

Per-Pupil Budgeting for iDesign Schools

**Los Angeles Unified School
District**

iDesign Division

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PART 1 – PER-PUPIL BUDGETING CONCEPTS

A per-pupil system will differ substantially from the current school budgeting process.

- ❑ The District's allocation practice for most schools relies on "norm tables" that assign basic school resources such as teachers, school administrators, clerical support and IMA largely on the basis of norm day enrollment.
 - ❑ This is a top-down method with minimal school site input.
- ❑ Per-pupil budgeting involves "dollarizing" a school's revenues and empowering the school to customize the use of its funds to meet students' specific needs.
 - ❑ This is very similar to a "zero-based budget" model.
 - ❑ Maximizing the impact of each budgeted dollar calls for a creative and collegial approach at the school site, as well as input from Network Partners.
 - ❑ "Dollarizing" may be limited due to District budgeting practices, State and federal guidelines, and the ability of the District to track "dollarized" funds.

A per-pupil system will differ substantially from the current school budgeting process.

- ❑ Among the most important goals of the per-pupil approach are:
 - ❑ Equitable distribution of funds. Many schools cannot recognize how the dollars they generate are used. Under per-pupil budgeting, schools will see how their revenues are generated, and how those dollars flow to the school and to the District to cover districtwide costs.
 - ❑ Discretion over funds. At most schools, funds are controlled centrally or restricted by law. Under per-pupil budgeting, schools will be empowered to make budget and spending decisions with more of their funds in order to benefit their students.
 - ❑ Transparency. Schools currently have little access to information regarding how they are affected by District spending. Per-pupil budgets will feature increased transparency.

2008-09 is a transition year.

- ❑ The District currently utilizes a per-pupil allocation method at only a very limited number of small pilot high schools. District systems and processes must be re-engineered to widen the availability of this method.
- ❑ The districtwide impact of per-pupil funding must be fully understood before implementation so that allocations can be made efficiently and problems avoided.
 - ❑ Model must be “scalable.”
 - ❑ Per-pupil funding can be phased in so that high-cost schools can be weaned from their excess resources, while low-cost schools can gradually receive a larger share of the revenue they generate.
- ❑ Across the country, districts that have phased in a per-pupil funding approach have done so over several years.
- ❑ For 2008-09, participating schools will continue to be funded based on norm tables, but will have increased flexibility with a portion of their funds.

Transition planning is underway.

- ❑ There are a number of issues to be resolved.
 - ❑ There are “winners” (schools that will receive more money than the value of the resources they currently receive) and “losers” (schools that will lose resources).
 - ❑ For example, in 2007-08, the budgeted norm clerical resources at one very small elementary school cost \$1,851 per pupil; the norm clerical resources at a large elementary school cost \$139 per pupil.
 - ❑ The small elementary would be unable to afford even a single clerical position under a “pure” per-pupil model.
 - ❑ Charges to schools for central services must be identified and quantified.
 - ❑ Encroachment will be an issue.
 - ❑ Federal and State categorical funding requirements currently remain in place and must be addressed.

The Network Partners play a vital role in the new per-pupil system

- ❑ Network Partners' rights and responsibilities are delineated in their Memoranda of Understanding (MOU's) with the District.
- ❑ Among these rights and responsibilities are:
 - ❑ Collaboration with their iDesign Family of Schools (FOS) in raising funds in support of the schools.
 - ❑ Participation in the development of budgeting templates and reports.
 - ❑ Participation in the development of budgeting processes and procedures.
 - ❑ Assisting iDesign schools in developing their school budgets.
 - ❑ Providing input to iDesign schools regarding proposed budget adjustments.

iDesign schools have critical responsibilities under per-pupil budgeting.

- ❑ Developing a budget that meets the unique needs of their students, and expending funds for the benefit of the students who generated the funds.
- ❑ Meeting compliance requirements for categorical programs.
 - ❑ A waiver will be sought through the State Board of Education to eliminate compliance requirements for some State categorical programs.
 - ❑ iDesign Division will be responsible to communicate with schools and local district offices regarding which requirements have been waived.
 - ❑ No federal waiver is anticipated.
 - ❑ Upon approval of the waiver, some requirements would be eliminated – but until that happens, iDesign schools must meet compliance requirements.
- ❑ Ensuring that Network Partners remain informed and involved in budgeting activities.
- ❑ Arranging for District-provided services such as building maintenance, food services, etc.

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PART 2 – BUILDING THE SCHOOL BUDGET

The “base revenue limit” is calculated based on ADA and a rate per ADA.

- This is the most important single funding source for any California school district (LAUSD - \$3.5B in 2008-09)
 - Based on ADA x a unique rate for each district.
- ADA is based on student attendance and is NOT the same as enrollment. It is a measure of attendance used by the State for apportionment purposes.
 - Districts are not funded for student absences.
- The rate per ADA is different for each school district, and is based on the spending level from many years ago, adjusted in most years for inflation and other factors.
- In 2008-09, the State Budget provides the District \$5,797.41 per ADA, or about \$32.21 for each day of student attendance, in basic funding. We hope it remains at that level when the State has finished addressing its 2008-09 budget issues.

Projected Average Daily Attendance (ADA) will be the basis for much of the school's revenue.

- ❑ Budgeted ADA for each new school year will be calculated based on the iDesign school's estimated norm day enrollment for the new school year, multiplied by the ratio of the prior year's ADA to the prior year's norm day enrollment.
- ❑ So an iDesign school with projected norm day enrollment of 1,950, prior year enrollment of 2,000, and prior year ADA of 1,900 will begin the new school year with a budget based on ADA of:
 - ❑ **1,950 Est. Enrollment x (1,900/2,000) = 1,852.5 Est. ADA**
- ❑ Per-pupil schools that do not meet their norm day enrollment projections or whose attendance rate declines from the rate used in the ADA calculation will generate less funding than the budget.
 - ❑ Because it will be too late for deductions to be made from the current year budget, such schools will have their following year's revenue deficated.
 - ❑ Schools that generate higher ADA than budgeted will have their following year's allocation increased.

Categorical funds will be based primarily on the iDesign school's eligibility

- ❑ At initial budgeting, categorical funds will be based on the iDesign school's program eligibility.
- ❑ District budgeting practices will also be taken into consideration.
 - ❑ Funds may be reserved for centralized services, or to allow for centralized control over some ordering processes.
 - ❑ The District may continue allocating some funds (e.g., textbooks) to local district offices to maintain efficiency in ordering.
 - ❑ iDesign schools will participate in these allocations in the same way as non-iDesign schools.

Quality Education Investment Act (QEIA) funding will depend on the eligibility of the school

- ❑ QEIA funds became available as result of the *CTA v. Schwarzenegger* lawsuit, were allocated to individual schools on the basis of a random drawing.
- ❑ Funds are intended for improvement of instruction at low-performing schools, primarily through reducing class size.
- ❑ 2007-08 was a planning year at 2/3 funding.
- ❑ 2008-09, rates for participating schools increase to:
 - ❑ \$500/student in grades K-3 (based on prior year CBEDS)
 - ❑ \$900/student in grades 4-8.
 - ❑ \$1,000/student in grades 9-12.
- ❑ QEIA funding is based on the school's CDS code: splitting off a small learning community or other entity from the parent school will result in decreased QEIA funding.

A budget manual will provide information about revenues, costs, and other budget elements

- ❑ The iDesign budget manual will provide information regarding:
 - ❑ Budgeting policies and practices
 - ❑ Revenues
 - ❑ Expenditures by program code
 - ❑ Charge-backs
 - ❑ Encroachments
 - ❑ Fee-for-service items
 - ❑ Other information related to per-pupil school budgeting

iDesign schools will budget based on actual salary rates of employees

- ❑ iDivision schools will build their budgets based on actual salaries where these are known.
- ❑ Average salary rates will be used where the actual rate of the employee is not known at the time of budgeting.
 - ❑ Rates will be adjusted to reflect actual salary rates following the beginning of the school year.
- ❑ During the course of the year, iDesign schools can rebudget the salary savings if actual salaries are lower than the districtwide average; they will be expected to cover salary costs above districtwide average.
 - ❑ Because federal and State guidelines for some programs require that schools budget at average salaries, iDesign schools will be required to budget at average rates in Title I, Economic Impact Aid, and other such programs.

Design schools will pay their fair share of LAUSD encroachment, overhead, and other costs.

- ❑ “Encroachment” occurs when a categorical program costs more than the revenue the District receives to support it.
 - ❑ E.g., the K-3 Class-Size Reduction costs approx. \$280M to run, and the State provides approx. \$200M. The \$80M difference is the “encroachment” that is paid from District funds.
- ❑ “Overhead” is the cost of centralized and local district services.
 - ❑ E.g., the Superintendent’s Office, ITD, Budget Division, Staff Relations.
- ❑ “District-provided services” are school-based tasks for which the District has responsibility, regardless of whether the school is per-pupil or norm-based.
 - ❑ E.g., routine building maintenance, rubbish disposal, basic school security, and other costs that occur at schools but are charged centrally.

iDesign schools will pay their fair share of LAUSD encroachment, overhead, and other costs.

- ❑ Most LAUSD schools “pay” these costs indirectly, by receiving a reduced level of resources.
 - ❑ For example, if the District did not cover \$80 million in annual K-3 CSR encroachment, the \$80 million could flow to schools in the form of better norm allocations, increased IMA, etc.
- ❑ Since iDesign schools initially receive a budget reflecting their full revenues, the need for equity dictates that they must be charged a “fair share” of such costs.
- ❑ iDesign school budgets will include a section indicating the per-pupil cost of each administrative unit and the dollar impact on the

Other costs may also be assigned to iDesign schools

- ❑ Some costs may be assigned to iDesign schools on the basis of anticipated need. This topic remains under discussion.
 - ❑ E.g.:
 - Day-to-day substitute teachers.
 - Transportation
 - Utilities and telephone expense.
 - School police.
 - Etc., etc., etc.

Next Steps (proposed schedule)

- ❑ November 2008 – Finalize the budget template.
- ❑ November 2008 – Establish task force to finalize processes and procedures for school budgets.
- ❑ December 2008 – Apply for State approval of a waiver to authorize increased flexibility in the use of some State categorical funds.
- ❑ ????? – State Board approval of categorical flexibility waiver.
- ❑ February 2009 – Agreement reached on policies and procedures for per-pupil budgeting. Complete the Budget Manual.
- ❑ March 2009 – Begin budgeting of iDesign schools for 2009-10.
- ❑ On-going – Provide training and support to local district staff and iDesign schools.
- ❑ On-going – Continue to push to fully implement per-pupil

Thank you for your attention.

Questions???

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