



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

October 26, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

LOS ANGELES COUNTY OFFICE OF EDUCATION PLAN TO ADDRESS THE JUVENILE COURT SCHOOL PROGRAM OPERATING DEFICIT

On October 14, 2008, your Board directed the Auditor-Controller to work with the Los Angeles County Office of Education (LACOE) to review LACOE's Juvenile Court School (JCS) program. The Auditor-Controller contracted with School Services of California, Inc. (SSC) to conduct a comprehensive analysis of the fiscal conditions of this program and make recommendations to LACOE that would result in bringing fiscal stability to JCS. This report, which included SSC's recommendations, was filed by the Auditor-Controller on August 12, 2009.

On October 13, 2009, your Board passed a motion instructing the Chief Executive Officer and LACOE to develop a plan that prioritizes and outlines the fiscal impact of implementing these recommendations. Further, your Board requested that this plan identify cost reductions, develop a timeline for implementing the recommendations, and identify the cause of LACOE's structural deficit and strategies for mitigating it. The first quarterly report was delivered to your Board on February 1, 2010, the second on April 20, 2010, and the third on July 20, 2010; this is the fourth quarterly report.

Fiscal Impact of Implementing Recommendations

After carefully reviewing the 24 LACOE-related recommendations and taking into consideration its current and projected fiscal condition, LACOE determined that it would be cost-effective to move forward with implementation of all of the recommendations and has done so.

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

Since many of the recommendations are strongly interconnected and related to each other, their progress will be reported within the following categorical breakdowns (see Attachment for a listing of recommendations by category and number).

Accounting Procedures

As recommended, LACOE will continue to use the California School Accounting Manual for guidance to account for JCS revenues and expenditures and use the State prescribed Standard Account Code System to track expenditures by specific program goals and locations. LACOE continues to monitor their JCS budget and actual expenditures on a monthly basis and projecting actuals through the end of the budget year. For Fiscal Year (FY) 2009-10, LACOE incorporated these projections into their budget system and regularly reported the information to LACOE's administration so that it could more closely monitor the financial activities of the JCS program. LACOE also reviewed its JCS program expenses to determine if the budgeted amount was accurately projected and made adjustments to the budget as needed. For FY 2010-11, LACOE has begun tracking expenditures by facility to monitor site-specific expenses to improve overall cost reduction planning.

Cost Reductions

LACOE reviewed its staffing resources assigned to the JCS program to see if there were ways to restructure or consolidate duties and reduce costs. For FY 2010-11, the JCS projected budget reflected a reduction of 65 positions for a savings of \$7.03 million.

To further curb expenditures, the Superintendent instituted a hiring freeze on all but essential positions and directed the closing of any community day school sites which were not fiscally viable during FY 2009-10. As a result, 11 such sites were closed by June 30, 2010.

Revenue Enhancement

Despite the cost reduction efforts LACOE has implemented, the unaudited actuals for FY 2009-10 reflected a \$13.1 million JCS deficit balance. One-time funds received from the American Recovery and Reinvestment Act and the Los Angeles Unified School District offset \$7.7 million of this deficit, reducing the deficit balance to \$5.4 million. According to projections made in May 2010, the JCS deficit for FY 2010-11 will be \$16 million.

LACOE has worked closely with the State Legislature and the Governor's Office to secure revenue enhancements for JCS programs Statewide. Their efforts have resulted in the State Senate/Assembly Conference Committee restoring the revenue limit received per student to \$8,500, which was in jeopardy of dropping to \$8,200. Additionally, JCS became

eligible this year to receive Economic Impact Aid funding. Together, these two victories will increase LACOE's revenue for FY 2010-11 by approximately \$2 million.

However, the restored revenue limit is still significantly decreased from the \$10,500 per student funding level LACOE was receiving as of FY 2007-08. While this newly secured additional revenue helps, it will only slightly impact the current \$16 million projected deficit.

LACOE's JCS Structural Deficit

The existing structural deficit within the JCS program is caused by several factors:

1. The Average Daily Attendance (ADA) model upon which County Offices of Education (COEs) are funded does not adequately take into consideration the significant numbers of JCS students requiring special education services. In a regular K-12 education program, approximately ten percent of the students receive special education services compared to 20-30 percent of JCS students. Because of the structure of the current funding model, there is no revenue adjustment for the additional costs incurred to serve these students. In FY 2009-10, the excess cost to LACOE for providing special education services in the JCS program was \$11.1 million.
2. Over the last several years, the Division of Juvenile Justice (DJJ) instituted policies that promoted the retention of youth in local jurisdictions who would have otherwise been transferred to the State facility, cutting State enrollment by 77 percent. Additionally, with the passage of Senate Bill (SB) 81 in 2007, serious offenders are being transported from DJJ back into County custody. This has resulted in a higher number of difficult youth now being housed in the County system who need to be segregated and/or protected from other youth, impacting the classroom sizes and staffing needs for the JCS program.
3. The current juvenile hall/camp school classrooms are too small to be cost-effective. Currently, only 54 percent of these classrooms can accommodate more than 17 students. According to the SSC report, LACOE would need to serve 19 students per classroom for the program to break even.
4. A significant number of JCS students require a smaller class size for a number of reasons: their special education needs; their lack of proficiency in English; and safety/security concerns as assessed by juvenile hall/camp staff. Additionally, a significant number of youth are also performing below grade level and are in need of remedial instruction. A 2006 data match conducted by the Education Coordinating Council found that the average grade level reading ability of youth entering the JCS program was 4.9, just below the 5th grade. The 2007 California Standardized

Testing and Reporting (STAR) data found that 65 percent of juvenile offenders tested at "Far Below Basic" on the STAR test. Remedial instruction often requires a smaller class size in order to be effective, further hampering JCS' ability to operate cost efficient classrooms.

5. Despite the high level of variance in JCS program enrollment (i.e., based on criminal activity of the youth, actions of local law enforcement, and decisions of juvenile court judges), LACOE is required to maintain program staffing levels to serve the halls/camps at maximum capacity, regardless of what the actual capacity is.

These factors have led to an increase in the JCS program operating deficit from \$6 million to \$16 million over the last four years. This growing program deficit is jeopardizing LACOE's overall solvency, forcing LACOE to reduce and eliminate other programs to maintain financial stability. However, these efforts cannot sustain themselves over time if the structural deficit is not remedied.

Fiscal Strategies

LACOE is working with the Probation Department to determine how best to increase the attendance rate for students, particularly in the juvenile halls. Under the current ADA funding model, revenue is generated by the number of students attending school daily. JCS students are often prevented from attending school due to the frequency of court hearings for which they need to appear, transportation issues they experience getting to and from these hearings, appointments with other agencies, and behavior issues occurring at the halls/camps prior to the start of the school day. While other COEs report student attendance rates of 95-99 percent, in FY 2009-10, LACOE's JCS student attendance rate was 78 percent in the halls and 92 percent in the camps. The Probation Department has now begun comparing the total number of youth residing in a particular facility with the school attendance rates for that school setting. Recommendations will be developed for addressing this issue.

In an attempt to narrow the gap between the current operating class size and the cost neutral class size (14.7 versus 19, respectively), LACOE will discuss increasing class size to 20 students in upcoming contract negotiations. However, as noted above, only 54 percent of current classroom facilities have the capacity to hold more than 17 students. Therefore, even if LACOE is successful in negotiating this, it will not solve the problem completely. Further, the issue of differential class size will arise, which will likely require LACOE to offer incentives to teachers for them to accept a larger class size relative to their colleagues.

In May, the Probation Department confirmed information provided to LACOE on camp closures and population reductions, which allowed for JCS' proposed FY 2010-11 budget to reflect a reduction of 65 positions and a savings of \$7.03 million. This action significantly helped to address the fifth cause of the structural deficit outlined above, that LACOE must maintain maximum capacity staffing levels regardless of the actual capacity of students. However, the typical pattern of JCS student enrollment is that fluctuations happen throughout the year making it difficult to implement any significant staffing reductions. For example, the ADA for FY 2008-09 was 3,909 compared to 3,572 for FY 2009-10. Since these declines occurred over the course of the year, proper planning could not be initiated and, as a result, only minor adjustments could be made during the year.

Legislative Strategies

As discussed under Revenue Enhancement above, LACOE has worked closely with the State Legislature and the Governor's Office to secure revenue enhancements for JCS programs Statewide. Their efforts have resulted in the State Senate/Assembly Conference Committee restoring the ADA revenue limit to \$8,500 per student and allowing JCS to be eligible for receiving Economic Impact Aid funding. Together, these two victories will increase LACOE's revenue for FY 2010-11 by approximately \$2 million. While this newly secured additional revenue helps, it will only slightly impact the current \$16 million projected deficit.

LACOE is still exploring ways of working with the State Legislature to increase JCS revenue and will be attending a Statewide meeting of County Offices of Education Superintendents next week. As a last resort, LACOE's Board of Education is still considering pursuing legal action against the State to address the ongoing funding inequity existing between DJJ and LACOE. Currently, DJJ receives an annual allocation of \$22,500 per youth, whereas LACOE only receives \$14,500 per youth. Although some may argue that the youth residing in DJJ facilities are more difficult and therefore require more services, two factors have significantly changed the population within the County's custody: 1) DJJ instituted policies promoting the retention of youth in local jurisdictions who would have otherwise been transferred to the State facility, cutting their enrollment by 77 percent, and 2) SB 81 imposed a state-mandated local program whereby serious offenders were transported from DJJ back into County custody.

Conclusion

We believe that these recommendations are sound, and that LACOE is making solid progress in implementing them. However, the growing JCS program structural deficit is a serious concern. Without a program intervention to significantly increase student attendance, redesign classroom facilities, create a legislative remedy, or pursue legal action, the fiscal stability of this program will be severely compromised. Since attendance

Each Supervisor
October 26, 2010
Page 6

rates and classroom facilities are outside of LACOE's control, and pursuing legal action is a last resort, the only plan LACOE currently has to address their JCS program's projected \$16 million deficit is to continue working with the State Legislature on increasing revenue.

If you have any questions or need additional information, please contact me, or your staff may contact Kathy House, Assistant Chief Executive Officer, at (213) 974-4530 or via e-mail at khouse@ceo.lacounty.gov.

WTF:KH
LB:CDM:mh

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Probation
Education Coordinating Council
Los Angeles County Office of Education

LACOE JCS Plan_Board Memo_October 2010

Auditor-Controller Recommendations

Category	Recommendation Number
Fiscal Impact of Implementing Recommendations	
<i>Accounting Procedures</i>	
LACOE's Use of JCS Program Funds	1,2
Budgeting	1
LACOE JCS Program Revenues and Expenditures	2, 3, 4, 5, 6
<i>Cost Reductions</i>	
LACOE JCS Program Structural Deficit	2, 3
LACOE JCS Program Per Capita Measurements	2, 3
Comparative JCS Program Revenues and Expenditures	2
Comparative JCS Program Per Capita Measurements	2
Comparative JCS Program Staffing	1
<i>Revenue Enhancement</i>	
LACOE JCS Program Revenues and Expenditures	1, 7
LACOE JCS Program Structural Deficit	1
LACOE JCS Program Per Capita Measurements	1
Comparative JCS Program Per Capita Measurements	1
Comparative JCS Program Fees	1
Structural Deficit	
<i>Fiscal Strategies</i>	
Comparative JCS Program Facilities	1, 2
Comparative JCS Program Staffing	2, 3
<i>Legislative Strategies</i>	
LACOE JCS Program Revenue Funding	1
Comparative JCS Program Revenues and Expenditures	1
Proposed Residential Service Funding Model	1