

## **INTEROFFICE CORRESPONDENCE**

Los Angeles Unified School District

Independent Analysis Unit

**DRAFT INFORMATIVE**

**TO:** Members, Board of Education  
Vivian Ekchian, Interim Superintendent

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**SUBJECT: Enhancing the Presentation of Budget Information**

### **SUMMARY**

This informative is one in a series of reports by the Independent Analysis Unit on budget-related topics. This report recommends ways the District can enhance its presentation of high quality, comprehensive and comprehensible financial planning and budget information for multiple audiences.

District financial information is needed by regulatory authorities, decision and policy makers such as the Board and Superintendent, other stakeholders and the general public. While the District has consistently provided the information required by regulatory authorities, and has made that information public as required, the presentation of budget information to other users has not been as clear and accessible as desired.

We recognize that in a time of reduced staffing, producing budget documents that serve the needs of diverse audiences with different expectations and varying levels of expertise can be challenging and resource-intensive. Therefore, we recommend an efficient combination approach that includes:

- an abbreviated popular budget document, available online as a single pdf file, with a clearly identified link on the home page of the District's website, with key tables and graphs also available on personal devices via the forthcoming Open Data app;
- the SACS report for financial details accompanying the Board report, available as a single pdf as was done for the fiscal year 2018 budget; and
- various supplementary materials that do not change frequently, easily located on the District website as aids and references for users of varying levels of expertise.

## **BACKGROUND**

L.A. Unified budget documents serve three audiences. County and state oversight officials need information to ensure that the District complies with financial requirements. District decision and policy makers, including the Board of Education and the Superintendent's staff, must be able to make informed decisions. Members of the public, employees, and various other stakeholders require transparent reporting of the District's financial status and constraints. This third audience represents a challenge because they may not necessarily be familiar with accounting principles (especially fund accounting, financial reporting, or District structure), but they are essential because their trust and informed feedback is necessary for both mission fulfillment and cost-containment.

The detail required to satisfy these three audiences differs. What one audience requires, another audience might find confusing or discouraging. The District's Budget Services Division must by law satisfy the first audience—external governing authorities—but should not neglect the other audiences. Budget documents should therefore include “popular” reports designed to assist those stakeholders and interested parties who need or desire a less detailed overview of the District's financial activities. In a time of reduced staffing, communicating effectively with all three audiences may be a challenge.

In spite of the work involved in producing a popular budget document in addition to the required reports, skimping on the resources needed for this task is probably counterproductive. In a time of staff cutbacks, satisfying the first audience of external authorities will be the first priority. The second audience still matters, though. The more Board Members understand the budget, the more successfully they can fulfill their fiduciary responsibility as well as make well-informed decisions. The more the answers to Board Member questions can be easily, almost instantaneously accessed, the less time staff will spend answering such questions one at a time.

For the third audience, the public and other stakeholders, the District has been less consistent and successful in providing access to an easily understood presentation of the District's budget and financial position. This audience needs such information for many reasons. Parents contemplating their school choice options may want to know what resources will be devoted to their children's education. Voters need such information in considering bond and tax measures, initiative and referendum measures, and candidates at all levels of government. Researchers and policy analysts at a variety of institutions study the District's data to inform their findings and recommendations for improvement. The list could go on.

## **CURRENT PRACTICE**

At L.A. Unified, the primary budget document, used by the Board and available to the public via the District's web site, is known in-house as the *Budget Book*. In its various forms, the District's Budget Book has served as a combination technical and popular budget document. Published at the start of each fiscal year, the Budget Book has varied over the last several years in design and

content. In recent years, it has been available as one downloadable PDF on the Budget Services pages of the District’s website.

In an analysis of the Budget Book and other materials, the IAU identified **five categories** of information:

### **1. Board Informative/Board Report**

The Budget Book always begins with a Board informative that includes a resolution adopting the Superintendent’s final budget. It also includes a report with major highlights that Budget Services deems important to emphasize to the Board, an overview of the District’s fiscal health, the third interim budget update (a financial statement comparing the planned budget with actual expenditures and revenues as of May of the previous fiscal year), a list of proposed investments to support targeted youth, and a selection of additional pertinent technical materials. The informative is designed to meet the decision-making and planning needs of the Board. However, it is likely to be too technical for many lay readers—especially since it occupies the beginning of the Budget Book, which most readers encounter first.

### **2. Popular Budget**

A variety of information for less technical users has often been included in the Budget Book over the last several years. Historically, these materials have been included as part of the “Introduction,” the “Budget at a Glance” section, or the “Summary.” At times, they have been difficult for a lay reader to find, coming after the Board report and some other technical materials. Some of these materials have at times been made available on the Budget Services or CFO’s pages of the website, separately from the Budget Book, but not consistently and not easily located for someone unfamiliar with the District.

### **3. Budget Detail**

Details about the revenues and expenditures in each of the District’s funds are usually included as part of a “financial details” section of the Budget Book. The most recent Budget Book (for fiscal year 2017-2018) included *the SACS report*, which served to present all of the budget detail.

The SACS, which stands for Standardized Account Code Structure, is a statewide, uniform online financial reporting system used by all California public agencies to report financial information in compliance with state law and generally accepted accounting principles (GAAP). The SACS report is a printout from the SACS system. It contains a section for each of the District’s funds. Each of these sections is further divided into subsections, A-F: revenues, expenditures, other financing uses, fund balance/reserves, and two sections that show net revenues minus expenditures. The SACS report meets the needs of a technically savvy decision-making audience.

The 2016-2017 Budget Book, though, did not contain the SACS. Instead, it was a customized document with four major sections and a series of appendices.

#### **4. Comprehensive Annual Financial Report**

In addition to the Budget Book, L.A. Unified generally has gone beyond minimum requirements to prepare a *comprehensive annual financial report* (CAFR). The CAFR is released several months after the close of a fiscal year, and is the complete showing of the financial investment and income records from all sources, reflecting what has developed over decades. In contrast, the Budget Book shows just revenues, expenditures and transfers between funds for the current period and how they differ from the previous year.

The CAFR presents the District's overall net position, its long-term liabilities and a complete picture of the District's fiscal health. The CAFR can be used along with a budget document to compare the District's total financial standing with the annual general purpose budget. For its CAFR, L.A. Unified has been awarded a Certificate of Achievement for Excellence in Financial Reporting from the *Government Finance Officers Association* (GFOA).

#### **5. Supplementary materials**

Reference information that helps readers understand school finance and District budgeting is included either in the Budget Book or on the Budget Services website. Examples are, "Budget Principles and Processes," or "How California Funds Education." This material may need periodic updating, but in general is not specific to a particular fiscal year.

The District's public website is not designed or organized to give easy access to budget information. The home page does not include any direct link to budget reports or offices. The About LAUSD link on the home page goes to a page with no link to budget reports or offices. If you know what you are doing, you select the Offices link. From there you can locate a link to Budget Services, where there is a link to Budget Documents, which is a list of links to reports (see Figure 1). If you link from Offices to the Chief Financial Officer, you find another list of links to publications (see Figure 2). This overlaps with but is different from the list on the Budget Services page.

Figure 1. Documents accessible from the Budget Services page of the District's website.

**Budget Documents**

Below you will find links to budget documents for the most recent two fiscal years. Additional information can be found on the Chief Financial Officer's website.

**Fiscal Year 2017-2018**  
[Student Equity-Based Index](#) - revised March 21, 2017  
[2017-2018 School Budgets by Site](#)

**Fiscal Year 2016-2017**  
[Adopted 2016-17 Superintendent's Final Budget](#)  
[Student Equity-Based Index - Board Approved FY16-17](#)  
[Student Equity-Based Index Existing & Proposed Investments FY16-17](#)  
[2016-17 School Budgets by Site](#)

**Fiscal Year 2015-2016**  
[Adopted 2015-2016 Superintendent's Final Budget](#)  
[Student Equity-Based Index Existing & New Investments](#) - updated 7/28/15  
[Student Equity-Based Index Proposed Investments FY15-16 - Attachment A](#)  
[Student Equity-Based Index Existing & Proposed Investments FY15-16 - Attachment B](#)  
[LAUSD Investments to Support Targeted Youth](#)  
[2015-16 School Budgets by Site](#)

**Fiscal Year 2014-2015**  
[Adopted 2014-2015 Superintendent's Final Budget](#)  
[A Quick Look at the 2014-2015 Superintendent's Final Budget](#)  
[2014-15 School Budgets by Site](#)

**UPDATE:** Revised versions of the Local Control Accountability Plan and Presentation Deck are available  
[To view the Adopted Local Control Accountability Plan, please click here.](#)  
[To view the Presentation Deck, please click here.](#)

[Nueva Edición del Plan Local de Control y Rendición de Cuentas \(LCAP en Español\)](#)

The proposed budget is being presented in three documents:

- \* [Set of Proposed Investments](#)
- \* [Formal preliminary draft of the LCAP](#)
- \* [Public Information Deck](#) - We will use this at our public meetings to capture and summarize the new laws, processes, and budget form(s) as we move towards adoption in June.

To provide comments on the proposed budget and the draft of the LCAP? [CLICK HERE!](#)

[Supplemental and Concentration Calculation](#) in English and Spanish.

[2014-15 Title I Ranking](#)  
This document shows the Title I ranking for LAUSD schools in FY 14-15.

Figure 2. Documents accessible from the CFO's page of the District's website.



This is a wealth of information. If streamlined for public understanding, consistently updated where necessary, and more visibly accessible on the website, it would go a long way toward satisfying the second and third audiences described above.

## RECOMMENDATIONS

To enhance the presentation of the budget to various audiences, we recommend that the District produce or continue producing four distinct documents or sets of documents:

- A stand-alone, self-contained Popular Budget
- A stand-alone self-contained Budget Book that includes, in this order
  - a. The Popular Budget
  - b. The Board Informative/Board Report
  - c. Budget Details including the SACS report, fiscal year-specific assumptions and supporting information such as Average Daily Attendance projections
- Supplemental materials such as aids and references, included as website links and a complete, downloadable PDF packet
- The CAFR (strictly speaking a financial report, not a budget document)

Two of these overlap, one largely consists of the output from a state-provided program, and one consists of documents that do not change much from year to year. Thus, the workload to produce these materials is minimized while satisfying the needs of all three audiences. However, there is a minimum level of staff support required to cover all of these items consistently from year to year, regardless of the dollar size of the budget. The IAU recommends that the Board ensure that Budget Services has the resources and capacity to deliver these reports even—or especially—when—there are necessary reductions in the office workforce.

### ***Budget Book and CAFR***

Recognizing that creating a popular budget document, detailed budget tables, and a CAFR extracted from the SACS is resource-intensive, we recommend the Board continue to publish the SACS report as its primary document covering the Budget Details section of the Budget Book, as was done for 2017-2018. This report follows a standard structure used by other public agencies, and makes it easy to find details for a user who knows some accounting and is familiar with that structure.

In such a document, the SACS report provides technical details for the oversight audience and the in-District technical audience. However, it is important to provide a “Guide to the SACS Report” to facilitate readers’ understanding.

Continuing to include the SACS report in the Budget Book has the benefit of using, in the budget development process, the same format that is used in the other official financial reports the District produces, such as the first, second, and third interim reports, and the unaudited actuals. Though not visually appealing, this format would offer consistency between financial reports so that the reader does not have to re-learn how to read a budget when interim or unaudited actuals reports come out.

We recommend that the District continue to prepare CAFRs in addition to the other budget documents, as recommended by the GFAO.

The other two sets of budget documents are described in more detail below.

### ***Popular Budget***

The Budget Book and District website have long contained some materials useful to the lay or intermediate reader, but they have been mixed with more technical items and often hard to find. The IAU recommends creating a stand-alone document that is explicitly public-facing, designed for the non-technical or intermediate reader, but nevertheless comprehensive. In addition to the general public, this resource would also be used by Board Members and staff, District staff, journalists, academics, and others who could benefit from quick access to information otherwise found only in the SACS. The Popular Budget should:

- be presented in order from general to specific, and from simple to complex, so that the most widely useful information would be found right at the front;
- be designed to inform the reader, not persuade the reader of a policy conclusion;
- make comparisons consistently from year to year instead of comparing final budget numbers to interim reports;
- have an alternative version available with at least the first six sections in Spanish, preferably more if resources allow;
- complement the budget details/SACS report by presenting fund information in the same order as the SACS, using the same terminology, and citing the SACS report by page number or section title, as appropriate;
- mention the existence of the CAFR;
- be available as a complete, stand-alone, downloadable PDF and as part of the Budget Book, with many if not all of the components also made available as links from the website;
- start with a one-page infographic similar to the current Budget Overview, with simple graphs showing major aggregate categories of funding and spending;
- include the restricted (Federal Titles I through III) and targeted student expenditure (TSP/LCFF) information together and in consecutive order to help the lay reader understand specifically how the District provides support for the diverse needs of its highest-need student groups;
- include four reports that the District has not generally provided in a popular, summary form, regarding capital and IT revenues and expenditures, pension and health/welfare costs, transfers, and fund balances; and



- include the following reports (including the above four), in this order, at a minimum:
  1. Budget Overview (a one-page infographic with one or two large pie charts, unrestricted and restricted budget amounts, and major expenditure categories)
  2. Two or three additional pages of infographics
  3. A Table of Contents for the remainder of the document
  4. Frequently Asked Questions
  5. Breaking Down LAUSD's Budget (Fund Hierarchy)
  6. School Site Budgets Link Page
  7. General Fund Unrestricted & Restricted Revenues by Source
  8. General Fund Unrestricted & Restricted Estimated Expenditure by Major Object
  9. General Fund Unrestricted & Restricted Estimated Expenditure by Major Group (Program) and Resource
  10. Budgeted Expenditures by Service
  11. General Fund Unrestricted & Restricted Multi-Year Projections
  12. Capital Projects Budget
  13. Information Technology Budget
  14. Pension Expenses
  15. Health & Welfare Expenses
  16. Targeted Student Population Budget
  17. Investments to Support Targeted Youth
  18. Title I - Part A Socioeconomically-Disadvantaged Students
  19. Title II - Effective Instruction
  20. Title III - Part A Immigrants
  21. Title III - Part A Limited English Proficiency
  22. Lottery Revenues
  23. Special Education Enrollment Data Report By Disability
  24. Special Education Revenue & Expenditure
  25. District Class Size
  26. District Enrollment Trends & Projections
  27. Average Daily Attendance (Appendix F In The 2016-2017 Budget Book)

## 28. Fiscal Stabilization Plan

### ***Supplementary Materials***

In addition to the popular budget and the budget details, Budget Services has from time to time provided background materials designed to help budget readers understand important aspects of L.A. Unified's financial picture, such as how schools are financed in California, how fund accounting operates, and who attends District schools.

The IAU recommends a separate "supplements" document that can be included with the Budget Book, or downloaded on its own, both in its entirety and as individual links from the Budget Services website. All of these materials have already been created, except the "Guide to Reading the SACS Report," which is essential if the SACS is used as the "budget details" section of the Budget Book.

The supplements document should include:

1. Introduction to supplemental materials/appendices
2. Glossary of Budget Terms and Abbreviations
3. How Education is Funded in California – summary and detail
4. Description of "Funds" Utilized by the District
5. Budget Principles and Processes
6. Budget and Finance Policy – Executive Summary & Detail
7. District Debt Management Policy – Executive Summary & Detail
8. District and Community Profile
9. Number of Schools and Centers
10. School Staff and Resources – General
11. School Staff and Resources - Special Education
12. Equity-Based Index – Overview & Detail
13. Guide to Reading the SACS Report

### ***Stylistic and Accessibility Suggestions***

While the style of the SACS, the CAFR, and the Board Informative are somewhat fixed, the remainder of the documents need to be produced with the reader's comprehension in mind. We recommend the following stylistic suggestions for publishing budget information with clarity, consistency, and readability:

1. All text should be searchable in PDF form, including the SACS portions of the budget.

2. The Popular Budget should be accessible from the District’s home page. The other documents should be accessible from a single page that can be reached easily without having to go through the Offices menu tab.
3. Materials should be printed in ordinary font sizes wherever possible, reserving small fonts for details such as the SACS.
4. The methodology for projections (for example, enrollment projections from the department of planning and demographics) should be provided. Although less useful to the general public, this material is essential to analysis by researchers, journalists, and Board staff.
5. Also for the benefit of researchers, journalists, and Board staff—and consistent with Open Data standards—the budget should be provided as usable spreadsheets.
6. Use graphic types consistent with the concepts they represent, and use only one type of graphic to illustrate each concept. Avoid cluttering graphs by attempting to make one graph communicate too many ideas. Use only two-dimensional graphics.
7. Where possible, use various shades of a single color, or colors that contrast in lightness/darkness as well as hue, to enable grayscale printing and to make material easier to read for audiences with color vision deficiency.

## **CONCLUSION**

L.A. Unified produces budget information that serves three audiences: external governing agencies, decision and policy makers especially including the Board, and a variety of stakeholders as well as the general public. Meeting the requirements of the first audience is of paramount importance, but the other audiences should not be neglected. The District has been inconsistent and insufficiently transparent in providing budget information that lay and intermediate users can access easily and understand quickly—perhaps with readily available helps and references. It is important to provide users with a popular budget document and a supplemental set of aids and references, which they can access from the District website without having to go through the Offices menu. It is useful to keep in mind that, when outsiders cannot access or understand the financial picture of an organization, their tendency is to assume the worst. Given the strategic and monetary value to the District of a positive public image, it is vital not to ignore this audience. Cutting the resources needed for this work will not make the District better off in the long run. But even with resources, there should be an expectation that budget information will be made consistently accessible and understandable to lay or intermediate readers.