

**INTER-OFFICE CORRESPONDENCE**

**Los Angeles Unified School District**

**INFORMATIVE**

**TO:** Members, Board of Education **DATE:** June 6, 2007

**FROM:** Randy Ross, Director of Educational Policy  
Rima Zobayan, Program Analyst

**CC:** D. Brewer, D. Davis, C. Burbridge, R. Rasmussen, J. Crain, M. Medina, J. Thornton

**SUBJECT: SUPERINTENDENT’S 2007-08 PROPOSED BUDGET**

In this Informative, we offer our preliminary review of the Superintendent’s proposed changes in the 2007-08 budgets for central and local district operations as presented at the Board’s Committee of the Whole yesterday. Our review is guided by the ideas of program and fiscal accountability and budget transparency.

On the technical end, we offer observations and ideas for simplifying and/or clarifying some aspects of the presentation. Key technical findings include: (1) the overall reduction in the central office (excluding the Board) and local district budget is 10.3 percent, not 14 percent (see Table 1); (2) the proposed budget of the Office of Legislation and Government Affairs will rise by 4.8 percent; and (3) the overall reduction for the Charter School’s Division is about 2 percent, not 20 percent. Additional findings are detailed in our notes below.

**TABLE 1: 2007-08 Budget Reductions and Augmentations Summary**

	<b>Dollars (in millions)</b>	<b>Percentage of 2006-07 Continuing Budget</b>
Continuing Budget 2006-07	\$435.1	
Proposed Reductions	-\$61.5	-14.1%
Proposed Augmentations	\$16.5	3.8%
<b>Net changes</b>	<b>-\$45.0</b>	<b>-10.3%</b>
Proposed 2007-08 Non-School Budget	\$390.1	

Beyond these technical matters, we believe that the presentations of the proposed budget (in its various stages) should be enriched with a deeper discussion of the implications of budget changes for the District’s students (including students in charter schools). Most of the presentation thus far has been so broad that we are left to speculate about what it all means for students. The presentation could benefit from specific examples on how the proposed changes in the allocation of District resources will help to improve the

implementation of the Board's goals, including key guiding policies (for example, the Board's Proficiency+ and A-G policies).

Below we review the following entries in the Superintendent's Proposed Budget: Transition Team, Superintendent's Reorganization, KPMG Audit Contract, Office of Legislation and Government Affairs, and the Charter Schools Division. In some cases, we raise specific questions designed to fasten the link between program and budget and thereby render the budget more transparent. It may be the case that solid answers to these questions will emerge with the Superintendent's strategic plan; yet ideally the proposed budget changes and the strategic plan for implementing the Board's goals should go hand-in-hand.

### ***TRANSITION TEAM***

According to the stated "Implications of the change," "Future Transition Team members could include a temporary Communications Officer or a temporary Chief Academic Officer." Presumably, the need for these positions would result if the corresponding permanent positions are vacant. If the positions are vacant, then why not use the dollars budgeted for these positions to fund the temporary positions, rather than use one-time transition dollars?

### ***SUPERINTENDENT'S REORGANIZATION***

While the Superintendent's reorganization apparently will entail a "substantial reorganization of the central office staff," the "Change Proposal" suggests that none of the proposed reorganization resources would be used to hire employees. Hence, it's not clear that the proposed \$5.9 million augmentation would be used to create permanent structures. Why is this augmentation ongoing? How much "fiscal flexibility" does the Superintendent need, and why?

These questions arise largely because the particulars of the reorganization plan are not clearly delineated. What are the key elements of the plan? As examples, how will changes in the District's organization of parent engagement and program evaluation help to produce improved student outcomes? Parent involvement in the education of their children is quantitatively and qualitatively far less than desired – in elementary schools, but especially in secondary. What's the plan to address this problem? What steps will be taken to improve the role and relevance of program evaluation in the program improvement cycle?

### ***KPMG AUDIT CONTRACT***

According to the Change Proposal, KPMG's audit fee will increase by \$1.3 million in 2007-08. What will be the total estimated cost of KPMG's audit? What is the percentage increase? Why the increase? Why is this increase one-time rather than ongoing? Will KPMG provide the same level of service or more? If more, in what areas?

## OFFICE OF LEGISLATION AND GOVERNMENT AFFAIRS

The Provisional Budget Change Proposals shared at the June 5 Committee of the Whole shows two tables for the Office of Legislation and Government Affairs – one for cuts and one for augmentations (see Tables 2A and 2B). In our suggested revision, we combine these two tables (see Table 2C). Overall, this unit’s budget will be increased by 4.8 percent.

**TABLE 2A: Superintendent’s Budget -- Office of Legislation and Government Affairs – Contracts, Travel, and 2 FTE Positions**

	Preliminary Budget 2007-08 Excluding Carryover	Proposed Ongoing Change	Proposed One-Time Change	Provisional Budget 2007-08 Excluding Carryover	Percent Change
<b>Budget (in millions):</b>					
General Fund Regular Program	\$1.361	\$0.397	\$0.000	\$1.758	29.2%
General Fund Specially Funded	\$0.000	\$0.000	\$0.000	\$0.000	0.0%
Other Funds	\$0.000	\$0.000	\$0.000	\$0.000	0.0%
<b>Total Budget:</b>	<b>\$1.361</b>	<b>\$0.397</b>	<b>\$0.000</b>	<b>\$1.758</b>	<b>29.2%</b>
<b>Positions:</b>					
General Fund Regular Program	9.0	2.0	0.0	11.0	22.2%
General Fund Specially Funded	0.0	0.0	0.0	0.0	0.0%
Other Funds	0.0	0.0	0.0	0.0	0.0%
<b>Total Positions:</b>	<b>9.0</b>	<b>2.0</b>	<b>0.0</b>	<b>11.0</b>	<b>22.2%</b>

**TABLE 2B: Superintendent’s Budget -- Office of Legislation and Government Affairs**

	Preliminary Budget 2007-08 Excluding Carryover	Proposed Ongoing Change	Proposed One-Time Change	Provisional Budget 2007-08 Excluding Carryover	Percent Change
<b>Budget (in millions):</b>					
General Fund Regular Program	\$1.758	-\$0.332	\$0.000	\$1.426	-18.9%
General Fund Specially Funded	\$0.000	\$0.000	\$0.000	\$0.000	0.0%
Other Funds	\$0.000	\$0.000	\$0.000	\$0.000	0.0%
<b>Total Budget:</b>	<b>\$1.758</b>	<b>-\$0.332</b>	<b>\$0.000</b>	<b>\$1.426</b>	<b>-18.9%</b>
<b>Positions:</b>					
General Fund Regular Program	9.0	0.0	0.0	9.0	0.0%
General Fund Specially Funded	0.0	0.0	0.0	0.0	0.0%
Other Funds	0.0	0.0	0.0	0.0	0.0%
<b>Total Positions:</b>	<b>9.0</b>	<b>0.0</b>	<b>0.0</b>	<b>9.0</b>	<b>0.0%</b>

**TABLE 2C: Suggested Revision -- Office of Legislation and Government Affairs**

<b>Budget (in millions):</b>	Preliminary Budget 2007-08 Excluding Carryover	Proposed Ongoing Change	Proposed One-Time Change	Provisional Budget 2007-08 Excluding Carryover	Percent Change
General Fund Regular Program	\$1.361	\$0.065	\$0.000	\$1.426	4.8%
Reductions		-\$0.332	\$0.000		
Augmentations		\$0.397	\$0.000		
General Fund Specially Funded	\$0.000	\$0.000	\$0.000	\$0.000	0.0%
Other Funds	\$0.000	\$0.000	\$0.000	\$0.000	0.0%
<b>Total Budget:</b>	<b>\$1.361</b>	<b>\$0.065</b>	<b>\$0.000</b>	<b>\$1.426</b>	<b>4.8%</b>
<b>Positions:</b>					
General Fund Regular Program	9.0	2.0	0.0	11.0	22.2%
Reductions		0.0	0.0		
Augmentations		2.0	0.0		
General Fund Specially Funded	0.0	0.0	0.0	0.0	0.0%
Other Funds	0.0	0.0	0.0	0.0	0.0%
<b>Total Positions:</b>	<b>9.0</b>	<b>2.0</b>	<b>0.0</b>	<b>11.0</b>	<b>22.2%</b>

**CHARTER SCHOOLS DIVISION**

The materials provided for the June 5 Committee of the Whole include a discrepancy in the Charter Schools Division's budget. The spreadsheet that provides the continuing budget for 2006-07 shows a \$3 million budget for the division; the Change Proposals sheet shows a preliminary budget of \$0.262 million (see Table 3A). The apparent difference is that the Change Proposal does not include revenue from charter school fees. In our view, an analysis of the impact of budget changes should focus on the division's total budget. Accordingly, we offer a suggested revision that captures the total budget of the Charter Schools Division (see Table 3B). This shows that the total budget reduction is 1.8 percent rather than 20 percent.

**TABLE 3A: Superintendent's Proposed Budget -- Charter Schools Division**

<b>Budget (in millions):</b>	Preliminary Budget 2007-08 Excluding Carryover	Proposed Ongoing Change	Proposed One-Time Change	Provisional Budget 2007-08 Excluding Carryover	Percent Change
General Fund Regular Program	\$0.262	-\$0.052	\$0.000	\$0.210	-20.0%
General Fund Specially Funded	\$0.000	\$0.000	\$0.000	\$0.000	0.0%
Other Funds	\$0.000	\$0.000	\$0.000	\$0.000	0.0%
<b>Total Budget:</b>	<b>\$0.262</b>	<b>-\$0.052</b>	<b>\$0.000</b>	<b>\$0.210</b>	<b>-20.0%</b>
<b>Positions:</b>					
General Fund Regular Program	2.0	-1.0	0.0	1.0	-50.0%
General Fund Specially Funded	0.0	0.0	0.0	0.0	0.0%
Other Funds	0.0	0.0	0.0	0.0	0.0%
<b>Total Positions:</b>	<b>2.0</b>	<b>-1.0</b>	<b>0.0</b>	<b>1.0</b>	<b>-50.0%</b>
<b>GFRP revenue</b>	\$0.000	\$0.000	\$0.000	\$0.000	0.0%

**TABLE 3B: Suggested Revision -- Charter Schools Division**

<b>Budget (in millions):</b>	Adopted Final Budget 2006-07 Excluding Carryover	Proposed Ongoing Change (from 2007-08 Provisional Budget)	Proposed One-Time Change (from 2007-08 Provisional Budget)	Total	Percent Change
General Fund Regular Program	\$2.955	-\$0.052	\$0.000	\$2.903	-1.8%
General Fund Specially Funded	\$0.000	\$0.000	\$0.000	\$0.000	0.0%
Other Funds	\$0.000	\$0.000	\$0.000	\$0.000	0.0%
<b>Total Budget:</b>	<b>\$2.955</b>	<b>-\$0.052</b>	<b>\$0.000</b>	<b>\$2.903</b>	<b>-1.8%</b>
<b>Positions:</b>					
General Fund Regular Program	24.0	-1.0	0.0	23.0	-4.2%
General Fund Specially Funded	0.0	0.0	0.0	0.0	0.0%
Other Funds	0.0	0.0	0.0	0.0	0.0%
<b>Total Positions:</b>	<b>24.0</b>	<b>-1.0</b>	<b>0.0</b>	<b>23.0</b>	<b>-4.2%</b>
<b>GFRP revenue (estimated)</b>	\$2.693	\$0.000	\$0.000	\$2.693	0.0%

GFRP revenues (charter schools fees) will increase with the growth in total charter school enrollment.

Beyond this technical adjustment, we note that over 100 charter schools now operate within LAUSD's boundaries. More are on the way. How is the Charter Schools Division (or the District, at large) using its limited resources not only to monitor charter schools, but also to facilitate charter school improvement and to document and disseminate effective charter school practices?

## ***Concluding Remarks***

The Superintendent's Committee of the Whole 2007-08 Budget presentations are an excellent vehicle for reviewing LAUSD's budget and the budget development process. The openness of the process clearly helps to expedite the realization of the Board's vision of budget transparency. To this end, we will continue to review the District's proposed budget documents to help inform the Board's budget decisions.