

FALSE CHOICES, HIDDEN AGENDAS: UNMASKING THE ERS REPORT

UTLA • June 2018

On June 5th, the LAUSD Board of Education released a report produced by the L.A. Unified School District Advisory Task Force, based on an analysis by ERS, a paid consulting firm hired by now-superintendent Austin Beutner's Task Force. One of the stated objectives of the ERS analysis is to "mitigate threat of deficit by identifying key opportunities for reallocation and by naming and quantifying key structural challenges" – i.e. cuts. Unsurprisingly, the paid analysts repeatedly name educators, pensions, and healthcare as key structural challenges.

The report bases its conclusions on several fundamentally flawed methodological decisions. Deliberately misleading charts, graphs, and conclusions about causality provide further evidence of the bias in the report. The report is riddled with numerous internal inconsistencies in its comparisons and its treatment and manipulation of various data points. Peer groups used for comparison were selected by questionable methods. Several data points used by the authors proved to be incorrect after undertaking basic verification procedures.

Later in the same month after releasing the "Hard Choices" report, ERS was forced to issue a correction of an analysis of teacher salaries. Their gross error stemmed from the incorrect application of a living wage calculator, and the conflation of data from different school years¹ – mistakes that are prevalent throughout their LAUSD analysis. In Madison, Wisconsin, school board members and local disability rights advocates decried the decision to award a contract to ERS, calling the firm "too corporate-minded and too focused on budget-cutting and [special ed spending] caps."² ERS has also shown a willingness to ignore conflicts of interest when taking on client engagements: ERS collected public money from Oakland Unified School District to assist the district with budget planning, while at the same time producing a report for the Walton-Funded "Oakland Achieves Partnership," calling for moving more money to charter schools.

In view of the flawed methodology, questionable evidence, and biased presentation, the report should be completely discounted as a basis for any policy prescriptions. Its only remaining use is to the district's pro-privatization Board majority and their hired private equity superintendent – as a road map for accelerating the dismantling of the second largest public school district in the country.

¹ http://blogs.edweek.org/edweek/teacherbeat/2018/06/teacher_salary_living_wage_report.html

² https://host.madison.com/wsj/news/local/education/local_schools/madison-school-board-s-choice-of-special-ed-consultant-sparks/article_c1ba8814-7b06-59fb-be40-2f29ce7c60b6.html

False Choices, Hidden Agendas: Unmasking the ERS report

“LAUSD is facing a **structural deficit** due to increasing liability for **pensions** from the state and annual spend on **health and welfare benefits.**” – ERS

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Apples to Oranges; or, You Call these Peer Districts?

The Hard Choices report and the ERS analysis on which it is based, grounds many of its conclusions on a supposed comparison of LAUSD to “peer districts”. These peer districts were hand-picked from across the country and include:

- A district from Shelby, Tennessee with only 7% English Language Learners (despite ERS’ claim that the 2016-17 percentage stands at 20%, LAUSD documents show the percentage to be 25%,³ with some 94 languages other than English spoken in LAUSD schools by the District’s EL students.⁴)
- A district from Cleveland, Ohio with barely 7% of the enrollment of LAUSD (39,000 students versus 511,000 students)
- A district from Baltimore, Maryland, with only 34 charter schools (versus LAUSD, the largest district charter school authorizer in the country with 277 charter schools)⁵

Only one of the “peer” districts is in California, and public school funding and costs are crucially different in Los Angeles than they are in the other districts. The table below shows exactly how varied this peer group is on a key factor affecting public school funding, regionally adjusted per pupil spending.⁶

State	Per Pupil Spending
California	\$ 9,417
Tennessee	\$ 9,605
Colorado	\$ 9,733
Florida	\$ 9,737
Ohio	\$ 12,543
Maryland	\$ 13,075
National Average	\$ 12,543

Figure 1 EdWeek Quality Counts 2018 (using 2015 data)

The selective use of supposed peer districts is further underscored by the number of different “peer groups” used by the authors, depending on what conclusion they wish to support. Four different sets of “peer” groups appear between pages 21 – 25 alone (ERS). Throughout the analysis, it is often difficult, if not impossible, to determine exactly which districts the authors are comparing to LAUSD. Considering ERS’s inability to produce correct statistics even for LAUSD, the district they were paid to study, the inability to verify their claims about supposed peers is a fatal flaw in their report.

³ <https://achieve.lausd.net/cms/lib/CA01000043/Centricity/Domain/582/LCAP-Infographic-LAUSD-12.2016.pdf>; figures verified via CDE <https://dq.cde.ca.gov/dataquest/DQCensus/EnrELAS.aspx?cds=1964733&agglevel=District&year=2016-17>

⁴ Superintendent’s Final Budget 2016-17, p. 143

⁵ Data from respective districts’ websites, retrieved in June 2018

⁶ EdWeek’s per-pupil spending “adjusts for regional cost differences across states. It captures factors like teacher and staff salaries, classroom spending, and day-to-day operations and administration, but not construction and other capital expenditures.”

Layered on top of the questionable selection of supposed “peers” is ERS’s misleading manipulation of the key “adjusted dollar per pupil” figure. The footnotes on their “National Peer Districts for LAUSD” table are as follows:

“Dollars represent PreK-12 operating budget/ expenditure for year studied.” This footnote appears to admit that ERS is claiming that financial information from different years is comparable. The public may never know for sure, however, because ERS’ “benchmark database” is not publically accessible, and the authors do not let readers know from which fiscal year they harvested the numbers for each supposed peer district. A reader would find it impossible to recreate ERS’ numbers in order to come to their own conclusions.

“ERS is claiming that financial information from different years is comparable...using a wage inflator that is at least 11 years old...distorting the data twice in order to pretend it is comparable.”

“Dollars were adjusted for geography using the National Center for Education Statistics 2005 School District Comparative Wage Index.” The report ERS produced for LAUSD in June 2018, cites the 2016-17 Adjusted Budget as its source for LAUSD figures. By its own admission, ERS is using a wage inflator that is at least 11 years old and burying this ludicrous methodological choice in a footnote.

Meanwhile, the Task Force authors claim “ERS adjusted dollars using the National Center for Education Statistics 2012-14 School District Comparative Wage Index” (Hard Choices, p. 11). 2005, 2012, or 2014 – the authors contradict their client as to which manipulation was applied.

“Dollars are also adjusted to 2016-17 (inflation adjusted) using the Bureau of Labor Statistics CPI calculator.” Given that public school financial information is a matter of public record, it seems ERS could have used current financial information from their benchmark districts. Because they were too careless to do so, it appears that they are distorting the data twice in order to pretend it is comparable: first, with a wage index that is over a decade old; then with an inflation adjustor that may or may not be applicable given regional inflation variation.

This study uses different comparison districts, gleaned from unknown fiscal years, sometimes anonymized and sometimes not, manipulated using opaque methods, to make different points – whichever districts, and whatever manipulations, help support their pre-determined conclusions.

Bad Data: Garbage In, Garbage Out

Throughout the report, discrepancies, mistakes, and mis-reporting provide readers with an erroneous impression of LAUSD’s objective situation. The mistakes include careless typographical errors, slapdash citations referencing incorrect source documents, willful ignorance of existing academic literature, and outright mistakes with numbers. The authors then use their bad data to draw questionable conclusions. ERS’s error with basic demographic data for English Language Learners has already been noted above. Other examples are littered through the ERS report:

Deceptive headlines. Page 34, “Despite having a lower overall ID rate, LAUSD allots a higher proportion of its operating budget to special education.” This headline sits above a chart where LAUSD is literally in the middle of the distribution: at 12%, above three (anonymous) peer districts (10%, 11%, 11%), and below three others (14%, 15%, 20%).

Page 22, “LAUSD’s teacher salary curve...prioritizes early-career increases rather than later ones.” Meanwhile, the graph clearly shows that after 10 years, LAUSD educators fall behind other districts. The headline could as easily have read, “LAUSD’s teacher salary curve penalizes experienced educators.”

Prima facie conclusions and ignorance of academic literature. Page 39, the report claims that there exists a “disproportional identification of English Learners and African American students” as special education students. The authors make this claim by adopting without question the district’s own claims that these students are over-identified simply based on a comparison of their disability identification versus their proportional representation. This ignores the possibility, academically supported, that certain populations may in fact be at higher risk due to a confluence of socioeconomic factors and health risks (Farkas et al., 2015).

The authors’ seemingly singular focus on reducing identification of special education students of color also ignores the possibility of under-identification of certain types of disabilities in communities of color. For instance,

there is a long established disproportionate under-identification of cultural and linguistic minority student populations identified to receive services for Autism, especially here in California (Travers & Krezmein, 2018).

“To some, it may feel strange to talk about improving educational opportunities for struggling students by **keeping them out of a program that provides additional academic supports.**” – ERS

Culturally responsive practices are vitally important when identifying targeted supports, but must be based in a desire to see students succeed – not on a desire to save costs by potentially denying students their rights to a free and appropriate education. ERS’ motivations concerning special education students and their associated costs should be viewed with caution, given that the firm has suggested state and federal spending caps in order to incentivize “improving educational opportunities for struggling students by keeping them out of a program that provides additional academic supports.”⁷

Inconsistent manipulation and presentation of data.

When comparing LAUSD to other “peers”, ERS and the Task Force adjust for regional differences (e.g. “adjusted dollar per pupil”), but sometimes they don’t (e.g. average teacher salary, p. 26, “Hard Choices”).

The Task Force carries this inconsistency to new levels by presenting four different figures for per-pupil dollars: \$14,700 (“spending”), \$14,286 (“revenue”), \$13,600 (“expenses”, excluding pensions), and \$11,850 (“weighted per pupil funding”) (pp. 16, 17, 18, 29 respectively, “Hard Choices”).

Deliberate lack of context. The Task Force attempts to critique the district by pointing out that LAUSD provides less learning time than peer districts (p. 24, “Hard Choices”). They leave out important context – that state legislatures establish learning time requirements and these vary across states. Note that it is impossible to tell if these districts are in California or in other states, because this is an instance where the Task Force has anonymized the “peer” group.

One chart is emblematic of the unprofessional, misleading nature of the entire report:

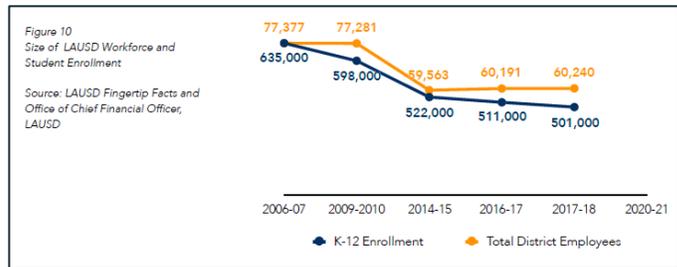


Figure 2: Page 19, “Hard Choices”

Alternative Numbers. The authors cite LAUSD Fingertip Facts – but only one trend line (Total District Employees) can be traced to that document. K-12 Enrollment in the purported source document is completely different. Even going to the source document of the source document does not produce the number used by ERS.⁸ The anonymization of ERS’s varied peer groups makes it impossible to verify the authors’ numbers, a necessity given ERS’ multiple errors with basic, easily verifiable numbers.

Apples to oranges. One trend line represents only K-12 enrollment. The other represents all district employees – for a district that has educators ranging early education, K-12, and adult education. This serves the purpose of supporting their claim that the district is overstaffed – speciously comparing all staff to a subset of the student population.

Visually misleading. Two trend lines are placed on the same chart, despite having differing magnitudes, with no indication of the vertical scale. By independently representing widely differing scales in a single graph, the authors encourage readers to compare their magnitudes, but this is completely meaningless and inaccurate.

The study uses fake facts, draws misleading conclusions from those “facts”, presents trends in deceptive ways, leaving out important contextual information – all to help support their pre-determined conclusions.

Correlation, Causation, and Confounding Variables; or, You Call That a Conclusion?

One of the stated objectives of the ERS analysis is to “mitigate threat of deficit by identifying key opportunities

⁷ Stephen Frank, *The politics of special education placement*, (ERS, 2010), https://www.erstrategies.org/news/the_politics_of_special_education_placement

⁸K-12 enrollment for 2017-18, per ERS chart: 501,000. Per LAUSD Fingertip Facts: 588,696 (includes independent charters). Per Superintendent’s Final 2017-18 Budget (the source document for Fingertip Facts): 588,696 (includes charters) or 472,959 (excludes charters).

for reallocation and by naming and quantifying key structural challenges” – i.e. cuts. Unsurprisingly, the paid analysts repeatedly name educators, pensions, and benefits as a key structural challenge.

The #1 insight ERS offers is: “LAUSD is facing a **structural deficit** due to **increasing liability for pensions** from the state and annual spend on **health and welfare benefits.**” (Emphasis theirs.)

And the top-line conclusion: “LAUSD needs to **make strategic reductions** to bridge the budget gap, while **reallocating dollars** and **pursuing cost-neutral improvements.**” (Emphasis theirs.)

Other, more specific recommendations (p. 4, ERS):

- “Revise health and welfare benefits packages...”
- Address costs such as “admin support staff and supplies”
- “Revise staffing ratios...for small schools...”
- Raise special education student to teacher ratios.
- Move the district away from “investments in culture and social-emotional support that remove resources from core instruction” (p. 10, ERS).

The analysts concluded that fairly compensated educators that are able to retire with dignity are the cause of the district’s structural deficit. However, LAUSD’s percentage of outgo devoted to salaries and benefits is budgeted at 78.48% for 2018-19 – well within (and even below) the range for comparable California districts. Even with OPEB, LAUSD is still below the average for other large urban districts in California.

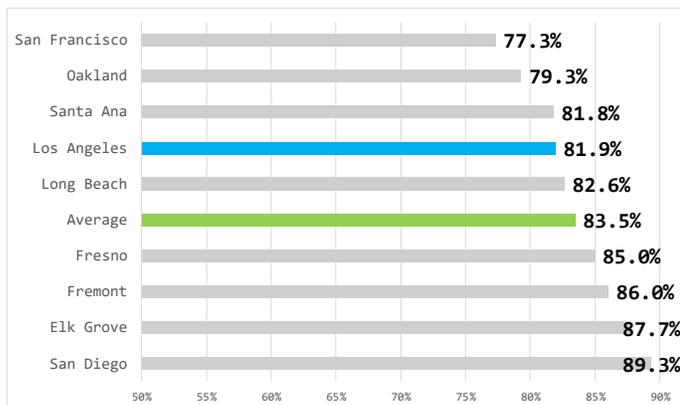


Figure 3 Salary & Benefits As % of Total Outgo: 2018-19 Budgeted for Large Unified Districts

Additionally, the authors themselves admit that the costs of charters was *not analyzed* (p. 67, ERS) - despite a previous study that demonstrated that the unregulated

⁹ MGT of America, independent consultant engaged by UTLA
¹⁰ Data from respective districts’ websites, retrieved in June 2018
¹¹ EdWeek, Quality Counts 2018 (using 2015 data)

growth of the charter industry cost LAUSD \$591.8 Million in 2015 alone.⁹

“The report authors do their best to pretend that California’s low per pupil spending – **43rd out of 50 states** – is *not* a factor.”

This omission is even more egregious given the large variation in privatization penetration in their supposed national “peer group.”¹⁰

District	# Charter Schools
Los Angeles Unified School District	277
Oakland Unified School District	35
The School District of Palm Beach County	48
Denver Public Schools	64
Shelby County Schools	45
Baltimore City Public Schools	34
Cleveland Metropolitan School District	70

Figure 4 Count of Charter Schools for ERS “Peers”

In addition, the authors never attach a cost to the gross underfunding of special education by the federal government. In LAUSD, encroachment into general fund dollars for Special Education services is currently over \$930 million, and is projected to grow to \$1 Billion or more by 2020-21. The Special Education encroachment is a larger contributor to the structural deficit than pensions, which were \$0.7 Billion in 2016-17; and almost equal to health and welfare benefits, which were \$1.0 Billion (p. 13, ERS).

Finally, the report never mentions per pupil funding as a contributing factor to LAUSD’s financial issues. In fact, the report authors do their best to pretend that California’s low per pupil spending – 43rd out of 50 states¹¹ – is *not* a factor through misleading tactics such as comparing California to districts in states such as Maryland that spend \$3,658 more per pupil; and vacillating between supposed per-pupil dollar figures of \$14,700, \$14,286, \$13,600, and \$11,850 (pp. 16, 17, 18, 29 respectively, “Hard Choices”). In addition, including federal funds – as ERS and the Task Force appear to have done in their reports – is out of the norm for reputable education researchers when performing inter-state comparisons.

The pro-charter majority may have been deliberately avoiding the topics of Special Education and charter sector encroachment in order to avoid reminding the

public that their major funder, CCSA, applauded Betsy DeVos's appointment by Trump to the Department of Education despite her ignorance of IDEA. Perhaps they wished to avoid reminding the public of charter operators' creaming and cropping of special education students. Or they may have been avoiding the issue of per pupil

funding because one of their biggest billionaire funders, Eli Broad, contributed to a dark money campaign to defeat the school-funding tax Proposition 30;¹² and their private equity superintendent has probably built his wealth partly on the carried interest loophole that cheats California schools out of millions.

Austin Beutner: Superintendent of the Apocalypse?

Austin Beutner co-founded Evercore, the investment bank that *Institutional Investor* called the "Bankers of the Apocalypse,"¹³ saying that the bank's "restructuring team has had a front-row seat for U.S. corporations' ride into the economic abyss." His "Hard Choices" report and the analysis underlying the report lay the groundwork to justify a similar apocalypse in Los Angeles public education.

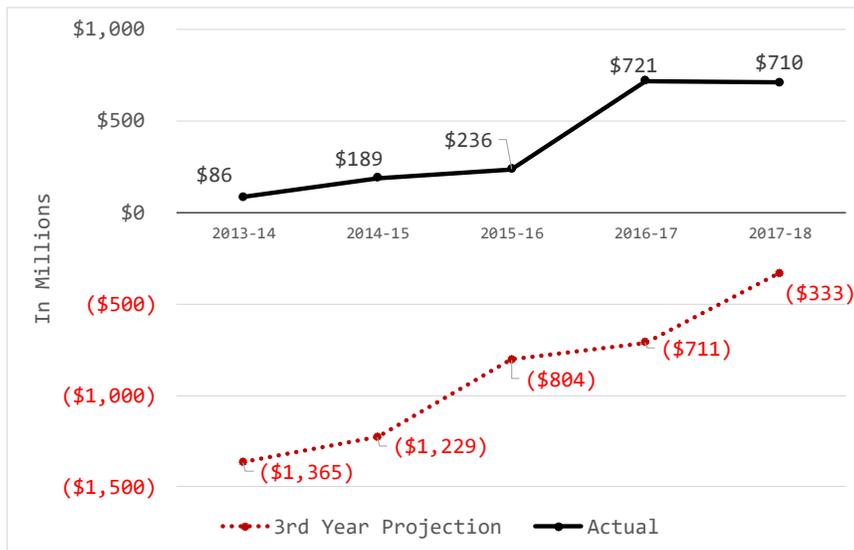


Figure 5 LAUSD Unassigned Ending Balance: 3rd Year Projections vs Actuals

LAUSD's Chief Financial Officers have a history of pointing to an apocalyptic third year, and the Board has a history of using that third year to justify draconian cuts in classrooms. However, the fiscal cliff *has never arrived*. To the left is a chart that compares the past five years of the district's deficit projections for the unassigned ending balance when the respective year is the third year in a multi-year projection, versus the actual results per the unaudited actuals.¹⁴ The district's projected deficit has not occurred. In 2013-14, the district's prediction was off by almost \$1.5 Billion.

Note that the chart represents only the *unassigned* component of the ending balance. The entire unrestricted ending balance, colloquially known as the "reserve", is projected to be \$1.7 billion for the end of the

2017-2018 school year.¹⁵ The district frequently obfuscates the true value of their reserve by referring to both the full unrestricted ending balance, as well the much smaller unassigned component of the ending balance, as their "reserve."

The superintendent, the Board majority, and their billionaire funders like Eli Broad, the Waltons of Wal-Mart, and Trump appointee Betsy DeVos, would like the public to believe that they have to make the "Hard Choice" to put "Kids First" by putting teachers last and our most vulnerable students more at risk. This is a false choice. Where will their false choices take the students and educators of Los Angeles? Below is an examination of just some of the conclusions and suggestions drawn from their faulty analysis.

1. **Increase special education student to teacher ratios.** In an impressive display of verbal gymnastics, the report frames lower than expected student to teacher ratios as a bad thing: "experienced ratios are often less than stated expectations." In other words, the report attempts to frame lower ratios (expected ratios of 28:1 for resource/inclusion vs actual ratios of 23:1, for example) as a "miss" for the district rather than a win for students. The report states that "changing experienced staffing practices to align with stated ratios could free ~\$65M" (p. 40, ERS). Again, the

¹² <http://www.latimes.com/local/education/la-me-edu-california-dark-money-donors-revealed-20160627-snap-story.html>

¹³ <https://www.institutionalinvestor.com/article/b150qdvy61nx9k/evercore-partners-bankers-of-the-apocalypse>

¹⁴ Unassigned Ending Balance, years 2013-14 through 2016-17 from LAUSD Unaudited Actuals. 2017-18 from 2nd Interim, as Unaudited Actuals were not yet available. 3rd year estimates from Superintendent's Budgets two years prior.

¹⁵ LAUSD Second Interim 2017-18, page 32

authors' singular focus on special education seems to stem not from a concern for vulnerable students' civil rights, but from a desire to cut costs regardless of the impact on student success.

2. **Identify fewer students as special education and revise placement processes for identified students.** ERS' recommendations regarding special education should be viewed with caution for a variety of reasons. Their supposed special education specialist had either so little expertise, or so little empathy, that he used the dated term “mentally retarded” in his report.¹⁶ In addition to the lack of expertise and/or empathy, the firm has recommended state and federal caps on special education funding – despite the federal government's refusal to fully fund its obligations under IDEA. At a time when Trump appointee Betsy DeVos refuses to protect special education students' rights to a free and appropriate public education, when charter school operators are frequently accused of underserving and counselling out vulnerable students, it would be reprehensible to undertake reforms to special education supports purely for cost-cutting purposes.
3. **Move away from investments in culture and social-emotional support.** Continuing the trend of recommending cuts to our most vulnerable students, early in their report ERS quickly makes the shocking claim that cultural and social-emotional supports do not support student learning and that it removes “resources from core instruction.” (p.10, ERS) Students of color make up 90% of LAUSD's population. 76% are low income.¹⁷ An ever-increasing number require special education services due to the creaming and cropping by charter school operators. To suggest that investments in cultural and social-emotional supports take away from student learning, with no evidence to support this claim, is utterly outrageous.
4. **Overcompensated and too many aides.** Although the report focuses heavily on certificated educators, it also makes sure to target aides' compensation, pointing out that LAUSD has “more, higher-compensated [aide] FTEs” compared to the peer group (p. 26, ERS). Additionally, the report tries to frame increased TA staffing ratios as a good thing, claiming that the district can free up tens of millions of dollars “if LAUSD were to increase the experienced TA staffing ratios to the stated levels” (p. 42, ERS). Once again, ERS uses deliberately confusing phrasing to make it sound like lower-than-expected ratios (i.e. more aides per student) are a bad thing that the district needs to fix.
5. **Instructional materials and supplies.** Compared to the peer median, the analysts claim that LAUSD spends 2.7 times on instructional materials and supplies. (p. 26, ERS). Over 1 million people use the crowdfunding platform GoFundMe for education projects. 94% of U.S. teachers spend their own money on school supplies, spending \$479 on average.¹⁸ LAUSD educators and students frequently complain of a lack of supplies and outdated textbooks. Overspending on educational materials is not the problem for LAUSD.
6. **Professional education.** The report mentions “education pay,” i.e. salary points, several times, claiming that LAUSD teachers are paid too much, too quickly due to financial incentives for their continuing education (p. 23, ERS). Rather than incentivizing professional development, the report lays out the “option” of the district adding “90 annual hours of professional teacher development and teacher collaboration within the current compensation structure” (p. 56, ERS).
7. **Longer school and work days.** Interestingly, the framing for longer school and workdays is less concerned with the goal of increasing instructional time for students, but with the callous aim to drive down hourly teacher pay. Analysts suggest that “LAUSD has the opportunity to extend the teacher workday” (p. 27, ERS) and that educators' unusually high hourly salary can be decreased by increasing teacher time (p. 28).

Beutner, an investment banker, set up the Task Force to help justify his selection as superintendent. The Task Force did not involve a single individual that is deeply engaged in K-12 education, in the school buildings with students, on a daily basis. The Task Force then chose ERS as its consultant, despite – or perhaps because of – its reputation for sloppy analysis and conflicts of interest, and track record of publishing reports that fault educators as the cause of the financial problems of almost every district they are hired to study. The pro-charter Board majority selected Beutner, who has no experience in education, ostensibly to support their trumpeted “Kids First” agenda.

The “Hard Choices” report is deeply flawed, nakedly biased, and produced by parties with a vested interest in dismantling public education. Despite this, the public should be grateful that the superintendent released the report – because it serves as a stark roadmap of his plan to dismantle and unwind public education in Los Angeles. With the privatizer plan in hand, the true advocates for students and educators now have a tactical advantage in the fight to save America's second largest public school district.

¹⁶ https://www.erstrategies.org/news/the_politics_of_special_education_placement

¹⁷ <https://achieve.lausd.net/cms/lib/CA01000043/Centricity/Domain/582/LCAP-Infographic-LAUSD-12.2016.pdf>

¹⁸ National Center for Education Statistics, Public School Teacher Spending on Classroom Supplies, May 2018.