

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE DEPUTY MAYOR FOR EDUCATION**



Public Hearing

on

B24-0570, “Schools First In Budgeting Amendment Act of 2022”

Testimony of

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Submitted to the

Council of the District of Columbia

Committee of the Whole

The Honorable Phil Mendelson, Chairman

September 16, 2022

Introduction

Good afternoon Chairman Mendelson, members of the Committee of the Whole, staff, and members of the public. My name is Paul Kihn, and I am honored to serve as the Deputy Mayor for Education (DME) for the District of Columbia. Thank you for the opportunity to testify at today's public hearing on Bill 24-0570, the "Schools First In Budgeting Amendment Act of 2022."

My colleagues and I appreciate your commitment to ensuring all schools have the resources they need and all school communities experience budgeting stability from year to year. The Bowser Administration and the District of Columbia Public Schools (DCPS) share these goals and apply them in our approach to school funding.

While we share goals around adequate school funding and budget stability, we believe there are significant flaws with the legislative approach in the "Schools First in Budgeting" Act. This bill would create unsustainable costs for the District and have destabilizing, unintended consequences. We strongly oppose the bill as written and urge you to reconsider the approach.

The COVID-19 pandemic has left deep wounds across our District. While the recovery is far from over, we are proud of what we as a government have done to stabilize schools, invest in acceleration strategies, and drive towards greater equity during this challenging period. We are proud of the historic 5.9% increase Mayor Bowser made in the Uniform Per Student Funding Formula (UPSFF) in FY 23, well above the investments made by many peer districts, as well as the administration's investments in school support, including a special and sensible "pandemic recovery fund" in FY 23 and FY 24 to smooth our transition away from the unprecedented federal funding supplements during the pandemic.

As you will hear from the Chancellor, we are particularly proud of the revised DCPS school budget model, in place for the first time in SY 22-23, and developed over years with technical expertise from staff and outside partners. Through this model, we are directing more of our funds according to student need and thereby advancing equity; enabling greater principal autonomy; and stabilizing schools even through declining enrollment.

We welcome the opportunity to work with Council to continue to refine and strengthen the DCPS budget model in the coming years. However, we do not think this legislation is the right solution, and we believe it would have significant, negative consequences for the District and its residents for the following reasons.

1. The bill is not fiscally responsible. The first reason we oppose this legislation is that the bill as written is not fiscally responsible. This bill mandates that DCPS school budgets only increase from the FY 23 baseline, unless an enrollment decline justifies an FTE reduction, for example losing a full classroom of students. Otherwise, this bill locks in increasing budgets starting from a record, inflated funding level in FY 23 that incorporates one-time federal recovery funding. Federal recovery funds were intended to be short-term - to support residents and government agencies during this unprecedented set of pandemic circumstances. DC received over \$250 million in federal American Rescue Plan Act (ARPA) funds and nearly \$1 billion in Elementary and Secondary School Emergency Relief (ESSER) funds for education. DCPS alone received over \$300 million in COVID-19 recovery funds, and that's relative to an annual budget of roughly \$1 billion. We as a District government do not have the funding to replace these federal

funds with local dollars, and it would not be fiscally prudent to do so for the city's largest Local Educational Agency (LEA).

Even beyond the inclusion of federal funding, given that the District budget is finite, this legislative approach is just not sustainable. As you know, the uniform per student funding model that we currently use ensures that money follows the student – if some schools gain due to students changing schools, the District does not have to pay twice. Under the proposed legislation, the District *would* have to pay twice beyond a particular threshold. For example, if 30 students across two grade levels leave one DCPS school for others, that first school would not any lose money. In fact, the school budget would have to increase. Yet those 30 students have to be served – and paid for – in other schools. If each student brings with them approximately \$18,000, then that adds half a million dollars in the system just for those students' mobility. Multiply that scenario across multiple schools and students, year over year, and costs start to balloon. Carved into this approach is a misplaced assumption, disproven by cross-district benchmarking, that DCPS' centralized functions are "bloated," and funds can be repurposed from central services towards school budgets. In practice, over time, this approach will result in deep cuts to central office in services that directly benefit schools - from student support to curriculum and instruction - and, at a certain point, further cuts no longer become feasible.

When we consider the cross-sector lens, the bill's approach becomes even more untenable. Either we fund mandated increases for DCPS outside of the UPSFF, and ignore our charter school students, representing approximately half of our public school student body. Or, more likely, the increased costs for DCPS are passed on to the charter sector, and the fiscal impact doubles.

All of this means less money for other critical services for children, families, and other residents, including those within education, such as health, mental health, and after school programs, as well as citywide priorities, such as public safety and violence prevention, affordable housing, transportation, and human services. The true costs of this bill have not been fully acknowledged or quantified.

Finally, the bill as written raises legal questions that should be thoroughly explored, including around the impact of this legislation on the Executive's budget authority; around the District's anti-deficiency law, which places limitations on expenditures and obligated funding; and around any employment law considerations from including the Washington Teachers' Union (WTU) contract as part of the budget formulation.

2. This uncertain, atypical time is not the right moment to codify significant structural changes to school funding. The bill's funding approach is particularly unwise given the uncertainty around the enrollment and economic outlook at this time. For one, researchers predict potential enrollment declines based on declining births and birth rates over the next few years. A context of declining enrollment would exacerbate the sustainability concerns with this bill, which would move us away from funding schools based on the students enrolled in them. Moreover, many economists predict we may be headed for an economic downturn. This is important from a fiscal as well as an equity standpoint. Our values are important when we have resources to spend, but they are truly tested when we need to cut back. This bill would force DCPS to treat our schools equally, not equitably, and would limit our ability to ensure that students with the greatest needs are getting proportionally more, even when we have less money to work with.

We strongly recommend waiting until after FY 24, when we reach more of a steady state, to explore any significant structural changes to how we fund schools. This would be after federal recovery funds have been used for their intended purposes; when we have a better sense of our enrollment numbers; when the economic forecast is clearer; after we have completed the Council-legislated Adequacy Study; and after the DCPS budget model and the new at risk concentration weight added by Council have been in effect for at least a year. This is an uncertain time, and using this moment as a budget baseline would not be smart fiscal policy.

We have committed to ongoing recovery funds in FY 24, and we are happy to work with Council and the education policy experts testifying today to figure out what sustainable stability looks like in FY 25 and beyond. However, we believe that should be determined as carefully and thoughtfully and with as much planning, modeling, and evidence as possible.

3. This bill would have a number of unintended, negative consequences. This bill, focused solely on the largest of the city's 70 LEAs, would have a number of unintended consequences. Currently, the DCPS and charter sectors, which have roughly equal shares of students, are funded at the LEA level based on enrollment, with LEAs determining how best to allocate funds. If the LEA serving just over half of the public school students no longer has broad discretion over how it allocates funds to schools and which functions are centralized, that creates policy inequities across the system. Moreover, limiting DCPS' ability to target resources towards supporting schools and students with the greatest needs and towards innovative and evidence-based approaches will decrease its effectiveness as an LEA. In essence, this bill will force DCPS to prioritize "stability" (no school losing money) over equity and excellence. This is especially problematic at a time when we know our highest need students have experienced the greatest learning losses during COVID. In addition, the bill raises policy and practical considerations, such as how to calculate the legally mandated rate of increase for school budgets and how to meet timelines in the legislation that are not in sync with the District's budgeting process. Moreover, the bill would effectively require DCPS to create a new budget model, which would have destabilizing effects, especially given that school budget planning for FY 24 has already begun and will be well underway by the earliest date this bill could become law.

In summary, we strongly oppose this bill because it is fiscally imprudent and unsustainable and would have a number of unintended, destabilizing consequences. Furthermore, this bill reaches well beyond Council's oversight role into the specific process operations of a District agency and takes away a significant amount of the Executive's budget authority, given the large share of funding that goes to schools. The budget process for schools is one that involves technical expertise and time and is complex by necessity, to meet the varied needs of our city's schools and students. Rather than legislating a budget approach, we encourage Council to maintain its focus on oversight and use its appropriations authority to make decisions that advance its goals.

On behalf of the Executive, I strongly encourage you to reconsider this legislation. I thank you for your time, and I look forward to taking your questions.