

The logo for MICIP features the letters 'MICIP' in a large, bold, blue sans-serif font. To the left of the letters is a circular graphic composed of two concentric arcs. The outer arc is blue and curves from the top left towards the bottom right. The inner arc is green and curves from the top right towards the bottom left. Both arcs have arrowheads pointing in a clockwise direction, suggesting a continuous cycle.

MICIP

MICHIGAN INTEGRATED CONTINUOUS
IMPROVEMENT PROCESS

Budgets Impact Continuous Improvement

Objectives – Participants will...

Identify

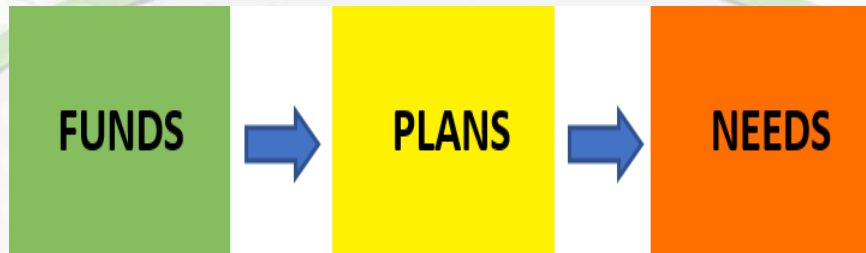
- Identify the fiscal team as critical partners in the continuous improvement planning process.

Recognize

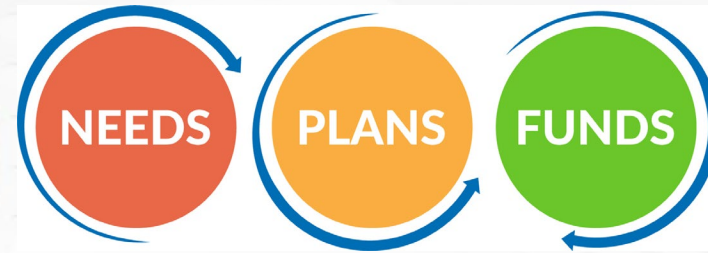
- Recognize how revenue sources, expenses, and budget cycles impact the continuous improvement process.

Changing Mindsets

Resource Mindset: The collection of thoughts and beliefs on resourcing a plan for progressing from a current position to a desired position at a determined point of time.



Begin with identifying available funds, then develop a plan to utilize those funds to address student needs.



Identify student needs, determine two or three evidence-based possible solutions, collaborate with fiscal experts to select a strategy and develop a sustainable funding plan.

Revenue Factors

Enrollment

Census Data

Legislative Actions

- Federal
- State
- Local

State Budget

Federal Grants

Community

Expense Factors



Staffing



Instructional Materials



Facilities



Transportation



Food Service



Uncertainties

Budget Cycles

State & Federal

Continuous Process

Fiscal Yr. Begins **October 1st**

Districts

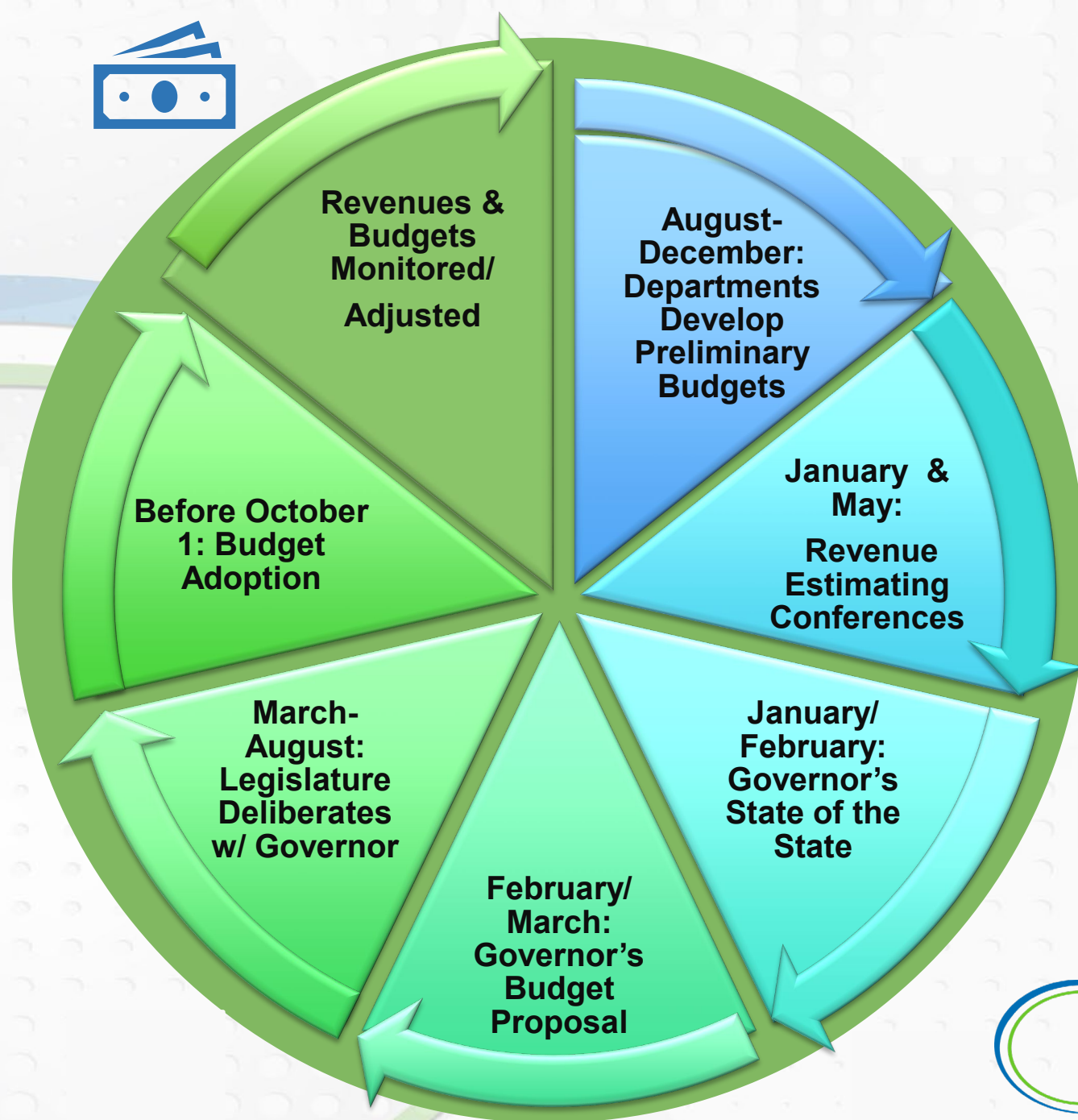
Continuous Process

Fiscal Yr. begins **July 1st**

Academic Year begins in August
or September

DIP Due June 30

State Budget Timeline





District Budget Development

- Setting the Stage
- Process Development/Review
- Data Analysis
- Establish **SMARTER** Goals
- Select Strategies for Reaching Goals
- Develop an Action Plan, including a Fiscal Plan
- Budget Presentation and Approval - June 30th Deadline

Sample District Budget Timeline



**October-
December**

Draft budget is created based on the continuous improvement plan.



**January –
March**

Draft budget is revised based on additional data.



**April –
June**

Presentation and approval board approval of budget.



**July –
September**

Fiscal audits completed and fiscal monitoring continues, with adjustments based on progress.

Leverage Team Experts

- **Business Office**
 - How will the three to five-year enrollment projections impact the strategy?
 - What are the short and long-term expense projections?
 - Will bids need to be required for services or products?
- **Human Resource**
 - Analyze current staffing against staffing needs of the strategy.
- **Technology**
 - Consider your delivery system, hardware & software needs, and technology life cycle.
- **Operations & Transportation**
 - What maintenance, facilities updates, and/or staff are required?
 - What transportation needs exist for trips and afterschool/summer programs?
- **Food Service**
 - In what ways can afternoon and summer food programs be incorporated?

Remember: Costs can multiply by 8 when a process for considering the expense of implementation with fidelity over time is overlooked.

Resources

Levin, McEwan, Belfield, Bowden, Shand (2018) *Economic Evaluation in Education: Cost Effectiveness and Benefit-Cost Analysis* 3rd Edition. Thousand Oaks, CA: Sage Publications.

Newcombe, Douglas L. (2019), *Understanding Michigan's Public School Finance System* 6th Edition

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<https://www.gfoa.org/pk-12-budgeting-academic-roi>

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Welcome to “Budgets Impact Continuous Improvement.” My name is Steven Curry, a consultant with the Michigan Department of Education (MDE). The goal of this presentation is to provide a high-level understanding of how the continuous improvement process is impacted by the budgeting process of the State of Michigan and individual Michigan school districts. This is part of a series of professional learning opportunities that is being developed to enhance your understanding of resourcing, or providing resources for, a three-to-five-year continuous improvement plan as part of the Michigan Integrated Continuous Improvement Process, or MICIP. When we talk about resources, we can mean time, people, physical space, materials, and money. Throughout the presentation there are opportunities for reflection and discussion. During this time, you may stop the video to utilize the reflection document found on the MDE MICIP website or other resources of your choice to reflect on the content and support collaborative dialog.

Objectives – Participants will...

Identify

- Identify the fiscal team as critical partners in the continuous improvement planning process.

Recognize

- Recognize how revenue sources, expenses, and budget cycles impact the continuous improvement process.



Just as teachers, coaches, social workers, administrators and other program planners continuously consider the needs of students and the impact of adult efforts to meet identified student needs, fiscal planners are continuously working to ensure funds are available to sustain these efforts and the school district as a whole. Program, operations, and fiscal planning are critical tasks for a school district and require consistent communication between the leaders of these departments. At the conclusion of this time, you will identify the fiscal team as one of the critical partners in the continuous improvement process. Additionally, you will recognize the impact that the budget process and various budget cycles have on that process.

Before we begin, think about this question: How does your district dialog about the budget and continuous improvement?

Changing Mindsets

Resource Mindset: The collection of thoughts and beliefs on resourcing a plan for progressing from a current position to a desired position at a determined point of time.



Begin with identifying available funds, then develop a plan to utilize those funds to address student needs.



Identify student needs, determine two or three evidence-based possible solutions, collaborate with fiscal experts to select a strategy and develop a sustainable funding plan.



Previous presentations have discussed what is called the MICIP mindsets, including moving from annual to continuous, on-going improvement; focusing on the whole child; and incorporating systems thinking. For the purpose of this presentation, this discussion will focus on a resource mindset. A resource mindset includes the various thoughts and beliefs about providing resources for a plan. The availability of resources is a factor that must be considered as teams explore, develop, implement, and evaluate improvement efforts. Therefore, it is critical for program planners to continuously collaborate with fiscal, facilities & operations, and human resource leaders to maintain a common understanding of the organization's vision, mission, and the identified whole child needs of your students. This will ensure the development and maintenance of an integrated three-to-five-year continuous improvement and fiscal plan.

What you believe about resourcing a plan will guide how and when you consider your resources.

Consider this process - Funds-Plans-Needs. **Stop and discuss** what this sequence might indicate about an organization's beliefs about resourcing. This could mean "I have a pot of money available, so let's create something that meets a need." This

has frequently been the mindset and practice as we have developed plans.

Now consider this process - Needs-Plans-Funds. Stop and discuss what this sequence might indicate about an organization's beliefs about resourcing. This means "A need has been identified with a possible solution. In what ways can I utilize the various resources available to me to sustainably meet that need." This is the mindset embedded into MICIP.

Stop and discuss the following two questions: Which of these two processes does your organization employ? How does it describe your beliefs about providing a system that supports the whole child attending your schools?

Revenue Factors



Before discussing how budgeting fits with the continuous improvement process, let's look at how the various factors impacting revenue and expenses also impact a district's budget and its ability to provide the resources necessary to fund a continuous improvement plan. First, revenue factors.

Enrollment: A significant amount of district funds are generated through student count. A birthrate decline or a projected 5% decrease in student enrollment can have a significant impact. A district's ability to accurately project enrollment has a large impact on program and fiscal planning.

Census Data: This information drives the amount of funding that is received through federal grants. With declining population, the state has received fewer federal dollars each year. For traditional districts, the distribution of these funds is based upon census data of the district's geographical boundary, not the district's student population. This is slightly different for Public School Academies as they do not have traditional district boundaries.

Legislative Actions & State Budget: Tax incentives or tax cuts and increases, per

pupil funding decisions, and regulations guiding state categorical funds such as 31a At-Risk or 35a Literacy can impact what a district receives from the State.

Federal Grants: These grants must supplement general funds and come with many regulations guiding how they may be used. Grant allocations are based on general census data, and since Michigan's birthrate and general population have been steadily declining, federal funds have declined an average of 3% annually over the past five years.

Community: In addition to birth rate and general population trends, other community variables that can impact a district budget include community willingness to approve school taxes as well as the type of businesses and property in the area. A community that has several small businesses, farms, and two small manufacturing facilities may generate less than \$500,000 while another district that has several small businesses, farms, vacation property, two small manufacturing facilities, and multiple wind turbines may be able to generate as much as three times that figure on the same tax rate.

It is important to consider the impact of these factors on continuous improvement planning and sustainable budgets.



Shown here are six expense factors that have a significant impact on a school district's budget. Ensuring effective and equitable use of funds to meet the needs of each child while sustaining a balanced budget takes a great deal of time for collaboration and intentional planning. Research indicates that the cost is 8-times greater when a district does not make the time for such planning.

Staffing: 80 – 83% of a district budget is staffing, including salary, benefits, and retirement.

Instructional Materials include items such as consumables, manipulatives, paper, various forms of technology, science kits, etc.

Facilities, including heating and cooling systems, roofing, parking lots, road salt, technology infrastructure, utilities, pools, and other items.

Transportation, such as buses, bus maintenance and fuel.

Food Service includes breakfast, lunch, after school snacks and more. Although

there are programs that assist in offsetting these expenses, the funds are reimbursed, meaning the district must have the available funds to first purchase items and services up-front before requesting reimbursement.

Uncertainties: Even when a collaborative team plans carefully, there are unforeseen needs or events that occur each year. Providing allowances within the budget for such unknowns assists in preventing the need to dip into a district's fund balance or having a negative impact on strategy implementation.

Factors such as these must be considered prior to program implementation to ensure that it is feasible for the district to maintain its ability to operate as intended. You might want to take the time to learn more about the various expense factors in your district.

For reflection: As you consider your district's revenue and expense factors, what benefits and challenges exist that impact your ability to fully fund continuous improvement?

School bus: [This Photo](#) by Unknown Author is licensed under [CC BY-ND](#)

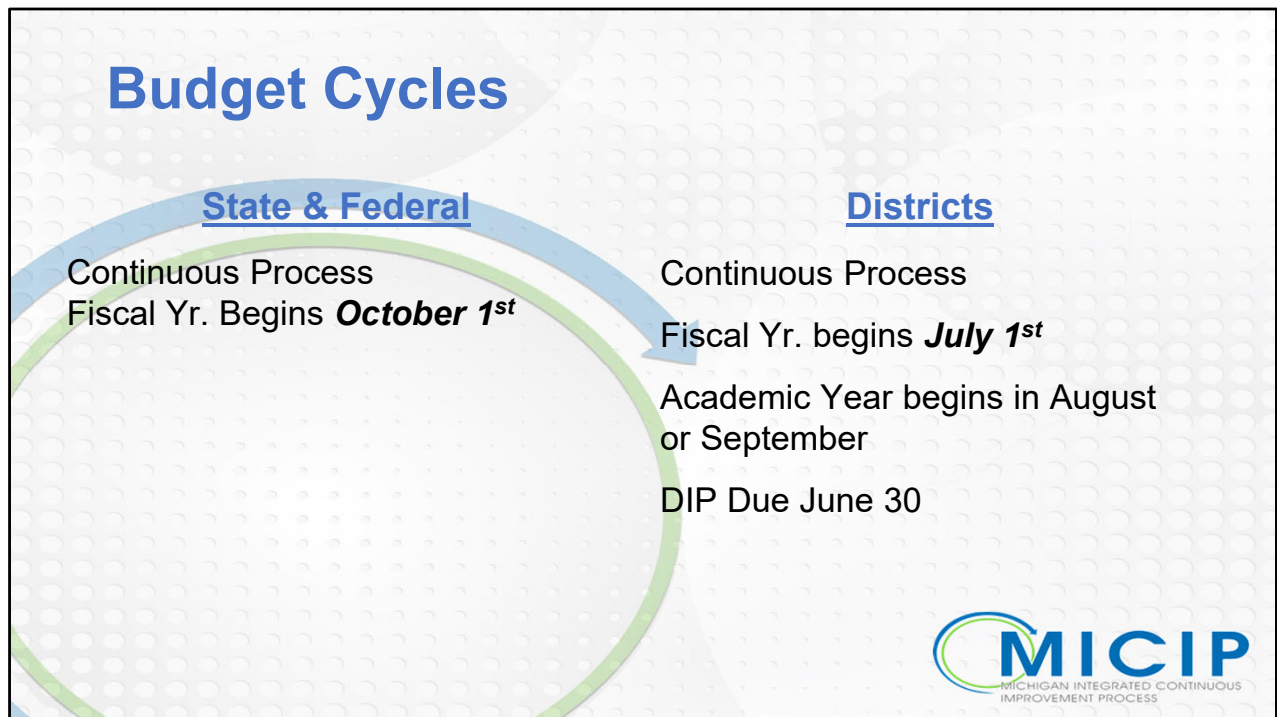
School building: [This Photo](#) by Unknown Author is licensed under [CC BY-NC-ND](#)

Teacher: [This Photo](#) by Unknown Author is licensed under [CC BY](#)

Computers: [This Photo](#) by Unknown Author is licensed under [CC BY-ND](#)

Food: [This Photo](#) by Unknown Author is licensed under [CC BY-NC-ND](#)

Maintenance: [This Photo](#) by Unknown Author is licensed under [CC BY-NC-ND](#)



As we look at the next several slides, think about these questions: How do the budget cycle timelines intersect with the continuous improvement timeline? What barriers, if any, exist between this process and the continuous improvement process in your district? You will have an opportunity to revisit these after the slides.

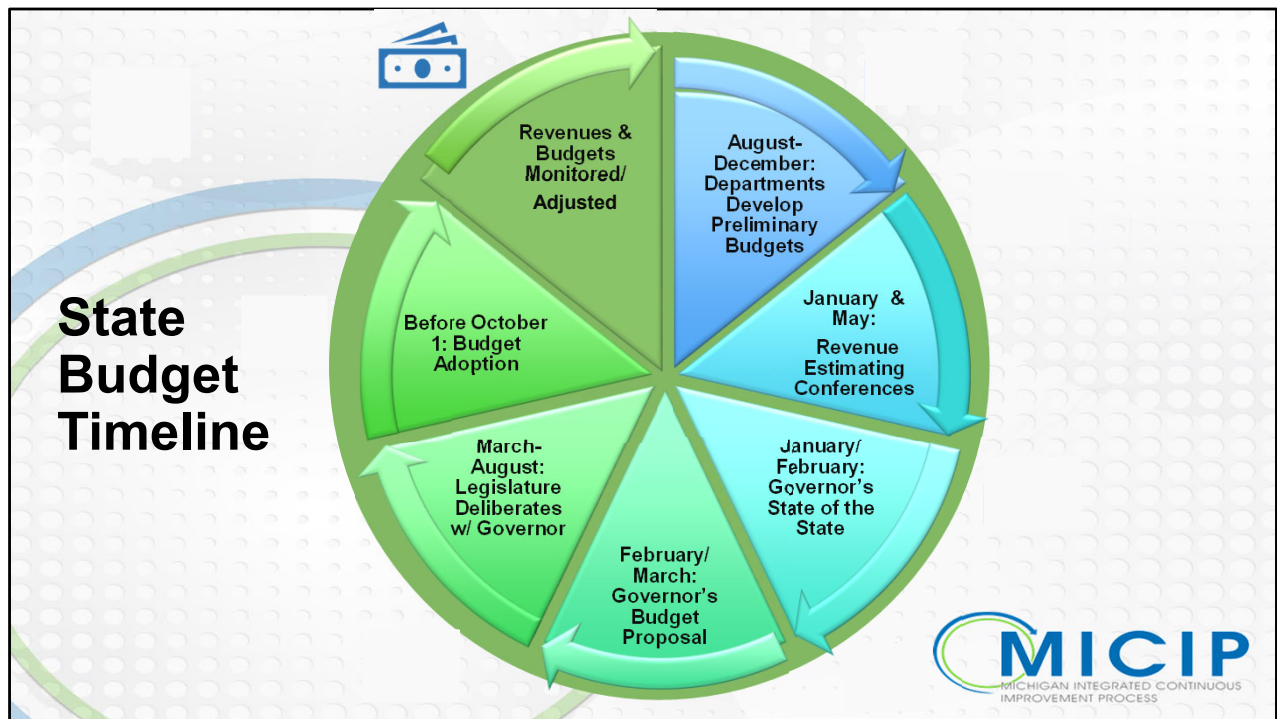
It is important to understand that the State of Michigan and the Federal government operate on a fiscal calendar that is different from the district fiscal calendar. The State of Michigan Constitution mandates that the governor sign a budget into law prior to October 1 of each year. However, districts are required to have a Board-approved budget by July 1st.

State & Federal Budget Process: The budget process is continuous in that the State of Michigan begins the cycle approximately one year prior to the next fiscal year. For example, in the Fall of 2019, after the signing of the 2020 fiscal budget, each of the state's departments and legislative bodies began developing budget projections for the 2021 fiscal year. This means that the fiscal offices are monitoring the current state revenue and expenditures of the 2020 fiscal budget while at the same time developing the new budget.

District Budget Process: Like the state budget cycle, districts are continuously monitoring revenues and expenditures as they implement the current budget while planning for the next fiscal cycle. As you see here, the district fiscal cycle begins on July 1 compared to an

October 1st start at the State level. Therefore, district leaders are forced to develop and approve a budget based upon projections of what will be agreed upon within the State budget. Later in the fiscal cycle, budget revisions are made and approved by school boards based upon the budget that is signed by the Governor. Furthermore, the district budget is aligned to the District Improvement Plan which is due June 30th of each year and is generally informed by school plans.

MICIP will focus on the district plan, with school plans being subsets of the district plan. As such, district and school plans will be developed at the same time, hopefully leading to a simpler budgeting process.



Let's look at these processes in a little more detail.

The state budget process begins in late Summer or early Fall, as seen in the blue pie piece, during which the various state departments develop their preliminary budgets. In January and again in May, the legislature meets to reach consensus about the amount of money that the state projects it will take in; this informs the state budget. The Governor then shares budget priorities during the State of the State address and, shortly thereafter, presents the Governor's budget proposal to the legislature. The Governor and the legislature negotiate to reach consensus on a final budget. The budget is then approved by the legislature and is presented to the Governor for a signature. By law, this process must be completed by October 1, as seen in the lime green pie piece; the law also requires that the budget be balanced. Budgets and revenues are monitored and adjusted throughout the year.



Specific district budget cycles and procedures vary across the state. Generally, districts begin this cycle sometime in the Fall or early Winter. You will notice that there are many similarities between the continuous improvement process and the budget development process.

Both begin with Setting the Stage, including identifying the key perspectives from around the district that need to be part of the process.

The Process Development/Review stage is when budget principles, policies, and communication plans are developed or revised.

Data Analysis is a process during which each department collects and reviews information to determine its financial needs as well as the extent to which it is meeting needs.

Leaders have discussed and created SMART goals for many years, goals that are specific, measurable, achievable, relevant, and time-bound. Adding the E and R takes this process to the next level of precision, with being continuously “E”, or

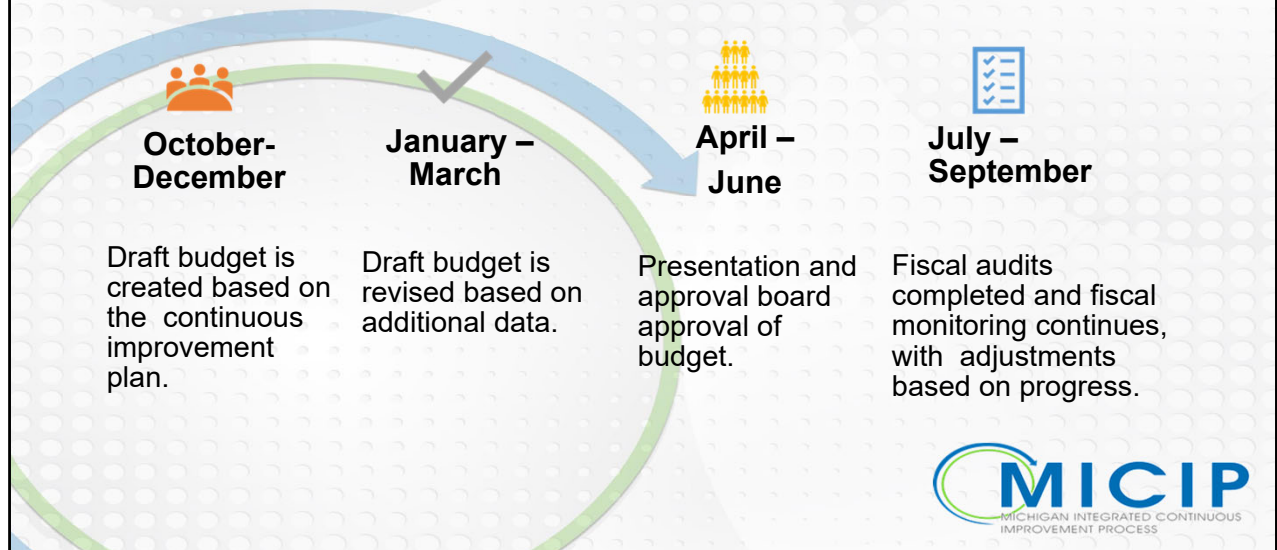
Engaged, in the monitoring and evaluation of the goals, and “R”, ensuring that the goals that are established have the necessary Resources for implementation as intended to receive the desired outcomes.

Continuous improvement team members identify possible strategies to meet the needs or opportunities for growth identified by the root cause process. Included in this identification is an analysis of resources needed, including time, personnel, materials, facilities, transportation, etc. To assist with this process, it is critical that budget or finance personnel are part of the conversation.

The continuous improvement action plan outlines the district’s instructional priorities over a three-to-five-year period and provides a road map for implementation, monitoring, and evaluating progress. The fiscal plan provides resources for the continuous improvement plan. To achieve equity, it may mean that different buildings get different resources.

The continuous improvement plan and budget are then presented to the school board and community. The school board is required to approve a formal budget prior to July 1 of every year. Upon approval, the implementation and monitoring of both the continuous improvement plan and the budget begin.

Sample District Budget Timeline



Based on the development process identified on the previous slide, here is a sample timeline.

- **October- December**
A draft budget is created based upon the continuous improvement plan and departments who support the plan, including maintenance, transportation, food service, etc.
- **January – March**
The draft budget is revised based upon additional data, including progress on the continuous improvement plan, revised fiscal data, staffing needs, employee contracts, student enrollment projections, and such things as facility maintenance and transportation needs.
- **April – June**
The budget is presented to the board and the public, and the board approval of budget.
- **July – September**
Fiscal audits are completed, and fiscal monitoring continues.

As mentioned earlier, throughout the year amendments occur as a result of the fiscal monitoring and external events that have impact on the budget such as unexpected expenses, adjustments in student enrollment, and the finalization of the state budget.

For Reflection: So now that you understand the various timelines, how do they intersect with the continuous improvement timeline? What barriers, if any, exist between the budgeting process and the continuous improvement process in your district?

Leverage Team Experts

- **Business Office**
 - How will the three to five-year enrollment projections impact the strategy?
 - What are the short and long-term expense projections?
 - Will bids need to be required for services or products?
- **Human Resource**
 - Analyze current staffing against staffing needs of the strategy.
- **Technology**
 - Consider your delivery system, hardware & software needs, and technology life cycle.
- **Operations & Transportation**
 - What maintenance, facilities updates, and/or staff are required?
 - What transportation needs exist for trips and afterschool/summer programs?
- **Food Service**
 - In what ways can afternoon and summer food programs be incorporated?

Remember: Costs can multiply by 8 when a process for considering the expense of implementation with fidelity over time is overlooked.



Based on the information we have discussed, what district team members would be able to assist you in understanding the budgetary elements that impact your ability to fund the continuous improvement plan? This slide suggests several of them. They are your experts and can assist in providing those details to support you as you design your continuous improvement plan. It is also these details that, if not considered, can cause a plan to become significantly more expensive over time. As was shared earlier, research indicates that costs can multiply by 8 when a process for considering the expense of implementation with fidelity over time is overlooked.

A district's size will have a significant impact on the number of people it has available to provide details and guidance; in some districts, these responsibilities may rely on one or two people. However, consultants from the Michigan Department of Education, Intermediate School Districts, the Michigan School Business Officials (MSBO), the Michigan Association of State and Federal Programs, the Michigan Association of School Administrators and the Michigan Association of School Boards, as well as local community organizations, are some resources that you can contact to assist in this process.

As you consider current initiatives, whose expertise can be leveraged to plan for the future of the district or building. What external partners might you need?

Resources

Levin, McEwan, Belfield, Bowden, Shand (2018) *Economic Evaluation in Education: Cost Effectiveness and Benefit-Cost Analysis* 3rd Edition. Thousand Oaks, CA: Sage Publications.

Newcombe, Douglas L. (2019), *Understanding Michigan's Public School Finance System* 6th Edition

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<https://www.gfoa.org/pk-12-budgeting-academic-roi>



In another presentation, “Funding the Continuous Improvement Plan,” some of these topics are briefly revisited in addition to blending/braiding funds that includes an example of utilizing multiple funding sources to support continuous improvement. Thank you to the MICIP team; the MDE Grants, Contracts, and School Support Unit; Fiscal Unit; School Improvement Support Unit; Special Populations Unit; State Aid & School Finance Office; Regional Support Unit; and MSBO partners for aiding in the development this presentation.

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If you have additional questions, you may contact the Michigan Department of Education.