

INTEROFFICE CORRESPONDENCE

Los Angeles Unified School District
Independent Analysis Unit

INFORMATIVE

TO: Members, Board of Education
Austin Beutner, Superintendent

DATE: August 6, 2018

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SUBJECT: REVIEW OF “HARD CHOICES” AND “ERS RESOURCE MAP”

EXECUTIVE SUMMARY

The *Hard Choices* report from the LAUSD Advisory Task Force, and its supporting document, the *ERS Resource Map for LAUSD* slide deck,¹ were presented to the Board on June 5, 2018. The *Hard Choices* report’s main point can be summarized as follows:

Because the District faces financial constraints but aspires to improve educational outcomes for its students, it will need to find ways to re-direct resources to make additional investments to support effective instruction.

After analysis, the IAU makes the following observations regarding *Hard Choices* and the *ERS Resource Map*:

- Most importantly, the IAU concurs with the above statement in broad terms. The challenges will be in the details of the District’s ongoing fiscal decisions, a subject of further research and analysis by the IAU, and in determining what degree of urgency is required in balancing short-term concerns with long-term plans.
- The two documents contain a mixture of several propositions of fact and inferences, policy suggestions, questions, and proposed topics for useful inquiry. Many of these are correct and/or reasonable. However, many of them appear to be based on questionable data, assumptions, or methods.

¹ ERS stands for *Education Research Strategies*, which is national nonprofit consulting firm with district, school and state-level clients throughout the United States. The full title of the slide presentation is *ERS Resource Map for LAUSD: Opportunities to Improve Resource Allocation to Accelerate Student Learning—Key Insights & Opportunities*, dated June 5, 2018. It can be found: <http://www.lausdtaskforce.com/wp-content/uploads/2018/06/ERS-Resource-Map-for-LAUSD-June-2018.pdf>

- The *Hard Choices* report uses the District's required Multiyear Projection of short-term budget shortfalls, which is a cautious scenario but not a true forecast, as the basis for alarming language such as “looming” and “insolvency” to describe the so-called *structural deficit*. A more neutral way to describe the District’s financial state is that L.A. Unified faces three distinct fiscal pressures:
 1. a gradual depletion of reserves as the result of budgeting expenditures that exceed shrinking revenues, which is managed each year by identifying enough cuts to budgeted expenditures to avoid insolvency,
 2. rising health care costs for retirees that in coming years threaten to begin crowding out other spending (mainly on employee salaries), and
 3. growing pension expenses that also threaten to crowd out other expenditures.

Importantly, state and county regulations exist to prevent District insolvency and ensure long-term viability. However, in the current constrained fiscal environment, L.A. Unified would do well to improve its financial planning to enable effective and strategic investments and avoid haphazard cost savings that may interfere with its performance goals.

- The *Hard Choices* report and *ERS Resource Map* are based primarily on the FY 2016-2017 L.A. Unified adjusted budget, and personnel files, which are reliable data, but outdated as of August 2018. Several key aspects of policy have changed in the last one-and-a-half years. Notably, the Health Benefits Agreement has frozen the growth of healthcare costs, steps have been taken to identify additional cost savings, the LCFF has reached full funding, and a new Fiscal Stabilization Plan is included in the 2018-19 budget. In addition, the District has more accurate numbers for funded Average Daily Attendance (ADA), which means there are newer projections of revenue.
- The *Hard Choices* report and *ERS Resource Map* do not serve well as stand-alone documents. They lack explanation of key propositions, figures and claims, as well as a full descriptions of data sources and analytic methods used.
- Many of the claims in the *Hard Choices* report and *ERS Resource Map* are based on comparisons of L.A. Unified to a set of six or seven (depending on the figure) school districts referred to as “peer districts.” These districts are used as benchmarks against which to evaluate various organizational, instructional, and funding aspects of L.A. Unified. These comparisons may be factually accurate to the extent that ERS used identical methods to measure the practices they compared. However, since the benchmark districts differ substantially from L.A. Unified in terms of enrollment, number of schools, student demographics, student needs, and policy context (most are outside California), many comparisons—especially relating to factors influenced by state law, labor contracts, or local economic and historical context—may lack meaning or validity without further analysis.

The IAU recommends contextual comparisons. For instance, to assess whether the proportion of Title III (EL) coordinators is high or low in L.A. Unified, comparison can be made to districts with approximately comparable percentages of English language learners (Limited English Proficient, LEP, which was 25% in 2016-17, and Reclassified Fluent English Proficient, RFEP, which was 24% in 2016-17), such as Oakland or Denver. Even then, the Board should interpret comparisons with caution, aware that L.A. Unified’s needs may differ from those of other districts in meaningful ways. For each issue, benchmark districts should be as similar as possible to L.A. Unified in relevant dimensions. For questions about instructional minutes, professional development time, and other

issues subject to negotiation, districts with similar state laws, regulations, and labor contracts should serve as benchmarks.

- The IAU identified and evaluated several propositions of fact in the *Hard Choices* report and *ERS Resource Map* documents. Many of these claims are reasonable, but difficult to assess or replicate given the information provided.
- A key set of claims in both documents calls into question school funding equity. In California and in L.A. Unified, different types and levels of schools receive funding at different levels, which may or may not be linked directly to student needs. Using a different method from ERS, the IAU conducted a similar analysis and found different results.² Therefore, further analysis is needed, preferably standardizing on dataset and methods.
- Though the reports did not set forth definitive recommendations, IAU analysis found seven propositions of policy worth highlighting:

L.A. Unified should consider...

- 1. making it easy for all District stakeholders to understand how, where and why resources are allocated;**
- 2. finding ways to focus resources on core mathematics and English Language Arts instruction and increased instructional coaching;**
- 3. exploring how to bring healthcare costs and cost growth in line with expected revenue trends;**
- 4. reviewing total staff compensation;**
- 5. evaluating professional development quality and quantity;**
- 6. re-allocating administrative personnel; and**
- 7. administering school funding to ensure augmented spending for high needs students.**

² Independent Analysis Unit, Per Student Revenues and Expenditures, Jun 2018.

INTRODUCTION

The LAUSD Task Force presented two work products to the Board on June 5, 2018. These presentations were the *Hard Choices* written report and its supporting document, the *ERS Resource Map for LAUSD* slide deck. The Board asked the IAU to evaluate the validity of these reports, which include several propositions of fact and inferences, as well as policy suggestions and proposed topics for useful inquiry. However, neither document stands alone without further explanation from the authors nor does either contain definite recommendations; rather, they provide a basis for beginning a discussion.

The IAU used textual analysis to review the reports. Each statement was separated and coded using emergent codes, then grouped by code. Results were that contents of the report fall into four categories: *Fiscal Challenges, Claims Regarding Instruction and District Organization, Areas to Explore for Possible Realignment of Resources, and Analytical Needs*. Each is explained in turn.

CLAIMS REGARDING FISCAL CHALLENGES

Three distinct fiscal challenges face the District. Each is mentioned in the *Hard Choices* report and *ERS Resource Map* reports, but the three are conflated in a way that promotes confusion.

To understand the financial state of the District, it is important to know that *California increased funding from 2013-18 for K-12 public schools through the Local Control Funding Formula (LCFF)*. These funding increases are over. Enacted LCFF increases have been completely realized as of the current fiscal year (FY 2019). With the District's own forecast showing enrollment declining 2-3 percent each year,³ total revenue will probably decline, though at a slower rate than enrollment due to incremental increases in LCFF funding per student (p. 13, HC).⁴

The end of increasing appropriations from the state, combined with declining enrollment, puts financial pressure on the District to contain costs. However, in a series of statements about the financial health of the L.A. Unified, the report uses value-laden language to describe the District as having a “structural deficit”—a technically correct term but not as frightening in its technical meaning as it sounds—and a “looming” threat of “insolvency”, all characterized as threatening “long-term viability” and the District’s “ability to deliver basic education programs (p. 12).” The evidence of this deficit is that “the District’s own forecasts show it will have exhausted its reserve fund balance by 2020-21.” This language and statements of fact regarding the fiscal health of the District risk confusion on two counts.

Projections versus forecasts

First, though the multi-year projections included in the District’s approved 2018-19 budget do show a declining reserve, these *projections* should not be confused with *forecasts*. Projections are lines or curves

³ Enrollment has decreased by an average of -2.69% since SY 2011-2012. ADA enrollment is down by an average of -2.70% since FY 2014-2015. The LCFF COLA on a per-student basis is above 2.5% for every year forecasted.

⁴ HC refers to the “Hard Choices” report; ERS refers to the slide deck, entitled “ERS Resource Map for LAUSD”

drawn into the future based on snapshots of the present. A forecast is what is most likely to actually happen given everything known to be true.

All projections reflect *scenarios*, which are combinations of assumptions that represent possible future states. A worst-case scenario, for instance, might assume a recession and cuts to statewide education funding, as well as higher-than-expected expenditures. The projections that follow from these assumptions might show a deficit. A best-case scenario, on the other hand, might assume a revenue windfall and unexpected savings in an expenditure category. These assumptions could lead to a projection of surplus. Modeling these scenarios is helpful in planning for the possible range of outcomes. Neither projection would be a forecast, however, because the most likely outcome falls between the extremes.

Every year, as part of its Budget reporting procedures, the District makes *multiyear projections* (MYPs), which are models of what might happen with revenues and expenditures given certain assumptions and calculations. The MYPs are developed using the *Standardized Account Code Structure* (SACS) Form MYP, which LEAs across California complete to comply with statutory accounting requirements (EDC § 42127). County offices of education use these MYPs to help determine the financial health of their school districts.

L.A. Unified’s MYPs are not projections of the worst-case scenario. Instead, they represent a minimum-reliable revenue/highest-planned expenditure scenario. Several revenue and expenditure assumptions underlie L.A. Unified’s MYPs.

On the revenue side, the District makes assumptions about levels of enrollment and attendance, the cost of living adjustment, LCFF grant amounts, and income expected from other sources. In general, the revenue estimates are accurate and reliable due to the formulaic nature of the money L.A. Unified gets from the state, the *Principal Apportionment*. The District assumes it will receive the prescribed amount and nothing extra, which is sound financial management and means that any amount the District may receive over expectations from unexpected or semi-expected sources comes as a pleasant surprise.

On the expenditure side, the MYP assumptions include projected spending on salaries and other expenses, a minimum reserve amount, an indirect cost rate, and amounts of money the District places in ending balances assigned for designated and undesignated purposes. In general, these spending assumptions are liberal, which makes sense. The District uses maximized expenditure assumptions because it wants to be sure it has the cash it needs to pay for all budgeted services and activities.

The MYPs are based on reasonable assumptions: the best currently available information on revenue and current decisions about next year’s spending. Planning for this scenario serves two purposes: it ensures compliance with state and county regulations, and it keeps day-to-day expenditures in check. When decision makers are aware that planned spending exceeds the minimum reliable revenue, they may think twice before ordering extra supplies or delay bringing on extra staff until absolutely needed. The MYPs help keep the District’s belt tight.

But the minimum-reliable revenue/highest-planned expenditure scenario is not the most likely scenario, and therefore any resulting projections are not forecasts. To make a forecast, two facts should be considered:

First, the County Office of Education carefully monitors the District financial health and requires a Fiscal Stability Plan, which ensures against insolvency. Whenever MYPs show running out of reserves within

three years, the District adopts a Fiscal Stabilization Plan identifying additional cuts to avoid such an outcome, so those cuts should be considered as part of a forecast.

Second, the District typically spends less than it budgets to spend every year; the budgeted expenditures are higher than the expenditures in the unaudited actuals in most of the last 10 years, as shown in Figure 1. Such midyear cuts from the budgeted level of expenditures may not result in an optimal use of limited resources. As long as they are available, though, they represent adjustments that help turn a projected shortfall into a small forecasted surplus.

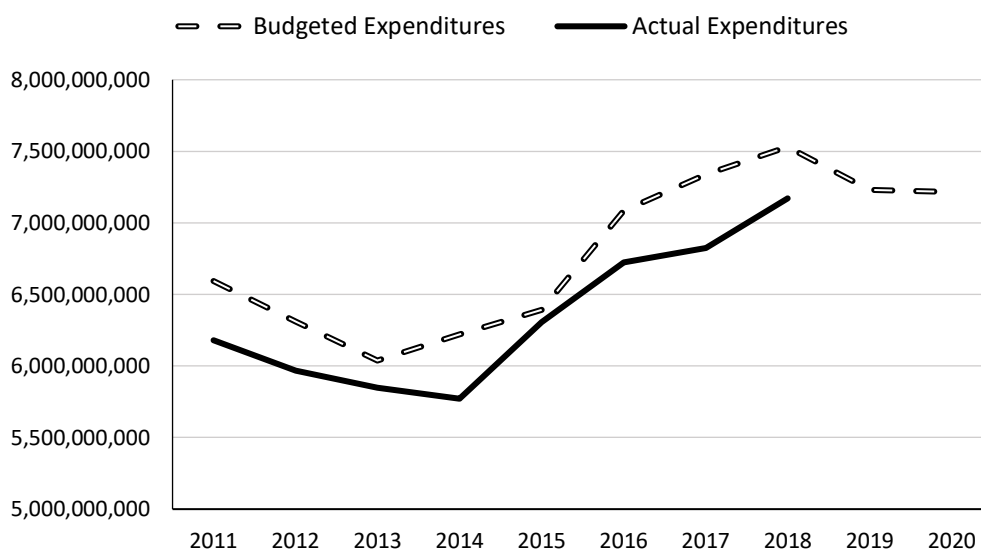


Figure 1. Expenditures in the Annual Budget versus expenditures in the unaudited actuals from FYs 2011 to 2018, and projected.

From these facts, the District can *forecast* that the District’s reserves will hold out longer than three years because general fund spending will likely remain at typical or lower levels, which will use less reserves compared to what the MYPs show. The District can further forecast that if its reserves are depleted, the Los Angeles County Office of Education (LACOE) will disapprove the District’s annual budget and subsequently call upon the Fiscal Crisis and Management Team (FCMAT), a state agency, to examine the district’s financial records, develop an approvable budget or provide other operational recommendations that will ensure fiscal stability (EC 42127.1-8, EC 41326, EC 41327). Although extremely undesirable, this outcome is not accurately described as insolvency.

The question before the Board, therefore, is not so much *whether* the District can achieve fiscal stability, but *how* it does so. In this respect, the *Hard Choices* report sounds a useful alarm:

“LA Unified has had a structural budget deficit for over six years and has balanced its annual budget through a combination of increased funding from the state, use of its reserve fund, and reductions in spending, including personnel cuts. However, this year-to-year, temporary approach cannot be sustained.”

Will the District’s frugality stretch the reserves long enough to allow gradual cost-cutting, or will inadequately planned spending necessitate more rapid, possibly disruptive action? As the *Hard Choices*

puts it, “Reductions in District spending have been made largely outside of the classroom. However, ...protecting the classroom from future cuts will become impossible.” The large current reserves and the current healthy economy offer the District an opportunity to plan carefully using scenario analysis. But solvency and viability are not the whole story. Quality and efficiency matter. **The Fiscal Stabilization Plan may be sufficient to keep the District afloat in the short term, but it may not be the optimal plan to promote the District’s educational aspirations.**

Three Distinct Fiscal Pressures

Second, *Hard Choices*, like other articles, perpetuates a misconception that conflates three different fiscal challenges. The first challenge is the gradual spending down of the reserve. This phenomenon—spending more than we make year-to-year and using up savings—is usually what is meant by the *structural deficit*. However, it is not adequately described by the MYPs but by a closer analysis of year-to-year changes in relevant data including revenues, expenditures, year-end balances, and proposed cuts in the Fiscal Stabilization Plan. The second challenge is the long-term squeeze from increasing health care costs, especially retiree costs that will continue to grow regardless of current decisions about staffing size and compensation. Third, there is long-term pressure from rising pension costs as the statewide requirement for funding pensions as a percent of payroll rises, then levels off.⁵

The *Hard Choices* report makes several claims about retiree health care and pension costs.

- **First, regarding health benefits, the report claims, “L.A. Unified provides a higher average teacher salary and higher average healthcare benefits than do peer districts. The District’s average teacher salary is 17 percent above the median and average healthcare benefits are 44 percent above the median, both adjusted for the cost of living (p. 26, HC).”**

Benchmarking L.A. Unified against dissimilar districts is problematic, but a separate District analysis, using more defensible benchmark districts and governments for comparison, confirms the general claim that L.A. Unified is unusually generous with its healthcare benefits. L.A. Unified, for example, pays full healthcare premiums for active employees, which is also true of the City of Los Angeles, San Diego Unified School District, and Long Beach Unified School District, but is not true of the other comparison entities, which require some amount of employee contribution. For eligible retirees and their dependents, though, L.A. Unified also pays full healthcare premiums, which is not true of any of the comparison governments or educational agencies.⁶

The Independent Financial Review Panel also provided evidence in 2015 that L.A. Unified’s benefits are comparatively large: “Per FTE, the District’s expenditures for benefits is 9.4% higher than the statewide average (p. 13).”

⁵ For explanation of these three fiscal pressures, please see IAU (2018) “Three Perspectives on the Fiscal Outlook of Los Angeles Unified School District”

⁶ Health & Welfare Board Retreat, August 29, 2017. Comparison entities are the City of Los Angeles, Los Angeles County, San Diego Unified School District, Long Beach Unified School District, New York City Department of Education, Chicago Public Schools and the City of Detroit

- ***Hard Choices* also claims that “District healthcare and pension costs are rising and projected to consume over 50 percent of LA Unified’s budget by 2031-32 (p. 7, HC).”**

IAU analysis gave similar results.

- ***Hard Choices* contains the statement that, “...state mandates have set the District’s contribution [to CalPERS and CalSTRS] to increase by more than 115 percent by 2024 and to remain at that level (p. 7).”**

This claim actually contains what may be a typo. CalPERS (non-teacher District employee pensions) will increase the employer contributions required from 18.1% in 2018-2019 to 27.3% in 2024-25, which is 151% of the starting point but **an increase of 51%.**⁷ CalSTRS, which is the certificated teacher pension system, will require increased employer contributions from 16.28% in 2018 to 19.10% in 2020, which is 117% of the starting point but **an increase of 17%.** This rate is expected to remain stable but may increase to as high as 20.25%.⁸

- **“In 1999, the State of California increased the retirement benefit for employees from approximately 1.9 percent per year of service to 2.4 percent, yet additional funding was not provided for this (p. 14).”**

This statement is not cited; it may refer to SB 713, which passed in 1999 and reformed the minimum guaranteed allowance payable to specified retired members of the defined benefit program. It is true that the career factor for employees over age 63 is set at 2.4% of final compensation, which would indeed be an additional expense if the previous career factor were only 1.9%.

CLAIMS REGARDING INSTRUCTION AND DISTRICT ORGANIZATION

- **Fewer than 40% of L.A. Unified students are proficient in English Language Arts (ELA), and fewer than 33% are proficient in Mathematics (p. 4, HC; source: CAASSP tests)**

Accurate (except the term ‘proficient’ is outdated in California). According to Smarter Balanced Assessment test results posted on the CDE’s CAASPP website, 39.55% of tested L.A. Unified Students met or exceeded standards in ELA in 2017 and 29.86% of students met or exceeded standards in mathematics.

- **The size of the District’s workforce has increased even as student enrollment has declined. (p. 19 HC; LAUSD Fingertip Facts; Office of CFO)**

Accurate, but misleading; context and detail are needed. Though the report claims that total District staff increased by 677 since 2014-15, it would be useful to know what classifications of employees increased, where the increases occurred (in schools, local Districts, police department, etc.), whether these employees were full-time, and what functions they perform. A cursory examination of LAUSD Fingertip Facts reveals that the number of teachers fell between 2015-16 and 2016-17 and that

⁷ <https://www.calpers.ca.gov/docs/board-agendas/201704/financeadmin/item-8b-00.pdf>

⁸ https://www.calstrs.com/sites/main/files/file-attachments/ab_1469_factsheet2017.pdf

administrators increased, but these increases were in the categories of early education and adult education, two important growth areas for the District over that time period. In addition, certificated support personnel and regular classified personnel increased, with the latter group representing the greatest year-over-year growth. The preferred data source for this analysis is LAUSD Norm Enrollment and Staffing data. Finally, the *Hard Choices* report uses a misleading graph with two vertical scales overlaid: the number 60,240 (staff) is graphed *above* 501,000 (students).

- **LA Unified spends 40 percent more per pupil on school administration than the median peer district, approximately \$150 million overall. (p. 21 HC; p. 29 ERS; LAUSD SY16-17 Adjusted Budget)**

Difficult to assess given the information provided and the necessity of defining what is meant by administration. L.A. Unified employs numerous school staff with some responsibility for student learning or support who are not teachers with classroom rosters, which is the cause of disagreements over the R2 ratio calculated by the state.

- **Principals change schools every 2-3 years. (p. 20 HC, p. 31 ERS; LAUSD HR, schools, and student data)**

True. According to LAUSD Norm Enrollment and Staffing data, the average principal tenure is 2.44 years. The ERS analysis by quartile of school need is probably valid and may be an indicator of inequity. In exploring explanations for this high turnover, an analysis of administrator training and probation should be conducted.

- **LA Unified’s current teacher to Instructional Coach ratio—68 teachers to 1 Instructional Coach—does not support effective teaching practices. (p. 22 HC; p. 30 ERS)**

The source of this information is unclear, but it is a reasonable claim. Instructional coaches are teachers, not administrators, so could be increased without raising teacher-to-administrator (R2) ratios, which are limited to 1.08. Coaching has been shown to be an effective intervention, with medium to large effect sizes on instruction and small to medium effect sizes on achievement. However, much of this evidence comes from literacy coaching programs for prekindergarten and elementary school teachers in the United States. Smaller programs are also more effective than larger programs. Thus, scaling and diversifying coaching programs district-wide for L.A. Unified would be a challenge (Kraft, Blazar, & Hogan, 2018).

- **If all instructional coaches, administrators (i.e. principals and assistant principals), and coordinators were either trained to serve as instructional support or were repurposed to be instructional coaches, the ratio would be 5 teachers to 1 instructional support person. Given the relatively high investment in school-based administrators and support positions, L.A. Unified has the opportunity to bring the instructional support person ratio to match best practices of 15 to 1. (p. 22 HC)**

This is a proposition of policy that is **vague but merits further analysis**. Administrators are already expected to be both instructional and operational leaders; coordinators often have fixed administrative duties. Asking these staff members to take on extra duties may be difficult and in some cases impossible. What responsibilities would they have to give up in order to perform this function? In general, this proposition reflects an “instruction first” philosophy, but does not address how to deal with the need for operational activities and other student support functions.

- **Teachers devote limited time to professional development with no time set aside for peer-to-peer collaboration and only 2.9 days per year devoted to professional learning. (p. 23 HC, p. 27 ERS; LAUSD collective bargaining agreement)**

False. ERS may have incomplete information about professional development (PD) practices in L.A. Unified. The Collective Bargaining Agreement (CBA) does not have a set time for collaboration, but encourages it in several places (in particular, common planning for middle schools, *2014-17 UTLA Contract*, p. 60). Additionally, the District has fixed 26 days for professional development (see Bulletin REF- 683.15, p. 3). Typically, schools will use many or most Tuesdays throughout the school year as professional development days. The afternoons of these days are devoted to PD activities, many of which, such as lesson study, entail peer-to-peer collaboration.

- **L.A. Unified’s school day (i.e. days when students are present) is shorter than peer districts. (p. 24 HC, p. 25 ERS; ERS Comparison Database, NCTQ TR3)**

The IAU has so far been **unable to replicate** this analysis, and it is subject to state policy, making comparisons with out-of-state districts problematic. This claim refers to the hours in an instructional day. Annual hours, which the report says equal 1,053 for LAUSD, represent the total length of the student day multiplied by the number of school days per year. This would equal a student school day of 5.85 hours, on average, which is a reasonable estimate. The cited NCTQ TR3 database does not have data on length of day and the ERS database is proprietary. This data may be available from the L.A. Unified bell schedule database. The minimum average instructional hours allowed by state law are 918.33 a year (EDC § 46201, LAUSD REF-685.16), but most districts appear to exceed this, according to the NCTQ TR3 database. Also, according to this database, 180 days for instruction is common in California (also a result of state law), but many Districts require teachers to appear at school for several additional days.

- **Educational advancement courses and process linked to salary step increases are not as effective as they could be. (p. 25 HC, p. 24 ERS; LAUSD Salary Schedule for Teachers with Regular Credentials)**

Requires further analysis. It is reasonable to ask how courses that are linked to step increases are aligned with curricular priorities.

- **Schools are funded inequitably (p. 44-51 ERS; CLASS/United Way LCFF Report Cards)**

Most schools in L.A. Unified are funded based on flat total enrollment augmented by certain funds based on student needs, rather than strictly weighted by student needs. This funding practice justifies inquiries into whether sufficient funding goes to the neediest students. ERS claims evidence that funding is inequitable, though the Board should view these findings with some skepticism because ERS claims to have identified spending for each student sub-population (English learner, low income and other targeted student populations) at school sites, which was probably not possible since the District did not publish expenditures at school sites by student sub-population in FY2016-2017. Further, IAU analysis found no systematic evidence that L.A. Unified underfunds high- needs subgroups.⁹ This finding contradicts evidence from other studies. Therefore, better datasets that are

⁹ See IAU (2018) “Per-Student Revenues and Expenditures.”

shared, as well as clearer, consensus methods are needed to allow replication and validation of research related to funding equity in L.A. Unified.

- **LA Unified allocates fewer resources to middle schools, which differs from peer districts. This trend holds true in both real dollars as well as weighted for student needs at each school level. (p. 29 HC; p. 50 ERS)**

Difficult to assess given the information provided, but IAU analysis shows average school budgets to be higher for middle schools than elementary schools, and highest for high schools, directly contradicting the findings from ERS. However, per-pupil spending is lower for middle schools and the ratio of planned school site expenditures to weighted-student revenue is lowest for middle schools, so inequities may exist. On the other hand, compared to high school, middle school offers fewer educational services and, compared to elementary school, it has larger class sizes, so lower levels of spending may be appropriate. More analysis is needed. (LCFF per ADA grants from the state are also lower for grades 4-8 than for K-3 and 9-12, so all districts in California should reflect this trend, not necessarily all ‘peer’ districts (see: <https://www.cde.ca.gov/fg/aa/pa/pa1617rates.asp>.)

- **LA Unified also experiences a greater variation in per pupil funding than peer districts, even when taking student needs into account. (p. 29 HC; p. 44 ERS)**

Difficult to assess given the information provided. This claim apparently refers to variation within school level and school size, but the term “funding” is vague. This statement could refer to revenues or expenditures. IAU analysis did reveal considerable variation between schools in terms of budgeted expenditures. Notably, L.A. Unified offers considerably more variation in educational services compared to benchmark districts. This service diversity could help explain per-pupil spending differences.

- **While there are four variables associated with school funding variation (school size, student performance, teacher compensation, school designation), school size is the greatest cause of variation in elementary schools and a significant predictor of variation at the secondary level.**

Difficult to assess given the information provided, but IAU analysis did find a that, as total school enrollment went up, budgeted per student expenditures went down at the elementary level. More analysis is needed to explain the variation in per student funding between school types, school levels and school sizes.

- **Smaller schools receive more funding per weighted-pupil. This is due to fixed costs and overhead that leads to a larger per weighted-pupil amount. This trend holds true throughout the District in elementary, middle and high schools.**

Unsupported. IAU analysis found a that as total school enrollment went up, budgeted per student expenditures also went up at the middle and high school level. In other words, smaller schools receive less funding per pupil. Only elementary schools seem to spend more per student if they have fewer overall students. Further, total enrollment accounts for a small amount of the variation in budgeted expenditures. However, the IAU may be using a methodology that differs from the ERS methodology.

- **The District has several designations—Inclusion Site, Magnet, Pilot, Innovation, Staff Stability, Dual Language, PHBAO and Charter— that each receive funding based on their individual designations.**

These designations reflect a variety of governance models, programs or demographic categories. Some relate to funding, but others indicate attendance eligibility or size. These designations are not categories of one variable. However, since enrollment explains little of the variability of per-student budgeted between schools, school organizational and programmatic factors probably account for funding variation and deserve more analysis.

AREAS TO EXPLORE FOR POSSIBLE REALIGNMENT OF RESOURCES

The *Hard Choices* report asserts “...that the point has been reached where hard choices can no longer be avoided.” (p.7) However, it does not present tradeoffs or priorities. Instead, it poses a series of questions that could provide a useful starting point for discussion and planning. Most of the questions are preceded by propositions of fact, followed by inferences that may or may not be justified. The questions then suggest areas to explore for possible cost savings, or re-organization, or changes in resource use. For example, this statement and question appear on page 13:

The District must make different resource choices to avoid insolvency, which will lead to cuts without consideration of student learning. What is the District’s plan to avoid insolvency?

There are several layers of meaning here. The statement assumes a status quo in which the wrong resource choices are being made, which is true but an oversimplification of the District’s history and continuing progress along a difficult path of repeated cuts and restructuring. The simple answer to the question in the short term is the Fiscal Stabilization Plan, but more than that is implied and required. In the long term, the threat is not insolvency understood simply, but crowd-out of variable costs by fixed costs, which is a more helpful way to frame the problem.

Other questions appear in the report, and they vary considerably. Some have definite, empirical answers; others ask for value judgements or statements of priority. Some are broad, and others narrow in scope. The answers to many of the questions are known, but some require additional research or analysis. They can be categorized in terms of District functions as follows:

Budget Services and Financial Planning

- What changes can be made to reverse the over-budgeting trend (p. 13)?
- How does LAUSD close the budget/revenue gap from year-to-year (p. 12)?

These two questions are addressed in depth by the IAU in a separate report.¹⁰ The short answer is that the gap is currently closed each year by making unbudgeted cuts to expenditures. The IAU recommends a long-term strategic financial planning process to enable more carefully planned cuts.

- What plan does the District have to increase current funding levels and funding over time? How much impact will it make (p. 13)?

The District is engaged in several initiatives, including public advocacy and a program to increase student attendance. Each of these has a different potential impact and a different cost. Among these, the IAU recommends even greater investment in changing public policy, not only to increase funding dramatically but to reduce cost growth in health care.

- How are pensions to be funded (p. 27)?

Pensions are a cost of employing personnel. The cost should be recognized at the time of adding a position and paid for out of whatever fund pays for the position, not paid for out of a separate fund.

- What per pupil funding level is needed to support students and schools? Does this level of funding by school level support the experiences we want our student to have (p.29)?

Determining the level of funding needed is a complex analytical task. However, the amount of funding provided by the state at present is clearly--to most observers--insufficient to accomplish our educational goals even if used with perfect efficiency.

- Are school funding designations producing the desired outcome? Does the District have a plan to fund schools more consistently and transparently? Do current school funding practices advance the District's equity goals (p. 30)?

The desired outcomes of equity and adequacy are clearly not being produced. The District has multiple funding and governance plans in place, which vary in transparency and in how directly they address equity goals. The District is moving toward increasing the number of schools funded on a per pupil basis.

Employee compensation and benefits

- What can be done to bring the growth of healthcare costs more in line with forecasted revenue growth (p. 15)? Can the growth of benefits spending be limited (p. 16)?

The ultimate answer to these questions depends on society as a whole, since health care costs are rising for everyone. The IAU's report on Health and Welfare costs provides some analysis of these questions and some recommendations of ways to make a difference.¹¹

- Is [the] level of compensation sustainable? If the compensation is to be sustained, how is it to be funded (p. 26)?

¹⁰ Independent Analysis Unit. Three Perspectives on L.A. Unified's Fiscal Outlook. August 2018.

¹¹ Independent Analysis Unit. Health and Welfare Costs and Liabilities. November 2018.

Projections show benefits costs crowding out other costs over the next ten years, so this level of benefits clearly cannot be sustained at current funding levels.

- Does the relative balance between salary and benefits create the right value proposition for our teaching force (p. 26)?

The balance between salary and benefits is negotiated with the District's labor partners. If this is not the right balance, a different one may be negotiated, within the District's resource constraints.

Instruction

- Does the District need to invest more in math and English instruction (p. 16)?

Yes. But with what funds?

- How much time should teachers devote to peer-to-peer collaboration or professional learning? How can L.A. Unified provide sufficient time for teachers for professional development (p. 23)?

An enormous body of research has been done and continues to be done on teacher professional development and collaboration. In general, more time is preferable, but not necessarily at the expense of classroom teaching and other time demands. A consistent finding is that targeted professional development must include a minimum number of concentrated workshop hours combined with follow-up coaching or check-in sessions over a longer term to be effective in changing teacher behavior and raising student achievement. Determining whether the time provided currently is "sufficient" would require more analysis.

- How can L.A. Unified realign responsibilities and/or repurpose positions to increase coaching for teachers (p. 22)?

This assumes that coaching should be increased at the expense of responsibilities performed by those in other positions. Determining the costs and benefits of such a policy requires careful analysis.

Staffing

- What is the size of the workforce needed to serve the needs of current enrollment? How is this resource deployed across the administration, schools and classrooms (p. 19)?

Given the evidence that many needs of currently enrolled students are not being satisfactorily met, the simple answer to this question is: a workforce larger than the one we have now, which would cost more than the resources available. It might be possible to make small improvements by changing the assignments of the current workforce, but even that is not clear. Careful research and analysis is needed.

- What are the causes of principal movement across schools? What can be done to reduce turnover of school leadership, particularly at schools with the highest-need students (p. 20)?

This is a question that occupies the attention of education researchers nationwide, and no definitive generalizable answer is available. However, much could probably be learned by studying principal turnover in L.A. Unified schools.

- What is the appropriate level of investment in school administration (p. 21)? How can we better support the instructional experience while reducing our high administration ratio (p. 22)?

As noted previously, questions about investments in administration require a more specific definition of administration. The District currently has a higher “administration ratio” (i.e., R2) than the norm for this state, but a substantial number of employees counted as administrators actually have roles that support student learning and reduce teacher workload even though they do not have classroom rosters of their own.

ANALYTICAL NEEDS

The LAUSD Advisory Task Force identified a major area for improved public information when it stated that the “District’s current school funding practices vary across school levels and within school levels making it difficult to determine the equity or efficacy of school funding decisions (p. 6).” Further, they argued that “L.A. Unified needs to make it easy for all District stakeholders to understand how, where and why resources are allocated (p. 28).” The IAU concurs. Though considerable information about funding and spending is available to the public, improvements in data availability could help stakeholders analyze spending patterns and evaluate program effectiveness. Especially needed is better information about programmatic expenditures at school sites.

SUMMARY

This review is the product of a textual analysis of two documents from the LAUSD Task Force: The *Hard Choices* report, and its supporting document entitled the *ERS Resource Map for LAUSD*, which is a 77-slide presentation. The main point of these reports can be summed up as:

Because the District faces financial constraints but aspires to improve educational outcomes for its students, it will need to find ways to re-direct resources to make additional investments to support effective instruction.

The reports characterize the District’s financial situation in an alarming way that conflates distinct financial pressures, variously referring to them as the District’s “structural deficit.” These pressures are the declining current revenue without concurrently declining expenditures and the eventual crowd out of salaries and operational expenditures by rising retiree healthcare benefits and pension costs.

The reports also assert that school funding is not equitable. The IAU analysis of this issue counters some of the specific claims related to funding equity, though without establishing a final answer to the question. Therefore, more analysis is needed, preferably with standardized methods and datasets.

Many of the claims in *Hard Choices* and the *ERS Resource Map* are based on comparisons of L.A. Unified to a set of school districts that differ substantially from L.A. Unified in terms of enrollment, number of schools, student demographics, student need, and policy context (most are outside California). Though these comparisons may be accurate on the level of measurement, the IAU questions the validity and utility of using these districts as benchmarks against which to evaluate District practices. The IAU recommends more careful contextual comparisons, which would benchmark L.A. Unified against

different districts resembling L.A. Unified in specific ways depending on the policy of interest. For a good example of this, see the Health & Welfare Board Retreat, August 29, 2017.

Neither *Hard Choices* nor the *ERS Resource Map* functions well as a stand-alone document, nor does either make definitive policy recommendations. However, in this review, the IAU has identified, categorized, and critiqued several propositions of fact and questions for discussion and further inquiry.

Overall, though, the IAU concurs with the conclusion that hard choices must be made to reconcile fiscal constraints with the cost of effectively providing an adequate and equitable education for all its students. One challenge associated with this is to identify what degree of urgency is justified and needed in balancing short-term concerns with long-term opportunities and plans. In this regard, the *Hard Choices* report appears to overstate the immediacy of what it calls threats to solvency. Another challenge is to identify and choose the alternatives that will accomplish the greatest educational results with the available resources and perhaps increase those resources. This will require a commitment to ongoing research, analysis, and discussion about those details and alternatives.