September 8, 2011

To:    Dr. Gloria Johnston, Superintendent
From:  Bob Blattner, Blattner & Associates
Re:    Analysis of CUSD IDT Exclusion

This report is intended to give decision-makers at the Claremont Unified School District a sense of how CUSD would be affected should the current practice of accepting transfer students from other districts be ended.

The district currently enrolls about 1,250 students as a result of such inter-district transfers, or “IDTs.” This equates to more than 17% of the entire student body, or more than one out of every six students. The practice is most common at the high school, with 18.8% IDTs, then at the middle school, with a 17.3% IDT rate, and is least common at the elementary schools, with a 17.0% IDT rate.

Ending the IDT practice, and the consequent drop in student enrollment, would have significant impacts upon the district’s fiscal and operational condition, which this report will attempt to identify and, to some extent, quantify.

The General Consequences of Declining Enrollment

It is a truism, but nevertheless true, that “declining enrollment” public school districts in California face numerous challenges.

In its analysis of California’s 2005-06 State Budget the California’s Office of the Legislative Analyst gave this description of the fiscal impact of declining enrollment, which currently affects more than half of the districts in the state:

“Declining revenues associated with falling enrollments create difficult fiscal issues for districts. Falling enrollments mean that districts need fewer teachers. As districts stop hiring new teachers, the average teacher salary grows (simply because districts have more experienced, higher wage staff whose salaries are not offset by newer, lower-wage staff), which requires additional cost reductions. If the decline is large or continues over an extended period of time, districts typically need to close schools.”

And as the California Budget Project reported in its “School Finance Facts” in November, 2008, “When enrollment falls from one year to the next, a district receives correspondingly fewer dollars. Some district costs are related to enrollment, such as staff salaries and supplies. Other district costs are fixed, such as facilities, transportation...
services, and retiree health care benefits. When enrollment declines fixed costs must be spread over fewer students. This leaves districts with a smaller share of funds available for instruction and other student services. To cope with lower funding levels, districts will need to adjust their budgets. Adjustments may include leaving staff and teacher vacancies unfilled and closing schools. Some of these strategies may have other consequences. Closing neighborhood schools, for example, tends to be unpopular with parents and could encourage families to move or transfer to charter schools if they are closer in proximity. This could exacerbate the problem of falling enrollment.”

It is difficult to project precisely the exact fiscal impact of declining enrollment, which can vary according to such factors as the grade distribution of students, distribution of certificated, and to a lesser extent, classified staff, and the enrollment patterns at individual schools. However, the established rule of thumb utilized in California school finance is that even under a best-case scenario only 70% of the lost revenue can be recouped by expenditure reductions due to the constraints of collective bargaining agreements and the nature of a district’s fixed costs.

The reality can be far more difficult, as detailed in the EdSource summary of a research paper released in April 2007 as part of the sweeping, 19-report analysis of the California Public Schools known as “Getting Down to Facts.”

“Declining enrollment puts specific fiscal stresses on school districts in California because of the funding system, while increasing enrollments bring financial advantages to districts. As school districts increase their enrollment, the state provides additional funds based on their per-pupil revenue limit. This amount represents an average amount that would be needed to accommodate the new workload, even though the district may not incur the equivalent increase in average costs for that unit of average daily attendance (ADA). Instead, districts usually incur a marginal increase in costs for each additional student. Marginal costs would be the added salary and benefit costs for a teacher and an aide (if applicable).

“Conversely, when enrollment declines, school districts lose revenue limit (unrestricted) funds at the average rate per ADA, rather than at a marginal rate. To accommodate this loss of revenues, districts must cut costs beyond the classroom. A somewhat simplified example illustrates the point.

“If a district lost 30 ADA at a per-pupil revenue limit of $5,000, it would face a loss in unrestricted revenue alone of $150,000. However, cutting one teacher from the district’s payroll would reduce costs by only about $50,000 to $60,000 (assuming the least senior staff would be released first). The savings related to an aide could be about $30,000. After making these reductions, the district would still have to find savings of at least $60,000 to mitigate the revenue loss. Reductions in other school or district operations—such as administration, student support services, or maintenance—would be required to keep the district’s budget in balance. Because the scale of these operations, do not adjust automatically with marginal changes in ADA, incremental implementation of reductions
in these areas can be a major challenge. And this example assumes that the 30 students would all attend one school and that categorical funding (for special-needs students or for special programs) would not be reduced. Yet, neither scenario would likely be the case.”

To put it more simply, a significant share – perhaps 30% or more – of district expenditures are committed to fixed overhead costs that cannot be trimmed back proportionally when enrollment drops. If a district loses 1, or 10, or even 50 students, it cannot recoup costs proportional to the lost revenue by simply choosing to shut down an academic program, eliminate support for the Board of Education and related meetings and notifications, or eliminate a high school athletic team, or a junior high school band program. These cuts can indeed be made to save money, but they are by no means a painless or automatic response, as the loss of the 1, or 10, or 50 students does not remove the demand for those programs or services. And at the same time, the average salary for the district’s teaching staff skyrockets as the least-experienced and lowest-paid, teachers are laid off and the most expensive are retained.

Nor are the effects of declining enrollment felt only on the bottom line. According to a study by the California County Superintendents Educational Services Association (CCSESA), “The effects of declining enrollment on schools include but are not limited to the inability to recruit and retain qualified staff, inability to provide assessment and curriculum development services, reduction of classroom aides and other staff, and elimination of programs and services.”

The Impact to CUSD of the Loss of IDT-Related Enrollment

The declining-enrollment problems enumerated above occur when enrollments decline even slightly, at a rate of 1% per year or even less. For CUSD, choosing to end inter-district transfers into CUSD would drive the district immediately into a precipitous enrollment decline of nearly 20%, which would have repercussions to both the district’s fiscal condition and its ability to maintain its current level of educational delivery.

Fiscal Impact of the Loss of IDT-Related Enrollment

The major fiscal consequence of an 18% drop in enrollment (and attendance) would be a roughly proportional loss of state funding – although there would be a one-year grace period before the funding level kicks in. (Since the state provides Revenue Limit funding on the basis of the greater of current-year or prior-year student attendance, the first year of lower attendance wouldn’t be reflected in reductions to revenue limit funding). The district would also, because of a unique and temporary flexibility program currently in place, be insulated from reductions to much of its state categorical funding, as that is for the time being based upon 2007-08 enrollment and attendance figures. It is unclear just how long this unprecedented categorical funding methodology will remain in place, however. And finally, the loss of IDTs would not push CUSD close to Basic Aid status, which would have had the effect of changing the equation between students and revenue.
One model that can be used to analyze the fiscal impact of lost revenue is to examine the revenue generated by a self-contained classroom, and then the costs that classroom generates. For instance, for a 3rd-grade classroom at CUSD containing 24 students, a bit more than $140,000 is generated by a combination of Revenue Limit funding at $5,260 per ADA, K-3 CSR funding at $16,156 per classroom, and Lottery funding at $125 per ADA. Eliminating the class would save only about half of the amount of lost revenue. Average total compensation – salary and benefits – is about $63,600 at CUSD for a teacher in the first five years of service, in other words, the teachers who would be getting laid off. Additional incremental costs for a classroom and its students include sub pay, the $90-to-$94 per-student “Resource Allocation” distributed to sites for technology, equipment and custodial supplies, a pro-rated share of utilities and custodial costs, and replacement books and supplies, would not exceed $10,000 in additional costs, even if accounted for liberally. (And projected non-salary savings are seldom fully realized; for instance, experience shows that few classrooms are ever really “mothballed” on an active campus; instead, they are recruited for other purposes such as music rooms, libraries, or resource specialist rooms, which limit operational savings.)

The equation gets even more lopsided in the higher grades, where CUSD’s core class sizes of 30 and above generate revenue in excess of $160,000 per classroom while the savings from eliminating a class isn’t markedly higher than it would be in grades K-3. This means that laying off teachers and shutting down classrooms would recoup less than 50 cents in savings for every dollar lost in revenue.

Under this lens, it is clear that because of fixed costs and increased average teacher salaries, the lost enrollment will impose spending reductions far beyond the pro-rated elimination of classrooms and teaching staff that had been serving the lost enrollment. And it is important to note that the example above is a “best case” scenario, in which the district is able to shed classrooms and staff in perfectly efficient bundles. So while the ideal model illustrated above provides for an elimination of one K-3 class per 24 students lost, reality is far different.

Take as an example Chaparral Elementary School, with 34 IDT students generating $178,000 in Revenue Limit funding. It would be difficult to generate any significant savings at the site because there are no more than 10 IDT students at any one grade level. The elimination of the IDT enrollment – 10 in Kindergarten, 9 at 2nd grade, 4 at 3rd grade, 4 at 4th grade and 7 at 6th grade wouldn’t allow for the collapsing of a class and the related savings, even into a combination class. In fact, there are fewer than a dozen instances at CUSD elementary schools where the lost IDT enrollments could be reflected through elimination of a classroom to offset costs, without the imposition of combination classes. And as shown above, even the elimination of a classroom and a teacher doesn’t begin to cover the revenue lost through the lower enrollments.
At the middle school and high school levels, larger enrollments in core classes would allow the district to approach “ideal” efficiency in scaling back the number of classes to match the reduced enrollment. In other words, whereas at Chaparral, the loss of all seven 6th graders can’t be reflected through the elimination of a class, at El Roble and Claremont High School that isn’t the case. El Roble has about 90 IDTs per grade level – that equates fairly smoothly into three sections of core subjects, which could be eliminated to reflect lower enrollment. The high school has between 104 and 121 students at each grade level; again, the schedule could be adjusted to reduce the number of core sections by 3 or 4 to accommodate the lower enrollment – still noting that the elimination of a core class accounts for less than half the savings needed to offset the loss of the revenue generated by the students in that class.

The process of reducing sections to reflect lower enrollments is not so efficient in many non-core subjects, however. For instance, at El Roble Middle School, the loss of IDT students would reduce the class sizes of the Vocal Music, Orchestra, Marching Band, Beginning Band and Beginning Drama classes by between 16% and 33%, but as these are single classes, they cannot be eliminated without denying access to the remaining resident students. Likewise, at the High School, IDT students make up about 18% of the enrollment in a dozen “enrichment classes” such as Jazz Band, Treble Ensemble, the Orchestra, and the Chamber Singers, and while their absence would reduce revenue, classes could not be collapsed without denying access to these subjects to the remaining students.

A “Macro” Approach

Another way to project the impact of the fiscal consequences from revenue loss in the absence of IDT students is to look at the CUSD bottom line as a whole.

The current Revenue Limit funding level for CUSD is $5,260 per unit of ADA, or “Average Daily Attendance.” (Revenue Limit funding provides the lion’s share of state revenue to California schools, and is proportioned out on the basis of student attendance, not mere enrollment). By losing the 1250 IDT students that are enrolled in 2011-12, the district would – after the first-year “hold-harmless” provision ends – see a drop in major unrestricted revenue sources of about $6.75 million ($6,378,000 in attendance-based revenue limit funding, $151,500 in Lottery Funding, and $221,500 in K-3 CSR funding).

What does the annual loss of $6.75 million in state funding mean for the district?

To put the loss of IDT enrollment in context, at a class size ratio of 24:1 in K-3, 14 teachers could be laid off to reflect the loss of 329 IDTs. At 34:1 in grades 4-6, seven teachers would be laid off to reflect the loss of 238 IDTs. (To achieve these efficiencies in grades K-6, the district would have to re-examine the intra-district transfer practices and policies and actively manage site enrollments, so that students are less likely to get their school site of preference, and some students are likely to be relocated from their neighborhood schools). An additional 20 teachers would need to be laid off in grades 7-
12, reflecting average class sizes of 33:1 in core classes and the loss of 638 IDTs. And
two Alternative Education teachers could be eliminated to reflect the loss of 45 students
at class sizes of 20:1.

And how much would these 43 layoffs save in salaries and benefits?

Assuming layoffs by pure seniority (and there would probably be exceptions), the total
saving in salaries and benefits would be less than $2.75 million – much less than half of
what would be needed. If an extremely liberal “plug number” of $10,000 per classroom
in average associated costs (books and classroom materials, per-student stipends, utilities,
sub costs, etc.) that could be saved by eliminating the teachers and classrooms is added
in, there would still remain another $3.5 million in cuts or cost savings to be made up.
Given the cost-cutting measures already made by CUSD during the past several years of
sharply reduced state support, it is unlikely that savings of this magnitude could be made
without cutting deeply into the academic program.

Fiscal Mitigations

To be sure, CUSD could attempt to maximize savings by increasing operational
efficiencies in order to close the revenue gap resulting from the loss of IDT enrollment.

Class sizes could be increased, for instance. Moving from class sizes of 24 to 30 in grades
K-3 could allow for the elimination of 13 classrooms/teachers, for net savings of about
$630,000. (The net savings in this instance are reduced because the larger class sizes
generate about $320,000 less in K-3 CSR incentive funding.) As discussed above, non-
core class offerings (and their teachers) could be eliminated.

And savings might also be realized within facilities. Currently, CUSD operates seven
elementary schools to serve a K-6 population of about 3,290 for an average site
enrollment of about 470. This site size is well below the statewide operational norms –
many districts build elementary schools to serve 900 or more students for purposes of
reducing costs. With the loss of 560 K-6 IDT students, the average site size for a CUSD
elementary school drops to 392, which might well be considered an unaffordable luxury
given the fiscal constraints that would be facing the district.

As a rule of thumb, the closure of an elementary school site is expected to generate
perhaps $350,000 in annual savings through the elimination of a principal’s position,
office and custodial staff, and a scaling back of M&O costs (which cannot be eliminated
altogether). The closure of one or more sites could help close the revenue gap, although
district decision-makers should be fully cognizant of the intense feelings that can be
engendered by the closure of local schools. As the California Department of Education
informative monograph on school closures states: “The decision to close a school is
anguishing. It profoundly affects parents, neighborhoods, communities, district
personnel, and, of course, students. It affects relationships, routines, and cherished
territorialities. In short, it alters not only district operations but also lives.”
(http://www.cde.ca.gov/ls/fa/sf/schoolclose.asp)

In addition to the anger that can be caused by school closures, or perhaps as a corollary to it, shutting down a school often leads to the establishment of a charter school on or near the site, as the families of neighborhood students want to keep their local school open and are often disenfranchised from the district during the closure process. Given the significant number of teachers likely to have been laid off as a result of the loss of IDT enrollment, and the 1,000-plus IDT students who might well be looking for an educational alternative in the Claremont area, the possibility of an unfriendly charter or charters being established cannot be ignored, which would further reduce enrollment to the extent that resident students might enroll. (Note that the district need only provide housing for students residing in the district, and even then only if 80 or more commit to attending the school, but the rate that can be charged for housing these in-district students is usually far below market rate).

If the district decides to shut down a site, and the demand by resident students to attend a charter school there is so great as to effectively take it off the market, the site could be leased out, also helping to close the revenue gap. Local real estate professionals suggest that lease revenue would probably range between $120,000 and $360,000 per year per site for the size and type of property represented by CUSD elementary schools, with the lower number likelier in the initial years.

Because of public schools’ current fiscal crisis, there is another option that is available through June, 2015. The district might be able to sell an unused school site if it was purchased with local dollars. However, these proceeds can only be used for one-time purposes (as opposed to salary) and the prudence of selling off sites in developed areas is always questionable. There are other restrictions as well, as specified in the following excerpt from Education Code 17463.7:

(a) Notwithstanding any other law, a school district may deposit the proceeds from the sale of surplus real property, together with any personal property located on the property, purchased entirely with local funds, into the general fund of the school district and may use the proceeds for any one-time general fund purpose. If the purchase of the property was made using the proceeds of a local general obligation bond or revenue derived from developer fees, the amount of the proceeds of the transaction that may be deposited into the general fund of the school district may not exceed the percentage computed by the difference between the purchase price of the property and the proceeds from the transaction, divided by the amount of the proceeds of the transaction. For the purposes of this section, proceeds of the transaction means either of the following, as appropriate:

(1) The amount realized from the sale of property after reasonable expenses related to the sale.

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(2) For a transaction that does not result in a lump-sum payment of the proceeds of the transaction, the proceeds of the transaction shall be calculated as the net present value of the future cash flow generated by the transaction.

(b) The State Allocation Board shall reduce an apportionment of hardship assistance awarded to the particular school district pursuant to Article 8 (commencing with Section 17075.10) by an amount equal to the amount of the sale of surplus real property used for a one-time expenditure of the school district pursuant to this section.

(c) If the school district exercises the authority granted pursuant to this section, the district is ineligible for hardship funding from the State School Deferred Maintenance Fund under Section 17587 for five years after the date proceeds are deposited into the general fund pursuant to this section.

(d) Before a school district exercises the authority granted pursuant to this section, the governing board of the school district shall first submit to the State Allocation Board documents certifying the following:

1. The school district has no major deferred maintenance requirements not covered by existing capital outlay resources.

2. The sale of real property pursuant to this section does not violate the provisions of a local bond act.

3. The real property is not suitable to meet projected school construction needs for the next 10 years.

(e) Before the school district exercises the authority granted pursuant to this section, the governing board of the school district at a regularly scheduled meeting shall present a plan for expending one-time resources pursuant to this section. The plan shall identify the source and use of the funds and describe the reasons why the expenditure will not result in ongoing fiscal obligations for the school district.

Non-Fiscal Issues

While the fiscal ramifications related to ending IDTs may be the most dramatic, there are many other issues to be considered, including the impact on the district student culture and the impact on academic program (separate from fiscal pressure).

For instance, if the makeup of the IDT student cohort was markedly different from that of the resident student population, the IDT students’ presence might detract from the district’s focus and from its efforts to provide an appropriate program designed for its resident students. However, based upon district records of academic performance, behavior, and attendance, the IDT students are practically identical to the CUSD students of residence.

Academically, 83.97% of the IDT students in the elementary schools met the federal NCLB standards (“proficient” or “advanced”) on the state’s Math CST, compared to 78.6% of resident students. In English the results were reversed, with 77.2% of the resident students meeting the NCLB students compared to 75.3% for the IDT students. At the middle school, 60.1% of the IDT students met the NCLB math standards, compared to 54.7% of the resident students, and 72.6% of the IDT students (as opposed to 71.6% of
the resident students) met the English standards. And at the high school 51.7% of IDT students had a GPA of 3.00 or better, compared to 53.3% of resident students.

In terms of behavior, the IDT students are equally similar to their resident peers, although while there are 20 cases in which resident students had repetitive behavioral incidences (more than 10 such cases apiece), there were no such cases among the IDT students, who would probably face revocation of the inter-district transfer permit under such circumstances.

The situation with attendance (which has revenue implications) is much the same. The IDT students are as good or better than their resident peers in making it to school, with far fewer incidences of poor (90%-92%) or unacceptable (less than 90%) attendance.

The loss of the IDT students will also negatively affect some of the districts less popular offerings, and not just by harming the bottom line, which would itself lead to fewer sections and fewer course offerings. There are instances in which the presence of IDT students is the only reason that a course is feasible on a programmatic level. For instance, nine of the 27 students in Middle School Orchestra are IDTs; an 18-piece ensemble is not an orchestra, even if its students happen to play the correct instruments, and the qualitatively different experience of playing in an orchestral setting will be lost. There are likely numerous other cases in which the presence of IDT students makes the difference between a viable number of participants and an insufficient number.

**Conclusion**

After an analysis of the fiscal and programmatic ramifications of ending Claremont Unified School District’s inter-district transfer program, it appears clear that the results would be traumatic in the extreme to the district’s bottom line and its efforts to maintain a rich and effective academic program. The loss of 40 or more of the teachers – as shocking as that would be to the system – wouldn’t even begin to address the loss in revenues consequent to this decision. And while there are potential mitigations to the revenue loss, they are not only likely insufficient, but they present sharp challenges and shortcomings of their own. Unless there is a strong rationale behind this plan, and strong support in doing so from the Claremont community that will have to live with the consequences of this action, it does not seem like an advisable course of action.

**About the Author:**

Bob Blattner, of Blattner and Associates, has extensive experience in California public school districts, having been involved for more than 15 years in the development of the State Budget and design of every major educational program in our schools. He is a recognized expert on Proposition 98, school operations, programs and finance at the state and local level. Mr. Blattner has worked hand in hand with scores of school districts to solve budgetary, programmatic and governmental challenges locally and in Sacramento. He has presented hundreds of workshops and training to thousands of educators. Mr.
Blattner served as Vice President of School Services for 11 years prior to founding Blattner and Associates.

Mr. Blattner currently serves as the Director of the Coalition for Adequate School Housing (C.A.S.H.) School Facility Leadership Academy, is sought as a contributor for policy studies by such groups as EdSource and the Educational Commission of the State’s National Forum on Education. He is a trainer in state-sanctioned professional development for principals and chief business officers and presents workshops for annual and regional conferences of organizations such as the California Association of Business Officials, the California State PTA, the Southern California Superintendents Association, and the Association of Northern and Southern Superintendents.

Bob is a graduate of Yale University and UC Berkeley Graduate School.