

To: Residents of New Haven  
From: Mike Stratton  
Date: April 1, 2014  
Re: Undisclosed Funding of Education in New Haven

I have received various letters this afternoon from Mayor Harp, her controller and her corporate counsel responding to my grave concern that residents and their elected board of alders have been misled regarding the extent of contributions to education in Mayor Harp's proposed 2014-2015 budget and the Board of Education proposed Budget 2014-2015. Further, my research shows that we have also been misled in the current operative 2013-2014. I am currently trying (through my city legislative aide Alberta Gibbs) to determine how many budget cycles have contained the same gross inaccuracies. The practice goes back to at least 2007-2008.

I suspected a potential problem when I could not understand why the city paid some \$74,000,000 in employment benefits and \$9,000,000 in workers compensation benefits. This seemed very high as compared to what peer cities paid for non-education employees. These line items were contained under the heading "non-education funding" in Mayor Harp's proposed budget.

I contacted several alders to find out whether they knew why it was so high. None were able to assist me. I then talked to a former alder who now works in the Harp administration Jackie James. She told me that this was an issue only top leadership knew about and that board of education employees were also included in this "non education" funding. I asked why we would ever do this. She told me that Reggie Mayo and John Destefano decided to move the items into the cityside budget years ago. The rationale: She told me that by putting the money there, no one would know the exact amount given to education, allowing Mayo to demand a city cash match of the educational cost sharing grant.

I then called Jorge Perez and asked him whether he was aware that education contributions were commingled with non education city employee line items. He indicated that yes he knew and it was done years ago. I asked how we could ever judge whether we were giving education too little or too much if we were not given the real amount. I received no response.

I then asked the Mayors office for a breakdown of exactly how much the city had contributed to education in addition to the disclosed amount. I also asked him for some basis for making these payments. He responded a week later by email. He said he didn't know the numbers, but that there was a line in the BOE budget called "cost driven reimbursements" and that he thought those might be accurate as to other undisclosed city contributions for 2013-2014.

I looked at p. 26 of the proposed BOE budget which is the Expected Revenue

page. Under that heading, there is a line reading:

"City Contribution-FY 13/14 \$18,295,101"

Further down the page there is a section:

"Cost Driven Reimbursements	\$101,263,729
Food Service	11,550,500
Medical Benefits	40,447,798
Debt Service	37,863,742
Pension	8,929,763
Workers Compensation	2,471,926"

I then looked in the proposed city budget and could find no line items that matched these at all.

Joe Clerkin also described the basis for the payments in excess of the city contribution disclosed and approved in 2013-2014 and proposed in 2014-2015 city budgets. He said that there was a law called MERA—the municipal employees relationship act that required towns in Connecticut to pay those for board of education employees as well as city employees.

I then did a Lexis search and read MERA and Connecticut Department of Labor opinions. MERA makes it clear that the city has no rights to hire, fire or discipline board of ed employees and that these were employees of the board not the city. MERA also prohibits the city from negotiating contracts with board employees. Most notable in the very first paragraph of the statute it reads that a city is responsible to pay benefits including health and employee benefits for its employee but that the city had no responsibility to pay benefits for teachers and administrators working for the Board of Education.

Frustrated as to why the city did not know how much it paid in excess of the disclosed and approved \$18m, I again asked for a complete breakdown of all payments made on behalf of the BOA in excess of that amount and all back up documents. It is now almost a week later and I have no answer (even though charter requires directors to respond within 3 days to alder requests for information). As an alder, the charter requires me to make sure the city monies are spent prudently and in conformity with the budget.

I then reviewed budgets in other towns to see if somehow this was customary accounting practice. I looked at all cities in Connecticut and could not locate one city that provided a budget that hid education expenses. In fact in every single one of them, the budget took pains not to commingle education contributions with city side budget items. Whether health benefits, other employment benefits, school nurses, pension contributions, or workers compensation, the share going to education was always listed separately. I then talked to an education accountant in a sister city and asked why they did

it that way. He explained that by separating out the contributions they could avoid putting up additional money for cash. The state provides a grant called educational cost sharing that must be matched by the town up to a set level that rises as the ECS grant rises. The number that must be matched is called the MBR—minimum budget requirement. This number is set by the state board of education. I asked whether this match had to be in cash, and was told that the MBR match can be met by paying money directly to the BOE or by showing that the city was making other contributions that equaled the match like a contribution to healthcare benefits, employment benefits, workers compensation, debt service, the payment of school nurses, and any other contribution that benefitted the BOE.

I then asked whether New Haven had to make all of these contributions to make MBR. He said no. He said in fact we were paying more than 90m over the MBR, and that the cash money the alders had been putting up over the years and what was asked for by Mayor Harp this year was completely unnecessary. All that we needed to do was disclose that we were paying these other bills. In fact he said we could stop paying some of the bills as long as we paid enough to meet the MBR.

At this point I was getting increasingly upset as I thought about years of budget debates that were completely uninformed and really nothing more than a tragic comedy. For at least 5 years we had been debating whether we could afford the MBR cash match when we did not have to. For that same period at least, we never had any discussion about whether education was getting too much having no idea that our local funding put New Haven into the top 5 of per pupil expenditures. We were unaware that 90m more was going in—that's 30% of all our city funds. And I could not even find out if 90m was the real number because even our very own budget director had no knowledge after being given a formal request by an alder. Here we were for years and years raising taxes on residents, laying off employees, and cutting city services and all the time it was nothing more than a sick ruse on city residents. The solution lay hidden and commingled and misidentified as “non education” in the city budget and completely omitted from the “city contribution” line in the BOE budget,

How many kids didn't have summer camp, how many people lost jobs or didn't get to become police or fire personnel, how many more crimes occurred, teens killed, neighborhoods left blighted, festivals never held, people forced to move out as taxes rose, or jobs lost because new businesses were afraid of the cities financial stability?

As a native New Havener my blood pressure went through the roof. But I wanted to make sure I was right.

I then did extensive research into all union contracts to see if the city had agreed to pay these extra monies and I also reviewed all the minutes of finance committee meetings in each of the last 5 years to see if the alders

had spoken about these additional payments or if the controller, budget director or BOE CFO had disclosed them at finance committee workshops. I did this research to determine whether we the board of alders had assumed some responsibility on behalf of the city because they had been made aware at a finance meeting or because the contracts approved by the alders made it clear the city was paying these items in excess of the disclosed cash contribution of 18m.

But that was not the case. In fact the union contracts between both administrators and the BOE and the teachers and the BOE for the past two contracts show that the city had no stated role or responsibility for paying any of these benefits. Instead, the contracts expressly stated that "The Board of Education shall be responsible for paying all employment benefits including health, life, etc". So while the alders had ratified these union contracts, they would have been under the unmistakable impression that the city would have no role in funding the Board of Education other than paying the 18m.

I then spoke with lawyer friends more familiar in this area than me, and asked if my findings and conclusions were correct. They confirmed that this appeared to be a case of deceptively hidden and illegal payments by the executive branch in excess of the budget approved allocation. I then read the charter to see if there was any remedy for this. The charter prohibits the mayor and anyone on her staff from paying monies to any party in excess of their disclosed allocation unless approved by the board of alders. The charter also requires the dismissal of any employee who was aware of and authorized any such payment—including the controller, mayor, and others who permitted such payment. It also requires that those aware repay all amounts so paid from their personal assets.

At that point I felt confident that the city finance department, the BOE and our leadership had done the following:

- provided residents with a deceptive and inaccurate budgeting completely below standards in sister cities;
- purposefully placed the extra contributions into positions that put alders and resident off track through commingling funds, identifying only a small portion as what the city provided and using headings like non education funds;
- intentionally demanded just enough cash each year to just make the MBR exactly to make us think that education wasn't really something we paid for or could reduce to pay for city needs;
- decimated our financial footing and caused massive financial chaos that was unnecessary;
- prevented any real debate about whether the schools were using the funds provided to them wisely or whether it made sense for New Haven to give so much more than most towns;
- lulled the city into not looking closely at the budget and

asking questions like “if we are paying 23,000 per pupil, why are some schools getting only 4500 per pupil in benefits? What is the central bureaucracy doing with the extra? Should we look closer at whether we build an expensive adult educationcenter when we really need city services or earlychildhood education or a tax break for people going through a recession?”

I then wrote a letter to the mayor and told her we had a serious problem on our hands and needed to stop these payments immediately. In my mind it was clear we needed to find out how the largest fraud done on any city ever in Connecticut’s history had happened. We needed to walk this issue all the way back to when it started, and now have the debates that never occurred on what kind of education system we can afford? What makes sense? Why do they have so many people in central administration? Is it in line with the best practices for schools? All those things we never looked at but never did because we thought we were just paying the minimum and had no choice.

I am appalled by the angry and unproductive missives that were launched at me today. It is disrespectful to allteh work I have done, for sure. But it also underestimates the public’s intelligence. Whether this is illegal or not, the people have been badly hurt by this subterfuge. No budget looks like this, and no town spends 90m more than it is aware. This is the big issue, not what a court will do, or how much the Mayor and her staff will pay the city once the court rules as it surely will that they must pay the city back millions in losses.

A mayor who cared about democracy would not try to hide behind smarmy claims that “Stratton wants to decimate our kids”. And she wouldn’t allow her staff to be so condescending to an alder who worked tirelessly and at great personal expense to get the truth even as her cronies created more hurdles for him.

A good mayor who we could trust would be thrilled and saddened. She would call for a massive investigation and call people to account. She would bring in a special prosecutor to help out. She would ensure that those responsible paid as much back as possible, and see whether there was insurance to cover any of this malfeasance. She would bring in a best practices consultant to overall our budget practices and finance. And she would start questioning each line item of the school budget and looking for cuts that didn’t impact Prek-12 classroom instruction.

But no, this is not our leadership today. It is just more of the same. Protect your buddies in the bloated central bureaucracy and suck as much life out of the 125,000 residents as they will tolerate. This time the people must act. These people are ruining our city. These people being the 400 or so bureaucrats in central government (at BOE and the city) making salaries 5,6,7,8,9 times our city average and benefits that are sky high. We all suffer when these people use our treasure as their piggybank and think we are too dumb or tired to care. The victims of the resource sucking from central

administration are the residents, and those who provide services to the residents and for whom we should be most proud (they are exceptional) the teachers, the paraprofessionals, the custodians, the police, the fire personnel, the public works, parks, and library staff.