

## 6. RECOMMENDATIONS

At each stage of its work, from study design through data collection, analysis, and formulation of findings and recommendations, the study team—comprised of staff from The Finance Project (TFP) and Augenblick, Palaich and Associates (APA)—was guided by the principles outlined in the introduction to this report. Of particular concern in formulating the recommendations was ensuring that suggested changes in the Uniform Per Student Funding Formula (UPSFF) are clearly focused on achieving adequacy, equity, and transparency in education funding in the District of Columbia (DC).

The Mayor and DC Council have increased funding for general education and for special education during the past several years. However, as shown in the successful schools study and the cost estimation based on the professional judgment (PJ) panels, current funding through the UPSFF has not kept up with the cost of educating students in District of Columbia Public schools (DCPS) and public charter schools. This is due to several factors that impact education costs:

- *Characteristics of the student population.* The District has a high proportion of students from low-income, severely disadvantaged, and non-English-speaking families. These students require additional instructional resources and student support services to be successful learners.
- *High labor costs.* The high cost of living in the city and metropolitan area and the predominance of a unionized workforce in DCPS means the District has a relatively high wage scale for educators.
- *Education reform.* The District of Columbia, along with many states across the nation, is taking steps to implement the Common Core State Standards for kindergarten through grade 12, which require significant investments in new and upgraded curricula, instructional programs, assessment, and professional development as well as increased coordination across grade levels and schools.
- *Commitment to equity between sectors.* By law, the District is obligated to provide operating funds through a Uniform Per Student Funding Formula to both DCPS and public charter schools. Meeting this obligation requires additional resources because of past differences in funding between the two sectors.

Despite the current level of education funding, the UPSFF will need to be increased to ensure all schools have the resources they need to enable students to successfully meet DC academic performance standards. The UPSFF should also include additional funding to address the learning needs of students at risk of academic failure.

DC education funding also is inequitable, as shown in the TFP/APA study team's analyses of current spending on DCPS and public charter schools. The School Reform Act requires uniform funding of operating expenses for both DCPS and public charter schools.<sup>1</sup> Both DCPS and public

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<sup>1</sup> Note that no such requirement exists for capital expense.

charter schools depend on additional resources provided by other DC government agencies to cover the costs of some school-based programs and services (e.g., school nurses and social workers, school crossing guards, and school resource officers). To the extent additional services are available to DCPS, they must be equally available to public charter schools. However, DCPS receives significantly more funding than public charter schools, in total and on a per-student basis. Additionally, the department of general services (DGS) funds approximately 40 percent of facilities maintenance and operations (M&O) costs for DCPS schools and some of its administrative offices. Other city agencies subsidize or perform central office functions for DCPS.

These funding disparities are contrary to DC law, which mandates that DCPS and public charter schools be funded through the UPSFF for operating expenses, that services provided by DC government agencies be on an equal basis, and that costs covered by the UPSFF should also not be funded by other DC agencies and offices.<sup>2</sup> The differences also have become a source of significant tension between the two education sectors. Against this backdrop, the study team was keenly focused on ensuring that its recommendations for restructuring and resetting the UPSFF address these issues and create greater equity between DCPS and public charter schools. Moreover, the study team was focused on ensuring all schools are funded at a level that will enable students to meet academic performance standards.

Recommendations based on the findings of the DC Education Adequacy Study are organized under six broad headings:

- Restructuring education funding through the UPSFF to explicitly address facilities M&O costs;
- Resetting the UPSFF base level and weights;
- Maintaining the capital facility allowance for public charter schools pending further analysis;
- Ensuring local funding flows through the UPSFF with specific and limited exceptions;
- Creating greater transparency and accountability in education budgeting, resource allocation, and reporting; and
- Updating the UPSFF regularly.

### **Restructuring the UPSFF to Address M&O Costs**

Currently, the UPSFF includes funding to cover the per-student costs for both instructional operating allocations and facilities M&O allocations, though these costs are not disaggregated. However, to understand the relative impact of these costs, the study team analyzed the two components independently.

To develop a uniform rate for M&O costs for DCPS and public charter schools, as is required by law, the study team developed a per-square-foot M&O cost rate based on the current costs for DCPS schools at each grade level—elementary school, middle school, and high school. No established space standard exists for adult learning centers, alternative schools, and special education schools where students are ungraded, so the study team applied the middle school M&O cost rate for adult education and alternative schools and the high school cost rate for stand-

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<sup>2</sup> DC Official Code §§38-1804.01, 2902, and 2913.

alone special education schools. To derive a uniform per-student M&O cost at each school level, the study team applied the grade-level-specific, per-square-foot cost rate to the number of square feet of space recommended for students at each school level in the DCPS design guidelines.<sup>3</sup> It is this grade-level-specific, per-square-foot cost rate that is applied in the UPSFF and used to determine the amount of funding that should be allocated to DCPS and public charter school local educational agencies (LEAs) for each student. This approach provides the foundation for several related recommendations to restructure the UPSFF to explicitly address facilities M&O costs.

- The study team recommends that *the two components of the UPSFF per-student payment (i.e., the instructional operating allocation and the facility M&O allocation) should be calculated and presented separately within the formula.* The instructional operating allocation is structured as a base funding level and weights that are added to the base to address cost differences for students at different grade levels and with identified learning needs (similar to the current configuration). The M&O allocation is structured as an actual grade-level-specific dollar amount to be added to the amount of the instructional base funding and weights for each student. The table presents the recommended UPSFF, including both the instructional and facility M&O costs.
- The study team recommends that *grade-level-specific M&O costs should be structured as an actual per-student dollar amount rather than as a weight.* Based on DCPS actual and fiscal 2014 projected M&O costs, the study team recommends the following per-student facilities M&O costs as a component of the UPSFF:
  - \$1,071 for each elementary school student;
  - \$1,209 for each middle school student;
  - \$1,342 for each high school student;
  - \$1,209 for each adult education and alternative student; and
  - \$1,342 for each student attending a stand-alone special education school.
- Calculating the M&O costs in this way, based on actual costs applied to recommended space criteria, enables funding to flow through the formula on a per-student basis in a transparent way. However, given the different cost structures for DCPS and public charter schools, the study team recommends that *DC leaders develop a uniform reporting structure for facilities M&O costs in both sectors so, going forward, the M&O payment can be built on cost estimates that include actual costs for DCPS and public charter schools.*
- The study team recommends *a strong focus on more efficient use of DCPS buildings by releasing surplus buildings for use by charter schools and aggressively pursuing collocation opportunities, even as DCPS continues to work to build its enrollment.*

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<sup>3</sup> According to the “District of Columbia Public Schools Design Guidelines: 2009,” as amended in 2012, the total per-student space requirements are as follows: elementary schools: 150 square feet per student; middle schools: 170 square feet per student; and high schools: 192 square feet per student. The study team assigned adult education and alternative schools and education centers, and special education schools to the middle school rate of 170 square feet per student.

- During a reasonable transition period, DGS should provide M&O funding to make up the difference of DCPS's facilities M&O costs.

Paying facility M&O costs using the recommended per-square-foot-per-student allocation approach through the UPSFF will not cover the full costs of DCPS facilities M&O expenses. This is due, primarily, to the large amount of underutilized space in city-owned school buildings and grounds that must be maintained. Applying the recommended square footage per student to the school year 2012–2013 audited enrollment for DCPS shows that DCPS requires only about 7.4 million square feet, or roughly 70 percent, of the approximately 10.6 million square feet of active school building space in its current portfolio.<sup>4</sup>

Yet DCPS operates as a system of right, which requires that schools be available across the city that can serve every neighborhood at every grade level. In addition, though it is difficult to quantify the monetary value of benefits, DCPS school buildings and grounds represent community assets that serve diverse purposes for community residents beyond educating neighborhood children and youth. DCPS's pools, fields, and athletic spaces provide community recreation resources. Auditoriums, multi-purpose rooms, and classrooms provide community performance and meeting space. Schools also house other community services, such as health care and child care, in school-based facilities, with their M&O costs attributed to DCPS.

Beyond increasing enrollment in DCPS schools, the study team recommends that city leaders aggressively pursue policies to use underutilized space in DC-owned school buildings and grounds more efficiently. Not only will this help defray DCPS's M&O costs in the long term, but it will also benefit the communities surrounding underutilized DCPS schools. As the first and most important step in this direction, DCPS should, where appropriate, collocate with other LEAs, city agencies, or community-based organizations. Although collocation requires substantial management and oversight, the District should aggressively move to lease space in underutilized DCPS buildings to other appropriate entities. It should also support DCPS and prospective tenants in planning for successful collocations.

### **Resetting Instructional Education Funding Levels Through the UPSFF**

The process for developing the proposed instructional base funding level and weights was the result of a rigorous, multimethod analysis that included input and review by multiple local and national experts. The recommended formula is structured to account for the resource needs of general education students and students with identified learning needs at every grade level, from prekindergarten for three-year-olds through grade 12, as well as the needs of adult learners. The UPSFF base-level funding and weights for students at different grade levels and with identified learning needs are the same for all DC students, regardless of whether they attend DCPS or public charter schools. This includes costs for all the resources that students need to be successful in light of the District's performance standards, including those currently provided outside the UPSFF. Accordingly, the study team offers several related recommendations for resetting the UPSFF:

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<sup>4</sup> DCPS has approximately another 1.5 million square feet of space for DCPS future use, swing space, and administrative space.

- The study team recommends that *the proposed UPSFF base funding level should reflect a combined cost of \$10,557 per student for instructional purposes and \$1,071 per student for facility M&O, totaling \$11,628* (see table). This is equal to the per-student base cost at the least-costly grade level—kindergarten through grade 5. The instructional and facility M&O portions of the UPSFF are reported separately for purposes of transparency.
- The study team recommends that *the instructional portion of the UPSFF should be adjusted in two fundamental ways*:
  - The new instructional base funding level and weights should provide adequate resources to address the needs of all students to meet current academic performance standards and, when they are fully implemented, the new Common Core State Standards. This includes instructional programs, student support services, administrative capacity, and other educational resources, as described in Chapters 3 and 4.
  - The total costs of serving students, including those with identified learning needs, should be partially offset by federal categorical funding that flows from federal entitlement programs, formula grant programs, and other categorical programs that benefit students with particular needs and characteristics. As a result, in calculating the new UPSFF base funding level and weights, the study team deducted the projected amount of these federal funds from the estimated costs.
- Weights beyond the base level of funding represent additional percentages of the base for students at other grade levels and for students with identified learning needs that entail costs above the base. *In addition to grade-level weights, the study team recommends maintaining the current categories of special education and English language learners. These weights should continue to be cumulative.*

The recommended levels of required funding, based on the cost analysis, are higher than current levels for special education Levels 1, 2, 3, and 4 students and for English language learners.<sup>5</sup> These higher levels of funding reflect the needs for increased specialized resources. The total costs of serving students with identified learning needs is partially offset by federal categorical funding that flows from federal entitlement programs, formula block grants, and other categorical programs that benefit students with particular needs and characteristics. In calculating the net new base-level cost and weights, the study team deducted these federal funds from the gross cost figures.

- The study team recommends *adding a new weight of 0.37 for students at risk of academic failure*. An initial working definition of at risk should focus on three primary criteria:
  - Students who are in foster care,
  - Students who are homeless, and

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<sup>5</sup> Special education students are categorized into four levels of need, according to the number of hours per week they require specialized services.

- Students who are living in low-income families eligible for Temporary Assistance for Needy Families (TANF).

This weight can be combined with weights for other applicable identified learning needs, except for alternative or adult education students, because, by definition, these students are at risk and additional resources have been factored into their relevant weights.

As previously noted, many stakeholders have raised questions about whether these criteria too narrowly limit the definition of educational risk, particularly the use of TANF eligibility, because the program sets income limits at only 100 percent of the federal poverty level and families eventually time out of the program. However, use of the traditional metric for low-income status—eligibility for free and reduced-price school meals—may be overly broad and result in overfunding some schools as the District moves toward community eligibility.

The study team recognizes the deficiencies in the proposed working definition. As it is ultimately a policy decision for the Mayor and DC Council to determine the definition of at risk, the study team recommends that education leaders engage stakeholders further to decide on a definition of at risk that is targeted to the District's needs and that is based on available data sources. Additionally, as work by the Office of the State Superintendent of Education to develop an early warning system for identifying students at risk of academic failure is completed, the at-risk definition should take account of relevant evidence-based indicators that will be tracked (e.g., over-age and behind-grade).

- The study team recommends *excluding two current weights and instead accounting for these needs in other weights*: the current summer school weight, which is accounted for in the new at-risk weight and in the weight for English language learners in the proposed UPSFF; and the special education capacity fund, because it is accounted for in the special education weights.
- The study team recommends *developing a weight for gifted and talented students*. The professional judgment panels did not outline comprehensive resource specifications for high-performing students as they did for other students with identified learning needs, though such a weight is frequently a component of a comprehensive weighted student funding formula. Accordingly, the study team recommends that the District explore the feasibility of developing and costing out specifications for additional specialized educational resources and opportunities for gifted and talented students.

Table 6.1: Recommended UPSFF Base Funding Level and Weights

GENERAL EDUCATION AND ADD-ON WEIGHTING, INCLUDING MAINTENANCE AND OPERATIONS						
Category	Current UPSFF Weight	Current UPSFF Per-Pupil Allocation	Proposed UPSFF Weight After Federal Revenue Adjustments	Proposed UPSFF Per-Pupil Allocations After Federal Revenue Adjustments	Facility M&O UPSFF Per Pupil Allocations	Proposed UPSFF Per Pupil Allocations After Federal Revenue Adjustments with M&O
<b>Foundation</b>		\$9,306		\$10,557	\$1,071	\$11,628
<b>General Education</b>						
Preschool	1.34	\$12,470	1.15	\$12,141	\$1,071	\$13,212
Prekindergarten	1.30	\$12,098	1.15	\$12,141	\$1,071	\$13,212
Kindergarten	1.30	\$12,098	1.00	\$10,557	\$1,071	\$11,628
Grades 1–3	1.00	\$9,306	1.00	\$10,557	\$1,071	\$11,628
Grades 4–5	1.00	\$9,306	1.00	\$10,557	\$1,071	\$11,628
Grades 6–8	1.03	\$9,585	1.01	\$10,663	\$1,209	\$11,872
Grades 9–12	1.16	\$10,795	1.10	\$11,613	\$1,342	\$12,955
Alternative <sup>1</sup>	1.17	\$10,888	1.73	\$18,264	\$1,209	\$19,473
Adult Education <sup>2</sup>	0.75	\$6,980	1.00	\$10,557	\$1,209	\$11,766
Special Education Schools	1.17	\$10,888	1.17	\$12,352	\$1,342	\$13,694
<b>Special Needs Add-on Weightings</b>						
Special Education Level 1	0.58	\$5,397	0.88	\$9,290		
Special Education Level 2	0.81	\$7,538	1.08	\$11,402		
Special Education Level 3	1.58	\$14,703	1.77	\$18,686		
Special Education Level 4	3.10	\$28,849	3.13	\$33,043		
Special Education Capacity Fund	0.40	\$3,722	N/A			
<b>English Language Learners</b>	0.45	\$4,188	0.61	\$6,440		
<b>At Risk</b>	N/A	N/A	0.37	\$3,906		

Table 6.1: Recommended UPSFF Base Funding Level and Weights, continued

SUMMER SCHOOL, EXTENDED SCHOOL YEAR, AND RESIDENTIAL				
Category	Current UPSFF Weight	Current UPSFF Per-Pupil Allocation	Proposed UPSFF Weight After Revenue Adjustments	Proposed UPSFF Per-Pupil Allocations After Revenue Adjustments
<b>Foundation</b>		\$9,306		\$10,557
<b>Special Education Compliance</b>				
Blackman-Jones Compliance	0.07	\$651	0.06	\$651
Attorneys' Fee Supplement	0.09	\$838	0.08	\$838
<b>Summer School<sup>3</sup></b>	0.17	\$15,820	N/A	N/A
Extended School Year Level 1	0.064	\$596	0.056	\$596
Extended School Year Level 2	0.231	\$2,150	0.204	\$2,150
Extended School Year Level 3	0.500	\$4,653	0.441	\$4,653
Extended School Year Level 4	0.497	\$4,625	0.438	\$4,625
<b>Residential Add-Ons</b>				
Residential Weight	1.70	\$15,820	1.50	\$15,820
<b>Special Education Residential</b>				
Level 1	0.374	\$3,480	0.330	\$3,480
Level 2	1.360	\$12,656	1.199	\$12,656
Level 3	2.941	\$27,369	2.592	\$27,369
Level 4	2.924	\$27,211	2.578	\$27,211
English Language Learner Residential	0.68	\$6,328	0.60	\$6,328

**Notes:**

1 The proposed weight assumes alternative school students would not receive an at-risk weight.

2 The proposed weight assumes adult education students would not receive an at-risk weight. The weight also assumes a general education full-time equivalent (FTE) student. However, many adult education students would be counted at below FTE, so the weight was prorated by 75 percent.

3 Summer school is not assigned a specific weight in the proposed UPSFF because it is included in the at-risk weight and English language learner weights.

**Sources:** The recommendations are derived from both the professional judgment panel specifications resulting from panelists' deliberations and the evidence base found in Michael E. Goetz, Allen R. Odden, and Lawrence O. Picus, "Using Available Evidence to Estimate the Cost of Educational Adequacy," *Education Finance and Policy*, vol. 3, no. 3 (2008): 374–97.

**Maintaining the Capital Facility Allowance for Public Charters Pending Further Analysis**

Although the study team examined information on capital investments by DCPS and public charter schools, available financial data were insufficient to fully assess public charter school costs and develop a meaningful comparison to DCPS spending. DCPS funding for new construction, renovation, and upgrading of school buildings and grounds is paid for by DGS and is based on a capital plan that prioritizes school improvement projects. Public charter schools receive an annual facilities allowance of \$3,000 per student to cover the acquisition, lease, and improvement of school facilities. However, capital investment costs for public charter schools are much more difficult to discern, because no standard approach for investment or accepted

method of accounting for costs exists. The lack of a single accepted chart of accounts for presenting expenditures, including those for capital investment, made it impossible for the study team to develop a reliable capital cost estimate for public charter schools. Due to these constraints, the study team recommends that:

- The Mayor and DC Council should *maintain the current capital allowance for public charter schools, pending further financial analysis based on uniform data reporting by charter LEAs on their capital expenditures.*

### Ensuring Local Funding Flows Through the UPSFF with Specific and Limited Exceptions

To comply with current DC law, which requires that costs covered by the UPSFF should not also be funded by other DC agencies and offices, and to achieve greater funding equity between DCPS and public charter schools, the study team worked with the PJ panels to examine the flow of funding within and outside the UPSFF. One goal was to determine which student support services currently funded outside the UPSFF should be covered by funds that flow through the formula. A second goal was to determine whether any benefits should continue to be funded outside the UPSFF by other DC government agencies.

The study team recommends that the UPSFF provide comprehensive funding for all DC students that adequately covers instructional programs, student support services, administrative, and other educational resource needs at the school and system levels as well as funding for facilities M&O costs. To ensure this happens, the study team recommends the following modifications to current arrangements that provide resources to DCPS and public charter schools through other DC government agencies:

- *Most resources currently provided by city agencies to both DCPS and/or charter schools should be funded through the UPSFF.* They are included in the recommended new base funding level for all students and in weights for students with identified learning needs. These services include:
  - School nurses for DCPS and public charter schools (DOH);
  - School social workers for DCPS and public charter schools (DBH);
  - Public Charter School Board Appropriation for charter schools (PCSB);
  - Technology systems for DCPS (OCTO);
  - Procurement services for DCPS (OCP);
  - Legal Services for DCPS (OAG); and
  - Facilities maintenance and repairs for DCPS (DGS).

In the future, DCPS and public charter school LEAs should be responsible for purchasing these services for their schools using UPSFF funds. If mutually agreeable arrangements already exist for other DC government agencies to supply services, DCPS and/or public charter schools can enter into a memorandum of understanding with each of these agencies to continue the arrangement. LEAs should cover the costs through interagency transfers.

- *School safety resources provided to both DCPS and public charter schools should continue to be paid for and allocated by city agencies, outside the UPSFF.* These include school resource officers (SROs) supplied by MPD to prevent and respond to juvenile

delinquency and school violence and school crossing guards supplied by the DDOT to reduce pedestrian injuries and fatalities in traffic accidents. Because decisions on the allocation of these resources are based on considerations for student safety, local traffic patterns, neighborhood environments, school culture, and imminent threats of violence that have little to do with a per-student share of costs, they are less amenable to allocation through the UPSFF. Therefore, MPD and DDOT should continue to provide these services and should be accountable for funding them at a level that is adequate to meet the needs of DCPS and public charter schools citywide. In addition, MPD and DDOT should develop clear criteria to determine which LEAs or schools qualify for these services to reduce confusion and inequity between the sectors.

### Creating Greater Transparency and Accountability in Education Budgeting, Resource Allocation, and Reporting

This research was not undertaken to audit DCPS or public charter school income and expenditures. Nevertheless, the study team spent considerable time gathering and analyzing financial data and information provided by DCPS, PCSB, individual charter schools, and other DC government agencies and executive offices to inform the cost estimates presented in this report. As the study team learned in the course of its work, education budgeting, resource allocation, and financial reporting are not clear and easily traceable processes in DCPS or public charter schools. The state of financial recordkeeping makes it difficult to determine the total amount spent by cost category or to assess cost drivers and cost variations within and among DCPS and public charter schools. It is also difficult to trace funding from the source to the student and to understand the total amount of education spending in the city and how it is allocated to individual schools and to central office functions. These issues are particularly pronounced for facilities M&O costs and capital investments. Accordingly, the study team recommends that:

- *The Public Charter School Board should require all charter schools to adopt a standardized chart of accounts that provides clarity and accountability and enables comparisons among charters and between DCPS and the charter school LEAs.* Currently, all charter schools submit annual financial reports to the PCSB; however, these reports are not standardized and account for spending inconsistently.
- *The city should establish an online public education funding reporting system that provides annual education budget information (e.g., local and nonlocal sources of funding; allocation of resources to LEAs and from LEAs to individual schools; and individual school-level expenses for instruction, student support services, administration, and other educational resources).*

### Updating the UPSFF Regularly

This education adequacy study represents the DC government's first effort to undertake a rigorous analysis to develop a data-driven estimate of the costs of providing three-year-olds in prekindergarten, students in kindergarten, students in grades 1 through 12, and adult students in the District with an educational experience that will enable them to meet academic standards. To keep the UPSFF formulas and funding levels up to date, adequate, and equitable, the study team offers three related recommendations:

- The Office of the State Superintendent of Education (OSSE) should reconvene the technical work group (TWG) to monitor the base and weights of the UPSFF and identify, study, and make recommendations on any issues that impact the effectiveness and efficiency of these mechanisms and any concerns that raise questions about their adequacy, equity, uniformity and transparency. The TWG should be composed of local educators, education finance experts, DCPS and public charter school representatives, and community leaders. It should serve as an advisory group to the Office of the State Superintendent of Education and the Office of the Deputy Mayor for Education.
- The DC government should undertake a rigorous assessment of the adequacy of education funding through the UPSFF every five years. As conditions change in the city and as educational practice advances, city leaders should periodically assess the alignment of education funding with the city’s education goals and the adequacy of funding to achieve them. The Mayor and DC Council should consider restructuring and resetting the UPSFF based on changing economic and demographic conditions, evolving educational norms and best practices, and information on educational resource needs and spending. On a more frequent basis, the city should review the facility M&O costs portion of the UPSFF to update the costs based on actual costs for DCPS and public charter schools.
- In the interim years, the UPSFF should be updated based on an indexed cost-of-living adjustment that is relevant to the cost of living in the District of Columbia.

### Implementing the Study’s Recommendations

Under any scenario, the path toward funding the study team’s recommendations will require a significant new financial commitment to education. Fully implementing these provisions is likely to be a multiyear process. The city’s leaders will have to wrestle with the real limitations of fiscal feasibility and educational need. As they consider a phase-in approach, they should take into account the parallel priorities of increasing the foundational level of resources to address new standards, targeting the highest-need students, and increasing equity between DCPS and public charter schools.