

INTER-OFFICE CORRESPONDENCE
Los Angeles Unified School District

INFORMATIVE

TO: Members, Board of Education

DATE: June 9, 2008

FROM: Randy Ross, Director of Educational Policy
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SUBJECT: Analysis of Proposed Budget Cuts

As a follow-up to our recent Informative, BOARD PERSPECTIVES ON PROPOSED 2008-09 BUDGET CUTS, we have attempted to categorize the proposed reductions along two important dimensions that we think will greatly inform your budget deliberations. First, we categorize the proposed cuts by the Board's long-range goals. Second, we divide the proposed reductions into four categories that reflect the impact of these cuts on the future financial condition of the district.

Categorization of Proposed Budget Reductions by Board Goals

Table 1 shows the proposed budget cuts by the Board's eight long-range goals.

Table 1: Proposed Budget Cuts by Board Goal (\$millions)

BOARD GOAL	2008-09	2009-10	2010-11
1. Every graduate will be college-prepared and career-ready.	\$8.1	\$8.1	\$8.1
2. All students will graduate from high school.	\$4.1	\$4.1	\$4.1
3. All students in all subgroups will score proficient or above on California's standards-based assessments.	\$172.4	\$187.4	\$186.9
4. Every student will have the option to attend a traditional-calendar school in his/her neighborhood.	\$0.0	\$0.0	\$0.0
5. All learning environments will be modern and safe.	\$25.6	\$25.6	\$25.6
6. Parents and communities will be fully engaged in the education of their children.	\$1.7	\$1.7	\$1.7
7. Effective instructional and business practices will be implemented through LAUSD.			
7A. Instructional practices	\$44.1	\$48.0	\$48.0
7B. Business practices	\$30.3	\$30.3	\$30.3
8. All staff will promote a culture of customer service.	\$0.0	\$0.0	\$0.0
9. Other (cuts not associated with specific Board goals)	\$204.7	\$111.5	\$111.5
TOTAL	\$491.0	\$416.7	\$416.2

For 2008-09, the share of reductions fell into our “Other” category. The big items in this category are “reduce workers compensation rates” which amounts to \$60 million, “convert categorical balances to unrestricted” which adds another \$62 million, and employee furlough days which add about \$59 million more.

Beginning the 2009-10 school year, the largest share of the proposed reductions would affect the Board’s student-performance goals, primarily the goal of all subgroups scoring Proficient or Advanced especially in English language arts and math. This is not surprising, given that the bulk of LAUSD’s resources are devoted to support for schools and classrooms.

Table 1 also suggests that none of the proposed cuts are related to the Board’s goal of every student having an option to attend a traditional-calendar school in his/her neighborhood. Most of the action on this goal occurs in the Facilities Division using extant bond proceeds, which remain unchanged.

Categorization of Proposed Budget Reductions by Type of Reduction

Our recent examination of the history of budget cuts in LAUSD during the early 1990s alerted us that reductions can vary in their impact on the District’s future financial condition. To this end, we have categorized the produced cuts into four categories:

- (1) Ongoing reductions
- (2) Potentially ongoing reductions
- (3) One-time reductions: “Spending down ending balances”
- (4) One-time reductions: “Borrowing”

If a reduction occurs and its effect continues into the foreseeable future, the reduction is viewed as *ongoing*. An example is the reduction in most central office budgets.

If a reduction occurs and its effect may continue over several years, the reduction is viewed as *potentially ongoing*. Furlough days are an example of a potentially ongoing reduction. We assume the District will reconsider annually the desirability of this cut.

A one-time reduction occurs when a reduction takes place in a given year with no expectation that the same reduction will continue in subsequent years. We feel it’s important to distinguish between two types of one-time reductions. One type of one-time cut carries no future commitment. This generally involves spending down account balances (e.g., using balances in the workers compensation account or categorical accounts). The second type of one-time reduction does carry a future commitment, as with delaying the purchase of textbooks. This type of cut is akin to borrowing money. We use the resources today to help us get through a difficult financial time; yet we must be mindful that eventually all borrowed funds must be repaid.

Tables 2A and 2B show that, for the 2008-09 school year, the proposed budget reductions are spread somewhat evenly across these four categories. However, in subsequent years the locus of the proposed reductions shifts to ongoing (and potential ongoing) cuts. Thus, assuming no significant improvements in the California economy over the next few years, the use of one-time borrowing, in effect, renders the district’s financial condition potentially more challenging.

Table 2A: Ongoing versus One-time Budget Reductions (\$millions)

Reduction Type	2008-09	2009-10	2010-11
Ongoing	\$183.5	\$346.3	\$346.3
Potentially Ongoing	\$86.1	\$91.2	\$91.2
One-time: spending ending balances	\$121.9	\$28.7	\$28.7
One-time: borrowing	\$99.5	-\$49.5	-\$50.0
Total	\$491.0	\$416.7	\$416.2

Table 2B: Ongoing versus One-time Budget Reductions (percent)

Reduction Type	2008-09	2009-10	2010-11
Ongoing	37%	83%	83%
Potentially Ongoing	18%	22%	22%
One-time: spending ending balances	25%	7%	7%
One-time: borrowing	20%	-12%	-12%
Total	100%	100%	100%

The appendix details the basis for our findings.

APPENDIX

This appendix describes the derivation of the table below, Proposed Reductions Categorized by Board Goal. Given the limitations of the available data, to categorize the Superintendent's proposed reductions, we used the following guidelines:

- We categorized each proposed reduction under only one Board goal even though it might fit more than one goal.
- We have included cuts for all funds (General Fund, Child Development, etc.)
- In cases where reductions were shown only for 2008-09, we assumed that reductions applied also to 2009-10 and 2010-11.

This process involved several complexities. First, the reduction proposals have changed several times over the past few weeks, and the details of the changes are not always delineated. As a result, there are discrepancies between the total cut proposed for the central office and local districts in the most recently shared materials and the prior, more descriptive impact statements. Second, the central office and local district impact statements are not always comprehensive for each division – that is, some divisions are missing impact statements for certain proposed cuts. Thus, in many cases we were not able to look at the reductions by line item, but rather had to take the entire cut for the division or program to include on the table. Accordingly, some of the entries in the table below will exactly match the most recent tabulations provided by the Superintendent.

PROPOSED REDUCTIONS CATEGORIZED BY BOARD GOAL¹

<i>Proposed Program/Division Reduction (all funds)</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>Reduction Type</i>
1. EVERY GRADUATE WILL BE COLLEGE-PREPARED AND CAREER-READY.				
Self-balancing categoricals				
Regional Occupational Centers (ROC/ROP)	\$6.6	\$6.6	\$6.6	Ongoing
Apprenticeship Program	\$0.4	\$0.4	\$0.4	Ongoing
Regional Occupational Centers - Handicapped Students	\$0.3	\$0.3	\$0.3	Ongoing
Advanced Placement Fee Reduction	\$0.1	\$0.1	\$0.1	Ongoing
Central office/local district reductions				
Adult & Career Education Division	\$0.7	\$0.7	\$0.7	Ongoing
Subtotal	\$8.1	\$8.1	\$8.1	
2. ALL STUDENTS WILL GRADUATE FROM HIGH SCHOOL.				
Self-balancing categoricals				
School Counselors 7-12	\$2.2	\$2.2	\$2.2	Ongoing
CAHSEE Supplemental Instruction	\$0.8	\$0.8	\$0.8	Ongoing
Central office/local district reductions				
Secondary Instructional Support	\$1.1	\$1.1	\$1.1	Ongoing
Subtotal	\$4.1	\$4.1	\$4.1	

¹ Sources: “Summary of Proposed Changes at Provisional Budget” (June 6, 2008) and “2008-09 Proposed Nonschool Budget Cuts (all funds except bond funds)” (May 28, 2008). Entries rounded to nearest \$100,000.

<i>Proposed Program/Division Reduction (all funds)</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>Reduction Type</i>
3. ALL STUDENTS IN ALL SUBGROUPS WILL SCORE PROFICIENT OR ABOVE ON CALIFORNIA'S STANDARDS-BASED ASSESSMENTS.				
Items not reducing personnel				
Delay math adoption	\$29.5	-\$29.5	\$0.0	One-time: borrowing
Delay English adoption	\$70.0	-\$20.0	-\$50.0	One-time: borrowing
Delay class size reduction - Grades 7-9	\$18.1	\$18.1	\$18.1	Potentially Ongoing
Delay class size reduction - Grades 10-12	\$0.0	\$5.1	\$5.1	Potentially Ongoing
Delay class size reduction - Special Education	\$8.6	\$8.6	\$8.6	Potentially Ongoing
Self-balancing categoricals				
Supplemental hourly programs - Summer School Programs	\$4.2	\$4.2	\$4.2	Ongoing
Supplemental hourly programs - Reduce Extended Learning Program in schools	\$2.6	\$2.6	\$2.6	Ongoing
Arts & Music Block Grant	\$1.1	\$1.1	\$1.1	Ongoing
English Language Learner Assistance Program (ELAP)	\$0.9	\$0.9	\$0.9	Ongoing
Gifted & Talented Program (GATE)	\$0.6	\$0.6	\$0.6	Ongoing
Economic Impact Aid (EIA)	\$11.4	\$11.4	\$11.4	Ongoing
High Priority School Grants (HPSG)	\$1.4	\$1.4	\$1.4	Ongoing
School Assistance and Intervention Teams (SAIT)	\$0.5	\$0.5	\$0.5	Ongoing
Other nonclassroom reductions				
TIIG Ten Schools Program	\$0.0	\$5.6	\$5.6	Ongoing
TIIG Urban Classroom Teacher Program	\$3.6	\$3.6	\$3.6	Ongoing
School and Library Improvement Block Grant	\$0.0	\$17.0	\$17.0	Ongoing
Central office/local district reductions				
Specially Funded Programs Division (not including Parent Community Services Branch)	\$1.3	\$1.3	\$1.3	Ongoing
Student Integration Services/Specially Funded Programs - Gifted & Talented Programs	\$0.2	\$0.2	\$0.2	Ongoing
Secondary Instruction	\$4.6	\$4.6	\$4.6	Ongoing
Early Childhood Education Program				
School Readiness Language Development Program	\$0.2	\$0.2	\$0.2	Ongoing
General Child Care and Early Education Programs	\$1.3	\$1.3	\$1.3	Ongoing
Pre-kindergarten Family Literacy Program	\$0.1	\$0.1	\$0.1	Ongoing
State Pre-school	\$0.6	\$0.6	\$0.6	Ongoing
Los Angeles Universal Pre-school (LAUPP)	\$0.2	\$0.2	\$0.2	Ongoing
Beyond the Bell	\$1.8	\$1.8	\$1.8	Ongoing
Special Education	\$6.5	\$6.5	\$6.5	Ongoing
Elementary Instruction	\$3.1	\$3.1	\$3.1	Ongoing

<i>Proposed Program/Division Reduction (all funds)</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>Reduction Type</i>
3. ALL STUDENTS IN ALL SUBGROUPS WILL SCORE PROFICIENT OR ABOVE ON CALIFORNIA'S STANDARDS-BASED ASSESSMENTS. (continued)				
Class size increases				
Grades 4-6	\$0.0	\$15.6	\$15.6	Ongoing
Grade 6 at middle schools	\$0.0	\$14.1	\$14.1	Ongoing
Special education	\$0.0	\$10.6	\$10.6	Ongoing
Morgan-Hart	\$0.0	\$16.4	\$16.4	Ongoing
K-3 from 20 to 23	\$0.0	\$79.6	\$79.6	Ongoing
Subtotal	\$172.4	\$187.4	\$186.9	
4. EVERY STUDENT WILL HAVE THE OPTION TO ATTEND A TRADITIONAL-CALENDAR SCHOOL IN HIS/HER NEIGHBORHOOD.				
N/A				
Subtotal	\$0.0	\$0.0	\$0.0	
5. ALL LEARNING ENVIRONMENTS WILL BE MODERN AND SAFE.				
Items not reducing personnel				
Use Community Redevelopment Agency (CRA) funds for maintenance	\$4.0	\$4.0	\$4.0	Ongoing
Self-balancing categoricals				
School Safety & Violence Prevention Program	\$1.0	\$1.0	\$1.0	Ongoing
Peace Officers Training Reimbursement	\$0.0	\$0.0	\$0.0	Ongoing
After School Education & Safety (ASES)	\$9.0	\$9.0	\$9.0	Ongoing
Other nonclassroom reductions				
Reduce custodial services	\$6.0	\$6.0	\$6.0	Ongoing
Central office/local district reductions				
Student Integration Services/Specially Funded Programs - Office of Human Relations	\$0.3	\$0.3	\$0.3	Ongoing
Environmental Health and Safety	\$1.1	\$1.1	\$1.1	Ongoing
Facilities Division	\$3.9	\$3.9	\$3.9	Ongoing
Educational Support Services (implementation of the Discipline Policy)	\$0.3	\$0.3	\$0.3	Ongoing
Subtotal	\$25.6	\$25.6	\$25.6	

<i>Proposed Program/Division Reduction (all funds)</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>Reduction Type</i>
6. PARENTS AND COMMUNITIES WILL BE FULLY ENGAGED IN THE EDUCATION OF THEIR CHILDREN.				
Central office/local district reductions				
Specially Funded Programs Division - Parent Community Services Branch	\$0.7	\$0.7	\$0.7	Ongoing
Office of Parent and Civic Engagement	\$0.3	\$0.3	\$0.3	Ongoing
Adult & Career Education Division - Parent Education, Community Outreach	\$0.7	\$0.7	\$0.7	Ongoing
Subtotal	\$1.7	\$1.7	\$1.7	
7. EFFECTIVE INSTRUCTIONAL AND BUSINESS PRACTICES WILL BE IMPLEMENTED THROUGH LAUSD.				
7A. INSTRUCTIONAL PRACTICES				
Self-balancing categoricals				
Staff Development - Reading & Mathematics	\$0.4	\$0.4	\$0.4	Ongoing
Peer Assistance and Review (PAR)	\$0.3	\$0.3	\$0.3	Ongoing
English Language Learners Professional Development	\$0.3	\$0.3	\$0.3	Ongoing
Teacher Credentialing Grant (BTSA)	\$1.0	\$1.0	\$1.0	Ongoing
National Board Certification Initiatives	\$0.2	\$0.2	\$0.2	Ongoing
Alternative Certification Program - LISTOS	\$0.2	\$0.2	\$0.2	Ongoing
Other nonclassroom reductions				
Small Learning Community auxiliary periods	\$0.0	\$3.9	\$3.9	Ongoing
Items affecting compensation				
Eliminate buy-back days	\$29.0	\$29.0	\$29.0	Ongoing
Central office/local district reductions				
Professional Learning Development and Leadership	\$6.6	\$6.6	\$6.6	Ongoing
Local District 1	\$0.7	\$0.7	\$0.7	Ongoing
Local District 2	\$0.6	\$0.6	\$0.6	Ongoing
Local District 3	\$0.7	\$0.7	\$0.7	Ongoing
Local District 4	\$0.9	\$0.9	\$0.9	Ongoing
Local District 5	\$0.8	\$0.8	\$0.8	Ongoing
Local District 6	\$0.9	\$0.9	\$0.9	Ongoing
Local District 7	\$0.7	\$0.7	\$0.7	Ongoing
Local District 8	\$0.8	\$0.8	\$0.8	Ongoing
Subtotal	\$44.1	\$48.0	\$48.0	\$0.0

<i>Proposed Program/Division Reduction (all funds)</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>Reduction Type</i>
7. EFFECTIVE INSTRUCTIONAL AND BUSINESS PRACTICES WILL BE IMPLEMENTED THROUGH LAUSD. (continued)				
7B. BUSINESS PRACTICES				
Central office/local district reductions				
Office of Superintendent	\$0.3	\$0.3	\$0.3	Ongoing
Budget Services and Financial Planning	\$1.3	\$1.3	\$1.3	Ongoing
Information Technology Division	\$10.0	\$10.0	\$10.0	Ongoing
Accounting & Disbursements	\$0.5	\$0.5	\$0.5	Ongoing
Chief Financial Officer	\$0.1	\$0.1	\$0.1	Ongoing
Business Services Division	\$6.5	\$6.5	\$6.5	Ongoing
Risk Management & Insurance	\$0.2	\$0.2	\$0.2	Ongoing
Strategic Planning & Accountability	\$1.9	\$1.9	\$1.9	Ongoing
General Counsel	\$2.3	\$2.3	\$2.3	Ongoing
Human Resources	\$4.9	\$4.9	\$4.9	Ongoing
Personnel Commission	\$1.4	\$1.4	\$1.4	Ongoing
School Fiscal Services	\$0.9	\$0.9	\$0.9	Ongoing
Subtotal	\$30.3	\$30.3	\$30.3	
8. ALL STAFF WILL PROMOTE A CULTURE OF CUSTOMER SERVICE.				
N/A				
Subtotal	\$0.0	\$0.0	\$0.0	
9. Other cuts not associated with specific Board goals - Health Support Services				
Self-balancing categoricals				
Oral Health Assessment for Kindergarten	\$0.1	\$0.1	\$0.1	Ongoing
Children's Health & Disability	\$0.0	\$0.0	\$0.0	Ongoing
Cal-Safe	\$0.0	\$0.0	\$0.0	Ongoing
Tobacco Use Prevention Education (TUPE)	\$0.1	\$0.1	\$0.1	Ongoing
Central office/local district reductions				
Student Health and Human Services	\$2.7	\$2.7	\$2.7	Ongoing
Subtotal	\$2.9	\$2.9	\$2.9	

<i>Proposed Program/Division Reduction (all funds)</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>Reduction Type</i>
10. Other cuts not associated with specific Board goals - Miscellaneous				
Items not reducing personnel				
Reduce Workers Comp rates	\$60.0	\$28.7	\$28.7	One-time: spending ending balances
Convert categorical balances to unrestricted	\$61.9	\$0.0	\$0.0	One-time: spending ending balances
Self-balancing categoricals				
Charter School Categorical Block Grant	\$0.6	\$0.6	\$0.6	Ongoing
Reader Assistant Reimbursement	\$0.0	\$0.0	\$0.0	Ongoing
CalWORKs	\$0.1	\$0.1	\$0.1	Ongoing
Other SFP categoricals	\$5.8	\$5.8	\$5.8	Ongoing
Other self-balancing programs				
Cafeteria Fund	\$1.2	\$1.2	\$1.2	Ongoing
Other nonclassroom reductions				
TIIG Funding for Charters	\$3.8	\$3.8	\$3.8	Ongoing
Items affecting compensation				
Four furlough days - school employees	\$54.4	\$54.4	\$54.4	Potentially ongoing
Four furlough days - nonschool employees	\$5.0	\$5.0	\$5.0	Potentially ongoing
Central office/local district reductions				
Communications	\$0.2	\$0.2	\$0.2	Ongoing
Legislative and Government Affairs	\$0.5	\$0.5	\$0.5	Ongoing
Student Integration Services/Specially Funded Programs (not including GATE or Human Relations)	\$2.2	\$2.2	\$2.2	Ongoing
Charter Schools Division	\$0.2	\$0.2	\$0.2	Ongoing
Planning & Assessment	\$3.6	\$3.6	\$3.6	Ongoing
Chief Operating Officer	\$0.4	\$0.4	\$0.4	Ongoing
Adult & Career Education - administration, facilities	\$1.9	\$1.9	\$1.9	Ongoing
Subtotal	\$201.8	\$108.6	\$108.6	
TOTAL REDUCTIONS	\$491.0	\$466.2	\$466.2	
TOTAL INCREASES	\$0.0	-\$49.5	-\$50.0	
NET GRAND TOTAL	\$491.0	\$416.7	\$416.2	