

Los Angeles Unified School District:

It Has Made Some Progress in Its Reorganization but Has Not Ensured That Every Salary Level It Awards Is Appropriate



July 2001
2000-125

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July 12, 2001

2000-125

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the Los Angeles Unified School District's (LAUSD) recent reorganization and its executive and administrative compensation practices.

This report concludes that LAUSD has made some progress in implementing its reorganization plan (plan); however, it has not shifted to local districts the level of authority over financial resources or instructional programs described in its plan. Also, some administrative positions earn substantially more in comparison to positions at other school districts, while a few positions earn less. Because it has lacked formal guidance when determining what salaries to award, the propriety of some of these compensation levels is questionable. Furthermore, LAUSD could not always demonstrate it had a thorough description of a position's duties and was unable to provide adequate documentation detailing how it set compensation levels for some positions.

Respectfully submitted,

Elaine M. Howle

ELAINE M. HOWLE
State Auditor

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SUMMARY

Audit Highlights . . .

Our review of the Los Angeles Unified School District's (LAUSD) recent reorganization and its executive and administrative compensation practices revealed that:

- LAUSD has not demonstrated that it has reduced the central office positions identified in its reorganization plan.*
 - Local districts do not have the level of authority over their financial resources or instructional programs described in the plan.*
 - Certain high-level administrative positions at LAUSD receive salaries that vary widely from similar positions at other school districts.*
 - In a few instances, LAUSD determined salary levels without thoroughly documenting the positions' responsibilities.*
 - In some cases, LAUSD lacked guidance for how to determine compensation levels and could not provide much documentation detailing how it set salaries.*
 - LAUSD has not drafted performance measures for many high-level administrators, and its measures for the general superintendent are often vague.*
-

RESULTS IN BRIEF

Since it began implementing its reorganization in July 2000, the Los Angeles Unified School District (LAUSD) has continued to incorporate the changes outlined in its reorganization plan (plan) and to monitor its progress. A major goal of the plan, developed to address criticisms that LAUSD was failing to provide an adequate education to many of its students, is to move decision-making authority from LAUSD's central office to 11 newly formed local districts. These districts, the plan argued, will be better able to tailor decisions to address the needs of their smaller communities. This decentralization effort involves eliminating some positions from the central office and shifting to the local districts the control over the freed-up resources. Decentralization was also intended to shift to the local districts the autonomy to make most decisions regarding instruction.

LAUSD asserts that it has implemented the reductions in positions described in the plan and transferred the discretion over these freed-up resources from the central office to the local districts, but it has not yet demonstrated that it has made all these specific changes. Although the Los Angeles City Board of Education (Board of Education) continues to be the governing body of LAUSD, the plan describes the new role of the central office as a service provider and indicates substantial budgetary and instructional decision-making authority would shift to the local districts. However, the local districts have not been given the ability to make extensive decisions over the use of their budgets and the central office still retains the authority to develop instructional policies. Finally, LAUSD continues to implement its reading program, as the plan described.

With the reorganization, LAUSD faced the task of reassessing its current administrative positions, creating new administrative positions, and establishing the appropriate salaries for the positions. Our survey of school districts in California and the United States showed that the salaries for certain high-level LAUSD administrators vary widely from similar positions at other school districts. Because the New York City school district is the largest and has the highest cost of living of the districts we surveyed, we expected it to have the highest salaries. However,

in comparison to out-of-state districts, LAUSD has the highest salaries for some positions. For LAUSD's local district administrative positions, which we compared to central office administrative positions of in-state districts, salaries were lower, at least in part because LAUSD's local district administrators had less authority and responsibility.

Since the reasons for these differences in pay were not always apparent in the responses to our survey, we looked at the process LAUSD followed in determining its compensation levels for 46 high-level administrative positions, such as the general superintendent and chief financial officer, to understand how and why it set salaries at these levels. Because of the reorganization, LAUSD needed to update the job descriptions for many positions; however, it has yet to do so in some instances, and two newly created positions have no job description at all. By determining salary levels without thorough documentation of each position's responsibilities, the process LAUSD followed raises doubts as to the appropriateness of the compensation levels awarded.

LAUSD also has not provided sufficient guidance for determining the compensation of certain high-level administrators and was unable to provide much documentation detailing how it set some of these salaries. Salaries of administrators are set by three different groups within LAUSD, depending on whether the administrator holds a certification and on how high the position is in the organizational structure of the district. One of these groups—the Human Resources Division—has established guidelines, while two of these groups—the Personnel Commission and high-level administrators—lack thorough written procedures for setting salary levels. All of the groups relied on compensation studies, salary surveys, historical precedent, or internal alignment to set administrators' salaries. The process of internal alignment involves identifying other positions with responsibilities similar to those of the position being studied and setting the salary accordingly, and it ensures salaries awarded fit within the current hierarchical structure of the district. Other methods LAUSD used to set salaries included relying on the recommendations of an employment consultant or determining an offer that would attract a candidate it deemed desirable.

Regardless of the method used to set salaries, LAUSD was not always able to provide documents demonstrating that it did a thorough analysis for each position before setting salaries. The

lack of guidance for determining when and how to use each method for determining compensation levels and the limited recordkeeping give rise to the appearance of subjective decision making regarding certain administrative compensation levels.

It should be noted that the process of writing a job description and performing the appropriate salary studies can take a considerable amount of time, especially when numerous positions are being reassessed or created, as was the case during the reorganization. However, the personnel departments had only a few months to accomplish the hiring and identify job changes needed to implement the reorganization.

In addition to these issues when setting salaries, LAUSD has yet to create adequate measures to evaluate job performance for many high-level administrators, and its measures for the general superintendent are in some instances too vague to allow an objective assessment of the performance of this position. Moreover, the performance measures for the local district superintendents hold these individuals accountable for student achievement even though the central office retains the authority to develop instructional policies. This level of responsibility may not match the local district superintendents' level of authority.

RECOMMENDATIONS

To avoid raising public expectations that it believes are not realistic, LAUSD should ensure that there is a clear and complete convergence between what it states in public documents it will do and what it subsequently does. Regarding the reorganization plan, LAUSD should periodically report to the Board of Education in open meetings both the extent of discretionary budgeted resources allocated to local districts and the extent to which local district superintendents have decision-making authority over instructional matters.

When it establishes measures for evaluating the performance of its personnel, LAUSD should ensure that the level of authority is consistent with what the administrator is held accountable for. In particular, LAUSD should address the current potential inconsistency between the limited authority that local district superintendents can exercise over financial resources and lack of authority for developing instructional policies and their accountability for improving student achievement.

To avoid the appearance of subjectivity and lack of thoroughness in setting administrative salaries, LAUSD should do the following:

- Establish written guidelines for setting salaries and follow established processes for determining administrative compensation.
- Create job descriptions for new positions, or update job descriptions for existing positions when duties change, to ensure that administrators are receiving salaries commensurate with their current job responsibilities.
- Maintain complete records of its salary determination process, including what methods it followed and what information it used, so that the levels of compensation it awards are supportable.

Further, LAUSD should ensure that all performance measures for its general superintendent are well defined so that they can result in an objective assessment for this position. It should also develop performance measures for those administrators who are currently without them.

AGENCY COMMENTS

LAUSD generally finds that the recommendations contained in our report are reasonable. It does, however, believe we overstate its intentions regarding certain statements made in the plan, such as that it planned to review all positions to determine the effect of the reorganization. LAUSD also believes that we understate the level of local district superintendents' authority over financial resources and instruction, since the local districts do have authority over a greater amount of resources than before and control the implementation of instructional programs. LAUSD also contends that we are too conservative in both our salary comparisons, having limited them to other school districts, and our opinions over the adequacy of documentation provided to us in support of salary decisions. ■

INTRODUCTION

BACKGROUND

With more than 722,000 students in kindergarten through 12th grade for the 2000–01 school year, Los Angeles Unified School District (LAUSD) is responsible for educating 1 out of every 8 public school children in California. LAUSD’s enrollment increased by about 74,000 students in the past five years, a gain equivalent to the size of a large school district in the State. As Table 1 indicates, LAUSD is California’s largest and the nation’s second largest school district.

TABLE 1

The Six Largest School Districts in the United States

District	Enrollment	Fiscal Year	Grades
New York City Public Schools	1,093,071	1998-99	Kindergarten through 12 th
Los Angeles Unified School District	722,727	2000-01	Kindergarten through 12 th
Chicago Public Schools, District 299	431,750	1999-2000	Kindergarten through 12 th
Miami-Dade County Public Schools	360,202	1999-2000	Pre-kindergarten through 12 th
Broward County Public Schools (Florida)	249,923	2000-01	Kindergarten through 12 th
Houston Independent School District	209,000	1999-2000	Pre-kindergarten through 12 th

Sources: Survey results, Web sites for those school districts that did not participate in our survey (Houston Independent School District and Miami-Dade County Public Schools) and LAUSD Web site.

LAUSD currently has more than 75,000 employees, including 36,000 teachers; 6,000 other staff whose positions require a certification, license, or other credential; and 33,000 nonteaching employees, referred to as classified staff, including school police, operations support staff, management, and supervisory staff. In fiscal year 2000-01, LAUSD’s total budget was approximately \$8.9 billion. More than 40 percent of that amount was spent on employee salaries and benefits.

To Address Its Poor Performance, LAUSD Is Reorganizing Its Administrative Structure

According to district officials, student achievement has been unacceptably low throughout the district. The State of California uses an Academic Performance Index to measure the academic performance and improvement of schools in the State. Of its 541 schools that were ranked during the State's first year of testing, LAUSD's reorganization plan reported that only 21 elementary schools exceeded, and not a single secondary school met, the statewide performance goal. Four out of every five schools in the district scored well below this goal. However, in October 2000 the California Department of Education reported that 64 percent of LAUSD's schools tested met the State's 5 percent target for improvement during the second year of testing.

Others have also found LAUSD's performance substandard in various areas. In 1993 its external consultant, who was hired to assess whether the district's administration was properly managed and organized to effectively deliver services, reported that the district had excessive layers of management and unclear lines of responsibility, resulting in a lack of accountability. The Little Hoover Commission, an independent state oversight agency, conducted a review of the State's school facilities programs in 1998 and found LAUSD to be a "dysfunctional organization."

To address poor student performance and respond to critics, the Los Angeles City Board of Education (Board of Education) adopted a reorganization plan for LAUSD in April 2000 that created 11 local districts, each with its own local district superintendent, business manager, and other administrative staff. Each of the local districts is comparable in size to other large districts in the State, as shown in Table 2. This organizational structure is not found in the 3 districts we surveyed in California, but is similar to that of at least 3 of the largest school districts in the nation. The reorganization took effect in July 2000 with the stated intent to improve academic achievement by assigning the local districts decision-making responsibility, by reconstituting the central office as a service provider, and by focusing districtwide efforts on teaching students to read.

With the reorganization, LAUSD had to reconsider current staff assignments and hire staff to fill new positions. This work included assessing and classifying new positions, creating new classifications for positions, renaming and/or upgrading current positions, and assigning salaries to each position.

TABLE 2**Enrollment in LAUSD's Local Districts and in Other California School Districts**

District	Enrollment
11 local districts within LAUSD	51,905 to 77,045 (LAUSD total: 722,727)
Fresno Unified	78,766
San Francisco Unified	60,896
Santa Ana Unified	58,043
Oakland Unified	55,051
Sacramento City Unified	51,898

Sources: California Department of Education and LAUSD Web sites. All districts serve grades kindergarten through 12.

LAUSD Sets Compensation for Its Administrators in Several Different Ways

LAUSD feels that the disparity between administrators' salaries in the public sector, particularly in school districts, versus the private sector has sometimes made it difficult to attract strong candidates. Pointing to the district's size and growth rate, its administrators suggest that it is more like a large commercial enterprise than a school district. For example, LAUSD has plans to build 85 schools within the next five years to accommodate the anticipated increase in student enrollment. As a result, LAUSD's administrators believe the district must often compete with private industry to attract highly qualified employees. We also noticed that LAUSD has competed with the city and county of Los Angeles for qualified employees.

LAUSD uses various methods to set wages or salary ranges for its employees. Two different administrative units, the Personnel Commission and the Human Resources Division, as well as high-level administrators, set salaries for classified staff and for certificated staff, and each unit has its own procedures. Our interest in this report is specifically with salaries of high-level administrative and executive staff.

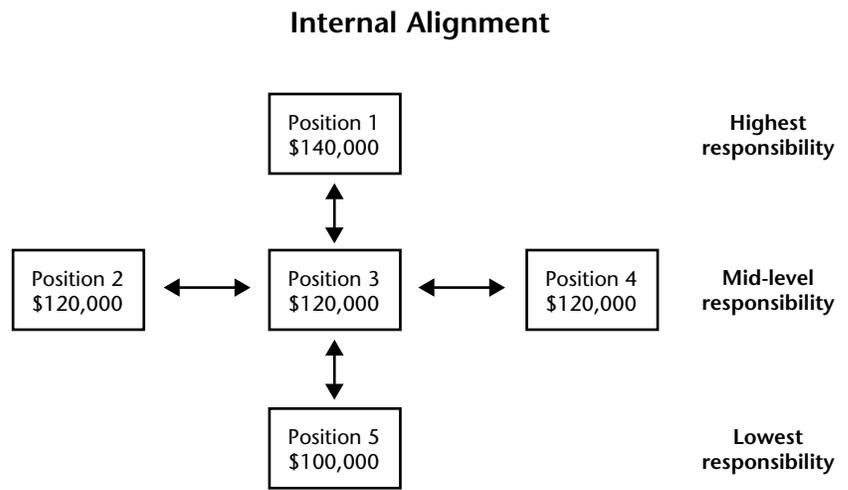
The Personnel Commission Sets Salaries for Classified Administrators

As the first step in setting the salary for a classified administrative position, a job description for the position is submitted to the Personnel Commission. According to its procedures, the Personnel Commission then conducts a classification study by reviewing the job description, considering the placement of the position in LAUSD's organization chart, and comparing the duties and responsibilities to those of related positions. If it determines the duties can be performed within an existing job classification, it assigns the position to a particular category, or class, of positions, all with similar salaries. Alternatively, it may have to create a new classification for the position. Once the classification study is complete, the Personnel Commission may use a variety of additional procedures to assess the appropriate salary level. According to the personnel director, collective bargaining is the primary determinant of salaries for these classifications. However, staff not represented by a union or staff in high-level classified positions, such as many of those we discuss in this report, are not subject to collective bargaining. Additional procedures include one or more of the following:

- a survey of salaries for positions with comparable duties at similar entities
- the use of employment consultants who provide advice on the appropriate level of salary for each position
- an analysis of market factors in which the Personnel Commission determines the salary it believes is necessary to attract a candidate it thinks would be particularly good for a position
- internal alignment

Internal alignment ensures that positions with comparable responsibilities receive similar salaries and also considers the positions above and subordinate to the position under review to ensure that the salary awarded fits within the current compensation structure of the organization. Figure 1 demonstrates this relationship.

FIGURE 1



Thus, the internal alignment process may act as a reasonable-ness test in determining the results of other procedures LAUSD uses to establish a salary level for a position, or it may be the sole method employed in setting a salary.

The Human Resources Division Usually Determines Salaries for Certificated Staff

Like the Personnel Commission, the Human Resources Division begins the process of determining the salary for a certificated administrative position by reviewing a job description. Using this job description, it then conducts a compensation study that uses the concept of internal alignment to determine an appropriate salary for the position. This study analyzes the level of responsibility of a position by using a standardized template that describes four kinds of tasks the certificated administrator will perform. These tasks include supervisory duties, for which the template assigns points based on the level of supervision the administrator must exercise, and problem solving, for which the template scores the complexity of the problem solving that the administrator must be able to perform. This study assigns an overall numeric score to the position, which the Human Resources Division then compares to salaries it has set for the scores. Positions with more responsibility receive a higher score and, in turn, a higher salary. These predetermined salaries are agreed to through collective bargaining.

The Human Resources Division follows this process for all certificated positions except those ranked with the highest possible score on the compensation study. For those positions, the salary decision is made by the general superintendent and the Board of Education.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (audit committee) asked that the Bureau of State Audits compare executive and administrative compensation packages at LAUSD to those of similar school districts in the State and nation. The audit committee requested that we determine how LAUSD justified the compensation packages and whether it has established criteria linking executive and administrative salaries to job performance. We also assessed whether LAUSD has received the anticipated benefits since implementing its reorganization in July 2000.

To comply with the request, we reviewed and evaluated the laws, rules, regulations, and policies governing administrative staffing and compensation issues. To compare LAUSD's compensation packages with those of other school districts, we surveyed nine school districts to determine pay and benefits for various positions. Six districts responded, three in the State and three out-of-state. We analyzed the survey responses to determine how the level of compensation at LAUSD compares to that of other districts. When the responses to our survey needed clarification, we contacted the districts and requested additional information. For those districts willing to respond, our survey results in Appendix B reflect this additional information. In this survey we requested salary and benefit information for administrators whose duties match those of 46 administrative positions at LAUSD. These administrators represent high-level executives overseeing the overall operation of the district, first- and second-level managers directing the major units and branches, and high-level managers for the local districts. We used the services of a compensation consultant to assist us with our analysis of survey results.

To assess how LAUSD justified its executive and administrative compensation packages, we reviewed job descriptions, contracts, memoranda, internal salary studies, and information from employment consultants the district hired. We compared current- and prior-year salaries for various positions and determined why LAUSD believed salary changes were warranted. In many cases in which there was limited documentation of LAUSD's actions, we interviewed district staff to understand the justification for creating a position or establishing a particular salary.

To gain an understanding of the reorganization and its intended benefits, we interviewed staff at the central office and the local districts and reviewed LAUSD's reorganization plan, as well as board meeting minutes, studies, and documents the district staff prepared. ■

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CHAPTER 1

LAUSD Has Made Some Progress in Implementing Its Reorganization

CHAPTER SUMMARY

The Los Angeles Unified School District (LAUSD) based its reorganization plan (plan), *Eleven Local Districts, One Mission: A Multiple District Plan for Transforming the Los Angeles Unified School District*, on the beliefs that it was failing to provide an adequate education to many of its students and that decisions made locally are often better than those made centrally because they involve people who are closest to the local schools and community. In keeping with these beliefs, the approved plan agreed to certain actions LAUSD would take to ensure that the local districts created under the plan would have the resources and authority to be effective. For example, the plan provided for transferring budgeted positions and financial resources from the central office to the local districts. It also agreed to give the local districts control over these resources and the autonomy to make most decisions regarding instruction.

Since it began implementing the reorganization in July 2000, LAUSD has made some of the changes described in the plan, while it continues to work on others. LAUSD included a provision to reduce its central office administration by approximately 800 specific budgeted positions and to shift about 500 of these positions to the local districts. Although LAUSD is monitoring the overall number of positions in the district, we were unable to verify that it has implemented all the changes specifically outlined in the plan. Furthermore, the district is unable to determine the accurate amount of cost savings resulting from these changes because it lacks a convenient system that reconciles actual salary expenditures to budgeted expenditures.

Nevertheless, LAUSD asserts that it has freed up \$33 million of its budget by reducing the number of budgeted positions in the central office. Its records show that the central office has shifted most, but not all, of this money to the local districts. LAUSD also continues to implement its reading program, as the plan described. However, although local districts may have substantial

input in some cases, control in developing instructional policies and significant decision-making authority over financial resources remains in the central office.

When we inquired about the extent of local autonomy, LAUSD central office administrators explained that the plan never intended to shift authority to make policy decisions over budgets and instructional programs to the local districts and away from the Los Angeles City Board of Education (Board of Education). We recognize that the Board of Education must have the ultimate authority over budgetary and instructional matters, but the language of the plan raises legitimate expectations that the Board of Education will establish policies allowing a shift of significant decision-making authority from the central office to the local districts thereby limiting the role of the central office to that of a service provider. Although the local district superintendents do not have authority over the development of instructional policies, LAUSD has proposed performance measures that would hold them accountable for student achievement. This level of authority may not match the proposed level of responsibility described in these performance measures.

LAUSD HAS IMPLEMENTED SOME OF ITS REORGANIZATION PLAN PROVISIONS

In the reorganization plan, LAUSD stated it would eliminate certain budgeted positions that have existed in the central office and to shift others to the local districts. Because LAUSD only provided us with a selection of the position changes it asserts were made, we were unable to verify that it eliminated or transferred all the positions described in the plan. Nevertheless, LAUSD transferred approximately \$30 million that it indicated resulted from its elimination of budgeted positions. Its goal in making these changes was to improve student achievement by allowing local districts to make decisions regarding the use of these resources.

LAUSD Did Not Provide Complete Evidence That It Has Reduced Specific Budgeted Positions in the Central Office

In its plan, LAUSD agreed to reduce its central office administration by approximately 800 specific budgeted positions and to shift about 500 of these positions to the local districts. LAUSD states that it has implemented these changes and, after our repeated requests, provided us documentation in late May 2001 demonstrating that it had made some. We reviewed this

documentation and verified that positions had been eliminated from the central office or transferred to the local districts; however, we could not verify that all of the changes were implemented because LAUSD provided us with only a selection of these budget records. LAUSD also provided us several studies it conducted to monitor its overall staffing levels. Although we do not attest to its accuracy, the most recent of these reports, dated January 2001, showed a total reduction of approximately 1,100 budgeted positions in the central office and the creation of more than 900 budgeted positions in the local districts, for a net reduction of approximately 200 positions. These changes, however, do not always represent reductions in actual staff and expenditures, as we discuss in the following section.

LAUSD Shifted Most of the Resources Described in the Plan to the Local Districts

As of March 2001 LAUSD had shifted about \$30 million of the \$33 million it intended for the local districts. The anticipated net reduction of approximately 300 budgeted positions identified in the plan was intended to free up \$33 million in spending authority, originally allocated to the central office, for transfer to the local districts. In the plan, LAUSD estimated that the salary savings from the reductions in budgeted positions would be about \$46 million, but it subsequently revised its estimate to \$33 million due to various salary adjustments it later identified. However, LAUSD has not demonstrated to us that the \$33 million resulted from actual reductions of positions in the central office.

LAUSD acknowledged it could only estimate the cost savings expected from its reduction of central office positions.

In fact, LAUSD acknowledged in its plan that it could only estimate what its salary savings would be and explained why the actual savings might be different. First, LAUSD does not have a convenient system that can reconcile the numbers and types of filled positions with the numbers and types of budgeted positions, or that can identify the salary of an employee filling a particular budgeted position. LAUSD is currently developing such a system and plans to implement it in September 2001. Thus, at the time it drafted the plan, LAUSD did not know whether the budgeted positions targeted for reduction were filled or vacant, and it could not calculate the real amount of salary savings.

Second, some central office employees whose positions were to be eliminated had “bumping rights” that might enable them to fill remaining positions having the same or similar classifications. These rights allow an employee with more seniority to replace another person with less seniority in a similar classification. In

such cases, the actual savings would be lower than anticipated because they would be based upon the salary of the employee with less seniority. Another obstacle LAUSD faced in reconciling budgeted and actual positions and calculating salary savings was that its managers were either “unwilling or unable” to tell the central office how many staff they had. Finally, LAUSD also recognized that some specially funded positions it proposed for elimination might actually be exempted from budget reductions. As a result, LAUSD was obliged to estimate the potential cost savings, concluding that it was nearly impossible to calculate these savings with any precision at the time that it drafted the plan.

As of March 2001 LAUSD had shifted to its local districts about \$30 million of the \$33 million it planned.

LAUSD shifted about \$30 million of the \$33 million to the local districts as of March 2001. Of the remaining \$3 million, the budget director stated that \$1 million would be transferred once the general superintendent determines how it should be allocated to the local districts. The remaining \$2 million will not be transferred because LAUSD did not receive the amount for special program funds it anticipated. The budget director further stated that LAUSD plans to transfer any future resources made available by position reductions to the local districts every year, provided it continues to receive the expected level of funding and the Board of Education does not provide different instructions.

LOCAL DISTRICTS HAVE LIMITED DECISION-MAKING AUTHORITY OVER FINANCIAL RESOURCES AND DO NOT CONTROL INSTRUCTIONAL POLICY DEVELOPMENT

Although the plan explicitly states that the local districts will have substantial control over their financial resources and the autonomy to make most decisions about instruction, the central office still retains significant decision-making authority. As a result, the local district superintendents do not have the authority to develop instructional policies for approval by the Board of Education, although they are held accountable for the success of LAUSD programs. LAUSD allows the local districts some autonomy in other areas, such as the professional development of staff.

Local Districts Exercise Limited Control Over How to Use Financial Resources

The plan was emphatic in its statements about the need for local decision making on budgets, stating that local district superintendents “with the advice of local advisory councils, should be

Despite certain statements in the plan, local districts have limited authority over their budgets.

making choices about how and where to allocate resources in order to boost achievement.” Nevertheless, local district superintendents currently have limited authority over their budgets. For example, for fiscal year 2000–01, the Board of Education adopted an itemized budget recommended by the general superintendent, specifying the type and number of staff the local districts could have, how much money they could spend, and what they could spend it on. At the time LAUSD began work on this budget, it had yet to hire all the local district superintendents. Therefore, it had no choice but to adopt such a budget.

However, based on our interviews with staff, it does not appear that this situation—in which the general superintendent and the Board of Education determine how the local districts will use their budget resources—will change significantly in the foreseeable future. In fact, the chief financial officer asserted to us that the intent of the plan was never to delegate ultimate budgeting authority to the local districts and indicated that such a delegation would not be appropriate under state law. Although it is true the Board of Education must ultimately approve LAUSD’s budgets, the plan itself, which is a public document created with extensive public interest and input, has language stating that “budgets need to be in the hands of the local district superintendents.” This language raises legitimate expectations that, with the reorganization of the district, the Board of Education will approve budgets that allow greater flexibility to local districts in the use of monies allocated to them.

Instead, LAUSD informed us that the local district superintendents exercise influence over their financial resources in other ways. For instance, a budget committee consisting of 4 of the 11 local district superintendents and other district staff has been involved in recommending budget cuts to the general superintendent for the 2001–02 fiscal year budget. In addition, each local district identified areas within its district that could absorb a 20 percent reduction in funding. The executive administrator of business and finance stated that each local district submitted proposed budget cuts to the central office and that the general superintendent accepted these recommendations without making any revisions. We requested copies of these budget recommendations to verify the extent of local district autonomy; however, the information provided to us was not sufficient to determine whether or not the general superintendent accepted the proposals.

Some of the local district superintendents we interviewed stated that they do not have substantial authority in the budgeting area. Our own discussions with the central office confirmed this. For example, if local district superintendents want to allocate personnel resources differently from the original budget's allocation, they have to demonstrate to the general superintendent that they will still meet the district's goals and obtain his approval for budget revisions. Specifically, when the local district superintendents want to eliminate certain positions in their budgets, they must assure the general superintendent that they can meet their goals without these positions. The executive administrator of business and finance has indicated to us that this practice was put in place for the first year of the reorganization to allow a certain degree of stability and that LAUSD intends to allow the local district superintendents more flexibility to make such budget revisions in the future.

The budget director asserted that the local districts have complete authority over certain "discretionary" funds, as long as they adhere to the same spending limits and contractual requirements as the rest of the district. Although it appears that the local districts do have this authority, the amount of discretionary funding is limited. The executive administrator of business and finance indicated these funds represent the money LAUSD freed up by the position eliminations described in the plan. In reviewing LAUSD's 2000–01 fiscal year budget, we saw a total of \$8 million labeled as "discretionary" funding and the executive administrator of business and finance provided documentation clearly supporting some additional amounts. However, a portion of the money LAUSD asserts was freed up had limited documentation indicating it as discretionary. The amount of discretionary funds from the elimination of positions totals approximately \$30 million and represents only a small portion of the district's overall \$8.9 billion budget not including capital projects (\$1.8 billion).

The Central Office Retains Authority Over Instructional Policy Development

Although the plan discussed the need for local districts to make decisions regarding instruction, the central office currently retains authority over the development of instructional policies, giving the local districts control primarily over program implementation. According to the plan, the central office will no longer "issue edicts" to schools, and its role is to change from "a decision-making operation to that of a service provider." The central office's role as a service provider was to include monitoring

Local districts have control over program implementation.

and implementing districtwide standards for what students should know and be able to do; conducting research to identify best practices for improving student achievement; coordinating compliance with state and federal requirements and Board of Education approved policies; and providing operational services that are more cost effective when delivered centrally, such as school police, transportation, and health services. However, the plan also cautioned against expecting these changes to take effect immediately, indicating that modifications to the reorganization would come through the annual review process and more formal two-year reviews.

Local districts cannot make substantial independent decisions regarding the development of instructional policies.

While the central office was to assume the role of a service provider and compliance monitor, the local districts were to make decisions as to how best to meet the needs of their communities. Stating that decisions made locally tend to be better than ones made centrally, the plan suggested that the bulk of authority and responsibility for schooling should rest with the local district administrators, school staff, and parents. However, the local district superintendents we interviewed stated that they do not make policies regarding instructional programs. The deputy superintendent of instruction indicated to us that, once again, LAUSD’s intention was never to “take policy-making authority away from the Board of Education” and give it to the local districts. We agree that at no time did the reorganization plan propose to eliminate the Board of Education’s ultimate authority over instructional matters. However, the plan raised expectations that the central office would exercise significantly less control over the local districts.

Instead, the local districts have an opportunity to provide input into the development of instructional programs, but not to make independent decisions. For example, the central office developed a mathematics plan for recommendation to the Board of Education. In May 2001, the Board of Education adopted the mathematics plan under which the central office established guidelines regarding what students should learn at each grade level, consistent with the State’s standards and the recommendations of national research groups. Although this action is in line with its role as a service provider, the central office is going beyond merely setting districtwide standards. The local districts provided their input—by having representatives serve on the committee responsible for recommending textbooks—but the central office decided whether and how to incorporate any local district participation.

In this case, the opportunity for local district input appears to have been substantial. The assistant superintendent for secondary education has indicated that central office mathematics specialists met regularly with mathematics representatives from the local districts. Local district superintendents had opportunities to discuss the mathematics plan at weekly meetings with the superintendent, and the central office distributed drafts of the mathematics plan to local district superintendents to demonstrate how their input was incorporated in the proposal. One of the local district superintendents we interviewed confirmed that the Board of Education approved the recommendations from the local districts. Nevertheless, the general superintendent ultimately decided what elements of the mathematics plan were presented to the Board of Education for adoption. The implementation of the mathematics plan will also require local districts to allocate resources to hire mathematics coaches to help teachers implement this plan and will require teachers to participate in specific professional development activities to learn about the effective use of the selected textbooks.

Most of the authority the local districts have in instructional matters is over program implementation. For example, each local district will review the mathematics textbooks adopted by the Board of Education and will implement this program by selecting one textbook for each grade span. The local districts will help local schools and teachers implement this plan through various ongoing support activities, including classroom observation, classroom demonstration, coaching, data analysis, review of student works, and other areas of professional development. Further, under the supervision of the general superintendent, the local district superintendents will determine if waivers that exempt schools from using one of the required mathematics textbooks should be granted.

LAUSD Proposes Performance Measures That Hold Local District Superintendents Responsible for Student Achievement

Although the local district superintendents do not have authority over the development of instructional policies, LAUSD has proposed performance measures that will hold them accountable for student achievement. For example, one of these performance standards requires the local district superintendents to ensure that 60 percent of the schools in their districts meet a 5 percent improvement target on the State's Academic Performance Index. However, because the local district superintendents do not make independent decisions regarding instructional policy

Proposed performance measures may not match local district superintendents' responsibilities.

development, this level of authority may not match the proposed level of responsibility to which they are to be held accountable. If the instructional programs LAUSD adopts are not sufficient to address the issues causing poor student performance, the local district superintendents will still be held accountable, even though they are able only to recommend policy to the general superintendent and must implement the programs that the general superintendent selects and the Board of Education adopts.

The plan itself recognized that problems can arise from this imbalance between authority and responsibility. Quoting a Stanford University Professor of Teaching and Teacher Education, the plan notes that genuine accountability is undermined when authority and responsibility are dispersed and desired outcomes are not achieved. Those who make policy can blame the failure on poor implementation, whereas those charged with implementing a program can blame its poor design. According to the plan, LAUSD has suffered from this problem in the past.

Local District Superintendents Do Have Control in Certain Areas

Although the local districts have limited authority over their financial resources and do not control the development of instructional policies, they do have autonomy in some other areas. Several local district superintendents we interviewed variously described local districts' delegated level of authority to include organizing the professional development of staff, resolving conflicts, handling day-to-day operations, and selecting personnel. The central office's deputy superintendent of instruction agreed with this description. LAUSD believes that the selection of personnel and control over professional development are two of the most powerful tools for improving instruction.

The executive administrator of business and finance also indicated that the local district superintendents could create additional plans to promote higher student achievement. We were provided examples for one district that, starting next year, will require students to commit to postsecondary education, such as a four-year or community college, trade school, or job-training program. Graduating seniors who fail to produce a plan for postsecondary education will not be permitted to participate in graduation ceremonies. This local district also plans to require students to create a professional portfolio that includes their high school transcript, diploma, and resume autobiography to aid them in reaching their post-high school goals.

Local district superintendents have authority over professional development of staff, resolution of conflicts, and selection of personnel.

The local districts have created 11 advisory councils giving parents, the community, and staff a means to share ideas on LAUSD's goals and effectiveness.

The executive administrator of business and finance provided us two additional instances in which the Board of Education has delegated its authority over how certain money is spent. In the first instance, the Board of Education has delegated to the local district superintendents and the central office budget director the authority to approve school proposals for spending funds related to a particular grant. For fiscal year 2000–01 this grant represents approximately \$20 million for eligible schools, and the general superintendent has directed that the highest priority for these funds be spent on mathematics and student literacy needs. In the second instance, the Board of Education has delegated to the local district superintendents the authority to approve school proposals for spending Academic Performance Index awards totaling approximately \$40 million.

In addition, in keeping with the plan, the local districts have created 11 advisory councils to enable parents, the community, and district staff to share their views and ideas about LAUSD's instructional goals and effectiveness. Each advisory council has 13 members, including parents, community and business representatives, and a high school student. The advisory council receives assistance from six ex officio members comprised of administrators, teachers, and classified district staff. On average, an advisory council represents 60 schools with about 66,000 students. These advisory councils hold open meetings periodically to discuss issues concerning their local districts. Through this advisory role, the parents and community can communicate their opinions to the local district superintendents and the Board of Education. Recently, representatives from each advisory council met with the Board of Education to discuss the instructional priorities for their local districts and plans to meet these priorities.

THE DECISION TO FOCUS EFFORTS ON READING CONTINUES

LAUSD's stated mission is to ensure that every child has a strong foundation in reading by the end of the third grade. To achieve its goal, before the reorganization the Board of Education adopted two policies for reading: the District Structured Reading Program and an Elementary District Reading Plan for kindergarten

through second grade. In its reorganization plan, LAUSD reiterates that teaching all of its students to read is its most important goal, since reading is the fundamental skill for a student's educational career. It continues to focus its efforts on teaching students to read in the newly created local districts.

The District Structured Reading Program, adopted in February 1999, was LAUSD's model for instruction until teachers received training to successfully implement its Elementary District Reading Plan. The District Structured Reading Program requires that students spend a minimum of two hours every day on reading and language arts, including phonics, structure of words, and vocabulary development. Also, those students learning English as a second language are given an additional 30 to 45 minutes of reading instruction each day. According to a director in the Educational Services Division, this reading program will continue to be a requirement.

LAUSD believes that teaching its students to read is its most important goal and has adopted two programs to improve reading skills.

The Elementary District Reading Plan, adopted in September 1999, requires those elementary schools whose second and third grade students had low marks on the state-adopted Stanford 9 reading test to select and implement one of three reading programs adopted by the Board of Education. The three reading programs are *Open Court*, *Language for Learning and Reading Mastery*, and *Success for All*. Schools currently invested in using researched-based materials and continuing to show a specified level of improvement in reading in the second and third grades can request a waiver from the central office allowing them to continue using their current reading program.

The central office has begun monitoring compliance with the Elementary District Reading Plan at selected school sites. It is in its first year of a five-year study to evaluate the reading programs these selected schools use. For the first three years of its study, the central office's focus is to monitor whether the programs are in place and to determine whether the schools are implementing the program as it was designed. LAUSD intends to begin reporting achievement results in the fall or winter of 2001. For years three through five, it will measure the success of the program by using the Stanford 9 test scores, writing assessments, and other tests LAUSD designed.

RECOMMENDATIONS

To avoid raising public expectations that it believes are not realistic, LAUSD should ensure that there is a clear and complete convergence between what it states in public documents it will do and what it subsequently does. Regarding the reorganization plan, LAUSD should periodically report to the Board of Education in open meetings both the extent of the discretionary budgeted resources allocated to local districts and the extent to which local district superintendents have decision-making authority over instructional matters.

When it establishes measures for evaluating the performance of its personnel, LAUSD should ensure that the level of authority is consistent with what the staff is held accountable for. In particular, LAUSD should address the current potential inconsistency between the limited authority that local district superintendents can exercise over financial resources and lack of authority for developing instructional policies and their accountability for improving student achievement.

LAUSD should continue its efforts in developing a system that provides an accurate accounting of the number of people it currently employs and allows it to reconcile its budgeted to filled positions. ■

CHAPTER 2

Lack of Guidance and Limited Documentation in Establishing Compensation Levels Raise Questions About the Amount of Pay Some Administrators Receive

CHAPTER SUMMARY

A wide disparity exists between the salaries for many high-level administrators at the Los Angeles Unified School District (LAUSD) and the salaries for similar positions at the six school districts we surveyed—three in-state and three out-of-state. Although the salaries of some LAUSD administrators are the same as, or even less than, those of administrators in other out-of-state districts, many earn substantially more. This holds true when a comparison is made to the salaries of several central office positions in the New York City school district, even though the enrollment in this district is substantially larger than LAUSD's and the cost-of-living index for New York City (240) is higher than for the city of Los Angeles (123). However, for LAUSD's local district administrative positions, which we compared to central office administrative positions of in-state districts, salaries were lower, at least in part because LAUSD's local district administrators have less authority and responsibility.

Because the reasons for these differences in pay were not always apparent in the responses to our surveys, we looked at the process LAUSD followed in determining the compensation for 46 high-level administrative positions to understand how and why LAUSD set salaries at these levels. We found that it used a variety of methods to determine salaries, some of which appear subjective in their application, including setting compensation levels without always having written procedures or following procedures already in place. When setting some salaries, LAUSD relied on job descriptions that predated the reorganization or did not have a job description at all. Moreover, it did not adequately document how it determined some salary levels, and in one case it relied on the recommendation of an employment consultant who had a conflict of interest. Because of these shortcomings, LAUSD's decisions about compensation for certain positions may be questioned. Furthermore, LAUSD lacks

specific, easily measured performance expectations for certain of these highly paid administrators, which can make it difficult for LAUSD to evaluate their performance.

EXECUTIVE AND ADMINISTRATIVE COMPENSATION AT LAUSD DIFFERS WIDELY FROM THAT AT OTHER SCHOOL DISTRICTS

When LAUSD turned to a reorganization to address what it considered its failure to meet the needs of its students, one of its first tasks was to identify current administrators and recruit new ones who would effectively implement the changes described in the reorganization plan to improve student performance. The compensation packages for several of these high-level administrators differ widely from those for similar positions at other school districts in the State and the nation. Although the pay for some LAUSD administrators is the same as, or even less than, the pay for similar positions in other districts, many administrators earn substantially more than their counterparts elsewhere. Some LAUSD administrators also receive benefits that are not available to administrators at four of the six districts we surveyed. The other two districts did not respond to this section of our survey.

District Differences Need Consideration When Making Compensation Comparisons

In setting salaries, each district in our comparison may consider certain factors that will affect how much a position will earn, such as deciding which “market” a district wishes to compete in—the national, state, or local market. A position’s level of responsibility may affect which market a district chooses, with higher-level positions more likely to compete in the national market. Also, a district may decide to focus on private industry when searching for candidates and therefore find itself, as a public entity, competing against private industry salaries. Other factors, such as its size may also affect the amount of compensation a district decides is appropriate.

Many factors, such as their size and cost of living, can influence how much the districts in our comparison pay similar positions.

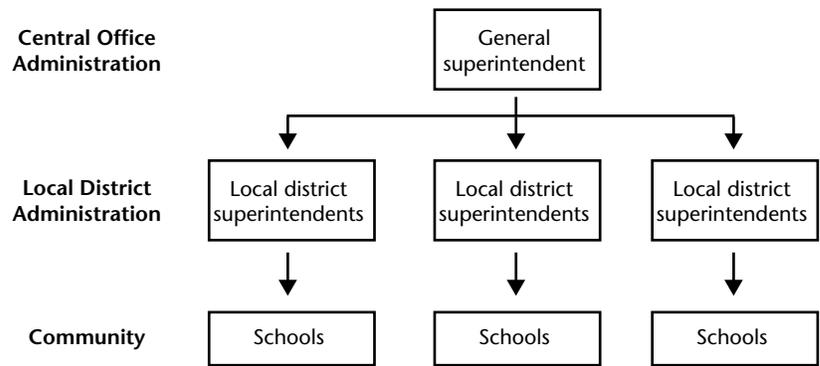
LAUSD has by far the largest student enrollment (more than 722,000) of any school district in California, and it has the second largest enrollment in the nation. Mirroring this large student population is LAUSD’s \$8.9 billion annual budget, second only to the annual budget of the New York City school district, which is \$11.8 billion. Thus, its size makes compensation comparisons with most other districts difficult. However, we

found certain large districts with enough in common with LAUSD to make general comparisons useful. For example, three of the largest school districts located outside of California have an organizational structure similar to that of LAUSD. Each of these school districts is growing and has an active school construction program.

To determine how LAUSD’s compensation of administrators compares, we surveyed these school districts: New York City school district (1.1 million students), Chicago Public Schools, District 299 (432,000 students), and Broward County (Florida) Public Schools (250,000 students). Like LAUSD since its reorganization, each of these districts has not only a central office administration but several local district administrations as well. Figure 2 illustrates this type of organizational structure.

FIGURE 2

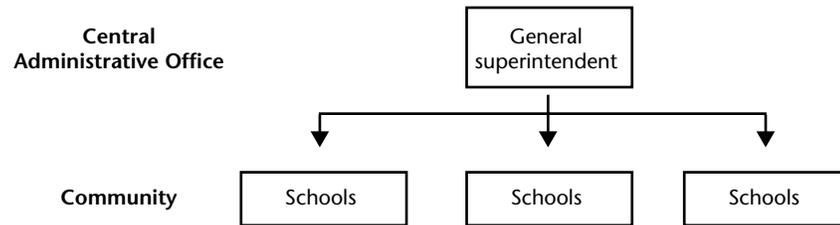
Organizational Structure of LAUSD and the Out-of-State School Districts We Surveyed



We also surveyed three California school districts—Fresno Unified School District (80,000 students), Santa Ana Unified School District (60,000 students), and Sacramento City Unified School District (52,000 students)—that have a simpler organizational structure, consisting of only one central administrative office and no local districts. Figure 3 shows this type of organizational structure. These districts provide useful comparative information for LAUSD’s local districts, which have student enrollments ranging from 52,000 to 77,000, since they are comparable in size and have certain major positions in common, such as a superintendent and business manager.

FIGURE 3

Organizational Structure of the California School Districts We Surveyed



In our surveys, we requested information about compensation for administrators whose duties are similar to those of 46 highly paid administrative positions at LAUSD. Generally, in keeping with the organizational structure of these districts, we compared LAUSD’s central office and local district positions to similar positions in the New York City, Chicago, and Broward County school districts. We also compared LAUSD’s local district positions, such as local district superintendent, to selected districtwide positions in the Fresno, Santa Ana, and Sacramento school districts since these districts have comparable student enrollment levels but do not have local districts. Our focus was not on titles of positions, but on matching duties and administrative levels as reported to us for comparative purposes. The position titles we use are LAUSD’s, so that we refer to the highest executive positions of a district as the “superintendent” rather than the “chancellor,” the term the New York City school district uses. As we expected, survey responses disclosed that duties for a position in one district did not always completely match duties for the related positions in other districts. When more than minor differences in duties came to our attention, we disclosed the nature of these differences.

In assessing the salaries at these school districts, we expected that the larger districts and those located in areas with a high cost of living would have the highest salaries. Thus, we anticipated that the New York City school district, which constitutes by far the largest school district and has the highest cost of living (240)¹ compared to Chicago (118), Broward County (108), and the city

¹ Source: U.S. Census Bureau, *Statistical Abstract of the United States: 2000 Edition*, for the fourth quarter 1999 mid-management standard of living. A cost-of-living index was not available for Broward County; therefore, we are disclosing the cost-of-living index for the closest metropolitan area (West-Palm Beach-Boca Raton).

of Los Angeles (123), would consistently pay the highest salaries. In fact, LAUSD's salaries exceeded or were roughly comparable to those in the New York City school district much of the time. Appendix A summarizes the comparison of LAUSD's lower-level administrative salaries with those of our survey respondents, as well as salaries for positions filled by varying numbers of administrators whose duties, combined, were comparable to those surveyed at the responding districts. The survey results that we used in our comparisons appear in Appendix B.

For comparisons with in-state school districts we surveyed, an additional factor was particularly important in assessing salaries: the level of responsibility for each position. For the reasons we noted above, we used in-state school districts primarily for comparison with LAUSD's local districts. Because the local district administrators do not have the level of autonomy and responsibility that central administrators do in the Fresno, Santa Ana, and Sacramento school districts, we did not necessarily expect LAUSD's local district administrators to have the highest salaries, even though LAUSD has a higher cost-of-living index when compared to Fresno (108) and Sacramento (109), and the same cost of living when compared to Santa Ana². In fact, the salaries for LAUSD's local district superintendents were lower than those paid to the general superintendents of the three other California districts we surveyed. We also found that LAUSD pays the three other local district positions we surveyed less than these other districts pay their related positions.

Among These Districts, Certain Administrators at LAUSD Are the Highest Paid

LAUSD provides higher salaries to certain central office administrators than any of the out-of-state school districts we surveyed, with one of these administrators being its general superintendent. Each of the districts in our comparison employs one general superintendent to provide overall operational leadership and to serve as the highest executive of the district. As Table 3 shows, LAUSD gives a significantly higher salary to its general superintendent than five of the districts we surveyed and pays a marginally higher salary than the New York City school district does. As we discuss later in this chapter, LAUSD set this salary based on the search process of an employment consultant.

The general superintendent at LAUSD is the highest paid among the districts we surveyed.

² Source: U.S. Census Bureau, *Statistical Abstract of the United States: 2000 Edition*, for the fourth quarter 1999 mid-management standard of living. A cost-of-living index was not available for the city of Santa Ana; therefore, we are disclosing the cost-of-living index for the closest metropolitan area (Los Angeles-Long Beach).

Even though the three California school districts we surveyed are smaller and have a simpler organizational structure than LAUSD, we have included them in Table 3 because the level of compensation awarded to these administrators does not strictly follow the size of the particular district. For example, although the Chicago school district is the third largest in our comparison, its general superintendent receives the lowest salary among all of the districts we surveyed.

TABLE 3

Salaries of General Superintendents in the Districts We Surveyed

	LAUSD	Districts With Central and Local Office Administrations			Districts With Only One Administrative Office		
		New York	Chicago	Broward	Fresno	Santa Ana	Sacramento
General superintendent							
Salary or salary range	\$250,000	\$245,000	\$150,000	\$175,000	\$175,000	\$193,120	\$165,931
Percent by which LAUSD pays more (less)		2%	67%	43%	43%	29%	51%
Student enrollment	722,727	1,093,071	431,750	249,923	78,766	58,043	51,898
Number of local districts	11	42	6	4	NA	NA	NA

Sources: LAUSD’s general superintendent personnel contract, our survey results, and LAUSD and New York City schools Web sites.

NA – Not applicable.

LAUSD and the three out-of-state school districts we surveyed employ numerous administrators, each one overseeing a particular department or unit within the district. Table 4 lists 11 administrative positions we reviewed and shows how their salaries compare among the districts. These administrators may oversee instructional programs, as the deputy superintendent of instruction does, or they oversee activities, such as financial resources and information technology services, that are in support of instructional and other programs. Nine of these administrators serve as senior managers, while two others—the budget director and controller—are second-level managers who assist the chief financial officer.

TABLE 4**Salaries of Other High-Level Administrators in LAUSD and the Out-of-State Districts**

	LAUSD	New York	Chicago	Broward
General counsel				
Salary or salary range	\$225,000	\$150,500	\$134,930	\$160,680
Percent by which LAUSD pays more (less)		50%	67%	40%
Chief financial officer				
Salary or salary range	195,000–205,000	150,500	123,600	84,988–118,380*
Percent by which LAUSD pays more (less)		30% to 36%	58% to 66%	129% to 73%
Chief operating officer				
Salary or salary range	195,000–205,000	156,000	121,540	NA
Percent by which LAUSD pays more (less)		25% to 31%	60% to 69%	
Chief information officer				
Salary or salary range	190,000	150,500	118,540	79,746–111,078
Percent by which LAUSD pays more (less)		26%	60%	138% to 71%
Deputy superintendent of instruction				
Salary or salary range	170,000	156,000	149,350	97,856–136,304
Percent by which LAUSD pays more (less)		9%	14%	74% to 25%
Director of environmental health and safety				
Salary or salary range	139,360	81,867–106,228	85,000	69,252–96,460
Percent by which LAUSD pays more (less)		70% to 31%	64%	101% to 44%
Director of legislative affairs and governmental relations				
Salary or salary range	130,000	136,520	105,989	90,000–98,000†
Percent by which LAUSD pays more (less)		(5%)	23%	44% to 33%
Budget director (2nd Level)				
Salary or salary range	118,144	133,000	121,540	69,252–96,460
Percent by which LAUSD pays more (less)		(11%)	(3%)	71% to 22%
Controller (2nd Level)				
Salary or salary range	100,516–124,527	133,000	83,488	69,252–96,460
Percent by which LAUSD pays more (less)		(24%) to (6%)	20% to 49%	45% to 29%
Associate superintendent of planning, assessment, and research				
Salary or salary range	97,994–122,096	133,000	115,360	79,746–111,078
Percent by which LAUSD pays more (less)		(26%) to (8%)	(15%) to 6%	23% to 10%
Inspector general				
Salary or salary range	107,692–113,620	145,367	90,000	94,317–103,517
Percent by which LAUSD pays more (less)		(26%) to (22%)	20% to 26%	14% to 10%
Student enrollment	722,727	1,093,071	431,750	249,923
Number of local districts	11	42	6	4

Sources: LAUSD's personnel contracts, interim 2000 salary schedule, our survey results, and LAUSD and New York City schools Web sites.

NA - Not applicable; Broward County Public Schools reported that it does not employ an administrator to perform these duties.

* This salary range is provided to each of two administrators to cover all the duties performed by LAUSD's chief financial officer.

† This payment represents a contract with an outside consultant.

Although each of these positions at the districts we surveyed has duties that are similar to those at LAUSD, some differences that warrant disclosure do exist because they may have an indeterminate impact on the salary level awarded. For example, LAUSD's chief financial officer not only oversees district finances, but is also the highest-level administrator responsible for certain business-related duties, such as transportation and food services. At the Chicago school district the chief facilities executive, listed in Table 5, not the chief financial officer, assumes these responsibilities. Finally, three of these positions—the general counsel at the New York City school district, and the deputy superintendent of instruction and the controller at the Chicago school district—oversee more activities for their districts than their counterparts at LAUSD.

Certain LAUSD administrators have received substantial increases in salary since the reorganization.

For six of the positions listed in Table 4, LAUSD provides higher wages than any other district in our survey, paying salaries that range between 9 percent and 138 percent more at their lowest range, and between 9 percent and 73 percent more at their highest range. As we discuss in more detail later in the chapter, for three of these positions significant salary differences arose because of recent salary increases at LAUSD. For example, LAUSD recently changed how it compensates its general counsel, going from a salary range to a flat rate. This new flat rate pays 75 percent to 59 percent more than the prior salary's lowest and highest ranges, respectively. This increase in pay resulted from the recommendation of the Los Angeles City Board of Education's (Board of Education) attorney, coupled with market factors. Similarly, LAUSD's position for director of environmental health and safety also experienced large increases, 66 percent (low range) and 34 percent (high range), when converting from a salary range to a flat rate. LAUSD implemented these changes based on the recommendations of an employment consultant whose fees were a percentage of this salary. We discuss our concerns about this issue later in the chapter.

Although six administrators at LAUSD listed in Table 4 are the highest paid among the districts we surveyed, Table 4 also shows that LAUSD pays considerably less than the New York City school district for some positions, including controller (24 percent for the low range to 6 percent for the high range) and inspector general (26 percent for the low range to 22 percent for the high range).

LAUSD’s Costs for Facilities Management Have Been Substantially Higher Than in Other Out-of-State Districts

The chief facilities executive for LAUSD receives a substantially higher salary than similar administrators at the other districts, but he is expected to oversee a more aggressive construction effort. In addition, before it found a suitable appointee for this position, LAUSD relied on the services of a facilities consultant, to whom it paid considerable fees. For all these districts, the chief facilities executive oversees all facility-related activities, including the construction and maintenance of schools. At the Chicago school district, this administrator also assumes certain business-related duties, and at New York City school district the administrator also oversees environmental health and safety issues. Again, we cannot calculate the impact these differences in duties might have on salaries. As Table 5 demonstrates, LAUSD pays far more for this position than any other out-of-state district we surveyed.

TABLE 5

Salaries of Chief Facilities Executives in LAUSD and Out-of-State Districts

	LAUSD	New York	Chicago	Broward
Chief facilities executive				
Salary or salary range	\$190,000	\$150,500	\$133,900	\$97,856–136,304
Percent by which LAUSD pays more (less)		26%	42%	94% to 39%
Student enrollment	722,727	1,093,071	431,750	249,923
Number of local districts	11	42	6	4

Sources: LAUSD’s chief facilities executive personnel contract, our survey results, and LAUSD and New York City schools Web sites.

LAUSD believes its administrator deserves this salary level due to the great demands it places on this position, since it has plans to build 85 new schools in the next five years. Because we were aware of these plans, we asked each district in our survey how many schools it intended to build and discovered that LAUSD’s plans are more aggressive. Specifically, the New York City school district intends to build 54 schools, the Chicago school district is planning 20 schools, and the Broward County school district will construct 25 schools. LAUSD set this salary at \$190,000 based on market factors and provided us with a list of candidates

seriously considered for the position from both the public and private sector and current salaries for all but the successful candidate. The salary it awarded fell within this range of these candidates' salaries.

In one year LAUSD paid the former facilities manager \$477,250 in fees under a contract for which it did not seek competitive bids.

The salary awarded is significantly less than the payments LAUSD made to its consultant for one year of service. LAUSD hired an outside contractor to perform the duties of the chief facilities executive while it conducted a search for a candidate to fill the position permanently. According to the executive administrator of business and finance, the former interim superintendent and chief operating officer negotiated the contractor's hourly rate based on rates charged by senior facilities consultants at consulting firms. LAUSD originally intended the contract to last only four months, but it extended the contract's term several times and it ultimately lasted a year, costing a total of \$477,250. The executive administrator of business and finance explained the rate paid to the contractor, noting that LAUSD regularly pays rates greater than \$200 per hour for outside counsel to handle litigation for construction programs gone awry. The former interim superintendent and chief operating officer felt that paying a larger sum up front would help ensure proper construction of the schools and reduce future litigation fees.

Although LAUSD may be justified in paying such a large sum for facilities services, we would expect LAUSD to advertise the availability of the contract extensively, seek competitive bids, and document that process thoroughly. The executive administrator of business and finance indicated that the rate paid for the selected facilities contractor was actually below rates regularly paid to other top level consultants; however, LAUSD has not provided us its analysis demonstrating this comparison of rates. In fact, LAUSD did not solicit proposals from other candidates to fill this position. The executive administrator of business and finance further indicated that the former interim superintendent was familiar with the work performance of the consultant, had successfully engaged him in the past, and believed the consultant was the best choice for the facilities contract.

The Salaries for LAUSD's Local District Positions Differ From Those Paid by Other Districts

LAUSD pays its local district superintendents salaries that are comparable to those paid by the New York City school district, but that are considerably higher than those paid by the other two out-of-state districts in our survey. As we discussed previously,

only three of the districts we surveyed have an organizational structure similar to LAUSD's, in which one local district superintendent serves as the highest executive of each local district. The number of local districts varies among these school districts: LAUSD, 11; New York City, 42; Chicago, 6; and Broward County, 4. Table 6 compares these salaries at each local district, but the total costs would vary with the number of districts.

TABLE 6

Salaries of Local District Superintendents in LAUSD and Out-of-State Districts

	LAUSD	New York*	Chicago	Broward
Local district superintendents				
Salary or salary range	\$136,006–150,007	\$141,000	\$145,367	\$103,435–111,238
Percent by which LAUSD pays more (less)		(4%) to 6%	(6%) to 3%	31% to 35%
Average student enrollment per district	66,000	26,000	72,000	62,000
Number of local districts	11	42	6	4

Sources: LAUSD's local district superintendent personnel contracts, our survey results, and LAUSD and New York City schools Web sites.

* New York City Public Schools reported all but one local district superintendent earning a flat salary of \$141,000. There is one supervising superintendent who receives a flat salary of \$145,367.

To set these salaries, LAUSD indicated it selected a level comparable to the salaries of general superintendents of other school districts having a simpler organizational structure but a size comparable to that of its local districts. The school districts it says it surveyed were located both in and outside California. We also surveyed three California school districts of comparable size to LAUSD's local districts and found that LAUSD pays its local district superintendents significantly less than these general superintendents receive at the other districts, as Table 7 shows. However, as we discussed in Chapter 1, LAUSD's local district superintendents have limited decision-making authority when compared to these general superintendents and we would thus expect their salaries to be lower.

TABLE 7

Salaries of LAUSD’s Local District Superintendents and the General Superintendents in Comparable California Districts

	LAUSD	Fresno	Santa Ana	Sacramento
	Local superintendent	General superintendent	General superintendent	General superintendent
Salary or salary range	\$136,006–150,007	\$175,000	\$193,120	\$165,931
Percent by which LAUSD pays more (less)		(22%) to (14%)	(30%) to (22%)	(18%) to (10%)
	(Average)	(Actual)	(Actual)	(Actual)
Student enrollment	66,000	78,766	58,043	51,898

Sources: LAUSD’s local district superintendent personnel contracts, our survey results, and LAUSD Web site.

LAUSD also employs local district business managers to oversee all noninstructional activities, and as Table 8 shows, it pays them less than the New York City school district but more than the Chicago and Broward County school districts. Some duty differences that warrant disclosure do exist, but we cannot quantify the effect of these differences. Specifically, the business managers at Chicago and Broward County school districts oversee financial activities only and do not assume any other business-related responsibilities, such as food services and transportation.

TABLE 8

Salaries of Local District Business Managers in LAUSD and Out-of-State Districts

	LAUSD	New York*	Chicago	Broward
Business manager				
Salary or salary range	\$83,317–103,220	\$87,800–125,000	\$74,344–83,267	\$52,746–73,470
Percent by which LAUSD pays more (less)		(5%) to (17%)	12% to 24%	58% to 40%
Student enrollment	722,727	1,093,071	431,750	249,923
Number of local districts	11	42	6	4

Sources: LAUSD’s interim 2000 salary schedule, our survey results, and LAUSD and New York City schools Web sites.

* Each of the districts in our comparison employs one business manager for each district, with the exception of New York City Public Schools. This district employs 39 business managers for its 42 local districts, a ratio that is slightly less than one administrator for each district.

As shown in Table 9, LAUSD’s local district business managers and directors of instructional support services receive lower salaries than the three in-state districts pay their similar administrators. As mentioned earlier, we compared the central office positions at these school districts with LAUSD’s local district positions because they perform similar basic duties, such as finance and educational program development, with some differences in less core responsibilities. One of the local district positions we surveyed is not shown in the table because, from the survey responses of Fresno and Sacramento school districts, we were unable to identify a districtwide position with duties comparable to those of LAUSD’s local district school services director. However, Santa Ana school district indicated that it employs four administrators in a senior managerial position whose duties closely match those of LAUSD’s local district school services director. These administrators also have responsibilities in the areas of budget and facilities. Individually, LAUSD pays 13 percent (low range) to 3 percent (high range) less than Santa Ana.

TABLE 9

Salaries of Two LAUSD Local District Managers and General Managers in California Districts

	LAUSD	Fresno	Santa Ana	Sacramento
Business manager	(Local)	(General)	(General)	(General)
Salary or salary range	\$83,317–103,220	\$108,130–131,431	\$138,491	\$137,795
Percent by which LAUSD pays more (less)		(23%) to (21%)	(40%) to (25%)	(40%) to (25%)
Director of instructional support services	(Local)	(General)	(General)	(General)
Salary or salary range	82,654–103,077	108,130–131,431	127,778	88,165–112,524
Percent by which LAUSD pays more (less)		(24%) to (22%)	(35%) to (19%)	(6%) to (8%)
	(Average)	(Actual)	(Actual)	(Actual)
Student enrollment	66,000	78,766	58,043	51,898

Sources: LAUSD’s interim 2000 salary schedule, 2000-01 master salary table, our survey results, and LAUSD Web site.

LAUSD Provides a Few of Its Administrators Certain Benefits That May Not Be Offered by Other Districts

Some administrators at LAUSD are receiving certain types of compensation that other districts may not offer to administrators in equivalent positions. For example, LAUSD’s general superintendent currently receives a \$21,000 retirement annuity each year and has the potential to earn as much as \$100,000 in bonuses annually. Four of the six in-state and out-of-state districts we surveyed indicated that their general superintendents do not receive either of these types of compensation. The New York City and Broward County school districts chose not to respond to this portion of the survey. Twenty-four administrators at LAUSD have severance agreements written into their contracts that guarantee them the lesser of 18 months or the remainder of their contract in compensation upon termination. These positions include the general superintendent, the deputy superintendent of instruction, and the local district superintendents. Moreover, the severance agreement for one position at LAUSD—the general counsel—is even more lucrative, guaranteeing 18 months’ severance payment regardless of time served under the contract. Four of the survey respondents reported that they do not offer severance agreements to their administrators. One other district also reported not offering severance agreements, except it chose not to respond for its position of general superintendent. Finally, the remaining district did not respond to this section of the survey for any of its administrative positions.

LAUSD’s general superintendent has the potential to earn up to \$100,000 in bonuses annually.

ITS REORGANIZATION REQUIRED LAUSD TO QUICKLY REASSESS THE DUTIES AND COMPENSATION FOR MANY ADMINISTRATIVE POSITIONS

As these comparisons show, LAUSD provides a higher level of compensation to many of its administrators than other school districts provide for similar positions. Since the reasons for these differences in pay were not always apparent from the responses of school districts that answered our survey, we looked at the process LAUSD followed in determining its compensation levels for 46 high-level administrative positions to understand how it arrived at and justified these salaries. This process would normally include updating and rewriting descriptions of duties for established positions to accurately reflect their responsibilities under the new organization. Duty descriptions would also need to be written for new positions—the local district superintendents,

for example—for which no duty statements existed. Only after it completed these tasks would LAUSD have enough information on which to base a level of compensation commensurate with the current duties of each of the positions.

To be done thoroughly, each of the tasks involved in setting salary levels takes time, and when many positions are involved, as they were after the decision to reorganize LAUSD, even more time is needed. However, the Personnel Commission, which sets salaries for classified staff, and the Human Resources Division and general superintendent, responsible for setting salaries for certificated staff or recommending salaries for certificated staff for the Board of Education approval, had only a limited amount of time to make these crucial personnel decisions. The Board of Education voted to implement the reorganization in April 2000, effective at the beginning of July 2000; therefore, it allowed LAUSD only a few months to accomplish these tasks. Even though LAUSD anticipated the approval of the reorganization and began certain tasks prior to the final vote, evaluating positions and setting salaries affected by the reorganization was still a substantial undertaking for such a short period.

IT IS IMPORTANT THAT LAUSD’S PROCESSES FOR ESTABLISHING SALARIES BE REASONABLE AND WELL DOCUMENTED

Although we recognize that LAUSD needs some flexibility in recruiting and hiring capable administrators, we also believe that its processes should inspire confidence in the appropriateness of their results. LAUSD used many different methods to set compensation levels for its administrators. In some cases, these methods followed written procedures, but in others they did not. When LAUSD applied these methods, it did not always sufficiently document its process for setting salaries, and in some cases, it made decisions based on job descriptions that predate its reorganization. Thus, LAUSD left itself vulnerable to accusations of lacking objectivity, thoroughness, and guidelines for consistency. Further, as a public entity, LAUSD has a fiduciary responsibility to be able to demonstrate that its use of public resources is prudent. Ways to inspire such confidence are to establish reasonable procedures, follow these procedures consistently and document them adequately, and base salary decisions on current information.

A lack of written procedures, updated job descriptions, and documentation of its process places LAUSD in a difficult position to defend the appropriateness of some of its salaries.

In some cases LAUSD could provide only assertions, but no documentation, that it took certain steps when setting salaries.

Tables 10 through 12 in the following sections indicate the methodologies LAUSD used to set salaries and summarize our conclusions about how effectively it implemented its methodologies for each of the 46 administrative positions we reviewed. We believe that each of these methodologies, as described to us, can be reasonable and adequate if followed and documented sufficiently. For example, when LAUSD asserts that it considered “market factors” in setting salaries, we would expect to see on file a salary survey of comparable positions at other organizations, correspondence with an employment consultant, qualifications of candidates seriously considered for a position along with their current salaries, and/or evidence of a reasonable attempt to attract numerous qualified candidates. However, we found a wide range of documentation, from LAUSD providing us only with assertions that it took certain steps, to partial documentation, or complete documentation of the salary determination process. In ensuring that salary decisions were fully documented, we were concerned that such decisions were based on current and relevant information. If any one of these conditions was not met, we concluded that LAUSD had not adequately supported its salary decisions.

Because the reorganization plan discussed the shifting of authority to the local level, we anticipated that many central office positions would see a decrease in compensation. Instead, the opposite is true. Although a total of 10 of the 46 positions we reviewed took a cut in pay, only 2 positions—the assistant superintendent of special education and the budget director—experienced as much as a 4 percent salary reduction. The other 8 positions each received a decrease in pay of approximately 1 percent. Of the remaining 36 positions, 22 existed before the reorganization and received increases ranging from 1 percent to 75 percent.

SOME OF LAUSD’S METHODS FOR ESTABLISHING CLASSIFIED SALARY LEVELS APPEAR SUBJECTIVE

The Personnel Commission did not follow written guidelines when determining salary levels for the classified administrative positions we reviewed. Instead, it used a wide variety of methods but lacked formal guidance over which method was appropriate to use in any given situation. Some decisions on salaries appear subjective and questionable because the Personnel Commission relied on job descriptions that predate the reorganization, did

not adequately document its process, and, in one instance, adopted a salary based on a recommendation from a consultant with a conflict of interest.

The Personnel Commission used a variety of methods to set salaries but lacked formal guidance over which method was appropriate in any given situation.

The Personnel Commission provided us with its written policy detailing a point factor system as one of the procedures it uses for determining the salaries for classified staff. However, after we reviewed recent salary decisions and found that it had not followed this procedure, the personnel director, who works under the direction of the Personnel Commission, told us that the Personnel Commission occasionally uses the written procedures, but it is the exception rather than the rule. She further explained that a reduction in Personnel Commission staff caused the point factor process to be no longer feasible because it is time consuming. She added that the Personnel Commission is now using a wide variety of procedures to set salaries for classified administrators, but that it has not put these procedures in writing. According to the deputy personnel director, these compensation practices are accepted in the personnel profession. Nevertheless, we believe written guidance on when and how to use them would provide needed consistency in their application.

Table 10 lists the 20 classified positions we reviewed, the salaries currently assigned to each, and the methods used to determine the salaries. As the table indicates, the Personnel Commission used several different techniques—surveys, internal alignment, employment consultants, and market factors, all of which we discuss in the Introduction—to set salaries for classified administrators. The table also shows the instances in which we concluded the overall procedures were reasonable and well documented.

Five Salary Determinations for Classified Administrators Appear Appropriate and Well Documented

When determining the salary levels for five classified positions—chief facilities executive, medical director of employee health services, personnel director, inspector general, and local district business managers—the Personnel Commission followed reasonable procedures to set a defensible salary. For example, as Table 10 indicates, it relied on two different methods for determining the salary level for the position of medical director of employee health services: internal alignment and a salary survey. Although the Personnel Commission did not thoroughly document the internal alignment methodology for this position,

TABLE 10

Methods Used to Determine Salaries for 20 Classified Positions

Positions	Salary or Salary Range	Percent Change From Prior Year	Up-to-Date Job Description *	Salary Survey	Employment Consultant	Market Factors	Internal Alignment	Method Is Fully Documented and Based on Current, Relevant Information?
Chief financial officer	\$195,000–205,000	65–42	Yes	✓ [†]		✓		No
Chief operating officer	195,000–205,000	2–7	Yes			✓	✓	No
Chief facilities executive	190,000	61–31	Yes			✓		Yes
Chief information officer	190,000	new position	Yes	✓ [†]	✓	✓		No
Director of modernization—existing facilities	119,808–146,562	21–19	Yes			✓	✓	No
Director of school building planning	119,808–146,562	21–19	Yes			✓	✓	No
Business manager	119,808–146,562	1	Yes				✓	No
Medical director of employee health services	129,857–143,624	1	Yes [‡]	✓			✓	Yes
Director of environmental health and safety	139,360	66–34	Yes		✓	✓	✓	No [§]
Director of legislative affairs and governmental relations	130,000	42–14	Yes			✓	✓	No
Controller	100,516–124,527	1	Yes	✓ [†]				No
Director of facilities support services	100,516–124,527	new position	Yes			✓	✓	No
Director of maintenance and operations	100,516–124,527	20	Yes				✓	No
Personnel director	103,597–122,096	13–7	Yes	✓			✓	Yes
Budget director	118,144	19–(4)	No				✓	No
Inspector general	107,692–113,620	1	Yes	✓				Yes
Director of program evaluation and research	83,317–103,220	(1)	No				✓	No
Local district business manager	83,317–103,220	new position	Yes	✓			✓	Yes
Assistant personnel director of selection	76,687–94,939	(1)	No	✓			✓	No
Deputy personnel director	83,070–102,882	(1)	Yes				✓	No

Sources: LAUSD's personnel contracts, 2000-01 master salary table, interim 2000 salary schedule, 1999 salary schedule, salary surveys, classification studies, memoranda, and consultant assessments.

* We consider an up-to-date job description to be one created after the reorganization, or within six months prior to the implementation of the reorganization, or one for which evidence exists that duties were not affected by the reorganization.

[†] The salary survey did not yield meaningful results because the survey either produced an extremely wide range of salaries or is too outdated to be considered useful.

[‡] The job description for the medical director of employee health services is dated January 1996. The reorganization plan states that health service positions are better left at the central level; thus, we believe it is reasonable to expect no changes to the duties of this position as a result of the reorganization.

[§] LAUSD provided us candidate salaries ranging from \$95,000 to \$225,000 annually and assessments conducted by its employment consultant, but the consultant's fee was based on a percentage of the salary it recommended. This is a conflict of interest and raises questions about the appropriateness of the salary.

^{||} LAUSD determined the salary of this position using a salary survey. However, LAUSD needs an updated job description before the survey data can be meaningful.

In determining the salary for a medical director, the Personnel Commission conducted a salary survey of similar positions that produced a reasonable range of compensation.

the salary survey it conducted for the position returned a meaningful salary range that it subsequently adopted—that is, the survey was of similar positions and produced a reasonable range of salaries. By following and documenting this survey procedure sufficiently, the Personnel Commission can explain why this position receives a higher compensation than similar positions at other districts. Although it followed reasonable procedures to establish the salary for this position and four others, the Personnel Commission did not apply these same standards when determining the salaries for the remaining 16 classified administrators.

Three Classified Administrators Are Receiving Salaries That May Not Reflect Their Current Responsibilities

The Personnel Commission has not updated the job descriptions for three positions since its reorganization, nor has it documented that it is not necessary to do so. LAUSD’s reorganization plan states that “nearly all departments and positions are impacted by the current reconstitution of the central office, so it has been necessary to review all positions and job descriptions.” Thus, we believe it is reasonable to expect evidence that the Personnel Commission reviewed each administrative position and either updated its duties or noted that the duties had not changed. Without this review, LAUSD cannot demonstrate it is paying salaries that are commensurate with the current responsibilities of these positions.

The Personnel Commission last updated the job descriptions for the positions of budget director, director of program evaluation and research, and assistant personnel director of selection in September 1994, February 1999, and April 1999, respectively. According to the executive administrator of business and finance, the chief financial officer reviewed the duties of the budget director at the beginning of the selection process when this position was filled in September 2000. LAUSD was unable to provide evidence of this review. In addition, the executive administrator stated that the managers who supervise the other two positions believe that the reorganization did not affect either position’s responsibilities. Although the job descriptions for these positions may not have changed, we believe the effect of the reorganization and the creation of new positions at least warrant a documented review of the positions’ duties to determine whether or not they have been affected, especially given their high-level placement within the district.

A Lack of Recordkeeping Raises Questions as to the Appropriateness of Some Classified Salaries

For many of the positions listed in Table 10, the Personnel Commission could not provide sufficient documentation supporting the salaries it had set. It either failed to document its process of internal alignment adequately, could not provide us with any contemporaneous correspondence from the employment consultant involved in salary decisions, or was unable to provide evidence of its actions when it based salary decisions on market factors. We have concerns regarding not only the limited extent to which the Personnel Commission documented its process, but also regarding when the documentation it does have was created. When we asked how it had made its salary decisions, LAUSD acknowledged that it would have to create these explanations and related documentation for many positions because it had not done so as it made its decisions. As a result, in many instances the Personnel Commission was able to provide us with only partial documentation of the process, and it offered current explanations of past actions when we had questions that arose from the lack of documentation.

The Process of Internal Alignment Has Not Always Been Sufficiently Documented

The Personnel Commission could not always demonstrate why positions that it considered aligned were actually comparable and therefore warranted the same salary. The method of internal alignment determines the appropriate salary for one position by aligning it with another position or positions with comparable responsibilities. For example, it aligned the position of director of maintenance and operations with an existing facility-related position to determine its salary level. However, the Personnel Commission was unable to provide a study that concluded that these two positions had similar responsibilities and therefore warranted the same salary. Although both positions hold the title of “director,” the annual salaries for directors at LAUSD range from \$55,000 to \$147,000. The documents prepared at the time suggest that the former interim superintendent and chief operating officer made the decision to align these two positions. This new alignment resulted in a 20 percent increase in salary for the director of maintenance and operations.

The method of internal alignment determines the appropriate salary for one position by aligning it with another position or positions with comparable responsibilities.

Use of Employment Consultants for Recommending Salaries Has Not Always Been Adequately Documented

For one salary that the Personnel Commission determined in consultation with its employment consultant—the salary for its chief information officer—LAUSD provided us very little documentation that was prepared at the time the salary was set. The executive administrator of business and finance explained that the Personnel Commission set this salary based upon the recommendation of an employment consultant and the amount needed to attract a well-qualified employee. The consultant was able to recreate some of the process used and provided a wide range of candidates' current salaries (\$145,000 to \$225,000) but did not identify candidates, while the executive administrator of business and finance provided a list of specific candidates but not their salaries. We were unable to reconcile the salaries provided by the consultant and the candidates provided by LAUSD.

Apparently much of the communication between the Personnel Commission and its consultant was not in writing, even though the contract required the contractor to send a client report summarizing the pertinent candidate information. The lack of documentation undermines LAUSD's ability to explain why, as Table 4 on page 31 shows, this administrator makes substantially more than administrators do in similar positions at other districts. LAUSD also provided us with a salary survey, which included the salaries of chief information officers at other governmental and nonprofit organizations; however, we have the same concerns with the wide range of responses for this survey as with the survey for the chief financial officer, which we discuss later in the report.

Salary Decisions Based on Market Factors Had Only Limited Documentation

In a few additional instances in which the Personnel Commission based its salary decisions on market factors in its attempt to attract a desirable candidate, it could provide only limited information regarding the process of determining compensation. For example, the district increased the high range of the salary of the director of school building planning by 19 percent at the request of the former interim superintendent and chief operating officer. By way of explanation, the executive administrator of business and finance cited LAUSD's failure over the previous few

LAUSD did not provide documents demonstrating that it had made diligent efforts to hire an appropriate candidate.

months to hire a private sector candidate and explained that this increase was necessary to hire the talent it desired, in view of plans to build many new schools in the next five years. In response to our questions, this administrator further indicated that LAUSD felt that in the private sector positions with less responsibility were paid at this level and therefore the increase was warranted.

Although we believe LAUSD is probably correct that it is difficult to attract a competent executive in this field, LAUSD did not provide documents demonstrating what it had done to attract candidates. We would expect such documents to demonstrate LAUSD's diligent efforts over the previous months to hire an appropriate candidate. They might also contain a salary survey showing that private sector positions with less responsibility are paid at this level. Our concerns with the lack of documentation are exacerbated since, subsequent to awarding this salary, LAUSD aligned its position of director of modernization—existing facilities with its director of school building planning. This resulted in a 19 percent increase in salary as well.

These positions are not the only ones to experience a lack of such documentation. In fact, the positions of chief operating officer and director of facilities support experienced it as well. For one of these positions—chief operating officer—the executive administrator of business and finance provided an additional explanation that LAUSD also based this administrator's salary on internal alignment between the general superintendent (\$250,000) and the next lowest classifications—specifically, the chief financial officer (\$195,000 in the first year of employment and \$205,000 in the second year) and the chief facilities executive (\$190,000). However, the chief operating officer's salary (\$195,000 in the first year and \$205,000 in the second year) does not fall between those for the general superintendent and the next two administrators.

In Some Cases LAUSD Followed Its Process to a Questionable Result

Surveys that return wide salary ranges provide limited justification for salary decisions.

The Personnel Commission's methods for determining salaries for some positions provided limited justification for the salary awarded. These methods included the use of surveys, internal alignment, and a consultant's recommendation. The salary survey for the chief financial officer included the salaries of chief financial officers at other governmental and non-profit organizations and produced such a wide range, \$66,721 to \$316,500,

that the Personnel Commission indicated in a memorandum that recommendations based on the survey are “difficult.” When we questioned the meaningfulness of the survey, the executive administrator of business and finance responded that a broad range of rates “is not unusual in the collection of salary information” and pointed out that the survey produced two basic ranges, one for all reporting companies (\$177,300 to \$316,500) and one for government (\$106,400 to \$193,700). The salary, \$195,000 in the first year and \$205,000 in the second year, exceeds the high range for government, but falls within the range for the companies.

The executive administrator of business and finance also argued that this data should be coupled with “judgment, market factors, and recruitment needs in determining salaries.” We definitely agree that, given the limitations in the results that make use of the survey “difficult,” LAUSD should have considered additional factors; however, we were provided no documentation, such as a list of candidates and their current salaries, other than a summary of the survey. Nevertheless, LAUSD awarded a salary and the high range of the position experienced a 42 percent increase in pay. The use of this survey puts LAUSD at a disadvantage for justifying why its chief financial officer receives as much as 73 percent more (high range) in compensation than the chief financial officers in other districts, as Table 4 on page 31 shows.

LAUSD Did Not Identify Some Positions Selected for Internal Alignment and Some Classification Studies Were Dated

In some instances in which the Personnel Commission relied on internal alignment to determine salaries, it did not specifically identify the position or positions it selected for alignment. Thus, the process provided little justification for the level of compensation awarded. As an example, for the director of legislative affairs and governmental relations, the Personnel Commission indicated it internally aligned the salary for the position with “other senior management classifications” in the district. However, the salaries of management classifications in the district range from as low as \$92,456 to as high as \$250,000. The salary for this position was set at \$130,000, a 14 percent increase over the prior year’s highest salary range. When salary ranges vary widely, it is not clear how the Personnel Commission determines that an increase of this size is appropriate. Nor does it explain, as demonstrated in Table 4 on page 31, why this position receives as much as 33 percent more (high range) than similar positions at other districts.

In some instances LAUSD did not identify the position or positions it selected for alignment; thus, the process provided little justification for the level of compensation awarded.

For the positions of deputy personnel director, business manager, and budget director, the most recent classification studies on which the Personnel Commission based its internal alignment are dated—1987, 1983, and 1972, respectively—and are of questionable value, not only because of their age, but because LAUSD has changed organizationally since it completed these studies.

LAUSD Used an Employment Consultant Not Independent of the Salary-Setting Process

Finally, the employment consultant firm the Personnel Commission used to recommend a salary for the position of director of environmental health and safety was not completely independent of the process, which had the potential to affect the appropriateness of the salary. We believe that using consultants to help establish salaries is reasonable and fair, as long as the consultant is diligent and truly independent. However, the consultant firm’s contract with LAUSD stated that they would charge “one-third of the first year’s total cash compensation, including incentive, for the position we are seeking to fill.” This arrangement compromises the consultant’s independence, since the higher the candidate’s salary is, the more the consultant will earn. The resulting salary amounted to a 34 percent increase (high range) for the position, making it the highest paid among similar positions at the districts we surveyed. As Table 4 on page 31 demonstrates, this administrator is paid as much as 64 percent more (high range) than his counterparts. The contract also includes four other positions for which the consultant was to provide services, with payment based on contingent fees; however, it is not clear whether the consultant helped to set the salaries for these other positions.

The employment consultant firm LAUSD used to recommend the salary of at least one position based its fee on the salary it helped set.

Although the executive administrator of business and finance has indicated that the practice of charging based upon the salary of the position is the industry standard, especially for high-level positions, LAUSD had two additional employment search contracts based on flat, not contingency, fees. One of these flat fee contracts was to fill the position of general superintendent, the highest, and arguably the most important position within the district.

LAUSD DID NOT ALWAYS FOLLOW ITS WRITTEN PROCEDURES WHEN ESTABLISHING CERTIFICATED SALARY LEVELS

Although the Human Resources Division has written procedures that provide for a clear and objective way to determine salaries for certificated staff, it did not always follow its policy to conduct compensation studies. Instead, it sometimes relied on old studies, and in two instances it followed a recommendation in its reorganization plan. Some salary decisions also appear questionable because the Human Resources Division set the salaries without an existing job description or did not sufficiently document all salary determinations.

The written procedures the Human Resources Division has for setting salaries for certificated staff call for a compensation study, described in the Introduction, to evaluate the responsibilities of each position and set the related salary based on an established range of salaries. In a few instances, the Human Resources Division substituted alternative salary-setting methods for the compensation studies. For the highest levels of certificated administrators, the general superintendent and the Board of Education make the determination of salaries. Of the 26 categories of certificated positions we reviewed, the Human Resources Division's policy to use compensation studies applied to 11 positions. For the remaining 15 certificated positions, salary decisions were made by others. Table 11 lists the 11 positions we reviewed for which the Human Resources Division, according to its policy, should have used compensation studies to establish salary levels.

LAUSD's Justification for Some Certificated Salaries Appears Reasonable

When determining the salary levels for three of its certificated positions, the Human Resources Division followed reasonable procedures to arrive at a defensible salary. For example, to determine the salaries of two positions—administrator of certificated employment operations and administrator of personnel services and research—the Human Resources Division completed compensation studies in October 2000. It had originally begun these studies several years before the reorganization but then recognized that its salary recommendations might no longer be appropriate. As a result, the Human Resources Division studied these two positions again and made the necessary adjustments to the salary levels.

The Human Resources Division followed reasonable procedures to arrive at a defensible salary for three certificated positions.

TABLE 11

Methods Used to Determine Salaries for 11 Certificated Positions

Positions	Salary or Salary Range	Percent Change From Prior Year	Up to Date Job Description *	Salary Study Reassessment	Reasonable Alternative	Method Is Fully Documented and Based on Current, Relevant Information?
Director of student medical services	\$129,857–143,624	1	Yes		✓†	Yes
Administrative coordinator of staff relations	84,708–105,638	(1)	Yes‡	✓		No
Administrator of certificated employment operations	84,708–105,638	2	Yes	✓		Yes
Administrator of personnel services and research	84,708–105,638	2	Yes	✓		Yes
Administrative coordinator of certificated personnel	82,654–103,077	(1)	Yes	✓		No
Director of information management	82,654–103,077	(1)	§	§		No§
Director of school management services	82,654–103,077	(1)	Yes			No
Director of student information systems	78,247–97,617	5	No	#		No
Director of policy research and development	84,708–105,638	(1)	Vacant	**		No
Director of instructional support services, local district	82,654–103,077	new position	Yes‡		✓††	No
Director of school services, local district	82,654–103,077	new position	Yes‡		✓††	No

Sources: LAUSD's 2000-01 master salary table, 1999-2000 master salary table, compensation studies, salary surveys, and memoranda.

* We consider an up-to-date job description to be one created after the reorganization, or within six months prior to the implementation of the reorganization, or one for which evidence exists that duties were not affected by the reorganization.

† LAUSD's Human Resources Division based this salary on internal alignment and a salary survey.

‡ LAUSD's job descriptions for these positions are drafts. The Human Resources Division does not anticipate any substantive changes between the draft and the final description.

§ A salary study reassessment was completed for this position in April 2001 based on a questionnaire completed by the administrator in the position. However, we believe that the study was not conducted in a timely manner.

|| A former LAUSD superintendent originally set the salary for this position. The Human Resources Division later conducted a study in November 1998, which affirmed that the existing salary level was appropriate. However, this study was never approved, nor has it been reassessed since the reorganization.

The Human Resources Division completed a salary study for this administrator; however, this study does not identify which position this administrator is filling, nor could LAUSD provide us a job description.

** A former LAUSD superintendent originally set this salary. A salary study was later conducted by the Human Resources Division but found the existing salary level to be too high. The study was never approved and no action was taken by LAUSD to correct the salary level.

†† The Human Resources Division set these salaries based on the recommendations in its reorganization plan.

Although LAUSD did not perform a compensation study for one position, it substituted and documented a reasonable alternative.

Although it did not perform a compensation study for the position of director of student medical services, the Human Resources Division substituted and documented a reasonable alternative. This alternative involved conducting a salary survey of similar positions in Los Angeles County to determine a proposed salary and then aligning the position with its medical director of employee health services to arrive at a final salary. Although the Human Resources Division followed reasonable procedures to arrive at a defensible salary for these three positions, it did not apply these same standards when determining the salaries for the remaining certificated administrators.

The Human Resources Division Did Not Consistently Perform Compensation Studies and Document Internal Alignment When Determining Certain Salaries

The Human Resources Division relied on the recommendations in the reorganization plan for the salaries of two positions, even though the plan deferred the final salary determination to compensation studies. The district's reorganization plan recommends that for two positions—director of instructional support services (local district) and director of school services (local district)—LAUSD provide salaries comparable to what elementary and secondary school principals receive. According to the assistant director of personnel research and analysis, the Human Resources Division plans to perform compensation studies for these positions in fall 2001.

Although salary recommendations in the reorganization plan seem to be based on internal alignment, LAUSD was unable to provide documentation demonstrating that these positions have comparable responsibilities and therefore warrant similar salaries. The executive administrator of business and finance indicated because "it is intuitively clear that a position should be paid as much or more than the principal-level subordinates who are supervised, formal documentation was limited to a simple statement of the obvious." However, we see a wide range of differences in salaries between supervisors and subordinates within LAUSD; therefore, without additional information, such as the studies mentioned in the plan, it is not clear that the salaries awarded are appropriate.

The Human Resources Division Did Not Thoroughly Reassess a Few Positions or Create a Job Description to Better Justify Salaries

Even though, at the time of our fieldwork, the Human Resources Division reassessed some salary studies conducted prior to LAUSD's reorganization it had yet to do so for two positions—the director of information management and the director of school management services. LAUSD's reorganization plan states that "it has become necessary to review all positions and job descriptions." Although one of these positions was recently studied in April 2001, the Human Resources Division does not intend to restudy the other position because there has been no request to do so. Neither position was identified in LAUSD's reorganization plan as one that would not be affected as a result of the reorganization; therefore, we believe that it is reasonable to expect both positions to be restudied, regardless of whether a request to do so has been made. For another two positions—administrative coordinator of staff relations and administrative coordinator of certificated personnel—an assistant director in the Human Resources Division asserted that reassessments were performed; however, no documentation was kept.

LAUSD did not reassess the salary surveys for two positions, and for two others it did not keep documentation showing its reassessment.

In addition to not completing all the necessary reassessments of compensation studies, LAUSD is providing a salary to one administrator—the director of student information systems—when there is no current job description for the position. Without this job description, LAUSD would have difficulty justifying that it is paying a salary that is commensurate with the duties being performed.

SOME SALARY RECOMMENDATIONS FOR HIGH-LEVEL ADMINISTRATIVE POSITIONS APPEAR REASONABLE, BUT OTHERS APPEAR ARBITRARY

Administrators used a variety of methods for recommending salaries for some high-level administrative positions without policy guidelines identifying which methods were appropriate in each situation. Like the Personnel Commission and the Human Resources Division, these administrators sometimes relied on job descriptions that predate the reorganization and did not adequately document salary decisions. Although we recognize the need for flexibility in arriving at these recommendations,

especially for high-level positions for which LAUSD may have a limited pool of qualified candidates available, such practices give the appearance of arbitrary decision making.

When LAUSD's Human Resources Division determines that a certificated position would earn the maximum score on a compensation study, the actual salary recommendation is made by the general superintendent or other high-level administrators, subject to Board of Education approval. Table 12 shows the 15 certificated positions we reviewed for which these administrators decided the salary levels. This table also lists the various methods used by these administrators and the cases in which they relied on job descriptions that predated the reorganization.

Administrators Recommended Salaries for Certain Associate and Assistant Superintendents in a Reasonable Way

By using internal alignment and historical precedent, the Board of Education and the general superintendent were reasonable in setting the salaries for 8 of these 15 certificated positions. For these positions with comparable defined responsibilities, which include all 3 associate superintendents and 5 assistant superintendents, the general superintendent internally aligned each within its respective group to ensure that they received similar salaries for comparable responsibilities. The salary levels were then set based on how much the district has historically paid these positions, since the assistant superintendent and associate superintendent classifications have existed within LAUSD for many years. For assistant superintendents, LAUSD ensured further that these salary levels were appropriate by conducting surveys of other districts in the State. For example, LAUSD completed a salary survey for fiscal year 1999–2000 that included responses from twenty other school districts.

By using internal alignment and historical precedent, the Board of Education and the general superintendent were reasonable in setting the salaries for 8 of the 15 certificated positions.

Recommended salaries for two additional assistant superintendents were also based on historical precedent and internal alignment; however, neither of the two positions had a current job description. This raises a concern as to whether the positions actually have the duties of an assistant superintendent, thus warranting an assistant superintendent's level of pay. The five remaining certificated positions either did not have completed job descriptions, LAUSD justified salaries after a salary level was set and an employment contract signed, or used procedures that

TABLE 12

Methods Used to Determine Salaries for 15 Certificated Positions

Positions	Salary or Salary Range	Percent Change From Prior Year	Up-to-Date Job Description*	Historical Precedent	Market Factors	Salary Set Comparable to Other Districts	Internal Alignment	Method Is Fully Documented and Based on Current, Relevant Information?
General superintendent	\$250,000	30	Yes [†]		✓	✓		No
General counsel	225,000	75–59	No		✓			No
Deputy superintendent of instruction	170,000	new position	No		✓		✓	No
Local district superintendent	136,006–150,007	new position	Yes [†]		✓	✓	✓	No
Associate superintendent of specially funded and parent community programs	97,994–122,096	new position	Yes [†]	✓			✓	Yes
Associate superintendent of human resources	97,994–122,096	new position	Yes [†]	✓			✓	Yes
Associate superintendent of planning, assessment, and research	97,994–122,096	new position	Yes [†]	✓			✓	Yes
Assistant superintendent of adult and career education	92,898–115,596	1	No	✓			✓	No [‡]
Assistant superintendent of student health and human services	87,945–109,434	1	Yes [†]	✓		✓	✓	Yes
Assistant superintendent of professional development, elementary education, and language acquisition	87,945–109,434	new position	Yes [†]	✓		✓	✓	Yes
Assistant superintendent of secondary education and school support services	87,945–109,434	new position	Yes [†]	✓		✓	✓	Yes
Assistant superintendent of early childhood education	87,945–109,434	1	Yes [†]	✓		✓	✓	Yes
Assistant superintendent of extended day programs	87,945–109,434	new position	Yes [§]	✓			✓	No [§]
Assistant superintendent of special education	87,945–109,434	(4)	Yes [†]	✓			✓	Yes
Assistant superintendent of instructional technology	87,945–109,434	new position	No	✓		✓	✓	No [‡]

Sources: LAUSD's personnel contracts, 2000-01 master salary table, 1999-2000 master salary table, memoranda, and salary surveys.

* We consider an up-to-date job description to be one created after the reorganization or within six months prior to the implementation of the reorganization, or one for which evidence exists that duties were not affected by the reorganization.

[†] LAUSD's job descriptions for these positions are drafts. The Human Resources Division does not anticipate any substantive changes between the draft and the final description.

[‡] LAUSD aligned these positions with other assistant superintendent positions. However, LAUSD needs a current job description before the internal alignment with similar positions can be meaningful.

[§] Since the job description for this position was created in April 2001, after the salary had been set and an employment contract signed, this process was not timely.

were not documented when determining salary levels. We discussed one of these positions, the local district superintendent, at page 35, another is discussed in a note to Table 12, and we discuss the other three positions below.

Inappropriate Salary Levels May Have Resulted When LAUSD Failed to Create or Update Job Descriptions

Without current job descriptions, LAUSD cannot demonstrate it is paying salaries commensurate with the positions' current responsibilities.

Since its reorganization, LAUSD has not updated the job description for one position—general counsel—and has not created a job description for a new position—deputy superintendent of instruction. Without current job descriptions, LAUSD cannot demonstrate that it is paying salaries commensurate with the positions' current responsibilities. Although LAUSD indicated that it is now creating a job description for the position of deputy superintendent of instruction, it would have difficulty justifying the appropriateness of this position's current salary level, since such a description is a necessary part of the salary determination process.

For the position of general counsel, LAUSD indicated that it is currently updating this job description and expects the duties to include a more proactive approach to legal services, a significant change from the prior philosophy. LAUSD expects this new focus to increase the number of in-house staff, to involve legal staff in more routine district decisions, and to reduce the need to hire outside firms. This may help explain why this position just received a 59 percent salary increase over the high range paid previously. However, we are also aware of at least one change that will reduce the responsibilities of this position. LAUSD intends to remove the compliance functions related to educational equity and equal opportunity from the direction of the general counsel.

The executive administrator of business and finance indicated the new salary for this position was based on the recommendation of the Board of Education's attorney coupled with "market factors." Nonetheless, LAUSD did not provide us with documentation supporting what market factors it considered, and responded that "common knowledge of what CEOs (sic) of similar organizations are paid suggests that market factors were effectively used in arriving at this salary and that the salary is not unreasonable." This process does not help explain why, as Table 4 on page 31 shows, the salary for this position is as much as 67 percent higher than the salaries for similar positions in other districts.

LAUSD indicated it relied on market factors to set the salary of its general superintendent; however, the employment consultant hired to fill the position provided only minimal documentation of its efforts.

The limited extent to which certain salary decisions were documented raises concerns as to the appropriateness of the pay levels, since without this support decisions appear arbitrary. For example, for the general superintendent's position, LAUSD relied on a consultant to search for candidates, but did not provide us with any documentation specifically required in the consultant's contract regarding the candidates considered for the position. These requirements included the preparation of a "master roster of nominees" summarizing each individual's vital characteristics, current status, and other noteworthy circumstances. Instead, LAUSD provided us with two newspaper articles referring to two candidates it tried to attract, as well as a survey that included the salaries for the general superintendents of the 10 largest districts in the nation. These districts have enrollments ranging from 140,700 students to 1,093,071 students and salaries ranging from \$150,000 to \$260,000. LAUSD set the general superintendent's salary at \$250,000, plus an annual retirement annuity of \$21,000 and the potential to receive an annual \$100,000 bonus. This position received a 30 percent increase in salary from the prior year, making the general superintendent the highest paid among the districts we surveyed, as Table 3 on page 30 shows.

When hiring the deputy superintendent of instruction, LAUSD indicated it offered a salary it considered necessary to convince this individual to leave her previous place of employment. In other words, market factors determined the salary offered. LAUSD could not provide any additional information, such as the extent of recruiting it conducted to attract candidates. This limited information also does not explain why this position receives between 9 percent to 25 percent (high ranges) more than similar positions at other districts, as Table 4 on page 31 indicates.

VAGUE PERFORMANCE STANDARDS MAKE ACCOUNTABILITY DIFFICULT

LAUSD may be unable to effectively assess the performance of certain high-paid administrators because it has not established specific, easily measurable performance standards for the positions. Some performance standards, such as certain standards for the general superintendent and local district superintendents, are vague and are open to subjective results. Although LAUSD is in the process of defining performance measures for many other administrators, these positions currently have none.

Some Performance Measures for the General Superintendent Are Clear, but Others Are Not

Many of the performance measures incorporated into the general superintendent's contract are too vague to provide a reasonable basis for evaluating his performance. As the highest executive for the district, the general superintendent has a major impact on LAUSD's success, and LAUSD has a significant financial and operational investment in this position. It is therefore crucial that LAUSD be able to measure his performance sufficiently and objectively.

Many of the performance measures outlined in the general superintendent's contract do not explicitly define the expectations of this important position.

The general superintendent's contract lists six performance measures related to his wide range of responsibilities, which include improving student achievement. The contract then weights the importance of each by assigning them percentages. For example, the contract assigns a 30 percent weight to student achievement, which means that 30 percent of the general superintendent's evaluation will be based on this measure. The contract then lists indicators of student achievement, such as a districtwide improvement of at least 5 percent in the Stanford 9 test scores between fiscal years 1999-2000 and 2000-01. This is a clear and quantifiable performance measure because it incorporates a state-adopted student achievement test and a threshold for improvement that mirrors the State's recommended improvement rate.

However, the other indicators of the student achievement are less detailed and are open to subjective interpretation. For instance, there are several references to the "successful" implementation of various instructional programs or standards. LAUSD's general superintendent indicated that he and the Board of Education have a mutual understanding of what it means to successfully implement the programs listed in his contract. However, "successful" implementation is never defined: Does it merely mean implementation, implementation as of a certain date, or implementation with specific results?

The remaining performance measures are clearly for important areas, but also have some vague deliverables. The contract sets up performance measures for facilities issues (30 percent), personnel issues (10 percent), organizational structure and integrity issues (10 percent), technology issues (10 percent), and subjective measures (10 percent), but each of these different measures has indicators that are not specific, including the "implementation" of various programs and plans.

LAUSD's general superintendent explained that the performance measures regarding student achievement are based on literacy and mathematics plans that specifically spell out the necessary steps to improve student achievement. He further explained that he and the Board of Education routinely hold discussions to assess his progress in carrying out the student achievement plans and accomplishing LAUSD's goals. The general superintendent provided us an outline of one of these meetings in March 2001 when the Board of Education and the general superintendent discussed his midyear performance evaluation. The outline provided specific examples of what he has achieved in each of the six performance areas, including the reading plan, mathematics plan, facilities master plan, and technology plan.

Although the general superintendent and the Board of Education may have a mutual understanding of specific deliverables the general superintendent is expected to meet, and they hold meetings to discuss the performance evaluation, a clear definition of these deliverables should be written down to avoid any miscommunication. Given that the majority of these indicators are not specific, we believe it will be difficult for LAUSD to measure the general superintendent's performance objectively and hold him accountable if he does not meet expectations.

LAUSD Has Not Fully Defined the Performance Measures for Local District Superintendents

LAUSD is relying on undefined measures to assess the performance of its local district superintendents for the current year, but it proposes more defined measures for fiscal year 2001–02, and the years that follow. The current year's process requires each local district superintendent to meet with the general superintendent and deputy superintendent to demonstrate what he or she has done to further the goals of LAUSD. Also, each local district superintendent is to submit a description of his or her efforts in implementing change. This description may be in any form that meets the needs of the local district superintendents, including the submission of a portfolio.

According to the deputy superintendent of instruction, these goals include the three general areas of reading, mathematics, and professional development. However, specific expectations for each of these areas have not yet been defined. Although these measures address important district issues, such as improving

LAUSD is relying on undefined measures for assessing the performance of its local district superintendents this year, but it proposes more defined measures in the future.

student performance by focusing on reading and mathematics, it is not clear how successful these measures will be. Since the process does not have specifically defined expectations and does not utilize a consistent approach among the local district superintendents, we believe LAUSD will have difficulty assessing performance objectively.

All the proposed performance measures for local district superintendents address student performance.

Beginning in fiscal year 2001–02, and for the years that follow, LAUSD has indicated it intends to use more well-defined performance measures that it is currently developing. LAUSD has also indicated it never intended to use these measures for the current year because it had to create benchmarks against which each local district superintendent’s performance could be compared. These measures propose to incorporate four different performance indicators, all of which address student performance. The first indicator requires that 60 percent of the schools in each local district meet a 5 percent growth target on the State’s Academic Performance Index (API). The API measures the academic standing of schools in the State. The second indicator calls for 70 percent to 80 percent of these same students tested in reading on the API to meet the expected growth target. The third indicator addresses what LAUSD terms the School Organization Index, or the five organizational characteristics of schools that it believes will foster student learning, such as quality of teaching and the school environment. A fourth indicator evaluates a sample of classroom assignments from the third and seventh grade language arts teachers at selected schools in the local districts, to assess the difficulty of the assignments and grading criteria.

It is understandable that LAUSD needed time to establish appropriate benchmarks for these performance measures, and measuring student performance is important, but it is unclear if the level of authority matches the local district superintendent’s level of responsibility for improving student achievement. Although the local districts have authority in organizing professional development and selecting personnel, two tools LAUSD believes are important for improving student achievement, the local districts do not have the authority to decide on instructional policies, which we believe also play an important role. As we discussed in Chapter 1, the local district superintendents can only provide input into the design of instructional policies, but not make independent decisions.

Some Additional High-Level Administrators Have Clearly Defined Performance Measures, While Others Do Not

Twenty-three of the 44 remaining positions we reviewed are for highly paid administrators employed by LAUSD under contract. However, terms of these contracts hold the administrators accountable to performance measures that LAUSD has not yet drafted. The general superintendent has indicated that documenting the accountability standards of these administrators is not his highest priority. He contends that there is a mutual understanding of what is expected of his senior staff because he works with them every day. Nevertheless, we believe that, without written performance measures, LAUSD would have difficulty disciplining any senior administrators who do not meet expectations.

LAUSD has yet to draft performance measures for 23 high-level administrators under contract.

For the remaining 21 administrators, those not under contract, LAUSD has established in writing standard procedures for evaluating performance. It segregates these procedures by type of employee, using one method for classified staff and another method for certificated staff. Although the first method for classified staff uses standard, predetermined measures to assess performance in appropriate categories, the expectations are very general. The types of administrators assessed using these performance measures include staff in food services, facilities, police, and construction. Since LAUSD covers so many different areas of responsibility using the same performance measures, these measures have been drafted to generalize duties and are not tailored to the uniqueness of each given area.

In contrast, LAUSD has a process tailored to the uniqueness of each administrator for measuring the performance of certificated staff not under contract. This second method requires the administrator being assessed, under the direction of a superior, to outline specific goals addressing several performance attributes, such as decision-making ability and leadership qualities, at the beginning of the year. Once the superior and subordinate agree that the goals are appropriate, the evaluator observes and provides feedback to the administrator during the course of the year, and then a final evaluation is made. Even though LAUSD has established sufficient performance measures for these administrators, it is unclear if it is implementing this process as defined. When we requested the supporting documentation for these three phases of the evaluation period for three administrators, the associate superintendent of human resources only provided us the final evaluations for two. These final evaluations do not

outline the goals the administrators and their supervisors agreed were appropriate, and therefore we were unable to determine the sufficiency of LAUSD's efforts.

RECOMMENDATIONS

To ensure that it secures and receives the services of the best available contractors and administrators, LAUSD should do the following:

- Advertise the availability of contracts or positions widely and actively, ensuring that interested contractors or administrators are encouraged to submit proposals or applications for LAUSD to consider.
- Require selected contractors to meet all contract terms and submit all contract deliverables. It should retain these contract deliverables in its files.

To avoid the appearance of subjectivity and lack of thoroughness in setting salaries, LAUSD should do the following:

- Establish written guidelines for setting salaries and ensure that it consistently follows processes for determining administrative compensation.
- Create job descriptions for new positions, or update job descriptions for existing positions when duties change, to ensure that administrators are receiving salaries commensurate with their current job responsibilities.
- Maintain complete records of its salary determination process, including what methods it followed and what information it used, so that the levels of compensation it awards are supportable.

To avoid conflicts of interest, LAUSD should refrain from basing an employment consultant's fees on the salary of the position being filled if the consultant is involved in the salary determination process.

LAUSD should develop more well-defined performance measures for its general superintendent and certain other classified administrators that will result in an objective assessment for these positions. It should also develop performance measures for those administrators who are currently without them.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



ELAINE M. HOWLE
State Auditor

Date: July 12, 2001

Staff: Lois Benson, CPA, Audit Principal
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APPENDIX A

Comparison of Salaries for Second-Level Administrative Positions and for Positions With a Varying Number of Administrators

In Chapter 2 we compared the salaries for high-level administrators at three out-of-state public school districts—New York City, Chicago, and Broward County (Florida)—and three in-state unified school districts—Fresno, Santa Ana, and Sacramento—to salaries the Los Angeles Unified School District (LAUSD) pays to administrators with similar duties based on a one-to-one relationship. That means that each district employs one administrator for a position and they all perform similar duties. When duties differed substantially, we disclosed these differences.

As mentioned in Chapter 2, our survey methodology was not to focus on titles of positions, but on matching duties and administrative levels as reported to us for comparative purposes. In some cases, the districts reported employing a different number of managers to perform the duties we surveyed, so a one-to-one comparison could not be made. Instead, for the discussions below, we combined the salaries of all the managers since they perform similar duties as a group. Thus, the costs we discuss reflect composite salaries at these districts and are not to be confused with individual salaries. Appendix B lists each salary individually, as reported to us in survey responses. As we did in Chapter 2, when duties differed substantially, we disclose the nature of these differences. However, we are not able to calculate the effect of any differences on salaries. Following is the salary comparison for certain senior and second-level administrators by area of responsibilities.

MEDICAL DIRECTORS

LAUSD employs two administrators—medical director of employee health services and director of student medical services—to oversee health-related issues. As Table 13 shows, LAUSD pays more in salaries for its administrators than other districts pay similar positions. The Broward County school district reported that it does not employ any medical directors and therefore is

not included in Table 13. (Each administrative position’s salary is presented in section G of Appendix B of the surveys for LAUSD and the respondents listed below.)

TABLE 13

Differences in Combined Salaries for Medical Directors

	New York	Chicago
	Salary Range (low to high)	
Percent by which LAUSD pays more (less)	48% to 35%	173% to 202%

Sources: LAUSD’s interim 2000 salary schedule, 2000-01 master salary table, and our survey results.

PLANNING, ASSESSMENT, AND RESEARCH

Districts do not employ the same number of second-level positions that report to the associate superintendent of planning, assessment, and research. Duties for these positions include evaluating educational programs, district policies, and student achievement levels. As Table 14 shows, we found a wide range in how much each district pays these administrators when salaries are combined. (Each administrative position’s salary is presented in section F of Appendix B of the surveys for LAUSD and the respondents listed below.)

TABLE 14

Differences in Combined Salaries for Planning, Assessment, and Research Managers

	New York	Chicago	Broward
	Salary Range (low to high)		
Percent by which LAUSD pays more (less)	5% to 9%*	(14%) to 8%	154% to 127%†

Sources: LAUSD’s interim 2000 salary schedule, 2000-01 master salary table, and our survey results.

* New York City schools reported that its positions had fewer responsibilities; they do not include organizational analysis, financial analysis, or information management.

† Broward County schools reported that its positions had fewer responsibilities; they do not include analyzing policies or organizational structure.

At LAUSD, one additional managerial position—director of policy research and development—offering an annual salary of \$84,708 to \$105,638 is currently vacant and without a job description. This position is not reflected in Table 14 and Personnel Commission staff indicated that it may be eliminated.

INSTRUCTION

Like LAUSD, each of the school districts in our comparison employs numerous assistant and/or associate superintendents to assist its deputy superintendent of instruction in managing different areas of the instructional program. Although the number of these senior managers varies and their areas of responsibility are distributed differently, they oversee certain elements of the curriculum that are provided at these districts, such as early childhood education, the English Language Learner program, and the high school program. Individually, the highest salaries provided by these districts do not vary significantly, \$122,096 at LAUSD, \$118,450 at Chicago, and \$111,078 at Broward County. However, how much each district pays overall does vary, as shown in Table 15. The New York City school district is not included in our comparison because its survey responses did not allow us to make a meaningful comparison. (Each administrative position’s salary is presented in section A of Appendix B of the surveys for LAUSD and the respondents listed below.)

TABLE 15

Differences in Combined Salaries for Instructional Managers

	Chicago	Broward
	Salary Range (low to high)	
Percent by which LAUSD pays more (less)	(27%) to (14%)	39% to 24%

Sources: LAUSD’s assistant and associate superintendent personnel contracts and our survey results.

FACILITIES

In addition to employing a chief facilities executive, LAUSD and each of the districts in our comparison employs a varying number of second-level facilities managers, ranging from two to four positions. As Table 16 indicates, when we combined the

salaries for each district, we found that LAUSD pays more than any other district. The Chicago school district indicated that it has two second-level facilities manager positions; however, one is currently vacant and the salary is yet to be determined. Since the Chicago school district information is not complete, a comparison of total salaries would not be meaningful. (Each administrative position’s salary is presented in section B of Appendix B of the surveys for LAUSD and the respondents listed below.)

TABLE 16

Differences in Combined Salaries for Facilities Managers

	New York	Broward
	Salary Range (low to high)	
Percent by which LAUSD pays more (less)	79% to 64%*	122% to 96%

Sources: LAUSD’s director of school building planning personnel contract, interim 2000 salary schedule, and our survey results.

* New York City schools did not respond to two major duties we surveyed—maintenance and modernization of its school facilities.

BUSINESS

A varying number of business managers is employed by the districts in our comparison. While LAUSD and New York City schools employ only one, the Broward County school district employs two. Table 17 shows the combined salaries for each of these districts. Chicago schools reported having one second-level business manager in-house and one manager under contract. This outside contract is for \$1.9 million but it is unclear how much of this is attributed to its manager of transportation. Therefore, we were unable to make a meaningful comparison between this district and LAUSD. (Each administrative position’s salary is presented in section C of Appendix B of the surveys for LAUSD and the respondents listed below.)

The Broward County school district and the Chicago school district both reported employing a second-level procurement manager under the direction of the chief financial officer. LAUSD also employs a chief procurement officer, but this position reports to the business manager, making it a third-level position, and it is therefore not one of the original 46 LAUSD positions we selected to review.

TABLE 17**Differences in Combined Salaries for Business Managers**

	New York	Broward
	Salary Range (low to high)	
Percent by which LAUSD pays more (less)	(14%) to 5%*	(10%) to (21%)*

Sources: LAUSD’s business manager personnel contract and our survey results.

* Neither New York City or Broward County schools business manager oversees insurance responsibilities.

HUMAN RESOURCES

Each out-of-state district in our survey reported employing one administrator to oversee human resources. LAUSD employs two administrators, one for certificated personnel and a second for classified personnel. Individually, LAUSD’s administrators are not the highest paid among these districts; however, since LAUSD is the only district to employ two managers for its reported 75,000 full-time equivalent employees (42,000 certificated and 33,000 classified), it pays more in salaries overall for this function, as shown in Table 18. (Each administrative position’s salary is presented in section E of Appendix B of the surveys for LAUSD and the respondents listed below.)

TABLE 18**Differences in Combined Salaries for Senior Human Resources Managers**

	New York	Chicago	Broward
	Salary Range (low to high)		
Percent by which LAUSD pays more (less)	45% to 76%	65% to 100%	137% to 106%
Number of full-time equivalent employees	115,000	42,240	26,000

Sources: LAUSD’s associate superintendent of human resources personnel contract, interim 2000 salary schedule, and our survey results.

LAUSD employs two managers because it has two separate human resources units, one for classified staff and another for certificated staff, and each follows different policies, practices, and methodologies. An assistant director in the Human Resources

Division indicated that LAUSD believes combining the two human resources units under the supervision of one manager would be difficult because of differing legal mandates, widely discrepant employment settings, and divergent employee populations for the two units. The personnel director, responsible for classified service in LAUSD, reports solely to the Personnel Commission, and the associate superintendent of human resources overseeing the certificated personnel function reports to the general superintendent and the Los Angeles City Board of Education.

We also requested salary information for second-level managerial positions that assist the human resources managers. Each district in our comparison employs a varying number of these second-level managers. As Table 19 indicates, when we combined the salaries at each district, we found that LAUSD spends more than any other district shown. (Each administrative position’s salary is presented in section E of Appendix B of the surveys for LAUSD and the respondents listed below.)

TABLE 19

Differences in Combined Salaries for Second-Level Human Resources Managers

	New York	Chicago	Broward
		Salary Range (low to high)	
Percent by which LAUSD pays more (less)	31% to 36%	30% to 62%	43% to 28%

Sources: LAUSD’s interim 2000 salary schedule, 2000-01 master salary table, and our survey results.

INFORMATION TECHNOLOGY

New York City, Chicago, and Broward County school districts employ from two to six administrators to assist their chief information officers, while LAUSD has only one—assistant superintendent of instructional technology. When we combined the salaries at the second level at each district, we found LAUSD pays far less than any other district, as shown in Table 20. (Each administrative position’s salary is presented in section D of Appendix B of the surveys for LAUSD and the respondents listed below.)

TABLE 20**Differences in Combined Salaries for Information Technology Managers**

	New York	Chicago	Broward
		Salary Range (low to high)	
Percent by which LAUSD pays more (less)	(83%) to (80%)	(83%) to (80%)	(32%) to (39%)

Sources: LAUSD’s assistant superintendent of instructional technology personnel contract and our survey results.

LAUSD’s assistant superintendent of instructional technology currently has no duty statement, but an assistant director in the Human Resources Division informed us that this individual currently fills a void within the district “by assuming some of the responsibilities that might otherwise have been performed by an assistant superintendent of information technology, had there been one,” in addition to focusing on educational and instructional issues related to information technology.

Even though LAUSD has yet to create a duty statement for this second-level administrator, this position oversees the five third-level LAUSD managers who perform the duties we surveyed, which included the development and maintenance of system software, data processing, and technical support. Finally, LAUSD maintains one vacant managerial position—chief technology officer—and has indicated that the chief information officer would decide in the future if this position is still needed. If so, the salary will be adjusted to be commensurate with the duties assigned. Because of the uncertainty surrounding this position, it is not clear whether to consider this a second- or third-level position.

LOCAL DISTRICT POSITIONS

In addition to a business manager, each of LAUSD’s local districts employs administrators in two high-level managerial positions—on average, one director of instructional support services and four directors of school services. These positions develop and implement plans for ensuring high student achievement and oversee the direction of principals, personnel, and parent/community outreach services. When salaries for these five positions are combined for each LAUSD local district, they range from \$413,270 to \$515,385, which is considerably more than

the total amounts spent at each district by New York City, Chicago, and Broward County school districts for these activities. However, since the New York City district has many more local districts its total costs for these positions would be much higher.

Unlike LAUSD, other school districts we surveyed employ administrators in one, but not both, of these high-level local district managerial positions. New York City and Chicago public schools reported having approximately two directors of instructional support services for each of their local districts, but no director of school services. New York City public schools pay combined salaries to these administrators of approximately \$223,700 at each district and similar administrators at Chicago public schools receive approximately \$174,000 in combined salaries. Although the Broward County school district did not report having any director of instructional support services, it employs three directors of school services for each of its districts. Their combined salaries range at each district from \$222,951 to \$310,551. (For a listing of each administrative position's salary, please see section H of Appendix B, of the surveys for each of the above respondents.)

APPENDIX B

***Executive and Administrative
Compensation at LAUSD and a
Survey of Compensation at Three
California and Three Out-of-State
School Districts***

TABLE 21

**Los Angeles Unified School District
Student Enrollment (722,727)
Number of Local Districts (11)**

Positions	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
A. Superintendents							
<i>Senior Level</i>							
General superintendent	1	\$250,000	\$100,000	*	\$15,000	Automobile, professional dues, \$21,000 annuity (future value) each year for three years	†
Chief operating officer	1	195,000–205,000	NA	*	10,000	NA	†
Deputy superintendent of instruction	1	170,000	NA	*	NA	NA	†
<i>Second Level (grouping of duties)</i>							
Associate superintendent of specially funded and parent community programs	1	97,994–122,096	NA	*	NA	NA	†
Assistant superintendent of professional development, elementary education, and language acquisition	1	87,945–109,434	NA	*	NA	NA	†
Assistant superintendent of early childhood education	1	87,945–109,434	NA	*	NA	NA	†
Assistant superintendent of secondary education and school support services	1	87,945–109,434	NA	*	NA	NA	†
Assistant superintendent of extended day programs	1	87,945–109,434	NA	*	NA	NA	†
Assistant superintendent of special education	1	87,945–109,434	NA	*	NA	NA	†
Assistant superintendent of student health and human services	1	87,945–109,434	NA	*	NA	NA	†
Assistant superintendent of adult and career education	1	92,898–115,596	NA	*	NA	NA	†
B. Facility Managers							
<i>Senior Level</i>							
Chief facilities executive	1	190,000	NA	*	NA	Transition expenses up to \$5,000 (transportation/lodging/meals)	†

Positions	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
<i>Second Level (grouping of duties)</i>							
Director of modernization - existing facilities	1	119,808–146,562	NA	*	NA	NA	NA
Director of school building planning	1	119,808–146,562	NA	*	NA	NA	†
Director of maintenance and operations	1	100,516–124,527	NA	*	NA	Automobile	NA
Director of facilities support services	1	100,516–124,527	NA	*	NA	NA	NA
C. Financial Managers							
<i>Senior Level</i>							
Chief financial officer	1	195,000–205,000	NA	*	NA	Maximum retiree health benefits regardless of service years; \$500 monthly car allowance	†
<i>Second Level</i>							
Business manager (grouping of duties)	1	119,808–146,562	NA	*	NA	NA	†
Controller	1	100,516–124,527	NA	*	NA	Automobile	NA
Budget director	1	118,144	NA	*	NA	NA	†
D. Information Technology Managers							
<i>Senior Level</i>							
Chief information officer	1	190,000	NA	*	NA	\$5,000 transition reimbursement for first year (transportation/lodging/meals), reimbursement for moving expenses (amount to be determined)	†
<i>Second Level (grouping of duties)</i>							
Assistant superintendent of instructional technology	1	87,945–109,434	NA	*	NA	NA	†
E. Human Resources Managers							
<i>Senior Level (grouping of duties)</i>							
Associate superintendent of human resources	1	97,994–122,096	NA	*	NA	NA	†
Personnel director	1	103,597–122,096	NA	*	NA	Automobile	NA

Positions	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
<i>Second Level (grouping of duties)</i>							
Administrative coordinator of staff relations	1	84,708–105,638	NA	*	NA	Automobile	NA
Deputy personnel director	1	83,070–102,882	NA	*	NA	NA	NA
Administrative coordinator of certificated personnel	1	82,654–103,077	NA	*	NA	NA	NA
Assistant personnel director of selection	1	76,687–94,939	NA	*	NA	NA	NA
Administrator of personnel services and research	1	84,708–105,638	NA	*	NA	NA	NA
Administrator of certificated employment operations	1	84,708–105,638	NA	*	NA	NA	NA
F. Planning/Assessment/Research Managers							
<i>Senior Level</i>							
Associate superintendent of planning, assessment, and research	1	97,994–122,096	NA	*	NA	NA	†
<i>Second Level (grouping of duties)</i>							
Director of program evaluation and research	1	83,317–103,220	NA	*	NA	NA	NA
Director of information management	1	82,654–103,077	NA	*	NA	NA	NA
Director of school management services	1	82,654–103,077	NA	*	NA	NA	NA
Director of student information systems	1	78,247–97,617	NA	*	NA	NA	NA
Director of policy research and development	vacant						
G. Other Positions							
<i>Senior Level</i>							
General counsel	1	225,000	NA	*	NA	Automobile, maximum \$12,500 reimbursement for moving expenses	†, ‡
Director of environmental health and safety	1	139,360	NA	*	NA	NA	†
<i>(Grouping of duties)</i>							
Medical director of employee health services	1	129,857–143,624	NA	*	NA	NA	NA
Director of student medical services	1	129,857–143,624	NA	*	NA	NA	NA
Inspector general	1	107,692–113,620	NA	*	NA	Maximum \$10,000 reimbursement for moving expenses	†
Director of legislative affairs and governmental relations	1	130,000	NA	*	NA	NA	†

Positions	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
H. Local Districts							
<i>Senior Level</i>							
Local district superintendent	11	136,006–150,007	NA	*	NA	NA	†
<i>Second Level</i>							
Local district business manager	11	83,317–103,220	NA	*	NA	NA	NA
Director of instructional support services, local district	11	82,654–103,077	NA	*	NA	NA	NA
Director of school services, local district	45	82,654–103,077	NA	*	NA	NA	NA

NA–Not applicable; benefit is not offered.

* Standard benefits are medical, dental, vision, retirement, and life insurance.

† Continued health benefits for the remainder of the contract (maximum 18 months) or until new employment is found. Paid in full for remainder of the contract (maximum 18 months).

‡ Contract is automatically extended one month each month, effective February 1, 2002.

Position at LAUSD	Position at New York City	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
<i>Senior Level</i>								
C. Financial Managers								
Chief financial officer	Chief financial officer	1	150,500	NR	*	NR	NR	NR
<i>Second Level</i>								
Business manager (<i>grouping of duties</i>)	Executive director of food and transportation	1	139,003	NA	*	NR	NR	NR
Controller	Executive director of financial operations	1	133,000	NA	*	NR	NR	NR
Budget director	Executive director of budget operations review	1	133,000	NA	*	NR	NR	NR
D. Information Technology Managers								
<i>Senior Level</i>								
Chief information officer	Chief information officer	1	150,500	NR	*	NR	NR	NR
<i>Second Level (grouping of duties)</i>								
Assistant superintendent of instructional technology	Director of student systems applications and development	1	124,109	NR	*	NR	NR	NR
	Director of data center	1	100,957	NR	*	NR	NR	NR
	Director of customer services	1	104,223	NR	*	NR	NR	NR
	Director of operations	1	99,678	NR	*	NR	NR	NR
	Director of technology services	1	87,800–125,000	NR	*	NR	NR	NR
E. Human Resources Managers								
<i>Senior Level (grouping of duties)</i>								
Associate superintendent of human resources Personnel director	Executive director	1	139,003	NA	*	NR	NR	NR
<i>Second Level (grouping of duties)</i>								
Administrative coordinator of staff relations	Director of labor relations	1	87,800–125,000	NR	*	NR	NR	NR
Deputy personnel director	Deputy executive director—education staff recruitment	1	87,800–125,000	NR	*	NR	NR	NR
Administrative coordinator of certificated personnel Assistant personnel director of selection Administrator of personnel services and research Administrator of certificated employment operations	Deputy executive director	2	101,861	NR	*	NR	NR	NR

Position at LAUSD	Position at New York City	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
F. Planning/Assessment/Research Managers								
<i>Senior Level</i>								
Associate superintendent of planning, assessment, and research	Executive director of assessment and accountability	1	133,000	NA	*	NR	NR	NR
<i>Second Level (grouping of duties)</i>								
Director of program evaluation and research	Deputy executive director of assessment and accountability	1	101,861	NR	*	NR	NR	NR
Director of information management	Director of assessment	1	70,002–90,832	NR	*	NR	NR	NR
Director of school management services	Director of statewide evaluation and accountability	1	70,002–90,832	NR	*	NR	NR	NR
Director of student information systems	Director of school planning and accountability	1	70,002–90,832	NR	*	NR	NR	NR
Director of policy research and development (vacant)								
G. Other Positions								
<i>Senior Level</i>								
General counsel	General counsel	1	150,500	NA	*	NR	NR	NR
Director of environmental health and safety	Director, office of environmental health and safety	1	81,867–106,228	NR	*	NR	NR	NR
<i>(Grouping of duties)</i>								
Medical director of employee health services	School medical director	2	87,867–106,228	NR	*	NR	NR	NR
Director of student medical services								
Inspector general	Auditor general	1	145,367	NA	*	NR	NR	NR
Director of legislative affairs and governmental relations	Executive director, intergovernmental affairs	1	136,520	NA	*	NR	NR	NR
H. Local Districts								
<i>Senior Level</i>								
Local district superintendent	Community school district superintendent [†]	32	141,000	NR	*	NR	NR	NR
	High school superintendent	6	141,000	NR	*	NR	NR	NR
	Chancellor district supervising superintendent	1	145,367	NR	*	NR	NR	NR
	Chancellor district superintendent	3	141,000	NR	*	NR	NR	NR
	Citywide special education superintendent	1	141,000	NR	*	NR	NR	NR

Position at LAUSD	Position at New York City	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
<i>Second Level</i>								
Local district business manager	Director of operations	39	87,800–125,000	NR	*	NR	NR	NR
Director of instructional support services, local district	Deputy superintendent	83	111,836	NR	*	NR	NR	NR
Director of school services, local district	NA	NA	NA	NA	NA	NA	NA	NA

NA–Not applicable; benefit is not offered or position is not employed.

NR–No response; district did not respond to this section of the survey.

* Standard benefits are medical, dental, vision, retirement, and life insurance.

† Six superintendents are assigned as senior superintendents with an additional salary differential; however, the amount of this differential was not provided to us.

TABLE 23

Chicago Public Schools, District 299
Student Enrollment (431,750)
Number of Local Districts (6)

Position at LAUSD	Position at Chicago	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
A. Superintendents								
<i>Senior Level</i>								
General superintendent	Chief executive officer	1	\$150,000	NA	*	NA	NA	NA
Chief operating officer	Chief of staff	1	121,540	NA	*	NA	NA	NA
Deputy superintendent of instruction	Chief education officer	1	149,350	NA	*	NA	NA	NA
<i>Second Level (grouping of duties)</i>								
Associate superintendent of specially funded and parent community programs	Chief officer of accountability	1	106,539–118,450	NA	*	NA	NA	NA
Assistant superintendent of professional development, elementary education, and language acquisition	Chief officer of schools and regions	1	106,539–118,450	NA	*	NA	NA	NA
Assistant superintendent of early childhood education	Chief officer of language and culture	1	106,539–118,450	NA	*	NA	NA	NA
Assistant superintendent of secondary education and school support services	Chief officer of early childhood programs	1	106,539–118,450	NA	*	NA	NA	NA
Assistant superintendent of extended day programs	Chief officer of high school development	1	106,539–118,450	NA	*	NA	NA	NA
Assistant superintendent of special education	Chief liaison of academic preparatory and middle schools	1	106,539	NA	*	NA	NA	NA
Assistant superintendent of student health and human services	Education to careers officer	1	111,240	NA	*	NA	NA	NA
Assistant superintendent of adult and career education	Chief specialized services officer	1	118,450	NA	*	NA	NA	NA
	Teacher recertification officer	1	115,360	NA	*	NA	NA	NA
B. Facility Managers								
<i>Senior Level</i>								
Chief facilities executive	Chief operating officer	1	133,900	NA	*	NA	NA	NA

Position at LAUSD	Position at Chicago	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
<i>Second Level (grouping of duties)</i>								
Director of modernization—existing facilities	Deputy chief operating officer	1	106,000	NA	*	NA	NA	NA
Director of school building planning	Deputy chief operating officer	vacant	TBD	TBD	TBD	TBD	TBD	TBD
Director of maintenance and operations								
Director of facilities support services								
C. Financial Managers								
<i>Senior Level</i>								
Chief financial officer	Chief fiscal officer	1	123,600	NA	*	NA	NA	NA
<i>Second Level</i>								
Business manager (grouping of duties)	Manager of food services	1	96,010	NA	*	NA	NA	NA
	Contracted [†]	NA	NA	NA	NA	NA	NA	NA
Controller	Director of accounting and control	1	83,488	NA	*	NA	NA	NA
Budget director	Budget director	1	121,540	NA	*	NA	NA	NA
D. Information Technology Managers								
<i>Senior Level</i>								
Chief information officer	Chief technology officer	1	118,540	NA	*	NA	NA	NA
<i>Second Level (grouping of duties)</i>								
Assistant superintendent of instructional technology	Deputy of application	1	90,000–100,000	NA	*	NA	NA	NA
	Assistant director	1	90,000–100,000	NA	*	NA	NA	NA
	Deputy of operations	1	100,000	NA	*	NA	NA	NA
	Manager technology support	1	93,000	NA	*	NA	NA	NA
	Manager MIS security	1	84,000	NA	*	NA	NA	NA
	Data center manager	1	61,000	NA	*	NA	NA	NA

Position at LAUSD	Position at Chicago	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
G. Other Positions								
<i>Senior Level</i>								
General counsel	Corporation counsel	1	134,930	NA	*	NA	NA	NA
Director of environmental health and safety	Environmental coordinator	1	85,000	NA	*	NA	NA	NA
<i>(Grouping of duties)</i>								
Medical director of employee health services	Director	1	95,000	NA	*	NA	NA	NA
Director of student medical services	Director	1	90,000	NA	*	NA	NA	NA
Inspector general	Assistant superintendent AGX	1	105,989	NA	*	NA	NA	NA
Director of legislative affairs and governmental relations								
H. Local Districts								
<i>Senior Level</i>								
Local district superintendent	Region officer	6	103,435–111,238	NA	*	NA	NA	NA
<i>Second Level</i>								
Local district business manager	Region business manager	6	74,344–83,267	NA	*	NA	NA	NA
Director of instructional support services, local district	Region administrator	11	87,149–87,178	NA	*	NA	NA	NA
Director of school services, local district	NA	NA	NA	NA	NA	NA	NA	NA

NA–Not applicable; benefit is not offered or position is not employed.

TBD–Benefits offered will be determined in the future.

* Standard benefits are medical, dental, vision, retirement, and life insurance.

† Chicago reported having one business manager in-house (manager of food services) and one outside contract for transportation consulting. The outside contract is for \$1,900,000 but it is unclear how much of this is attributed to the transportation duties we surveyed. Therefore, we were unable to make a meaningful comparison between this district and LAUSD.

Position at LAUSD	Position at Broward County	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
B. Facility Managers								
<i>Senior Level</i>								
Chief facilities executive	Deputy superintendent of facilities	1	97,856–136,304	NA	*	NA	NA	NA
<i>Second Level (grouping of duties)</i>								
Director of modernization—existing facilities	Director of facilities project	1	69,252–96,460	NA	*	NA	NA	NA
Director of school building planning	Director of property management and site acquisition	1	69,252–96,460	NA	*	NA	NA	NA
Director of maintenance and operations	Director of support services facilities	1	60,136–83,761	NA	*	NA	NA	NA
Director of facilities support services								
C. Financial Managers								
<i>Senior Level</i>								
Chief financial officer	Comptroller	1	84,988–118,380	NA	*	NA	NA	NA
	Associate superintendent of support services	1	84,988–118,380	NA	*	NA	NA	NA
<i>Second Level</i>								
Business manager (grouping of duties)	Director of transportation services	1	69,252–96,460	NA	*	NA	NA	NA
	Director of food and nutrition services	1	64,392–89,691	NA	*	NA	NA	NA
Controller	Director of accounting	1	69,252–96,460	NA	*	NA	NA	NA
Budget director	Director of budget	1	69,252–96,460	NA	*	NA	NA	NA
D. Information Technology Managers								
<i>Senior Level</i>								
Chief information officer	Executive director of education technology services	1	79,746–111,078	NA	*	NA	NA	NA
<i>Second Level (grouping of duties)</i>								
Assistant superintendent of instructional technology	Director of technical support	1	64,392–89,691	NA	*	NA	NA	NA
	Director of application systems	1	64,392–89,691	NA	*	NA	NA	NA

Position at LAUSD	Position at Broward County	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
G. Miscellaneous								
<i>Senior Level</i>								
General counsel	General counsel	1	160,680	NA	*	NA	NA	NA
Director of environmental health and safety	Director of risk management	1	69,252–96,460	NA	*	NA	NA	NA
<i>(Grouping of Duties)</i>								
Medical director of employee health services	NA	NA	NA	NA	NA	NA	NA	NA
Director of student medical services	NA	NA	NA	NA	NA	NA	NA	NA
Inspector general	Director of management and facility audits	1	94,317–103,517	NA	*	NA	NA	NA
Director of legislative affairs and governmental relations	Chief lobbyist (consultant)	1	90,000–98,000	NA	*	NA	NA	NA
H. Subsidiary Districts								
<i>Senior Level</i>								
Local district superintendent	Area superintendent	4	84,988–118,380	NA	*	NA	NA	NA
<i>Second Level</i>								
Local district business manager	Area business analyst	4	52,746–73,470	NA	*	NA	NA	NA
Director of instructional support services, local district	NA	NA	NA	NA	NA	NA	NA	NA
Director of school services, local district	Area director	12	74,317–103,517	NA	*	NA	NA	NA

NA–Not applicable; benefit is not offered or position is not employed.

NR–No response; district did not respond to this section of the survey.

* Standard benefits are medical, dental, vision, retirement, and life insurance.

TABLE 25

**Fresno Unified School District
Student Enrollment (78,766)**

Position at LAUSD	Position at Fresno	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
A. Superintendents								
General superintendent/ local district superintendent	Superintendent	1	\$175,000	NA	*	\$1,300 [†]	Professional membership dues of \$2,500 per year	NA
B. Miscellaneous								
Local district business manager	Chief financial officer, administrative services	1	108,130–131,431	NA	*	NA	NA	NA
Director of instructional support services, local district	Deputy superintendent, standards and accountability	1	108,130–131,431					
Director of school services, local district	NA	NA	NA	NA	NA	NA	NA	NA

NA—Not applicable; benefit is not offered or position is not employed.

* Standard benefits are medical, dental, vision, retirement, and life insurance.

[†] Limited to travel reimbursement.

TABLE 26

**Santa Ana Unified School District
Student Enrollment (58,043)**

Position at LAUSD	Position at Santa Ana	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
A. Superintendents								
General superintendent/ local district superintendent	Superintendent	1	\$193,120	NA	*	\$500	Car, cell phone, pager, professional dues	NA
B. Miscellaneous								
Local district business manager	Associate superintendent of business services	1	138,491	NA	*	500	Cell phone, pager	NA
Director of instructional support services, local district	Chief academic officer	1	127,778	NA	*	500	Cell phone, pager	NA
Director of school services, local district	Area administrator	4	95,100–106,332	NR	NR	NR	NR	NR

NA–Not applicable; benefit is not offered.

NR–No response; district did not respond to this section of the survey.

* Standard benefits are medical, dental, vision, retirement, and life insurance.

TABLE 27

**Sacramento City Unified School District
Student Enrollment (51,898)**

Position at LAUSD	Position at Sacramento City	Number of Positions	Annual Salary or Salary Range	Annual Potential Bonus	Annual Standard Benefits	Annual Expense Account	Other Benefits	Severance Package
A. Superintendents								
General superintendent/ local district superintendent	Superintendent	1	\$165,931	NA	*	\$9,000	\$8,400 car allowance	NA
B. Miscellaneous								
Local district business manager	Deputy superintendent, chief financial officer	1	137,795	NA	*	7,200 [†]	NA	NA
Director of instructional support services, local district	Associate superintendent, instruction and learning	1	88,165–112,524	NA	*	4,800 [†]	NA	NA
Director of school services, local district	NA	NA	NA	NA	NA	NA	NA	NA

NA—Not applicable; benefit is not offered or position is not employed.

* Standard benefits are medical, dental, vision, retirement, and life insurance.

[†] Travel and other expenses.

Agency's comments provided as text only.

June 25, 2001

Ms. Elaine M. Howle*
State Auditor
Bureau of State Audits
555 Capital Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

Thank you for the opportunity to review a draft copy of your report on the Los Angeles Unified School District's (LAUSD) first few months' efforts to implement our reorganization plan.

LAUSD's Reorganization

In the spring of 2000, the Los Angeles Unified School District undertook a massive reorganization designed to provide the opportunity to improve student achievement, focusing on three fundamental changes. First, we set out to reconstitute our central office structure to provide tactical support, services and compliance monitoring. Second, we resolved to establish and staff eleven semi-autonomous local districts. Finally, we strove to unite the eleven local districts in a common mission and focus on reading.

We believe we have made incredible progress in implementing these objectives. In two short months after adoption of the plan by our Board of Education, we had shifted over 900 employees and \$105 million from our former central offices to eleven new local districts (as documented in our final budget adopted in August 2000). This involved establishing local district offices, conducting numerous job examinations and interviews, and filing dozens of budget transfer documents.

Over the past year we have built a cohesive team of eleven Local District Superintendents and Central executive staff, who together, have reached a common understanding of the key elements of improving academic achievement through changes in classroom practice. Our entire team-building year has been focused on three things, "instruction, instruction, and instruction" and the role each of us plays in making the vision a reality. Together we have forged a plan that is centered in our common understanding of what we are striving for, while providing Local District Superintendents with the flexibility to tailor their management practices and professional development to meet the unique needs of their students.

Recently, we completed a comprehensive study providing baseline data for the evaluation of the eleven Local Districts, focusing on those elements we have commonly agreed are the keys to success in improving student achievement, such as the quality and nature of classroom teaching, instructional leadership, local school climate, and use of local school data in assessing local needs and targeting services and programs to address those needs. These activities are all taking place at the local schools and are monitored, guided, mentored and nurtured by the Local District

*California State Auditor's comments begin on page 97.

Superintendents and their staff. During this formative year, we have also undertaken a complete review and revision of our approach to mathematics. Once again this work was done not as a central initiative mandated down to the local districts, but as a collaborative process with the entire management team, in particular, the Local District Superintendents. In fact, it was these Local District Superintendents who led the charge before the Board of Education in advocating for the Mathematics Plan as representing our collective best thinking on how to improve achievement in this critical skill area.

While there is much that we have accomplished, there is obviously much more work to do. We have been reaching out to the academic community to seek greater understanding and new approaches to enhancing instructional leadership. We are open to constructive criticism and hope to make ourselves a better organization through such dialog. It is in that spirit that we respond to the findings and recommendations of your auditors.

Response to Audit Findings and Recommendations

In general, we find the specific recommendations listed in your report to be reasonable. However, it appears that a substantial gap in understanding and beliefs exists with regard to some of the conclusions drawn in your audit findings. We would like to share our perspective with the readers of this report in just a few key areas.

1. *Nature of the Reorganization Plan Document*

①

The reorganization plan, was just that, a plan. We view it as a dynamic process we are going through, not a roadmap to be strictly followed. Our reading of your report suggests that you saw each sentence as a firm commitment and had an expectation that all our actions would map directly to specific lines in the report, and be completed during the first year of implementation. This was never our expectation.

2. *Authority of the Local District Superintendent with Regard to Instruction*

②

We perceive the most fundamental role of Local District Superintendents to be that of Instructional Leaders. We believe all critical factors for improvement of classroom practices that will lead to improved achievement, are within their domain. We are puzzled at your report's conclusion that because the Local District Superintendents have not usurped the Board or Superintendent's policy-making role, they do not have significant authority over instruction, nor do they have the means to affect student outcomes. Perhaps this disconnect has its roots in your assumptions about what instruction is, and what tools we have to impact achievement.

You specifically acknowledge that Local District Superintendents have control over selection of personnel (including principals) and professional development. These are perhaps the two most powerful tools at anyone's disposal to affect classroom practice. It is specifically where we are focusing much of our efforts. And in particular, we are working on how managers (principals, local district staff and superintendents) can improve their skills at observing, identifying and then mentoring teachers and other instructional leaders to actually get better at what they do.

This, coupled with the inclusion of the Local District Superintendents in instructional policy-making; the \$27 million in discretionary funding available to Local District Superintendents; their

oversight of millions more in local school funding (as described below); and their direct supervision and management of the principals in local schools, represent powerful tools for them to affect local school performance.

Therefore, we respectfully disagree with your conclusion regarding the extent of the authority Local District Superintendents have over instruction and the appropriateness of holding them accountable for improved academic performance.

3. **Local District Superintendent Authority over Financial Resources**

We seem to have different expectations with regard to the nature and extent of control the Local District Superintendents should have over financial resources. The LAUSD's adopted Final Budget for 2000-01 includes \$105 million in resources budgeted in the Local District offices. This includes personnel, operating expenses and discretionary resources at the Local District office level. This does not include the discretionary amounts and personnel budgets provided directly to schools.

3

We agree that in the first year of the reorganization, Local Districts were given little discretion in their personnel budgets, but total control of their discretionary and other operating budgets. We are puzzled by your characterization that their discretionary resources weren't truly discretionary and were limited in amounts. The only restrictions on the money were those required by the funding sources, i.e, the federal and state governments. The total amount allocated for discretionary (\$8 million general fund, and \$19 million in Title I and EIA/Bilingual) are magnitudes greater than any discretionary amounts provided to previous instructional management personnel. We believe these were both a good start in our first year of implementation.

4

With regard to other fiscal responsibility and discretion, we provided several examples of the shift in responsibility for fiscal oversight to the Local District Superintendents. Among them were the oversight of the State Block Grant (\$20 million) and the discretionary API awards (\$19 million). These are concrete examples of the importance we place on Local District review of the discretionary spending plans of local schools to ensure they are aligned with the District's goals, and are appropriately targeted to address improvement of academic achievement of the particular student population at that school. These represent an opportunity to change instructional practices and the habits of school personnel in allocating their discretionary resources to unproductive activities. Thus, major discretionary allocations for which Local District Superintendents had direct allocation responsibility or expenditure approval for 2000-01 was as follows:

3

General Fund Discretionary	\$	8	million
Specially Funded Discretionary		19	million
State Block Grant		20	million
API Awards Discretionary		<u>19</u>	million
Total	\$	66	million

We are committed to continuing this shift in oversight responsibility for school level discretionary resources. In fact, this spring, Local District Superintendents also reviewed and approved (or required changes to) the Title I/Bilingual/EIA discretionary budget plans for their schools, totaling \$215 million.

③ In short, we believe we have made tremendous strides in putting more resources directly into the hands of Local District Superintendents than was ever previously placed in the field, and in addition, have given them powerful, meaningful oversight of local school financial resources.

④ We respectfully disagree with your characterization that Local District Superintendents have little or no authority over financial resources.

4. ***Comparison of the Relevant Labor Market for Administrative Salaries***

⑤ The comparison group for administrative salaries that you utilized represented only school districts. While that may be an appropriate comparison group for our certificated (education/instruction) type positions, we believe very strongly that the appropriate comparison group for our classified (non-teaching business, finance, technology, facilities, etc.) management positions is the private sector market. We are an \$8.9 billion enterprise and as such, we need experienced, highly talented executives to manage and direct our activities if we are to deliver to Los Angeles, the kind of educational quality and organizational efficiency they deserve. To overcome our lackluster performance in some of these business areas, we are actively recruiting from the non-educational institutions and the private sector to bring market-driven efficiencies and tools to our setting. By focusing only on school districts, we believe you used the wrong measure for these jobs.

5. ***The Importance of Formal Job Descriptions***

⑥ We share your belief that understanding the nature of a job before you recruit someone to take that job is an essential element to ensuring you get the right person and pay them appropriately. We do not share your belief that in order to understand the requirements of the job and set an appropriate salary, you need to have updated the classification description. Rather, it is essential that we have a clear understanding of the competencies required to succeed on the job and to introduce needed change. The class description is a tool, not a bible, and personnel professionals and experienced managers are well able to make judgments about competencies and salaries without them. We agree that their presence and recency provide face validity, but believe that they do not improve the actual validity of a salary.

⑦ In addition, we do not share your view that the reorganization plan promised a review and revision of every job description in the LAUSD within the first year, especially those classifications not impacted by the reorganization.

6. ***Wide Salary Ranges in Salary Surveys***

⑧ In your report, you assert that great variance in salary ranges reported in salary surveys renders the results unreliable. We would assert that utilizing data from such surveys requires salary or compensation professionals. They are not meaningless or unreliable, but harder to interpret and use. In the instances where we utilized them, they were in fields where we expected to find wide variances and were prepared to handle the data appropriately.

⑨ Further, we would argue that the report's assumption that all professional judgment about compensation issues can and should be reduced to a set of rules or procedures for employees to follow, does not reflect a personnel professional's approach to work.

7. ***Salary Levels Should Mirror the Size of A District***

You assert that because New York is larger than Los Angeles, you expected that it would offer higher salaries. This, in essence implies that smaller districts should have less talented managers. We do not believe this is true. We believe our students deserve the most talented individuals we can find to meet their needs, whether they are educational needs or facilities needs. We believe it is incumbent upon us to find the best talent to meet the complex needs of our district and not simply be compared by size to other districts.

10

In summary, we believe we have made incredible progress in our efforts to affect systemic change in instructional practice and that this work is greatly facilitated, and in fact, led by the Local District Superintendents. Without the reorganization, we would not have been in a position to affect the kind of differentiated change we have accomplished in one short year.

We take your recommendations seriously with regard to improving our ability to document our decision-making, thus making our choices more transparent to the taxpayers who provide the funding for public education.

Thank you again for the opportunity to reflect and comment on your review.

Sincerely,

(Signed by: Roy Romer)

Roy Romer
Superintendent of Schools

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COMMENTS

California State Auditor’s Comments on the Response From the Los Angeles Unified School District

To provide clarity and perspective, we are commenting on the Los Angeles Unified School District’s (LAUSD) response to our audit report. The numbers below correspond to the numbers we placed in the margins of LAUSD’s response.

- ① As we describe on pages 17 and 19 of our report, the statements presented in the plan legitimately raise public expectations that certain actions will be taken by LAUSD. Specifically, the plan calls for the role of the central office to change “from a decision-making operation to that of a service provider” and for the local districts to be given the “*autonomy* to make the vast majority of decisions about the instruction of children.” Although we recognize this document is a “plan,” it was adopted for implementation by the Los Angeles City Board of Education (Board of Education). If there has been an overstatement of intent, we do not believe the overstatement is ours.

Hence, to accommodate the dynamic nature of the implementation process, we recommended that LAUSD ensure a clear consistency between statements it makes in public documents, such as the reorganization plan, and actions it subsequently takes. Also, it should periodically report to the Board of Education in open meetings the extent of changes implemented. LAUSD may take this opportunity to present any revisions to the plan it believes are necessary. Furthermore, it is not our expectation that the changes outlined in the reorganization plan be completed during the first year of implementation. We clearly state on page 13 of our report that LAUSD has made some of the changes described in the plan, while it continues to work on others.

- ② LAUSD has not accurately characterized our position. As we state on pages 17 and 19 of our report, at no time did we expect the Board of Education to surrender its role as the governing body of LAUSD. Rather, our concerns were twofold. First, as we already discussed in the first comment above, we believe the

plan raised expectations of even more autonomy for the local districts. We neither endorsed nor criticized this policy. Second, our concern, as stated on pages 21 and 59 of our report, is with the uncertainty over whether the level of local district superintendents' authority matches their level of responsibility for improving student achievement. Although they have authority in organizing professional development and selecting personnel, they do not have the authority to decide which instructional policies to present for the Board of Education approval. We believe instructional policy plays an important role in student performance. Again, as we indicate on page 21, LAUSD acknowledges the importance of instructional policy when it quotes a Stanford University Professor, stating that those who make policy can blame poor performance on inadequate implementation, and those responsible for implementation can blame poor performance on those who create policies.

- ③ We believe that we have provided a complete picture of the moneys over which local district superintendents have discretionary authority by presenting in our report all of the examples LAUSD provided to us. On page 18 we discuss discretionary funding resulting from eliminations of positions, and on page 22 we describe the State Block Grant and Academic Performance Index (API) awards. We did review LAUSD's budget for fiscal year 2000–01, and of the \$105 million allocated to the local districts, \$73 million is for personnel resources, over which the local districts have limited discretion. Furthermore, LAUSD has overstated our position that the local district superintendents have "no authority over financial resources." We stand by our observation that their authority is over a very small portion of LAUSD's overall budget, even after excluding amounts related to capital projects.
- ④ We have revised our conclusion regarding the degree of authority local district superintendents have over discretionary funds. Our original statement that the discretionary nature of these funds is questionable was based partly on an explicit written statement provided to us on March 27, 2001, by the budget director. This statement was to confirm our understanding that approximately \$1 million is being withheld until "the local districts provide the central office justification on how the money will be spent." The budget director responded "this is correct." On June 25, 2001, a few hours before we received LAUSD's response to our audit, the budget director retracted his

previous communication, stating this money is being withheld until the general superintendent decides how it will be allocated to the local districts.

In addition, on May 23, 2001, we requested supporting documentation of LAUSD's assertion that approximately \$10 million of the money freed up from elimination of central office positions was in fact discretionary. We received this information on June 25, 2001, the day LAUSD's response to our audit was due. Our revised opinion, presented on page 18, is that, due to the limited nature of evidence provided to us, this money "appears" to be discretionary.

- ⑤ We believe that our salary comparisons among school districts are appropriate. Our comparison group for administrative salaries does not include private companies because, first, school districts were the specific group with which the Joint Legislative Audit Committee requested we make a comparison. Furthermore, during our fieldwork we noticed that when LAUSD performs a salary survey for a classified position it may survey private entities, but it routinely considers salaries paid by public sector agencies. For example, in one instance it surveyed other California school districts, and in five cases it surveyed the city and county of Los Angeles, other "government" and nonprofit agencies, and the University of California and California State University systems. Thus, we observed that, when it did survey private companies it was to a limited extent.
- ⑥ LAUSD is incorrect in asserting that we believe a formal class description is the only means for understanding a position's responsibilities. Rather, it is one way to demonstrate that all parties involved have a common understanding of what is expected. In fact, Table 11 in our report indicates that, had it been timely, we would have accepted a questionnaire in place of a formal class description as evidence a consensus had been reached on the duties of the director of information management. We believe that thoroughly considering and accurately documenting a position's responsibilities constitute the basic starting point for filling the position and setting an appropriate salary. As described to us, LAUSD's own informal procedures for classified positions include reviewing class descriptions prior to recruitment and if changes are necessary, they are typically made at that time. An accurate and thorough description will also help minimize misunderstandings.

In fact, the Los Angeles *Times* reported on June 12, 2001, and June 26, 2001, that the current chief operating officer (COO), hired on April 23, 2001, left his position at LAUSD after only two months. The *Times* cites the general superintendent's observation that the COO chose to leave after the job evolved into one with less authority than he had expected. According to the *Times*, the position no longer was responsible for overseeing the facilities and information technology divisions. The job description completed on April 10, 2001, includes a provision for overseeing the staff responsible for facilities and information technology. If the *Times* is correct, either the evolution of the position's authority was remarkably rapid or the original job description was not adequately conceived.

- ⑦ LAUSD has overstated our expectations that it review and revise "every" job description in the district. Conversely, it has understated its own expressed plans for such reviews. The reorganization plan states "because nearly all departments and positions are impacted by the current reconstitution of the central office, it has been necessary to review all positions and job descriptions" for the central office. Furthermore, since our review was limited to 46 of the highest level administrative positions, most of which were in the central office, it is not unreasonable to expect they would have a higher priority for receiving such a review. Moreover, five of the eight positions that do not have recent documented evidence of their responsibilities have incumbents who signed contracts within the last year. Not only did this provide LAUSD the opportunity to review and document their mutual understanding of each position's responsibilities, the fact LAUSD was entering into contracts should have given it a sense of urgency to do so.

Finally, we did not expect to find a review of "every" position and a revised job description, even for every high-level administrative position. In fact, in Table 10 we indicate that the job description for the medical director of employee health services is dated January 1996. We accept it as current because the reorganization plan clearly states health services would remain a central office function. LAUSD was unable to provide any additional information that demonstrates for the eight positions with which we find exception that they were not affected by the reorganization.

- ⑧ LAUSD has omitted an important element of our position when it says we believe the great variances in salary survey results make the results unreliable. What we do state, on page 47, is

that we agree with the Personnel Commission's conclusion that such surveys make salary decisions "difficult." We also concur, on page 47, with the executive administrator of business and finance who argued these results should be coupled with "judgment, market factors, and recruitment needs." However, since LAUSD was unable to provide compelling evidence that it considered any of these other factors, we conclude its decisions in setting the salaries for the chief information officer and chief financial officer were questionable.

- ⑨ In asserting that we assume all professional judgment about compensation issues "can and should be reduced to a set of rules," LAUSD has overstated our position. We believe we have been very flexible in accepting the various types of methodologies that can support a salary. On page 40 of our report we state that each of LAUSD's methodologies for determining salaries can be reasonable and adequate if followed and documented sufficiently. Our concern is not with any particular methodology LAUSD asserted to us it had used but is with the frequent lack of documentation to support what LAUSD claimed it had done. We also believe written guidance on when and how to use these various methods would provide needed consistency in their application. In fact, the Personnel Commission has formal guidelines for its "point factor" methodology but generally no longer follows them, not because they are ineffective, but because of a staffing shortage. The Human Resources Division also has written guidelines in place for setting salaries. Thus, we are surprised that LAUSD would argue that such guidelines do "not reflect a personnel professional's approach to work."
- ⑩ We are perplexed by LAUSD's conclusion that we imply smaller districts should have less talented managers. We see no connection between our expectation that the New York City school district would offer higher salaries and the assumption that LAUSD has imputed to us. In addition, LAUSD has inappropriately truncated our observation about the comparison of its salaries to those of other school districts. In fact, we indicate beginning on page 26 of our report that numerous factors, including district organization, relative cost of living, and district size can affect these comparisons. Nevertheless, in the case of the New York City school district, we observed that its organization was similar to LAUSD's, but it was both substantially larger (50 percent more students) and had a significantly higher cost of living (roughly twice that of

LAUSD's). Thus, we expected that the New York City school district salaries would be consistently higher. Further, in a discussion with us, LAUSD itself cited its size as a factor in justifying higher salaries.

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press