

## Broke schools, busted system

The St. Vrain and Elizabeth budget woes have exposed a deeper problem: the faulty structure of school boards altogether.

By Ed Lyell

Sunday, February 02, 2003 - St. Vrain and Elizabeth school districts are in the news, but they are only the tip of the iceberg. There is nothing unique about the complacency and ineptitude demonstrated by those two district boards and their leadership.

Colorado's structure for governing public education allows or even causes these problems. For more than a decade, many former school board members and I have been discussing the problems of Colorado's structure of governance of public schools.

What follows represents the concerns that five of us have developed after decades on local and state boards of education, as well as on national education policy groups. However, my fellow authors found themselves unwilling to have their names published. They are reluctant to again endure the emotional pain of being attacked personally for their ideas on solutions to known problems. Even more important to some of these experienced people is the fear that their children who are still in school would have to pay for their parent's expression of dissatisfaction with the existing structure, organization and operation of public schools.

That in itself points to the biggest structural problem with how we organize and staff our local boards of education. It takes a lot of courage to volunteer, knowing you will be ostracized by other school-board members, district staff and teachers if you ask penetrating questions or propose new ideas that threaten the turf of existing individuals and groups. Thus, we have board members who ignore tough issues, go along with the status quo and, in doing so, contribute to the lack of accountability and innovation necessary for creating more effective 21st-century schools.

In St. Vrain and Elizabeth, there were numerous red flags that something was amiss. Previous leaders created problems, current leaders denied knowledge of problems, and yet we now know that they were aware of the financial problems and even ignored auditor warnings for more than a year.

The school board bears the ultimate burden of responsibility. Its members are elected by the stakeholders to oversee school-district operations and prevent financial disasters. Each has a legal fiduciary responsibility to the district and to the taxpayers.

While school-board members in St. Vrain and Elizabeth seem to think that they fulfilled their duties, it is inconceivable to us that a one-page financial report every three months is sufficient. This is Enron-style leadership. At the very least, each board member should see a monthly report of budgeted vs. actual expenditures for the millions of dollars that they control. The St. Vrain school board should have wondered why it could afford a 7 percent pay increase when the rest of the state was having trouble funding an average of just 3 percent. Each board member should have wondered why the loans from the state increased dramatically. Board members should have noticed that \$1.7 million in student-activity funds were siphoned off to the general account.

Board members say they noticed none of this. If anyone let the St. Vrain students down, it was their school board.

Faulty information was used to make new budgets each year. How could board members, teacher representatives and administrators not notice a \$10 million increase in expenditures with no equal increase in revenue? School-board budgeting is, in general, less complicated than business budgets because the income is a known quantity, one that is set each year. Expenditures can then be planned to match revenues. Every board that any of us have served on uses a report of budgeted vs. actual expenditures to make sure projections are being met.

This did not appear to be the case in St. Vrain. It is hard to believe that two well-respected financial professionals couldn't figure out the problem in more than a year, while the previous superintendent could determine the budget problem in only six days. We wonder just what board members and administrators knew, when they knew it, and what other agendas might be involved.

In the Elizabeth school district, the problem is very similar but much smaller. What St. Vrain and Elizabeth have in common is the complacency or incompetence of the elected boards, the lack of awareness of financial status and the absence of a check-and-balance system to highlight these problems.

State Treasurer Mike Coffman was correct last week to refuse a loan to Elizabeth until the full financial picture is clear. Unfortunately, that could take a while since we have no statewide framework for how information is collected and reported to boards for accountability or better decision-making. When I was on the State Board of Education, we

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generated legislation requiring a common chart of accounts. Now we need to use that to provide better information from the raw data.

Colorado must require local districts to use standardized budget and financial data to identify revenue and expenditures, including program budgeting, fiscal balances and comparable pay levels. Each board member should be able to determine how much to spend on reading, music, mathematics, science, sports, etc. They should be trained in using this data each month to make real policy decisions concerning resource allocations that reflect the community's priorities.

Current state law requires local districts to hire their own outside auditors. Many of these auditors work with the same district for decades, and sometimes are related to board members. With the state paying more than 50 percent of public education costs, the state auditor should provide oversight to local boards' financial activity.

### **Policy governance**

One of the causes of local school-district ineptitude with budgets and expenditures is the practice of "policy governance." This style of board governance has become predominant among Colorado school districts. Board members have been taught that the sole purpose of a school governing board is to set policy and hire the superintendent or chief executive officer. The superintendent is the only one to see the budget and evaluate all staff. The superintendent also is the sole source of information for the board. Of course, superintendents as a rule have liked this new empowerment.

District school-board members under such a policy-governance system are not allowed to even ask about the budget or other financial matters. They are provided with a quarterly, one-page statement of budget and finances. There is no check-and-balance system, just total reliance on the superintendent and the outside auditor who was hired and managed by that person.

The biggest reason for the St. Vrain and Elizabeth school districts' lavish spending was that the people who were obligated to ask questions failed to do so. Policy governance looked good to board members because it is easier than more active fiscal oversight. Asking hard questions does not usually help a board member make friends of staff or teachers.

However, it is mandatory that board members become trained in fiscal oversight. They should not be allowed to hide behind ignorance of numbers. They need to look more carefully when a staffer says "new" money was found for pay for salary increases of three times the rate of inflation and when administrators help them cover deficits by stealing from student-activity funds.

I was on a state higher-education board that went through policy-governance training. After learning what little was left for board members to decide and how the board was taken out of the budget process, I and others with extensive management and budgeting experience stopped the move to policy governance. We learned that trying to operate a multimillion-dollar business with no information, control or oversight of resource allocation is a prelude to disaster - the kind that St. Vrain, Elizabeth and others must now correct or preclude.

It is ironic that board members in St. Vrain now argue for more local control but at the same time blame the state for not warning them of their own fiscal problems. Under current Colorado state law, the Department of Education, attorney general and the state auditor have no obligation to examine or question a local district's budgets, expenditures or financial decisions. But now the tremendous power and trust given to local boards has been violated, and the state taxpayer deserves the right to state-level fiscal oversight.

### **Conflicts of interest**

Colorado citizens continue to believe that local control and local school boards are infallible. We need to examine that opinion. Our experience has led us to identify many problems with the current governance system. St. Vrain and Elizabeth exemplify structural problems that permit boards that are apathetic, ignorant, incompetent or corrupt.

Well before the recent "lapses" in St. Vrain and Elizabeth, we had observed other problems with how local boards are elected and govern in Colorado. We know of boards in rural areas that are family-controlled. One family gets control and runs the board for several years until another family gains control. Each new family appoints friends and relatives, awards contracts to them and favors one group over another.

We know of boards packed with members who have their own special interests. One five-member school board in southern Colorado included the former superintendent (who was defending his work of 20 years); a former chief of the teachers' union as well as its current leader; and the former head of the janitors' union. Only one of those five, a

local doctor, was truly independent.

Other school districts have been led by board members whose spouses were teachers or staffers. One board even fired the superintendent when he fired the district cook - who was the board president's wife. Four of the five members of another metro-area board earned money from the district through contracts awarded to them directly or to their employers.

In the majority of Colorado districts, the only way to be elected to a school board is to be supported by the teacher's union. With voter turnout usually less than 10 percent, employees and their families often make up almost 80 percent of those who actually vote in school-board races. In many towns, no one can be recruited to the local board; the existing board members appoint their friends. Discussion that leads to questioning the superintendent is avoided. Boards are led to focus on school sports issues, signs on buses, bus routes and other trivia. Many superintendents organize the board agenda so that big issues are not discussed until well past midnight, when almost everyone - especially the media - has left.

Colorado is the only state that does not have a law preventing board members from receiving money from the district, either as employees or contractors. We are the only state that allows employees, spouses of employees and former employees to be on a school board. But over the last 20 years, each time an anti-conflict law has been proposed in the Colorado legislature, the coalition of the "Big C" - the Colorado Association of School Boards, Colorado Association of School Executives and Colorado Department of Education - manages to get it killed.

Certainly in small, rural districts, conflicts for board members are impossible to avoid. Those districts need to be consolidated into larger districts with a board elected from a wider group. But that raises yet another problem: The state's current funding formula would take money away from those smaller districts if they were to choose consolidation.

### **Fallacy of local control**

Anyone aspiring to elected office must pledge to support "local control" of public schools, but that is another misleading image. Teachers' salaries are set by state and national union schedules - even in non-union districts. Salary is always based on seniority and college courses taken, and almost never on the quality of the teacher's work. A national teacher pay plan determines almost 70 percent of all school districts' budgets.

At the same time, our group believes there should be more local control of how instruction is organized and delivered. Colorado has adopted statewide guidelines on what students should know and demonstrate by subject and grade. But is it enough?

We as a nation are producing graduates at the lowest rate in the world. The United States currently has the highest level of high school noncompletion and lowest levels of student achievement of any developed nation, according to the Organization for Economic Cooperation and Development. We believe it is good for the state to determine standards, yet we should give more flexibility and control to individual schools' administrators and teachers on lesson organization and delivery.

Colorado also spends widely disparate amounts of money per student based on location. But the strongest correlation for student achievement is not the quality of teachers, the type of curriculum or the dollars spent per student. It is the socio-economic status of the family. People with the financial means move to more expensive neighborhoods to get better schools. We ship very little money from wealthy communities to poor ones, and seldom see high-quality student achievement in districts with large percentages of families in poverty.

We need a different way to organize and fund our school districts; a different way to pay our teachers; a different way for impoverished children to learn. We need governing boards that will look to the rest of the world and adopt some of their policies for K-12 education. The rest of the world does not use education money to pay for sports or music - that is funded by local or regional governments out of recreation money. (Our state could use lottery proceeds that are now going to Great Outdoors Colorado.) The rest of the world does not focus on hiring good coaches and then put them in classrooms for which they are not prepared.

The Japanese do not even have paid janitors; that work is done by the students themselves. Europe, Asia and Australia-New Zealand graduate everyone from high school by the age of 16 with better skills than our 18-year-olds, and then their students go to universities or polytechnic training schools.

We will not produce the necessary high levels of student achievement from just tinkering with the current system. We need to redesign our schools for excellence in the 21st century. We need to use people and technology more effectively, beginning with a better organizational structure with financial incentives for productivity.

The Colorado legislature should launch a major examination of new ways to design and operate our public schools with the goal of ensuring that every 18-year-old is literate, has completed two years of college or technical training and is employable in the new, more globally competitive world. To not change the system for these challenges is to continue to watch the jobs of the future go overseas, while our national quality of living continues to decline.

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