



D.C. POLICY

CENTER

PUBLIC OVERSIGHT HEARING ON

Bill 24-570 “Schools First in Budgeting Amendment Act of 2021”

Staff Draft dated September 6, 2022

Before the Committee of the Whole

Chairman Phil Mendelson

Friday, September 16, 12 PM

Virtual Hearing via Zoom

Testimony of Dr. Yesim Sayin

Executive Director

D.C. Policy Center

Good morning, Chairman Mendelson and members of the Committee of the Whole. My name is Yesim Sayin, and I am the Executive Director of the D.C. Policy Center—an independent non-partisan think tank advancing policies for a strong, vibrant, and competitive economy in the District of Columbia. I thank you for the opportunity to testify on the staff draft version of Bill 24-570.

The D.C. Policy Center testified on bills 24-570 and 24-571 in January 2022. Three of the concerns we expressed during that testimony – implementing an inflationary adjustment in a high inflation year, baking the existing inequities into the system, and basing calculations on proposed budgets and not actual spending—remain under the staff draft. Today, we have two additional concerns, one related to new language in the staff draft, and the other stemming from new information we learned since January.¹

New language in the draft regarding baseline budgets and the potential of a fiscal cliff

The staff draft has added new language to include in the baseline school budgets all sources of funds—local and federal—that would have to be grown by the budget growth rules in the legislation. The staff draft requires that this change be implemented in FY 2024, which means, if the bill is enacted, these changes will impact school year 2023-24 budgets.

The timing of such changes would create a significant fiscal problem. School year 2022-23 budgets have benefited from one-time federal and local resources that would now have to be included in the baseline without the guarantee of recurring revenue in the approved budget and financial plan. This year, schools received federal ESSER funds that will expire in September 2024 and one-time local funds (Mayor’s recovery funds) that are not in the approved financial plan for fiscal years 2023-26.

Consider, for example, Mayor’s recovery funds, which, according to DCPS, sent \$45 million to school budgets, or about 5 percent of total funds budgeted at schools this fiscal year.² Under the staff draft, next year, the baseline school budgets would have to include this amount plus the growth formulas included in the bill. If the federal grants and

¹ The staff draft has attempted to address one problem: The bill now requires the District of Columbia Public Schools (DCPS) to separate its budget into not three, but four buckets: Central Administration, Local Schools, School Support, and School-Wide. The addition of School Supports to account for centrally organized services that serve all schools and students is an improvement over the previous draft since this change allows DCPS to continue fund centrally key supports to schools. The staff draft limits Central Administration and School Support to a combined 15 percent of the total DCPS budget.

² According to DCPS, school year 2022-23 school budgets benefited from \$45 million in Mayor’s stability funding, \$154 million in targeted stability funding and \$672 million in enrollment-based funding. However, an examination of the submitted school budgets show approximately \$10 million in Mayor’s recovery funds explicitly budgeted at schools.

other sources remain the same next year, formula funding going to DCPS would have to increase by 4.7 percent just to make up for the loss of Mayor’s recovery funds.³

Perhaps, in the next school year, the federal ESSER funds can be shifted from other uses within DCPS to schools to close this gap.⁴ But ESSER funds are already supporting school budgets by \$21 million to account for enrollment fluctuations and \$6 million for accelerated learning support.⁵ Shifting even more of the ESSER funds to school budgets will make the fiscal cliff even bigger in subsequent years.

New information and the potential of funding inefficiencies

In July 2022, the D.C. Policy Center published a new analysis of school enrollment trends and provided three potential enrollment trajectories.⁶ Our analysis showed that even under the best-case scenario, school enrollments will likely remain below current levels over the next five years, at around 89,000 students, and under the worst-case scenario, enrollments could decline by 6,000. Importantly, these changes will not hit every grade band and every school the same way. Even under the best-case scenario, we projected that enrollments at the elementary level will decline, driven by fewer births and lower demand for public schools.

If these projections hold true, DCPS might be forced to keep constant the budgets of schools that are losing enrollment. If students move from one DCPS school to another, budgets in other schools might have to be increased even when the overall universal per pupil formula funding remains the same. If students move from DCPS to charters, DCPS will lose per pupil formula funding, but could be prevented from reflecting this change in school budgets. Or, if enrollments decline because entry level grades do not attract as many new students as projected, DCPS would have to fund a non-existent student.

³ The calculation assumes an inflationary adjustment of 5 percent bringing the required gap to \$47.5 million. This is 4.7 percent of local funding DCPS received in school year 2022-23.

⁴ Out of the three rounds of ESSR funds, DCPS is receiving \$303 million and of this amount \$53 million has already been spent—some at programs budgeted at the central office and some at schools (available at OSSE ESSR Dashboard available at <https://osse.dc.gov/recovery>). An examination of ESSR spending plans (available at [https://dcpsbudget.com/budget-data/central-office-budgets/covid-19-agency-budget-additions/#:~:text=DCPS%20received%20%2487M%20under,2022%20\(FY22\)%20as%20well.&text=%2426%20million%3A%20School%2Dbased%20academic%20and%20social%20emotional%20acceleration](https://dcpsbudget.com/budget-data/central-office-budgets/covid-19-agency-budget-additions/#:~:text=DCPS%20received%20%2487M%20under,2022%20(FY22)%20as%20well.&text=%2426%20million%3A%20School%2Dbased%20academic%20and%20social%20emotional%20acceleration)) show that at least \$47 million has already been budgeted directly at schools.

⁵ This information is available at <https://dcpsbudget.com/budget-data/central-office-budgets/covid-19-agency-budget-additions/>.

⁶ Coffin, Chelsea & Julia Rubin (2022) Declining births and lower demand: charting the future of public school enrollment in D.C. D.C. Policy Center, Washington D.C. Available at <https://www.dcpolicycenter.org/publications/enrollment-decline/>

We don't know what enrollment projections will be used for next year's budget projections. But we can examine what the bill's impacts might have been had it been in place when the current year's budgets were being developed.

The enrollment projections used for the SY 2022-23 DCPS school budgets show that this year, across all DCPS schools, 79 schools are projected to experience a decline in enrollment, collectively losing 2,299 students. Among elementary schools, which are more likely to continue losing enrollment per our research, 53 out of 72 schools are projected to lose a combined total of 1,498 students.

Figure 1 - Projected enrollment changes in DCPS schools

All DCPS schools

Enrollment projection for SY 2022-23	Number of schools	Total projected decline
Increase	37	1,262
Decline	79	-2,299
Grand Total	116	-1,037

Elementary schools only

Enrollment projection for SY 2022-23	Number of schools	Total projected decline
Increase	19	380
Decline	53	-1,498
Grand Total	72	-1,118

Source: DCPS school budget submissions for FY 2023



What might be the cost of budget stability under the staff draft of Bill 24-570? The draft stipulates that if a school loses enrollments large enough to close a classroom, this could be deducted from the budget calculations. To build an example of what that might mean for funding under the proposed bill, we only looked at elementary schools and used a classroom size of 23, which is the mid-point of maximum class sizes allowable in the most recent WTU contract.⁷

⁷ Section 23.13.1 of the WTU contract that covers 2016 through 2019 limits maximum class size to 20 for Kindergarten through Grade 2, and to 25 for Grades 3 through 12.

Of the 53 elementary schools that are projected to lose students this school year, 27 are projected to lose fewer than 23 students (for a total of 348 students). That is the equivalent of 15 classrooms, which will have to be kept open and funded under the staff draft of Bill 24-570. In addition, 26 schools are projected to lose more than 23 students, with a combined decline of 1,150 students, which is the equivalent of 50 classrooms. But under the staff draft, they would be allowed to close only 15 classrooms. Thus, Bill 24-570 creates opportunity costs as funding must be allocated to keep 35 empty classrooms open instead of being allocated to students where they are and their present needs. The actual cost would depend on whether the students are changing schools within DCPS, shifting to charters, or exiting the public school system.

Figure 2 – DCPS elementary schools with declining enrollments and projected number of classrooms that must be reduced

DCPS elementary schools only

Enrollment projection for SY 2022-23	Is the projected enrollment decline equal or greater than 23 students?	Number of schools	Total projected enrollment decline	Equivalent classrooms	Projected decline for which FTEs cannot be reduced	Classrooms allowed to close under the bill
Decline	No, the school is projected to lose fewer than 23 students.	27	-348	15	-348	0
	Yes, the school is projected to lose 23 or more students.	26	-1,150	50	-345	15
Grand Total	Total	53	-1,498	65	-693	15

Source: DCPS school budget submissions for FY 2023.
 Note: Change adjusted for classroom closures divides the projected decline by 23 and uses the remainder as the potential number of students that might have to receive enrollment based funding.



To put it a different way, across these 53 elementary schools, DCPS could have lost its universal per pupil formula funding for 693 students if these students exited out of DCPS; but, under this bill, DCPS would still have to budget for them at their initial schools. Or DCPS would have had to budget for them in two different schools if they transferred from one DCPS school to another.

While budget stability is important, its fiscal implications could become significant during a period of enrollment loss, especially when current budgets are already relying on one-time revenues that cannot be guaranteed in future years.

Thank you for the opportunity to testify. I welcome any questions.

Attachment:

PUBLIC OVERSIGHT HEARING ON

Bill 24-570 “Schools First in Budgeting Amendment Act of 2021”

and

Bill 24-571 “Schools Full Budgeting Amendment Act of 2021”

Before the Committee of the Whole Chairman Phil Mendelson

Thursday, January 20, 10:30 AM Virtual Hearing via Zoom

Testimony of Dr. Yesim Sayin Taylor Executive Director
D.C. Policy Center

Good morning, morning Chairman Mendelson and members of the Committee of the Whole. My name is Yesim Sayin Taylor, and I am the Executive Director of the D.C. Policy Center—an independent non-partisan think tank advancing policies for a strong and vibrant economy in the District of Columbia. I thank you for the opportunity to testify on the two DCPS budgeting bills the Council is considering.

In my testimony, I will offer comments and suggestions separately on the two bills.

Bill 24-571, “The Schools Full Budgeting Amendment Act of 2021” aims to prove schools budget stability by ensuring that schools will have at least the same budget as they got in the previous year unless the school loses a grade level, is poised for closure or must absorb students from a school poised for closure, or there is a systemwide shock that reduces total DCPS formula funding by more than 5 percent.

First, this bill, as drafted, will not provide budget stability. In a low inflation year, the 100 percent safe harbor provision might indeed provide some assurance to parents and principals that their schools will not lose any money or positions. But in an inflationary year like this one, when the recorded inflation is 7 percent, schools that receive the full amount of their previous year’s budget will still experience a 7 percent decline in their actual purchasing power. So, the hold harmless provision will neither relieve angst nor preserve budgets. This can, of course, be addressed by changing the bill to include an inflationary adjustment, but that would likely create a deficit in the financial plan and a future liability for the city to increase the per pupil funding formula by the recorded inflation.

Second, this bill focuses on school budgets, but to achieve true stability, it should focus on actual expenditures. Given how much attention published school budgets receive during the budget season, this is understandable. But remember that school budgets are published for the first time nearly eight months before the beginning of the school year. Many things change when schools open, shifting needs from one thing to another. So, it is common to see many reprogrammings within school budgets as well as across the entire school system. For example, I looked at the Fiscal Year 2017 data—it is dated, but it is what I had—and observed that for every DCPS school, the actual expenditures recorded at the school were different from the school’s published budget (as revised by the Council during the budget season. These differences varied between an increase of 9.4 percent and a decline of 14.4 percent in actual expenditures compared to the published budget for that (see Appended Figure 1).

Rather than legislating in this way to achieve budget stability, we recommend to the Committee to consider a public expenditure tracking study to see where schools begin with their budgets, and where they end the

year with their actual expenditures. This will not only focus stabilization efforts on the right metric but will put in context the discussions around how budgets should be formulated.

Third, this bill will permanently bake in place existing inequities in funding. School budgets are driven by need and enrollment, but there are historic inequities, amplified by historic budgeting, that result in more resources for some schools and fewer resources for others. I examined the Fiscal Year 2021 budgets for all DCPS elementary schools and found that per pupil spending schools had in their budgets, after subtracting at risk funding, could be as high as \$19,500 and as low as \$10,405. Variations can be great even among similarly sized schools. For example, across 13 elementary schools with 400 to 450 students, one school had \$10,405 budgeted for each enrolled student, and one had \$17,804. These differences can partly be the result of varying special education needs or other needs in these schools, but my point is that we do not know this for sure. Therefore, we should not adopt a policy that would permanently preserve such differences.

The second bill, B24-570 first requires DCPS to separate its budget into three big areas: central administration, local schools, and school supports. It then limits central administration spending to 3 percent of the overall budget and provides various rules that the Chancellor will have to follow in determining school budgets such as increasing personnel spending by the maximum of inflation, WTU required increases, increases in UPSFF, or 2 percent, and increasing nonpersonnel spending by inflation, and then making adjustments to reflect changes in personnel needs and other spending needs.

This bill is intended to create transparency and transfer resources from the central office to schools, but it may end up increasing inequities.

The bill treats the central office as purely overhead, similar to a back-office accounting operation. In fact, there are many programs that are traditionally budgeted in the central office that directly impact the success of schools and students. For example, the Multi-Tiered Systems of Support team (previously SEL), provides technical assistance, capacity building, observation, coaching, data analysis, and other supports which are responsive to schools' needs. Would they be considered school supports or central office? We do not know.

Even central office programs that are budgeted in ways that are not correlated with enrollment counts may be serving the important goal of equalizing opportunity. For example, the college and career readiness program at DCPS provides information to each student so they can be informed about what opportunities await them after graduation. If this program is cut back because there is no room for it under the 3 percent allotment, then every school will have to provide these supports on their own, and some, with greater capacity, will provide better services to their students, and others, with less capacity, will not. This is one example where a program organized and budgeted at the central office can better serve DCPS students compared to an alternative where every school is on its own. And this bill might just kill it.

There needs to be more transparency in school funding, and safe haven provisions are important for stability, but we need to know more about actual spending, capacity differences across schools, and the relationship between needs and programs before making such significant changes as proposed by these two bills.

Thank you for the opportunity to testify, and I welcome your questions.

Appendix Figure 1 – How school budgets and actual expenditures could vary:

The difference between revised school budget and actual spending, relative to revised school budget, Fiscal Year 2017
 DCPS



Source: SOAR data for fiscal year 2017, D.C. Chief Financial Officer
Note: The bars depict the 10th, 50th, and 90th percentiles.



Appendix Figure 2 – How per pupil budgeted funds differences across similarly sized DCPS schools (excludes at risk funding)

Per pupil budgeted funds at DCPS elementary schools in FY 2021
Minimum and maximum amounts observed across similarly sized schools

School size	Number of schools	Min. budgeted funds per student	Maximum budgetd funds per student
150 to 200	6	\$13,519	\$18,789
201 to 250	9	\$15,354	\$19,289
251 to 300	13	\$13,710	\$19,564
301 to 350	8	\$11,781	\$16,935
351 to 400	6	\$11,906	\$17,383
401 to 450	13	\$10,405	\$17,801
451 to 500	5	\$11,494	\$19,331
501 to 550	1	\$15,936	\$15,936
600 to 650	3	\$11,123	\$14,372
700 to 750	2	\$10,440	\$14,143

Source: DCPS submitted budget information for Fiscal Year 2021
Note: The table only includes enrollment buckets where there are more than one schools.

