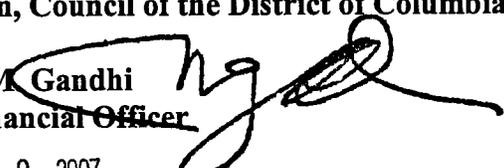


**Government of the District of Columbia
Office of the Chief Financial Officer**



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: NOV -9 2007

SUBJECT: Fiscal Impact Statement: "Public Education Reform
Amendment Act of 2007"

REFERENCE: B17-0450

Preface:

This Fiscal Impact Statement provides estimates of the extent to which the cost of the proposal deviates from the amount of the funds available in the FY 2008-2011 Budget and Financial Plan approved by the District of Columbia Government and submitted to Congress in June 2007.

Conclusion

Funds are not sufficient to implement the provisions of the proposed legislation in the approved FY2008 Budget and the FY2008-FY2011 Financial Plan. The estimated cost of the proposed legislation is \$3.13 million for FY2008:

Table 1 - Revenues and Appropriations Required for "Public Education Reform Amendment Act of 2007" (\$000)				
FY 2008	FY 2009	FY 2010	FY 2011	4 - Year Total
\$3,133	-	-	-	\$3,133

Background

The proposed legislation amends The District of Columbia Comprehensive Merit Personnel Act of 1978 (DC Code § 1-601.01), granting the Mayor and the Board of Directors of the University of the District of Columbia (UDC), the authority to issue rules

and regulations governing the employment, advancement and retention in the Educational Service track, which includes all educational employees of the District of Columbia Public Schools (DCPS) and the UDC.

Specifically for the DCPS, the legislation authorizes the creation of an at-will employment track for all appointments to the DCPS, except those who have been hired before 1980 and those who are currently included in a recognized collective bargaining unit.

With this authority, the Mayor (and by delegation, the Chancellor of the DCPS) could:

- noncompetitively appoint existing Educational Service employees (except those hired before 1980 and those covered by collective bargaining units) to the newly created at-will track. Those employees who decline the appointment would be entitled to a 15-day separation notice and severance pay pursuant to section 2409.
- identify incumbents employed within the Central Office of the DCPS, who are not in an existing collective bargaining unit and who are not hired before 1980, for separation. Individuals identified for separation would not be entitled to competition, assignment rights or retreat rights. They shall not be eligible for re-assignment rights. These employees would receive a 15-day notice and severance pay pursuant to section 2409.

The legislation also extends the coverage of these separation rules to the employees of the Office of Public Education Facilities Modernization (OFM) and the Office of the State Superintendent of Education (OSSE).

Financial Plan Impact

Bill 17-0450 provides a general framework for creation of an at-will employment track for DCPS (and potentially OFM and OSSE). The estimation of the financial impact, on the other hand, requires specifications on how this legislation would be implemented, through either policy choices by the Chancellor of the DCPS and other involved agencies and instrumentalities or actions that can be reasonably expected. Policy choices are unknown at this time, so the OCFO has made assumptions (clearly marked in what follows) to arrive at a reasonable estimate of costs and the consequent financial impact of this legislation.

The DCPS is currently under budget pressures for FY 2008. To address these pressures, the agency hired a consulting company, Alvarez and Marsal (A&M), to reconstruct the DCPS budget for FY 2008. In this process, A&M made various recommendations for budget cuts, including work force reductions. A number of OCFO assumptions (for severance pay and leave pay) are coming from the A&M analysis.

In a separate exercise, the DCPS has identified the Central Office employees that could potentially be impacted by this legislation. DCPS's definition of Central Office includes 934 on-board employees. Of these 934, 170 occupy positions covered by a collective bargaining unit and 87 were hired before 1980. Of the remaining 677, 45 work for the OCFO, 18 for the Office of the Attorney General (OAG), and 126 were transferred out of DCPS to OSSE. Accordingly, the remaining 488 employees would potentially be affected by this legislation. In this group, the average salary is \$69,157 and the average tenure is 8 years. Table 2 presents the breakdown of these groups with their total and average salaries, and average tenure at DCPS. Appendix Table 1 provides a department-by-department breakdown of the 488 Central Office employees potentially affected by this legislation.

	Headcount	Estimated FY 08 Salaries	Estimated FY 08 Fringe Benefits	Average Salaries	Average Tenure*
Total DCPS Central Office	934	\$64,364,531	\$9,654,680	\$68,913	12
Excluded in the legislation					
Union	170	\$12,187,366	\$1,828,105	\$71,690	15
Pre-80	87	\$5,819,655	\$872,948	\$66,893	35
OCFO	45	\$2,774,207	\$416,131	\$61,649	8
OAG	18	\$1,265,842	\$189,876	\$70,325	7
OSSE	126	\$8,568,700	\$1,285,305	\$68,006	9
Positions affected by the Legislation	488	\$33,748,760	\$5,062,314	\$69,157	8

* The average tenure for the OCFO employees is an estimate

At present, the DCPS has not made final plans on the personnel restructuring that would be implemented should Bill 17-0445 be enacted; no particular personnel reductions have been identified and no timeline has been determined. However, the DCPS estimates that 100-150 of the 488 Central Office employees would be impacted by this legislation (in the form of both the elimination of positions and personnel turnover within positions). This number (approximately 20 to 30 percent of the total headcount) is not an unreasonable turnover rate estimation given other restructurings in the DC Government.

Table 3 outlines the assumptions used in the calculation of the Fiscal Impact as well as the sources of these assumptions. The assumptions presented in this table are conservative—that is, the cost estimates are on the higher end.

Table 3 - Assumptions used in the calculation of the fiscal impact		
	Assumption	Source of Assumption
Number of employees effected	100 to 150	DCPS
FY08	150	OCFO estimate
Salary increases from FY08 to FY09	3%	OCFO estimate
Average salary	\$69,157	OCFO Calculation based on DCPS data
Average Tenure	10 years	OCFO Calculation based on DCPS data
Average severance pay	13 weeks	OCFO Estimate
Average Leave Pay	\$2,000	DCPS estimate based on A&M analysis
Unemployment Compensation Fund		
Average DCPS Turnover	6%	OCFO estimate
Average weekly pay	\$359	OCFO estimate
Average number of weeks per	20	OCFO estimate

Table 4 outlines the calculation of the financial impact. This table presents the costs related to the severance only. Potential savings in salaries (and fringe benefits) from reduced positions could be up to \$12 million, assuming 150 positions would be eliminated. However, these potential savings have already been incorporated into the revised DCPS planned expenditures for FY 2008.

Table 4 - Calculation of the Financial Impact of Bill 17-0450					
	FY08	FY09	FY10	FY11	Total
Severance	\$2,382,782	-	-	-	\$2,382,782
Leave Pay	\$300,000	-	-	-	\$300,000
Unemployment Compensation*	\$750,000	-	-	-	\$750,000
Total	\$3,132,782	-	-	-	\$3,132,782

*Estimation of the costs above and beyond DCPS's usual share in this fund.

Appendix Table 1 – Breakdown of Central Office Employees by Department	
CENTRAL OFFICE COMPONENT	Headcount
ADVANCED PROGRAMS	1
ASSOC SUPERINTENDENT FOR SCHOOLS &	25
BILINGUAL EDUCATION	4
CENTRAL ADMINISTRATION -SCHOOLS ES	1
CHIEF BUSINESS OFFICER	4
CIVIL RIGHTS	3
COMMUNICATION & PUBLIC INFORMATION	5
COMPLIANCE DIVISION	10
EARLY CHILDHOOD & HEADSTART	13
FOOD SERVICES	9
GUIDANCE COUNSELING	2
HIV/AIDS	2
HUMAN RESOURCES	1
INFORMATION & REFERAL SERVICES	1
INFORMATION TECHNOLOGY	39
INSTRUCTIONAL TECHNOLOGY	3
OFM-LOGISTICS	2
OFFICE OF FEDERAL GRANTS	44
OFFICE OF ACCOUNTABILITY	3
OFFICE OF CAREER & TECHNICAL EDUCATION	17
OFFICE OF CHANCELLOR	24
OFFICE OF COMMUNITY & EDUCATION PROGRAMS	22
OFFICE OF FACILITIES MGMT	2
OFFICE OF HUMAN RESOURCES	57
OFFICE OF STANDARDS & CURRICULUM	4
OFFICE OF THE CHIEF ACADEMIC OFFICER	8
OFM-OPERATIONS AND MAINTENANCE	21
OSE/7 PT PLAN	1
OFM-PLAN DESIGN CONSTRUCTION	42
POLICY DEVELOPMENT	3
PROCUREMENT	23
PROFESSIONAL DEVELOPMENT	5
REALTY	5
RESOURCE ALLOCATION	2
SCHOOL HEALTH	1
SCHOOL SECURITY	2
SPECIAL EDUCATION	51
STUDENT AFFAIRS	1
STUDENT INTERVENTION SERVICES	1
STUDENT RESIDENCY	2
STUDENT SERVICES	2
TEACHER AFFAIRS	2
TRANSITORY SERVICES	1
OTHER	17
Grand Total	488