

Lorain City School District

Performance Audit Summary

WHAT WE LOOKED AT

Lorain City School District is an urban school district located in northeast Ohio. As of FY 2022, the District had approximately 5,920 students. The District has historically underperformed compared to statewide academic performance measures. Academic progress can be measured in a variety of ways, including grades, standardized test scores, and graduation rates. Though its method of measuring success has shifted several times, the Ohio Department of Education (ODE) publishes the Ohio School Report Cards. These reports "grade" school districts on the academic success of their students. Under ORC 3302.10, districts that chronically underperform on the Ohio School Report Card are subject to state oversight. This process, the creation of an Academic Distress Commission (ADC), removes authority from the school district's local board of education and authorizes the ADC to appoint a CEO to replace the superintendent. This CEO is granted complete operational, managerial, and instructional control of the district. This control includes authority to enact interventions intended to improve academic performance. Examples of these interventions include conducting employee evaluations; making adjustments to staffing; modifying policies and procedures established by the district board; and selecting instructional materials and assessments. In 2013, ODE placed the District in Academic Distress due to continued failure to meet minimum statewide academic performance measures.

Our office conducted a performance audit of the District in accordance with ORC 3302.103, effective June 30, 2021, which provided districts under the authority of an ADC an alternative means of resolution. Under this law, the District is required to develop and submit an Academic Improvement Plan detailing academic improvement benchmarks and strategies for achieving those benchmarks within the designated implementation period. Our performance audit identified the District's progress towards meeting its Academic Improvement Plan goals, the financial feasibility of reaching those goals, and how district operations may impact academic progress. Based on the timing of our audit, we were able to review both baseline data as well as the impact of the first year of Academic Improvement Plan implementation. LCSD's ADC and Academic Improvement Plan were dissolved on October 3, 2023 as a result of ORC § 3302.111 as contained in the state's biennial budget bill, H.B. 33 of the 135th General Assembly.

WHAT WE FOUND

LCSD, not unlike other urban districts, faces challenging circumstances with the students it serves. These challenges include having a much greater share of its students qualify as economically disadvantaged, differing household makeups, issues with student attendance and student mobility, and higher rates of violent crime in the District than statewide averages. To combat some of these challenges, LCSD both receives and spends more on educating its students than its peers. Excluding ESSER, in FY 2022, LCSD received \$17,433 per pupil, compared to the peer average of \$17,139 per pupil; it spent \$17,691 per pupil, compared to the peer average of \$16,131 per pupil.

As previously mentioned, the District was released from Academic Distress on October 3, 2023 resulting from changes made in the state's biennial budget bill. While the Academic Distress Commission and Academic Improvement Plan were both dissolved as a result of this change, the District has indicated that it will continue to work towards achieving the goals outlined in the plan, which has been branded as the District's We Believe strategic plan.

KEY OBSERVATIONS

Key Observation 1: The experience and quality of teachers directly impact student achievement. In FY 2022, the Ohio School Report Card showed the District's teachers held an average of 17 years of experience, exceeding both the peer and state averages. Further, 70.5 percent of LCSD's teachers held a master's degree, which also surpasses the peer and state averages of 61.1 percent and 64.0 percent, respectively. Because the District's teaching staff are more tenured and possess higher levels of education, spending on certificated salaries for teaching staff was \$5,774 per pupil in FY 2022, exceeding the peer average of \$4,980 per pupil.

Key Observation 2: High chronic absenteeism negatively impacts student outcomes, which is why the District has a goal of reducing the rate of students who are chronically absent. The District's adopted policies and reported actions regarding student attendance meet the best practices established by ODE and Attendance Works. Additionally, the District's student attendance rate and chronic absenteeism rate have both improved from FY 2022 to FY 2023. While the District improved, both rates are still worse than the primary peer averages.

Key Observation 3: The District spent \$5.1 million in ESSER funds in FY 2022 and \$11.3 million in FY 2023. After reviewing ESSER-funded expenditures and interviewing ECCSD personnel regarding ESSER spending, it appears the District followed ODE's ESSER spending guidance, and—for the most part—utilized funds for one-time and short-term purchases. However, LCSD did invest in wellness coaches and placed guidance

counselors in every school building using these funds. Based on the District's current financial condition in the General Fund, the District's choice to use ESSER dollars for staff salaries and benefits will require difficult decisions in the future, as the ESSER funds are no longer available. As of October 2023, LCSD still has 64.1% of its ESSER funding remaining, and as such the District should continue to carefully manage its ESSER dollars by tracking ESSER Fund spending, following available guidance, and assessing the financial and academic impact of expenditure decisions, especially those that will either need to be continued or discontinued in the future.

SUMMARY OF RECOMMENDATIONS

Recommendation 1: While the District creates an annual budget, it does not have a formal, written budgeting process. LCSD spent nearly \$110 million in FY 2022, and the budget process led to the decisions on where to allocate each one of these dollars. GFOA School Budgeting Best Practices outline the ideal contents of such a process, and while LCSD generally follows these best practices, it does not meet all of the GFOA criteria. A formal, written budgeting process that identifies roles and responsibilities for employees would allow for a more transparent and effective budget. In order to ensure the District is making the most informed decisions with their resources, and is as prepared as possible for future needs, they should consider developing a written budget plan and addressing each of the GFOA elements into their annual budget process through the addition of steps or design and implementation of relevant policies/plans.

Recommendation 2: Capital expenditures occur each year and require adequate planning and preparation. In FY 2022, LCSD spent more than \$3.8 million on these types of expenditures, fueled largely by ESSER funds. A capital plan aids an organization in outlining current and future capital expenditures and how they are to be funded, as well as tracking capital assets to prepare for replacement or repair. While the District is in the process of designing a capital plan, the District does not currently have a formal capital improvement plan approved and implemented to strategically utilize in their budgeting process. The District should design, approve, and implement a formal capital improvement plan, including taking steps to align their plan with GFOA best practices for a Capital Improvement Plan and its contents, as well as incorporating an asset maintenance and replacement plan.

Issue for Further Study 1: Our audit did not include a detailed building utilization or facilities staffing analysis. However, during the course of the audit, we identified potential opportunities for increased efficiency in this area along with overall staffing based on other areas of analysis. As previously stated, LCSD has experienced declining enrollment over the past decade. According to ODE District Enrollment report data, between FY 2018 and FY 2022, LCSD enrollment dropped by approximately 10 percent.

Recommendation 3: While LCSD has goals and action steps relating to staffing integrated into its strategic plan, the District does not have a formalized strategic staffing plan. As future staffing decisions are made, the District should adopt a strategic approach designed to improve teaching quality and enhance student performance. The District should develop a formal and comprehensive strategic staffing plan that addresses districtwide staffing needs and is linked to the District's budget and forecast. Establishing staffing allocation for administrative, certificated, and support staff will assist the District in better planning for the future, both in the areas of ensuring adequate delivery of education as well as proper management of financials. A strategic staffing plan will help ensure staffing is appropriate and can be leveraged to achieve the goals and objectives of the District, such those in the strategic plan, in a way that aligns with available financial resources.

Recommendation 4: Employee compensation has multiple components including salaries or wages and insurance benefits. Our analysis found that the District's certificated salaries are generally higher than the peer average, classified salaries are generally lower than the peer averages, and that the insurance benefits offered by the District appear to be less generous to employees relative to the employees' percentage share and/or dollar value of the premium compared to the peer averages. Because total compensation involves both salaries and insurance, the District must consider the impact of its offerings to ensure it is competitive in the local market. Particularly, we found that offering higher certificated salaries and less generous insurance benefits may result in higher total compensation for those employees that do not utilize their full insurance benefits. Conversely, for those employees that hit out of pocket maximums for insurance, the total value of their salaries and insurance is less than the peer average. The District should work to determine which compensation factors would help to attract and retain educators. Evaluating salary and insurance offerings together could assist the District in negotiating compensation packages that are competitive within the local market. This could assist the District in attracting and retaining quality staff, while ensuring District costs are in alignment with local peers.

Recommendation 5: The District is forecasting a negative General Fund balance beginning in FY 2027 due to several years of forecasted deficit spending. The District should utilize the information presented in this Performance Audit in conjunction with their forecasted revenues and expenditures to identify whether cost-saving measures need to be implemented, and whether doing so would impact the We Believe Strategic Plan. By identifying methods to reduce deficit spending, the District can prevent having a negative General Fund balance.