

Response to Grand Jury Report, “Who Really Benefits?”

9/09

Finding 1

Boards of Trustees approve overly generous benefits to themselves which include the following:

- *Fully paid health benefits for trustees and their families (often exceeding those of teachers and/or with no payment ceiling)*
- *Excessive travel and conference costs*
- *Pension contribution*

The Santa Clara County Office of Education disagrees with the finding. It is difficult for school districts to attract competent and dedicated candidates for the challenging and highly scrutinized role of trustee. Since trustee stipends are and will remain low, benefits and pension contributions are among the only avenues available to attract and keep qualified candidates. Most Board members provide countless volunteer hours beyond the time dedicated to Board meetings and Office events.

The County Board of Education, as well as a number of local boards, already have reduced travel and conference costs, and strive to incur such costs only when there are significant benefits to the districts.

Recommendation 1

Boards of Trustees should carefully review the benefits listed in Finding 1 and:

- *Eliminate health benefits for Board Members*
- *Minimize travel and conference costs*
- *Eliminate pension contributions*

Bullet 2 of the recommendation has been implemented. The County Board of Education, as well as a number of local boards, has taken steps to minimize travel and conference costs.

The remainder of Recommendation 1 will not be implemented because it is not warranted. Typical health benefits and pension contribution policies in county districts are not “overly generous” when weighed against the duties of the position, and the importance of attracting qualified candidates. Eliminating them would place greater stress on the governance of districts, by discouraging incumbents from staying, and by discouraging new, qualified candidates from running for the seats. Further, in those cases where salary compensation is provided to board members, pension contributions through CalPERS or Cal STRS are not optional.

Finding 2

Boards of Trustees are approving overly generous benefits to Superintendents and Chancellors, including the following:

- *Auto allowances (auto leases/purchases, insurance, maintenance, etc.) to superintendents*
- *Housing allowances*
- *Million dollar housing loans at zero or below market interest rates*
- *Guaranteed annual step and/or longevity increases*
- *Signing bonuses*
- *Contract buyouts*
- *Excessive performance bonuses*
- *Per diem payments when out of the district*
- *Personal technology allowances*
- *Professional memberships and subscription allowances*
- *Excessive travel and entertainment expenses*
- *Salary increases automatically triggered by increases in teacher's salaries which are in addition to other guaranteed salary increases*
- *Pension allowances (in addition to regular STRS/PERS contributions)*
- *Advanced degree stipends*
- *Lifetime medical insurance benefits*
- *Annual physicals*

The Santa Clara County Office of Education disagrees with the finding. At the SCCOE, top leadership costs represent less than one-sixth of one percent of the office's total annual budget of \$250 million. Additionally, the County Superintendent is responsible for and oversees public school operations that have a combined annual income of over \$3.5 billion. Santa Clara County school districts face considerable challenges in attracting and maintaining qualified applicants for superintendent/chancellor positions. The high cost of living in the area, coupled with extreme demands and pressures of the position, have created a market in which compensation packages offering certain benefits are viewed as a necessity. In the vast majority of cases, the benefits are not "overly generous," but in line with the realities of market supply and demand.

Compare the average superintendent total compensation as listed in the Grand Jury report (Table 1, p.4) of \$207,900 to the average pay for CEOs in Silicon Valley. According to the Mercury News (June 5, 2009), the average pay for CEOs last year was \$2.2 million—just over 10 times as much as the amount paid to public school superintendents.

Actually, the average *bonus* (\$242,000) paid to the CEOs exceeded the average *salary* paid to the superintendents.

A comparison of apples to apples—or superintendents to superintendents—similarly refutes the idea the notion of "generous administrative expenses."

Looking at the average salaries of superintendents in the Far West region of the United States, a study entitled “Salaries and Wages in California Public Schools 2008-2009” (by ACSA/Foundation for Educational Administration and Educational Research Service, Table B3) found the average salary was \$172,646—about \$20,000 less than the average salary in Santa Clara County of \$192,368.

Given the extreme cost-of-living disparity in Silicon Valley as compared to the average of the rest of the Far West region, an additional \$20,000 here, combined with an attractive set of benefits, would not seem “overly generous.”

Recommendation 2

Boards of Trustees should carefully review and renegotiate the Superintendent/Chancellor benefits listed in Finding 2 for possible reduction and/or elimination.

The recommendation will not be implemented because it is not warranted. It is unrealistic to expect superintendents and chancellors to renegotiate their benefits, and impractical to believe such a renegotiation would not hinder recruitment and retention in these crucial positions.

Demand for qualified people who can fill these positions is very high. In the current market, incumbents who face reduced benefits can and will leave for similar positions in other districts or states where the benefits are intact; or for positions in the private sector, where compensation packages far exceed those in school districts.

The Grand Jury’s recommendation does serve as a reminder to all trustees to carefully scrutinize benefit packages offered to superintendents in future contracts.

Finding 3

Superintendent salaries and increases appear to bear no relationship to the number of schools, students, and employees they oversee, nor their district’s academic improvement.

The Santa Clara County Office of Education disagrees with the finding. School district leaders oversee income of over \$3.5 billion tax dollars annually, and nearly 25,000 employees and 260,000 students in over 367 schools. The SCCOE’s annual budget is over \$250 million. Superintendent salaries often are related to the size of the district--but that is only one of a myriad of factors that determine compensation. Also, many superintendent evaluations do typically take student academic performance into consideration.

Recommendation 3

The Board of Trustees should ensure that Superintendent/Chancellor salaries and increases take into account the number of schools, teachers, and students they oversee, and are tied to the district's students' progress and quantifiable metrics.

The recommendation has been partially implemented, in that many superintendent evaluations do typically take student academic performance into consideration. The remainder of the recommendation will not be implemented because it is not warranted. Tying superintendent/chancellor salaries to district size would be a simplistic and counterproductive approach to finding and retaining district leaders who are best suited for the particular characteristics and challenges of a given district. There are many other factors other than size that come into play when compensating leadership—a superintendent's tenure, the characteristics of the students served by the districts, the nature of the community, etc.

Also, to a large extent the process of hiring a superintendent is tied to the circumstance of the time; a district, whether large, small or in-between, cannot choose to hire a superintendent when market conditions are favorable. Given the crucial nature of the position, districts try to fill the job as expeditiously as is reasonable. Some of the smaller districts in the county are located in areas with the highest cost of living, and therefore are forced to offer compensation packages that are commensurate.

Finding 4

Boards of Trustees hire costly search firms to recruit successors for retiring or dismissed Superintendents/Chancellors.

The Santa Clara County Office of Education disagrees with the finding. Many districts do conduct their own searches. One recent example is the Luther Burbank School District in San Jose, for which the SCCOE provided assistance. While some districts do hire search firms, describing the expenditure as “costly” seems to ignore the realities of the market for these positions. The position is crucial to school success, and therefore it is crucial to find the right person for the job. The price of hiring a search firm, weighed against the benefit of bringing in an assortment of qualified candidate, does not seem “costly.” A more costly approach would be to undertake anything less than an intensive search for the right candidate.

Recommendation 4

Boards of Trustees should conduct a preliminary search within the local area prior to hiring search firms.

The recommendation will not be implemented because it is not warranted. Superintendent searches do survey local leadership when attempting to fill local openings—for example, the Oak Grove recently named its assistant superintendent for human resources to fill the vacated superintendent position. However, qualified candidates are not always available locally. To conduct a local “preliminary search,” separate from an all-out search, would only delay the

process and potentially leave vacant for longer than necessary a district's most important leadership position.

Finding 5

Boards of Trustees approve the hiring of multiple private attorneys, in some cases at a tremendous expense.

The Santa Clara County Office of Education partially agrees with the finding. Boards do sometime hire private attorneys. School districts often are involved in complex legal issues that require legal expertise in sub-sections of the Education Code, requiring considerable specialized legal capacity, time and energy.

Recommendation 5

All Boards of Trustees should engage County Counsel whenever possible and leverage their buying power to negotiate lower fees with private law firms.

The recommendation has not yet been implemented, but will be implemented by the SCCOE in the future. The County Superintendent met in September with members of the County Counsel's office to explore the feasibility of using the office's services, and agrees that, pending approval by the County Board of Education, the issue merits continued consideration and possible implementation.

Finding 6

The operation of 34 K–12 school districts and four (4) community college districts creates excessively high management and administrative costs. Five K-12 school districts have excessively high Superintendent costs per student which is reflective of the district's having only one or two schools.

The Santa Clara County Office of Education partially agrees with the finding, in that the large number of districts does compound administrative costs. However, to draw cost-benefit conclusions on the basis of superintendent costs per student can be a highly misleading approach.

Recommendation 6

A consolidation of districts should be considered to reduce the numbers and costs of Superintendents/Chancellors, Boards of Trustees, administrative staff and overhead.

The recommendation cannot be implemented by local boards and trustees, because under the California education code, consolidation of school districts is relegated to the people who live in the school district. Should communities wish to join with other communities to create larger

school or community college districts, the process is clearly spelled out in the Education Code, under which a vote of the electorate can change district organization.

In Santa Clara County, voters from a few districts have chosen in the past to consolidate, but for the most part they have established a strong tradition and preference for local control of school districts.

The Santa Clara County Office of Education offers many centralized services—such as alternative schools, special education, finance and tech services—all directed at reducing costs for districts.

A final word: Today, more than ever, Santa Clara County school districts are examining expenditures and procedures in order to be as efficient and thrifty as possible. The Grand Jury report is one more reminder of the necessity of that. But just as the districts are all cognizant of financial realities, they also understand it is their responsibility to provide their students with the best educational leadership possible.

If they are able to meet that responsibility, the answer to the question “Who Really Benefits?” becomes clear: It is the students, their families, and the community as a whole.