

# 1. INTRODUCTION

During the past two decades, increased accountability for student, school, and district performance has increased pressure on public education systems to ensure *all* students enter school ready to learn and leave school with the tools and skills they need to succeed in life. Such increased pressure can have a positive influence on performance, but only if policymakers and school officials can ensure that schools have the resources they need to meet performance expectations.

Concepts of education adequacy have shifted dramatically in recent years. Prior to the 1990s, common presumptions were that median spending was adequate and that states should strive to bring all districts and schools up to the average or median level of expenditure. With the growing prevalence of state standards and assessments, however, policymakers, educators, and advocates have redefined adequacy to mean the average level of spending required by districts and schools to meet prescribed academic outcome standards.<sup>1</sup>

The adequacy of education funding is hotly debated in the District of Columbia (DC) and across the nation. Some observers believe public schools already have considerable resources to fulfill their missions and, as evidence, they point to the significant increases in education funding during the past decade. Others, however, believe schools need additional funds to address uncontrollable and rapidly growing cost pressures. Still others assert that while some schools need more resources to successfully carry out their missions, other schools are already sufficiently funded.<sup>2</sup> Moreover, differences in the level of resources allocated to traditional public schools and public charter schools are a source of significant tension in the District of Columbia, where both sectors must be funded on an equal basis by law.<sup>3</sup>

Regardless of one's view on the current condition of school funding, what is true is that, until now, DC policymakers and education leaders have not addressed in a rigorous way the question of what it costs to meet performance expectations for students in District of Columbia Public Schools (DCPS) and public charter schools. As in many states, DC officials have developed academic standards and timetables to achieve performance expectations and have created accountability systems with consequences for schools that fail to meet the targets. Unfortunately, however, these expectations and repercussions have been crafted without a sound, data-driven understanding of what it costs for schools to meet desired outcomes based on current academic standards and, when they are fully implemented, the new Common Core State Standards.

## Purpose of the Study

Accordingly, this costing out study aims to develop a sound basis for policymakers and education leaders to understand what it will cost for all schools in the city—DCPS and public charter schools—to achieve expected performance targets. To do so, it focuses on:

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<sup>1</sup> Bruce Baker, Lori Taylor, and Arnold Vedlitz, *Measuring Educational Adequacy in Public Schools: Report to the Texas Legislature Joint Committee on Public School Finance* (College Station, TX: George Bush School of Public Service, Texas A&M University, September 2005).

<sup>2</sup> Augenblick, Palaich and Associates, Inc., *Costing Out the Resources Needed to Meet Pennsylvania's Public Education Goals* (Denver, CO: Augenblick, Palaich and Associates, Inc., December 2007), i.

<sup>3</sup> DC Official Code §38-1804.01.

- Estimating the resources needed so all DC students can meet academic performance standards, including the Common Core State Standards;
- Identifying needed changes in the structure and policies governing education funding to ensure equity between DCPS and public charter schools as required by law in all areas of funding, except for capital investment in school buildings and grounds and pensions for certified educators; and
- Ensuring transparency with regard to what costs are included in the District’s Uniform Per Student Funding Formula (UPSFF) and with regard to local funding to DCPS and public charter schools that flows outside the UPSFF.

Do schools have the resources they need to meet performance expectations? In the District’s case, this means estimating the resources needed so all elementary, middle, and high school students can achieve proficiency in reading and mathematics. It also means ensuring that funding to DCPS and public charter schools is allocated equally in all areas, except capital investment and pensions for certified educators.

The findings in this report were produced based on a rigorous 15-month study initiated by the Deputy Mayor for Education (DME) at the recommendation of the Public Education Finance Reform Commission (PERFC) in its February 2012 report to the Mayor and City Council. In response to a request for proposals, The Finance Project (TFP), a Washington, DC-based social policy research and technical assistance firm, in partnership with Augenblick, Palaich and Associates, Inc. (APA), a Denver-based education consulting firm, proposed a comprehensive research study to:

- Develop a data-driven estimate of the cost of an adequate prekindergarten (pre-K) through grade 12 education in the District of Columbia in order to meet DC academic standards and Common Core State Standards;
- Recommend changes to the structure and level of foundation funding in the Uniform Per Student Funding Formula as well as to the weightings for students with identified learning needs who require services that entail additional costs;
- Recommend changes to the way capital investments, maintenance, utilities, and custodial services for school buildings and facilities are financed and managed; and
- Develop guidance for updating the study’s basic elements on a continuing periodic basis.

The TFP/APA study team used nationally recognized research methodologies—described in more detail in Chapter 2—to examine the cost of all resources required for DCPS and public charter schools to meet DC academic standards, including:

- Cost analyses of school-level resource requirements (i.e., related to instructional programs and activities, student support services, administrative services, and other

educational resources in individual schools) and system-level resource requirements (i.e., related to governance, policy-setting, program support, coordination, and communications across schools in a multicampus system) for *students without identified learning needs*;

- Cost analyses of school-level and system-level resource requirements to serve *students with identified learning needs who require specialized instruction, resources, and staff that entail additional costs* (e.g., special education students, students with limited English language proficiency, and students at risk of academic failure);
- Cost analyses of system-level and school-level data on *facilities maintenance, utilities, and custodial services for school buildings and grounds* and a review of *capital investments* for DCPS and public charter schools; and
- Analysis of the *anticipated fiscal impact*—over a three-year period from fiscal 2015 through fiscal 2017—of recommended policy, program, and system changes to achieve education adequacy for all DC students.

## Background and Context for the Study

The requirement that education for all students be funded on a uniform per-student basis, with the dollars following students into and out of whatever school they attend, was enacted into DC law in 1995.<sup>4</sup> The UPSFF was established to carry out the mandate. The formula calculates funding based on students and their characteristics, not on school or local educational agency (LEA) differences. This uniformity requirement applies only to local funding, not to federal or private funding. It affects only DCPS and public charter school operating budgets, not capital budgets and investments. The UPSFF is intended to fund all traditional school-level and system-level operations for which DCPS and public charter schools are responsible, including instructional, noninstructional (facilities maintenance and operations), and administrative operations.

The UPSFF is not the only local source through which DCPS or public charter schools are funded, however. Schools also receive benefits from local funding that flows through other DC government agencies. Additionally, they receive federal categorical program funding, private funding, and in-kind benefits from foundations, private donors, and community partner organizations.

Unlike many states, the District of Columbia has never commissioned a methodologically rigorous analysis of the costs of providing an adequate education. Beginning in 1996, several studies were conducted by DC education officials; other government officials (e.g., representatives from the OCFO, the Mayor’s office, the City Council and local education experts and advocates to calculate the costs of a market basket of educational goods and services to be covered by the USPFF foundation amount. The market basket included nine general categories of expense:<sup>5</sup>

- Classroom staff: teachers and aides;

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<sup>4</sup> DC Official Code § 38-1804.01.

<sup>5</sup> Deborah Gist, Office of the State Superintendent of Education, “The Uniform Per Student Funding Formula,” PowerPoint presentation to the Executive Office of the Mayor, January 30, 2008.

- School administration: principal, assistant principal, administrative aide, business manager, and clerks;
- Direct services to students: texts, instructional technology, sports/athletics, and student services;
- Operations support: utilities, maintenance, and security;
- Central management: central administration, instructional support, and services;
- Schoolwide staff: substitute teachers, coaches, librarians, program coordinator, counselors, social workers, and psychologists;
- Nonpersonal services/programs: supplies and materials, field trips, and career and technological education;
- Instructional support: professional development and school improvement efforts; and
- Other school-based costs: technology, food service, and miscellaneous.

These common practice studies provided a rough baseline for per-student education funding, but they had several weaknesses. For example, they illustrated but did not define functions that should be covered by uniformity and adequacy. They did not address the dramatic differences between DCPS and public charter schools in funding for maintenance, utilities, and custodial services for school buildings and facilities. Most importantly, they did not take into account the requirements for schools to adequately prepare students with different characteristics and learning needs to meet the DC academic standards.<sup>6</sup>

The most immediate and urgent recommendation of the District’s Public Education Finance Reform Commission was commissioning a full-scale education adequacy study to enable the Mayor and DC City Council to reassess the structure and level of foundation funding specified in the UPSFF.

In July 2010, the D.C. City Council passed legislation to establish a Public Education Finance Reform Commission in order to study and report on revisions to the UPSFF that would lead to improvements in equity, adequacy, affordability, and transparency.<sup>7</sup> The commission was not tasked with conducting a full-scale adequacy study because of time and resource limitations. Nevertheless, it identified several issues regarding the structure of the UPSFF that affect funding adequacy for DC students. Among the most important of these issues was the lack of provision for:<sup>8</sup>

- Identified learning needs of students at risk of academic failure because they are in low-income families or face other conditions that affect their school performance;
- Identified learning needs of students returning to DC schools after leaving the public education system for a period;

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<sup>6</sup> District of Columbia Public Education Finance Reform Commission, *Equity and Recommendations Report* (Washington, DC, February 17, 2012), 23–24.

<sup>7</sup> DC Official Code §38-2916

<sup>8</sup> District of Columbia Public Education Finance Reform Commission.

- Adult education, alternative education programs, and summer school programs;
- Special programs for gifted and talented students;
- Students enrolled in virtual learning programs; and
- Processes for updating the cost basis for the UPSFF.

Assessing the adequacy of facilities occupied by DCPS and public charter schools, as well as policies governing space allocation in DC school buildings and capital investments in renovations and new construction, also was beyond PEFRC's mandate. However, the commissioners agreed that space costs and facilities maintenance and operations are some of the most significant, complicated, and urgent education financing issues facing city leaders.

PEFRC found that the DC government needs to make significant financial investments in the maintenance and modernization of its aging stock of school buildings and grounds as well as construct new facilities to meet changing educational needs and ensure high-quality programs are located in all neighborhoods across the city. The commission also found that as the DC government consolidates and closes DCPS schools that are underutilized, city officials need to create and manage more effective, efficient, timely, and transparent processes for making the best use of excess space in DC-owned school properties and covering the costs of maintenance, utilities, and custodial services. This can include making vacant school buildings and space in under-occupied buildings available to charter schools and nonprofit organizations that serve the community through a request for offers process. Alternatively, it can mean selling vacant buildings to developers for other purposes.

Additionally, even though facilities maintenance and operations (M&O) funding flows through the UPSFF, DCPS cannot independently cover the M&O costs related to its large stock of buildings and grounds, including those that are not in use. Consequently, it receives a significant subsidy from the Department of General Services to cover these costs outside the formula, which public charter schools do not receive. Against this backdrop, the topic of facilities funding raises several important questions on whether the current allocation of resources equitably and adequately supports the learning needs of students in both DCPS and public charter schools.

**The District of Columbia Public Education Finance Reform Commission agreed that space costs and facilities maintenance and operations are some of the most significant, complicated, and urgent education financing issues facing city leaders.**

PEFRC completed its work in two phases between September 2011 and February 2012, and it made several recommendations to address these education financing issues. The most immediate and urgent among them was commissioning a full-scale education adequacy study. Based on the results of this study, the commission recommended that the Mayor and the City Council reassess the structure and level of foundation funding specified in the USPPF to ensure all DC schools have adequate funding to provide students with an education that will enable them to meet DC academic standards. It also recommended that weightings for students with identified learning needs be revised based on the study findings and recommendations. In addition, PEFRC urged

city leaders to consider revising and restructuring the basis on which maintenance, utilities, and custodial services for school buildings and grounds are set to ensure all school facilities are adequate to meet student learning needs. Finally, the commission recommended that a plan be created for ongoing review of what constitutes adequate funding for DC students and for a process for updating the UPSFF foundation funding level and weightings periodically over time.

The DC Education Adequacy Study, initiated by DME, was a direct result of PEFRC recommendations. The study offers an important opportunity for city leaders and educators to develop a sound understanding of the financial requirements for providing an adequate education for all students in the District of Columbia and setting a path toward achieving this funding level. To the extent the study lays the groundwork for a fair distribution of funding for education programs and school facilities, it may also help reduce tension and competition between DCPS and public charters for limited resources and foster more collaborative relationships that benefit students across the city.

**The DC Education Adequacy Study addresses key issues related to the adequacy and equality of education funding. Not all these issues can be remedied by making adjustments to the UPSFF and changing the flow of funds to LEAs.**

The DC Education Adequacy Study addresses key issues related to the adequacy and equity of education funding in the District of Columbia. It also presents recommendations for addressing these issues through restructuring and resetting the UPSFF and taking other financial steps. However, not all the issues and challenges highlighted in this introduction can be remedied by adjustments to the funding formula and the flow of funds to LEAs. Accordingly, in addition to the findings and recommendations from this study on the adequacy of education funding, the Mayor and the City Council need to consider other policy proposals to address concerns about educational programming, facilities allocation and management, and student support.

## **Guiding Principles**

Several key principles guided this study at every stage—from design and data collection through analysis, formulation of findings and recommendations, and report drafting and dissemination.

Of primary concern was ensuring the findings and recommendations:

- *Reflect the resources that all schools—DCPS and public charter schools—need to ensure students can meet desired performance standards;*
- *Are data-driven and are based on sound analysis of information from multiple sources;*
- *Are aimed at achieving adequacy, equity, and transparency in education funding for DCPS and public charter schools;*
- *Reflect broad outreach and participation among DC education audiences and constituencies at all stages of the work, including public officials in relevant positions across DC government (e.g., the Mayor, the D.C. City Council, the Office of the Chief Financial Officer, the Office of the State Superintendent of Schools (OSSE), DCPS officials, the DC Public Charter School Board (PCSB) and public charter school leaders*

and administrators, professional educators at all levels, public school and charter school advocates, and parents;

- *Incorporate input from local and national experts engaged as advisors* on all aspects of the study;
- *Can be used by the Mayor and DC City Council to update the UPSFF and its weights* to properly align education spending in the District of Columbia with resource requirements to enable all DC students to meet academic performance standards; and
- *Offer a plan for phasing in recommended funding levels* and policy changes over a period of up to five years, if needed.

## Advisory Group

To ensure diverse and regular stakeholder and expert input in the study design and implementation, as well as the study findings and recommendations, the study team appointed an Advisory Group that brought together 12 national and local experts to provide advice, guidance, and feedback on all aspects of the DC Education Adequacy Study. Advisory Group members included educators and education policy and finance experts from universities, national and local leadership organizations, DCPS, and local public charter schools. (A list of Advisory Group members is presented in Appendix A.) This group reviewed the results from professional judgment panels that were informed by evidence-based research, a successful schools study, and data collected from DC government agencies, PCSB, and schools. It helped the study team integrate the school-level and system-level findings and develop relevant conclusions.

Throughout the study, the Advisory Group convened regularly by phone conference to review and comment on the methodology, data collection, and analysis. Members also met in person to review and comment on findings from the data analyses from each component of the study and to weigh in on the implications for recommendations.

## Timeline and Work Plan

The DC Education Adequacy Study was conducted over a 15-month period beginning in September 2012 and continuing through December 2013. The TFP/APA study team worked closely with the DME staff in planning, designing, and implementing the study to ensure it would meet the needs of the Mayor and DC City Council as they make decisions on changes to the UPSFF and other related policies governing education financing.

## Organization of the Report

This report presents the findings and recommendations that flow from the study. It is organized into six chapters. An executive summary that highlights the findings, conclusions, and recommendations is presented at the beginning of the report. Appendices at the end of the report provide detailed background information related to the DC Education Adequacy Study.

1. *Introduction*: provides an overview of the purpose, origins, and context for the DC Education Adequacy Study.
2. *Overview of the Methodological Approach*: describes the complementary blend of research approaches that were used to gather and analyze cost data and other relevant information on the resources required to adequately fund education in the District of Columbia. These included professional judgment panels informed by evidence-based

research, a successful schools study, focus groups, and extensive analysis of budget and expenditure data provided by DC agencies and schools.

3. *School-Level Findings*: presents the findings related to the school-level resource requirements and associated costs for providing an adequate education to students at different grade levels without and with identified learning needs in DCPS and public charter schools.
4. *System-Level Findings*: presents the findings related to the system-level resource requirements and associated costs for DCPS and public charter schools.
5. *Cost of Education Adequacy*: offers conclusions on the appropriate UPSFF base funding level and the weights for serving students with identified learning needs, including costs that are and are not covered by the UPSFF. It also offers conclusions on the appropriate funding level and formula for facilities M&O costs and conclusions on the allocation of costs within and outside the UPSFF. In addition, this chapter contains three-year cost projections and fiscal impacts based on anticipated enrollment trends and other foreseeable factors that are likely to drive education costs.
6. *Recommendations*: makes recommendations on restructuring the UPSFF formula; resetting the UPSFF base level and weights to ensure they cover the current cost of education adequacy in the District of Columbia; ensuring local funding flows through the UPSFF with specific and limited exceptions in order to ensure equity between DCPS and public charter school LEAs; creating greater transparency and accountability in education budgeting, resource allocation, and reporting; and updating the UPSFF on a periodic basis.