Government of the District of Columbia
Office of the Chief Financial Officer

**Natwar M. Gandhi**
Chief Financial Officer

**MEMORANDUM**

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| **TO:** | **The Honorable Phil Mendelson**<br>**Chairman, Council of the District of Columbia** |
| **FROM:** | **Natwar M. Gandhi**<br>**Chief Financial Officer** |
| **DATE:** | **November 25, 2013** |
| **SUBJECT:** | **Fiscal Impact Statement – "Fair Student Funding and School-Based Budgeting Amendment Act of 2013"** |
| **REFERENCE:** | **Bill 20-309 – Draft Committee Print shared with the Office of Revenue Analysis on November 19, 2013** |

## Conclusion

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill.

The bill requires adding a new category to the Uniform Per Student Funding Formula[1] ("UPSFF") for "at risk"[2] students, but does not specify the weight for this new category. Approximately 31,000 students in public schools (District of Columbia Public Schools (DCPS) and Public Charter Schools) could be deemed at risk, and providing additional funding for these students would have a cost, but the exact amount of funding need cannot be determined at this time.

This section of the bill is subject to appropriations.

[1] The "per student funding formula" is defined as the formula used to determine annual operating funding on a uniform per student basis for District of Columbia Public Schools pursuant to D.C. Official Code § 38-2901 *et seq.* and for Public Charter Schools pursuant to D.C. Official Code § 38-1804.01.
[2] "At risk" is defined in the bill as a DCPS student or public charter school student who is identified as one or more of the following: homeless; in the District's foster care system; qualifies for the Temporary Assistance for Needy Families program or the Supplemental Nutrition Assistance Program; or a high school student that is one year older, or more, than the median age of the students in the grade in which the student is enrolled.

**Background**

The bill makes a number of changes to the funding of and budgeting for public education in the District of Columbia. First, it establishes a new fund at Office of the State Superintendent of Education (OSSE) which can be used to support career and technical education[3] through grants. Second, it permits the Mayor to add a funding weight to the UPSFF for at risk students. Third, it changes budgeting requirements on the District of Columbia Public Schools (DCPS), specifically on the allocation of funds between central administration offices and schools and the presentation of the budget information regarding this allocation.

The bill establishes the non-lapsing Career and Technical Education Grant Program Fund ("Fund") to hold annual appropriations, grants, gifts or subsidies from public or private sources. Beginning in the 2015-2016 school year, OSSE can provide supplemental funds to DCPS and Public Charter Schools to support career and technical education programs using the resources in this Fund. Up to five per cent of the Fund resources may be used to manage the administrative expenses associated with the program. Funding under this provision would be in addition to any other allocation being used for this purpose under the UPSFF.

The bill also creates a new UPSFF weight[4] for the at risk category. The funding for at risk children determined through this weight would be directly allocated to each school. In the case of DCPS, this means the funding for each at risk student must strictly follow the student and the DCPS Chancellor would not have the discretion of pooling these funds and directing them to schools using a methodology different that the UPSFF funding formula. The schools would be permitted to keep no less than 90 percent of these funds in their budgets. The Mayor has discretion to determine the timing of the implementation of the weight, and the value of the weight.

With regard to DCPS budget allocation, the bill requires that no more than five per cent of total funding to DCPS may be allocated to central administration.[5] DCPS reports that currently, approximately 4 per cent of its budget is allocated for central administration purposes.[6] The bill also requires that an individual school's budget allocation cannot drop more than five per cent year over year. Some exceptions, such as low enrollment, are provided. With regard to budget presentation, the bill requires DCPS to identify all funds going directly to each school by revenue source and program. It also requires that a breakdown of central services is presented. Much of this is already being done by DCPS.

Lastly, the Mayor and Council are currently required to review and revise the UPSFF every four years.[7] The bill changes the requirement and mandates that OSSE convene a working group and

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[3] Career and technical education is defined in U.S. law as organized educational activities that offer a sequence of courses providing individuals with coherent and rigorous content aligned with challenging academic standards and relevant technical knowledge and skills needed to prepare for further education and careers in current or emerging professions. (20 U.S.C. 2302(5)).
[4] A weight is a percentage increase over the foundation level of UPSFF established in District Official Code.
[5] Central administration is defined in the bill as "functions necessary for the governance of a school district as a whole, including general oversight and management of support services such as procurement, human resources and financial administration . . . [It] does not include any functions budgeted at the individual school level or budgeted centrally but support costs associated with programs and services provided at the school level or directly to students."
[6] See DCPS April 2013 publication "Facts and Figures: A look into the FY14 DCPS budget," page 7.
[7] D.C. Official Code § 38-2911(a).

submit to Council a report on UPSFF, including recommendations for revisions, every two years beginning January 30, 2016.

**Financial Plan Impact**

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill.

The bill does not require a specific amount of public funding for the Career and Technical Education Grant Fund, but allows for the creation of the fund. If the District chooses to allocate public dollars for this fund, the appropriations must be included in an approved budget and financial plan.

The creating of a weight for at risk children would have a cost, but the magnitude of this cost is not known at the time. The bill does not specify what the weight would be, but the intent of the legislation is to create this additional source of funding for schools.

Given the definition in the bill, 31,000 students in the District's public schools (both DCPS and Public Charter Schools) could be deemed at risk, and providing funding for each of these students for additional services could be a costly proposition. For example, The District of Columbia Education Adequacy Study (ORA recently received a draft) finds that supporting at risk youth could cost as much as $120 million per year. This is funding that is equivalent to 42 percent of the foundation level funding approved for FY 2014. Of course, this could be new funds or funds redirected from other uses within the education system, or even the District budget as a whole. The final impact of such a change cannot be known until the full funding formula and weights are known. What is known is that if implemented as intended, the requirement would have a cost. This section of the bill is subject to its inclusion in an approved budget and financial plan.

Finally, the budgeting and budget presentation requirements on the DCPS do not have a cost. The DCPS budget presentation and allocation requirements of the bill are already being done in different publications,[8] so there is no fiscal impact.

[8] See DCPS April 2013 publication "Facts and Figures: A look into the FY14 DCPS budget." The Chancellor provides budget data by school and a breakdown of central administration costs.