

PUBLIC HEARING ON

**BILL 17-001, “DISTRICT OF COLUMBIA PUBLIC
EDUCATION REFORM AMENDMENT ACT OF 2007”**

**Before the
Committee of the Whole
Council of the District of Columbia**

The Honorable Vincent C. Gray, Chairman

**February 13, 2007, 10:00 a.m.
Council Chambers**



**Testimony of
Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman Gray and members of the Committee of the Whole. I am Natwar Gandhi, Chief Financial Officer of the District of Columbia Government. I am pleased to present testimony on Bill 17-001, the “District of Columbia Public Education Reform Amendment Act of 2007,” introduced by Chairman Gray at the request of the Mayor on January 5, 2007.

In nine titles, Bill 17-001 proposes a comprehensive restructuring of the District of Columbia’s public education system from pre-kindergarten to post-graduate levels, including the District’s early childhood care and education and adult education programs. This is a broad restructuring with complicated transfers of functions, funds, and personnel across old and new entities. To estimate the impact of this proposed bill on the District’s four-year budget and financial plan, my office has been working with all involved agencies and instrumentalities on the details of the functions and funds involved. We will present the Council with a detailed fiscal impact statement before the final vote on this bill.

I want to make three overarching points at the outset:

- As the CFO, I take no position on this governance and restructuring proposal.
- In the FY 2008-2011 financial plan, there could be a net increase in costs, as one would expect with any such major governance reform. However, the District of Columbia has undertaken such restructuring exercises before, and from that experience, we know that such costs can be minimized by a systematic, well-planned transition from one structure to another.

- Additional legislation would be required to make the contemplated transfer of existing resources feasible.

In my testimony today, I want to discuss three themes that have emerged from the work my office has done on this bill.

First, we must remember that the bill proposes changes in governance, which, in essence, reassign existing funds and functions within the District's public education system.

In this proposed structure, the Mayor would take over, from the Board of Education, the control of the District of Columbia Public Schools (DCPS), and a newly created Department of Education would oversee all aspects of the public education system. Facilities management and construction would move out of DCPS to a new authority, and the State Education Office would assume all state level education functions currently scattered across a number of different agencies, namely the University of the District of Columbia (UDC), the Department of Human Services (DHS), and DCPS. To reiterate, Bill 17-001 largely stipulates restructuring *existing* funds and functions in the District's public education system, not the creation of new functions. Therefore, as a first approximation, this legislation could be budget neutral or impose a marginal impact on the District's four-year budget and financial plan.

Second, while budget neutrality is a good first approximation, the legislation must address two important issues in its implementation, in order to reach this fiscal goal.

- (i) *One issue is that the legislation must approach the restructuring process with prudence and careful planning.*

The proposed structure would move functions across different agencies. One particular transfer – the transfer of state level education functions into the State Education Office, particularly from DCPS – shall require the most attention. At the end of the restructuring, the State Education Office would assume 37 new functions, more than double its current budget, and increase its personnel count fivefold. Of these new functions, adult education would move from UDC, early care and education from DHS, and 35 other functions from DCPS (a list of state level functions is attached to this testimony).

In this process, both the State Education Office and DCPS would have to absorb one-time costs associated with these large organizational changes, whether it is the costs associated with overhead or the costs of a change in organizational structure or even in institutional culture. Without careful planning, these costs could be significant. At the same time, restructuring of large organizations is not a new concept, and many creative, tested approaches already exist. For example:

- Co-location of staff, even for a temporary period, could significantly minimize overhead costs.
- A task analysis and matching up of the consequent task list with the skills of existing staff would help identify required changes in personnel. Streamlining personnel would likely impose its own short-term costs, but longer-term gains from a smaller, more efficient staff could offset these costs.
- Finally, both DCPS and the State Education Office could consider retaining professionals who specialize in such restructurings.

Working with organizational reform experts could greatly reduce the

costs of transition, while maximizing the longer-term gains from improved efficiency.

(ii) The second issue involves addressing legal restrictions in the D.C. Code that prevent the movement of funds from DCPS into the State Education Office.

Currently, DCPS is both a state and a local education agency. The restructuring proposes that DCPS would conduct local education functions only, and the State Education Office would take over from DCPS 35 state education functions. Logically, the funding associated with the 35 functions should follow the moving of those functions. Under the current legal structure, of the funds that currently support the 35 functions the State Education Office would take over from DCPS, \$36 million cannot be moved out of DCPS under the prevailing formula regime. DCPS receives two pots of District funds, one according to the uniform per student funding formula (formula funds) for local education functions, and the other for functions currently considered “state” functions. The D.C. Code restricts the use of formula funds to local education agencies only – that is, DCPS, the public schools it oversees, and the public charter schools.

The practical implication of this restriction is that formula funds cannot fully follow the functions that would transfer from DCPS to the State Education Office under the proposed reform as drafted. As a result, the State Education Office could receive only \$78 million in funds to support these 35 different functions, for which DCPS has requested \$114 million in its FY 2008 proposed budget plan.

Removing restrictions on the transfer of these formula funds is essential to reaching the budget neutrality goal. Therefore, the restructuring must consider solutions to this legal issue, such as amending existing law on the use of formula funds to facilitate the intra-district transfer of funds.

My third and last point speaks, once again, to the sweeping nature of the proposed bill.

Given its broad perspective, it is only natural that the proposed bill raises many points that would require further policy and implementation decisions before the specific costs associated with this restructuring could be fully identified. We are currently working with all of the involved entities and instrumentalities to obtain clarifications and refinements on at least some of these points. The detailed fiscal impact statement we shall present to the Council before the final vote on this bill will reflect the information we are now gathering on these points.

As a final note, I would like to emphasize that my remarks, and the fiscal impact statement my office is preparing on Bill 17-001, focus solely on a four-year financial plan horizon. Given its nature, this statement does not account for any potential long-term savings or improvements to the system.

This concludes my remarks. We will help the Mayor and Council in any way we can as they deliberate this important matter. I would be pleased to answer any questions you may have.

List of State Level Functions Moving into the State Education Office
(As Identified in the Budget and Financial Plan)

From UDC:

1. Adult Education

From DHS:

2. Early Care and Education

From DCPS:

3. Other Special Education
4. 7 Point Plan, Special Education
5. Attorney Fees
6. Labor Contingency
7. State Enforcement and Investigation Division
8. Blackman Jones Settlement
9. Impact Aid Surveys
10. Administration of Federal Aid and Grants
11. Census of Minors
12. Employee Certification
13. Special education litigation
14. Educational accountability and assessments
15. Chief Academic Office
16. Civil rights and multicultural affairs
17. Information technology services
18. Intervention Service/New Youth Services Ctr.
19. Office of Accountability
20. Professional development
21. Quality Management
22. Standards and curriculum
23. Strategic planning and policy
24. Student residency
25. Transitory Services
26. Special Education DC Jail
27. Juvenile Education
28. Office of Compliance
29. CAAPS maintenance
30. Career and Technical Education
31. Chief of Staff
32. General Counsel
33. Human Resources
34. Office of Bilingual Education
35. Outside legal fees
36. Procurement
37. Superintendent's Office

State-level Functions Remaining with DCPS:

1. Non-Public Tuition Payment, Special Ed
2. Non-Public Tuition CFSA
3. Non-Public Tuition--Mental Health
4. General Education Tuition Payments
5. Special Education Transport
6. Special Education Transport Admin
7. Board of Education Charter Oversight (will go to the PCBS)