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Sent via email

Olivia Fuentes
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Los Angeles County Office of Education
Education Center West - Conference Room 606B
12830 Columbia Way, Downey, CA 90242
fuentes_olivia@lacoedu

RE: Long Beach Unified's 2016-2019 Local Control Accountability Plan

Dear Director Fuentes:

Public Advocates has been deeply engaged in supporting the implementation of the Local Control Funding Formula (LCFF) in a way that makes real the promise of increased and improved resources for high-need students, and greater transparency and meaningful engagement for school communities. In particular, we are working hard to ensure that school districts spend supplemental and concentration (S&C) grants to proportionally increase and improve services for the high-need students who generate those funds. Towards this end, we are supporting local districts and community-based partners in LCFF implementation across the state.

Public Advocates wrote to Long Beach Unified School District (LBUSD) on June 6, 2016 regarding the district's draft Local Control Accountability Plan (LCAP), citing two issues. (See Attachment 1.) The district:

- 1) Plans to spend significant S&C funds on districtwide and schoolwide actions without demonstrating how these will constitute a growth in service for high-need students. These expenditures include millions to be spent on teacher pensions and teacher salaries, which on their face do not increase or improve services to LBUSD's unduplicated pupils; and
- 2) Underspent in 2015-2016 by approximately \$24 million in S&C funds without explaining this discrepancy. The district has allocated an additional \$19.7 million for 2016-2017, leaving \$4.4 million in S&C funds unaccounted for.

The district did not adequately address these issues before it approved its 2016-2019 LCAP on June 26, 2016. Unfortunately, the district's

response to our letter on July 21, 2016 also did not resolve these outstanding issues with regard to the district's LCAP. (See Attachment 2.) **We now urge the Los Angeles County Office of Education to assist the district to remedy these issues before approving Long Beach Unified's 2016-2019 LCAP.**

Below we will further explain these issues, and address the district's response to each.

THE DISTRICT CONTINUES SIGNIFICANT SPENDING OF S&C FUNDS ON DISTRICTWIDE AND SCHOOLWIDE ACTIONS WITHOUT EXPLAINING HOW THESE ARE "PRINCIPALLY DIRECTED" AND "EFFECTIVE" IN MEETING THE DISTRICT'S GOALS FOR HIGH-NEED STUDENTS

LCAP Template Section 3A that districts must describe "the use of any funds in a districtwide [or] schoolwide" manner and justify each such use according the LCFF regulations. In a district such as Long Beach Unified that has more than 55% high-need students, the district must justify a districtwide expenditure as "principally directed" to one or more of the district's goals for high-need students. 5 CCR 15496(b).¹

In Section 3A of the draft LCAP (p.147), the District explains more than \$108 million² in supplemental and concentration spending in a summary fashion rather than separately describing each districtwide use of funds to justify how it is principally directed to its goals for high-need students. For all districtwide and schoolwide expenditures, high-need students must be a forethought, not an afterthought or equal thought to all students.

In addition, the District must explain in Section 3A how that use of funds is "effective in" meeting its identified LCAP goal for high-need students. To the extent the District is continuing to fund the same actions from the prior LCAP year, it should point to evidence or data to demonstrate effectiveness. Or else one would expect to see in the Annual Update "an assessment of the effectiveness of the specific actions" as the instructions require. (p.78). Instead, the district takes a plenary approach to justifying its districtwide spending, citing to "The Broad Prize and corroborated scholarly research" to assert that "a districtwide approach is a proven strategy for organizations like LBUSD, where students and families have high rates of mobility and school choice." (p.148.) However, this explanation fails to address how the district has determined that the specific actions and services that the district is funding are effective in serving high-need students. And a review of the district's reporting on these actions in the Annual Update does not provide an assessment of the effectiveness of the specific actions in question.

In Section 2 of the LCAP, the district does provide some limited explanation of certain districtwide supplemental and concentration allocations, but these justifications still do not meet

¹ In our extensive reviews of LCAPs over the past two years, we have found that many LEAs are confused by Section 3 of the LCAP. Public Advocates teamed up with the Sacramento County Office of Education to provide training and best practices on the proper uses and reporting of supplemental and concentration funds at a joint gathering of more than 40 counties across the state, including the Los Angeles County Office of Education. For your information, those training materials are available at http://bit.ly/PA_Sec3_Training and the Sacramento County Office of Education website at <https://www.scoe.net/lcap/training/Pages/default.aspx>. See also One-Pager on Section 3 Requirements at http://bit.ly/LCAP3A_3B_1-pager and Guiding Questions on the Use of Supplemental & Concentration Funds at http://bit.ly/5_Questions_on_SC_Funds.

² The district states that it is receiving \$108.2 million in S&C funds for 2016-2017. When Public Advocates aggregated all the planned expenditures of S&C funds for 2016-2017, however, these totaled \$127,885,500.

the legal requirements in terms of explaining how they are principally directed and effective under LCFF regulations.

By failing to separately identify the specific districtwide and schoolwide uses of supplemental and concentration funds, the public cannot determine if cumulatively, the district is providing an “increase or improvement” in services to high-need students as compared to all students in proportion to the additional funds those students generate as required by the law and regulations. The regulations define an “increase or improvement” in services as a “growth in quantity” or “quality” of the service. 5 CCR 15945(k) & (l).

In its July 21, 2016 response, the district appears to misinterpret and even disregard these regulatory requirements. (See Attach. 2 at 2-3.) It states that the State Board’s requirements exceed its statutory authority and that the district has the option of justifying districtwide or schoolwide expenditures, and does not have to provide both. Such an interpretation clearly undermines the spirit of LCFF and must be rejected. The district seems convinced that its blanket reasoning for \$108 million in S&C is sufficient to meet its regulatory obligation, even when it proposes to spend millions on actions that do not, on a plain reading, increase or improve services for high-need students. And the district’s analogies to the provision of park benches and drinking fountains are misplaced. Under such logic the districtwide and schoolwide justifications would be rendered meaningless, as any service that could foreseeably benefit high-need students would be justified as a valid expenditure of S&C funds. Under this logic, there would be virtually no nexus between the high-need students and the S&C funds they generate for the district.

We have specific concerns about the following uses of funds in the approved 2016-19 LCAP, which appear to be continuing from the 2015-16 LCAP:

A. \$21.4 Million in Supplemental and Concentration Funds for Teacher Pension Reform Contributions & Certificated Salaries Are Not Justified Expenditures of S&C Funds.

This combined expenditure of \$14.4 million in employee benefits and \$7 million in certificated salaries is an increase over the estimated \$9 million of supplemental and concentration funds the district estimates spending on employee benefits in this action item in 2015-16 per its Annual Update (p.86). As with last year, this service appears to be an across-the board allocation that does not seem to be “principally directed” to unduplicated pupil goals or to increase or improve services for high-need students as compared to all students. Whether in the form of increased salary or benefits, the underlying services provided from the teachers do not grow in any way. They are the same, just more costly. Nor do the services appear to provide any type of enhanced benefit to high-need students as compared to all students. The district must justify in Section 3.A how this use of funds is principally directed to its goals for high-need students and also how that use of funds is effective.

The district’s rationale—which lists the teacher shortage and its potential impact on high-need students—is insufficient as it offers no specifics regarding how the district’s expenditures will actually affect the teacher shortage and teacher quality for the district’s low-income, English learner and foster youth students. As Public Advocates has detailed with the ACLU (Attachment 3), districts face a high burden when attempting to use S&C funds to pay for teacher salary

increases. First, the district “would have to establish that difficulties in recruiting and retaining qualified staff are so serious that it affects the quality of the education program and that increasing the salary scale would actually improve recruitment and retention in a way that would ‘increase or improve’ the quality of instruction or other services currently offered to high-need students. Second, the district would have to include detailed evidence in its LCAP demonstrating that it meets those narrow circumstances: the district would have to both analyze its turnover and/or vacancy rates and/or experience levels and include specific evidence about the labor market to establish that a general salary increase would actually increase or improve services by improving teacher quality, recruitment and retention. Third, even if a district can make the necessary showing to support this use of funds initially, the district will have to evaluate whether its approach is effective in each annual update.” Neither the LCAP nor the district’s response provide any of this necessary detail to justify paying for teacher salary increases with S&C funds. Such a justification would be even more difficult for teacher pensions, and again, no such reasoning has been provided.

Moreover, in Section 3.B, where the district describes how it is meeting its minimum obligation to proportionally increase or improve services for high-need students as compared to all students, the district must justify how this proposed expense, which amounts to some 20% of its anticipated supplemental and concentration funds, is providing a growth in services for high-need students. *If it cannot meet these requirements, the district must discontinue funding this expenditure from supplemental and concentration funds.*

B. Millions of Dollars in Supplemental and Concentration Funds for Expenditures that Do Not Appear to Be Principally Directed to High-Need Student Goals.

The district again takes the approach of lumping numerous disparate, districtwide expenditures together in the same action item and then failing to provide the required justification for this spending. For example, the district continues to allocate the following services under a single action item that includes: “Community and Ancillary Services (Recreation Aides, etc.); Student Advisory resources; Teaching Gardens; Campus security/police support; and Administrative services and contracts (e.g., Most Inspiring Students)” and then to report the budgeted expenditures as lump sums across all these items. For supplemental and concentration spending, this amounts to \$1.4 million for classified salaries, \$941,900 for employee benefits \$595,000 for books and supplies, and \$3.2 million for “Svcs/Other” (a significant increase over the prior year allocation) (p.76). Without further explanation as to how the spending is distributed among base and supplemental and concentration funds and across specific services in the action item, as well as how each of these proposed expenditures are principally directed to the needs of unduplicated pupils in particular, each of these examples appear to be funding for core services that provide the same level of service to all students and do not appear directed to high-need students as the primary beneficiaries.

Another significant expenditure of supplemental and concentration funds that does not appear principally directed to high-need student goals is some \$17 million in supplemental and concentration funds for instructional materials aligned with the Common Core (pp.11-12). While the district states that these “materials...play a vital role in ... closing achievement gaps,” and the district’s July 21st response elaborates on this point, Common Core implementation is clearly essential to the district’s core instructional program for all students. As such, it is an expenditure that should be paid for from base funds.

C. Supplemental and Concentration Funds Directly to School Sites Without Further Detail.

As a general matter, sending supplemental and concentration funds directly to school sites with high-need students can be an effective way to serve these students, but only if proper attention is paid to ensure that low-income, English learner and foster youth students are being well-served through the use of those funds at the school site. In the 2016-19 LCAP, the district continues its practice of designating significant spending to school sites without providing the amount of supplemental and concentration funding each designated school would receive. While the district generally explains that funds are being provided to the schools “identified as high-need schools,” and provides a listing of those schools (p.132), the district does not explain the amount of funding each school will receive, nor does it articulate how it will ensure those schools properly use those funds in service of high-need student goals according to LCFF regulations. 5 CCR 15496(b).

The lack of transparency also raises questions about whether the district is meeting its obligation to proportionally increase and improve services for high-need students. We urge the district to ensure that its 2016-17 LCAP provides more specific information about how supplemental and concentration dollars sent to school sites will be spent. Where that spending is schoolwide, the district must be sure to properly justify that spending according to the regulations. The current justification that “assistance to highneed schools has a direct relationship with assistance to English Learners,” without more guidance about how schools are spending the funds, is insufficient under LCFF regulations (p. 132.)

In addition, we would have expected to see some accounting and explanation in the Annual Update on the expenditure of these funds (which amounted to more than \$13 million in the 2015-16 school year), but the district merely provides the generic explanation that “actions/services were implemented largely as planned.”

THE ANNUAL UPDATE FAILS TO EXPLAIN LARGE DISCREPANCIES IN BUDGETED AND ACTUAL SUPPLEMENTAL AND CONCENTRATION SPENDING

Throughout the annual update, the district estimates significant amounts of supplemental and concentration funds that were allocated but not spent.³ Yet the district’s LCAP fails to provide an

³ These discrepancies include the following:

- a) Conditions of Learning Goal #2 – Adopt, replace and/or provide sufficient textbooks and instructional materials that align with Common Core: LBUSD budgeted \$12 million in supplemental and concentration dollars under this action item and estimates spending around \$2.1 million (p.80);
- b) Conditions of Learning Goal #4 – General Administration and Other Services; the district budgeted \$15,000,000 in supplemental and concentration funds for Employee Benefits and estimates spending \$9 million (p.86);
- c) Conditions of Learning Goal #4 – School site allocations for implementation of Common Core State Standards. Again, this included a large allocation of supplemental and concentration dollars for books and supplies (\$14 million) when estimated spending is around \$1.6 million. Other expenditures, including salaries and benefits were higher than budgeted, although nowhere close to accounting for the discrepancy in books and supplies (p.88);
- d) Conditions of Learning Goal #4 – Budgeted actions for strategic and systematic assistance to schools to advance Common Core implementation included \$3.7 million in supplemental and concentration funds for books and supplies when \$243,000 was estimated as actually spent (p.89);

explanation for these discrepancies or explain how those unspent funds were used, and the district's response regarding this issue is inadequate. These discrepancies add up to approximately \$24 million in S&C funds without explaining this discrepancy. The district has allocated an additional \$19.7 million for 2016-2017, leaving \$4.4 million in S&C funds unaccounted for.

Putting aside our concern that some of these expenditures were not properly designated and justified for supplemental and concentration spending in the 2015-16 LCAP, this nonetheless raises questions about how the district spent those dollars and whether it met its minimum obligation in the 2015-16 fiscal year to increase and improve services for high-need students as compared to all students in proportion to the supplemental and concentration funding they generate for the district. See Educ. Code 42238.07; 5 CCR 15496(a).

Rather than explaining these discrepancies, the district generically reports for every action in its Annual Update that “[t]he actions/services were implemented largely as planned.” Such cursory reporting raises concerns about whether the district is reflecting on the Guiding Questions to leverage the Annual Update process as a tool for continuous improvement. (See Guiding Questions on p.78.)

In its July 21, 2016 letter, the district provides a bit more information. The district explains that the discrepancies for instructional materials (items (a) and (c) above) are the result of “budgetary timing,” as textbooks were ordered in 2015-2016 but were not scheduled to be delivered (and therefore fully paid for) until after the end of the fiscal year. (See Attach. 2 at 5.) The district states that the unspent allocation towards retirement benefits (item (b) above) will help the district to avoid “a predictable fiscal event in the future.” (Ibid.) Regarding parent engagement and outreach (item (e) above), the district states that this discrepancy may be the result of budgetary timing issues, or it may be that the funds were covered by another related expenditures. The district states that \$12 million (of the \$17 million allocated for textbooks in 2016-17) will be “brought forward for the English textbooks.”

While vague, this explanation is helpful, and should be included in the LCAP. And, it remains concerning that \$4.4 million was not spent and the district has not articulated any plan to ensure that high-need students benefit from the funding that they generate for the district.

We urge the district to be transparent about all substantial discrepancies and therefore to revise the Annual Update to—as the guiding questions indicate—identify “differences ... between budgeted expenditures and estimated actual annual expenditures” and “the reasons for any differences.” (See p.78.)

CONCLUSION

Public Advocates urges the LACOE to assist LBUSD to remedy the aforementioned issues with its approved 2016-2019 LCAP. The district is not in compliance with its statutory and regulatory obligations and threatens to dilute the promise of LCFF to its formidable high-need student population. If the issues above are not resolved, we urge the LACOE to deny approval to

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- e) Engagement Goal #1 – Budgeted actions and services for parent engagement and outreach supports differ greatly, including more than \$450,000 less for books and supplies and almost \$90,000 less for “Svcs/Other” (p.126).

LBUSD's 2016-2019 LCAP. We are of course available to support the LACOE or the district in this process.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Massaro", with a long horizontal flourish extending to the right.

Rigel S. Massaro
Staff Attorney

Cc: Chris Steinhauser, Superintendent, LBUSD, cstein@lbschools.net
Leticia Rodriguez, Executive Secretary, LBUSD Board of Education,
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