

To: Dallas ISD Board of Trustees

From: Citizens Budget Review Commission

Date: May 23, 2011

Overview

The Citizens Budget Review Commission (“CBRC or Commission”) was formed in early March and met for the first time on March 21, 2011. In each weekly meeting, the CBRC met for roughly 2–3 collective hours with Dallas Independent School District (District or DISD) staff to study, discuss and inquire the current FY 2012 budget. Its role was defined as purely advisory in nature, with its sole mission to provide advice and to make a series of recommendations to the Superintendent and Board of Trustees of the Dallas ISD regarding (i) whether the budget is generally consistent with the overall priorities of the Board as established by its vote on April 28, 2011 and (ii) what further recommendations should the Board consider in aligning its operating budget with its stated goals.

Overall DISD Board Priorities for FY2012 as Approved on April 28, 2011

- A. Retain highly effective teachers and school leaders to improve college readiness and graduation rates.
- B.
 - 1) Maintain a safe, secure and orderly environment
 - 2) Meet the needs of all student groups
- C.
 - 1) Deliver full day Pre-K programs district-wide
 - 2) Offer a variety of opportunities to engage all students in a challenging and rigorous curriculum to promote student achievement
 - 3) Ensure effective and efficient district operations
- D. Ensure access to fine arts for all students.
- E. Continue developing and supporting teachers and instructional leaders

The large majority of the CBRC believe that Version 4.0 of the budget, as proposed by management, is generally consistent (with select exceptions noted below) with the overall priorities of the Board as established by its vote on April 28, 2011. In addition, the CBRC unanimously makes the following recommendations to the Dallas ISD Board for further consideration. These recommendations have been listed in a rough order of priority based on each recommendation’s perceived impact in aligning the operating budget with the Board’s stated goals; the recommendations have been further segregated based on their ability to impact costs in the FY2012 budget versus in later years.

Recommendations Impacting FY2012 Budget

1. **Per the District's No. 1 Goal, Empower and Support Principals in Hiring and Retaining the Best Teachers and Staff**
 - a. **Implement the Reduction-in-Force Policy Approved by the Board for Any Teacher and/or Staff Reductions Required by the Final Budget** – The District recently adopted a reduction in force policy whereby any staff required to be eliminated are chosen based on performance rather than seniority. Using this policy (vs. a seniority-based leveling policy) will not only retain the best teachers, it will result in the retention of more teachers since laying off only the most junior teachers (regardless of their performance) will require more staff to be let go in order to achieve the same budgeted dollar reduction.
 - b. **Modify the Leveling Policy to Make it Performance Based as Well and Allow Empowered Principals the Right to Refuse a Forced Placement** – If the District is to empower and hold principals accountable for their academic results, the District in turn must allow them to choose their own staff.
 - c. **Allocate Sufficient Budget Dollars in FY 2012 to Develop an Exemplary Performance Review System for Implementation in FY 2013** – Given the District's No. 1 priority of retaining “highly effective teachers and school leaders to improve college readiness and graduation rate”, it is critical that the District develop a performance evaluation system that assesses the effectiveness of the District's teachers and school leaders and is trusted by all stakeholders. With class ratios increasing and resources being cut at all levels, the value of an effective teacher in every classroom and an effective principal leading a school has never been more important.
 - d. **Simplify the Process for Removing Underperforming Teachers by Addressing Costly and Protracted Grievance Procedures as Described Later in Item 10.a** – One of the key wishes expressed by various stakeholders (principals, parents, community members) is for a principal to have the ability to remove underperforming teachers in a timely manner. The District should retain its commitment to assisting recently hired teachers in developing teaching and classroom-management skills. However, if a teacher does not show proficiency – as determined by the performance evaluation system – within a reasonable period of time, a principal should have the authority to terminate that teacher's employment on the campus.
 - e. **Support empowered principals' desire to hire alternative certification candidates by appointing an empowered liaison within Human Resources to coordinate their recruiting and training with approved certification vendor(s)** (should the Commission's recommendation to remove the District's internal alternative certification training department (as described later in Item 4.a) be adopted).
2. **Allocate Sufficient Budget Dollars on Each High School Campus that are Exclusively Focused on Helping Achieve College Acceptance and Financial Aid** – Given the Board's stated No. 1 goal of achieving college readiness, it seems critical to take the next step and ensure that that readiness is accompanied by college acceptance. Over the last few years, Title I eligible high schools have been allocated approximately \$2.0 million+ in Title I dollars to contract with college prep service providers, such as Education is Freedom (EIF) or Academic Success Program (ASP), to provide a dedicated resource for each high school's graduating class that has been responsible and accountable for college placement and financial aid. These services have been critical to achieving a college-driven culture given

that the majority of DISD high school graduates represent first generation college students without the parental knowledge to navigate the process.

- a. Fund access to college prep service providers for all students (including those at Non-Title I magnet schools through their home school).
 - b. Allocate budget dollars to support SAT/ACT study courses that are open and accessible to all. Beginning in middle school, identify and track students with the potential to score in the top 1% in the country with the goal of matching national averages in students achieving National Merit Scholar. The programs should be designed based on best practices of other districts, evaluated annually and measured against goals of increasing participation and higher test scores for all.
3. **Reduce Teacher Absences from the Classroom – As allowed for in local board policy,** the amount of time that teachers can be absent from the classrooms for personal reasons (other than vacation) is substantial. In fiscal year 2012, the District is budgeted to spend \$12 million for substitute personnel. At an approximate cost of \$100 per day for a substitute teacher, that represents 120,000 days that teachers are absent from the classroom, or roughly 12 absences per teacher. In addition, students on average learn less from substitute personnel, so the educational cost of this local policy is also significant.
- a. Reduce absences by reducing the number of excused absences for all District employees, including both contract and non-contract personnel, from the current Board policy of 10 days to the state mandated level of five days. Given the amount of personal days already accrued, making this change will likely save costs more in future years than in fiscal year 2012
 - b. Adopt a “use it or lose it” policy for any personal days granted going forward that are in excess of state mandated level of five days and;
 - c. subject to school principal discretion, make a concerted effort to confine professional development to identified staff development days and/or other non-classroom time slots in order to meaningfully lower future costs while adding to student achievement.
4. **Seek Additional Efficiencies in Central Administration with Goal to Find an Additional \$8 million to \$10 million.** The Commission did not have sufficient time to do a thorough review of certain Central Administration departments that appeared, based on various stakeholder feedback, as areas containing potential additional cost savings. Benchmarking of these areas relative to other districts was also not done but would appear to be a useful Board exercise. In an effort to seek additional funds for priorities listed in Item 7, as much as \$5 million could be achieved through the potential reduction, consolidation or elimination of the following departments:
- a. **Eliminate Alternative Certification Department** – Management’s latest budget version 4.0 requests \$1.2 million to maintain an alternative certification training department, down meaningfully from prior versions reflecting a total cost of \$2.7 million. While the District should continue to (i) actively recruit proven pipelines of alternatively certified teachers and (ii) allow them to become certified during their initial year of teaching, many districts do not internalize the certification function itself. The attempt to maintain a stable certification department given the volatility of alternatively certified teacher hiring year-to-year does not seem to be good use of management's time and district resources. In addition, eliminating the AC department was consistently recommended by the various principals in each learning community as a priority cut given the view that it operates at a break-even level at best. Outside

- providers such as Region 10 and the Texas Teaching Fellows can provide this service to alternatively certified teachers working within DISD as they do for other traditional and public charter school districts, all of whom actively hire alternatively certified teachers where needed and allow them to be certified via a third party vendor.
- b. **School Leadership and Administrative Services [Org 923].** This department provides oversight to all campuses through the horizontal learning communities. For fiscal year 2012, the proposed budget for this department is \$1.0 million, comprised primarily of two contracts: Institute for Learning, which is inextricably linked to the District's policy of managed instruction, and the National Center for Educational Achievement (NCEA) audit. The District should periodically reassess the need for the services provided by such vendors.
 - c. **Learning Communities [Orgs 860-867].** The District currently has seven regular learning communities and is planning to add an alternative education learning community next year. For fiscal year 2012, the proposed budget for these eight communities is \$3.7 million. Providing support and training to principals and teachers is important; while the Commission did not discuss the nature and extent of the responsibilities held at the learning communities, the District should consider a zero based budgeting effort to determine the right number of staff to supervise the District's 225 principals (based on an appropriate span of control).
 - d. **Consolidate Communication Services, News and Information and the Office of Broadcasting and Programming [Org 760, 762 and 813].** These departments provide a variety of communication-related services to both external and internal stakeholders. The District should consider consolidating these departments to reduce supervisory costs and provide services more effectively. In addition, communication channels should be prioritized and it may be wise to suspend/eliminate lower priority items, such as the Communicator, in the current environment.
 - e. **Consolidate Parent Engagement, Parent Services and School/Community Relations Departments (Orgs 819, 946 and 949) –** These departments provide a variety of services to assist schools in engaging parents and community partners; for FY 2012, they collectively total \$1.7 million in budgeted dollars. The District should consider consolidating these departments to reduce supervisory costs and provide services more effectively.
 - f. **Curriculum Development (Orgs 900-916) –** The amount of dollars spent on continually updating and adding to the District's curriculum is substantial. The Board should consider reducing curriculum development activities in the current constrained environment, benchmarking this function against other districts while concurrently evaluating whether development in partnership with others is a viable option
 - g. **Simplify the student transportation policy so that it is equitable in terms of comparability standards and consistent with the practices of our peer districts.**

5. **Additional Areas of Cost Savings or Revenue Generation**

- a. **Equitable Pay Cut for Non-Contract Personnel** – To the extent that current average pay for contract employees in the final budget is reduced (i.e. such as through the proposed \$15mm reduction of stipends), the District should consider applying an equitable reduction to non-contract employees. For example, assuming total reductions to contract personnel total 2% of their average total compensation, the District should consider applying a similar 2% reduction in the total average compensation of non-contract employees, with said reduction to be distributed at the discretion of management and the Board.
 - b. **If Legally Possible, Seek Texas Educational Agency (TEA) Waivers for K-4 Staff Allocations** – The District should seek permission to obtain a waiver allowing a district-wide average of 22:1 with a hard cap per classroom of 25 students. It is estimated this would save the District approximately \$21 million.
 - c. **Eliminating the Homestead Exemption** – It is estimated that eliminating the optional homestead exemption could generate \$22 million of revenue for the District. No recommendation was made by the Commission on whether to pursue this strategy at this time.
6. **Do Not Make Further Cuts to Facilities Services** – Finally, given the level of cuts already taken this year and in prior years, the Commission is concerned (should any further cuts be needed) about the District’s ability to maintain a quality of service level that would minimize any distraction caused by poor functioning HVAC, computing, maintenance, grounds keeping and the timely fulfillment of procured items.
7. **Prioritization of Additional Dollars Should They Become Available Due to Cuts Above or Additional Revenues from State**
- a. **Fund Full Day Pre-K** – The District has compelling data on the effectiveness of Pre-K in narrowing the achievement gap. As such, the District should consider reinstating Pre-K to current 2010-11 funding levels and, through staffing adjustments, expand it to serve every campus full day where space allows. Additional funding could be found by charging tuition for parents who could afford it.
 - b. **Return Middle School Student-Teacher ratios to 25:1**
 - c. **Return High School Student-Teacher ratios to 25:1**
 - d. **Increase Safety and Security – Eliminate cuts to hall monitors, ISS, custodial services, etc. as warranted**

Recommendations Affecting F2013 Budget and Later

8. **Overall Facilities Strategy** – The District should consider reaching out to industry leaders to advise and to assist it with arriving at an overall facilities and maximizing the use of its existing real estate at the lowest net effective cost to the District. Many facilities operate at very high capacity, requiring the use of expensive and operationally inefficient portables while others operate at low occupancies and resulting low cost efficiencies. Many portables are open and operating but are not needed and should be closed in order to cut operating costs.

- a. Assess the operating costs of all facilities, both existing and coming on line, on a per student and per sq.ft. basis
- b. Assess whether existing facilities can be used more efficiently
- c. Assess whether underutilized or highly inefficient facilities can be consolidated or should be closed and, if the latter recommendation is made, understand whether there are alternative uses that could generate revenue to the District; for example, consider sub-leasing as opposed to selling a property
- d. Decommission portables as new facilities are brought on line to reduce operating costs of facilities.
- e. Consider awarding incentives for principals to achieve maintenance and energy cost savings; that would also empower school principals
- f. Share cost of services with other government agencies (e.g. mowing of campus and adjacent city park); utilize city's signage department in lieu of outside vendors
- g. Revisit lease agreements for cell towers located on DISD property utilizing a third party to validate rates and determine whether or not rates are at market and can potentially be renegotiated.
- h. Examine the potential of consolidating or otherwise finding more efficient and cost effective ways to house the central office and administrative functions. These are currently scattered in multiple facilities with poor economies of scale and inefficient travel times between locations.
- i. Streamline records management as permitted by law

We recommend that the District set a stretch goal of achieving annual savings of \$20 million to \$30 million from more effective use of facilities. Savings of this magnitude will require closure and consolidation of existing campuses and closure of many portables which are much more expensive to operate than the new facilities coming on line.

9. **Create a Technology Task Force** – Create a group of industry professionals willing to assist the District in identifying and evaluating innovative uses of technology for education work being done successfully in Texas and around the US. This group should review the DISD plan in light of innovations and best practices and work with the technology staff to determine the optimal plan, the best application of funds, and determine whether there are any other funding sources which could be used to execute the plan. In addition to assisting in the development of a best-in-class plan, this group could provide the District and the Board with additional credibility in supporting much needed investment in this area facilitated by redirection of existing bond funds and/or future bond program elections. Areas they could assist District would include:
 - a. Drive content/ text books online (currently restricted by limited network capacity)
 - b. Strategically look at how technology can improve learning while reducing operating costs
 - c. Automate student registration and attendance process
 - d. Third party software application and related maintenance – review for software modules not being used and cancel maintenance fee
 - e. Where possible, renegotiate more favorable rates for in-place service contracts
 - f. Enhance School Dude software to measure maintenance costs (time and materials), identify outliers and develop history so that the most cost-effective capital investments in costly-to-maintain equipment can be more readily identified and justified

- g. Integrate all DISD platforms and technology systems to make them more efficient, state of the art and cost effective.

10. Thorough Review of DISD Board Policies – The Board should assess the cost/benefit analysis of any existing District policies which go beyond those mandated by the state and, if eliminated or modified, could result in either meaningful cost savings for the District OR in increased teacher effectiveness. Examples would include:

- a. The District’s legal costs, associated with grievance rights are reportedly substantially higher (on a total cost per student basis) than surrounding districts as well as several national urban districts. (See Appendix B for chart comparing legal costs of DISD and other districts). These more generous policies not only result in higher direct costs to the District, but they also restrict the District’s ability to replace ineffective teachers with an effective teacher given the non-state mandated requirement for additional appeals and hearings. There is also an intangible cost of the remedial teaching required for students who had ineffective teachers.
- b. The best way to reduce legal costs related to employment matters is to avoid legal disputes. Therefore, DISD should retain a management consultant firm to work with its legal department and its outside counsel to review past grievances for patterns and trends. This data will identify areas (e.g. compensation comparability) in which grievances can be avoided
- c. The District should also review its grievance policy to ensure it is in line with best industry practice. A weak grievance policy can unduly restrict principals’ ability to replace ineffective teachers, which in turn results in lower student achievement and greater staff development costs.
- d. DISD should consider using the competitive bid process to select outside legal counsel for fixed terms. No single law firm should be used for all or even most legal areas. Instead, different law firms should periodically compete to represent the District in different areas of legal expertise (e.g. employment law, regulatory law, contract law etc.). This recurring competition will allow the District to select the best qualified and most efficient legal counsel for each area of legal need.
- e. Outside counsel should be required to give the Legal Department detailed case management plans for handling each new legal matter. In the case of employment law matters, this would include: (a) a budget for each anticipated legal action, (b) a strategy for achieving the desired outcome, (c) a plan that identifies each anticipated action to be taken to implement the strategy and the schedule for doing so, and (d) a cost/benefit or risk analysis.

11. Continual Benchmarking and Ongoing Review of Outsourcing Potential of Non-Core Area – We believe that the District’s core competency is and should always remain the education of its students and that it should consciously validate every year, to both themselves and to the Board, why the District should internalize any non-core competency. Benchmark all practices and availability of solutions elsewhere before embarking on internal projects. Any ancillary function that the District provides that is outside of this core competency (including but not limited to transportation, landscaping, HVAC maintenance, food service, records management, etc.) should be:

- a. Periodically benchmarked against other surrounding public districts (in terms of several factors including who is served, net cost per student/teacher or on a per square foot basis, where applicable, and whether they internalize or outsource) and;

- b. Periodically put out to bid and potentially awarded to multiple providers (thus ensuring that the size of the assignment is digestible by each provider - thus increasing the number of providers who can compete for the assignment while concurrently ensuring that no provider behaves like a monopoly due to the difficulty in replacing a contract of that size). If the District elects to outsource a service that is currently internalized, efforts should be made to help (but not require) transition of DISD employees to those external providers.
 - c. Finally, internal clients of each of these services should be annually surveyed (with results made available to the Board) to understand their satisfaction levels to make sure that whoever is providing the service (internal or external) is meeting their needs (if not, a change will be made). If externalized, functions should be awarded based on a combination of lowest cost and highest quality service. By concurrently avoiding the dependency on any sole-service provider and awarding multiple contracts, any provider will realize that they can be easily replaced if they are not meeting the needs of their clients in the field.
12. **Thoroughly Review Numerous District Programs Periodically for Effectiveness in Growing Student Achievement and Cost Per Student Served** – In reviewing numerous centralized programs that were maintained or cut at varying levels it was unclear how to prioritize them given the lack of analysis in determining their net cost/student on student achievement growth. Performance management is fundamental to building and operating a high performance district, particularly in a financially constrained environment. In addition, the District should work to remain faithful to grant commitments in order to maintain goodwill of funders who will be needed even more in the future.
13. **Build the Reserve Fund** - Our recommendation assumes that this budget does not reduce the fund reserve balance. During the year, the Board should consider establishing mechanisms to build the reserve fund balance back up to higher levels based on best practice standards. This will take time but is an important commitment. The District’s fund reserve is already well below the prudent level, and the District anticipates additional revenue reductions in FY 2013. CE (Local) states: The District shall strive to maintain a yearly fund balance in which the undesignated/ unreserved fund balance adequately finances one month’s operating expenditures plus the cash flow deficits that occur during the fall month’s prior to the receipt of tax revenue. To meet current policy, the District would need to increase its year-end fund balance to \$xxx million. According to the Texas Education Agency guidelines, the District’s optimum fund balance is \$416 million. The Board should establish a plan to increase the unreserved fund balance to meet Board policy within five years.
14. **E-Rate Compliance** – This District should continue to make a strong and concerted effort to achieve E-Rate compliance in FY 2011-12, allowing it to receive substantial accrued funds potentially within the year exceeding \$25 million from the Federal Communications Commission while concurrently allowing it to proceed with much needed capital projects totaling upwards of \$100 million in information technology which, once spent, can be reimbursed by the FCC under its Priority 2 reimbursement process. The Board should consider seeking monthly updates on this effort from staff until compliance is achieved given the magnitude of the funds involved.
15. **Ancillary Marketing/Naming Revenues** – DISD should commission a firm or individual whose responsibility is to maximize advertising revenues from firms seeking visibility with

DISD parents and students (textbook covers, signage at sporting venues, etc.) with the firm/individual receiving a percentage of the revenues received. In addition, said firm/individual could work with local SBDM/PTA to fund raise from parents and alumni and use naming rights (classrooms, auditoriums, etc.) to help secure funds/endowments supporting specific schools.

16. **Creation of an Ongoing Budget Review Commission**, or simply continue the work of this Commission, to serve in an advisory capacity to the Superintendent and the Board. The Commission, which spent over 30 hours in meetings as well as additional time reviewing numerous documents in answering their questions, felt that this process was incredibly beneficial in providing transparency on the budget process as well as allowing valuable, real time input on budget issues critical to the District.

Final Thoughts

With likely sizeable state funding reductions in the following fiscal year 2012-13, efforts should begin immediately to settle into the new staffing levels and to seek sources for achieving next year's budget savings. The largest single source of potential savings is in more efficient use of facilities. The next source should be additional savings from the District's central operations which have the least impact on student achievement. These central functions should have ongoing monitoring once performance metrics are put in place. Facilities decisions will be difficult and contentious. The Board and management must be resolute and decisive because if the needed savings do not come from facilities, they will only be available through further personnel and salary reductions.

The CBRC wishes to thank the management and staff of DISD, who throughout the process have been very professional, cooperative and forthcoming with data and judgments and who have worked tirelessly during a very stressful time for the District to be as responsible and transparent as possible.

The 2011 Citizens Budget Review Commission

Phil Montgomery, Chairman

Jim Kipp

Michael MacNaughton

Louisa Meyer

Andrew Newman

Jose Hernandez

Susan Schuerger

Debbie Sherrington

Kenneth Walker¹

Warren Westmoreland

Todd Williams

¹ Attorney Kenneth E. Walker abstained from approving all recommendations (except for the recommendation related to legal costs), because he believes that the Commission was not provided sufficient information from the education experts at DISD to correlate each recommended budget cut with specific educational outcomes. Therefore, he feels that the entire process is a speculative theoretical mathematical exercise with indeterminate effects on DISD's core mission of educating children. Mr. Walker believes that the DISD Board should require DISD's education experts to accurately correlate each budget cut with specific educational outcomes and devise a monitoring system for holding DISD management accountable for the results.

Appendix A

Several areas were suggested by one or more Commission members for further study. Timing or prioritization did not allow these areas to be fully discussed or voted upon. They may be worthy of further study by the District and the Board of Trustees.

17. Examine ways to reduce student mobility and thereby its associated costs
18. Consider including more start up costs for campuses where bond program is planned (revise policy as needed)
19. In addition to preparing students for college, management should consider whether DISD should emphasize trade schools or seek to partner with businesses to create programs where our students can obtain full time employment with a high school diploma. DISD should examine whether it makes sense for our schools to partner with businesses committed to the Metroplex area to develop a skilled workforce. DISD should recognize that for a certain number of students the typical college experience is not necessarily going to be the solution to long-term stability; some students will be better served by learning marketable skills that will help them secure meaningful employment
20. Bolster the relationship with Chambers of Commerce with the goal that all campuses have increased financial and volunteer support from the business community. Match every business with 100+ employees with a school so that each school has at least one adopter and some have more.
21. Introduce an incentive program to encourage employee suggestions and innovations that result in cost savings.
22. The Commission did not have time to study the expenditures of Federal Title I, II, III funds or other grants and specially funds. These should be studied in future sessions.
23. Consider charging student activity fees in all areas. Although 87.4% of DISD students are classified in the low socio-economic status, practices within DISD and among its peer districts vary regarding when fees are applicable.
24. Strive to maximize student participation in extra-curricular activities and match funding with peer districts. The emphasis on the need for quality after-school programs for younger students should be extended to include secondary athletics, band, theater, choir, clubs etc. These activities keep students engaged in and connected to their school, reducing drop-outs and student mobility.
25. Similar to college work-study programs, the District should establish a system to employ students in support areas as a means to reduce labor costs while keeping students connected to their school communities.
26. Early College High Schools are one of the lowest cost and highest performance open enrollment high schools in DISD. The District should examine the expansion of this successful program since it achieves Board goal #1 and does so at a reasonable cost.

Appendix B
Comparison of Legal Services Costs

