

BUDGET HEARING

FY 2005 BUDGET REQUEST OF THE DISTRICT OF COLUMBIA PUBLIC SCHOOLS

**Before the
Committee on Education, Libraries, and Recreation
Council of the District of Columbia**

The Honorable Kevin Chavous, Chairman

**April 19, 2004, 12:00 Noon
Council Chamber**



**Testimony of
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Good evening Chairman Chavous and members of the Committee. I am John Musso, Chief Financial Officer for the District of Columbia Public Schools. I would like to thank you and the members of the Committee for the opportunity to appear before you today to discuss the FY 2005 Budget for the D.C. Public Schools, as well as the operational improvements within the Office of the Chief Financial Officer.

The largest component of the proposed FY 2005 budget is comprised of local funds representing \$760.9 million, or 80.22%, of the total gross budget of \$945.3 million. The Mayoral proposed budget includes an increase of \$22.4 million in local funds, or 3.04% over the approved FY 2004 budget, and also includes \$3.1 million in NCLB funds, a decrease of \$6.3 million or -67.05%. The majority of these increases will support critical systemwide investments to support local school operations and dramatic instructional initiatives that Dr. Massie, Dr. Rice and others in the Instructional Department will address.

A functional analysis of the proposed budget indicates that:

1. \$371 million, nearly half or 49% of the local revenues, are allocated directly to schools for such items as teachers, aides, Special Education, English as a Second Language, librarians, counselors, and principals.
2. \$70.7 million, or 9.29%, is for Other School-Based Instruction, which includes such items as substitute teachers, summer school, visiting instructors, direct services to homeless children, athletics, and textbooks.
3. \$66.3 million, or 8.71%, is for school-based operations support that includes such things as security, facilities, and utilities.

4. \$15.9 million, or 2.10%, is for central operations instructional support that includes Vocational Education, academic standards and programs, student support services, Bilingual Education, teacher affairs, and attendance.
5. \$24.7 million, or 3.24%, is for central operations non-instructional support that includes such things as assistant superintendents for schools, deputies and chiefs, legal, and parent affairs.
6. \$25.3 million, or 3.32%, is for central administration non-instructional that includes technology operations, facilities management, food service, utilities, printing, and supply management.
7. \$186.5 million, or 24.51%, is for state level costs that includes tuition for day and residential students, transportation, LaShawn Receivership, Oak Hill, Charter School Oversight, grants administration, and Special Education monitoring.

Further analysis indicates that of these functions, \$710.9 million or 93.44% of the local budget is allocated for direct student and classroom support, while \$49.9 million or 6.56% is allocated to non-instructional areas such as central administration. Relative to FTEs, preliminary analysis reflects approximately 11,621 employees allocated to direct student and classroom support and 480 employees who are allocated to non-instructional central administration, facility maintenance, transportation services, food services and other support facilities.

With regard to the FY 2005 Budget, the total Gross Budget Request for DCPS is \$945.3 million. By detail, the FY 2005 budget composition reflects;

- \$760.9 million in Local Funds
 - Increase from 2004 by \$22.4 million or 3.04%
- \$117.5 million in Federal Funds

- Increase from 2004 by \$2.7 million or 2.37%
- \$3.6 million in Private Funds
 - Increase from 2004 by \$51.1 thousand or 1.42%
- \$7.7 million in Other Funds
 - Increase from 2004 by \$1.1 million or 17.96%
- \$55.6 million in Intra-District Funds
 - Increase from 2004 by \$2.2 million or 4.06%
- \$3.1 million in NCLB Funds
 - Decrease from 2004 by \$6.3 million or 67.05%
- **TOTAL FUNDS AVAILABLE: \$948.4 million**
 - **Increase from 2004 by \$11.1 million or 1.19%**

The DCPS Office of the Chief Financial Officer is committed to delivering the highest quality of service necessary to ensure the financial stability of the school system and the District. It is essential that the Office of the CFO runs efficiently and effectively in order to provide a high level of fiscal accountability.

Understanding this, I have implemented processes and procedures to accomplish this goal. When I assumed the responsibilities of the CFO in September, my primary goal was to provide accurate fiscal and budgetary information for school officials as well as other program and agencies heads.

The mission of my office is to protect the assets and resources of the District of Columbia Public Schools. To this end, all DCPS OCFO employees are required to demonstrate and model the highest fiscal, moral, and ethical behavior, as well as demonstrate a high level of performance that is necessary to make and implement effective policy, management, and program decisions. Specific goals have been established such as the provision of a high level of customer focus and service

orientation and to leverage technology in ways to promote greater means to produce accurate and timely reports; a commitment by OCFO staff to support the instructional process so that DCPS can meet the needs and differences of every child every day.

Our immediate accomplishments include:

1. Managed the FY 2003 budget such that the budget closed with a fund balance of \$47,000.
2. Managed the FY 2003 closing process such that there were no incidents that would delay the completion of the CAFR.

However, in meeting these daily challenges to uphold these standard, it has also been necessary to strengthen OCFO expertise and analytic capacity to monitor, forecast, and analyze all areas of the DCPS budget.

In order to demonstrate this commitment, I would like to briefly review some of the most recent OCFO accomplishments.

1. Developing and implementing a Standard Operating Procedures Manual of Fiscal Operations.
2. Developing and implementing a new Financial Chart of Accounts to be implemented with the FY 06 budget. This new Chart of Accounts will allow the OCFO to monitor and track expenditures in great detail from the very lowest of levels. For example, we will be able to identify expenditures such as supplies, textbooks, salaries, benefits, etc., associated with any program or discipline at any school or support site. This new Chart will also allow the OCFO to more effectively segregate LEA and SEA expenditures.

3. We have made significant progress on the verification and validation of the Schedule A. OCFO and Human Resources have collaborated and put together a team with the sole purpose of refining the Schedule A on a continual basis, understanding that the Schedule A is a work in progress and is in constant change. The challenge is to ensure continual monitoring of employees entering and exiting the system.
4. The office has made significant progress in its endeavors to ensure that all grant funds are fully expended. To accomplish this, the OCFO:
 - a. Has conducted a detailed audit on Phase '02,'03 and '04 grants, giving program and grant administrators a clear understanding of available and remaining funds;
 - b. Is creating a centralized filing system and updating/revising the existing grants database to effectively track and monitor grants;
 - c. Is conducting a grants position audit to effectively track positions and assist with Payroll/Schedule A clean-up;
 - d. Has established an advance notification system to advise staff of impending grant lapses to avoid the loss of funding; and
 - e. Has filled vacancies for the positions of Deputy Budget Director for Grants and Senior Budget Analyst in order to fully maximize grant awards and improve oversight and management of the local budget.
5. Developed an electronic monthly financial report that allows budget and program administrators to better monitor and track their expenditures as well as provide ownership to the org and program levels.
6. The OCFO has established a partnership with the D.C. Public Schools Office of Human Services to standardize numerous personnel processes – such as payroll, grade and step increases, and application/approval of all leave requests – applicable to employees from their initial employment through

retirement. Similarly, the OCFO budget and DCPS human resources staff have been working to input or “load” budget information into the established financial system for D.C. Government, the System of Accounting and Reporting (SOAR).

CHALLENGES BEFORE US

Even with significant progress toward accomplishment of our goals, we still have many challenges before us.

Schedule A

While we have made significant progress on the Schedule A, significant work remains to be accomplished, presenting several challenges before us. We have talked about the Schedule A as being a working document. Most agencies have a static Schedule A with little alteration during the year. On any given day, Human Resources can make as many as 300-400 employee actions that will affect the schedule. There must be processes and procedures in place to capture these actions, in order to preserve any integrity that has been built into the Schedule A. As well, the Congressional fiscal year has an adverse affect that I will detail later in my testimony. The Schedule A should be a budgeting tool, not just something that is handed in to Council several times a year. In order for it to become this type of tool, we must now begin to reallocate those central based positions, that appear on the Schedule A as such, to the specific sites where the service is actually delivered. The Schedule A is not a perfect document, but for the first time we have isolated the problems. For example, we know that there are dozens of teachers who are duplicated throughout the Schedule. However, we know that some of these teachers are duplicated because they hold teaching positions but also work in summer school and after school programs. They may be listed three times. In the

past, this was a way to identify position holdings, but it leads to confusion relative to duplicitous entries. There are similar other issues that exist that create uncertainty in the Schedule A. However, we have identified many of the problems and have a plan in place and are accessing the skills of individuals such as Mary Levy to continue to move forward to correct the existing errors. It is our goal to have a Schedule A at the end of this school year that can be reconciled and tied to the SOAR financial system.

Building the Budget from the School Level Up

For the past several years, the budget has been built at the Central Office level with little input from the sites. While this process saves time, it does not lend itself to true site-based decision-making or Performance Based Budgeting. As we move forward to begin building the FY 2006 budget, sites will be heavily involved with the process. Building a true Performance Based Budget for schools will be task intensive. Building principals and staff must be involved in order to obtain the detail necessary to extract performance measures and benchmarks tied to a specific metric for each measure. To help begin the process, OCFO is developing a Chart of Accounts that will allow the OCFO and others to monitor and track expenditures in great detail from the very lowest of levels. Once implemented, DCPS will have a true Performance Based Budget. This new Chart will also allow the OCFO to more effectively segregate and track LEA and SEA expenditures. In addition, building the budget from the school level up must also involve the community and other stakeholders that in the past have been excluded from this process. We must also ensure that the budget process includes the recommendations in the Council of Great City Schools Report that the DCPS Board of Education has embraced and adopted.

No Child Left Behind

Amidst our other challenges will be compliance with No Child Left Behind (NCLB). Not only do we face programmatic compliance challenges, we also are challenged with compliance monitoring issues. We must be clear as we move forward with the FY 2006 budget that we include these compliance factors at the onset, so we do not experience budget pressures during or at the end of the year. Identifying such a need, I have collaborated with the OCFO Office of Budget and Planning to offer a NCLB Financial and Programmatic Compliance workshop for staff at the city and school's level. That workshop will take place on May 5 and will be conducted by Bonnie Baker, a leading financial expert on NCLB and author of the NCLB Toolkit utilized by most school business officials.

Abolishments

The last challenge I will discuss are the abolishments that are moving forward. As you recall, the Council, recognizing the adverse affect of abolishing positions at the school level during the middle of the school year, helped delay that process by backfilling the dollars necessary to extend those positions until the end of the school year. As the abolishments move forward, it is with a thoughtful process that we must move forward. From a budget perspective, we must implement abolishments amounting to almost \$39 million. However, from my experiences as a classroom teacher and school principal, we must also be cognizant of the potential instructional impact.

We have committed to look at the non-classroom positions first. As positions are identified for abolishment, it will be necessary look at each school individually relative to schools with lower PTR than recommended, as well as those schools with higher PTR than are recommended. As this is done, it is important to begin

laying the foundation to equalize teacher ratios across the schools as well as equalizing PTR to preserve classroom instruction consistent with No Child Left Behind.

Before I close, I would ask for help from the members of this Committee. I have talked in other venues about the inherent structural processes in place that limit some of our efforts for efficiency and accuracy. One of those areas is the Congressional Fiscal Year.

As the District of Columbia Public School Budget is developed, there are some inherent, built-in structural problems on both the fiscal side as well as the programmatic side that prevent the budget from being fully developed at the time that it is presented to and approved by the School Board, the Mayor, Council, and ultimately Congress. The budget is developed a full 18 months prior to its implementation and is oriented to the Congressional Budget Year of October 1 through September 30. Most school system budgets are based upon a fiscal year of July 1 through June 31. The orientation of the school budget with the Congressional Budget Year prevents full development in several ways. The biggest issue that remains with that pattern is that Congress does not typically approve the budget until February, a full five (5) months after the budget year has begun. Schools do not have full access to their funds until after Congressional approval. Spending Plans and Schedule A information cannot be incorporated into the projected budget because schools have not been given their allocations through the Weighted Student Formula. In addition, it is impossible for principals and teachers to fully utilize the achievement testing data for any type of prescriptive analysis to make programmatic changes to curriculum or a student's IEP because the testing data is received far after the budget has been developed. Those items

budgeted in the instructional areas may not always be what is actually needed due to the lack of data available when the budgets are formulated. Obtaining adequate staffing is another difficulty that DCPS has encountered because of the Congressional Budget Year. Due to the delay in funding appropriations, programs often go unstaffed, with deferred implementation resulting in programmatic challenges. I understand that there is pending legislation dealing with this issue and would ask for help in moving that forward.

As the Chief Financial Officer at DCPS, I look forward to continued work with the Council and agencies of the District Government. I am pleased to answer any questions you or other members of the Committee may have.

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