

Today, public school districts throughout the United States face enormous challenges. Federal, state and local school mandates have created pressure to perform, while rising costs, budget cuts and declining revenue make it difficult for schools to meet the expectations and needs of the children and communities they serve. Nowhere are these challenges more acute than in a district's special education program.

School districts often respond to budget shortfalls through a combination of across-the-board cuts, program eliminations, and labor force reductions. However, challenging times present opportunities to analyze operations and identify ways to function more effectively while reducing costs – i.e. “do more with less”. In these challenge times, district administrators, often experts in education, need partners experienced in redesigning and modernizing functions that align resources to current financial challenges and education reform strategies that improve student outcomes.

Alvarez & Marsal is a leading global turnaround and professional services firm, with a reputation built on working with private and public sector organizations to solve complex problems, improve performance, and drive critical change. Our professionals have helped transform the budgets and operations of some of the largest public school and university

systems across the U.S., and have particularly deep experience working with special education programs.

A&M understands that driving and maintaining change in a public school environment can be

fraught with competing priorities, political risk and severe financial constraints. A&M's understanding of the reality of such a challenging environment is reflected in its guiding principles:

1. Change must be indicated and driven by a rigorous fact base
2. Change in special education must tie financial improvement to improved student outcomes
3. Change programs must align regulatory, labor and public relations systems
4. Change must be led from the top (through district leadership)

A&M follows these principles in order to support our clients need for significant change. In order to build the case for change and help our clients communicate and implement change, A&M employs the following proven methodology:

- Execute A&M's resource mapping methodology
- Collaborate with key stakeholders to develop a strategic and inter-disciplinary plans to address challenges
- Build consensus on implementation plans
- Serve in interim management roles, as appropriate, to drive change and accept responsibility for implementation
- Monitor and adjust strategy as needed

A&M drives and sustains change by utilizing three approaches.

Resource Mapping Methodology

The key to an A&M's approach is our Resource Mapping Methodology. Resource mapping provides an accurate, detailed, fact-based analysis of an organization's budget, issues and outcomes. We firmly believe this approach is the optimal means for achieving our client's mission.

- Develop a bottoms-up approach to understanding all components of the district
- Review financial systems for historical and forecasted data
- Define and quantify outcomes from services provided
- Conduct in person interviews with key department heads and senior management

Analysis and Assessment

After a fact base has been developed, the data must be analyzed to generate an assessment. For example, we compare a school district's non-classroom spending against third party

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benchmarks developed by the US Department of Education and the Council of the Great City Schools to identify the areas of spending that are out of line with national best practices and those that are reasonable.

- Organize and align organizational resources to education strategy and student outcomes
- Identify inefficiencies based on benchmarks and feedback on service quality and cost
- Identify roadblocks to achieving cost savings due to existing collective bargaining agreements
- Ensure that all revenue sources for special education (Local, State, Federal, Medicaid etc.) are optimally utilized and aligned to funding rules
 - Understand all sources of revenue and key drivers that impact revenue
 - Minimize encroachment of special education cost on the general fund
 - Ensure that Federal and local funding policies, including Federal Maintenance of Effort (MOE), are followed
- Validate feasibility of the assessment by understanding the political climate, meeting with department heads, interviewing district administrators and generating buy-in

Implementation

One of A&M's core differentiators is our capability to leverage our operational heritage and seamlessly shift from conducting a financial analysis of a school district to implementing the solution. A&M professionals have served in key leadership roles in the education system, and driven critical transformation. They have served in senior management positions, such as interim Superintendent, interim Chief Financial Officer, interim Chief Information Officer, Chief Operating Officer, Chief Restructuring Officer (CRO), Chief Advisor on Restructuring, CRO for Finance, CRO for the Office of School Support Services, CRO of Office of Pupil Transportation, and Special Education CRO for Empowerment Schools.

Here are few key takeaways pulled from our experience in these roles:

- Develop an implementation plan that outlines each step needed to achieve success and maps when cost savings will be realized
 - Align the plan with district-wide dates that drive budget and staffing
- Validate the plan by meeting with department heads and district administrators to confirm content, timing and feasibility
- Partner with stakeholders to develop communications and outreach activities to communicate the change
- Implement project management best practices, including weekly meetings to identify issues, keep open channels of communication and confirm status of implementation

Special Education Experience

A&M has worked with the special education programs of two of the highest-profile urban school districts in the country. Needs in the two cities were vastly different, but leveraging A&M's unique approach allowed effective solutions to be developed and implemented that reduced costs and increased student outcomes.

In 2006, one of the largest school district in the U.S., serving more than 180,000 special needs students, hired A&M in what a major newspaper called, "...perhaps the most exhaustive overhaul, (making) it a laboratory for educational experimentation, closely watched across the country." Overall, A&M identified and supported the implementation of nearly \$290 million in recurring cost savings and reallocations, which allowed the school district to hire more teachers and drive student outcomes.

Special education represented 23 percent of the \$15.0 billion operating budget. If measured as a stand-alone school district, it would be the nation's seventh largest. A&M's assessment and recommendations resulted in \$40 million in additional funds which were directed to improving special education services.

Going beyond just cost reduction, A&M developed custom solutions to address four main issues:

Issue	Solution
Fragmented Service Delivery	<ul style="list-style-type: none"> • Consolidated service delivery under one leadership structure • Streamlined 10 regional departments into five integrated service delivery centers • Defined and integrated processes and metrics across services
Lack of Oversight	<ul style="list-style-type: none"> • Increased the headcount of clinical supervisors by 16 positions • Created a Transportation Liaison position to link medical and specialized transportation policy • Created Individual Education Program (IEP) Manager and IEP Specialist positions to review service recommendation trends and support schools
Unclear Accountability	<ul style="list-style-type: none"> • Refined role descriptions by working with necessary legal and labor constituents • Clarified business processes and responsibilities • Improved visibility to timely information for better decision making

A large, urban school district was in desperate need of crisis management. From 2000 to 2009, enrollment had declined from over 150,000 students to 84,000 students. Tax revenue plummeted, but costs remained high. By 2009, the district's operating budget deficit totaled \$140 million per year.

Working with the state appointed Emergency Financial Manager, A&M was able to right-size the special education organization to a more appropriately-sized department. The team reduced the operating budget by 18 percent, which led to a recurring savings of over \$37.5 million dollars.

State officials had consistently cited the district for failing to meet Least Restrictive Environment (LRE) benchmarks. The LRE legal requirements are designed to ensure that a student who has a disability should have the opportunity to be

educated with non-disabled peers to the greatest extent appropriate. The district needed to deploy more inclusive practices immediately, even as it prepared to close or restructure a significant number of schools.

While making these difficult budget reductions, A&M improved LRE benchmarks by transitioning 5 percent – increasing learning-disabled students' participation in the general education settings.

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Inclusion of Special Needs Students	<ul style="list-style-type: none"> Accelerated the deployment of inclusion practices in high school resulting in the largest single year increase in the districts LRE indicator
Accountability for Outcomes	<ul style="list-style-type: none"> Reorganized special education administrator and supervisory roles into networks reporting to general education assistant superintendents Renegotiated all contracts for related and support contracts aligning payments of services to documented service delivery
Operational Inefficiencies	<ul style="list-style-type: none"> Streamlined operations by integrating IT systems, data analytics and operational best-practices from the public and private sectors
Organizational Culture	<ul style="list-style-type: none"> Reorganized parent welcome center and intake operations roles to develop a culture of service instead of compliance

A sample of the key issues that A&M addressed and the solutions that A&M developed include: Rising costs, budget cuts and declining revenue are enormous challenges for public schools. While these issues impact school districts as a whole, a district's special education division is particularly

vulnerable. A&M's professionals are proud to leverage our expertise to assist public school districts to ensure that every available dollar is directed to support better outcomes for special education students.

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ABOUT ALVAREZ & MARSAL

Alvarez & Marsal (A&M) is a global professional services firm specializing in turnaround and interim management, performance improvement and business advisory services. A&M delivers specialist operational, consulting and industry expertise to management and investors seeking to accelerate performance, overcome challenges and maximize value across the corporate and investment lifecycles. Founded in 1983, the firm is known for its distinctive restructuring heritage, hands-on approach and relentless focus on execution and results.

A&M Public Sector Services Group provides financial and operational performance improvement, business and organizational transformation, real estate and IT strategy and planning services to federal, state and local and education clients.

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