

PUBLIC HEARING
ON
THE MASTER FACILITIES PLAN FOR
DISTRICT OF COLUMBIA PUBLIC SCHOOLS

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

Chairman Vincent C. Gray

March 26, 2009, 5:00 p.m.
John A. Wilson Building, Room 412



Testimony of James W. Spaulding
Associate Deputy Chief Financial Officer for Budget and Planning
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer
District of Columbia

Good afternoon, Chairman Gray and members of the Committee of the Whole. I am Jim Spaulding, Associate Deputy Chief Financial Officer for Budget and Planning in the Office of the Chief Financial Officer. Thank you for the opportunity to present testimony on behalf of the Chief Financial Officer regarding financial aspects of the Master Facilities Plan (MFP) for the District of Columbia Public Schools (DCPS).

Fiscal Impact of the Master Facilities Plan

The Office of Public Education Facilities Modernization (OPEFM), the implementing agency for capital projects at DCPS facilities, released an MFP on September 10, 2008, that outlined spending plans in ten broad categories, such as “Modernizations Underway” and “(Future) High School Modernizations.” The Mayor’s proposed capital budget, released on March 20, 2009, budgets for projects in these same categories for fiscal years 2010 through 2015. The Mayor’s web site has also posted a plan that includes school-level amounts for projects in seven of the categories.

The dollar figures in these various plans are internally consistent and are affordable within the overall constraints of the District's capital budget. Specifically, the proposed FY 2010 capital budget allotment of \$236.4 million for OPEFM, and the FY 2010-2015 total allotments of \$1.67 billion, are consistent with the totals that the District has previously committed to school modernization.

The Mayor's proposed budget calls for additional borrowing, substituting for previously planned PAYGO financing, to finance schools modernization in fiscal years 2010 through 2013. However, the proposed budget reduces borrowing in other parts of the District's capital plan to accommodate the increased borrowing for OPEFM projects. Total District-wide borrowing remains the same in each year as previously planned. Thus, there is no adverse impact on the 12-percent debt service cap – that is, the Debt Ceiling Act that the CFO supported and the Council passed, which caps debt service costs at 12 percent of General Fund expenditures each year. Analysis by the Office of Finance and Treasury concludes that debt service costs will remain within the 12-percent limit for fiscal years 2010 through 2013, the years that are projected in the District's financial plan.

Budget amounts for the broad categories are slightly less than what is in the MFP detail. The MFP detail also includes smaller dollar amounts in categories such as “Legal, Finance, Consulting” and “Program Management.” These estimated program costs will be allocated to individual projects as the projects are carried out. The proposed budget includes a preliminary estimated allocation of these costs to the larger project categories.

Oversight of the Master Facilities Plan

As part of our financial management and reporting responsibilities, the Office of Budget and Planning (OBP) will monitor and report on MFP spending in our quarterly capital spending reports. We have been working with finance staff at OPEFM to ensure that, for reporting purposes, whole-school modernization projects are differentiated in the District’s financial system. Although the projects are currently budgeted in broad categories, OBP would like allocations of funds from these categories to be made to specific school-based projects as planned spending amounts become more firm. In this way, our standard reports can show spending to date, and

spending and obligations against total budget estimates, on a school-by-school basis.

For projects that are smaller in scale than whole-school modernizations, such as “stabilization” projects, we would like the ability to track spending at the school level. We understand the need to maintain flexibility, but the financial system would allow differentiation of spending by school without requiring each small task to be set up as its own project. We continue to work with OPEFM to develop reporting capabilities that will allow all parties to see progress toward meeting the goals of the MFP.

Mr. Chairman, and members of the committee, this concludes my testimony.

I would be happy to address any questions that you might have.