

Financial Dashboards: Bringing Context to Data Confusion

Financial dashboards can help you and your school community understand and assess your district's fiscal health.

By Jeff Feyerer



Is more always best? In his 2012 book *The Signal and the Noise: Why Most Predictions Fail—But Some Don't*, author and statistician Nate Silver touches on an issue that can affect school district financial data. Silver has used his mathematical modeling to predict and analyze everything from presidential elections to baseball statistics. He says, “One of the pervasive risks that we face in the information age . . . is that even if the amount of knowledge in the world is increasing, the gap between what we know and what we think we know may be widening.”

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For school business officials (SBOs), the deluge of information readily available to us in our technological and data-driven world means we need to find a new and easily understandable way to present relevant, accurate,

and timely information about our district's financial situation to our school board and community.

Unfortunately, the complexities of school finance don't lend themselves well to being comprehended easily by those outside the district office doors. Funds, functions, and account codes are for those of us with a background in accounting and school finance. For those who don't have the same knowledge and experience, a spreadsheet full of financial data may seem daunting. In a time when transparency and clear communication with the public about the fiscal health of schools are essential, financial dashboards are becoming the go-to tool to fill that need.

What Is a Financial Dashboard?

Based on the concept of the vehicle dashboard that displays valuable information about an automobile's inner workings in a central location, a financial dashboard is a tool used to summarize the organization's fiscal health and operations in one place. Used for many years in traditional business settings to monitor organizational performance and to relay that information to stakeholders, financial dashboards are a relatively new trend in school business that some districts have already implemented successfully.

Each dashboard should truly be a point in time snapshot of a district's financial state that provides context for understanding the underlying data. Although no template exists for financial dashboards, each is created and centered on the fact that it is, at the very least, two things: simple and visual.

Simple. The most valuable trait of a financial dashboard is its simplicity. Ideally, any visitor to your district website should be able to glance at the dashboard and understand where the district stands financially. The structure and presentation should be easily navigable and segmented, thus avoiding the same data-saturation problems alluded to previously. The components included in each dashboard should require very little introduction or explanation and should be intuitive to anyone with a basic understanding of how finances work.

Visual. Dashboards use visual components to gain the viewer's attention. Although exercising creativity may seem counter to the "traditional" SBO's true focus on metrics and operations, graphs and charts are already commonplace in the presentations we give our boards and administrators. Tailoring them to be even more eye-catching, visually pleasing, and informative, yet easily understandable, is a must for effective dashboards.

Dashboard Components

What sets dashboards apart and makes them unique and useful tools is that they can be tailored to suit the particular goals and traits of individual districts. Unlike state-required budget and audit documents that are uniform or have basic requirements, information that is valuable

for one district may not be valuable for another. Dashboards let SBOs present their financial data in a way that allows easy monitoring, analysis, and interpretation in conjunction with the strategic goals of the district.

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When assembling my own district's dashboards, I put together a list of key questions that I wanted to ensure were answered.

Key Questions

- Are we spending more money than we are bringing in?
- How do the actuals compare with our budgeted amounts?
- What percentage of our revenues and expenditures is allocated to each fund?
- How have our budget and actuals changed over time?
- Are our district demographics changing?
- What data matter most to our community?

From that list of questions, I was able to assemble a list of metrics that I thought would create a comprehensive summary of our district finances.

Metrics

- Budget vs. actual
- Total revenues vs. expenditures
- Fund balances as a percentage of expenditures
- Education fund revenues/expenditures
- Debt
- Tax rates
- Financial profile score
- Per-pupil expenditures
- Enrollment
- Projected revenues/expenditures

My list included only the data that were essential to an effective dashboard for our district. We have an excess of data at our disposal, and we can provide countless metrics to interested parties, but our goal in assembling dashboards should not be to reenter the muddied waters we're trying to avoid. It should be to provide clarity to a very complex topic.

After the metrics have been selected, the dashboards' construction must be laid out in a way that translates the data to the right graphical representation and that is accessible and easily navigable. The actual graph can become more dynamic, depending on how tech-savvy the creator is. A more bare-bones approach involves one page for one concept and multiple concept pages for one district. The more advanced dashboards include

interactive components with drop-down menus that will alter the graphic available and give the reader a more fluid viewpoint.

Dashboard Uses

The primary uses of a financial dashboard involve effective communication and data-informed decision making.

Communication. At their very core, dashboards are tools school districts can use to exercise greater transparency. As property values continue to fall and taxes continue to rise, people are more interested in the inner workings of taxing bodies, how they allocate their resources, and whether they are getting results for the money spent.

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School districts are already required to provide financial documents to the public, but eliminating the barrier to understanding that financial information is essential to true transparency. An effective dashboard cuts through the school finance complexity and helps all members of the community better understand the state of the district's finances.

Decision making. Although mainly used as a communication vehicle, a district's financial dashboard can also be used as a decision-making tool. With the ability to analyze past performance, identify areas for improvement, and track current performance in a variety of areas, a district's dashboard can serve as a road map for improvement.

Dashboards allow other decision makers within a district to understand the financial ramifications of education-based decisions. When eliminating the barrier to understanding for a district's taxpayers is necessary for transparency, eliminating that same barrier for other administrators brings context to recommendations and decisions from the business office.

The Future of Dashboards

The increased use of metrics and data can help school districts communicate with stakeholders and make decisions on the basis of facts rather than on conjecture. But finding the right data—not more data—holds the key to success. If used correctly, financial dashboards can help your school community truly understand and assess your district's fiscal health and lay out a plan for the future.

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