

INTER-OFFICE CORRESPONDENCE
Los Angeles Unified School District

INFORMATIVE

TO: Members, Board of Education Date: May 9, 2008

FROM: Randy Ross
Director of Educational Policy

SUBJECT: RAND Studies of Charter Schools

COPIES: D. Brewer, R. Cortines, J. Morris, R. Ephraim, D. Jacque-Anton, J. Cole-Gutierrez, J. Crain, M. Medina, J. Thornton

At the request of Board members LaMotte and Canter, this informative reports on our review of the 2005 RAND report, *The Effect of Charter Schools on School Peer Composition*. The RAND report, which was introduced by Mr. Cole-Gutierrez, examines how the transfer of students from traditional to charter public schools affect the racial and ability distributions of the schools they leave.

In order to paint a more comprehensive picture of the impact of charter schools, we also summarize findings from a more recent RAND paper, *Making Sense of Charter Schools: Evidence from California* (2006). In this paper, RAND synthesizes findings from its extensive research on charter schools on a host of other important dimensions: (1) impact of charter schools on student achievement; (2) impact of charter schools on the performance of traditional public schools; (3) differences in the operation of traditional and charter public schools; (4) sufficiency of monitoring of charter schools by chartering agencies.

Review of RAND Report, *The Effect of Charter Schools on School Peer Composition*

In this study, RAND uses student-level data for Texas and California to examine how students who move from traditional public schools to charter schools affect the “racial and ability distributions” in schools.

Our review focuses primarily on the findings for California. The California data were limited to selected districts that maintain student-level data bases over time. Specifically, the RAND study includes the following California districts: Chula Vista, Fresno, Los Angeles, Napa Valley, San Diego, and West Covina. The California data base includes about 1.1 million students (of which nearly three-fourths attended LAUSD). Over sixty thousand of these students had attended a charter school for at least one year and about fifteen thousand of these students had transferred from a public to a charter school.

The study has several key findings. For one, notwithstanding the intent that charter schools achieve racial and ethnic balance among their students, California's charter schools tend to enroll disproportionate numbers of African American students. While African American students make up about 13 percent of the students in the six California districts included in the study, they make up about 37 percent of students who have attended a charter school for at least one year. On the other hand, Latino students account for 63 percent of students in the represented California districts, but make up only 40 percent of charter students. For Los Angeles, this finding precipitates several questions: Are there important differences in the socio-economic characteristics of students who leave traditional public schools for charters, and those who remain at traditional public schools? Do leavers tend to be from higher-income families and/or families with higher levels of parent education? Are there significant differences in the language classification of students who switch to charter schools?

RAND also found that African American students tend to choose charter schools that enroll disproportionately large percentages of African American students. If prospective providers of charter school services perceive that black parents in low-achieving schools possess a higher demand for alternative educational services, then some providers would tend to focus on this population, e.g., Watts Learning Center, CLAS. The same may hold for other ethnic groups (e.g., Latino students at Academia del Semillas, Whites at Los Feliz, and Pacific Islanders at Wisdom Academy for Young Scientists).

RAND's analysis of factors influencing transfers to charter schools suggests the following:

- Student reading performance has no effect on the decision to transfer to a charter school;
- The lower a student's math scores, the greater the likelihood the student will transfer to a charter school;
- The more segregated the traditional public school, the greater the likelihood a student will transfer to a charter school¹; and
- Students in Chula Vista, Napa Valley, San Diego, and West Covina are more inclined to transfer to a charter school than students in LAUSD, while students in Fresno are less inclined to transfer to a charter.

The researchers conclude that "little evidence can be found that California charter schools are systematically cream-skimming high-performing students." However, it is notable that practices employed by some charters reviewed by LAUSD's board (e.g., requiring students to write essays as part of the application process) could have the effect of cream-skimming.

¹ Low-performing schools in inner-city Los Angeles schools are generally in high-poverty areas made up mainly of Latinos and African Americans. Understandably, students in these schools are more likely to pursue choice opportunities.

Review of RAND Paper, *Making Sense of Charter Schools: Evidence from California*

The study reviewed above is one of several that RAND produced over a 3.5 year period that focused on charter schools. In 2006, RAND researchers summarized the findings of this research in a paper entitled, “Making Sense of Charter Schools: Evidence from California.” To provide the Board with a broader view of RAND’s analysis of charter schools, the findings from this report are summarized below.

RAND’s overall charter school research agenda focused on five key questions:

- How do charter schools affect the performance of charter students?
- What types of students do charter schools serve?
- Is charter school competition improving the performance of traditional public schools?
- Does the operation of charter schools differ from that of traditional public schools?
- Do charter schools receive sufficient monitoring from chartering authorities?

Based on several analyses of student-level data, school surveys, and case studies, RAND reached the following additional conclusions:

1. Overall, students in charter schools and traditional public schools perform at comparable levels.
 - a. Students in conversion charter schools with classroom-based instruction have test scores similar to those of comparable students in traditional public schools.
 - b. Students in startup charter schools with classroom-based instruction have slightly higher test scores than do comparable students in traditional public schools.
 - c. Students in charter schools that employ some nonclassroom-based instruction (e.g., distance learning, independent study, and/or home schooling) have lower average test scores than do comparable students in traditional public schools.
 - d. An analysis of student-level data for LAUSD and San Diego City Schools suggested that “...achievement scores in charter schools are keeping pace with, but not exceeding, those in traditional public schools and are not consistently producing improved test scores for minorities above and beyond traditional public schools.”
2. Charter schools have had no measurable impact on the performance or operation of traditional public schools.
3. The operations of charter and traditional public schools differ in several ways:
 - a. Charter school principals say they have greater control than did traditional public school principals.
 - b. Startup charter school principals report getting less public funding per student than do traditional public school principals.
 - c. Charter school teachers have less experience and fewer teaching credentials than those in traditional public schools.

- d. Charter school teachers are more likely to participate in informal professional development.
- e. Charter schools report spending more instructional hours on non-core subjects (e.g., fine arts) at the elementary school level.
- f. Startup charter schools have a smaller proportion of special education students than traditional public schools.
- g. The greater autonomy accorded charter schools does not result in higher levels of achievement in the core subjects of reading and math.

Concluding Remarks

By intent, the charter movement is burdened with the expectation that deregulated free schooling will lead to the creation of schools that, on average, culminate in a significantly higher level of student achievement, especially for low-achieving students in low-performing schools. Strategically, such a result would be expected to pressure traditional public school systems to raze their bureaucratic fences and adopt effective charter school practices. The findings from RAND's studies show that while charter schools generally show greater innovation, take on needy students, and operate at lower costs, charter school operators have yet to lock in superlative outcomes for their students. Thus, on the question of whether charter schools are demonstrably more cost-effective than traditional public schools, the jury remains sequestered.

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INTER-OFFICE CORRESPONDENCE
Los Angeles Unified School District

INFORMATIVE

TO: Members, Board of Education Date: October 10, 2008

FROM: Randy Ross
Director of Educational Policy

SUBJECT: **Impact of Charters on the Functioning of LAUSD**

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

At the request of Board member Vladovic, this informative examines the impact of charter enrollment on the District's ability to function.

Dr. Vladovic posed the following question: At what level (50,000, 100,000, 200,000 ...) does overall charter school enrollment become so large that it severely hampers the ability of LAUSD to function as a district? This is a complex question whose precise answer could benefit from careful analysis in multiple areas. Given Dr. Vladovic's need for a ballpark estimate, we have used readily available data and made key assumptions.

Because the "charter" question fuses several critical policy parameters (specifically, enrollment shifts, fixed costs [e.g., retiree benefits], and funding equity), our analysis unfolds as follows:

1. The impact of declining enrollment
 - a. Normal fixed (or lumpy) costs
 - b. Extraordinary fixed (or lumpy) costs
2. The impact of increasing charter enrollment
 - a. Implications of extraordinary fixed costs
 - b. Implications of differences in per pupil funding

Impact of declining enrollment under normal conditions

Increases in charter school enrollment in effect reduce LAUSD's enrollment. The District cyclically experiences fluctuations in enrollment. Overall enrollment – currently at less than 650,000 K-12 students (not including independent charters) – has been declining since about 2003. Before the current period of declining enrollment, District enrollment had risen annually for over twenty years, from nearly 550,000 students in 1981 to about 738,000 in 2002-03.

Primary causes of shifts in enrollment include changes in: (1) birthrates; (2) migration patterns; and (3) school choice patterns (e.g., private school, home schooling, LAUSD residents enrolling in districts outside of LAUSD, and charter school). The District's enrollment (excluding independent charters) is projected to fall by about 43,000 students over the next two years, while enrollment in independent charter schools is expected to climb by about 11,000 over this same period. Thus, at most, charters would explain about one-fourth of the overall drop in District enrollment during this period.

Ordinary drops in enrollment result in reductions in District student-generated revenue. These reductions necessarily are (or should be) accompanied by commensurate reductions in district expenditures – primarily staff in schools (e.g., teachers, custodians) and in nonschool functions.

If the District's ordinary "fixed" costs could be varied over time, then the District could function satisfactorily at relatively low levels of enrollment (e.g., less than 200,000 students). The logic here is that, aside from LAUSD, no other California district enrolls more than 150,000 students. The vast majority of these districts operate satisfactorily. Thus, we are confident that under ordinary conditions (planned expenditure reductions and normal fixed costs), LAUSD could function satisfactorily if its enrollment fell as low as 300,000 students.

Impact of declining enrollment given extraordinary fixed costs: the case of retiree benefits

The existence of extraordinary fixed costs complicates the analysis. To illustrate, we will consider the implications of the District's expense on retiree benefits.

Employees who meet certain conditions continue to receive full health benefits upon retirement (see Table 1). "Coverage provided in the District-sponsored hospital-medical plans, dental plans and vision plans is the same as that received by active employees, with the exception that Medicare enrollment is required when eligible, usually upon reaching age 65. Premiums for District coverage are paid in full by the Board of Education for eligible retirees and their eligible dependents."¹

¹ See LAUSD, "Retiree Health Benefits."

Table 1
Shifting stringency of eligibility for LAUSD retiree benefits

Hire Date	Eligibility for Retiree Benefits ²
Before March 11, 1984	You must have been eligible for coverage for 5 consecutive years immediately prior to your retirement effective date
After March 11, 1984, but before July 1, 1987	You must have been eligible for coverage for at least 10 consecutive years immediately prior to your retirement effective date
On or after July 1, 1987 but before June 1, 1992	You must have been eligible for coverage for at least 15 consecutive years immediately prior to your retirement effective date <i>or</i> have been eligible for coverage for 10 consecutive years before your retirement effective date plus an additional 10 years which need not to be consecutive.
Hired on or after June 1, 1992	The employee's age plus the number of consecutive years of service, when added together, must equal 80.

The projected cost of retiree benefits for 2008 is \$269 million, or an average of \$8,165 for each of about 33,000 retirees and their eligible dependents (see Table 2).³ The number of benefited retirees is expected to more than double to over 75,000 by 2020. If the 75,000 LAUSD retirees were receiving full benefits today, the cost would be \$342 million higher (i.e., \$611 million). In effect, to balance its budget the District would have to reduce by that amount what it spends on school and nonschool functions.

Table 2
Estimated cost of retiree benefits

Number of Retirees Receiving Benefits		Est. Cost of Retiree Benefits (millions of 2007-08 \$)
Hypothetical	0	\$ 0
Current	33,000	\$ 269
Projected for 2020	75,000	\$ 611

Table 3 shows how enrollment affects the impact of this fixed cost. Currently, about 33,000 retirees receive full benefits at a cost of about \$420 per student. If enrollment falls by 40,000 students, the per-student cost goes up to \$450, an increase of \$30. If

² See LAUSD, "Retiree Health Benefits" for list of all eligibility conditions.

³ See Holmquist and Kildare.

enrollment falls to 500,000 students (which is close to the projection for 2018), the per-student cost rises to \$540.

As the number of retirees moves toward 75,000, the cost of retiree benefits per student rises proportionally. If the District’s enrollment were to fall to 500,000, the cost of retiree benefits per student would be about \$1,220 (in 2007-08 \$), which is \$800 per student more than the District’s current outlay.

Table 3
Estimated cost of retiree benefits per student

Enrollment (excl charters)	Number of Retirees receiving benefits		
	Zero	33,000	75,000
640,000	\$0	\$ 420	\$ 960
600,000	\$0	\$ 450	\$ 1,020
500,000	\$0	\$ 540	\$ 1,220
400,000	\$0	\$ 670	\$ 1,530
300,000	\$0	\$ 900	\$ 2,040
200,000	\$0	\$ 1,350	\$ 3,060

Note: In 2007-08 \$; rounded to nearest \$10

The District’s primary source of general purpose (unrestricted) funding is the revenue limit. The revenue limit per student is currently about \$5,800. Before these dollars are allocated to District current operations – school and nonschool – about \$420 per student must be deducted to pay for retiree benefits. Thus, retiree benefits currently consume about 7 percent of revenue limit per ADA (see Table 4). Other things remaining the same, the rising number of retirees would result in this share more than doubling. Coupled with a fall in enrollment to 500,000, retiree benefits would consume over one-fifth of revenue-limit funding. Further reductions in enrollment could result in even larger shares of revenue-limit funding being allocated to retiree benefits.

Table 4
 Cost of retiree benefits as percent of revenue limit per ADA

Enrollment (excl charters)	Number of retirees receiving benefits		
	Zero	33,000	75,000
640,000	0%	7%	16%
600,000	0%	8%	18%
500,000	0%	9%	21%
400,000	0%	12%	26%
300,000	0%	15%	35%
200,000	0%	23%	53%

Because few California school districts provide their retirees with the level of benefits provided by LAUSD, every one percent increase in the share of revenue-limit income that goes for retiree benefits weakens the District’s competitive position. That’s because the greater the share of revenue-limit income devoted to retiree benefits, the weaker the District’s ability to compete with other districts for employees on the basis of salary and working conditions (e.g., class size). Consequently, as the share of revenue-limit income going to retirees rises, gradually the quality of District staffing would probably diminish. We would expect this to lead eventually to lower student outcomes.

Impact of increasing charter enrollment:

Given this background, how do changes in charter enrollment affect District finances?

A 2001 survey of a sample of leaders in 49 school districts conducted by RPP International found that “nearly half ... perceived that charter schools had negatively affected their budget and explained this impact by pointing to the reduced revenue from students who had transferred from districts schools to charter schools.” The report further noted that California districts, which have sole charter granting authority, “were more likely to report that charter schools had no impact on their budget, and that charter schools had little or no effect on their central office operations.”

The RPP International report also noted that respondents’ perceptions varied depending on whether overall enrollment in their districts was rising or falling. “Every district with declining enrollment ... reported that charter schools had a negative impact on their budget,” while “...in districts with increasing enrollment trends, administrators were more likely to report no fiscal impact and made few changes in district operations or in the educational system.”

Over the 20-year period beginning the early 1980s, LAUSD experienced perennial growth in enrollment of over 8,500 students per year. This rate of growth placed enormous pressure on the District’s facilities and infrastructure. Because of seat shortages, the District adopted emergency measures to ensure all students could attend school. For example, thousands of students were bussed from their neighborhoods to schools in other neighborhoods where space was available. Many schools were

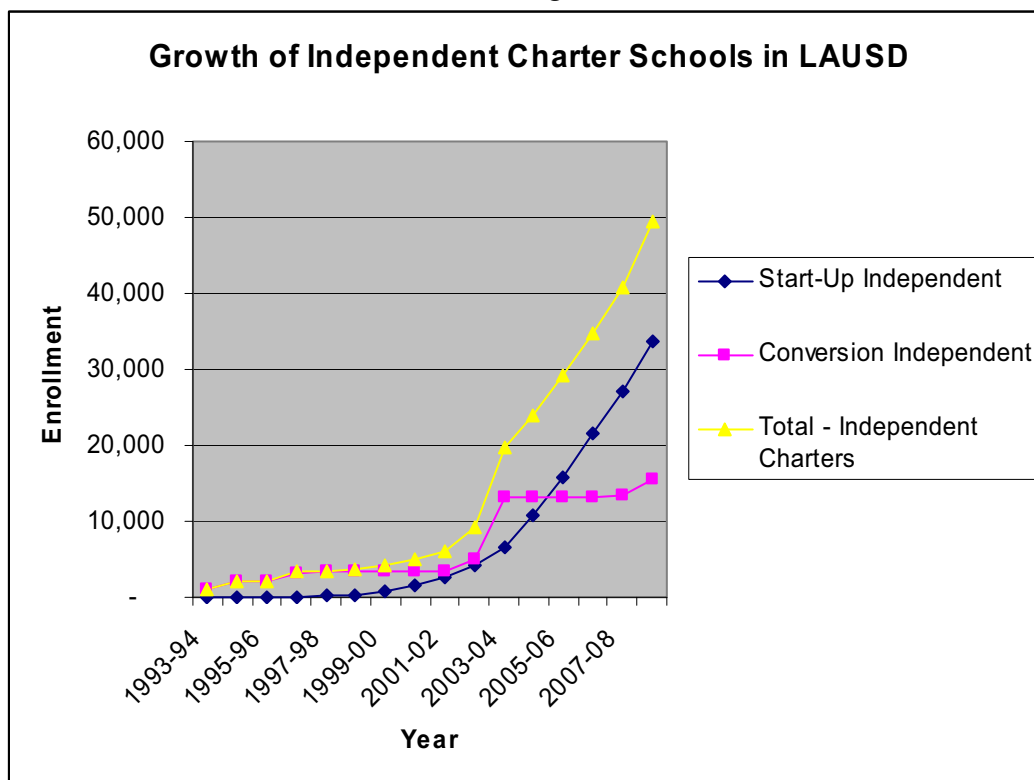
reconfigured as multi-track year-round in order to increase a school's annual enrollment by as much as 50 percent. During this period, charter school enrollment probably would have been viewed as having little negative impact on the District, and possibly a positive impact.

However, around 2003, LAUSD's overall enrollment peaked and has fallen annually. Since that time, concerns have been expressed within LAUSD about the potential negative effects of increasing charter enrollment on the District's functioning.

As Figure 1 shows, enrollment in independent charter schools snailed along beginning 1993-94. But in 2001-02 independent charter enrollment began climbing precipitously. Currently nearly 50,000 students are enrolled in independent charters operating in LAUSD. The Charter Schools Division projects that that number will increase by about 10,000 students by 2010-11 to a total of about 60,000 students. External proposals/initiatives to greatly expand enrollment in independent charters could potentially play havoc with the current projection.⁴ However, 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 exceed 100,000 students (which would represent a doubling of current enrollment) over the next several years.

⁴ See Maxwell.

Figure 1



Broadly, charter enrollment affects the District’s functioning through two broad pathways: (1) reduced District enrollment; and (2) District subsidization of independent charters. We examine the impact of each of these factors below separately. Then we examine their combined effects.

First, as the enrollment in independent charters rises, the enrollment in LAUSD falls by up to the same amount.⁵ Given that independent charter schools do not contribute to District outlay for retiree benefits, as described above, when enrollment falls the share of per-pupil revenue-limit income needed to pay for retiree benefits rises. If enrollment in independent charters rose by 40,000 students, at the current level of benefited retirees (33,000), the share would increase from \$420 to \$450 (an increase of \$30 per student). At the anticipated future level of benefited retirees (roughly 75,000), the revenue limit share would increase from \$960 to \$1,020, an increase of \$60 per student.

Second, the average general purpose income per student received by independent charter schools exceeds the District revenue limit per student. In effect, this means that in cases where a student leaves LAUSD to attend a charter school, not only does the District’s enrollment fall by one student, the District may also have to subsidize the charter in the amount of the difference between the charter allocation and the revenue generated by the

⁵ Some charter school students would not have opted to attend a noncharter LAUSD school if the charter were not available. Anecdotally, enrollment data for one independent charter showed that 25 percent of the students possibly lived outside the boundaries of LAUSD.

student (revenue limit per ADA). For example, pursuant to SB319 Locke's General Purpose Block Grant equals about \$7,315 per ADA. SB319 stipulates that conversion charters approved after June 30, 2006, would be funded based on their actual expenses in the year preceding conversion. However, the District only receives about \$6,000 in revenue-limit funding for each of Locke's students. In effect, therefore, the District must subsidize this school to the tune of about \$1,300 per student. This compounds the challenge posed by extraordinary fixed costs.

Key Preliminary Findings

1. Absent extraordinary expenses on fixed costs, falls in enrollment have historically been effectively addressed through commensurate reductions in District operations at both the school and nonschool levels.
2. Unfortunately, the District does incur an extraordinary fixed cost – retiree benefits. The District's liability for retiree benefits, if it goes unabated, will severely hamper the ability of LAUSD to function as a viable, competitive school district, resulting ultimately in a diminution in the quality of our workforce.
3. While the retiree-benefits challenge, if unattended, would hamper the District's functioning, falling enrollment will/would accelerate the District's slide toward fiscal incapacitation. Because of the interdependent connection between retiree benefits and enrollment, it is difficult to pin down the level of enrollment at which the District would no longer be able to operate in its current manner.
4. About one-fourth of the projected 43,000 student drop in LAUSD's enrollment over the next two years will be attributable to increased enrollment in independent charters. Rising enrollment in independent charter schools negatively affects the District's financial condition for two reasons: (1) charter schools do not contribute to the payment of LAUSD's retiree benefits; and (2) current funding formulas for independent charters may result in LAUSD further subsidizing these charters. Given that enrollment in independent charters will probably not increase by more than 50,000 students over the next several years, this level of growth would have a negative effect on the District's financial condition but would not, in and of itself, incapacitate the District financially.

Key Preliminary Recommendations

1. The District needs to secure a strategy for addressing the problem of retiree benefits – both for current retirees and future retirees. Increased longevity and the transition of the baby-boomers to retirement fuel the projection that the number of benefited retirees will increase from 33,000 to over 75,000 over the next 10 years. To add to the impact of mushrooming retirees, anticipated revenue COLAs could be overwhelmed by projected rates of increase in the cost of medical premiums.
2. The District should take steps immediately to insure that funding provided to students in traditional schools is fair and equitable relative to funding provided charters and partnership schools. For example, absent some revision of current policy, the District's traditional public school students could on the average receive at least \$1,000 per student less than students attending independent charters.

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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.

INTER-OFFICE CORRESPONDENCE
Los Angeles Unified School District

INFORMATIVE

TO: Members, Board of Education Date: May 14, 2009

FROM: Randy Ross, Director of Educational Policy

SUBJECT: **Student Movements Between Charter and Traditional Schools**

COPIES: Ramon Cortines, Jim Morris, Jose Cole-Gutierrez, Cynthia Lim, Judy Elliott, Sharon Curry, Roberta Fesler, Jefferson Crain, Jerry Thornton

Introduction

Several board members have asked about the movement of students between different types of schools. During a recent meeting of the Charters and Innovation Committee, committee members inquired about the movement of students between traditional public schools and charters.

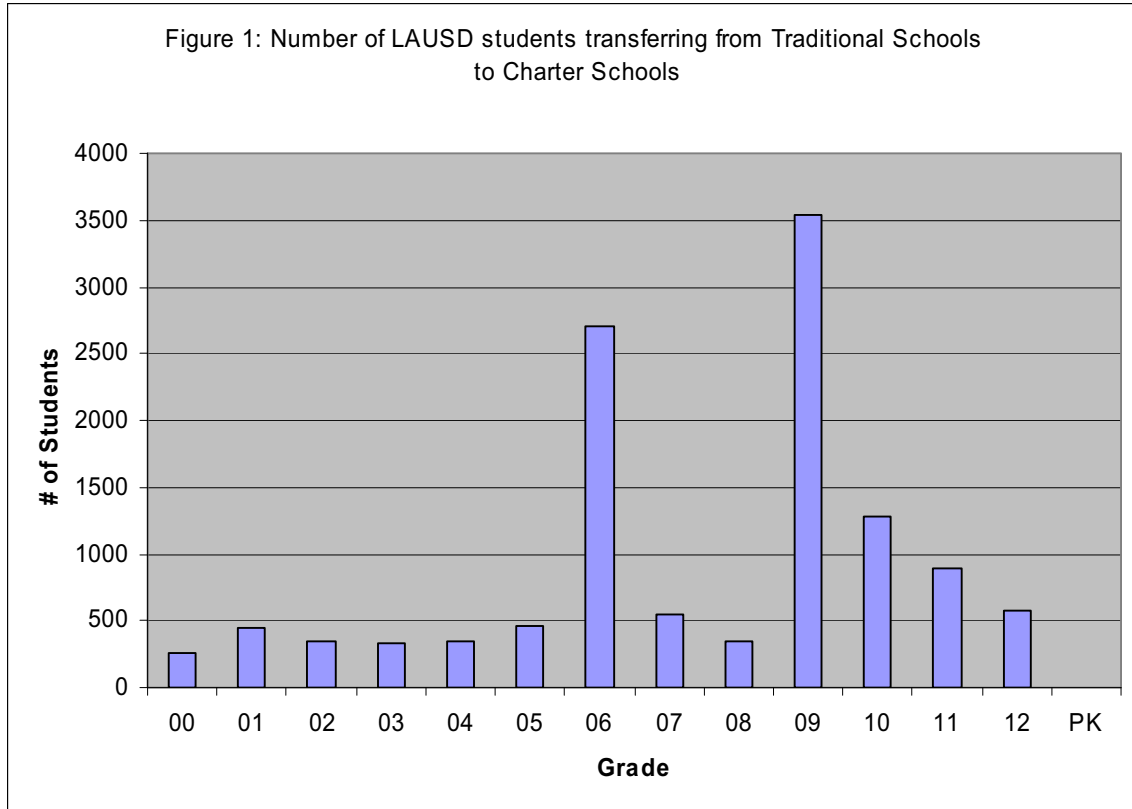
Using data assembled by LAUSD's Planning and Assessment Division (PAD), we have undertaken a preliminary analysis of this question. Specifically, PAD developed two data bases. One data base contains data on each student who moved from a traditional public school (including noncharter magnets) in 2007-08 to a charter school in 2008-09. The second data base lists students who moved from a charter school in 2007-08 to a traditional public school in 2008-09.

Our preliminary analysis finds that large numbers of students move between charter and traditional LAUSD schools. The largest chunk of movement involves grade-level culminations – that is, students who successfully complete one school's curriculum – generally grades 1, 5, and 9 – and move on to a higher grade-level school). Interschool movements at the other grade levels reveal no pattern. In some cases movements result from school closures (e.g., LEAP charter school) and the introduction of new charter schools (e.g., conversion of Locke to an independent charter school). Moreover, some movements could reflect perceived differences in the quality of the education offered by various schools (e.g., SOCES—Sherman Oaks Center for Enriched Studies).

Discussion

From 2007-08 to 2008-09, nearly four times as many students left traditional public schools for charter schools as those who moved from charter to traditional schools. During this period, about 12,100 of LAUSD's students moved from a traditional school to a charter school. During this same period, about 3,400 students moved from LAUSD charter schools to traditional public schools.

Figures 1 and 2 show how these charter – traditional school movements vary by student grade level. About half of the student movements take place at two grade levels: 6th and 9th—the two main grade levels that follow students’ completion of their studies at elementary and middle schools (see Table 1).



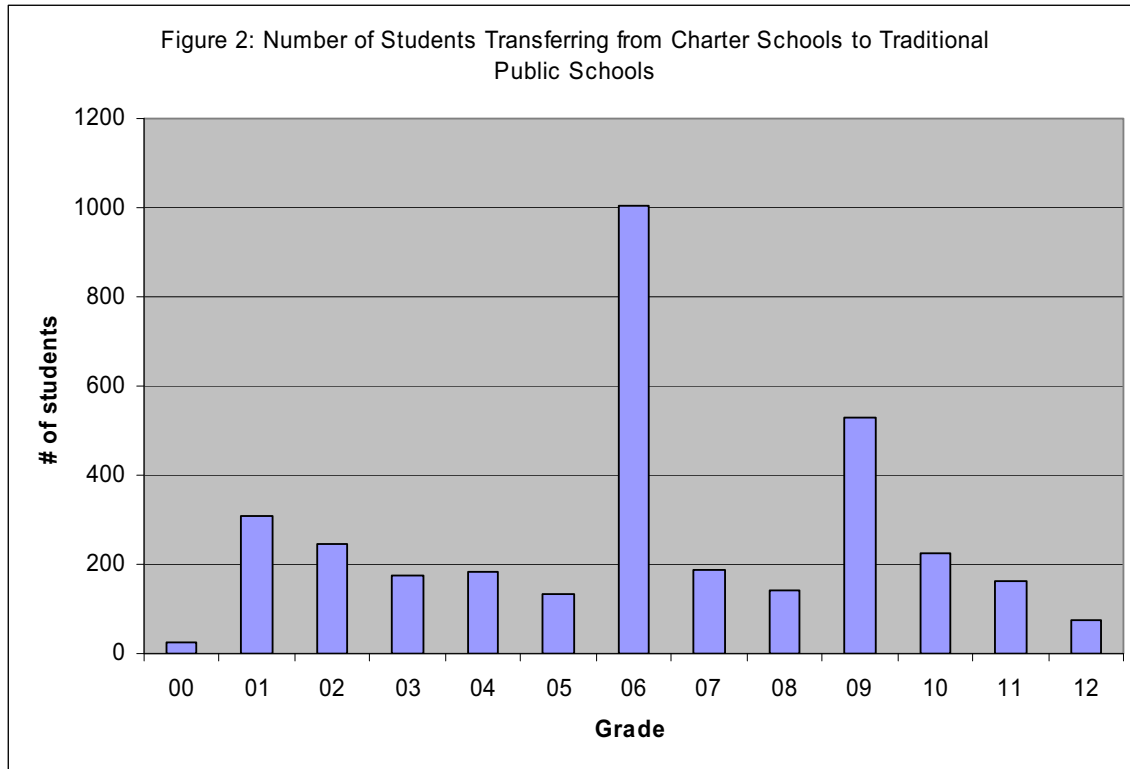


Table 1
Number of Students Moving To and From Charter Schools

<i>Grade Levels</i>	<i>FROM charters</i>	<i>TO charters</i>	<i>Ratio (TO/FROM)</i>
All	3,388	12,078	3.56
	100%	100%	
6 and 9	1,533	6,247	4.08
	45%	52%	
Other	1,855	5,831	3.14
	55%	48%	

A question often asked by board members during discussions of charter school petitions concerns the extent to which charter schools serve special education students. Equity would imply that the percent of special education students among those who enter and those who leave charter schools would be about the same. Table 2 shows that to be the case for 2008-09. Of the students entering or exiting public schools, 9 percent were categorized as special education.¹

¹ Note that the available data do not specify the severity of the disabilities of special education students.

Table 2: Movement of Special Education Students TO and FROM Charters

To Grade	From Traditional to Charter		From Charter to Traditional		% diff
	Total	% Spec Ed	Total	% Spec Ed	
00	254	13%	24	0%	-13%
01	448	7%	307	6%	-1%
02	344	6%	247	7%	1%
03	337	5%	174	9%	4%
04	341	8%	182	10%	3%
05	465	8%	134	11%	3%
06	2,710	10%	1,003	9%	-1%
07	544	9%	187	8%	-1%
08	349	9%	140	14%	4%
09	3,537	8%	530	12%	5%
10	1,284	8%	226	7%	-1%
11	889	9%	161	6%	-3%
12	575	11%	73	7%	-5%
PK	1	100%			
Total	12,078	9%	3,388	9%	0%

We also explored the hypothesis that, aside from the culmination movements at grades 6 and 9, students desirous of matriculating in a magnet school or center would exit charters at a higher rate than they would leave magnets to enroll in charters. As Table 3 shows, while magnet students accounted for 6 percent of the students who left the District for charters, 14 percent of the students left charters to enroll in magnets. This pattern occurs at most grade levels. This pattern may be related to perceived differences in the effectiveness of magnets and the resulting difficulty of matriculating in the higher-demand magnet schools.

Table 3: Student Movements Between Magnets and Charter Schools

To Grade	From Magnet to Charter		From Charter to Magnet		% Magnet difference
	Total	% Magnet	Total	% Magnet	
00	254	1%	24	4%	3%
01	448	1%	307	14%	13%
02	344	4%	247	9%	5%
03	337	2%	174	9%	7%
04	341	2%	182	9%	7%
05	465	6%	134	7%	1%
06	2,710	9%	1,003	18%	9%
07	544	4%	187	10%	5%
08	349	7%	140	7%	0%
09	3,537	6%	530	21%	15%
10	1,284	5%	226	10%	5%
11	889	4%	161	4%	0%
12	575	2%	73	5%	3%
PK	1	0%			
Total	12,078	6%	3,388	14%	8%

Below we describe some school-level examples of movements between charter schools and magnets. In our first example, we look at the movement of students to Brentwood Science Magnet. Table 4 shows that from 2007 to 2008, 28 students moved from charters to Brentwood. Half of the charter school students moving to Brentwood were from Jardin de la Infancia, an East Los Angeles charter school which educates students in grades K-1 only.²

² Note that Jardin de la Infancia's students are bussed from East Los Angeles to Brentwood. Jardin de la Infancia also expects that their students, upon completing Brentwood, will remain within the Brentwood feeder pattern (i.e., Revere charter middle school)

Table 4
Number of Students Moving Between Charter Schools and
Brentwood Science Magnet

Charter School	FROM Charter	TO Charter	Total
ACAD SEMILLAS PUEBLO		1	1
ACCELERATED CHARTER		1	1
ALEXANDER SCI CTR SC	1		1
CANYON EL		1	1
CRESCENDO CHTR CNTRL	2		2
CRESCENDO CHTR SOUTH	3		3
DANTZLER PREP CHT MS		1	1
DOWNTOWN VALUE SCH	2		2
GABRIELLA CHARTER	1		1
JARDIN D LA INFANCIA	14		14
KENTER CANYON EL		3	3
LARCHMONT CHARTER	1		1
MAGNOLIA SCI ACAD #4		3	3
MAGNOLIA SCI ACAD 3		2	2
MARSHALL CHTR MS		1	1
MONTAGUE ST EL	1		1
NEW HEIGHTS CH SCH		1	1
NEW LA CHARTER SCH		1	1
PACIFIC PALISADES EL		2	2
PACIFICA COMM CHT #2	1		1
REVERE MATH/SCI MAG		66	66
REVERE MS		35	35
STELLA ACADEMY CHTR		2	2
VIEW PK PREP ACC MS		1	1
WESTWOOD EL	2		2
Total	28	121	149

Table 4 also shows that 121 students moved from Brentwood Science Magnet to 15 different charter schools. Most of these students culminated from Brentwood and headed for Revere, an affiliated charter middle school. Note that of the 101 Brentwood students who transitioned to Revere, two-thirds attended Revere’s math-science magnet.

Euclid High Ability/Gifted Bilingual Magnet offers another example of the nexus between LAUSD’s charter and magnet schools. All 9 charter students who moved to this school were from Puente Charter School, which serves only grade K students. The 6 students who left Euclid were culminating students who moved on to middle school (4 to KIPP and 2 to Camino Nuevo Charter Academy).

School openings and school closures also explain some of the movements. For example, Table 5 suggests that the departure of 14 of King-Drew Medical Magnet’s students to charters seems partly attributable to the conversion of Locke High School to an

independent charter.³ Indeed, over 2,000 of the student movements to charter schools from 2007-08 to 2008-09 were attributable to the conversion of Locke High School to an independent charter.

**Table 5
Movements between King-Drew Medical Magnet
and Charter Schools**

Charter School	To Grade	TO	Total
ANIMO LOCKE TECH HS	10	3	3
ANIMO SOUTH LA	11	1	1
LOCKE SH	10	1	1
	11	3	3
	12	2	2
MARSHALL CHTR HS	10	1	1
NEW MILLENNIUM SS	08	1	1
NEW VILLAGE CHT SH	11	1	1
OUCHI HS	10	1	1
Total		14	14

Table 6 provides an example of student movements caused by the closure of a charter school. LEAP's closure in 2007-08 resulted in 78 of this charter school's approximately 200 students transferring to traditional public high schools within LAUSD. The largest share of LEAP's students (32 of 78) transferred to Chatsworth Senior High School. The next largest shares (11 and 9 students, respectively) transferred to Camino Real and Stoney Point high schools.

³ Note that no charter school students transferred to King-Drew during this period.

Table 6
Number of Students Moving Between LEAP and
Traditional Public Schools

School	To Grade	FROM LEAP
CANOGA PARK SH	10	2
	12	1
CHATSWORTH SH	10	11
	11	11
	12	10
CLEVELAND SH	10	2
	11	5
	12	2
EL CAMINO REAL SH	10	2
	11	6
	12	3
GRANT COMM MAG	10	1
GREY HS	10	1
KENNEDY SH	10	2
	11	1
RESEDA SH	10	1
ROGERS HS	12	1
STONE POINT HS	09	1
	10	3
	11	1
	12	4
SYLMAR SH	09	1
TAFT SH	10	1
	12	4
VAN NUYS SH	11	1
Total		78

Our final example shows that in some cases the student movements may reflect perceived differences in the quality of schools. Table 7 shows data regarding student movements between LAUSD’s SOCES (Sherman Oaks Center for Enriched Studies) magnet school and charter schools. Of the 19 interschool movements, 17 students moved from 13 different charter schools. None of these 17 transfers were at a culmination grade level (6 or 9). Moreover, only two of the 19 students transferred from SOCES to a charter school (one to Douglass Academy and another to Stella Academy). These data validate the ubiquitous perception that seats at SOCES are highly sought-after by students in any school – traditional or charter.

Table 7
Number of Students Moving Between SOCES and Charter Schools

Charter School	To Grade	FROM Charters	TO Charters	Total
ALEXANDER SCI CTR SC	04	1		1
CHAMPS	10	1		1
CHIME CHARTER MS	08	1		1
DOUGLASS ACADEMY HS	10		1	1
IVY ACADEMIA	04	1		1
IVY BOUND ACAD M/S/T	07 08	2 1		2 1
LARCHMONT CHARTER	04	1		1
MAGNOLIA SCI ACAD	07	3		3
MAGNOLIA SCI ACAD #2	08	1		1
MULTICULT LRN CTR	04	1		1
OUR COMMUNITY CHT	04	1		1
PACOIMA EL	04	1		1
STELLA ACADEMY CHTR	08		1	1
WESTWOOD EL	04 05	1 1		1 1
Total		17	2	19

Concluding Remarks

Large numbers of LAUSD students transfer from charter to traditional schools and from traditional to charter schools. These movements occur for a variety of reasons. Chief among the reasons is the idea that as students chart their paths through LAUSD, they avail themselves of the best options available to them. Sometimes the best perceived option is a charter school. Sometimes the best perceived option may be a magnet school or a regular traditional school.

This exploratory analysis of student movements suggests that LAUSD schools – traditional public schools, magnet schools/centers, and charters – share a strong nexus. However, a deeper understanding of this nexus should be pursued by exploring answers to questions such as the following:

- Broadly, why do students transfer from one school to another?
- What, if any, connection exists between student characteristics (e.g., income, gender, ethnicity, location of residence) and student mobility among different school types?
- How are student movements between schools related to the characteristics of schools – e.g., historical student performance, enrollment size, student characteristics, location, school type (traditional, magnet, special ed, charter), charter type (independent or affiliated charter, conversion or start-up), and how long a school has been in existence)?

To answer these and related questions, the District would benefit from assembling a data base that traces all student intra-LAUSD movements – those discussed in this informative (charter-to-traditional and traditional-to-charter) and all others (including, but not limited to, traditional-to-traditional and charter-to-charter). With an extended data base along with case studies of selected schools, we would be better able to assess why large numbers of students move among schools. Of particular import is the extent to which students avail themselves of the extensive school choices offered in LAUSD.

Table 1: Estimated Impact of Charter School Enrollment on LAUSD’s General Purpose Resources

<i>Item</i>	<i>Short-Run Impact (\$millions)</i>	<i>Long-Run Impact (\$millions)</i>
Estimated General Purpose resources allocated to LAUSD charter schools (loss)	(\$330)	(\$330)
Reduced expenditures on students who attend charter schools (gain)	\$255	\$310
Net impact of charter enrollment on District finances	(\$75)	(\$20)

We estimate that, annually, charter schools receive about \$330 million of general purpose funding for their 56,000 students, which is funding LAUSD would have received absent charters.

We developed both short-run and long-run estimates of reduced expenditures. The assumptions we made for each are presented in Table 2 below.

For our short-run estimate, we assume that when more students opt for charter schools the District does not reduce nonschool expenses. Accordingly, we estimate that, in the short-run, the District reduces its expenditures by about \$255 million.

Our long run estimate proceeds from the assumptions that: (1) eventually general purpose funding will be allocated equitably to all schools and students throughout the District; and (2) nonschool expenditures will be reduced proportionally. Accordingly, our long-run estimate is that the District would reduce its expenditures by about \$310 million (or \$55 million more than for the short-run).

To sum up, we estimate that the District could incur a net short-run cost of roughly \$75 million per year as a result of charter schools. In our idealized long-run, the net cost would fall to roughly \$20 million. We believe the actual net cost would fall somewhere between these two estimates.

Finally, note that our ballpark estimate does not systematically include other factors that may noticeably affect the District’s bottom line. These include fees paid by charter schools as well as changes in special education revenues/expenditures. The key point to note is that revenues the District loses to charter schools are (or should be) counterbalanced by substantial reductions in District expenditures.

Table 2
Assumptions Underlying IAU Estimates of Reduced Expenditures
Due to Charter School Enrollment

Question: How much would the District have spent in behalf of students if they had not enrolled in charter schools? How much of this would the District no longer spend?

Independent Conversion Charters

SHORT-RUN:

SCHOOL: District would have spent the same amount as in the year before the conversion, thus District expenditures would be reduced by this amount.

NONSCHOOL: District would continue to fund LDs and Central Office at same level, hence no reduction in costs.

LONG-RUN:

SCHOOL: District would have spent the same amount as it spends on the average on students with similar characteristics; we estimate that District expenditures would be reduced by about 90% of the ADA of \$5,800.

NONSCHOOL: District would reduce nonschool expenses proportionally, about 10 percent of loss ADA (8 percent for nonschool plus 2 percent for other, e.g., net encroachment)

Startup Independent Charters

SHORT-RUN:

SCHOOL: District would have spent the same amount as it spends on the average on students with similar characteristics; however because small reductions in enrollment may have little impact on school costs, we estimate that District expenditures would be reduced by only about 75% of the ADA of \$5,800.

NONSCHOOL: District would continue to fund LDs and Central Office at same level (in the short run), hence no reduction in costs.

LONG-RUN:

SCHOOL: District would have spent the same amount as it spends on the average on students with similar characteristics; we estimate that District expenditures would be reduced by about 90% of the ADA of \$5,800.

NONSCHOOL: District would reduce nonschool expenses proportionally, about 10 percent of loss ADA (8 percent for nonschool plus 2 percent for other, e.g., net encroachment)

OVERALL: District would reduce expenditures by same amount as the income that would have been generated by students who left LAUSD for charter schools.

Affiliated Charters

SHORT-RUN:

ASSUMPTION: Net effect of zero (including charter school fees)

LONG-RUN:

ASSUMPTION: Net effect of zero (including charter school fees)

TAB 6

Board Research and Support Unit

Goals

To provide the best possible information to the Board on District proposals and Board initiatives prior to action and to relieve individual Board offices of work that will benefit the Board as a whole.

- The Inspector General primarily audits after the fact.
- The Research and Support Unit analyzes proposals before implementation and evaluates success after implementation.

Purpose

- To analyze the District's budget.
- To analyze current practices and policies.
- To independently review the District's initiatives, proposals and reports for **possible options** to fully understand the "return on investment".
- To be the Board's independent validation and verification team on instructional and operational matters.

Effective Management Objectives

- The Board and the Superintendent develop educational goals and objectives.
- The Superintendent is held accountable for meeting the objectives.
- The Board through the Research and Support Unit reviews successful implementation of the objectives.

Unit Specific Goals

- The Board, through the Research and Support Unit, determines if the District programs and initiatives result in the desired outcomes.
- The Research and Support Unit will make recommendations to the Board for changes to the District's budget, operations, practices and policies.
- The Research and Support Unit will support the Board's Work.

Board Support

- Help Board develop priorities.
- Assure that the budget and Superintendent's initiatives are aligned with the Board's priorities.
- Help monitor advancement towards meeting the goals and priorities.

Board Support

- Provide support for Board Committee's and reports from the Board including annual report on the Board's role and the state of the District.
- Provide support to the Board by attending the Superintendent's briefings and provide report on action items prior to Board meetings.

Areas of Review

The major areas of the District require expertise to review:

- Instruction
- Budget
- Operations
 - Technology

Many reviews will overlap functional areas and require multiple expertise.

Specific Activities – Instruction

- Identify strengths and weaknesses of proposals and alternative methods for achieving educational goals.

Specific Activities – Instruction

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- Identify the tradeoffs involved in allocating resources to competing curricular priorities.

Specific Activities – Instruction

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- Identify the tradeoffs involved in allocating resources to competing curricular priorities.
- Evaluate alternative systems for collecting and analyzing performance data.

Specific Activities – Instruction

- Identify strengths and weaknesses of proposals and alternative methods for achieving educational goals.
- Identify the tradeoffs involved in allocating resources to competing curricular priorities.
- Evaluate alternative systems for collecting and analyzing performance data.
- **Identify cost effective programs with LAUSD and beyond which deserve the District's consideration.**

Specific Activities - Budget

- Identify the advantages and drawbacks of current and potential income.

Specific Activities - Budget

- Identify the advantages and drawbacks of current and potential income.
- Identify appropriate methods for predicting income and enrollment.

Specific Activities - Budget

- Identify the advantages and drawbacks of current and potential income.
- Identify appropriate methods for predicting income and enrollment.
- Identify alternative methods for considering the long term and unintended consequences of current resource allocation decisions.

Specific Activities - Operations

- Determine the costs and effectiveness of current and alternative policies and practices for identifying and recruiting qualified employees.

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- **Review whether existing job requirements and work standards are adequate to insure efficient job performance.**

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- Review whether existing job requirements and work standards are adequate to insure efficient job performance.
- Compare current District operations practices to best practices.

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- Review whether existing job requirements and work standards are adequate to insure efficient job performance.
- Compare current District operations practices to best practices.
- **Review proposals for and implementation of technology.**

Unit Staffing and Costs

1 Principal Analyst (Chief of Staff to Board Member level)

4 Analysts With Expertise In:

Budget

Instruction

Operations

Technology

Unit Staffing and Costs

1 Principal Analyst (Chief of Staff to Board Member level)	\$167,000 (including benefits)
4 Analysts	\$518,000 (including benefits)
3 Interns	\$120,000
1 Secretary	\$67,000 (including benefits)

\$872,000 per year plus \$125,000 for outside expert contracts.

This amounts to approximately \$2 per student per year or approximately the cost per day for the BTS Payroll fiasco.

Operational Procedures

Annual Work Plan and Quarterly Reports Reviewed by Committee of the Whole (Same Protocol as Office of the Inspector General)

All final work product distributed to all Board Members and the Superintendent (Same Protocol as Office of the Inspector General)

Unit's Operational Questions

- What are the unit's initial priorities and what will be the method for creating the Annual Work Plan?
- Relationship with the Superintendent and District staff must be determined. District staff time must be taken into consideration.
- Unit's access to materials that the District staff prepare, or to which they have access, must be determined.

Unit's Operational Questions

- What will be the Unit's access to confidential materials?
- Will the Unit have unfettered ability to contract within budget?
- Are there tasks currently done by the Inspector General which should be done by this unit?