Mr. Chair and Honorable Members of the Finance Committee,

Thank you for holding this hearing to hear testimony related to contracting procedures at the Board of Education. My name is Darnell Goldson and I am an elected member of the New Haven Board of Education. My main responsibility as a member of the board is to provide the highest quality educational experience to the children of New Haven. A secondary goal, and just as important, is to ensure that the taxpayer as well as grant dollars are expended in the most efficient manner towards that purpose. Though we as a city have much to discuss related to that main responsibility, I am here today to address the secondary goal of efficient use of taxpayer dollars.

As you know, the City of New Haven, along with the state and federal governments, are major funders of the New Haven Public Schools system. New Haven is by far the largest funding source for the schools, currently at $190.6 million in what is known as General Funding. In fiscal year 2021-22 the NHPS received another $206.5 million in other funding, known as Special Funding, for a total of $397.1 million.

The NHPS is a separate body by state statute, though it conducts most of its large-scale contracting through the city’s purchasing department, and follows city ordinances. I have been a member of the BOE for nearly seven years, and have worked with other board members to upgrade a finance reporting process that was not adequate for a $400 million organization. Additionally, when I first joined the BOE, the finance reports were nonexistent and written board minutes were more than six months behind. We did much to move the financial reporting forward. We also reformed the contracting process so that the board had to approve contracts before they were awarded, which did not occur at the time. These may seem like simple changes, but they provided much more transparency and oversight for public spending decisions.

We now know what our budget entails and what where we spend our funds. Currently, 40% ($77.2 million) of our General Funding budget goes towards teacher salaries, while 21% ($40.5 million) is expended in contracting. Because of the past administration’s desire to attract out of town students to our district, $27.1 million of that contracting goes to transportation, and away from classrooms. This is just General Fund spending and does not include special funding. Any waste or misuse of finance takes away from an already underfunded teacher and direct student funding opportunities.

Though we have made significant changes to our fiscal reporting and oversight, there is much more that we can go. During my time on the BOE I have witnessed a contracting awarding process that seems to morph and change over time, mainly based on who is in charge. I’ve also seen policies that creatively skirt city ordinances as well as Board of Education policies. I would like to discuss two of those policies with you today.

I am going to use the school transportation contract as an example to highlight the irregularities in the BOA contracting procedures.
Oversight and Approvals

As you know, the Charter of the City of New Haven requires the approval of the Board of Alders for contracts in excess of one-year. In fact, your committee this evening has on its agenda a BOE contract for approval. It is apparent that the BOE is aware of the provision for BOA approval. The BOE has adopted a practice to avoid BOA approval of contracts by creatively changing the length of contracts. For transportation, instead of bidding out a five-year contract, they write the contract as a one-year contract with four annual renewals, thereby avoiding BOA approval. Yet, the Mayor – representing the city - not the Superintendent of Schools, is the signing authority on the contract. This eliminates BOA and voter oversight on one of the largest contracts at the BOE at over $27 million.

Contract Special Conditions Leads to Lack of Competition

The transportation contract has a special condition whereas a bidder must have a bus depot located in the town boundaries. This is no small feat and gives a distinct advantage to the incumbent provider. I spoke with several companies after the last bid where no one responded specifically because of this condition. They are not be allowed enough time to meet this condition. For years we thought that there was an ordinance requiring this feature of the contract. There is not. It is reasonable to believe that this clause was put in place to increase tax revenues for the city, but I have not seen a study to suggest that the tax revenues received would outweigh the costs saved with increased competition. And if that were the case, I am sure there are ways to compel the contractor to eventually house their operations in New Haven while still getting the best price for transportation.

Timetabling of the Bid Process Inadequate for Competition

The last time the bid was put out for transportation, the response time was for less than 60 days. With such a large and complicated bid and special conditions, it was almost impossible for competing companies to adequately respond.

Lack of Competition Leads to Increased Costs

The last bid occurred because the current company decided to forego exercising their 4th renewal and instead forced us to go back out to bid. Their stated justification – they asked for an increase in the contract from 3% (or approximately $750,000) to 8% (over $2 million). The BOE denied their request. Their logic for rejecting the renewal made sense to them and was not a gamble at all, since the special conditions and the short bid timetable guaranteed that no one else but the y would bid. And they were correct. The incumbent eventually received an increase greater than their request along with another five-year contract. A double win for the contractor, a loss for the students and taxpayers of New Haven.

Additional Adverse Results

1. The contract has another clause where if transportation cannot be provided, such as for a snow day or pandemic, we were still obligated to pay the bus company. For nearly two years NHPS paid over 85% of the contract ($46 million) to this internationally owned bus company which did not transport one child to a school. This is money which instead could have gone to teacher salaries and retention programming, or tutors, or any number of classroom related activities to help offset our children not being able to attend school. We have seen over the last several months what impact this has had on students learning.
2. For several years the bus company was having issues with transportation, including canceled and late routes, etc. The contract calls for financial sanctions to the bus company. We were never able to enforce those sanctions because of the lack of competition, nor were we able to modify the contract to bring in additional assistance to offset the problems.

These are just a couple of several issues which negatively impact this city and school system. I will leave that for another day and forum. I understand that another bus company may testify this evening and perhaps provide additional clarity.

I do have one more very short example of problems with the contracting process to address. I will limit my testimony related to that contract because I understand there may be a lawsuit filed. A recent contract which came before the board where a committee of five persons were responsible for vetting and grading the bids. By the end of the process only two remained, one who had never participated in or graded a bid contract. Below are some glaring concerns with that process, all of which are already part of the public record:

1. One of the selection committee members had done previous business with one of the bidders and did not recuse himself until halfway through the process.
2. Both remaining members admitted during the recorded meeting that they were not aware of several city ordinances related to bidding, specifically the ordinance which provides for city owned firms to counter bid to match the lowest bidder.
3. The same holds true for the oversight and approval process, it was a 5-year contract which will not go before the BOA.
4. One of the committee members admitted to suggesting to the local bidder, who was the lowest bid at the time, to change his bid specs, which ultimately led to his having a higher bid.
5. The selection committee has refused to provide its bid grading documents to the BOE.
6. They admitted to not doing any due diligence on any of the bidders.

Though I am not a transportation or cleaning expert, I do have some general suggestions for making the process more efficient and fairer. I’ll leave the more specific suggestions for the experts to make, who I believe will be testifying this evening.

A. Fix the ordinance to disallow the length-of-contract workaround the BOE has developed.
B. Remove or modify the special conditions which limits competition.
C. Codify into law the number of participants on the selection committee to allow for robust and diverse participation.
D. Codify into law that the committee perform due diligence before the final selection of a bidder, and include those results in the final grading process.
E. Extend and codify into law the length of time for bidders to respond to larger and more complex bids, especially those which call for large equipment purchases/outlays.

I again thank you for the opportunity for to testify before this committee.

Respectfully submitted,

Darnell Goldson
Elected Member, District 2, New Haven Board of Education