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Testimony of George Sweeting
To the New York City Council Committee on Education
Oversight Hearing on Mayoral Control and School Governance

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Good morning Chairman Jackson and members of the committee. My name is George Sweeting, and I am a deputy director of the New York City Independent Budget Office. Thank you for inviting IBO to testify at today's hearing.

While taking a position on mayoral control of the schools is outside IBO's role, there are a number of issues concerning budget process and fiscal oversight of the Department of Education (DOE) that I will address. These issues should be considered regardless of how the question of mayoral control is decided.

When the 2002 governance legislation was enacted, it changed only one small piece of state education law relating to these issues: the makeup of the Board of Education, with the Mayor gaining enough appointees to have a majority. Nothing else about the board's place in state and city law changed. As a result, the board, now operating under the name Department of Education, is in something of a nether zone: viewed as a city agency by much of the public, but still treated more like a state entity for legal purposes. This situation has led to ambiguity regarding the application of some city fiscal laws and regulations to the DOE.

One important issue concerns the oversight of contracts. Because the 2002 legislation did not transform the DOE into a city agency, the education department has been able to argue that it is not subject to city contracting laws and the regulations promulgated by the Procurement Policy Board. The DOE has also relied on this legal interpretation to—at times—bypass the City Comptroller's role in registering and auditing contracts. The applicability of city contract law and procedures to the DOE and the authority of the City Comptroller over DOE contracts should be clarified as part of the governance resolution, if not sooner.

A second issue is the lack of fiscal transparency due to ongoing delays in integrating the DOE's budget and spending data systems with those used in other city agencies. Because DOE is not fully integrated with the city's Financial Management System, it is difficult for IBO, the City Council, the City Comptroller, and other interested parties to dig as deeply into DOE's budget as we can with other city agencies. The DOE recently signed a contract to complete development of new computer systems that will eventually provide a level of integration with the citywide systems. It is important that this initiative be given a high priority in order to ensure necessary and proper oversight.

A third issue is the need to clarify the extent to which DOE is required to cooperate with outside agencies such as IBO, the City Council, the City Comptroller, the Financial Control Board, and the Deputy State Comptroller for New York City as they perform their fiscal oversight functions. Oversight of DOE budget actions has generally been handled separately from the monitoring process that emerged under the auspices of the Financial Emergency Act for other city agencies. Instead, an agreement signed during the Dinkins Administration has served as the basis for regular reports and meetings on the financial status of the education department. In the last year there is some evidence that this process has begun to break down with fewer meetings, delayed reports, and less information provided. Again, new governance legislation could also establish a statutory requirement that DOE participate in and cooperate with the oversight process.

Finally, fiscal transparency would be greatly enhanced if the DOE presented its budget in a way that units of appropriation—the basic building blocks of a budget—correspond to the programs the agency delivers. Under the DOE’s current approach, a single unit of appropriation covers all of the \$6.2 billion budgeted for general education purposes in the city’s schools. It was striking that when the Council and Mayor implemented the new functional analysis of the budgets for 16 major city agencies this year, the DOE was not included.

Again, thank you for the invitation to testify and I would be happy to answer any questions.