Should the Fluvanna County School Board Adopt Zero-based Budgeting?

Fluvanna County Leadership Development Class
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What is Zero-based Budgeting?

Why are we even considering this?

What? A budget shortfall?

Here? Now?
explain the advantages and disadvantages of zero-based budgeting

share the information we found while doing our research

present our recommendations to the school board

• q & a
ADVANTAGES AND DISADVANTAGES OF ZERO-BASED BUDGETING

Although there is a lot of descriptive information about Zero-based Budgeting (ZBB) we found very few reports about schools and/or companies that actually implemented the process.
Zero-based budgeting is a technique of planning and decision-making which reverses the working process of traditional budgeting.

In traditional incremental budgeting, departmental managers justify only increases over the previous year budget and what has been already spent is automatically sanctioned. No reference is made to the previous level of expenditure.

By contrast, in zero-based budgeting, every department function is reviewed comprehensively and all expenditures must be approved, rather than only increases.

Zero-based budgeting requires the budget request be justified in complete detail by each division manager starting from the zero-base. The zero-base is indifferent to whether the total budget is increasing or decreasing.
ADVANTAGES OF ZERO-BASED BUDGETING, PART ONE
(COPIED DIRECTLY FROM WIKIPEDIA)

- Efficient allocation of resources, as it is based on needs and benefits.
- Drives managers to find cost effective ways to improve operations.
- Detects inflated budgets.
- Useful for service departments where the output is difficult to identify.
- Increases staff motivation by providing greater initiative and responsibility in decision-making.
Advantages of Zero-based Budgeting Part Two
(Copied directly from Wikipedia)

- Increases communication and coordination within the organization.
- Identifies and eliminates wasteful and obsolete operations.
- Identifies opportunities for outsourcing.
- Forces cost centers to identify their mission and their relationship to overall goals.
Difficult to define decision units and decision packages, as it is time-consuming and exhaustive.

Forced to justify every detail related to expenditure. The R&D department is threatened whereas the production department benefits.

Necessary to train managers. Zero-based budgeting must be clearly understood by managers at various levels to be successfully implemented. Difficult to administer and communicate the budgeting because more managers are involved in the process.
In a large organization, the volume of forms may be so large that no one person could read it all. Compressing the information down to a usable size might remove critically important details.

Honesty of the managers must be reliable and uniform. Any manager that exaggerates skews the results.
Do we really need a sledgehammer to pound in a nail?

The Foundation Budget – Chuck’s great find!
Whether better funding makes a difference depends on the state's overall education program. More money doesn't matter in New Jersey; it does in Kentucky. Additional funding hasn't made a difference in Kansas City; it has in Texas. **There is a lot of evidence that money alone will not significantly improve the quality of children's education.**

The Foundation Budget (FB) is a way of answering the question, "What is the minimum cost to provide a child with a quality education?" This method sets a foundation - or minimum - for the educational services and programs that schools must have to help students achieve high standards.
The local school board must first determine what constitutes a quality education – class size, teacher/student ratios, textbook and computer availability, remedial support, transportation requirements, building maintenance, administrative staff etc.

State and Federal mandates must be considered. Funding of these items constitutes the Foundation Budget.

The first step in the budgeting process requires that the school board determine what these items cost and how much should be budgeted for each.
There is little point in trying to apply rigorous ZBB techniques when establishing the Foundation Budget.

ZBB comes into play after the FB is established.

Everything beyond the FB will be determined with a clean sheet of paper. Items such as pre-school, teachers aides, extracurricular activities, sports, music, drama, field trips etc would be considered when developing the ZBB.

This is not to say that these items would not be funded but more particularly that the level of funding for each would be examined.
A question remains as to how much a School Board should attempt to do in one year.

Establishing the Foundation Budget is a necessity and must be first priority. But then can the entire remaining budget be subject to ZBB in a single year? Probably not.

Experts in the area of ZBB warn against trying to do too much in any one budgeting year. Better to establish a cycle with a few areas visited each year.
Establish a foundation budget in year one. This might be explained as defining the fixed and variable costs associated with the FB question, “What does it cost to provide a child a quality education?”

Hire a full-time person to implement the process, a position that hopefully pays for itself through improved efficiency and reduced expenditures.

*Involve as many people as possible. Anybody with a vested interest in receiving funds for their department will have a hard time being objective, but the initiative can be contagious if properly implemented.*
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Verbatim from Charles Johnson
Questions?

Zero-based Budgeting
Foundation Budget

Thank you and good luck!