

INTER-OFFICE CORRESPONDENCE
Los Angeles Unified School District

INFORMATIVE

TO: Members, Board of Education Date: November 7, 2008

FROM: Randy Ross
Director of Educational Policy

SUBJECT: Impact of Charters on the Functioning of LAUSD – Follow-Up

COPIES: D. Brewer, R. Cortines, J. Morris, R. Fesler, M. Reilly, R. Rasmussen, D. Holmquist, G. Kildare, J. Cole-Gutierrez, J. Crain, J. Thornton

As follow-up to the IAU's October 10, 2008 informative, "Impact of Charters on the Functioning of LAUSD," Dr. Vladovic asked us to provide estimates of the impact of growth in charter enrollment on LAUSD's nonschool employment. Below we develop ballpark estimates.

The District's enrollment has been falling over the past several years due to multiple factors, one of which is increased charter school enrollment. Thus, our analysis first examines the effects of reduced enrollment on nonschool employment.

Table 1 below provides our preliminary results. The first column of the table lists alternative levels of enrollment. The first entry in the column is District enrollment in 2007-08. We then allow enrollment to fall to 600,000 and then fall further by increments of 50,000 until we reach 200,000 students. While it is unlikely that District enrollment will fall below 500,000 in the foreseeable future, we inserted the lower enrollment levels to help visualize the pattern of the effect on nonschool employment.

The second column of Table 1 shows our estimate of the effect of declining enrollment on the percent of nonschool employees. This entry assumes that, other things being equal, nonschool employment would fall by the same rate as enrollment. For example, if enrollment were to fall to 500,000 students, the District would have to reduce the nonschool workforce by over one-fifth.

Table 1:
Impact of Enrollment Declines on Nonschool Employment in LAUSD

Enrollment (excl charters)	Est. Percentage Change in Number of Nonschool Employees	Est. Reduction in LAUSD Nonschool Employees, GFRP (rounded to nearest 100 FTEs)
640,000	0%	-
600,000	-6%	(300)
550,000	-14%	(600)
500,000	-22%	(1,000)
450,000	-30%	(1,300)
400,000	-38%	(1,600)
350,000	-45%	(2,000)
300,000	-53%	(2,300)
250,000	-61%	(2,700)
200,000	-69%	(3,000)

The third column of Table 1 provides rough estimates of the number of General Fund Regular Program (general purpose) employees who would have to be cut as a result of reductions in enrollment listed in the first column. For example, if enrollment dropped from 640,000 to 500,000 students, we estimate the District would have to reduce nonschool employment funded by general purpose sources by roughly 1,000 FTEs.¹

As we noted in “Impact of Charters on the Functioning of LAUSD,” over a 20-year period beginning the early 1980s, LAUSD experienced perennial growth in enrollment of over 8,500 students per year. However, around 2003, LAUSD’s overall enrollment peaked and has fallen annually. From 2007-08 to 2008-09, District enrollment fell by about 16,000 students, of which about 10,000 of the drop was attributable to LAUSD’s charter schools

¹ See Appendix A for list of nonschool units included in the analysis and the broad assumptions we made regarding the percent of employees in various units funded by general purpose dollars. Note that because of data availability, our estimates of employee FTEs are based on budget data for 2007-08. A precise measure of the impact of enrollment reductions on nonschool operations would entail a micro analysis of the characteristics of lost enrollment as well as a data base listing nonschool employees by funding source. Such detail would enable an analysis of the impact of enrollment decline on both GFRP funding as well other funding (specially funded programs, special education, adult education, etc.).

LAUSD's charter schools currently enroll about 51,000 students. The Charter Schools Division projects that charter enrollment will increase by an additional 10,000 students by 2010-11. Based on our review of actual and maximum enrollments for existing charters and those planning to begin operating in 2009-10, we do not believe that total enrollment in independent charters will grow by more than 40,000 students over the next several years. If it were to grow by 40,000 students, Table 1 suggests that said growth would precipitate a 6 percent reduction in the number of nonschool staff employed by the District, including roughly 300 employees funded through the GFRP (general purpose).

We should also note that rising fixed costs (especially retiree benefits) could combine with declining enrollment (only part of which may be attributable to charters) to greatly exacerbate the impact on nonschool employment in LAUSD.

Is there a "tipping" point (i.e., a point where enrollment falls to a level that the District is not able to function effectively)? We don't believe future enrollment reductions alone would lead to a tipping point; that is, normal reductions in enrollment should be accompanied by comparable reductions in expenditures, including nonschool expenditures. However, large drops in enrollment coupled with sizeable increases in the cost of full retiree benefits (which few employers offer) could produce a condition whereby the District loses its ability to compete effectively for human resources with other Districts (i.e., unable to offer competitive compensation and/or work environment). This outcome would greatly hamper the District's ability to provide all its students with a state-of-the-art education.

Appendix A: Nonschool Employees (FTEs), 2007-08

Division	2007-08 Final Budget*	% GFRP - General Purpose (rough est.)	2007-08 GFRP General Purpose FTEs (rough est.)
Board Members and Staff			
Board of Education	25.8	100%	25.80
Board Secretariat	10.9	100%	10.90
Inspector General	68	90%	61.20
Independent Analysis Unit	5	100%	5.00
Superintendent and Related Offices			
General Superintendent	13.7	100%	13.70
General Counsel	108.7	100%	108.70
Planning, Assessment & Research	173	90%	155.70
Public Information/Communications	89.2	100%	89.20
Innovation Division	5.9	100%	5.90
Legislation & Govt. Affairs	11.1	100%	11.10
Local Districts	425.4	75%	319.05
Charter Schools Division	23.1	75%	17.33
Educational Services			
Educational Support Services	10.3	100%	10.30
Special Education Division	276.4	50%	138.20
Support Units	175.4	80%	140.32
Student Health & Human Services	199.2	80%	159.36
Specially Funded & Parent/Com. Prog Div	155.6	10%	15.56
Extended Day Programs	118.4	50%	59.20
Adult & Career Education	133.8	10%	13.38
Early Childhood Education	50.4	10%	5.04
Instructional Services			
Chief Instructional Officer, Elementary	8.3	100%	8.30
Chief Instructional Officer, Secondary	14.7	100%	14.70
Deputy Chief Instructional Officer, Secondary	197.8	100%	197.80
Instr. Support Services (E, K12, S)	198.3	100%	198.30
Chief Operating Officer			
Chief Operating Officer	15.3	100%	15.30
Information Technology Division	593	85%	504.05
Business Services	833.6	90%	750.24
Human Resources	402.4	100%	402.40
Risk Mgmt & Insurance Services Division	116.6	100%	116.60
Environmental Health & Safety Division	63.7	75%	47.78
School Police	20.1	80%	16.08
Financial Services			
Chief Financial Officer	7	100%	7.00
Accounting & Disbursements Division	309.8	100%	309.80
Budget Services & Financial Planning Div.	94	100%	94.00
School Fiscal Services	62.6	100%	62.60
Facilities Services	1,065.90	5%	53.30
Personnel Commission & Staff	187.9	100%	187.90
All Non-School Operating FTEs By Division	6,270.10		4,351.08

* All Funds except 007 and 009; LAUSD, *Superintendent's Adopted 2007-2008 Final Budget*, October 15, 2007.