

4. SYSTEM-LEVEL FINDINGS

The professional judgment (PJ) panels—informed by the evidence base—sought to identify the quantity and types of system-level resources required to provide an adequate education to all District of Columbia (DC) students. This information was supplemented by detailed analyses of budget and expenditure data for District of Columbia Public Schools (DCPS), the Public Charter School Board (PCSB), and other DC government agencies. Taken together with the school-level findings presented in Chapter 3, these findings are an important foundation for conclusions on the cost of education adequacy in the District, which are presented in Chapter 5, as well as recommendations for restructuring and resetting the Uniform Per Student Funding Formula (UPSFF) base and weights for students with identified learning needs, which are presented in Chapter 6.

Differences between DCPS and public charter schools affect system-level costs for the two sectors.

To examine system-level costs for DCPS and public charter schools, the study team appointed system-level PJ panels to review the work of the school-level panels and the identified learning needs panels. These panels developed specifications to guide the costing out of resources needed to effectively manage and administer instructional programs, student support services, and other educational resources for the DCPS sector and for the public charter school sector. The UPSFF covers costs for system-level management and administration for all local educational agencies (LEAs), and the intent of the law is that funds be allocated equitably. Yet, because DCPS and public charter school LEAs are structured and managed so differently, the study team organized findings on system-level resource specifications and their costs separately for each sector.

The system-level cost analysis also examined costs related to facilities maintenance and operations (M&O); these costs also are covered by the UPSFF, so they are expected to be allocated equitably to DCPS and public charter schools. Findings on facilities costs were developed based on deliberations by the facilities PJ panel and extensive analysis of the per-student and per-square-foot M&O costs for DCPS and public charter schools.

Capital spending on the acquisition and lease of school buildings and grounds is the third major area of system-level education spending. This includes expenditures for constructing new facilities, renovating old facilities, and periodically upgrading facilities to ensure schools are safe and in compliance with DC codes. Capital costs are paid for outside the UPSFF. Because DC law does not require equal funding for capital expenditures for school facilities, the study team did not undertake an extensive analysis of capital spending or recommend a uniform per-student or per-square-foot cost for school facilities at each level. However, based on the premises that all students in the District of Columbia should have access to high-quality school facilities, preferably within their neighborhood, and that facilities are an important aspect of education adequacy, the study team gathered data from DCPS, PCSB, and the Department of General Services to assess the adequacy of capital investments in the two sectors. Because the data are not reported uniformly and because the contexts in which decisions on DCPS and

public charter school capital investments are made are so different, it was not possible to make a meaningful comparison and draw conclusions on the adequacy of capital expenditures.

The system-level analysis also examined differences between how costs that are intended to be covered through the UPSFF are currently funded by DCPS and public charter school LEAs. Again, significant differences between the two sectors exist. Even though DC law prohibits the funding of costs outside the UPSFF that are also covered by the UPSFF, some costs for school-level student support services are funded by other DC government agencies (e.g., school nurses and social workers, school crossing guards, and school resource officers). Compared with public charter schools, public schools receive significantly greater benefit from these services, in total and on a per-student basis. Additionally, the DGS contributes a significant share of M&O costs for DCPS schools, and DCPS receives management and administrative services from some other DC agencies that public charter schools fund from their UPSFF allocation.

As shown in the analysis, the significant structural differences between DCPS and public charter school LEAs affect system-level costs in the two sectors. Importantly, however, the study team did not undertake this review to audit expenditures by DCPS and public charter schools or to prescribe how either sector should allocate resources for LEA central office functions or facilities M&O. Instead, like the school-level cost analysis, the goal was to fairly estimate the costs of resources needed by single-campus and multicampus LEAs to effectively and efficiently operate high-performing schools. In the best-case scenario, both DCPS and public charter schools would have adequate funding and capital resources to reasonably address their central office responsibilities.

The goal of the analysis was not to audit DCPS and charter expenditures. It was to fairly estimate the costs of system-level resources needed to effectively and efficiently operate high-performing schools in both sectors. In the best-case scenario, both DCPS and public charter schools would have adequate funding and capital resources to reasonably address their central office responsibilities.

The system-level resource specifications developed by the PJ panels also were reviewed by the Advisory Group. In addition, the results were reviewed by focus groups and through individual interviews with other stakeholders. In cases where the Advisory Group raised questions, the study team tried to gather additional relevant data and refine the cost estimates. In almost all cases, the final study recommendations reflect the judgment of the study team based on the work of the PJ panels with additional input from the Advisory Group.

Comparison of DCPS and Public Charter Schools

Because DCPS and public charter school LEAs are so different, the study team began by carefully comparing structural characteristics that could affect costs. DCPS is an agency of

District government. The chancellor of DCPS reports directly to the mayor. The mayor is vested with specific authority over DCPS (e.g., closing schools or reducing expenditures) that he does not have with respect to public charter schools. Passage of the Public Education Reform Act of 2007 marked the beginning of mayoral control of DCPS and the end of board of education policy and budgetary oversight for the public schools. As a result, DCPS operates as a centralized LEA with responsibility for managing its almost 100 schools with oversight by the DC City Council.

In contrast, public charter schools are nonprofit corporations that operate as charter independent agencies of DC government overseen by PCSB, an independent agency whose board members are appointed by the Mayor. Most charter schools are independent LEAs. Some operate on two to five campuses under the umbrella of a single LEA. Additionally, some public charter schools identify DCPS as their LEA for special education purposes. PCSB is responsible for authorizing and closing public charter schools, but it has no direct charter school management responsibilities and limited oversight power. The City Council, PCSB's budget authorizer, affects charter schools through the UPSFF base, weights, and facilities allowance, but it has no oversight or other authority over how public charter schools spend funds.

Both sectors are subject to government laws and rules and oversight of education by the Office of the State Superintendent of Education (OSSE), but there are some significant differences between them. Table 4.1 compares DCPS and public charter school characteristics that have cost implications. Following are among the significant differences that affect system-level costs:

- *School-based budgeting.* Each LEA is responsible for creating its own school-specific staffing plans. Public charter school principals typically have wide discretion in staffing their schools and assigning classroom teachers, aides, and other specialists. For DCPS, classroom staffing patterns are prescribed at the central office level. Elementary school principals cannot change the prescribed allocation of instructional personnel at their school. At the middle school and high school levels, DCPS principals have greater flexibility to make decisions about staffing, class size, and teacher ratios. If they want to use instructional staffing resources differently from the budgeted allocation, middle school and high school principals can petition their instructional superintendent. Approved petitions are forwarded to the chancellor for final approval. Changes to the allocations after the initial release must satisfy one of two criteria to be considered: the change request must be budget-neutral or constitute minor corrections to address a budget error (e.g., an accounting problem). Petitions that fall outside the scope of the petition process are not allowable.¹
- *Neighborhood schools and system of right.* DCPS operates neighborhood schools to accommodate students living in communities across the city. It also is a system of right and, therefore, has a legal obligation to enroll all students who live in a traditional DC public school's catchment area who want to enroll at any time throughout the school year. In contrast, though public charter schools must accept any student who is a DC resident, they can set enrollment ceilings and are not obligated to accept students beyond their stated capacity or to accept students throughout the school year. If a charter school has more applicants than spaces available, it is required to admit students through a random selection process. Because of DCPS's mandate to operate neighborhood schools

¹ District of Columbia Public Schools, "Budget Development Guide: School Year 2013–2014," www.dcps.dc.gov.

within a system of right, it has to maintain buildings across the city, even if some are underutilized. This requirement has significant implications for instructional as well as M&O funding. In addition, DCPS receives students during the course of the year from other LEAs and from outside the District. Under the current budgeting process, funding to LEAs does not change if they gain or lose students during the school year; therefore, DCPS does not receive any additional funding for any additional students it enrolls.

- Variation in LEA size. DCPS and public charter school LEAs vary dramatically in size. As the traditional public school system, enrollment in DCPS is 20 times larger than enrollment in the highest enrolled public charter school LEA in the city (i.e., Friendship Charter Academy with 2,500 students at several campuses). Traditional DC public schools range from relatively small neighborhood schools that enroll 100 to 250 students to large comprehensive schools that draw as many as 1,700 students from many neighborhoods. Public charter schools tend to be smaller and more similar in size, ranging from 100 to 500 students.² Small schools are relatively more expensive to operate than larger schools at each level, because some costs are fixed and do not decline with smaller enrollments. Similarly, small LEAs are relatively more expensive than larger ones because of fixed costs and their inability to take advantage of economies of scale in management, purchasing, and other administrative functions.
- Teacher certification. DCPS requires teacher certification, except for entering Teach for America teachers and those in similar programs who are certified based on their program affiliation. Public charter schools do not require teacher certification. As a result, DCPS has a more limited personnel pool from which to hire, and personnel costs generally are lower for charter schools than for DCPS. However, both sectors are subject to the No Child Left Behind requirement of reporting their rate of highly qualified teachers—defined as those with a bachelor’s degree, teaching or intern credential, and demonstrated competence in core subject matter competence.
- Labor costs. DCPS is required to pay union wages for school personnel (principals, teachers, aides, student support staff, and custodians). Public charter schools are not subject to union wage scales and collective bargaining on compensation and working conditions, though charter school educators have the right to organize. The board of directors for each public charter school has the authority to establish compensation and other terms of employment for school staff. DCPS has less flexibility in how it compensates its personnel and, generally, has higher labor costs.
- Enrollment projections versus actuals for school funding. DCPS and public charter schools are paid according to different methodologies. DCPS’s budget is based on student enrollment projections. It receives an advance on July 1st and is paid for the remainder of its authorized budget at the beginning of the fiscal year in early October. In previous years, DCPS’s enrollment projections were higher than its audited October 5 enrollment count, though such discrepancies have lessened in recent years. Public charter

² “DC Public School Profiles, 2012–2013,” www.dcps.dc.gov; and multi-year PCSB enrollment data, 1999 through 2012, cited in District of Columbia Public Education Finance Reform Commission, *Equity and Recommendations Report* (Washington, DC, February 17, 2012).

schools also set their budgets based on enrollment projections, but they are ultimately paid based on their actual October 5 audited enrollment count. Each public charter LEA receives quarterly payments each year from the DC government no later than July 15, October 15, January 15, and April 15. The first payment for an academic year, occurring no later than July 15, is based on the public charter school's projected student enrollment. The second and third payments for an academic year, occurring no later than October 15 and January 15, respectively, are based on finalized student data submitted by public charter schools from their student information systems. The fourth and final payment for an academic year, occurring no later than April 15, is based on the finalized figures from the enrollment audit. These school funding approaches have multiple cost implications. DCPS may be overfunded if its projections are too high. Alternatively, as a school system of right, DCPS may enroll additional students during the school year who are not funded. Charter schools, which generally lose enrollment during the course of the school year, are allowed to keep funding for students who disenroll after the October 5 enrollment audit.

- Special education enrollment for school funding. For both DCPS and public charter schools, special education funding is based solely on the October 5 enrollment audit, even though DCPS and public charter schools must accommodate students with special education needs after that date. It often takes longer than the official enrollment count for students to receive their individualized education plans (IEPs). Both DCPS and public charter schools may be underfunded for providing special education services when students are identified after the funding deadline.
- School facilities. Traditional DC public schools operate in buildings owned by the DC government, which they occupy rent-free and for which DCPS incurs costs associated with legacy assets. Costs for new construction, renovation, and upgrades are funded from the city's capital budget. Public charter schools must secure and fund their own facilities and are provided a \$3,000 per-student facilities allowance. They have first right of offer on vacated DCPS buildings that are released from the DCPS stock. Historically, however, the process has been time consuming to pursue, and charter school advocates have complained that DCPS has not released enough buildings from its inventory. (Recently, the DGS and the Office of the Deputy Mayor for Education have worked to quickly and transparently release former traditional DC public school buildings for use by high-quality charter schools.) The cost implication for DCPS is it has excess space but no financial incentive to release vacant buildings or to collocate with other schools or community organizations in order to operate more efficiently. The cost implications for public charter schools are they often operate in facilities that are inadequate for educational purposes or lack amenities that many traditional DC public schools have (e.g., fields, gyms, and auditoriums).
- Capital investments in school facilities. The DC government spends more than public charter schools for capital investments in new and renovated school buildings and grounds because of design and construction preferences and DC law governing union contracts for building projects. Starting in 2008, the city began an aggressive building, renovation, and upgrade program to compensate for many years of neglect in maintaining DCPS facilities. Public charter schools receive a \$3,000 per-student facilities allowance

annually to cover capital investments. These funds are allocated regardless of individual charter schools’ capital needs. They can borrow against these real property assets and qualify for tax-exempt revenue bond financing. Although the facilities allowance is intended for capital investment and financing, the use of these funds is not restricted to capital investment purposes and the funds can be carried over between fiscal years. In contrast, DCPS’s capital budget must be used exclusively for capital improvements in the fiscal year in which funds are allocated. Many public charter schools have not benefited from capital investments in new and upgraded school buildings and grounds as have many traditional DC public schools. However, DCPS does not have full control of its capital budget nor can it spend capital dollars on operating costs or accumulate the funds across fiscal years.

- DC government rules and regulations. Public charter schools are not subject to DC government procurement, human resources, and other rules and regulations that DCPS must follow. The cost implication is public charter schools have greater flexibility in administrative functions, including procurement, and can realize lower costs for services. If charter leaders determine it is cheaper to contract out services, they have greater flexibility to do so.
- Carry-over funding. Unlike DCPS, public charter schools can carry over local operating and facilities allowance funding from one fiscal year to the next. All allocated DCPS funds must be used within the fiscal year for which they were appropriated. The cost implication is charter schools can create reserves for future needs while DCPS cannot do so.

Table 4.1: Differences Between District of Columbia Public Schools and Public Charter Schools

| | DCPS | Public Charter Schools |
|--|--|---|
| Legal structure | DC agency | Nonprofit corporation; charter independent agency |
| Authority and accountability | Chancellor to mayor and council and schools to chancellor; plenary authority | Schools to their boards of trustees and to Public Charter School Board; autonomous within charter law and charter terms |
| Accountability standards | State accountability to the US Department of Education overseen by OSSE; DC academic standards and tests; otherwise per chancellor | State accountability to the US Department of Education overseen by OSSE; DC academic standards and tests, charter terms; Public Charter School Board oversight and subject to closure for poor academic performance |
| Admissions | Must take all, but may operate selective schools | Must take all if room available; lottery if more applicants than space |
| Areas where required to enroll students | Neighborhood zones, except selective schools | Citywide only; geographic limits not allowed |
| Date when required to enroll students | At all times | Up until October 5 |

Table 4.1: Differences Between District of Columbia Public Schools and Public Charter Schools, continued

| | DCPS | Public Charter Schools |
|---|---|---|
| Contracting constraints | DC government rules | Notice in <i>DC Register</i> , approval by Public Charter School Board |
| Fiscal reporting requirements | DC CFO and federal grants requirements | Annual audit and federal grants requirements |
| Revenue flow | Spring appropriation, accessible October 1 plus July advance | Quarterly payments, starting July 1 |
| Local fund carryover | Not permitted | Permitted |
| Unionization | Teachers, principals, and noninstructional workers unionized | School-by-school potential but no employee groups unionized so far |
| Teacher certification | Required, but teachers entering Teach For America and similar programs are certifiable | Not required, but subject to No Child Left Behind highly qualified teachers requirement |
| Size of Local Educational Agency | 1 local educational agency, serving about 45,500 students in approximately 126 schools in 2012–2013 | 57 local educational agencies, serving almost 35,000 students on more than 100 campuses in 2012 |
| Facilities | Schools occupy city-owned and -controlled property that carry no rent; certain administrative offices and facilities are leased | Charter-controlled property, owned or leased, funded by separate per-student facilities allowance |

Source: Adapted from materials prepared for the District of Columbia Public Education Finance Reform Commission, February 2012.

District of Columbia Public Schools

DCPS is a single LEA. In school year (SY) 2012–2013 it was responsible for 122 elementary, middle, high, adult, alternative, and special education schools citywide. Most of these were neighborhood schools; six are specialized high schools, and the rest are early childhood, special education, adult, and alternative education centers.³ In SY 2013–2014, DCPS is operating 111 schools.

DCPS is a single LEA with responsibility for serving more than 100 schools citywide in school year 2013–2014.

Most other large urban school systems internally manage and cover the costs of all student support and administrative costs. However, despite legal requirements that services funded apart from the UPSFF should not also be funded by the UPSFF, DCPS receives substantial resources from other city agencies, including the Departments of Health (DOH), Behavioral Health (DBH) (formerly referred to as the Department of Mental Health), Transportation (DDOT) and General Services (DGS), as well as the Metropolitan Police Department (MPD). The costs of school

³ District of Columbia Public Schools, “School Year 2012–2013 Audited Enrollment Report,” www.dcps.dc.gov.

nurses, social workers, school crossing guards and school resource officers (police officers), as well as school operations and maintenance costs are covered by these other agencies. DCPS also receives benefits from the Offices of the Attorney General (OAG) Contracting and Procurement, and the Chief Technology Officer which provide legal services, contracting services, and information technology systems and services, respectively. Some of these benefits and services are funded by interagency transfers from DCPS to cover school-related line items in other agency budgets (e.g., OCTO). Others are funded resources and services covered in the budgets of these agencies for the benefit of DCPS (e.g., DGS, MPD, DOH, DBH, DDOT, OAG, OCP, and OCTO). (Appendix K describes the functions covered by each DCPS organizational division and those handled by other city agencies.)

The DCPS system-level PJ panel determined that the DCPS SY 2013–2014 budget presents the most appropriate specification of LEA-level resource needs.⁴ Accordingly, the study team’s approach to developing an estimate of system-level costs for DCPS is based on an analysis of this budget document and the budgets of, and interviews with, other city agencies that benefit DCPS outside the UPSFF.⁵ (The cost of DCPS leases and occupancy fixed costs is not included.) As shown in Table 4.2, total base per-student system-level costs within the DCPS budget are projected to total approximately \$86.5 million—1,878 per student—in SY 2013–2014. An additional \$4.36 million—\$95 per student—is projected to come from the separate budgets of other city agencies, for a total of \$1,973 per student. All DC government funding for activities to benefit DCPS shown in the table is in addition to funds provided through the UPSFF. Additional benefits are provided by some agencies and are paid for by DCPS. (The cost of services provided by the DGS is not included in Table 4.2, because it is applied to the maintenance and operations base costs rather than to the instructional costs.)

This total does not include the full budgets for most DCPS central office divisions. Funds that flow through to schools for expenses covered at the school level have been subtracted to prevent double-counting. As an example, funding for athletic programs and textbooks is in the budget of the Office of the Chief Operating Officer rather than in the budgets of individual schools. See Appendix L for a full accounting of DCPS central office divisions and how they were factored into the base and identified needs weights.

⁴ District of Columbia Public Schools, budget submitted to Office of the Chief Financial Officer, April 2013, www.dcps.dc.gov.

⁵ District of Columbia Public Schools, “Facts and Figures: A Look into the FY 14 DCPS Budget,” www.dcps.dc.gov.

Table 4.2: District of Columbia Public Schools System-Level Costs (Instructional)

| Agency or Office | DCPS System-Level Costs | |
|---|-------------------------|----------------|
| | Total | Per Student |
| DCPS Resources (to be included in the base cost) | | |
| Office of Family and Public Engagement | \$1,965,025 | \$43 |
| Office of the Chief Financial Officer—In Budget | \$3,279,655 | \$71 |
| Office of Data and Accountability | \$4,766,130 | \$103 |
| Office of the General Counsel—In Budget | \$5,700,000 | \$124 |
| Office of Youth Engagement ¹ | \$0 | \$0 |
| Office of Strategy ² | \$0 | \$0 |
| Office of the Chief of Schools | \$3,369,752 | \$73 |
| Office of Teaching and Learning | \$11,367,097 | \$247 |
| Office of the Chief of Staff | \$5,182,895 | \$113 |
| Office of Human Capital | \$15,187,838 | \$330 |
| Office of Academic Programming and Support | \$6,848,293 | \$149 |
| Office of Special Education ³ | \$725,913 | \$16 |
| Office of the Chief Operating Officer ⁴ | \$21,301,898 | \$462 |
| Food Service Administrative Costs ⁵ | \$6,817,892 | \$148 |
| Subtotal | \$86,512,388 | \$1,878 |
| Office of the Attorney General | \$2,442,000 | \$53 |
| Office of Contracting and Procurement | \$2,280 | \$0 |
| Office of the Chief Technology Officer | \$1,914,110 | \$42 |
| Subtotal | \$4,358,390 | \$95 |
| DCPS System Base Cost⁶ | \$90,870,777 | \$1,973 |

- Notes:**
- 1 All services in this office support at-risk students and, therefore, are not included in the computation of base costs.
 - 2 All services in this office support special education students and, therefore, are not included in the computation of base costs.
 - 3 All services in this office, except the child find service, support special education students and, therefore, are not included in the computation of base costs.
 - 4 The cost of DCPS rentals (leases) and occupancy fixed costs are not included. Food service costs are accounted for as a separate line item.
 - 5 Food service costs are based on a comparison of the expenditure with available revenue sources, including the US Department of Agriculture's free and reduced-price school meals program and collected fees from paying students; amounts shown are net of all revenues, local funding, and federal funding; DCPS staff provided updated figures.
 - 6 Department of general services costs are not included in this table because these costs are applied to maintenance and operations instead of the instructional base.

Sources: District of Columbia Public Schools, "Facts and Figures: A Look into the FY 14 DCPS Budget," www.dcps.dc.gov; and interviews with DCPS and DC agency personnel.

Public Charter Schools

In contrast to a single DCPS local educational agency, the public charter sector's 60 LEAs are operating schools on more than 100 campuses in school year 2013–2014.⁶ Many of these LEAs are single-school jurisdictions for independent charter schools; others are charter management organizations (CMOs) that operate affiliated networks of two to five charter schools on different campuses. Public charter schools in the District of Columbia are authorized by the Public Charter School Board.

OSSE transfers funding available under the UPSFF, the charter school facilities allowance, and supplemental funding available from other agencies to authorized charter schools. PCSB tracks and monitors charter school performance across several dimensions (e.g., student achievement, progress toward academic improvement goals, and management effectiveness and efficiency) and rates schools on a three-tier scale. It also reviews new charter authorization applications and determines whether schools should be reauthorized or closed.

However, OSSE does not have centralized administrative and regulatory authority for the public charter school sector. It acts as the regulatory authority to ensure all LEAs meet the necessary requirements and are accounted for under the US Department of Education's Elementary and Secondary Education Act waiver. Accordingly, the charter school system-level PJ panel developed resource specifications for charter school LEAs. These specifications reflect the panelists' judgment on the resource needs of LEAs that are single-campus schools and those that are affiliated clusters of schools operated by CMOs.

The public charter school sector has 60 LEAs,
which are operating schools on more than
100 campuses in school year 2013–2014.

Public charter school LEAs do not currently receive as much funding from other DC agencies as DCPS—in total or on a per-student basis—but do receive benefits from other agencies for some of the same services. (See Appendix M for a list of these services.) Despite legal prohibitions against funding, again, costs that are intended to be funded through the Uniform Per Student Funding Formula, DOH, DBH, DDOT, and MPD provide school nurses, social workers, school crossing guards, and school resource officers. Additionally, PCSB receives an annual appropriation from the city council to cover approximately 50 percent of its operating costs, with the remainder coming from a .5 percent fee that is attached to the budgets of all public charter schools.⁷

Most charter schools that operate as independent LEAs employ an executive director to manage the business operations of the school and a principal to manage the school's academic programming and operations. Charter management organizations that serve as LEAs for clusters of affiliated charter schools (e.g., DC Prep) typically have one executive director who manages the operations of all schools in the cluster; principals in each affiliated school manage their own

⁶ District of Columbia Public Charter School Board, fact sheet, www.dcpsb.org.

⁷ A legislative proposal pending before the city council would increase this fee to 1.0 percent of all charter school budgets.

educational programs and services. These affiliated schools may look to the CMO for guidance or to coordinate with other schools in the cluster, if they have an overarching educational philosophy and mission or if they feed students from one school to another. Except in very large national CMOs (e.g., KIPP) with multiple regional or citywide networks, however, generally there is no standardized hierarchy of system-level staff with assigned oversight and management roles and responsibilities across schools.

Depending on the size of a charter school LEA, it may handle its wide array of management and administrative functions internally or contract them out. Among the administrative functions that smaller LEAs frequently purchase from outside vendors are:

- Financial management services, including budgeting, accounts receivable and payable, accounting, financial controls, reporting, and audit preparation;
- Payroll services, including issuing payroll checks, deducting federal and DC income tax withholding, and withholding for life and health insurance and other employee-subsidized fringe benefits;
- Grant management services, including proposal preparation and submission, recordkeeping, interim and final reporting, and gift acknowledgement;
- Human resources services, including recruiting, application screening, initial interviewing, Equal Employment Opportunity recordkeeping, hiring, personnel recordkeeping, benefits management, and separation management; and
- Information technology services, including network management, maintenance, and support; website management; e-mail service; and database management.

Charter LEAs also frequently contract out:

- Some educational support services, such as student diagnostic assessment; and
- Services related to buildings and grounds maintenance (e.g., custodial and landscape services).

As shown in Table 4.3, the professional judgment panel specified certain system-level resources for public charter schools at each school level. The weighted average of these charter system-level costs is \$1,897 per student. The central office-level costs for DCPS are slightly higher than public charters schools' system-level costs on a per-student basis.

Table 4.3: Charter School System-Level Fiscal and Administrative Staff, Functions, and Other Services¹

| | Elementary School 420 Students | | Middle School 300 Students | | High School 400 Students | |
|--|-----------------------------------|-----------------------|-------------------------------|-----------------------|-----------------------------|-----------------------|
| | Personnel | Vendor/Other Costs | Personnel | Vendor/Other Costs | Personnel | Vendor/Other Costs |
| Executive Director | 1.0 | | 1.0 | | 1.0 | |
| Chief Financial Officer/Chief Operating Officer | 0.3 | | 0.3 | | 0.3 | |
| Business Manager | 1.0 | | 0.5 | | 1.0 | |
| Grants/Fundraising/Marketing/ Enrollment | 1.5 | \$10,000 | 1.25 | \$10,000 | 1.5 | \$10,000 |
| Human Resources/Payroll/Recruitment/ Retirement | 0.5 | \$10,000 | 0.5 | \$10,000 | 0.5 | \$10,000 |
| Accounting/Finance/Audit | | \$75,000 | | \$65,000 | | \$75,000 |
| Assessment | | \$25,000 | | \$20,000 | | \$25,000 |
| Connectivity | | \$12,000 | | \$12,000 | | \$12,000 |
| Phones | | \$10,000 | | \$10,000 | | \$10,000 |
| Board | | \$5,000 | | \$5,000 | | \$5,000 |
| Information Technology | | \$50,000 | | \$50,000 | | \$50,000 |
| Security | | \$3,000 | | \$3,000 | | \$3,000 |
| Insurance | | \$40,000 | | \$35,000 | | \$45,000 |
| Legal | | \$25,000 | | \$25,000 | | \$25,000 |
| Miscellaneous | | \$50,000 | | \$50,000 | | \$50,000 |
| Public Charter School Board Administrative Fee ² | | 0.50% | | 0.50% | | 0.50% |
| Total Per-Student Costs | | \$1,748 | | \$2,182 | | \$1,805 |
| Public Charter School Board Appropriation | | \$31 | | \$31 | | \$31 |
| Total Charter System-Level Per-Student Costs | | \$1,779 | | \$2,213 | | \$1,836 |

Notes:

1 School enrollment sizes were selected by charter school system professional judgment panelists as representative of typical DC public charter schools. Figures for personnel reflect those employed directly by the charter school or charter school local educational agency. Figures for vendor and other costs reflect costs of contracted personnel and services.

2 Pending legislation would raise the administrative fee for the Public Charter School Board to 1 percent.

Source: The recommendations are derived from the professional judgment panel specifications resulting from panelists' deliberations.

Facilities

As the DC Public Education Finance Reform Commission noted in its 2012 report, no issue related to education funding in the District of Columbia is more complicated and contentious than the costs of constructing, renovating, maintaining, and operating school buildings and grounds.⁸ According to the authors of the 2013 Public Education Master Facilities Plan for the District of Columbia, the lack of coordination related to facilities perpetuates conflict between DCPS and public charter schools and leads the DC government to spend money inefficiently on capital improvements in school buildings and grounds. Charter school facility needs are not coordinated with DCPS facility plans and sometimes conflict.⁹

No issue related to DC education funding is more complicated and contentious than the costs of constructing, renovating, maintaining, and operating school buildings and grounds.

Currently, DCPS enrollment is uneven across the city. Although traditional public schools experienced a slight increase in enrollment between 2010 and 2012, since 1995, DCPS has lost approximately 2,000 students per year to public charter schools.¹⁰ As a result, many DCPS school facilities have significantly more space than is needed in aging buildings. The space not only is too large, but also is not configured to address contemporary education models. Old buildings have too many classrooms and corridors and not enough space organized for collaborating in small groups. Similarly, schools designed with open education plans provide a lot of very large spaces that are not differentiated and are not configured for specialized purposes and for collaborating in small groups. DCPS has a closures and consolidation plan that closed 23 schools in 2008 and another 15 programs in 14 schools in 2013.¹¹ In addition, an additional seven programs closed between 2009 and 2012.

Overall, DCPS schools are 75 percent utilized, but significant variation exists. While some high-performing schools are nearly occupied, others operate at less than 40 percent occupancy.¹² Additionally, several schools in the DCPS inventory have been vacant and shuttered since they were closed in 2008, without any long-term plan for future use or an interim plan for the reuse of these facilities.¹³ Consequently, the significant cost of maintaining unoccupied and underutilized space currently is covered by DGS within its contribution of approximately \$45 million to DCPS M&O costs and is attributable to DCPS.

⁸ District of Columbia Public Education Finance Reform Commission, *Equity and Recommendations Report* (Washington, DC, February 17, 2012), 25.

⁹ See page 12 of the “2013 Public Education Master Facilities Plan for the District of Columbia,” www.dcps.dc.gov.

¹⁰ See <http://dme.dc.gov/DC/DME/Publication%20Files/IFFFinalReport.pdf>.

¹¹ See <http://newsroom.dc.gov/show.aspx/agency/dme/section/2/release/12592>; and <http://dcps.dc.gov/DCPS/Files/downloads/COMMUNITY/CR/Consolidation%20Plan.pdf>.

¹² For more detail on school building occupancy, see pages 44 and 45 of the “2013 Public Education Master Facilities Plan for the District of Columbia,” www.dcps.dc.gov.

¹³ Master Facilities Plan, 12.

At the same time, the network of charter schools is growing rapidly and haphazardly.¹⁴ Public charter schools open wherever they can find space that is affordable and sufficient for their needs, and many are housed in facilities that are substandard. Yet charter school facility needs are not coordinated with DCPS facility plans and, at times, have conflicted. By law, charter schools are supposed to have the first right of offer for surplus school buildings. In practice, however, the process of leasing and purchasing DC-owned property has been time consuming and difficult for many public charter schools. A 2011 US Government Accountability Office report highlighted the lack of transparency in the process by which the DC government disposes of surplus property and the need to develop clearer and more effective policies, regulations, and protocols for public announcements of a request for offers (RFO) as well as follow-up procedures for unsuccessful bidders.¹⁵

To remedy these issues, DME and DGS are working to help public charter schools lease and occupy vacant school buildings. They have jointly developed and implemented a streamlined and transparent process to afford charter schools and other education programs and organizations access to surplus space in vacant DCPS buildings. Using an RFO process, space is being made available in 12 buildings for long-term (20-year) leases and in 5 additional buildings for short-term (10-year leases). Applicants for leases in both categories are required to demonstrate the financial capacity to renovate, operate, and maintain the facilities. As of June 2013, of the 12 buildings that were available for long-term lease, 4 have been awarded to charters, 1 is pending an award, and 2 are in solicitation.

Overall, public charter schools were 85 percent occupied as of 2012. However, an examination of enrollment patterns showed that several schools classified as Tier 1 by PCSB were 100 percent occupied and had waiting lists of up to 1,000 students.¹⁶

High-Quality Educational Environment

To address the complex issues related to facilities financing, the study team, comprised of staff from The Finance Project (TFP) and Augenblick, Palaich and Associates (APA), appointed a facilities PJ panel composed of DCPS and public charter school educators, financial managers, and DCPS and DGS space management officials. The panel's deliberations were based on the assumptions that all DC students should have access to high-quality school facilities, preferably within their neighborhood, and that facilities are important to education adequacy. Both DCPS and public charter schools should have sufficient facilities to provide all students with access to high-quality learning environments, a premise that echoes the vision of the 2013 Public Education Master Facilities Plan.

¹⁴ Ibid.

¹⁵ District of Columbia Public Education Finance Reform Commission, 25; and US Government Accountability Office, *District of Columbia Charter Schools: Criteria for Awarding School Buildings to Charter Schools Needs Additional Transparency* (Washington, DC, March 2011).

¹⁶ Master Facilities Plan, 42 and 44–45.

All students in the District of Columbia should have access to high-quality school facilities, preferably within their neighborhood. School facilities are an important component of education adequacy.

The 2013 facilities plan outlines an approach for assessing the quality and condition of school facilities that accounts for the amount and differentiation of space required for high-quality learning environments. These requirements fall into several general categories:

- Core academic/special areas;
- Visual arts and music;
- Media center;
- Physical education;
- Administration;
- Student dining and food services;
- Maintenance and custodial services;
- Mechanical, electrical, toilets, and custodial closets; and
- Health suite (required for high schools).

According to the DCPS design guidelines,¹⁷ total per-student space requirements are as follows:

- Elementary schools: 150 square feet per student
- Middle schools: 170 square feet per student
- High schools: 192 square feet per student

Facilities Costs

To assess the costs of providing adequate space for students at all school levels across the city, the study team distinguished costs related to *maintenance and operations* from those related to *capital investment*. Facilities M&O costs include:

- Custodial services;
- Building maintenance and noncapital repairs (e.g., painting; repairing, or replacing a faucet);
- Grounds maintenance and noncapital repairs (e.g., repairing a fence or piece of playground equipment);
- Utilities;
- Property taxes (for public charter schools only); and
- Property insurance (for public charter schools only).

Maintenance and Operations Costs. As shown in Table 4.4, the total annual M&O costs for DCPS are projected to be approximately \$96.6 million, or \$2,097 per student, across all DCPS schools. By national standards, and compared with public charter school M&O expenses, DCPS costs are high. In part, this difference may reflect the age and poor condition of a large portion of the DC school building stock. In part, it may also reflect the amount of vacant and underutilized space in DC school buildings that must be maintained, including the cost of buildings that are not

¹⁷ “District of Columbia Public Schools Design Guidelines: 2009,” as amended in 2012, www.dcpsb.org.

in use. These costs are attributable to DCPS and are factored into the per-student cost for facilities M&O. Although utilities and most custodial services costs for DCPS schools are covered in the DCPS budget, a significant portion of custodial services and most buildings and grounds maintenance and noncapital repairs are paid by DGS on behalf of DCPS; approximately \$45.5 million is budgeted in SY 2013–2014.

Public charter school M&O costs also include property taxes and property insurance that are not applicable for DCPS. A significant portion of custodial services costs are included in lease agreements and in contracts for other vendor services, so accurately isolating them is impossible. As a result, custodial services costs are underestimated in the study team calculations of public charter school M&O costs. As shown in Table 4.4, the estimated facilities maintenance and operations costs for public charter schools that are leased and owned are projected to be at least \$759 per student, keeping in mind that custodial services costs are not available.

Table 4.4: Total Maintenance and Operations Costs for District of Columbia Public Schools and Public Charter Schools (Fiscal 2013 and Fiscal 2014 Budgeted Amounts)

| Maintenance and Operations | DCPS | | Charter School Leased and Owned Buildings | |
|--|---------------------------|-------------------------------|---|-------------------------------|
| Cost Category | Total Cost | Cost Per Student ¹ | Total Cost | Cost Per Student ² |
| Custodial | \$22,705,916 | \$493 | Unavailable ³ | Unavailable |
| Facility Maintenance and Operations ³ | \$45,503,000 | \$988 | \$12,620,844 | \$263 |
| Utilities | \$28,385,637 ⁴ | \$616 | \$7,542,441 | \$440 |
| Real Estate Taxes (if applicable) | | | \$553,784 | \$19 |
| Property Insurance | | | \$1,053,241 | \$37 |
| Total Maintenance and Operations | \$96,594,553 | \$2,097 | \$21,770,310 | \$759 |

Notes:

- 1 Figure is based on a projected DCPS enrollment for school year 2013–2014 of 46,059.
- 2 Figure is based on a public charter school enrollment for school year 2012–2013 of 28,667 for schools with data.
- 3 Charter total maintenance and operations costs are underestimated, because custodial costs cannot accurately be determined.
- 4 Figure reflects costs for custodial and utilities in the DCPS fiscal 2014 budget; utilities cost represents total for gas, water, and electricity for DCPS portfolio, excluding the main office.

Sources: Department of General Services fiscal 2014 budget for Facilities—Public Education; and public charter facilities data from the local educational agency’s annual report to the Public Charter School Board for 2012–2013.

Capital Investment Costs. DCPS is in the midst of an ambitious school modernization program that has substantially upgraded several older buildings and grounds. After many years of limited investment in new construction, renovations, and capital repairs, many DC government-owned buildings are in substandard condition and can negatively affect student safety and comfort and limit educational programming. Consequently, in 2009, the District began a two-decade-long series of investments in constructing new schools and school additions, reconstructing and renovating old schools, and bringing all occupied buildings up to current health and safety standards based on a master plan. Design and construction standards were set at a high level for

these projects, and quality is considered to include both the capability to support top-tier programming and the architectural character of the facilities and landscape.

Since 2008, the District has spent nearly \$1.5 billion and completed work at 64 schools, encompassing 7.3 million square feet.¹⁸ During this period, annual investments in capital projects have been substantially higher than they were in previous years and than they are expected to be in the future. As shown in Table 4.5, on a per-student basis, costs are expected to be approximately \$4,961 per student over a 22-year period from 1998 through 2019.

Table 4.5 Capital Improvement Spending for District of Columbia Public Schools (1998–2019)

| Fiscal Year | Actual Capital Spending (1998–2013) | Budgeted Capital Spending (2014–2019) |
|--------------------------------|--|--|
| 1998 | \$196,221,294 | |
| 1999 | \$24,024,127 | |
| 2000 | \$35,749,884 | |
| 2001 | \$122,768,344 | |
| 2002 | \$150,060,937 | |
| 2003 | \$234,720,219 | |
| 2004 | \$114,682,235 | |
| 2005 | \$114,641,781 | |
| 2006 | \$97,752,179 | |
| 2007 | \$146,532,713 | |
| 2008 | \$489,880,523 | |
| 2009 | \$312,919,158 | |
| 2010 | \$312,753,448 | |
| 2011 | \$315,098,286 | |
| 2012 | \$277,395,246 | |
| 2013 | \$233,033,809 | |
| 2014 | | \$441,595,000 |
| 2015 | | \$370,184,000 |
| 2016 | | \$291,818,000 |
| 2017 | | \$175,065,000 |
| 2018 | | \$226,283,000 |
| 2019 | | \$288,677,000 |
| Total Cost for 22 Years | | \$4,971,856,183 |
| Average Cost Per Year | | \$225,993,463 |
| Cost Per Student | | \$4,961 |

¹⁸ Master Facilities Plan, 12.

Sources: Office of the Chief Financial Officer, “CFOInfo,” <http://cfoinfo.dc.gov/cognos8/finance.htm> (accessed July 2013); Office of the Chief Financial Officer, “FY 2014 to FY 2019 Capital Improvements Plan,” <http://cfo.dc.gov/publication/fy-2014-fy-2019-capital-improvements-plan>, March 2013.

Facility investment costs for public charter schools are much more difficult to discern, because no standard approach to investment or accepted method of accounting for costs exists. Some buildings are leased, including leases of DCPS stock at below-market rates. Others are gifts from committed donors and sponsors. Still others are commercial properties that were purchased on the open market and converted to school space. Some charter school operators have taken full advantage of federal tax credit provisions for investing in historic buildings and developing neighborhoods. Others have not been as sophisticated and farsighted. Moreover, because no single accepted chart of accounts exists for presenting facility investment costs, the study team could not develop a reliable facility cost estimate for public charter schools. Available PCSB data, however, suggest that the \$3,000 per-student annual facilities allowance for charter schools provides an adequate benchmark for annual facility costs of many public charter schools, regardless of whether they lease their buildings and pay rent to a landlord or whether they own their buildings and are paying off a mortgage or making bond payments (see Table 4.6).

Table 4.6: Public Charter School Facility Costs: Leased and Owned Buildings (Actual Spending, Associated and Indirect Costs -- School Year 2012–2013)

| Cost Category | Leased and Owned Buildings | |
|--|----------------------------|------------------|
| | Total Cost | Cost Per Student |
| Capital expenses (major repairs), not financed | \$9,650,070 | \$337 |
| Lender Required Reserves | \$8,001,179 | \$279 |
| Direct lease payments | \$27,363,333 | \$955 |
| Additional lease payments (CAM charges, etc.) | \$1,382,144 | \$48 |
| Amortization of leasehold improvements & FFE | \$6,914,948 | \$241 |
| Debt service for LHI & FFE: | | |
| Interest | \$3,055,073 | \$107 |
| Principal | \$848,583 | \$30 |
| Other Finance Costs being amortized | \$171,575 | \$6 |
| Depreciation of building/improvements/FFE | \$11,231,992 | \$392 |
| Debt service for mortgage financing: | | |
| Interest | \$14,262,771 | \$498 |
| Principal | \$3,687,748 | \$129 |
| Other Finance Costs being amortized | \$2,033,913 | \$71 |
| Total Facility Costs - | \$88,603,329 | \$3,091* |

Note: * Figure is based on an enrollment number (28,667) that reflects the number of schools for which financial data were available.

Source: Public Charter School Board, “Charter School Budgets,” <http://www.dcpsb.org/School-Finance/2012-2013-Charter-School-Budgets.aspx> (accessed July 2013).

The study team examined some of the available data related to capital and facility investments for DCPS and similar costs for public charter schools and uncovered certain differences. Importantly, however, current law does not require equal funding for capital investments, or costs, in both school sectors. There are historical reasons for these differences that cannot be addressed solely by changes in the UPSFF. Also, as noted earlier, complete data on charter school facility expenditures could not be obtained. Accordingly, the study team determined that resolving capital and facility investment discrepancies and ensuring all schools have equal access to high-quality buildings, though very important, should not be addressed by the DC Education Adequacy Study.

Funding Within and Outside the UPSFF

The UPSFF is intended to fund all the traditional school system programs and functions for which DCPS and public charter schools are responsible—instructional, noninstructional, and administrative. Funds available through the UPSFF are determined on a per-student basis and are allocated to the LEA where students are enrolled. Currently, UPSFF funding can support instructional programs and resources, student support services, administrative functions, and facilities maintenance and operations costs. Yet it would be misleading to assume that funds provided through the UPSFF are the only resources available for DC students.

As highlighted in Chapter 3 and earlier in this chapter, additional funding has been available to DCPS and public charter schools in recent years, though significantly more has been allocated to DCPS. Mary Levy, a local school budget expert, estimated that between school year 2008 and school year 2012, DCPS received an additional \$72 million to \$127 million annually in extra nonuniform local operating funds.¹⁹ This includes the following:

- Funding for UPSFF functions provided to DCPS via *extra appropriations* and coverage of overspending is estimated to be between \$12 million and \$72 million annually. Beginning in fiscal 2012, both DCPS and public charter schools received funding through a supplemental appropriation; however, until 2012, supplemental appropriations were only available to DCPS and, in many years, were appropriated to cover cost overruns.
- *Subsidies and free in-kind services, particularly facilities maintenance and legal costs* provided to DCPS for UPSFF functions by other city agencies are estimated to total between \$40 million and \$60 million annually. Although some of these services are available to public charter schools, they are not provided equally (e.g., school nurses, social workers, school resource officers, and school crossing guards). Public charter schools receive less benefit, in total and on a per-student basis.
- *Nonuniform student counts* in the UPSFF itself, notably the use of projected rather than actual enrollment to determine DCPS appropriations, are estimated to result in \$4 million to \$45 million more in annual funding for DCPS than for public charter schools that are paid based on their actual enrollment.

¹⁹ Mary Levy, *Public Education Finance Reform in the District of Columbia: Uniformity, Equity and Facilities* (Washington, DC: Friends of Choice in Urban Charter Schools [FOCUS] and the DC Association of Chartered Public Schools, 2012).

- Both DCPS and charters receive *federal categorical funding* on an equal basis to serve low-income and disadvantaged students and those with special education needs. These funds flow through OSSE and are distributed to LEAs based on the number of enrolled students who meet program eligibility criteria.
- Both DCPS and charter schools receive *private funding* from individual donors, parents, and community partner organizations.
- Some public charter schools that lease DCPS school buildings receive *rent abatements or pay below-market rents* to the DC treasurer.
- Public charter schools receive an annual *facilities allowance*, currently set at \$3,000 per student. The allowance was established to help cover the costs of leasing, acquisition, and capital improvements to facilities, though school leaders have flexibility in how they allocate these funds, including covering costs that are within the UPSFF.

Table 4.7 lists the cost categories that are covered within and outside the UPSFF by other DC agencies or through the facilities allowance for public charter schools.

Table 4.7: Expenses Currently Within and Outside the Uniform Per Student Funding Formula (District of Columbia Public Schools and Public Charter Schools)*

| Cost Categories | Within UPSFF | Outside UPSFF | | |
|--|--------------|---|-----------------------------|--|
| | | Costs Covered via Other DC Agency Budgets | | Facilities Allowance for Public Charters Only ¹ |
| | | For DCPS | For Charters | |
| Teachers Salaries and Benefits | X | | | |
| School Administrators Salaries and Benefits | X | | | |
| DCPS Teacher Pensions ² | | X | | |
| Student Counselors Salaries and Benefits | X | | | |
| School Nurses Salaries and Benefits | | Department of Health | | |
| Social Workers Salaries and Benefits | | Department of Behavioral Health | | |
| Special Education Social Workers Salaries and Benefits | X | | | |
| School Crossing Guards | | Department of Transportation | | |
| School Resource Officers | | Metropolitan Police Department ³ | | |
| Educational Supplies and Materials | X | | | |
| Educational Furnishings and Equipment | X | Department of General Services | | X |
| Information Technology Services and Equipment | X | Office of the Chief Technology Officer ⁴ | | X |
| Food Services | X | | | |
| Before- and After-School Programs | X | | | |
| Summer School Programs | X | | | |
| Early Childhood Programs | X | | | |
| Risk Management, Legal Services, and Settlements | X | Office of the Attorney General | | |
| Public Charter School Board Appropriation | | | Public Charter School Board | |
| Security Guards | X | | | |
| General Maintenance—Buildings and Grounds | X | Department of General Services | | |

| Cost Categories | Within UPSFF | Outside UPSFF | | |
|---|--------------|---|--------------|--|
| | | Costs Covered via Other DC Agency Budgets | | Facilities Allowance for Public Charters Only ¹ |
| | | For DCPS | For Charters | |
| Custodial Services | X | Department of General Services | | |
| Utilities | X | | | |
| Capital Repairs | | Department of General Services | | X |
| New Building, Renovation, and Modernization | | Department of General Services | | X |
| Rent and Lease Payments /Rent Abatements | X | | Treasurer | X |
| Loans and Mortgage Payments | | | | X |
| Payments to Bondholders | | Treasurer | | X |
| Property Taxes and Insurance | | | | X |
| Debt Reserve Funds | | | | X |

Notes:

* Services provided through the Office of the Attorney General and the Department of General Services are available only to DCPS.

1 The facilities allowance for public charter schools is not restricted to the uses detailed in this table, which reflects the intended use of these funds. Charter schools may use facilities allowance funds for other cost categories.

2 When contributions from current teachers do not meet DCPS pension obligations, the shortfall is covered by added contributions of local funds. On an annual basis, this amount has reached up to \$15 million.

3 The school resource officer (SRO) program is a community policing program partnership between DCPS and the Metropolitan Police Department (MPD). MPD will only assign SROs to schools with security staff.

4 DCPS receives information technology (IT) services through the Office of the Chief Technology Officer(OCTO), which it pays for through a memorandum of understanding. In addition, DCPS benefits from IT systems that OCTO has in place for the entire DC government.

Source: Interviews with DC agency personnel.

Unless the total amount of funding from all these sources is taken into account, it is difficult to get a clear picture of how much is actually spent on educating DC students and how it affects the adequacy of educational programs and services. However, as will be explained in greater detail in Chapter 5, for purposes of calculating the costs of an adequate base level of funding and appropriate weights for DC students with identified learning needs, the study team focused exclusively on the DC government share of funds provided through the UPSFF and other DC agency funding, not on federal categorical funding, supplemental appropriations, grants, and private donations. This is because:

- *Federal categorical funding* for students with identified learning needs is provided to DCPS and public charter schools equally to help offset the costs of providing an adequate education to these students. Therefore, the study team accounted for these funds in developing weights for specific categories of special needs students.

- Annual budgeting cannot anticipate *private contributions and supplemental appropriations*. Therefore, planning to meet the cost of education adequacy should not be based on these sources of nonrecurring funds, and the study team did not include them in its education adequacy calculations.
- The UPSFF is used to calculate the amount of local funding required for DCPS and public charter schools.

For purposes of calculating the costs of an adequate base level of funding and appropriate weights for DC students, the study team focused exclusively on the DC government share of funds provided through the UPSFF and other DC agency funding.

A comparison of the value of contributed services available to DCPS and public charter schools through other DC agencies is presented in Table 4.8. This table shows that DCPS is projected to receive much more support from these sources in SY 2013–2014.

Table 4.8: Benefits Provided by DC Offices and Agencies to DCPS and Public Charter Schools (Projected Total Value and Per-Student Share in Fiscal 2013 and Fiscal 2014)*

| DC Government Agency or Office | Cost of Benefits Provided to DCPS | Cost of Benefits Provided to Public Charter Schools | Total |
|--|-----------------------------------|---|---------------------|
| Department of Health | \$12,750,000 (\$277) | \$4,250,000 (\$114) | \$17,000,000 |
| Department of Health and Behavioral Health | \$3,420,594 (\$74) | \$1,026,177 (\$27) | \$4,446,771 |
| Office of the Attorney General | \$2,442,000 (\$53) | | \$2,442,000 |
| Office of Contracting and Procurement | \$2,280 (\$0.05) | | \$2,280 |
| Office of the Chief Technology Officer | \$1,914,110 (\$42) | | \$1,914,110 |
| Department of General Services | \$45,503,000 (\$988) | | \$45,503,000 |
| Public Charter School Board Appropriation | | \$1,161,000 (\$31) | \$1,161,000 |
| Total | \$66,031,984 | \$5,276,177 | \$71,308,161 |
| Per-Student Share of Cost** | \$1,434 | \$141 | \$854 |

Notes:

*Additional resources to remain outside the UPSFF include school resource officers (SROs) allocated cross-sector, totaling \$8,186,239 in fiscal 2013; this includes 26 SROs allocated to DCPS, totaling \$2,149,921; 15 SROs allocated to public charter schools, totaling \$1,240,339; and 58 roving officers and officials assigned cross-sector, totaling \$4,795,979. It also includes Department of Transportation crossing guards allocated cross-sector, totaling \$3,050,000 in fiscal 2013.

**Figures are calculated based on 2013–2014 projected enrollment numbers.

Sources: Data provided by Office of Contracting and Procurement based on annual costs; data provided by Department of Health and Department of Behavioral Health based on FY13 costs; data for Public Charter School Board, Office of the Attorney General, Office of the Chief Technology Officer, Department of General Services, and Public Charter School Board based on FY14 budget.

There are several explanations for these differences, though they cannot illuminate all the discrepancy in funding between the two sectors.

- *Many of the services (and associated funding) provided by DC government agencies are based on needs of the neighborhood where a school is located, rather than on per-student allocations.* This is appropriate in the case of school crossing guards and school resource officers, who work on a roving basis and serve more than one DCPS and/or public charter school. The DDOT determines the amount of assigned time for each school based on neighborhood traffic conditions and schedules crossing guards so they can serve multiple schools in a particular neighborhood with staggered arrival and dismissal times. The MPD determines the amount of assigned time for school resource officers in each school,

based on conditions within the schools (e.g., gang presence, neighborhood violence, and number of students reentering school after spending time in a juvenile detention facility).

- *Other services cannot be accessed unless adequate space is made available in school buildings.* This includes health and mental health care. School nurses, for example, are equally available to all schools to address routine student health needs during the school day (e.g., administering medication and conducting routine diabetes testing) and deal with illness and injury when they occur. However, schools that do not have adequate space for a school health suite or clinic that can accommodate nurses and patients may not be assigned nurses. If charter schools do not have spaces for student health functions, they generally do not have nurses on campus, even though nurses are available through the DOH.
- Another source of discrepancy in services and funding between the sectors, though it is comparatively small, is that *DCPS receives significant support for many system-level functions that are typically managed and paid for within the central offices of major urban school systems.* This includes legal services from the OAG, procurement support from the OCP, and technology systems from OCTO. The largest portion of these additional benefits is for facilities maintenance and operations provided by the department of general services. These services and benefits are not available to public charter schools, so they manage these functions internally or contract them out to commercial vendors using UPSFF funds to cover the costs.
- Finally, *the Public Charter School Board receives an annual appropriation to cover approximately half of its budget,* with the remainder of funding coming from charter schools that are charged a 0.5 percent fee based on their annual budget. A legislative proposal pending before the city council would increase this fee to 1.0 percent of all charter school budgets. PCSB is responsible for chartering and providing oversight to the charter LEAs.

Two major factors seem to drive cost differences between DCPS and public charter schools: labor costs and facilities maintenance and operation costs.

Cost Differences Between DCPS and Public Charter Schools

Two major factors seem to drive cost differences between DCPS and public charter schools:

- Labor costs; and
- Facilities maintenance and operation costs.

Differences in Labor Costs

Labor costs are a major source of cost differences between the two sectors; DCPS labor costs are higher than those of public charter schools. In general, average charter salaries (plus fringe benefits) are only 73 percent to 79 percent of average budgeted DCPS salaries (plus fringe benefits). This reflects the fact that the DCPS workforce is largely unionized and, therefore,

DCPS must negotiate salaries, benefits, and working conditions through a collective bargaining process. The workforce of public charter schools is not unionized, though their employees have the right to organize. Their governing boards have the authority to establish compensation for all school staff and specify working conditions and expectations independently. Differences in labor costs also result from the fact that many public charter school staff members are younger than staff in comparable DCPS positions. With less seniority, they have lower salaries. A comparison of three key school personnel categories at different salary levels illustrates the point (see Table 4.9).

Table 4.9: Differences in Labor Costs for Key Personnel Between District of Columbia Public Schools and Public Charter Schools

| Representative Staff Categories | DCPS Budgeted Cost ¹ | DCPS Actual Cost ² | Charter Average Cost ³ |
|---------------------------------|---------------------------------|-------------------------------|-----------------------------------|
| Principal | \$153,925 | \$137,432 | \$122,595 |
| Assistant Principal | \$123,432 | \$101,133 | \$103,951 |
| Teacher | \$90,523 | \$88,990 | \$71,858 |

Notes:

1 Figures represent DCPS teacher salary, plus benefits, used for school-level budgeting purposes for school year 2013–2014.

2 Figures are based on PeopleSoft staffing reports, 2013. They include salaries plus an additional 15 percent for benefits.

3 Figures are based on 2012–2013 average salary figure data from the DC Public Charter School Board.

Source: “SY 2013–2014 Budget Planning Guide for District of Columbia Public Schools,” www.dcps.dc.gov.

The DCPS average salary level with benefits compares favorably with those of other school districts in the Washington, DC, metropolitan area, which range from \$83,804 to \$108,510. When compared with 10 suburban districts, the fiscal 2013 average DC teacher salary with benefits is in the middle, with five districts higher (Alexandria City, Arlington County, Montgomery County, Fairfax County, and Falls Church City) and five districts lower than DC (Prince William County, Prince George’s County, Manassas City, Manassas Park City, and Loudon County).²⁰

For LEA and school budgeting purposes, DCPS salaries for staff in each position are based on the average salary (plus fringe benefits) for that position. As an example, though teacher salaries can range from \$59,270 to \$122,521, all teachers are budgeted at the average level of \$90,523. Actual salary expenditures, as shown on the Schedule A report, are somewhat less, though still significantly higher than actual charter school salaries (plus fringe benefits). Schools do not receive the difference between budgeted and actual salaries (plus fringe benefits) to reallocate to other staff or for other purposes. These funds remain in the DCPS central office budget.

²⁰Washington Area Boards of Education, *The FY 2013 WABE Guide* (Fairfax County, VA: Fairfax County Public Schools, 2013). Note that DCPS does not participate in the Washington Area Boards of Education.

The DCPS average teacher salary level with benefits compares favorably with those of other school districts in the Washington, DC, metropolitan area, and it is higher than the average public charter school teacher salary level with benefits.

Additionally, DCPS education service staff members are eligible to participate in the DC Teacher's Retirement System and to receive IMPACT [performance assessment] bonuses and support. Contributions to the Teacher's Retirement System, which is separate from the DCPS budget, are expected to be \$31.6 million for fiscal 2014.²¹ School-based IMPACT bonuses, which are included in the DCPS budget, are budgeted at \$3.2 million.²² Another \$12 million is budgeted for the early retirement option, buyout option, and extra year option under the mutual consent provisions.²³ The bonus program was initially implemented with philanthropic support, but those grants have ended. Starting in fiscal 2013, DCPS is funding bonuses through the UPSFF. Although public charter school staff cannot participate in these programs, charter school LEAs can create a retirement system and performance pay system using UPSFF funding.

Differences in Facilities Maintenance and Operations Costs

Compared with DCPS, public charter schools are much more efficient regarding facility M&O. Public charter school facilities generally are more crowded and have fewer amenities than DCPS school facilities. Many charter schools operate in commercial spaces (e.g., warehouses and storefronts) that have been converted to schools and, therefore, do not have athletic fields, auditoriums, cafeterias with working kitchens, and other spaces specified as needed for an adequate education facility.

Approximately \$45 million, or 40 percent, of DCPS system M&O costs are covered by the department of general services outside the UPSFF. In comparison, none of public charter school facilities costs are paid directly by DGS or other city agencies and offices. However, some public charter schools lease space from DGS at below-market rates and receive rent abatement, if they invest more than \$1 million in capital improvements in unoccupied or underutilized DCPS buildings.

Implications for Per-Student Costs

Total projected per-student costs are higher for DCPS than for public charter schools, as shown in Table 4.10. This is largely attributable to the higher costs per student for facilities M&O, though it should be noted again that the public charter M&O costs are undercounted because the study team could not accurately account for custodial costs. Because the study team separated facilities M&O from other LEA-level costs related to management and administration of instructional programs, student support services, and other educational resources, the subtotal compares instruction-related costs and the total adds in the additional costs for facilities M&O.

²¹ Information is based on a congressional budget submission from the Office of the Chief Financial Officer.

²² Information is based on a DCPS budget submission to the City Council.

²³ Ibid.

Table 4.10: Total Base-Level, Per-Student Costs in District of Columbia Public Schools and Public Charter Schools (Projected/Budgeted for School Year 2013–2014)

| Cost Category | DCPS | Public Charter Schools* |
|----------------------------------|-----------------|-------------------------|
| School-Level costs | \$9,405 | \$9,405 |
| System-Level costs | \$1,973 | \$1,897 |
| Subtotal | \$11,378 | \$11,302 |
| Cost Category | DCPS | Public Charter Schools* |
| Maintenance and Operations Costs | \$2,097 | \$759* |
| Total | \$13,475 | \$12,061 |

Note:* Total maintenance and operations costs for public charter schools are underestimated, because custodial costs cannot be determined.

Sources: The recommendations are derived from the professional judgment panel specifications resulting from panelists' deliberations; interviews with personnel from DC government agencies and the executive of the mayor in June 2013; "DCPS 2013–2014 Spending Plan," www.dcps.dc.gov (accessed April 2013); and "DCPS Operations and Maintenance: DCEAS Facilities Cost Analysis FY 2014," www.dcps.dc.gov (accessed July 2013).

Summary

The system-level professional judgment panels—using the education research evidence base as a point of departure—developed detailed resource specifications for LEA costs for DCPS and for public charter schools. Of particular note:

- Because the two sectors are structured and operate so differently, the study team appointed two panels, one for DCPS and one for public charter schools, to identify and specify resource requirements for efficient and effective central office management and administration.
- System-level costs related to central office management and administration of instructional programs, student support services, and other educational resources are slightly higher on a per-student basis for DCPS.
- System-level costs for facilities M&O are significantly higher for DCPS. In part, this difference reflects the costs of vacant and underutilized space that are included in the DCPS estimate. It also reflects an underestimation of costs for public charter school custodial services, which could not be determined.
- Neither DCPS nor public charter schools fund all of their instructional programs and student support services through the UPSFF. Although DC law prohibits also funding costs outside the UPSFF that are covered by the formula, both sectors receive some services—and the economic benefit—from other DC government agencies. To the extent school-related services are funded outside the UPSFF, they are supposed to be funded

equally. However, DCPS receives significantly greater benefit than public charter schools, in total and on a per-student basis.

- DCPS also receives significant support from other agencies and executive offices for central office functions that typically are managed internally by most large urban school systems. Charter schools cover the costs of these functions with their UPSFF funding.
- The primary drivers of current cost differences between DCPS and public charter schools are labor costs and facilities maintenance and operations costs. DCPS costs are significantly higher than public charter schools in both areas.