

I. SUMMARY OF FINDINGS AND RECOMMENDATIONS

Background

In fiscal 1980-81, the State of California will spend \$7.34 billion, or 35.2% of the total state budget, on educating school-aged children from kindergarten through twelfth grade.^{1/}

State spending for schools has increased from \$1.6 billion in fiscal 1970-71 to \$7.3 billion in fiscal 1980-81. During this period, state financing of local schools has increased 237% while inflation, according to the Consumer Price Index, has increased 120%... a 117% difference.

Concern by the Legislature and the Commission over school districts' cost-effective use of increasing state funding resulted in the Commission's 1973 study and report of the School Building Aid Program.

In 1978, the Commission issued a second report, entitled "A Study of the Utilization of Public School Facilities, Grades K-12." This report called attention to problems in school administration, school site underutilization, declining enrollments, overcrowding, and the need for additional resources. This 1978 report noted:

1. Statewide enrollment in grades K-12 dropped more than 300,000 students since 1970.
2. Many school districts had failed to adjust facility inventories appropriately and failed to provide adequate maintenance. This neglect resulted in statewide maintenance backlogs of over \$750 million and large surplus property holdings.

The Commission recommended consolidation of underutilized schools, selling or leasing surplus properties and improving management practices. Since that report, statewide enrollment has declined a total of 600,000 students, while maintenance backlogs have increased to over \$900 million.

In 1978, Proposition 13's passage limited school districts' capacity to respond to many of these serious problems which, in some districts, were the result of a decade of inefficient management practices. To make up for local revenue losses, the state assumed the bulk of school financing. But since Proposition 13, the state has also encountered funding limitations as a result of declining revenues, the exhausted state budget surplus and the persistent public demand for economy in government.

These issues called for greater accountability, and the Legislature's concern over spending for education led to additional Commission hearings to determine if schools districts had taken additional measures to more effectively manage their resources.

^{1/} Figure does not include federal funds going directly to school districts or local revenue contributions.

Hearing testimony indicated that many school districts had taken steps to implement measures recommended in the Commission's 1978 report. However, the Board of Education of the Los Angeles Unified School District (LAUSD), the state's largest district, did not take any significant steps to act on community group requests and staff recommendations to address the problem of maintenance, facility utilization, declining enrollment and overcrowded schools.

Thus, the Commission held four public hearings to assess the policies and management practices of LAUSD. During this same period, LAUSD appealed to the Legislature for additional financing. In a legislative budget hearing, LAUSD representatives either could not or chose not to answer how the district planned to spend the additional state funds. Later, in a meeting with Los Angeles County Legislators, an open dispute took place between the Los Angeles Superintendent of Schools and the LAUSD Board President over how the money was to be utilized.

At a hearing by the Assembly Ways and Means Subcommittee on Education, LAUSD representatives stated they were not actually being treated unfairly, but did have special problems unique to their district. One alleged problem was declining enrollment, but it was later demonstrated to be no greater than in other districts. Another alleged problem was loss of child care funds. This was the subject of a hearing which the district, according to one LAUSD official, chose not to attend. When LAUSD asked the Governor to call a special session of the Legislature, he instead established a special task force to investigate the need for additional funds.

In response to LAUSD's pressure to call a special session, the Commission, on November 24, 1980, submitted to the Governor and the Legislature a letter indicating its preliminary findings from LAUSD public hearings. The letter recommended that no additional funds be provided to the Los Angeles Unified School District until the District has demonstrated satisfactorily to the Governor and the Legislature that its resources are being administered efficiently and that taxpayers' funds are being expended economically.

Summary Findings

The Commission has since completed its review of LAUSD. The Commission's findings discussed in this report can be summarized as follows:

THE COMMISSION CONTENDS THAT THE LAUSD BOARD HAS NOT MANAGED THE DISTRICT'S FISCAL OR CAPITAL ASSETS EFFECTIVELY, NOR HAS IT PROVIDED EVIDENCE OF GOOD FAITH EFFORTS TO IMPROVE THE COST-EFFECTIVENESS OF THE DISTRICT'S OPERATIONS. IN SHORT, LAUSD HAS MISMANAGED ITS \$1.8 BILLION OF TAXPAYER DOLLARS.

Several independent studies of LAUSD policies and management practices also dispelled the district's claims of being underfunded. They uncovered major deficiencies in the administration of the district's operations. Each of the studies are summarized as follows:

- Governor's LAUSD Task Force concluded that, contrary to the district's claim, the district was not uniquely disadvantaged by state school finance programs.
- LAUSD Collective Bargaining Fact-Finding Committee reported difficulty in comprehending the district's complex and confusing budget process that is still deficient by taxpayers' standards. The budget format is in serious need of revision and should be reviewed annually by the Legislative Analyst's office.
- Department of Finance Contract Study by the Accounting Firm Deloitte, Haskins & Sells reported district personnel had acknowledged that the financial information was marginally adequate and that the management system (proposed for the last seven years) is of immediate importance.
- Ernst & Ernst management consulting firm reported the district's present management system is unresponsive, piecemeal and unintelligible. They recommended that the district proceed with vigor in correcting the deficiencies.
- Radio Station KFWB in Los Angeles interviewed LAUSD Board and staff members and surveyed district schools with low enrollments. The findings noted a median enrollment of 58% capacity in underenrolled schools. Their conclusion was that, "The district chose to bury their head in the sand and hope the problem will go away."

Details of the aforementioned studies and the analysis of the Commission's LAUSD hearing testimony are discussed by functional area in this report.

Recommendations

The Commission recommends that:

1. The LAUSD develop and implement a comprehensive plan to relieve overcrowded schools, consolidate underutilized schools and lease or sell schools and properties at market value. Revenues generated from this action should be used to reduce deferred maintenance projects and relieve overcrowded schools.
2. The LAUSD implement the proposed Payroll, Personnel, Budgeting and Accounting System (PPBA) and student data information systems.

3. The LAUSD implement a centralized procurement and inventory control system.
4. The LAUSD initiate a labor relations program.
5. The State Department of Education study and revise existing data collection systems and fiscal and enrollment reporting systems to allow for district-to-district comparisons.*
6. The Legislature amend the Santa Monica Mountain Conservancy law cited in the Public Resources Code, Title 23, Chapter 3, Section 33207(a)(b) to enable LAUSD to sell land effected by this Code at the fair market value.
7. The Legislature designate an appropriate state review authority to evaluate the annual budgets of the eight largest school districts for the purpose of identifying opportunities for cost savings.
8. The Legislature provide for an annual review of all mandated programs to ensure that funding is adequate and district expenditures are made in a prudent and cost-effective manner.

* Due to conflicting data submitted by the LAUSD and inconsistencies noted between the findings of several independent studies with district data, valid comparisons among some statistics referenced in this report cannot be made. Accordingly, in such instances, statistical notations may appear to be in conflict.