

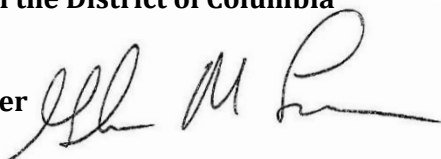
Government of the District of Columbia
Office of the Chief Financial Officer



Glen Lee
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Glen Lee
Chief Financial Officer 

DATE: December 6, 2022

SUBJECT: Fiscal Impact Statement – Schools First in Budgeting Act of 2022

REFERENCE: Bill 24-570, Draft Committee Print as provided to the Office of Revenue Analysis on November 28, 2022

Conclusion

Funds are sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill.

Background

Every year, each school in the District of Columbia Public Schools (DCPS) system receives an initial budget level that is calculated using an internal DCPS budgeting model. The model uses the Mayor's draft projected Uniform Per Student Funding Formula (UPSFF) level for her upcoming budget proposal, enrollment projections, targeted supports, and stability funding to arrive at individual school budget levels for the upcoming school year. Principals are sent this initial budget amount in February each year to use as a baseline to develop their own school budget in consultation with a school's Local School Advisory Team (LSAT).¹ Principals submit their budgets to the DCPS central office after going through this deliberative process.

Rather than use the DCPS budgeting model to allocate resources, the bill requires DCPS to develop individual school budgets in a manner that adjusts school funding using a formula specified in the bill and termed the "Schools First" formula. The Schools First formula progresses in the following manner to arrive at each school's annual budget:

¹ Local School Advisory Teams typically consist of teachers, non-teaching staff, family member, community members, and occasionally students.

Schools First Formula

1. Calculate each school's "current fiscal year budget" by summing the obligated and unobligated budget for each school under the control and direction of the school's principal² on January 1 of each year.
2. Subtract the following from the "current fiscal year budget" to arrive at a school's "baseline budget":
 - a. Privately raised funds;
 - b. Pandemic Supplement Funds³;
 - c. Federal Elementary and Secondary School Emergency Relief (ESSER) funds;⁴
 - d. Federal Investment in Schools funds;⁵ and
 - e. District at-risk concentration supplement funds.⁶
3. Multiply the "baseline budget" by the higher of the following to arrive at a school's "growth adjusted baseline budget":
 - a. The "projected" increase in the UPSFF; or,
 - b. The teachers' union collectively bargained salary increase for the upcoming year.
4. Adjust the "growth adjusted baseline budget" by the following sequence to arrive at a "schools first budget":
 - a. Add, if necessary, the average salary⁷ amount for each educator position needed to accommodate projected increases in the school's enrollment, if such increases require one or more additional instructional or school-based support personnel;⁸
 - b. Add, if necessary, the average salary amount for each educator position needed for any increase in English Language Learner (ELL) and Special Education students;
 - c. Add, if necessary, the amount needed to cover services that were previously in central administration, school support, or school-wide which have been transferred to the school level;
 - d. Subtract, if necessary, the average salary amount for each educator position that is no longer needed at a school if enrollment declines sufficiently allow for a reduction in a classroom or warrant the elimination of instructional or school-based support personnel.

² School principals do not control the centrally budgeted school wide expenses such as food service, security, and substitute teachers.

³ As authorized by section 106b of the Uniform Per Student Funding Formula for Public Schools and Public Charter Schools Act of 1998, effective September 21, 2022 (D.C. Law 24-167; D.C. Official Code § 38-2905.02).

⁴ ESSER funds are emergency relief funds that were appropriated by the federal government to address the impact that COVID-19 on elementary and secondary schools.

⁵ As authorized by section 1003 of the Elementary and Secondary Education Act of 1965, approved January 8, 2002 (115 Stat. 1442; 20 U.S.C. § 6303)).

⁶ At-risk concentration supplements are provided to DCPS schools with an at-risk student population that exceeds 40 percent (at-risk > 40%) of the school's total enrollment and those with a student population that exceeds 70 percent (at-risk > 70%) based on enrollment projections.

⁷ As determined by the District's Chief Financial Officer or in accordance with the collective bargaining agreement with the teachers' labor union. Any difference between the cost of a position's average salary and an employee's actual salary shall be funded out of funds allocated to School-Wide

⁸ As required by class size limitations in Washington Teacher's Union Collective Bargaining Agreement.

- e. Subtract, if necessary, the average salary amount for each educator position that is no longer needed to provide ELL or special education services, provided required service levels are met.
- f. Add, if applicable to the school, the at-risk concentration supplement.

5. The Chancellor may increase the final calculated "schools first budget" but may not decrease it.

Each school budget must be based on the system-wide average salary for each personnel position, as determined by the District's Office of the Chief Financial Officer (OCFO) or in accordance with the collective bargaining agreement with the teachers' labor union. Any difference between the cost of a position's average salary and an employee's actual salary may be reconciled by the OCFO, if necessary, after the submission of the District's proposed annual budget.

The Chancellor must publish the Schools First budget calculations for each school on the DCPS website no later than 42 calendar days before the date the Mayor is required to submit to the Council the District's proposed annual budget and financial plan for the next fiscal year. The OCFO must include the Schools First budget for each DCPS school in the budget books transmitted with the Mayor's proposed budget and financial plan.

The bill also requires that the annual operating budget for DCPS be allocated among four departments: Central Administration,⁹ Local Schools,¹⁰ School Support,¹¹ and School-Wide.¹² This reflects how DCPS currently allocates its budget. The bill eliminates¹³ language that caps spending by central administration at five percent of total DCPS budget and eliminates the current requirement for DCPS to provide each school with not less than 95 of its previous year allocation of UPSFF funds.

Financial Plan Impact

Funds are sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill.

Requiring DCPS to develop school level budgets using a different process does not have a cost based on current projections. The fiscal year 2023 DCPS budget is \$1.16 billion, and the financial plan

⁹ Central Administration includes the programs, services, and employees that support the functions necessary for the governance of the DCPS school district as a whole, including general oversight and management of support services, such as procurement, human resources, and financial administration.

¹⁰ Local Schools includes individual schools whose programs, services, and employees are funded with funds under the control and direction of the individual school principals.

¹¹ School Support includes the programs, services, and employees that provide system-wide support to DCPS schools, such as curriculum development, instructional superintendents, teacher evaluations, and professional development.

¹² School-Wide programs, services, and employees that directly support schools and are budgeted centrally but provided directly to individual schools, such as food service, security, fixed costs, speech therapists, itinerant ELL services, and substitute teachers.

¹³ By repealing Section 108a of the Uniform Per Student Funding Formula for Public Schools and Public Charter Schools and Tax Conformity Clarification Amendment Act of 1998, effective November 13, 2021, (D.C. Law 12-207; D.C. Official Code § 38-2907.01).

includes \$4.42 billion in local funds for the DCPS system. The fiscal year 2023 budget is allocated among the four departments required in the bill as follows:

Budget Department	Total Amount (\$ thousands)	Percentage of Total Budget
Central Administration	\$32,170	3%
Local Schools	\$819,160	70%
School Support	\$162,760	14%
School Wide	\$153,415	13%
Total	\$1,167,505	100%

There are several theoretical scenarios that could occur year to year that could cause costs to increase by implementing a Schools First formula. However, based on recent trends none of these scenarios is currently a concern for the reasons described below.

1. Classroom Addition and Subtraction Imbalance

A difference of one student can tip the balance whether an additional classroom is needed in a particular school. The Schools First formula restricts how much a school budget can be increased or reduced due to enrollment changes to the average salary of the educator of a grade or subject classroom. This contrasts with the current budget adjustment mechanism which reduces school budgets based on a per student basis. Shifts in grade level enrollment between schools could cause an imbalance where in total more classrooms are required to be added in the DCPS system than eliminated. A review of projected enrollment data for DCPS schools in fiscal year 2022 and fiscal year 2023, however, indicates that schools needing additional educators under the Schools First formula would likely be fewer than schools allowed to reduce educators.¹⁴

2. Federal Grants

The Schools First formula accounts for expiring federal funding by exempting Federal ESSER funds and Federal Investment in Schools funds from being included in a school's base budget. However, there is approximately \$19.6 million of additional federal funding from Elementary and Secondary Education Act (ESEA) Title I-A, Title II, Title III, and Title IV-part B grant programs that are loaded into school budgets. Any lapse in these funding sources would require the District to use local funds to offset losses to keep school baseline budgets whole. Also, future federal grant allocation growth may not keep pace with the growth rate used to calculate each school's growth adjusted budget in the Schools First formula. The District may need to allocate local funds in the future to cover this difference in the bill's required school level budget growth and actual growth of federal funding.

3. Teachers' Union Salary Growth

Future teachers' union collectively bargained agreement (CBA) salary increases could outpace financial plan cost growth for non-union school employees and members of other unions at the

¹⁴ 43 schools had year-over-year projected enrollment declines of 21 students or greater, while only 22 schools had projected enrollment increases of 21 students or greater. The total enrollment decline in these 43 schools also far exceeded the total enrollment increase in the 22 schools. In total, the 43 schools were losing 1,891 students and the 21 schools were gaining 1,244 students.

school level. A CBA increase would also cause increases in nonpersonal services of school level budgets, which currently total \$26.3 million. At the time of writing this fiscal impact statement, there is a proposed CBA to be considered for ratification and approval, but it does not include any salary increases beyond fiscal year 2023. Moreover, the financial plan already assumes a growth rate that is sufficient to cover the NPS cost increase that could result from the Schools First formula under an average CBA increase based on recent agreements.