

SCHOOL DISTRICTS: TIME FOR A CHANGE?

Summary

The Sonoma County school system appears to be in constant financial crisis causing reductions in music and art programs, library facilities, athletic programs, and a host of other activities that varies widely among the school districts. A large portion of the state's revenue is dedicated to education and is further supplemented by funds from the federal government, bond issues, parcel taxes and basic property taxes. Yet, there are dire warnings that unless even more revenue is pumped into the schools, the quality of education will continue to deteriorate. The focus of this grand jury report is to highlight specific areas where opportunities for significant cost savings can be realized within the structure of the school districts and be re-directed to the educational programs for the students.

Reason for Investigation

The question of school funding continues to be of major concern in Sonoma County, and because little tangible progress has been demonstrated toward resolving the problem, the 2004-2005 grand jury decided to investigate where we are today and what remedies might be applied.

Many school districts are facing a changing environment of declining enrollment, increasing costs, and a shortfall of funding. While suggestions have been proposed to address these issues, no substantial resolution has been undertaken. For example, the 2001-2002 grand jury recommended that consideration be given to reducing the number of school districts from the then current 40, in order to minimize duplication and improve fiscal efficiencies. So far, little or nothing has been accomplished.

Attempts in March 2005 to close the funding shortfall by enacting parcel tax measures failed to gather the necessary votes in 9 of the 10 school districts that put them on the ballot. The school districts are content to ask taxpayers to pay additional taxes to support the schools, but have failed to justify why the additional funds are required.

The challenge for Sonoma County is to find new, flexible and efficient ways to deliver educational services while maintaining a high degree of excellence.

Background

Educating the youth of Sonoma County is a very high priority. There has been much debate and disagreement as to educational approaches, programs, testing methodologies, performance measures, state and federal compliance requirements, length of school terms, etc. However, one topic in which there is widespread agreement is that the current funding levels do not support the educational needs. The exact shortfall amount, and how best to close this gap is subject to debate.

It is not within the scope of the Sonoma County grand jury to investigate the implementation or the efficiency of school programs established in Sacramento that apply uniformly throughout the state. Thus, this grand jury investigation has focused on administrative efficiencies, redundancies, and other potential cost savings that are controllable within the county. When the school districts are managed in a strict business fashion, the additional funds available for academic enrichment may be substantial.

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In the early 1900's when the population of the county was expanding and many small communities were established, the county had slightly in excess of 100 school districts largely comprised of the "one-room school house." The majority of those 100 districts were consolidated into the present 40 districts by the development of modern transportation, new, larger, and more permanent buildings and the need to reduce duplication of effort and the associated cost.

There is no question that neighborhood school districts have a number of advantages including greater participation by parents, neighbors, and local school officials. Smaller districts are also more likely to create a higher sense of identity with the individual schools and parents have a stronger voice in the decision-making process. Most importantly, neighborhood school districts have the edge in developing customized educational programs and creating a quality learning environment for the students. However, a number of factors have evolved that suggest change may be required.

School districts no longer have influence over the basic property tax although they are able to submit ballot measures for bond issues and parcel taxes. The state and federal government, as opposed to school districts, now control most of the curriculum, testing, textbook selection, and funding for the districts. But most of all, funding has become inadequate and uncertain. The merits of locally based school districts are evident in times of prosperity, but it becomes justified to question those merits when efficient fiscal management is essential for meeting the educational needs of the children. Funding has now evolved into a complex and challenging matter. Examining the need today for the continued existence of 40 districts in this environment is clearly needed.

Economic pressure has inspired several west county districts to look for creative ways of conserving precious financial resources by minimizing duplication and redundancy. Districts in more financially stable environments seem to be resistant to pursuing avenues of potential cost reductions. The growing number of charter schools has drawn students from existing schools leaving some districts with buildings and infrastructure but with fewer students. The net dollars per student stay in the district, but are redistributed to include the charter schools.

The State of California (2003-2004 data) has about 6,356,000 students in 986 school districts in 58 counties. Sonoma County has 71,743 students in 40 school districts. This data suggests that Sonoma County has 3.6 times fewer students per district than the state average and almost 2.5 times the number of school districts.

In addition to the potential economic benefits from consolidation or unification, there are a number of other areas where savings might be realized such as:

- Establishing inter-district consortiums that aggregate resources for activities such as school lunch programs, transportation of students, special education endeavors and possibly athletics. This has been initiated by some districts, but it does not appear to be widespread throughout the county.
- An in-depth analysis of individual districts' operating budgets with the objective of dedicating a larger portion of that budget to classroom instruction. The portion of the operating budget dedicated to classroom instruction varies widely within the Sonoma County school districts, but is 61.7 percent statewide. Dedicating at least 65 percent¹ of the operating budget and spending the difference on teachers and pupils rather than on bureaucracy will go a long way towards reducing classroom shortfall.

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- A study of employee health plans established by individual districts to achieve a more balanced distribution of costs between the districts and the employees. Employer health benefit costs have been increasing at double-digit rates and show no signs of slowing down. A more balanced distribution along these lines will also alleviate some of the future cost for post-retirement health benefits.²
- A review of the idea to add voluntary academic coaches to help teachers tackle deficiencies in literacy, math and science. This was successfully implemented in the large Philadelphia school system³ and contributed to a substantial jump in proficiency scores.

Investigative Procedures

For the purpose of this investigation the grand jury intentionally separated the process of education from the funding of education in Sonoma County and concentrated on the latter.

This grand jury tried to understand the rationale for continuing the status quo of 40 school districts in the context of decreased funding caused by a reduction in enrollment.

1. During this investigation the grand jury interviewed:

- Superintendent of Schools for Sonoma County
- Sonoma County Department Superintendent for Business and Education
- Sonoma County Director of Fiscal Services
- Superintendent of a large school district
- Superintendent of a medium school district
- Superintendent of a small school district
- Director of a charter school

2. Attended:

- Study Session on School District Organization: Hosted by Sonoma County Office of Education (SCOE) March 14, 2005

3. The grand jury reviewed the following reports and documents:

- The 2001-2002 grand jury report: *Public School Districts* and required responses.
- *Education Facts Sonoma County Schools*: SCOE 2004.
- California State Accounting Manual: California Department of Education.
- *Understanding School District Budgets*: EdSource January 2005.
- Sonoma County Enrollment School District Statistics K-12: SCOE October 2004.
- Sonoma County 1980 – 2004 School District Enrollment Records: SCOE February 2005.
- *Reading, Writing, ROI*, Forbes March 4, 2005: Chairman of the Swarthmore Group and Chairman of the Philadelphia School Reform Commission.
- Sonoma County 2003-2004 Statistical Report: Sonoma County Office of Education.
- *School Health Benefits: A Disaster in the Making*, Peter Schrag, Sacramento Bee: Press Democrat, March 31, 2005.
- *100 Percent in Favor of the 65 Percent Solution*: George F. Will, Washington Post: Press Democrat, April 10, 2005.
- *SchoolMatters.com*: website information on school district comparisons for all 50 states.
- *FCMAT.org*: website information for CA Fiscal Crisis and Management Assistance Team.

Findings

- F1.** Best practices devised by individual school districts that reduce redundancies and save money e.g., inter-district consortiums such as school lunch programs, special education transportation, etc. have not been well documented or widely communicated to other districts by SCOE.
- F2.** With the sole exception of the discussion workshop for the west county districts, there are no active initiatives for the forty school districts to change the status quo relative to consolidation or unification in order to reduce overhead and administrative expenses.
- F3.** While SCOE has hosted a special discussion workshop for ten west county districts to discuss studying the advantages and disadvantages of consolidation, the offer was not met with overwhelming enthusiasm by all the districts.
- F4.** Student demographics are constantly evolving affecting funding levels and school capacity. Districts take a narrowly focused short-term view based on their individual district needs rather than considering the larger countywide requirements.
- F5.** New accounting rules imposed by the Governmental Accounting Standards Board⁴ require districts to begin funding the full cost of post-retirement health benefits as part of current expenditures beginning in 2006-2007. This change will result in substantially higher expense for districts that grant health benefits to school retirees.
- F6.** Health benefits for school district employees are negotiated within each district and over the years have become an expensive feature of the compensation program.
- F7.** Special Education costs for the physically and mentally challenged students have increased to the point where one or two additional cases in small districts could potentially lead to bankruptcy. The pooling of resources through unification or consolidation would be a major benefit in such situations.

Conclusions

Funding for the 40 school districts in Sonoma County is in financial crisis and with the required funding of post-retirement health benefits just over the horizon, financial matters will likely become much worse.

The latest available SCOE data indicates that Sonoma County student enrollment has shown an overall decline for the last seven years.⁵ The effect of the changing county demographics and the emergence of charter schools are contributing factors. With each of the 40 school districts trying to solve funding shortfalls independently, there has been little opportunity devoted to looking at the larger picture at the county level and to seeking out what's best for the county.

The districts that are in relatively good financial shape today take a parochial view of the problem and while sympathetic to their neighboring districts' financial plight appear to have an "if it ain't broke...don't fix it" attitude. This shortsighted perspective assumes that their situation will not change or they will be able to deal with changes when they arrive.

There is no single force in the county driving countywide discussion. At present, aside from some discussion in the west county districts, there is no coordinated effort to study the issue and look at all alternatives from a county perspective.

This grand jury acknowledges that unification or consolidation is no easy task and may not be a positive move for all districts. While some people will lose their jobs and others will experience a loss of power and authority, it must be remembered that it is the students who are the clients and any savings can be used to improve the quality of the educational experience. The primary objective of this report is to question if large scale economies can be achieved to free-up more money for classrooms. The first step to determine the viability of unification or consolidation is to initiate a countywide study by outside independent experts. At the very least, this study will help clarify if unification or consolidation should move forward for the benefit of the students and the taxpayers.

Commendations

Individual school district superintendents interviewed by this grand jury have been very creative in seeking opportunities to prioritize expenditures and minimize unnecessary expenses whenever possible so that savings could be directed to student programs.

The Superintendent of Sonoma County Office of Education (SCOE) is to be commended for proposing an initiative to fund a study to ascertain the value of consolidation and unification in the ten west county school districts.

Recommendations

- R1. SCOE should be encouraged to initiate an impartial study for all 40 Sonoma County school districts to explore the advantages and disadvantages of unification and consolidation.
- R2. The SCOE needs to collect the "best practices" used by individual school districts to pare operational expenses and share these with all the other districts.
- R3. The district superintendents of the 40 districts, along with their school boards, should begin a collective review of health plans for both active and retired employees. The purpose of this review is to recognize the substantial increase in health care costs and their effect on district budgets.⁶

Required Responses to Findings

None

Required Responses to Recommendations

(Required responses per CA penal code 933c no later than August 29, 2005)

Superintendent, Sonoma County Office of Education R1, R2, R3

¹ *100 Percent in Favor of the 65 Percent Solution*: George F. Will, Washington Post: Press Democrat, April 10, 2005.

² *Emerging Area of Significant Concern; FCMAT Predictors of School Agencies Needing Intervention*: CA Fiscal Crisis and Management Assistance Team

³ *Reading, Writing, ROI*, Forbes March 4, 2005: Chairman of the Swarthmore Group and Chairman of the Philadelphia School Reform Commission

⁴ *School Health Benefits: A Disaster in the Making*: Peter Schrag, Sacramento Bee: Press Democrat, March 31, 2005.

⁵ *Sonoma County 2003-2004 Statistical Report*: Sonoma County Office of Education.

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