

# **EXHIBIT 2**

## **Special Master's Initial Analysis of the Proposed Budget for Implementing the USP in 2013-14**

*Note: This analysis was prepared in collaboration with Joe Schneider*

### Purpose of This Memo

I am sending you my initial thinking about the budget proposals submitted by the District. I will use your proposals related to the budget to sharpen my thinking and your suggestions, along with further information I hope to receive from the District (identified below), will influence changes in the issues I address in my recommendations to the District and greater specification. I welcome your comments.

### Core Questions

I believe we should focus on two broad questions as we approach the assessment of the District's budget proposals for 2013-14:

1. Are "desegregation funds" directly related to the elements of the USP?
2. Is TUSD's projected budget adequate to successfully implement the USP?

The first question would seem relatively easy to answer. However, while some cases of desegregation expenditures seem relatively unrelated to the provisions of the plan, many of these desegregation funds are used to enhance the learning opportunities of African American and Latino students. I return to the issue of appropriate use of desegregation funds below.

While we do need to try to determine if desegregation funds are used appropriately, the more important and question is whether the district is allocating sufficient resources to implement the provisions of the USP effectively.

### Constraints and the Need to Focus on Priorities

The ability of the plaintiffs and the special master to influence budgeting for the USP are conditioned by several realities.

First, the USP is based on the assumption that the best way to ensure accountability while building commitment to the elements of the Plan is to focus on outcomes for students rather than processes themselves. However, we don't have needed outcome information.

Second, the USP does not ask for modest changes in current activities of the District. Rather, it seeks to shape new directions that require significant changes in the ways the District functions. These changes will require the District to reallocate resources that could—if reallocated all at once—destabilize effective programs that, while not dealt with directly in the USP, are important to the District's students and to the staff engaged in these activities.

Third, there is a danger that the plaintiffs and the special master will focus excessively on the details of the budget at the expense of influencing the investments likely to make the biggest difference in outcomes.

Fourth, the District has knowledge about the details of how things work in the District and the capabilities of its personnel on whom the success of the Plan depend that we cannot know.

Fifth, we do not have evidence of the effectiveness of most existing District activities and we do not have information that allows us to compare current investments in its programs related to the elements of the USP.

Sixth, several activities supported from desegregation funds have little direct relation to desegregation but are legitimated by (a) their relationship to Court Orders that are connected to Fisher-Mendoza—such as transition costs for school closings, or (b) OCR orders that A.R.S. 15-910(G) says desegregation funds can be used to fund. *If I am wrong about (a), which I take from the District's lawyer, please advise.*

These realities mean that: (a) we should not worry about the small stuff—e.g., whether a particular employee is needed, a small expenditure is clearly explained, or the amount allocated for supplies is appropriate; (2) to the

extent possible, our proposals should be based on evidence of effective practice—e.g., the design of induction and peer assistance and review programs; and (3) it is important to focus attention on those elements of the Plan upon which most of the other elements of the Plan depend—e.g., the adequacy of the Evidence Based Accountability System (EBAS) and the investments in human resource development.

### The Adequacy of Proposed Expenditures for Implementation of the USP

Our analysis thus far has led us to be concerned about the adequacy of proposed expenditures for contingency, family engagement, the evidence based accountability system (EBAS), and professional development. We are seeking clarification from the District about how it sees the last three of these being implemented and what the level of expenditure has been for family engagement and professional development.

In the case of professional development, there appears to be substantial funding involved in different “Projects” but the USP calls for a significant number of new topics for which professional development must be provided. Has funding been increased accordingly and are the various professional development activities coherent and consistent?

With respect to EBAS, the USP depends fundamentally on data that will allow tracking of students, evaluation of educators, program evaluation and other key actions that will lead to increased capability for and a commitment to continuous improvement. Developing EBAS to its full potential will take more than the next year. However in this first year, the District should be able to demonstrate that it has substantially more capability than it does now. Data without the capability to analyze the data and apply it to practice are not useful. The proposed budget appears to provide too little staffing and too little professional development to produce this capability. And, the technology needed may be underfunded.

I believe that the contingency fund should be doubled (at least) to \$2 million. Implementation of the USP will evolve. For example, there may be a need to

start on proposals by the African American Academic Achievement Task Force or to add to funding for EBAS.

The Relevance of Desegregation Funds [those derived from A.R.S 15-910 (G)] to Implementation of the USP.

I found it useful to divide the proposed expenditures in the USP into three categories:

1. Clearly related to the USP
2. Arguably related because of their focus on enriching the education of African American and Latino students.
3. Seemingly inappropriate expenditures

Note that the placement of an expenditure in these categories has nothing to do with its efficacy. And, just because an expenditure is related to desegregation does not necessarily justify that expenditure.

*Apparently Inappropriate Expenditures*

Two expenditures from desegregation funds that appear to be inappropriate are:

- Many of the expenditures for exceptional education.
- Some of the expenditures for “facilities access”, particularly those for maintenance and improvements.

These are sizable amounts totaling over \$3 million. In order for the District to reallocate these funds in a budget year with an overall deficit, the District would have to phase in the reductions from desegregation funds because the services involved are seemingly essential to the District’s students.

*Arguably Inappropriate Expenditures*

More than a dozen programs fall into this category and most involve what can be called student support programs. They are not clearly called for in the USP though they do address needs identified in the USP and many are similar in purpose to programs we would all agree should be funded from desegregation funds—such as the four programs focused on support for

ethnic groups. Examples of the student support programs include fine arts, TAPP, summer programs, alternative education, Core Plus, Project MORE and others. These programs seek to improve the learning opportunities and graduation rates of African American and Latino students. The issue for me is whether these programs are in fact disproportionately serving African American and Latino students and I have asked the District for such information. These student support programs and several that are clearly appropriately funded from desegregation funds appear to be redundant in purpose and, in some case, to be in possible conflict with best practice. Pursuant to provisions of the USP, the District is undertaking a comprehensive analysis of (a) the alignment of these programs with one another and with core academic and student support programs not funded by desegregation funds and (b) whether there is evidence that these programs are or are likely to be effective. We should expect the overall cost of these programs to be reduced and their collective efficacy increased as a result of this analysis.

The implementation of ATI to provide recurrent mid-year assessments of student performance would presumably be important whether the District was involved in desegregation or not. However, the test of whether a program would be offered in the absence of desegregation is an ambiguous one and would apply to many programs funded from desegregation funds—ELL programs are the biggest example. Moreover, at the heart of the USP is the importance of adequate monitoring of student achievement.

*Programs for which Desegregation Funding is Clearly Appropriate*

All the rest.

Transportation and Overhead: Two Large Expenditure Items about which There May be Concern

*Transportation*

Seven million dollars of desegregation funds are allocated to transportation. This amount, roughly one third of the total transportation budget, is justified by the District because one third of the students who are transported are provided transportation for purposes of desegregation. The

District estimates that these students account for two-thirds of the miles travelled. While this estimate is not precise, the District's proposal to allocate desegregation funds to support one third of the transportation budget seems reasonable.

### *Overhead Costs*

Anyone who has written a grant knows that overhead is difficult to define. The District has been assigning an overhead rate of about 14 percent to the total desegregation funds and this yielded about \$8 million from desegregation funds. Its current proposal reduces that rate so that the yield is about \$6 million. The District argues that desegregation funds should be treated as a grant. Furthermore, the District asserts that the rate applied to desegregation funds is low compared to what TUSD would receive from most government grants. What the rate should be or whether there should be overhead at all are debatable. Moreover, it is not common to assign the costs of key oversight personnel, space or supplies to who oversee the implementation of the grant. We have struggled with this for months. Overhead is allowed by A.R.S. 15-901(G). But we decided that this was not a fight worth engaging because the larger question is whether the District provides funding needed to implement the USP. If, in order to fund the USP, the District will have to find ways to cut other expenditures.