff provided four days per week at each school</td>
<td>$15,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Library Services – Optimal</td>
<td>Professional staff provided five days per week at each school</td>
<td>$7,500</td>
<td>$37,500</td>
</tr>
<tr>
<td>Library Services – Augmented</td>
<td>Staff for small group and individual instruction at each school</td>
<td>$15,000</td>
<td>$52,500</td>
</tr>
</tbody>
</table>
helpful in narrowing down the breadth and scope of information that must be analyzed in detail later. In addition, the method by which units and increments will be rated and ranked by the decision-making body is a function that should be given considerable thought and definition beforehand.

**Ranking Units and Increments**

The most important task in the process is to rank order unit increments in priority order, based upon the democratic decision-making process and appropriate use of performance data. Descriptive information about the nature of a unit increment, its purpose and objective, its previous or proposed level of performance, and its cost are a few of the variables considered in the process. After increments are evaluated by the group and judged as to value or efficacy, they are ranked in order of preference. Several consensus-building processes are available for this purpose. An example of a ranking configuration, showing only an excerpt, is illustrated in the exhibit below.

**Excerpt of Unit Increment Rankings**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Unit-Increment Description</th>
<th>Cost</th>
<th>Cumulative Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>67</td>
<td>Library media – collection expansion (1 book/student)</td>
<td>$14,123</td>
<td>$3,954,797</td>
</tr>
<tr>
<td>68</td>
<td>Guidance services – increase staff ratio to 1:325</td>
<td>$31,108</td>
<td>$3,985,905</td>
</tr>
<tr>
<td>69</td>
<td>Instrumental music – move start to Grade 4</td>
<td>$7,889</td>
<td>$3,993,794</td>
</tr>
<tr>
<td>70</td>
<td>Custodial service – schedule to 3 cleanings/week</td>
<td>$9,224</td>
<td>$4,003,018</td>
</tr>
<tr>
<td>71</td>
<td>Teacher assistance program – 2 hours/wk/teacher</td>
<td>$13,665</td>
<td>$4,016,683</td>
</tr>
</tbody>
</table>

Given the rank ordering described above, the system will have a tentative budget listing of unit increments in order of ranked priority.

**Developing a Proposed Budget**

Once the individual increments of the budget rank have been ordered, final development of the budget depends upon monies appropriated and higher-level reviews and decisions. The nice thing about the system is that available revenues might fluctuate up or down, but wherever the funding line is drawn, the increments to be included in the budget have been determined. If the revenues increase, more unit increment packages are funded. If revenues decrease, fewer unit increment packages are funded. In both cases, changes in monies available are dealt with in accordance with the predetermined priority order. In the preceding ranked table, if the school has $3,955,000 appropriated, package rank 67 is funded. If the school has $4,020,000 appropriated, then package rank 71 is funded, as are all packages with a higher ranking (but lower number).
Implementing and Evaluating the Budget

Within the budget system, both the process and the outcomes are monitored simultaneously. The allocation process must be scrutinized and improved over time. Also, the outcomes of the budget must be evaluated for future planning and budget decisions. Finances and programs must be analyzed and maintained or modified in accordance with their resultant levels of success. Given this approach to budgeting, you’ll find that questions focus more on “How well are we doing?” rather than “How much did we spend last year?” Central management, the public, and the school team will have a more complete idea of what is (and what is not) funded in operations of the school. In addition, tangible linkages between program results, objectives, and costs will be apparent to all parties concerned. It will be far easier to explain why certain portions of the budget are increasing (or decreasing) from year to year.

Implementing the process usually requires three to four years of effort, with continuous revision of procedures and process based on findings and outcomes. See Appendix A for recommended actions typical of those proposed to school systems following curriculum management audits that do not meet the criteria for performance-based budgeting.

Organizational Benefits of Performance-Based Budgeting

Certain organizational advantages accrue to the school organization as a result of using curriculum-driven or performance-based budgeting. Some of the major benefits have been identified and are defined in the proceeding sections.

Credibility

A credible rationale is used for allocation of scarce resources. Limited economic, human, or matériel resources are brought into alignment with organizational goals on a rational basis. Organizational goals are funded in order of importance or perceived value in a reasonable, democratic process.

Feedback

Assessment feedback is used effectively in budget decisions. Objectives and results are brought into focus, relationships are used in planning, and measurement of efficacy is used in decision making.

Ownership

Participation in the budget planning and decision-making process by all members of the school team helps contribute to the acceptance of and commitment to final budget decisions. Such involvement undergirds and fosters corporate ownership of organizational processes and shared values.
**Communication**

Public visibility, team involvement, and an easy-to-understand format enable thorough public knowledge of district operations, goals, and program requirements. Such factors have often been associated with public trust and confidence in public schools.

**Efficiency**

Given competition for resources on a sound basis, efficiency improves. Duplication of effort is diminished, ineffective programs or strategies are terminated or modified, and low priority or unnecessary activities are eliminated.

**Creativity**

Creative thinking and problem solving are key parts of the budget process. Standard or traditional ways of doing things are subjected to scrutiny and evaluation; divergent thinking, which produces new and better ways of doing things, is also encouraged.

**CONCLUSION**

This chapter gives a brief overview of the complex performance-based budgeting process. It supports school-based management, which requires many effective tools to obtain productivity in school organizations. However, performance-based or curriculum-driven techniques offer new and powerful tools in the quest for productivity. They offer new tools to use on the complex and difficult management responsibility of budgeting. Of course, it requires willingness to function within certain procedures that may be significantly different than customary or traditional processes. However, given commitment to make performance-based budgeting work properly, school systems have found that this new paradigm:

- Leads to higher productivity,
- Fosters better organizational unity, and
- Holds promise for improved performance in school programs and activities.

The end result is that greater educational effectiveness with scarce or limited resources may be achieved. In times of financial paucity and economic difficulty, such new ideas and approaches to educational budgeting are welcome.