

**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: March 26, 2007

SUBJECT: Financial Impact Statement: “District of Columbia Public Education Reform Amendment Act of 2007”

REFERENCE: Bill Number 17-01

Nature of this Financial Impact Statement

Bill No. 17-1, **District of Columbia Public Education Reform Amendment Act of 2007**, proposes a comprehensive restructuring of the District of Columbia (D.C.) system of public education from early childhood to post-graduate levels including the D.C. Early Care and Education, and the D.C. Adult Education programs.¹

While the fiscal implications of the proposed structure could be extensive and complicated, the Bill itself is about restructuring the governance of the District’s public education system. As a result, this study of financial impact focuses *only* on the implications of the restructuring as described by the Bill—mainly the limitations on and the indirect costs of the fund transfers, costs of transition, and costs of restructuring—without elaborating on the impact of consequent policy decisions taken within the proposed structure.

That said, this study still reflects a number of policy choices—some of which might be subject to change—made by the Executive Office of the Mayor (EOM) and other involved agencies and instrumentalities. This is inescapable because the legislation provides a general framework for restructuring, and estimation of a reasonable financial impact requires further specifications on how the legislation would be implemented. (These specifications include decisions on formula fund restrictions and the scale and scope of the restructuring process.) In calculating the financial impact, when possible, the OCFO refrained from making independent assumptions about these policy decisions, and deferred to the relevant agencies. Consequently, the estimates presented in this study should be interpreted as the plausible financial implications of EOM and

¹ Appendix 1 presents a comparative view of the current and proposed structure.

agency decisions, given the District's regulatory limitations, the general practices of the D.C. government and its historical record on similar processes.

Additionally, this financial impact statement assumes that the budgeted funds that follow functions from one agency to another correctly reflect the cost of delivering these functions. Title III of the proposed bill, which consolidates the state level education functions at the State Education Office (SEO), allows for a 90-day review period after the enactment of the bill to study and estimate the costs SEO would incur in carrying out these functions. The ultimate financial impact of the proposed bill depends crucially on the outcome of this review and costing process and the subsequent policy decisions of the implementing agencies.

It is also important to note that this study of financial impact focuses narrowly on the public dollar implications of the proposed legislation on the District of Columbia FY2008-FY2011 Budget and Financial Plan, and not on the broader fiscal and economic implications that may flow from the legislation.

Finally, the EOM envisions that the restructuring proposal would be phased in beginning October 2007. As a result, this statement focuses on the impact for FY 2008 through 2011.

The financial impact statement is organized as follows: This section on the nature of this statement is followed by the summary of findings, which presents a title-by-title overview of the financial impact of Bill 17-01. The Background section briefly describes each title. The Impact on the Financial Plan section discusses the estimated financial impact of each title. Four appendices present a comparative analysis of the Bill with the current D.C. public education system, a description of state level education functions, an analysis of the flow of functions and funds from the D.C. Public Schools to the State Education Office, and detailed information on the estimation techniques and assumptions used.

Summary of Findings

Funds are sufficient in the Mayor's proposed FY 2008 – FY 2011 Budget and Financial Plan to implement the provisions of the proposed legislation as introduced and based on current implementation decisions. The proposed legislation is estimated to cost \$28.4 million in FY 2008 and \$86.5 million for the FY 2008 – FY 2011 budget and financial plan period. The Mayor's proposed FY 2008 Budget allocates up to \$30.5 million in a special State Education Activity Fund for the purpose of funding the costs of any reorganization of state education functions or public education initiative within the District of Columbia.

Table 1 summarizes the key findings for each Title of Bill 17-01.

Table 1- Financial Impact of Bill 17-01, million dollars					
	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total

Title II - <i>The BOE Charter Amendment Act of 2007</i>	No Financial Impact				
<i>Title III - Public Education State-Level Functions & SEA Functions & Responsibilities Designation Amendment Act of 2007*</i>	\$26.6	\$19.6	\$17.0	\$17.6	\$80.8
<i>Title IV - DC State Board of Education Establishment Act of 2007</i>	\$0	\$0	\$0	\$0	\$0
<i>Title V - Interagency Collaboration & Services Integrated Commission Establishment Act of 2007</i>	\$0	\$0	\$0	\$0	\$0
<i>Title VI - Ombudsman for Public Education Establishment Act of 2007</i>	\$0	\$0	\$0	\$0	\$0
<i>Title VII - DC Public Education Facilities Management and Construction Authority Establishment Act of 2007*</i>	\$1.8	\$1.3	\$1.3	\$1.3	\$5.7
<i>Title VIII - Public Charter Schools Accountability Reform Amendment Act of 2007</i>	\$0	\$0	\$0	\$0	\$0
<i>Title IX - Conforming Amendments</i>	No Financial Impact				
TOTAL COSTS	\$28.4	\$20.9	\$18.3	\$18.9	\$86.5

*Funds have been identified in the Proposed FY 2008 budget that could fully offset these costs. The Proposed Budget allocates up to \$30.5 million that could be used for restructuring of the State Education Office or other public education causes.

Background

In nine titles, the proposed legislation reforms the governance structure of the District of Columbia’s education system

Title I establishes the **District of Columbia Public Schools (DCPS)**, created by Section 404 (b) of the District of Columbia Home Rule Act (approved December 24, 1973), as a cabinet level agency subordinate to the Mayor and headed by the **Chancellor of DCPS**. It also creates a **District of Columbia Department of Education** headed by a **Deputy Mayor for Education** to oversee all education-related activities from pre-K to post-graduate level.

Title II repeals the **D.C. Board of Education Governance Authority** (Section 495 of the District of Columbia Home Rule Act), and assigns the governance authority over District of Columbia Public Schools and public charter schools to the Mayor and the D.C. Council.

Title III amends Section 3(b) of the **State Education Establishment Act of 2000** by assigning to the **State Education Office (SEO)** all state level education functions for which the DCPS is currently responsible.² This Title also charges the SEO with the oversight and management of adult education (transferred from the University of the District of Columbia), early childhood

²Appendix 1 describes the difference between state and local education agency functions in the context of the District. Appendix 2 outlines the state level education functions.

education (as described in section 502 of the Health Omnibus Amendment Act of 2004, and by amending section 503 of the same Act) including early intervention, and early care and education functions (from the Department of Human Services), and education of children under custody (funds currently in a non-departmental account). This Title transfers all funds, personnel, property, records, and balances of all funds associated with these functions to the SEO.³

Title IV establishes a **State Board of Education** (initially composed of the current members of the charter-created Board of Education) as an advisory committee on DCPS to the SEO and the Mayor.

Title V establishes the **Interagency Collaboration and Services Integrated Commission** to address the needs of at-risk children through a comprehensive integrated service delivery system.

Title VI establishes the **Office of the Ombudsman** in the Department of Education.

Title VII establishes an independent **Facilities Management and Construction Authority** under the Department of Education to maintain existing facilities, implement the Master Facilities Plan, oversee school modernization, and oversee financing of these activities.⁴

Title VIII consolidates chartering and review authority under the **Public Charter Schools Board**, sets a 3-year review cycle for the charter schools, and designates the SEO as the backup reviewer for denied charter applications and revoked charters.

Title IX conforms the D.C. Code to the provisions of the current Bill.

Financial Plan Impact

Title I – DCPS Mayoral Accountability Reform Act of 2007

Funds are sufficient to implement Title I of the Bill.

Sections 102 to 107 of this Title establish the DCPS as a cabinet level agency, headed by the Chancellor of the DCPS, and under the authority of the Mayor. Section 108 transfers all positions, personnel, property, records, and the balances of the current DCPS and the BOE to this new entity, and authorizes the Mayor to restructure or reorganize the personnel and property of the DCPS. These sections of Title I have no financial impact.

Section 110 establishes the D.C. Department of Education under a Deputy Mayor for Education as the main agency responsible for planning, coordinating, and supervising all public education and education related activities of the District. In FY 2008, the EOM would transfer to the

³ However, the D.C. Code limits this transfer. See Appendix 1 on the nature of the limitation.

⁴ See Appendix 1 on the scope of the authority granted to this entity.

Department of Education at least \$1.5 million, from the funds previously allocated to the now-abolished Deputy Mayor for Children, Youth, Family, and Elders. Table 2 outlines the financial impact of the Title I.

Table 2- Financial Impact of Title I, million dollars					
	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
Total Costs	\$1.5	\$1.5	\$1.5	\$1.6	\$6.1
Cabinet Level DCPS	<i>No Financial Impact</i>				
D.C. Department of Education					
<i>Personnel Costs^a</i>	\$1.2	\$1.2	\$1.2	\$1.3	
<i>NonPersonnel Costs^b</i>	\$0.3	\$0.3	\$0.3	\$0.3	
Budgeted Funds^c					
<i>Funds budgeted to "Agency Oversight and Support" for the Deputy Mayor of Children, Youth, Family and Elders</i>	\$1.5	\$1.5	\$1.5	\$1.6	\$6.1
NET FINANCIAL IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

^a Personnel costs, assumed at 80 percent of the total budget, incorporate an annual 3 percent cost of living adjustment starting FY 2009. ^b Nonpersonnel costs increase annually by the CPI calculated for the Washington D.C. – Baltimore Area by the Bureau of Labor Statistics (2.9 percent annually). ^c The Proposed FY 2008 Budget identifies \$2.4 million in funds for the D.C Department of Education.

Title II – The Board of Education Charter Amendment Act of 2007

Title II repeals the governance authority of the charter-created Board of Education (BOE), and assigns the budgeting responsibility for the public school system to the DCPS.

This title is a legal restructuring, and has no financial impact.

Title III – Public Education State-Level Functions and State Education Agency Functions and Responsibilities Designation Amendment Act of 2007

Funds are sufficient in the FY 2008 to FY 2011 Budget and Financial Plan to implement Title III of the Bill 17-01. Implementation of this title requires at least \$26.6 million for FY 2008 and \$80.8 million for the FY 2008-FY 2011 period. The Mayor’s proposed FY 2008 budget allocates up to \$30.5 million in a special fund called “State Education Activity Fund” to be used towards the restructuring of the State Education Office or other public education initiatives.

Table 3 outlines the calculation of the financial impact.

Table 3- Financial Impact of Title III on consolidation of State Level Functions under the SEO, million dollars					
	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
Amounts Subject to Formula Restrictions from DCPS	\$13.9	\$14.3	\$14.7	\$15.2	\$58.1
<i>Program budgets^a</i>	\$12.9	\$13.3	\$13.7	\$14.1	
<i>State match required for Federal Matching Grants^a</i>	\$1.0	\$1.0	\$1.1	\$1.1	
Organizational Restructuring costs	\$12.7	\$5.3	\$2.3	\$2.4	\$22.7
<i>One time costs of Restructuring for SEO^b</i>	\$10.5	\$3.1	\$0.0	\$0.0	
<i>Recurring Costs of Restructuring</i>	\$2.2	\$2.2	\$2.3	\$2.4	
TOTAL COST OF TITLE III^{c,d}	\$26.6	\$19.6	\$17.0	\$17.6	\$80.8

^a Incorporates an annual adjustment of 3 percent cost of living/inflation increase for FY 2009 and onwards. ^b Turnover costs, the associate severance and the unemployment benefits are spread over 18 months. ^c The Proposed 2008 budget allocated up to \$30.5 million in the “State Education Activity Fund” which could be used towards paying for these costs. ^d Totals may not add due to rounding.

There are two sources of costs under Title III. First, because of the limitations in the D.C. Code, SEO will not be able to claim all the funds that currently support state level functions served by the DCPS. Second, the restructuring of the SEO into a full-fledged state education agency with almost five times its current FTE count and three times its current budget brings about one-time costs and recurring costs.

1. Formula Fund Restrictions

Upon implementation of the proposed legislation, the SEO would receive an estimated \$190 million in funds for FY 2008 to support state level education functions transferred from the DCPS, the UDC, and the Department of Human Services.⁵ The most complicated transfer involves the state level functions currently performed by the DCPS.

The central issue involving the DCPS and the SEO is as follows: In its FY 2008 Proposed Budget Plan, DCPS has asked for \$90.8 million for the state education agency functions, which the Bill would transfer to the SEO under the new structure. However, under the current D.C. Code, the SEO could take over only \$77.9 million of these funds.

Box 1– Determination of Local and State Education Functions

⁵ See Appendix Table 4-1 for the sources of these funds.

While no universal list of state vs. local education functions exists, there is some consensus on the scope of local and state education agencies. Local education agencies are typically school districts and schools, responsible for teaching and learning, control of school facilities, school-based administration, and system-wide administration. State education agencies are agencies overseeing broad decisions that affect all local education agencies (such as residency rules, standards and achievement goals, graduation requirements, attendance rules), administer federal grants or mandated federal programs, and oversee special education tuition and transportation. Appendix 2 provides a description of common state level education functions.

In calculating the financial impact of Title III, the OCFO refrained from making judgments on what functions would qualify as state level functions. Rather, we followed a list of functions the SEO identified as state level. The DCPS provided budgeted amounts for these functions, which were then used as a proxy for cost of service delivery. For functions that are co-mingled, the SEO decided to use budget allocation ratios identified by the DCPS. In these cases, the cost of service delivery and the number of FTEs to be transferred to the SEO are calculated by multiplying the budgeted funds and FTE counts by DCPS’s budget allocation ratios.

SEO would not receive the remaining \$12.9 million in the proposed structure because these functions are funded by local dollars allocated according to the Uniform Per Student Funding Formula (UPSFF).⁶ The D.C. Code restricts the use of formula funds to the local education agencies only and requires that the Mayor and the D.C. Council appropriate funds for the state level education functions separately, no matter what agency or instrumentality fulfills these functions.⁷ The practical implication of this limitation is that *the formula funds cannot follow the functions that would transfer from the DCPS to the SEO under the proposed reform.*⁸ It is important to recognize that the continued funding of state level functions with local formula funds is in violation of existing law; therefore, some separation of functions and the method of funding them must occur, which would result in compliance costs for the District, independent of the enactment of this bill.

The formula restrictions in program budgets affect two types of functions. First, because the DCPS has been both a state and a local education agency, some of its offices collectively serve both state and local level functions. For example, the offices of the General Counsel, the Chief Academic Officer, Quality Management, Information Technology and Services, Bilingual Education and Career and Technical Education support both local and the state level responsibilities. The DCPS budget recognizes this cross-support, and allocates a certain portion

⁶ DCPS transfers approximately half of the UPSFF funds (or formula funds) to public schools, uses 35 percent of these funds for facilities management, and 15 percent towards administration of the DCPS. The formula funds described in this section come out of the administrative portion.

⁷ In accordance with law, the Mayor and the D.C. Council has been appropriating separate funds for the state level functions of the DCPS, and the transfer of functions itemized in this portion of the DCPS budget is straightforward. No restrictions exist on the use of these funds and the SEO can fully take over the funds, positions, and the associated assets (Appendix Tables 3.1 and 3.2).

⁸ Appendix 3 presents a detailed analysis of the fund flows (and the restrictions on these flows) from the DCPS to the SEO.

of the services to state level functions.⁹ However, only local formula funds support these functions, and the SEO will not be able to transfer out these funds even when the functions move out of the DCPS.

Second, some functions, which the SEO identifies as state level, have not been classified as state level functions in the DCPS budget. Consequently, formula funds, as the only source of budgeted funding, would not follow these functions into the SEO.

Another estimated \$1 million in formula funds DCPS currently uses to meet matching requirements for federal grants would not flow to the SEO because federal rules require state (i.e. non-formula) dollars to be used for the match.

Box 2 – Calculating the Costs of Title III

The cost estimates presented for Title III rely on a number of policy decisions and assumptions made by the EOM and the SEO. This Box reviews these policy choices.

1. **Formula fund restrictions:** As explained elsewhere, the D.C. code requires that funds allocated through the *Uniform Per Student Funding Formula* be used only for local education agency functions. However, because DCPS has been both a local and a state education agency, some of the functions that SEO considers as state-level have been funded by the local formula dollars, including the state match for some federal grants.
2. **Personnel Turnover:** The turnover rate SEO expects among the new personnel it retains under the new structure is 40 percent, spread over 18 months. This results in an expected severance pay of \$5.1 million in the first year of restructuring, and \$2.6 million in FY 2009. Additionally, because this turnover rate is above normal, we estimate that the District’s Unemployment Compensation fund will make additional unemployment benefits payments, up to \$0.8 million in the first year of restructuring and \$0.5 million in FY 2009, beyond what is normally budgeted.
 - a. *Turnover rate assumption and past D.C. experience.* The 40 percent assumption falls within the turnover rates experienced in the past D.C. restructurings, which have ranged between 65 and 13 percent (See Appendix Table 4-3).
 - b. *Practical implications of the turnover assumption.* While 40 percent is in the reasonable range, it is important to note that other agencies had fewer employees (16 to 49) whereas the SEO’s turnover rate would apply to 487 employees, resulting in an estimated turnover of 195 employees. The SEO predicts that the restructuring of the staff will take at least 18 months.
 - c. *Potential cost reductions.* Severance costs could be lowered if there is a lag between the time an employee is separated and a replacement is hired. In this case, some of the severance payments could be made out of the salary allocations already approved for the position.
3. **Moving costs.** The proposed legislation transfers all functions with their associated FTEs, equipment, funds, and property into the SEO. A strict interpretation of this language implies that employees would be able bring their computers and office equipment as they move into SEO. However, the SEO wanted to include these costs in the moving cost estimates, citing problems within the DCPS on the tracking of equipment and property. As a result, the current moving cost calculations assume that none of the new personnel would be able to

⁹ See Appendix Table 3-4 for details.

bring their computers, and only half would be able to bring their desks, chairs, and similar equipment and property into the SEO. This results in \$2.5 million in moving costs.¹⁰

4. *New Space*: Given the large influx of new personnel (478 new employees in addition to 80 current)¹¹, the SEO would need new space. The Mayor's team is currently developing a plan on how to accommodate this move, but the EOM have committed to relocate SEO to underutilized spaces already paid for by the District. Given this commitment, the current financial impact statement does not include a cost estimate for the new space. *However, if the EOM cannot identify new space and SEO moves to a newly leased space, it would have to pay up to \$8.1 million in rental and maintenance costs for a new space.*¹²

Finally, the total amount SEO would receive is much smaller than the total funds the DCPS typically budgets for state level education functions. This is because \$204 million in vendor payments budgeted with other state level functions would stay in the DCPS. These payments include general education tuition payments, non-public tuition payments to Child and Family Services Agency, to Department of Mental Health, and for special education, special education transportation, swing space transportation, and the funds allocated to Special Education Transportation Administration. Appendix Table 3-1 provides a full list of these payments and the proposed FY 2008 budget for each item.

2. Organizational costs of restructuring the SEO:

SEO identified three sources of costs associated with the implementation of the reform: one-time costs associated with SEO absorbing the state level functions and the associated FTEs coming from DCPS, UDC, and DHS, one-time costs supporting the restructuring and transition of the SEO as it undertakes new responsibilities, and recurring costs of maintaining a larger organization. Table 4 outlines these costs.

Table 4 - Estimated costs associated with the transfer of State Level Functions to SEO, million dollars					
	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
One time Costs	\$10.5	\$3.1	\$0.0	\$0.0	\$13.6
<i>Costs of Moving</i>	\$2.5				
<i>Reorganization and Planning</i>	\$2.0				
<i>Personnel Turnover</i>	\$5.1	\$2.6			
<i>Unemployment Benefits^a</i>	\$0.8	\$0.5			
Recurring Costs (Incurred by SEO)	\$2.2	\$2.2	\$2.3	\$2.4	\$9.1
<i>For existing Staff</i>	\$0.2	\$0.2	\$0.2	\$0.2	
<i>For Additional New Management</i>	\$1.0	\$1.0	\$1.1	\$1.1	

¹⁰ Estimated based on assumptions from the OPM; see Appendix Table 4-2 for details.

¹¹ This number only includes personnel that currently work in the DCPS's administrative offices. Personnel who are located in schools or other facilities for direct services will not be relocated.

¹² Estimated based on assumptions from the OPM; see Appendix Table 4-2 for details.

<i>Staff</i>					
<i>Centralized Administration Costs (Additional new administrative staff)</i>	\$1.0	\$1.0	\$1.0	\$1.1	
Total Restructuring Costs for SEO^b	\$12.7	\$5.3	\$2.3	\$2.4	\$22.7

^a These would be incurred by the D.C. Unemployment Compensation Fund. ^b Totals may not add due to rounding.

The SEO plans moving into a larger space to accommodate its new personnel. This move, including equipment and furniture needed for the new personnel and the moving and setup costs for SEO’s current employees is expected to cost \$2.5 million. The SEO estimates it would spend \$2 million on the planning of the restructuring, including the preparation of a new organizational structure, which would map its current and new tasks to specific offices and employees. The SEO also expects that 40 percent of its newly acquired FTEs (about 195 employees) would be subject to turnover during the restructuring phase, which would result in \$5.1 million in severance pay in FY 2008 and \$2.6 million in FY 2009. Finally, given this turnover rate, the city might have to pay unemployment compensation of up to \$1.3 million higher than the currently available funds to an unexpectedly larger number of ex-employees over two years.¹³ As a result, the estimated one-time cost of SEO’s organizational restructuring is \$10.5 million in FY 2008 and \$3.1 million in FY 2009.

The SEO expects to incur higher operational costs for supporting its new personnel (\$0.2 million annually), hire seven additional managers to help oversee the new functions it retains at the end of restructuring (\$1 million annually), and expand its central administration (\$1 million annually¹⁴). To pay for these recurring costs, the SEO would need \$2.2 million in FY 2008.

SEO would require a new space to house all of its new and existing employees, but the EOM is committed to relocate these employees within the existing the space that is already paid for, but underutilized. Should this decision change, and the SEO is located in a newly leased space, the financial impact would increase by \$3.1 million annually, including rent and operational costs (such as utilities, management fees, tenant improvements, property taxes, janitorial expenses, parking, insurance, security, common area maintenance, HVAC maintenance, pest control, plumbing maintenance, mechanical maintenance, cost of capital improvements, and snow removal).

¹³ Usually DCPS has an annual turnover rate of 4 percent, and DOH and UDC even lower. This implies that the baseline Unemployment Compensation Fund would pay at most 19 of the separated employees, and the unemployment benefits for the remaining 176 separated employees may lead to a shortfall of up to \$1.3 million in the Unemployment Compensation Fund paid over two years. Appendix Table 4-5 outlines the calculation of the unexpected unemployment benefits that would result from the implementation of Title III.

¹⁴ The centralized administrative costs include funds necessary for expanding human resources and procurement, and establish an independent Information Technology division. Appendix Table 4-4 outlines SEO’s characterization of these expenses.

It is important to reemphasize that another potential source of financial impact (negative or positive) is not reflected in this analysis. This analysis assumes that program budgets correctly reflect the costs of delivering state level services. The proposed legislation gives the SEO ninety days after the Bill's enactment to identify the recurring costs of delivering all the state level functions from the DCPS, the University of the District of Columbia, and the Department of Human Services.¹⁵ A precise estimate of recurring cost requires the completion of this costing exercise.

Title IV – District of Columbia State Board of Education Establishment Act of 2007

Funds are sufficient to implement the fourth title of this Bill.

This title establishes the D.C State Board of Education (BOE) as an advisory committee to the SEO and the Mayor. Currently, the charter-created BOE oversees various state and local level functions carried within the DCPS. The BOE also has oversight and review responsibilities over sixteen public charter schools.

The proposed State Board of Education would be composed of the current BOE members, but its functions are limited in scale, and entirely different in scope from those of the current BOE. Other titles of the Bill distribute BOE's current functions across the DCPS, the SEO, and the D.C. Public Charter School Board (DCPCSB).

Table 5 - Financial Impact of Title IV, million dollars					
	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
Total Costs ^a	\$0.4	\$0.4	\$0.4	\$0.4	\$1.6
<i>Personnel Costs (including Board member salaries)</i>	\$0.3	\$0.3	\$0.3	\$0.3	
<i>Nonpersonnel Costs</i>	\$0.1	\$0.1	\$0.1	\$0.1	
Total Transfers ^b	\$0.1	\$0.2	\$0.2	\$0.2	\$0.7
<i>Transfer to the Office of the Ombudsman</i>	\$0.1	\$0.1	\$0.1	\$0.1	
<i>Transfer to the SEO</i>	\$0.03	\$0.04	\$0.05	\$0.06	
Total costs and transfers	\$0.5	\$0.6	\$0.6	\$0.6	\$2.3
Total Funds available ^c	\$0.5	\$0.6	\$0.6	\$0.6	\$2.3
NET FINANCIAL IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

^a Personnel and non-personnel costs incorporate a 3 percent cost of living increase/inflation adjustment annually. ^b Totals may not add up due to rounding. ^c The total proposed budget for the BOE in FY 2008 is \$0.9 million, but \$0.4 million of these funds support the chartering authority of the BOE, which would be allocated to the DC Public Charter School Board in the proposed structure.

Table 5 presents the estimated financial impact of this Title. For FY 2008, DCPS estimates that should the current structure stay in place, the BOE would require \$0.9 million in

¹⁵ The SEO has already started this work by commissioning a study on the cost of delivering state level functions. The expected completion date for this study is June 2007.

funds. \$0.4 million of these funds support BOE’s oversight over public charter schools, and would be reallocated to the Public Charter School Board, which would be the only chartering agency in the proposed structure. This leaves \$0.5 million to support the newly created State Board of Education.

The EOM has provided the following initial estimate for the costs associated with the new State Board of Education: The new board will require 3 FTEs at an annual cost of approximately \$250,000 in addition to the total amount of the salaries for all the board members of \$136,000 annually. Assuming that the current personnel to non-personnel cost ratio would remain in place, the OCFO estimates that the total costs will add up to \$386,000 for FY 2008 and \$1.6 million for the FY 2008 to FY 2011 period. The EOM has indicated that the remaining funds would be transferred partly to the new Office of the Ombudsman to support customer relations, and partly to the SEO to support its new role as the back-up reviewer for denied charter applications and revoked charters as specified in Title VIII of the Bill.

Title V – Interagency Collaboration and Services Integrated Commission Establishment Act of 2007

Funds are sufficient to implement this title.

Title V establishes the Interagency Collaboration and Services Integrated Commission to address the needs of the at-risk children. The Commission, composed of various city executives, is required to implement programs to support at-risk children and conducts annual reviews on the effectiveness of these programs.¹⁶ This title also authorizes the Commission to apply for federal, state, and local funds. The Commission can also utilize funds pursuant to the Integrated Funding and Services for At-Risk Children, Youth, and Families Act of 2006, which authorizes the transfer of up to one percent of the local funds allocated to various D.C.

Table 6 - Financial Impact of Title V, Interagency Collaboration Commission					
	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
Total Costs of Title V	To be determined by EOM, but significantly below funding potential (1 FTE)				
Total Funds available	Grants and up to 1% of local budgets of 6 agencies				
NET FINANCIAL IMPACT	\$0	\$0	\$0	\$0	\$0

¹⁶ The salaries of the city executives sitting on this commission are covered elsewhere.

Table 6 outlines the estimated financial impact of Title V, The EOM expects that the Commission would only need one FTE for support, and the personnel and non-personnel costs for this FTE would be covered through a combination of grants the City Administrator's budget, and transfers from the agencies identified in the Integrated Funding and Services for At-Risk Children, Youth, and Families Act of 2006.

Title VI – Ombudsman for Public Education Establishment Act of 2007

Funds are sufficient to implement Title VI of the Bill.

	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total ^b
Total Costs ^a	\$0.3	\$0.3	\$0.3	\$0.3	\$1.3
Total Available Funds	\$0.3	\$0.3	\$0.3	\$0.3	\$1.3
Transfer From DCPS	\$0.2	\$0.2	\$0.2	\$0.2	
Transferred from the BOE Budget	\$0.1	\$0.1	\$0.1	\$0.1	
NET FINANCIAL IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

* Total cost calculations incorporate a 3 percent annual cost of living increase/ inflation adjustment. Totals may not add up due to rounding.

Title VI establishes the Office of the Ombudsman within the Department of Education to carry out Ombudsman functions for grade levels pre-K to post-graduate level. Table 7 outlines the financial impact associated with the creation of the Office of the Ombudsman. Based on the information provided by the EOM, the OCFO estimates that creating an Office of the Ombudsman will require \$0.3 million for FY 2008 and \$1.3 million for the FY 2008 to FY 2011 period.¹⁷

The EOM plans to fund the Office of the Ombudsman through DCPS funds currently budgeted at the Communications Office and the savings identified in the budget of the Board of Education (under Title IV).

Title VII –District Of Columbia Public Education Facilities Management and Construction Authority Establishment Act of 2007

Funds are sufficient in the FY 2008 to FY 2011 Budget and Financial Plan to implement Title VII of the Bill 17-01. Implementation of this title requires at least \$1.8 million for FY 2008 and \$5.7 million for the FY 2008-FY 2011 period. The Mayor's proposed FY 2008 budget allocates

¹⁷ The Office of the Ombudsman will have four FTEs (with no plans to expand in the FY 2009 to FY 2011 period; service extensions are likely to involve contracting out, or reallocations of other staff members to Ombudsman-related duties). Of the four FTEs, one will be at ES 9 level (a senior/chief Ombudsman) at an annual salary of \$105,000, and two additional staff at ES-3 level—a program analyst and a constituent services manager—at annual salaries of \$58,000 and \$49,000 respectively.

up to \$30.5 million in a special fund called “State Education Activity Fund” to be used towards the restructuring of the State Education Office or other public education initiative.

Title VII establishes an independent Facilities Management and Construction Authority.¹⁸ This new authority will direct the capital expenditure and the operating funds for the operation, maintenance, repair, design, construction, renovation, and modernization of DCPS facilities. Table 8 outlines the calculation of the financial impact.

The EOM is currently working on developing an organizational chart and a budget for the new Facilities Management and Construction Authority. Although a detailed plan is yet to be finalized, the EOM emphasized that their plans focus heavily on improving the managerial capacity of the facilities management, and construction operations. Table 8 presents the estimated costs of this plan—with the assumption that the baseline personnel payments will increase due to an increase in salaries or staffing, or a combination of both. Appendix Tables 4-6 and 4-7 present a detailed analysis of the current and the proposed budgeted funds for facilities management functions.

Table 8 - Financial Impact of Title VII, Facilities Management and Construction Authority, million dollars					
	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
Total Operational Costs of an Independent Facilities Management Agency^a	\$12.8	\$12.6	\$12.9	\$13.3	\$51.6
<i>Current Budget</i>	\$11.0	\$11.3	\$11.6	\$12.0	
<i>Estimated Increases in Personnel Costs</i>	\$1.2	\$1.3	\$1.3	\$1.3	
<i>Turnover costs(Severance)</i>	\$0.5				
<i>Unemployment benefits</i>	\$0.1				
Operating Budget of Facilities Management Functions in DCPS^b	\$11.0	\$11.3	\$11.6	\$12.0	\$45.9
TOTAL COSTS OF TITLE VII^c	\$1.8	\$1.3	\$1.3	\$1.3	\$5.7

^a All items except Operations and Maintenance functions, which include tasks conducted at schools, such as janitorial services conducted at schools. ^b Assumes a 30 percent increase in baseline personnel expenditures. ^c The Proposed FY 2008 budget’s allocations to the State Education Agency Fund, which would be used towards the SEO restructuring as well as any other public education concern could be used to offset these costs.

Title VIII – Public Charter Schools Accountability Reform Amendment Act of 2007

¹⁸ The proposed legislation describes this as an independent entity with legal existence separate from the office of the District government. While the Bill assigns this entity financial control over the school facilities and construction, it does not explicitly grant it the ability to raise funds. The EOM envisions that this entity would have procurement and personnel authority, will be able to manage operational and capital funds transferred from the DCPS, and other funds generated through lease payments or paid services. While the Bill authorizes this agency to solicit and develop public private development partnerships, the consequences of this authorization is limited by the D.C. law, which severely limits any District entity’s ability to enter such agreements.

Funds are sufficient to implement this Title.

Title VIII consolidates chartering and review authority under the Public Charter Schools Board (DCPCSB), increases review frequency to every three years from every five years, and designates the SEO as the backup agency for the appeal of charter applications and reviews.

Under this Act, the oversight of sixteen public schools currently chartered under the BEO would be transferred to the DCPCSB in addition to thirty-seven schools currently under the control of the DCPCSB. Consequently, the PCBS will be responsible for a larger number of schools and more frequent reviews.

Table 9 outlines the calculation of the financial impact. Two sources will be available to the DCPCSB, in addition to its existing budget, to pay for the additional costs. First, the D.C. Code allows chartering agencies to charge schools up to half a percent of school budgets for review costs – this fee revenue total \$1.3 million in FY 2008. As a result, the reviews will continue to at least partially support themselves. Second, the EOM indicated that \$413,000 currently allocated to the charter-created BOE to oversee charter school related activities would transfer to the DCPCSB. The estimated funds available for Annual Reviews and oversight in the new structure are \$287,000 annually.¹⁹

Table 9 - Financial Impact of Title VIII, Consolidation of Chartering authority under the DCPCSB, million dollars					
	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
Total Cost	\$0.29	\$0.30	\$0.33	\$0.35	\$1.27
Costs of Increased Annual Reviews ^a	\$0.25	\$0.26	\$0.28	\$0.31	
Cost of Increased Applications	\$0.04	\$0.04	\$0.05	\$0.04	
Funds Available for Annual Reviews and Oversight^b	\$0.29	\$0.30	\$0.33	\$0.35	\$1.27
Ratio of funds allocated to school reviews ^c	12%	12%	13%	13%	
Total funds available	\$2.39	\$2.51	\$2.64	\$2.77	
<i>DCPCSB Budget</i>	\$0.65	\$0.68	\$0.72	\$0.75	
<i>BOE Charter Oversight Budget</i>	\$0.41	\$0.43	\$0.46	\$0.48	
<i>Fees from Schools</i>	\$1.33	\$1.40	\$1.47	\$1.54	
NET FINANCIAL IMPACT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

^a Based on an estimate of \$9,750 in costs for annual reviews per campus, and 25 campuses reviewed per year (one third of total campuses); ^b This number is calculated by multiplying the total funds available by the ratio of funds allocated to school reviews. ^cWeighted Average of review costs as a percentage of total budget based on GAO Report 05-460, Charter Schools, Oversight Practices in the District of Columbia, May 2005.

¹⁹ The total funds available for the Annual Reviews was calculating by totaling all the resources available to the Public Charter School Board (\$2.393 million) and multiplying by the weighted average percent currently used to fund annual reviews (12 percent).

At the same time, the DCPCSB could conduct school reviews at costs much lower than the BOE. The DCPCSB is expected to spend \$247,000 annually on annual reviews, after accounting for the increases in review frequency.²⁰ This leaves an additional \$40,000 for DCPCSB to spend towards reviewing new applications.

Another potential source of financial impact under Title VIII is the costs the SEO would have to incur as a backup reviewer and appeal agency. According to the DCPCSB, since 1996, this agency denied 88 applications, and revoked the charters of three schools. Only one applicant (and none of the three schools with revoked licenses) appealed in court. With the implementation of the Title VIII, the number of appeals might go up as more charter schools are placed under the scrutiny of the DCPCSB, which is known to have tougher standards. Additionally, schools previously reluctant to go to court may choose to appeal to the SEO. Therefore, the cost estimates based on the past D.C. experience may not be applicable.

However, given the SEO would be able to use the cost savings from the BOE budget to finance its backup review function (\$33,203 for FY 2008 and \$217,423 for FY 2008 to FY 2011 period), these changes are not likely to result in a significant financial impact for the District.

Title IX –Conforming Amendments

Title IX of this Bill is legal in nature and does not have any financial impact.

²⁰ The \$247,000 cost is derived by multiplying the cost per school campus of \$9,750 times the number of annual reviews (25).

APPENDICES

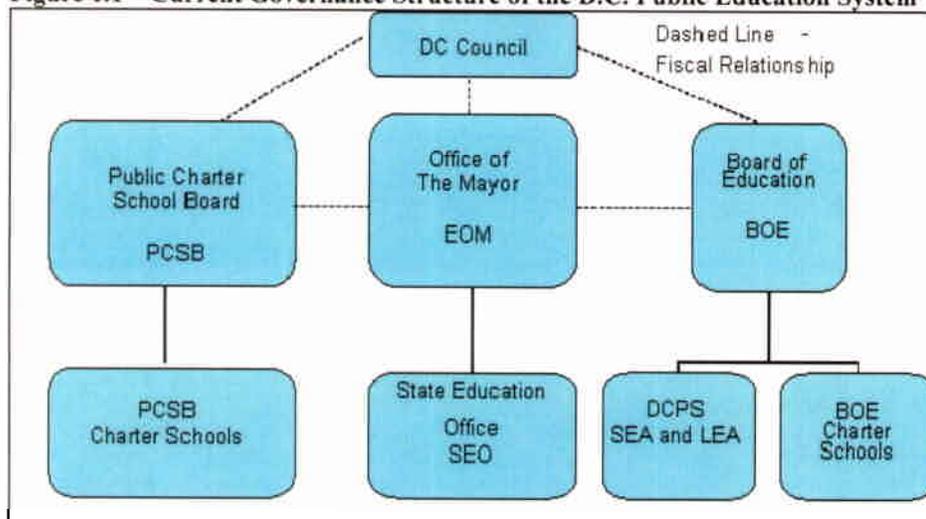
Appendix 1 Organizational Overview of Bill 17-1: A comparison of the current and the proposed structures of the D.C. Public Education System	18
Appendix 2 Description of “state education agency” functions	21
Appendix 3 Analysis of the Budgeted Fund Transfers from the D.C. Public Schools to Other Education Agencies, Planned FY 2008 Budget.....	23
Appendix Table 3-1 State Education Agency functions funded by non-formula Funds	23
Appendix Table 3-2 - Federally Funded State Education Agency functions	23
Appendix Table 3-3 - State Education Agency functions with No Planned Budget.....	24
Appendix Table 3-4 - Offices that support both state education agency and local education agency functions.....	24
Appendix Table 3-5 - Summary of Fund Flows for state level functions transferred from DCPS to SEO.....	25
Appendix 4 Supporting Information, Estimation Techniques and Assumptions	26
Appendix Table 4-1 - Estimates of Budgeted Sources for State Level Functions	26
Appendix Table 4-2 - Assumptions used to calculate organizational restructuring costs for the SEO	27
Appendix Table 4-3 – Restructurings and Turnover Rates, selected cases	27
Appendix Table 4-4 – Centralized Administrative Costs for SEO.....	28
Appendix Table 4-5 – Calculation of Unemployment Benefits in excess of Baseline Unemployment Compensation Fund, UCF.....	28
Appendix Table 4-6 – Funds Budgeted For Facilities Management Functions in DCPS	29
Appendix Table 4-7 – Planned Budget for the Facilities Management and Construction Authority	29

Appendix 1 Organizational Overview of Bill 17-1: A comparison of the current and the proposed structures of the D.C. Public Education System

Current Structure

Four entities share oversight of the D.C. public education system: the D.C. Council, the Mayor, the charter-created Board of Education (BOE), and the Public Charter School Board (DCPCSB).

Figure 1.1 – Current Governance Structure of the D.C. Public Education System



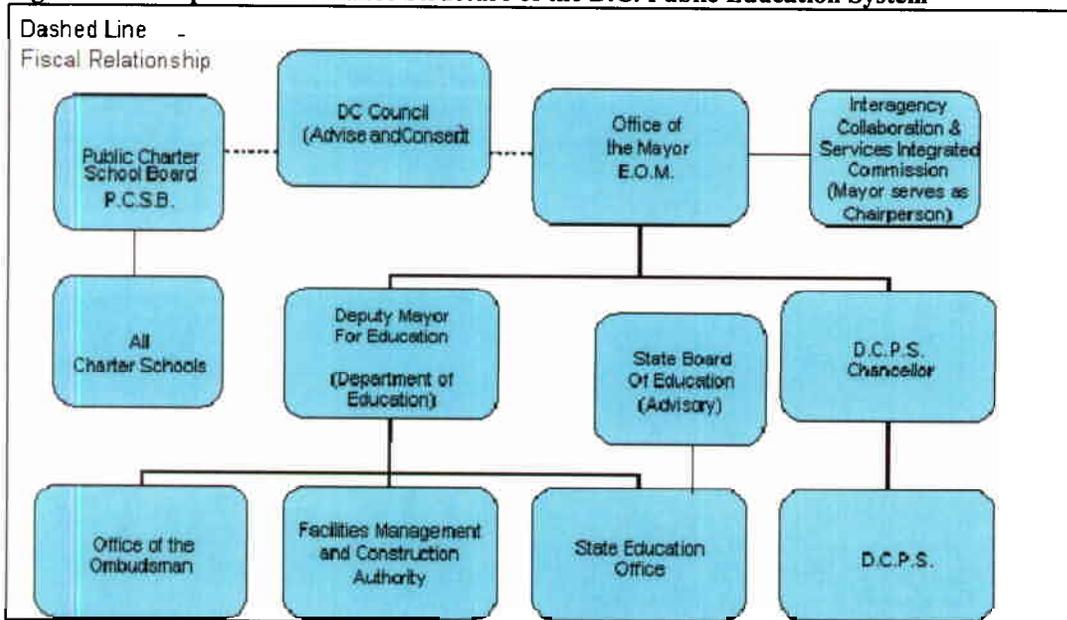
- The D.C. Council’s role is primarily budgetary—the Council must approve the District’s budget, which includes funding for the District of Columbia Public Schools (DCPS) and public charter schools.
- The Mayor has direct oversight over the State Education Office (SEO—established on October 1, 2000), which is responsible for a limited set of state education functions:
 - o Exercise authority for all federal child nutrition programs in the District
 - o Verify fall enrollment counts for all public and public charter schools
 - o Formulate and promulgate rules for the documentation and verification of District residency for public and public charter school students
 - o Make recommendations to the Mayor and Council for periodic revisions to the Uniform Per Student Funding Formula.
 - o Additionally, the SEO has assumed responsibility for existing state-level education functions in three additional programs and functions: the D.C. Tuition Assistance Grants Program and the Office of Post-Secondary Education Research and Assistance, and establishing licensure of post-secondary education institutions.

- The Board of Education (BOE) oversees the DCPS as well as 16 public charter schools. The BOE serves as both the state and local board of education because DCPS acts both as a local education agency and as a state education agency (separate from the SEO).²¹ Local fund revenues are allocated to DCPS through the Uniform Per Student Funding Formula (UPSFF) allocation. The legislation establishing the funding formula excludes from the formula activities that D.C. identifies as “state education agency activities” (outlined in Appendix 2). The Mayor and Council must appropriate funds for state education agency activities separately from the formula.
- The Public Charter School Board oversees the remaining 39 public charter schools.

Proposed Structure

Under the proposed arrangements, four entities—the D.C. Council, the Mayor, the State Board of Education and the Public Charter School Board, will continue to oversee public education, but the roles and responsibilities of these entities would be rather different.

Figure 1.2 – Proposed Governance Structure of the D.C. Public Education System



- The DC Council’s role would remain primarily budgetary in that the Council must approve the District’s budget, which includes funding for DCPS and the DCPCSB. The Council would also

²¹ While this distinction is very explicit in states with separate state and local governments, it can be confusing in the District. Local education agencies are typically school districts and schools, responsible for teaching and learning; control of school facilities; school-based administration; and system-wide administration. State education agencies are agencies overseeing broad decisions that affect all local education agencies (such as residency rules, standards and achievement goals, graduation requirements, attendance rules), administer federal grants or mandated federal programs, and oversee special education tuition and transportation. Appendix 2 provides a description of common state education agency functions.

provide advice and consent on the Mayor's choice for the Chancellor of the DCPS (who would replace the current Superintendent).

- The Mayor would have direct control over virtually all aspects of public education. The DCPS would become a cabinet-level agency under the authority of the Mayor. The Mayor would develop the budget for DCPS, and submit it to the Council for approval like any other agency of the District government. The head of the DCPS, the Chancellor, would report to the Mayor. The Mayor will also have direct oversight of the newly created Department of Education, which would house the Office of the Ombudsman (a new agency), the Public Schools Facilities Management and Construction Authority (a new entity) and the SEO.
 - o The Office of the Ombudsman would serve as a mechanism by which citizens can communicate their questions and concerns regarding public education in the District of Columbia through a single, central source.
 - o The Public Schools Facilities Management and Construction Authority would oversee all activities related to the construction and maintenance of school facilities. The proposed legislation describes this as an independent entity, with legal existence separate from the office of the District government, but does not explicitly grant it the ability to raise funds. The EOM envisions that this entity would have procurement and personnel authority, will be able to manage operational and capital funds transferred from the DCPS, and other funds generated through lease payments or paid services. While the Bill authorizes this agency to solicit and develop public private development partnerships, the scope of any D.C. entity's ability to enter such agreements are severely limited by law.
- The enhanced SEO would take over all state level functions from the DCPS, the University of the District of Columbia, and the Department of Human Services.
- The charter-created BOE would be eliminated in its current form, and be replaced with a State Board of Education, with the primary function of advising the Chief State School Officer (i.e., the director of the State Education Office) on various matters including state standards, state policies, state objectives, and state regulations. The only policymaking authority of the State Board of Education would be to approve state standards recommended by the Chief State School Officer and approval of the accountability plan developed by the Chief State School Officer.
- The DCPCSB would oversee all of the public charter schools in the District. The proposed structure consolidates chartering authority at the DCPCSB and assigns the SEO as the back-up reviewer (in addition to the courts) for the charter applications and renewals.

Appendix 2

Description of “state education agency” functions

State Education Establishment Act of 2000 that created the State Education Office mandated that it perform four initial functions. These functions are:

- Exercise authority for all federal child nutrition programs in the District
- Verify fall enrollment counts for all public and public charter schools
- Formulate and promulgate rules for the documentation and verification of District residency for public and public charter school students
- Make recommendations to the Mayor and Council for periodic revisions to the Uniform Per Student Funding Formula.

Additionally, the SEO has assumed responsibility for existing state-level education functions in three additional programs and functions: the D.C. Tuition Assistance Grants Program and the Office of Post-Secondary Education Research and Assistance, and establishing licensure of post-secondary education institutions.

A July 2001 report prepared by the State Education Office makes the following recommendations on state education agency functions²²:

- **Administration of Federal Grants - Federal Categorical Programs:** Transfer the responsibility for the acquisition and administration of federal funds to the State Education Office.
- **Administration of Federal Grants - Federal Special Education:** Transfer the state-level special education functions required by the Individual with Disabilities Education Act (IDEA), Part B, to the SEO.
- **Rules Governing Acceptable Credit:** Transfer the authority and responsibility for issuing rules to establish requirements to govern acceptable credit to be granted for studies completed at independent, private, public and public charter schools, and private instruction, pursuant to Article II, § 1 of An Act to provide for compulsory school attendance to the SEO.
- **Rules for Enforcing School Attendance Requirements:** Transfer the authority and responsibility for issuing rules regarding enforcement of school attendance requirements for all schools, including public, public charter, and private schools, pursuant to Article II, § 6 of An Act (DC Act 8-331, later enacted as DC Law 8-247) to provide, in part, for compulsory school attendance to the SEO.
- **Census For Minors:** The SEO recommends that it provide leadership for a multi-agency initiative, including the DC Board of Education, DC Public Schools, Department of Health's State Center for Health Statistics, Office of Early Childhood Development, DC Data Center, and the Department of Children, Youth and Families to develop a strategy for meeting the statutory requirements for a census of minors ages three years and up.
- **High School Equivalency Credentials:** The SEO recommends that all functions related to high school equivalency credentials, including the establishment, administration, and issuance of these credentials, remain with the current agencies: the Board of Education, DCPS, UDC's Board of Trustees and State Education Agency — Adult Education.
- **Work Permits for Minors:** The SEO recommends transferring the responsibility for the issuance of work permits for minors from DCPS to the Department of Employment

²² See <http://seo.dc.gov/seo/cwp/view,a,1221,q,534775.asp#1> for the entire report.

Services (DOES). This would ensure that the monitoring of employers, which is conducted by DOES for the youth employment certification process, would extend to the work permit process. In addition, DOES capacity should be increased to provide career counseling to youth who receive work permits.

- **Annual Reporting of Statistical Information:** The SEO recommends that it work with DCPS and public charter schools to develop common definitions and data quality standards. The SEO would be responsible for establishing procedures to assure the provision of reliable and publicly accessible information on public education in the District of Columbia.
- **Fact-Finding, Research and Investigative Activities:** The SEO recommends that it conduct and/or commission research, analysis, and evaluative studies on various educational issues, policies, and programs serving the needs of a broad range of individuals interested in improving educational opportunities in the District of Columbia.
- **Teacher Certification:** The SEO recommends the transfer of the authority and responsibility for establishing District of Columbia requirements for certification of teachers, administrators, and service providers, as well as requirements for teacher education program accreditation to the SEO. The SEO also recommends the transfer of state-level operational aspects of certification and teacher education program accreditation from DCPS to the SEO.
- **Licensure of Instructional Staff:** The SEO recommends the transfer of the authority and responsibility for establishing District of Columbia requirements for licensing procedures and standards for instructional staff. The SEO also recommends the transfer of state-level operational aspects of licensing from DCPS to the SEO.

Appendix 3
**Analysis of the Budgeted Fund Transfers from the D.C. Public Schools to Other
 Education Agencies, Planned FY 2008 Budget**

Appendix Table 3-1 State Education Agency functions funded by non-formula Funds, million dollars						
	<u>LOCAL (FORMULA) FUNDS</u>	<u>STATE FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>PRIVATE FUNDS</u>	<u>O-TYPE FUNDS</u>	<u>TOTAL</u>
*Board of Education Charter Oversight		\$0.4				\$0.4
**General Education Tuition Payments		\$3.1				\$3.1
**Non-Public Tuition CFSA		\$19.7				\$19.7
**Non-Public Tuition Payment, Special Education		\$113.3				\$113.3
**Non-Public Tuition--Mental Health		\$3.8				\$3.8
**Special Education Transport		\$61.2				\$61.2
**Swing Space Transportation		\$2.3				\$2.3
**Special Education Transport Admin.		\$0.7				\$0.7
7 Point Plan, Special Education		\$0.0				\$0.0
Attorney Fees		\$7.8				\$7.8
Blackman Jones Settlement		\$5.0				\$5.0
Other Special Education		\$11.6	\$7.3			\$18.9
State Enforcement and Investigation Division		\$1.4				\$1.4
PLANNED BUDGET, FY 2008		\$230.6	\$7.3			\$237.8
FUNDS FLOWING TO DCPCSB		\$0.4				\$0.4
FUNDS STAYING IN DCPS		\$204.3				\$204.3
FUNDS FLOWING TO SEO		\$25.8	\$7.3			\$33.1

* This function is transferred to DCPCSB. ** These items are vendor payments, and their administration will stay in the DCPS.

Source: FY 2008 Proposed Budget for the District of Columbia Public Schools, presented to the Board of Education

Appendix Table 3-2 - Federally Funded State Education Agency functions, million dollars						
	<u>LOCAL (FORMULA) FUNDS</u>	<u>STATE FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>PRIVATE FUNDS</u>	<u>O-TYPE FUNDS</u>	<u>TOTAL</u>
Impact Aid Surveys			\$19.0			\$19.0
Administration of Federal Aid and Grants			\$3.0			\$3.0
PLANNED BUDGET, FY 2008			\$22.1			\$22.1
FUNDS FLOWING TO SEO			\$22.1			\$22.1

Source: FY 2008 Proposed Budget for the District of Columbia Public Schools, presented to the Board of Education

Appendix Table 3-3 - State Education Agency functions with No Planned Budget, million dollars						
	<u>LOCAL (FORMULA) FUNDS</u>	<u>STATE FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>PRIVATE FUNDS</u>	<u>O-TYPE FUNDS</u>	<u>TOTAL</u>
Census of Minors	Done at the Office of Student Residency (See Appendix Table 3.5)					
Employee Certification	Done at the Central Office					
PLANNED BUDGET, FY 2008	\$0	\$0	\$0	\$0	\$0	\$0

Source: FY 2008 Proposed Budget for the District of Columbia Public Schools, presented to the Board of Education

Appendix Table 3-4 - Offices that support both state education agency and local education agency functions, million dollars						
<u>FUNCTION and STATE ALLOCATION</u>	<u>LOCAL (FORMULA) FUNDS^a</u>	<u>STATE FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>PRIVATE FUNDS</u>	<u>O-TYPE FUNDS</u>	<u>TOTAL</u>
Career and Technical Education (50%)	\$0.5		\$0.0			\$0.5
General Counsel (33.81%)	\$0.7		\$0.0			\$0.7
Office of Bilingual Education (25%)	\$0.7		\$0.0			\$0.7
Educational accountability and assessments (100%)	\$3.7		\$5.4			\$9.1
Chief Academic Office (25%)	\$0.2					\$0.2
Civil rights and multicultural affairs (25%)	\$0.1					\$0.1
Information technology services (20%)	\$2.5			\$0.5		\$3.0
Intervention Service/New Youth Services Ctr. (100%)	\$0.2		\$1.8			\$2.0
Office of Accountability (50%)	\$0.6					\$0.6
Professional development (25%)	\$0.1		\$2.8			\$2.9
Quality Management (25%)	\$0.1					\$0.1
Standards and curriculum (25%)	\$0.7		\$10.1			\$10.7
Strategic planning and policy (25%)	\$0.3					\$0.3
Student Work Permits (100%)	\$0.8					\$0.8
Transitory Services (25%)	\$0.3		\$1.3		\$0.1	\$1.6
Special Education DC Jail (100%)	\$0.5					\$0.5
Office of Compliance (100%)	\$1.0					\$1.0
TOTAL PLANNED BUDGET, FY 2008	\$12.9		\$21.4	\$0.5	\$0.1	\$34.8
EST. FUNDS STAYING IN DCPS	\$12.9		\$0.0	\$0.0	\$0.0	\$12.9
EST. FUNDS FLOWING TO SEO	\$0.0		\$21.4	\$0.5	\$0.0	\$21.9

^aWhen applicable, this column reflects only a portion of the planned FY 2008 budget, based on the allocations determined by the DCPS;²³ but because these funds are allocated from the formula, they cannot

²³ The DCPS budget allocates 11.42% of General Counsel and CAAPS maintenance funds, 23.06% of outside legal fees, a quarter of the budgeted funds for the Office of Chief of Staff, Office of Bilingual Education, Procurement and the Superintendent's Office, 33.81% of funds budgeted for the General Counsel, and half of the budget of the Career and Technical Education to state level functions.

be transferred to the SEO under the current structure. Source: FY 2008 Proposed Budget for the District of Columbia Public Schools, presented to the Board of Education

Appendix Table 3-5 - Summary of Fund Flows for state level functions transferred from DCPS to SEO						
	<i>FUNDS SUBJECT TO TRANSFER RESTRICTIONS</i>	<i>NON-FORMULA FUNDS WITH NO RESTRICTIONS</i>				
	<u>LOCAL (FORMULA) FUNDS</u>	<u>STATE FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>PRIVATE FUNDS</u>	<u>O-TYPE FUNDS</u>	<u>TOTAL</u>
<i>PLANNED FY 2008 BUDGET FOR FUNCTIONS TRANSFERRED FROM DCPS TO SEO</i>	\$12.9	\$25.8	\$51.0	\$0.5	\$0.6	\$77.9

Source: FY 2008 Proposed Budget for the District of Columbia Public Schools, presented to the Board of Education

Appendix 4
Supporting Information, Estimation Techniques and Assumptions

Appendix Table 4-1 - Estimates of Budgeted Sources for State Level Functions					
Sources of Funds	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
From DCPS					
<i>Personnel Costs</i> ^b	\$49,904	\$51,402	\$52,944	\$54,532	\$208,782
<i>NonPersonnel costs</i> ^b	\$27,990	\$28,800	\$29,634	\$30,492	\$116,916
DCPS Total^a	\$77,894	\$77,894	\$77,894	\$77,894	\$311,578
From DHS-EARLY CARE & ED. ADM.					
<i>Personnel Costs</i> ^b	\$20,683	\$21,303	\$21,942	\$22,601	\$86,529
<i>NonPersonnel costs</i> ^b	\$82,731	\$85,126	\$87,590	\$90,126	\$345,573
DHS Total^c	\$103,414	\$106,429	\$109,533	\$112,726	\$432,102
From UDC- ADULT EDUCATION					
<i>Personnel Costs</i> ^b	\$796	\$820	\$844	\$869	\$3,329
<i>NonPersonnel costs</i> ^b	\$2,409	\$2,479	\$2,550	\$2,624	\$10,062
UDC Total^c	\$3,205	\$3,298	\$3,395	\$3,494	\$13,391
Juvenile Justice Educational Services					
<i>Personnel Costs</i> ^b	\$5,747	\$5,919	\$6,097	\$6,280	\$24,043
<i>NonPersonnel costs</i> ^b	\$178	\$183	\$189	\$194	\$744
Juvenile Justice Total^a	\$5,925	\$6,102	\$6,285	\$6,474	\$24,786
Total Funds Available	\$190,438	\$193,724	\$197,107	\$200,588	\$781,857

^a Proposed for FY 2008;

^b Personnel costs incorporate an annual three percent cost of living adjustment; non-personnel costs include an inflationary adjustment of 2.9 percent based on the inflation rate that has prevailed in the Washington D.C.-Baltimore Metropolitan Area.

^c Budgeted for FY 2007.

Appendix Table 4-2 - Assumptions used to calculate organizational restructuring costs for the SEO	
One time Costs (incurred by SEO)	
<i>Costs of Moving Existing DCPS, DOH and UDC Employees</i>	
Cost of Move and setup	\$1,000
Furniture	\$4,000
Computer	\$2,000
<i>Personnel Turnover</i>	
Turnover Rate ¹	40%
Severance pay as percentage of salaries ²	25%
Recurring Costs (Incurred by SEO)	
<i>For existing Staff</i>	
Nonpersonnel costs per staff	\$400
<i>For New Staff</i>	
Number of Managers Senior Staff Hired	7.00
Salaries ³	\$117,942
Fringe Benefits ⁴	\$21,171
Non-personnel costs per Staff	\$3,000
Furniture	\$5,000
Equipment per staff	\$2,000
<i>New Space (not included in the Fiscal Impact)</i>	
Sq feet per FTE ⁵	300
Cost per sq. feet (Annual) ⁵	\$40
Operating expenses per sq. feet ⁵	\$10.50

¹ SEO Estimate for a large scale restructuring, spread over 18 months

² Assuming 13 weeks severance pay, based on current D.C. regulations

³ MS-15 mid point, personnel costs incorporate 3% cost of living adjustments annually

⁴ 17.95 percent of base salary

⁵ OPM Estimate

Appendix Table 4-3 – Restructurings and Turnover Rates, selected cases	
Agency	Turnover Rate
WCCA (2006)	68%
EDRC (Accounting and Budget Dept. 2004)	45%
OPRS (U.S. Treasury Office, 2005)	13%
OCFO (Center, 2003)	59%

Appendix Table 4-4 – Centralized Administrative Costs for SEO			
Description	FTEs	Salary	Personnel Costs
Dedicated HR Specialists DS - 12	3	\$60,538	\$181,614
Dedicated Grants Managers DS - 12	2	\$60,538	\$121,076
Dedicated Procurement Staff - DS 12	2	\$60,538	\$121,076
OFRM - Invoice/Payment Specialist DS - 9	1	\$40,603	\$40,603
Administrative Assistants DS -11	4	\$41,997	\$167,988
IT Manager - DS 15*	1	\$90,321	\$90,321
OFRM - Agency Financial Manager	1	\$90,321	\$90,321
Database Specialists DS - 13	2	\$76,449	\$152,898
Total			\$965,897

*Assumes an independent IT department

Appendix Table 4-5 – Calculation of Unemployment Benefits in excess of Baseline Unemployment Compensation Fund, UCF	
Unemployment Compensation Fund	\$5,800,000
Maximum weekly benefit	\$359
Average number of weeks	20
Number of FTEs covered	808
DCPS share of Payments (50%)	\$2,900,000
Number of DCPS FTEs covered	404
Total DCPS FTEs	10,339
Typical DCPS Turnover rate	3.9%
Total transferred employees	487
Assumed Turnover rate	40%
Total Separated employees	195
Separated employees included in baseline UCF	19
Separated employees not included in baseline UCF	176
Unemployment Comp Fund Payments above baseline (Separated employees not in baseline (176) X Maximum weekly benefit (\$359) X Average # of weeks (20))	\$1,262,031

Appendix Table 4-6 – Funds Budgeted For Facilities Management Functions in DCPS million dollars					
	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
Operating Budget	\$39.0	\$40.2	\$41.4	\$42.6	\$163.2
Facilities Management	\$0.5	\$0.5	\$0.6	\$0.6	
Planning, Design and Construction	\$0.7	\$0.7	\$0.7	\$0.8	
Operations and Maintenance	\$28.0	\$28.9	\$29.7	\$30.6	
Real Property Management	\$3.3	\$3.4	\$3.5	\$3.6	
Logistics	\$5.5	\$5.6	\$5.8	\$6.0	
Fixed Costs	\$0.8	\$0.8	\$0.9	\$0.9	
Capital Projects	\$0.2	\$0.2	\$0.2	\$0.2	
Capital Budget	\$217.2	\$229.8	\$243.2	\$257.3	\$947.5
GO Funds	\$111.2	\$117.4	\$124.1	\$131.1	
PayGo	\$106.0	\$112.4	\$119.1	\$126.2	
Total Funds	\$256.2	\$270.0	\$284.6	\$300.0	\$1,110.7

* The operating budget includes a 3 percent annual cost of living increase for the personnel related costs and a 2.9 percent inflation adjustment annually for non-personnel costs.

Appendix Table 4-7 – Estimated Planned Budget for the Proposed Facilities Management and Construction Authority, in million dollars					
	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
Operating Budget	\$40	\$41	\$43	\$44	\$168.3
Facilities Management	\$0.7	\$0.7	\$0.7	\$0.8	
Planning, Design and Construction	\$0.8	\$0.8	\$0.8	\$0.9	
Operations and Maintenance	\$28.0	\$28.9	\$29.7	\$30.6	
Real Property Management	\$3.4	\$3.5	\$3.7	\$3.8	
Logistics	\$6.1	\$6.3	\$6.4	\$6.6	
Fixed Costs	\$1.0	\$1.0	\$1.0	\$1.1	
Capital Projects	\$0.2	\$0.2	\$0.2	\$0.2	
Capital Budget	\$217.2	\$229.8	\$243.2	\$257.3	\$947.5
GO Funds	\$111.2	\$117.4	\$124.1	\$131.1	
PayGo	\$106.0	\$112.4	\$119.1	\$126.2	
Total Funds	\$257.4	\$271.2	\$285.8	\$301.3	\$1,115.8

* The operating budget includes a 3 percent annual cost of living increase for the personnel related costs and a 2.9 percent inflation adjustment annually for non-personnel costs.