

**Proposition BB Oversight Committee  
Quarterly Report  
Effective Oversight and the  
Efficient and Equitable Investment  
of School Bond Funds**

Proposition BB school modernization projects were \$600 million over budget as of January 2002. This Quarterly Report focuses on what went wrong and why, on the lessons to ensure effective management for remaining BB projects, and on the lessons for future school construction and modernization projects or bonds.<sup>1</sup>

*Before any school construction and modernization proposition was put on the ballot*, the Los Angeles Unified School District (LAUSD) should have had in place a vision and plan for construction and modernization, and for effective oversight. The ballot measure should have articulated that vision and plan. The vision and plan should have been delineated in the background details for any proposition that went to the voters. Failing that, as soon as the measure passed, and before any substantial funds were spent or committed, LAUSD should have defined the vision and plan in detail. That was not done. Substantial progress has now been made managing remaining modernization and construction projects, although the plans still are not complete in some particulars. This must be done before any future school construction and modernization measure is put on the ballot. Any future ballot measure should delineate the vision and plan for school construction and modernization, for effective oversight and for community and joint use of schools and playgrounds to ensure that bond funds are invested equitably and efficiently and as the voters want.

Proposition BB as drafted by LAUSD and as it appeared on the ballot is a model of how *not* to write a bond and oversight measure. The ballot measure provides in its entirety as follows:

To improve health and safety conditions in 800 neighborhood schools and improve classroom instruction, by replacing deteriorating roofing, heating, plumbing, electrical systems; providing earthquake reinforcements, asbestos removal, increased campus security; reducing class size, upgrading science labs, wiring for computer technology and air conditioning; with guaranteed annual audit and no money for administrators' salaries, shall the Los Angeles Unified School District issue \$2.4 billion in bonds, at the legal interest rate for repairs/construction?

The proposition does not articulate a vision or plan for construction and modernization, and does not even mention oversight. The voters were promised strong, independent and effective oversight in the ballot arguments. Any future bond measure must do better to articulate a vision, plan and effective oversight.

The absence of a vision and plan is largely in the past.

Today and into the future the Oversight Committee will continue to work with the LAUSD Board, management and staff to ensure that LAUSD has in place a strategic *vision and plan*; produces the *information* for the Committee to engage in oversight, not

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<sup>1</sup> Details are in the attached report by Tom Rubin, the Proposition BB Oversight Consultant, on BB Budgetary Status and Controls (Jan, 16, 2002).

hindsight; invests funds equitably and efficiently through the *community and joint use of schools and playgrounds*; and implements *effective oversight*. We are working on these matters through a memorandum of understanding or charter to define effective oversight, through the strategic execution plans for school construction and modernization, through the Superintendent's strategic plan, and through plans for future bond measures.

As the Little Hoover Commission has noted, it is as simple as this: If district officials want members of the Oversight Committee to support future local bond efforts, they must earn the Committee's confidence and support. The lessons for any future school construction and modernization projects and any future bonds are clear. Proper policies, procedures, systems, oversight methodologies, and, most important, qualified staff, must be in place and functioning before starting any bond-financed capital program. The voters must know what they are voting for before being asked to vote. The voters in many respects will be voting on the strategic execution plans, and on the promise of effective oversight.

*Vision and Plan.* The Oversight Committee is working to ensure that LAUSD has in place a vision, mission, strategic plan, principles, goals, schedule and milestones, budget, management controls, information systems, early warning systems, professional staff, and responsibility and accountability to make sure that funds are spent equitably and efficiently as the voters want and that projects come in on time, within budget, and in the best interests of the students. Remaining modernization projects must be prioritized in light of current needs and current resources.

*Information.* LAUSD must gather, analyze and publish the information necessary for the Oversight Committee and the public to understand the impact of LAUSD's construction and modernization plans, policies and practices on students and on the community. This information will in turn enable full and fair participation by all communities in the decision-making process to build and modernize schools.

The most important document outlining what went wrong and why with modernization projects to date is the attached report by Oversight Consultant Tom Rubin. The same message is clear in that report and in the recent Report Cards on Modernization and on New School Construction: there was no vision driving the school construction and modernization program; no strategic plan to ensure success; no adequate budget controls; and no responsibility and accountability for success or failure. Each Report Card, for example, reached the same astounding conclusion: "It was generally impossible to answer the all-important question, 'Who is responsible?'"<sup>2</sup>

In contrast, three of the most important documents outlining plans and information and hope for the future are the strategic execution plans for construction and modernization that LAUSD is currently developing, and the Superintendent's strategic plan.

*Community and Joint Use of Schools and Playgrounds.* The Oversight Committee has consistently worked to ensure that LAUSD invests limited BB funds, land and public resources in the most efficient and cost-effective manner through the community and joint use of schools, playgrounds and parks. The use of scarce public resources, such as land and tax dollars, means schools should be put to optimum use for the communities they serve. The facilities should be considered as integral centers of

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<sup>2</sup> Report Card on Existing Facilities at 3 (Feb. 2001); accord, Report Card on New Construction at 5 (April 2001).

their neighborhoods, not isolated compounds. Playing fields can be used after hours by the surrounding community, as can other elements of the school.

In 1930, the sons of Central Park designer Frederick Law Olmsted presented a visionary but practical proposal for the community and joint use of schools, playgrounds and parks which remains to be implemented today: "[P]ractically the identical considerations . . . should control the placing of local recreation centers [as control the placing of schools] for children of elementary school age. And the considerations controlling location of high schools and junior high schools are substantially those that might control the placing of recreation facilities for adults. This practical identity of policy strongly counsels associating school playgrounds . . . with other local recreation grounds in combined neighborhood units."<sup>3</sup>

The BB Oversight Committee has ratified, approved and supports the use of Proposition BB funds for the community and joint use of schools, playgrounds and parks through the modernization and greening of existing school, and the design and construction of new schools, in order to ensure that BB funds are invested in ways that promote the full development of the child, are educationally and environmentally sound, and reflect the equitable and efficient use of limited land and public resources. These measures are being implemented through the strategic execution plans for school construction and modernization.<sup>4</sup>

*Effective Oversight.* The Oversight Committee can carry out its responsibilities only if information about major projects is presented to the Committee before the LAUSD commits itself to a course of action. If a project or any component thereof will result in an impermissible substantial expenditure of bond proceeds, it should be discovered at an early stage. This is an appropriate review of the expenditure of bond funds promised to the voters.

The Oversight Committee cannot provide effective oversight without adequate staff and resources. The Committee as a whole needs the discretionary resources available to each member of the LAUSD Board. The Committee within the last year has received the resources to retain an oversight consultant and a staff aide, and to retain independent counsel. The wisdom of investing even these minimal resources to advance the education of our children is demonstrated by the attached report by oversight consultant Tom Rubin. This report is the first major report prepared by the Oversight Committee itself. It is the only report that documents what went wrong and why and outlines lessons for the future. Effective oversight requires the resources to get the job done, and this too is a lesson for any future bonds.

A critical issue remains the role of the Oversight Committee in approving construction and modernization budgets. The ballot argument promised that "the strong, independent Oversight Committee will manage the bond money efficiently" and "ensure that the bond money reaches the schools and is spent as the voters want." Clearly the BB Committee has the responsibility and authority to withhold BB funds when LAUSD does not provide adequate information about major projects to the Committee before LAUSD commits itself to a course of action, and when a project or any component thereof will

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<sup>3</sup> *Olmsted Brothers and Bartholomew and Associates, Parks, Playgrounds and Beaches for the Los Angeles Region (1930) (the Olmsted Report) at 47, reprinted in Greg Hise & William Deverell, Eden by Design (2000) at 139. Cf. Ca. Education Code 15278(b)(5)(C)(joint use of core facilities).*

<sup>4</sup> See attached Proposition BB Oversight Committee Resolution 2001-9 Community Use of Schools, Playgrounds and Parks.

result in an impermissible substantial expenditure of bond proceeds. This is an appropriate review of the expenditure of bond funds promised to the voters.<sup>5</sup> Some nevertheless say the role of the Oversight Committee is only advisory. This remains to be defined through a memorandum of understanding or charter for the Oversight Committee, and through any future bond measure.

Critics might argue that the cost overruns show oversight is not working. We submit that it is working, especially now that the Oversight Committee has secured the resources to get the job done and has the increasing cooperation of LAUSD. The Oversight Committee with its independent resources and consultant documented what went wrong and why with the modernization cost overruns to date. The LAUSD Board, management and staff did not. The external audits did not. The Inspector General did not. Fundamental and painful and costly and necessary change has happened under the direction of the Oversight Committee. It has taken time, effort and oversight to get to this point of clarity. The constant presence of the Oversight Committee BB oversight has been central to this evolution.

It would be wrong to conclude that no more funds should be invested in our children because of cost overruns caused by past problems. No one ever believed that Proposition BB funds would be enough to build and modernize all the schools needed for the students of Los Angeles. We are not investing enough in the education of our children. California was 42nd in spending per pupil in the United States in 1995-96, down from fifth in 1965-66. California was 33rd in tax burden in the United States last year. There was good value received for a significant portion of the \$600 million cost overrun. A large part of the overrun was due to poor initial cost projection and changes in scope, although concededly not all the overrun reflects good value. We need to invest more and more efficiently and more wisely in the education of our children and in our future.

In conclusion, LAUSD must complete and put in place a vision and plan for construction and modernization, for community and joint use of schools and playgrounds, and for effective oversight. Any future ballot measure should delineate the vision and plan for school construction and modernization, for effective oversight and for community and joint use of schools and playgrounds to ensure that bond funds are invested equitably and efficiently and as the voters want.

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<sup>5</sup> See Proposition BB Oversight Committee Resolution 97-1 (no BB funds for the Belmont Learning Center absent disclosure of information for oversight); BB Oversight Committee Resolution 00-2 (full information and full and fair public participation for funding new schools); *Higuchi v. Los Angeles Unified School District* (1997) (appropriate review of expenditure of BB funds requires disclosure of information to Oversight Committee before board commits itself to a course of action).