

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Deputy Mayor for Education**

**Abigail Smith**  
**Deputy Mayor for Education**



January 24, 2014

Dear Public Education Stakeholder:

The Office of the Deputy Mayor for Education (DME) is pleased to announce the release of the District's first comprehensive education adequacy study, *Cost of Student Achievement: Report of the DC Education Adequacy Study*. The adequacy study resulted from the DC Public Education Finance Reform Commission's recommendation that the Mayor secure an in depth study of the city's Uniform Per Student Funding Formula (UPSFF), the city's method for allocating local operating dollars to District of Columbia Public Schools (DCPS) and public charter schools. The DME will carefully consider the recommendations of this study, along with all stakeholder feedback, in implementing a revised UPSFF for the FY15 budget.

**Background on the Study**

This adequacy study addresses the following fundamental issues:

1. What it costs to provide an adequate educational experience that will enable all District public school students to meet current District academic performance standards as well as the new Common Core standards.
2. Equity of local dollars between DCPS and public charter schools.
3. Transparency of resource distribution inside and outside of the formula.

Currently, the UPSFF is based on a market basket approach first implemented in 1996 under the guidance of DC education officials, the Office of the Chief Financial Officer (OCFO), the Mayor's office, DC Council, and local education experts and advocates. It includes costs for nine general categories of school expenses (e.g., classroom staff, school administration, direct services, centralized management, and facility operations support). However, this market basket approach did not take academic performance standards into account.

**Review of the Study Process**

The study's recommended UPSFF was developed after local educators came together to identify, from the ground up, the resources required to meet the needs of students today. It is not just an update of the market basket approach; it is a fundamental resetting of the formula. In order to develop this new UPSFF, the study team employed a blend of three nationally recognized methodologies and conducted additional revenue and cost analyses using data provided by DCPS, the Public Charter School Board (PCSB), the Office of the State Superintendent of Education, OCFO, and other agencies that have provided services to DCPS and public charter schools both inside and outside of the formula.

The DME and study team ensured broad outreach and participation among DC education audiences and constituencies at all stages of the work. In addition to convening a series of professional judgment panels, the study team conducted numerous focus groups and individual interviews with key education stakeholders who contributed specific information to help fill gaps, clarify issues, and verify findings from other sources. Throughout the study, the consultants were also advised by a group of national experts in education policy and finance.

In October 2013, the DME and the study team reviewed findings and draft recommendations with stakeholders. Stakeholders provided feedback specific to the preliminary recommended changes to the UPSFF and its underlying resources and assumptions. They also commented on issues of funding equity and discussed the challenges of making sure local education agencies (LEAs) are adequately funded when there are significant sector differences. In some instances, the study team revised its analysis and recommendations based on the feedback, which is reflected in the final study. Table 1, attached, provides a compilation of the stakeholder feedback to the October draft recommendations, along with how that feedback was addressed in the final report, or how the DME intends to address them moving forward.

### **Key Recommendations of the Study**

The study team recommends additional resources to meet higher 21<sup>st</sup> century learning standards and to ensure that our highest need students are well-served. Specifically, the study recommends more technology to support blended learning and 21<sup>st</sup> century skills; additional wrap around supports and services – including an extended school day and extended school year – for our students most at risk of academic failure; summer bridge programs for entering 9<sup>th</sup> graders; summer enrichment and homework tutoring/advanced placement preparation for high school students; more student support staff and instructional coordinators for English Language Learners, a group that has been lagging in terms of outcomes; and small class sizes and additional instructional staff for alternative students. While the study provides detailed specifications used to cost out the UPSFF, they are not intended to be prescriptive of how individual schools should be staffed or how school leaders should expend their budgets.

The study also recommends changes to ensure equitable local funding between the DCPS and public charter school sectors. The study team carefully documented the amount of local dollars provided inside and outside the UPSFF to DCPS and public charter schools for instructional and facilities maintenance and operations (M&O) purposes. The study team recommends that most of these “outside” local dollars flow through the formula in the future, with limited exceptions. For two of those exceptions, school resource officers and crossing guards, the study team recommends that the Metropolitan Police Department and Department of Transportation continue to provide those services to both sectors, but that these agencies should establish clear criteria for allocating these services in order to reduce confusion and inequity between the sectors.

Finally, the study team recommends transparency in regard to education budgeting, resource allocation, and financial reporting. LEAs’ financial record keeping made it difficult for the study

team to accurately determine costs or assess cost differences between the sectors in some instances, particularly facility M&O and capital costs. Therefore, the study team recommends that DCPS and public charter schools adopt a standardized chart of accounts that provides clarity and enables comparisons among DCPS and public charter schools.

### **The Role of Sector Differences**

Part of the challenge of this study was how to apply a uniform funding mechanism when DCPS and public charter schools differ in significant policy and regulatory ways. Although the funding formula assumes uniformity in funding across sectors, the two systems have unique characteristics and cost drivers that create challenges in devising uniform funding that is adequate for each sector. For instance, DCPS is required to pay union wages for school personnel while 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.

With regard to M&O costs, DCPS, as a system of right, operates neighborhood schools that must accommodate students in every community across the city, at any point during the school year. This means DCPS must maintain buildings even if some are underutilized, though the study recommends a strong focus on releasing surplus DCPS buildings to charter schools and a more concerted effort around co-location with education and support service providers to mitigate the additional costs to the city of underutilized buildings. In addition, many DCPS schools are in historic buildings that are not as efficiently designed as new facilities (e.g., wide hallways and large entryways that cannot be used for instructional purposes). By contrast, many public charter schools are much more efficient in terms of building utilization but some lack the amenities that traditional public schools have (e.g., fields, gyms, and auditoriums). In the short-term, the study team recommends that the city continue to make up the difference between DCPS' formula payment for M&O and some portion of its actual costs.

We have more work to do in developing equitable and cost efficient ways to address sector differences such as these.

### **Next Steps**

As the city works to develop the FY15 budget, the DME will consult these study recommendations along with the stakeholder feedback. Fully implementing the recommended UPSFF comes with a large price tag, so we face the daunting challenge of balancing the city's fiscal limitations and its other critical areas of need with the recommendations proposed in this study. As noted in the study, we will need to weigh the parallel priorities of increasing the foundational level of resources to address current education standards, targeting the highest-need students, and increasing equity between DCPS and public charter schools. In the end, the full implementation of these priorities will have to be phased in over multiple years. In the future, the

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DME and the UPSFF technical working group recommended in the study will be able to use a new calculator developed by the study team to update the UPSFF, by re-setting the underlying cost assumptions and instructional resource specifications. We look forward to continuing our work with stakeholders to ensure that the education budget supports all of our schools and students in meeting 21<sup>st</sup> Century Learning Standards now and in the future.

Sincerely,



Abigail Smith

Attachment

**Table 1 - DC Education Adequacy Study Stakeholder Feedback Summary – 1/24/14**

Stakeholder Feedback	Response/Next Steps
<b>Recommended UPSFF – Instructional and M&amp;O Base and Weights</b>	
<p><b><i>Instructional Base</i></b>                      The cost for data managers was not included at all grade levels.</p>	<p>The only Professional Judgment (PJ) panel that identified a data manager as a necessary full time administrative staff position was the high school PJ panel. The recommended Technical Working Group will be able to address this for future revisions of the UPSFF.</p>
<p><b><i>Early Childhood (PK3 and PK4)</i></b>                      Concerns that the recommended weights for early childhood are not high enough and do not reflect what is needed to ensure high quality.</p> <p>Some argued that we should be investing more in early childhood education rather than adult and alternative education as there would be, comparably, more benefit and return on investment.</p>	<p>After receiving stakeholder feedback, the study team followed up with additional interviews with early childhood professionals to review the early childhood PJ specifications. These experts indicated that the overall staffing resources identified by the PJ panel were consistent with recommended levels. However, these professionals indicated that the additional classroom resources such as “consumables” may be too low. The DME is reviewing the recommended consumables amount and may consider increasing this amount.</p>
<p><b><i>Elementary School (grades K-5)</i></b>                      The recommended formula results in reduced funding for kindergarten.</p> <p>Concerns that grades kindergarten through 5<sup>th</sup> grade were costed out using the averaged grade-specific teacher to student ratios. This approach is problematic when applied to schools that serve only early childhood grades that have a higher teacher to student ratio than the average used.</p>	<p>The DME is concerned that the PJ Panel resource assumptions did not account for an aide in kindergarten classrooms and is considering revising the recommendation.</p> <p>The study team averaged the teacher to student ratios across grades with the assumption that schools could differentiate the ratios as needed. However, the DME is considering creating narrower grade specific elementary school weights that have the applicable grade-specific teacher to student ratios. This will accommodate schools serving only early childhood grades.</p>
<p><b><i>Middle School (grades 6-8)</i></b>                      The recommended middle school weight/funding was based on resource assumptions which included block scheduling. Block scheduling is not currently in place in most DC middle schools.</p>	<p>The DME is considering adjusting the costs from block scheduling to a 6/7 planning period schedule, which is consistent with scheduling patterns in most DC middle schools.</p>
<p><b><i>High School (grades 9-12)</i></b>                      The recommended weights for high school are too low. Most high school students are significantly below grade level and require smaller class sizes than those that were the basis for the recommended weights.</p>	<p>The DME agrees that high schools need more resources, which the study team specified and costed out. In addition, the DME worked closely with the Education Committee on the passage of the Fair</p>

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<p>The high school weight and funding, even with the at-risk weight added in, will be lower than the weight and funding for alternative schools.</p>	<p>Student Funding and School-Based Budgeting Amendment Act of 2013. The bill defines at-risk as including students who are over-age in high school. As a result, the addition of an at-risk weight should help to address the additional funding needs for high school students.</p>
<p><b>Adult</b> The resources needed to support ELL for adult education students were not factored into the new weight and funding amount. ELL funding does not flow to students who are 23 and older.</p> <p>The recommended adult education weight/funding is too high due to small class size assumptions.</p> <p>Adult and alternative education students require the same level of resources and supports; charter schools serving adults are subject to the same “PMF” framework as alternative education schools.</p>	<p>The DME confirmed that ELL supports for adult students were reviewed in the PJ Panel discussion. The study team did not build in costs for ELL in the adult education weight but noted that DC is not prohibited from providing local ELL funding to adult students.</p> <p>The DME conducted additional review of the adult education specification and agrees with the study team’s specification for small class size. However, the DME is exploring whether the specifications for instructional supports are appropriate given smaller class size.</p>
<p><b>Alternative</b> The study recommendations create an incentive to provide alternative education programs because the funding level is so much higher than other categories.</p> <p>The recommended alternative education weight/funding is too high due to small class size assumptions.</p> <p>If the at-risk weight does not apply to alternative or adult, there is concern that the initial study implementation could fail to benefit those populations, should that initial implementation not increase the adult and alternative weights.</p>	<p>OSSE is heading a review of the alternative school definition, which will help ensure that only qualified programs will receive the alternative weight.</p> <p>The DME will conduct additional review of the alternative education specification to determine if any of the specifications are higher than necessary.</p> <p>The DME is aware of the interaction between the adult, alternative, and at-risk weights and the importance of considering the relative impact on these categories of students.</p>
<p><b>Special Education</b> Stakeholders raised concerns that there is a net reduction in special education funding, that reducing funding for level 4 students in particular is problematic, and that the special education capacity fund and ESY weights and funding were eliminated.</p>	<p>Due to concerns regarding the recommended special education weights released in early October, the DME had the study team redistribute the special education weights between levels 1 and 4. As a result, the final recommended weights have changed from those previously presented. The recommended weights and funding amounts for special education levels 1-4 go up for each level, particularly levels 3 and 4. Thus, there is no net reduction in special education funding and special education funding actually goes up slightly under the study recommendations.</p>

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	<p>The study looked at all resources needed at the school level for special education students. As a result, resources needed for capacity building are now incorporated into the recommended special education weights. ESY funding amounts have not been eliminated and are now shown separately from the special education weights as in the current UPSFF.</p>
<p><b>ELL</b> The study team did not factor in the cost of monitoring exiting level 5 students for 2 years.</p>	<p>Overall funding needs were addressed by the PJ Panels. This encompassed requirements such as monitoring.</p>
<p><b>At Risk of Academic Failure</b> The proposed definition for a new weight for students at risk of academic failure is too restrictive and does not reflect the full at-risk or low income population. The proposed definition may under count the at-risk immigrant population. DME should consider using statistical methods to adjust data to reflect the full low-income population.</p> <p>Funding should not be based solely on academic achievement. This would result in an under-counting of students who are at risk.</p> <p>Funding for these schools should be maintained even if students are no longer at risk academically so that the school can sustain these improvements. If not, a school could lose funding after their performance improves.</p> <p>The proposed definition will result in yearly changes in the number of qualifying students and will create LEA budgeting challenges. Also, LEAs will not know what students may qualify as at risk until after they are enrolled which will create challenges in controlling funding streams and programming.</p>	<p>As noted above, the DME worked closely with the Education Committee on the Fair Student Funding and School-Based Budgeting Amendment Act of 2013 which defines at risk as students who are homeless, in the District’s foster care system, qualify for TANF or SNAP or a high school student that is one year older, or more, than the expected age for the grade in which the student is enrolled. This definition is broader than the definition which was included in the DC Education Adequacy Study; it adds in SNAP and high school students who are overage for their grade level.</p> <p>More work will need to be done to prevent unintended adverse consequences as the District implements the at-risk weight. Moving forward the at-risk definition will need additional analysis particularly as OSSE’s early warning system is developed.</p> <p>OSSE is working on developing methods for projecting the number of at-risk children for the school budgeting cycle in the same manner as all of the other grade/identified need enrollments are determined. This will provide the necessary information so LEAs can plan for the upcoming school year. The DME will work closely with OSSE and LEAs to ensure smooth implementation of this new weight.</p>
<p><b>Facilities M&amp;O Base and Weights</b> M&amp;O funding for special education schools should not be the same as for middle schools. SPED schools likely have higher M&amp;O costs and should have their own M&amp;O weight.</p>	<p>The final study recommendations amend the M&amp;O funding amount for special education schools to be the same as for high schools.</p>

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<p>Support for increased co-location rather than closing DCPS facilities. The study should provide clear and stronger recommendations related to the co-location of DCPS facilities, using available research for more specific recommendations.</p> <p>DCPS should receive a financial incentive to reduce M&amp;O costs and to co-locate. In addition, the rental of DCPS facilities should be increased. DCPS should retain a portion of rent payments generated by co-location or use of DCPS facilities.</p> <p>Based on draft Executive Summary wording, concerns raised that DCPS may need to absorb the gap in M&amp;O costs through the UPSFF payment. This would reduce the net funding for DCPS. Recommend that we hold DCPS harmless for the \$43M estimated gap.</p> <p>Gap funding for DCPS facilities M&amp;O costs should be phased out over time rather than all at once.</p> <p>Recommended M&amp;O funding amounts are too low because they are not based on actual average DCPS school sizes. At the high school level, 192 square feet is the lowest amount of space not the average amount.</p> <p>The report’s M&amp;O recommendations do not look at the adequacy of maintenance and space and do not address existing problems.</p> <p>Due to sector differences, M&amp;O funding amounts for both sectors should not be equal. Funding restrictions are also not the same for each sector. Charters can carry over funds from year to year but DCPS cannot.</p> <p>M&amp;O funding should be based on each LEA’s actual facilities and how they are used. M&amp;O funding should not be factored on a per student basis.</p> <p>Concern that splitting out M&amp;O funding as a distinct part of the base may lead to this funding being cut in the future.</p> <p>DC should surplus more DCPS buildings.</p> <p>Disappointment that the amount of the charter</p>	<p>The report’s recommendations related to funding for DCPS facilities have been refined to be clearer. The report recommends that funding be provided outside the UPSFF to cover the gap in DCPS M&amp;O costs in the near future and encourages the District to reduce this gap over time using co-location.</p> <p>Finding opportunities for co-location in under-utilized DCPS buildings is a priority for the DME going forward. The DME will work closely with DCPS, DGS, and other stakeholders to identify opportunities for co-location, and to operationalize co-location agreements. Revenue secured through co-location will help reduce DCPS’s M&amp;O funding gap.</p> <p>The study team identified multiple methods to fund M&amp;O and recommended the best option using available data. The DME recognizes that the methodology for calculating M&amp;O needs further refinement once more accurate M&amp;O data are collected for all LEAs. After we have better M&amp;O information, the TWG may decide to refine the M&amp;O portion of the UPSFF and may be better able to take sector differences into account.</p> <p>M&amp;O is accounted for in the current UPSFF using the market basket approach. However, the study team recommended clearly showing the portion of the UPSFF dedicated to M&amp;O costs for transparency and clarity purposes.</p> <p>Starting in spring 2013, the DME and DGS began implementing a transparent process to provide long-term leases to former DCPS buildings. This will help address the facility challenges for some public charter</p>
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<p>facilities allowance was not addressed. Access to high-quality and affordable facilities are the most significant roadblock for their school to expand to serve more students.</p> <p>The charter school facility allowance should be limited to capital expenditures.</p>	<p>schools.</p> <p>Due to the lack of uniform accounting for facility M&amp;O and capital costs, the study team was unable to do a thorough analysis of the public charter schools' facilities allowance, which is intended for capital expenditures. The DME and TWG will explore this in the future.</p>
<p><b><i>Sector Differences</i></b></p> <p>Concerns about the use of DCPS system level costs (vs. charter costs) in the calculation of the recommended funding because it inflates the overall system-level costs that are incorporated into the base.</p> <p>The report should quantify the costs of sector differences and to what extent they off-set each other. The report should also quantify how much the recommended UPSFF addresses sector differences/costs.</p> <p>The study should address real sector differences with a range of solutions (like co-location) rather than solely through funding.</p> <p>The study reveals a charter bias.</p> <p>The recommendations overfund charters for labor and M&amp;O costs.</p> <p>The study recommends greater net increase in funding for charters than for DCPS.</p> <p>Concerns about the impact of the adequacy study's recommendations on the viability of neighborhood schools.</p> <p>Concerns that the study does not evaluate the cost of neighborhood schools. Recommend that the cost of student enrollment fluctuations be counted. A weight (2% to 3%) should be established for being a "school of right".</p> <p>Due to differences between charter schools and</p>	<p>The final report revised how the system level costs were applied. The recommended funding is now based on an average of DCPS and charter school system level costs instead of just DCPS system costs.</p> <p>The issue of sector differences is a complex one that requires further analysis. The study highlights very real differences between the cost structures of the two sectors. At the same time, in some cases (as in the case of M&amp;O), there was not enough data to undertake a complete analysis of sector differences. More data gathering is necessary in order to quantify any sector-related differences in cost, and additional stakeholder engagement is needed to determine how to account for sector-related cost differences in the District's funding formula.</p> <p>The DME recognizes that there are most likely additional costs associated with DCPS being a system of right; this needs further analysis.</p>

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<p>traditional public schools, we should not pursue “mathematical equivalence” when trying to ensure funding uniformity. As system responsibilities are not uniform, the funding should not be uniform. Equity is not the same as uniformity.</p>	
<p><b>Funding Outside the UPSFF</b>                  Not all functions outside the UPSFF should be moved within the UPSFF; nurses and social workers should remain outside the formula. Will there be requirements to hire nurses with the funding moving inside the formula?</p> <p>The final report should include clear guidance on what constitutes an adequate level of resources for each of the functions whose funding is recommended to be included inside the UPSFF.</p>	<p>The report maintains a recommendation to include funding for nurses and Department of Behavioral Health (DBH) social workers inside the UPSFF. However, the DME is working closely with the Deputy Mayor for Health and Human Services to determine the best course of action on school nurses and DBH social workers considering the city’s interest in providing health services to children within a system of care. The guiding principle will be to ensure that all schools have access to nursing and social work services on an equitable basis.</p>
<p><b>Additional Topics</b></p>	
<p><b>Transparency &amp; Accountability</b>                  Support for recommendations regarding greater transparency of both sectors’ budget and expense information in a standard format. Lack of available data on actual costs of charter schools is a major obstacle to accurately projecting resource needs for both sectors.</p> <p>Migrating all charter schools to a standard chart of accounts would be challenging to implement and require a real investment to maintain meaningful historical reporting.</p> <p>Accountability is important; increased funding needs to be tied to expectations for outcomes.</p>	<p>Creating standards around financial reporting by LEAs that will allow for an accurate assessment of LEA costs is vital to ensuring adequate funding in future years. The DME will work with stakeholders in the coming months to explore the feasibility of creating shared financial reporting standards.</p> <p>The “Fair Student Funding and School-Based Budgeting Amendment Act of 2013” includes a provision applicable to DCPS which requires the Chancellor to review the performance of each DCPS principal based upon utilization of funds for at-risk students including a review of whether the use of the funds has improved at-risk student achievement.</p>
<p><b>Technical Working Group (TWG)</b>                  Support for reconvening of the TWG to advise OSSE and DME in the monitoring of the UPSFF.</p> <p>Support the recommendation to adjust the formula for cost of living in the interim years.</p> <p>A full-scale adequacy study is not necessary every 5 years. TWG can advise OSSE and DME on this but would need actual cost data (per transparency recommendations) and a template from the consultants</p>	<p>The DME agrees that periodic review of the UPSFF by a TWG is advisable. Accordingly, as a result of the adequacy study, the DME has a calculator that will allow the District to re-set the underlying cost assumptions and specify the instructional resources used to develop the recommendations in the Adequacy Study, taking into account the recommendations of the TWG and any changes in the policy or regulatory context.</p>

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<p>commissioned for the study.</p> <p>UPSFF should be reviewed frequently by TWG to address issues including capital funding and facilities access.</p>	
<p><b>Implementation</b></p> <p>There were wide ranging concerns that funding levels may be reduced for certain students.</p> <p>The first priority should be to establish equitable funding. This includes shifting funding currently outside the UPSFF inside.</p> <p>Increasing the base should be prioritized to ensure that funding provided through weights (for example early childhood or special education) is sufficient.</p> <p>New investments should target those categories of students who are currently most under-funded, as deemed by the study.</p> <p>Concerns that future spending pressures may result in cuts to the base and/or weights resulting in inconsistent implementation.</p>	<p>The DME will amend the study recommendations as may be needed to ensure that, in the Executive’s FY15 budget submission, funding is not reduced for any category of students in the UPSFF.</p> <p>The study team recommends shifting funding for a number of services provided by other agencies inside the UPSFF. The DME supports many of these recommendations. However, as stated above, the DME is considering whether nursing and mental health services should remain outside of the formula in order to support the District’s work in creating a system of care for health and mental health services. That said, the DME agrees that any services that are funded outside of the formula should be allocated on an equitable and transparent basis.</p> <p>The implementation plan will seek to balance the parallel priorities of increasing the foundational level of resources to address current education standards, targeting the highest-need students, and increasing equity between DCPS and public charter schools.</p>