

Testimony of

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before the

Council of the District of Columbia

Committee of the Whole and Committee on Education

Joint Public Hearing on

Bill 23-0046, the “At-Risk School Funding Transparency Amendment Act of 2019” and
Bill 23-0239, the “School Based Budgeting and Transparency Amendment Act of 2019”

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Room 412

The John A. Wilson Building

1350 Pennsylvania Avenue, N.W.

Washington, DC 20004

Good morning, Chairman Mendelson and Councilmember Grosso, and thank you for the opportunity to testify today concerning the two bills and our new report, **D.C. Schools Shortchange At-Risk Students**. I am Erin Roth, director of education research for the Office of the District of Columbia Auditor and I am joined by D.C. Auditor Kathy Patterson, and my colleague, analyst Will Perkins, who is co-author of the report.

Summary

Although the District's overall standardized test scores are improving, persistent gaps remain between students by race and ethnicity, income, and at-risk status. Given these ongoing achievement gaps within the District's public schools, ODCA initiated a study to assess the District of Columbia Public Schools' (DCPS) use of at-risk funding in FY 2018, the most recently completed fiscal year. We provided written testimony to the D.C. Council on a portion of our results in February, and concluded with the following observations:

DCPS has struggled to meet the "supplement not supplant" requirements of at-risk funding. What has not been adequately addressed is why funds for required staffing look so different across the range of elementary schools. The disparities in base funding across schools raise questions about how and when and by whom final decisions about use of at-risk funds have been made. What additional investments could have been made if funds had been allocated equally or even equitably?...DCPS officials and others have suggested that the misuse of at-risk funds is due to overall budget shortfalls. Importantly, what is clear is that if there is a shortfall, its burden is not equally shared.

Our objectives for this report were to answer these questions. We reviewed the top three uses of at-risk funds in FY 2018—related arts teachers, social workers and psychologists, and the extended year program—and the processes used to allocate these funds. Our findings are similar to the patterns we shared with the Council in February. **There is evidence of differential base funding and associated misuse of at-risk funds to fill those gaps.** Again, this burden is larger in schools serving more at-risk students. Further, the allocation of funds is primarily directed by the DCPS Central Office.

We also reviewed the use of at-risk funds across all public schools over the last five years and found no measurable or consistent strategy regarding the use of these funds. In the report we make six recommendations to education leaders and the D.C. Council to address these findings.

Background

The Fair Student Funding Act includes specific requirements for DCPS's use of at-risk funds but no specific requirements for public charter schools' use of at-risk funds. For DCPS, the law requires that at least 90 percent of at-risk funding go toward school-level budgets and that the Central Office distribute funds proportionately based on each school's at-risk enrollment projection. DCPS must also use its at-risk funds "for the purpose of improving student

achievement among at-risk students.” DCPS’s at-risk funds must be *supplemental* to each school’s gross budget and not *supplant* any UPSFF, federal, or other funds to which the school is otherwise entitled. The 2013 law gave principals discretion over the use of the funds, but that discretion was rescinded in 2015 to give the Chancellor direction over at-risk fund allocation.

DCPS uses the centrally-managed Comprehensive Staffing Model (CSM) as a basis for local school funding with the goal of ensuring that students had access to the same opportunities regardless of their school’s size or location. The Central Office allocates funds for average staff costs based on enrollment projections and program needs, building a new budget from zero each year. DCPS limits principal autonomy over budgets, giving them flexibility with limited, non-required positions, such as front office staff and non-personal expenditures, such as supplies.

Report Objectives, Scope, and Methodology

Our first objective was to evaluate DCPS’s compliance with “supplement not supplant” requirements for at-risk funding in FY 2018. Our second objective was to identify and track the specific uses of at-risk funding, in DCPS and charter schools, since its inception in the FY 2015 budget.

We limited our analysis of “supplement not supplant” to fiscal year 2018 submitted budgets and the top three uses of at-risk funds: related arts teachers in stand-alone elementary schools (\$6.3M), combined social workers and psychologists at all schools (\$5.9M) and the 11 extended-year schools (\$5.0M).

We modeled our analysis of at-risk “supplement, not supplant” after OSSE’s Title I, Part A guidance for local education agencies (LEAs). The Council’s Committee on Education has long considered at-risk “supplement, not supplant” to be similar to federal “supplement, not supplant” requirements for Title I funding in which LEAs have flexibility to determine their own funding methodologies but must ensure that local funding is distributed to schools without regard to Title I status, a concept referred to as “Title I-neutral.” Therefore, to accomplish our first objective, we first identified each school’s base funding, by subtracting any at-risk funded items from each school’s submitted budget. Next, we compared each school’s base funding versus the amount to which each school was entitled through the CSM. Any use of at-risk funds to pay for CSM-required positions was classified as a misuse of funds.

To accomplish our second objective we collected, recorded, and categorized all uses of at-risk funding from FY 2016 through FY 2020.

Audit Results

We found DCPS often reduced base funding for schools projected to enroll the most at-risk students. This resulted in a large portion of at-risk funds supplanting base funding in violation of the law. Moreover, we found evidence that DCPS routinely *adjusts downward* its allocations for school-based mental health staff in schools with students with the most critical social-emotional needs. In addition, in reviewing the submitted uses of at-risk funding over a five-year

period, we found no discernible strategy or consistency in how District schools budget for or report using at-risk funding.

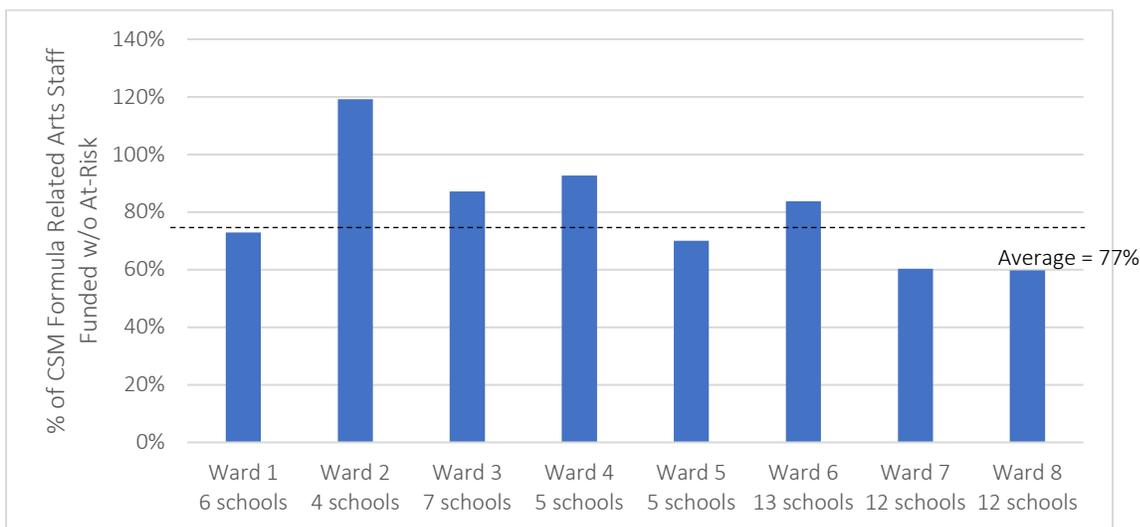
This substantial supplanting effectively placed a heavier burden on schools with more need. D.C. Code permits the Chancellor to allocate at-risk funds which can leave local school leaders unaware of how their at-risk funds have been allocated and therefore unable to re-direct funds as they see fit. In FY 2018 some individual schools did receive some “flexible” at-risk dollars that they could allocate based on local school needs, but the vast majority of at-risk funds were allocated by the DCPS Central Office. Of the 90 percent of at-risk funds that were by law to be spent at the school level, we found that DCPS determined the expenditures for 93 percent of those funds. Without informed school-level stakeholders and decision makers there are few external checks on a highly centralized process.

Schools with more at-risk students received less base funding for related arts teachers. Central Office substituted at-risk dollars for base funding, contrary to the law’s intent.

Overall, the DCPS Central Office used at-risk funds to meet CSM staffing requirements at 33 out of 64 stand-alone elementary schools, with an average projected at-risk enrollment of 63 percent. Thirty-one other schools with an average projected at-risk enrollment of 33 percent were fully funded or over-funded for the same requirements. Schools with the lowest concentration of at-risk students had the most required related arts positions funded with base funds, while schools with the highest concentration of at-risk students had the fewest positions funded with base funds. Overall, just 77 percent of required related arts positions were funded with base funding while the rest were funded with at-risk funds.

Ward 2 elementary schools, on average serving 25 percent of students considered to be at-risk, received 119 percent of what the CSM said they should receive, with all schools budgeted at least a half-position more than required, without the use of at-risk funding.

Figure 1: Percentage of Elementary School Related Arts Staff Funded with CSM Formula Funds by Ward, School-Year 2017-18



Source: DCPS Submitted Budgets, Fiscal Year 2018

ODCA found significant evidence of misuse of at-risk funds budgeted for social workers and psychologists, particularly in schools with high concentrations of at-risk students.

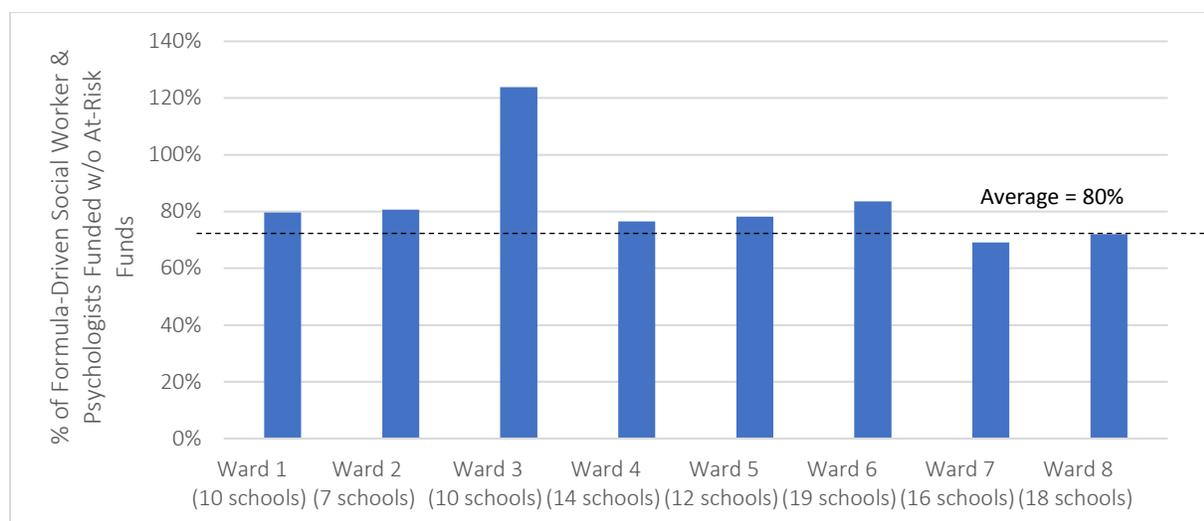
The combined total of social worker and psychologist positions was the second highest use of at-risk funding in FY 2018, totaling 59 at-risk funded positions (34 psychologists, 25 social workers) at 56 schools for a total of \$5,862,601 (12 percent of DCPS’s total at-risk budget).

ODCA again found significant evidence of at-risk funds supplanting base funds, particularly in schools with high concentrations of at-risk students. Specifically, 23 schools with the largest projected concentrations of at-risk students (> 80 percent), received base funding for only 63 percent of required social worker and psychologist positions while 19 schools with the lowest projected concentrations of at-risk students (< 20 percent) received funding for 125 percent of their required positions.

Overall, DCPS included base funding for 80 percent of what its formula deemed were required social worker and psychologist positions. The 59 positions paid for with at-risk dollars brought some schools up to 100 percent of their formula-driven entitlement, but some schools—most notably schools projected to enroll 80 percent or more at-risk—were still below their needs, even when including their at-risk funded positions.

Figure 2 shows the allocation of social worker and psychologist positions within DCPS by Ward. In aggregate, schools in all Wards but one (Ward 3) received fewer base-funded social workers and psychologists than called for in the CSM. At-risk funding provided some supplementary funding, but most at-risk funds supplanted what should have been provided with CSM formula funds.

Figure 2: Base Funded Social Worker and Psychologist FTEs by Ward, FY 2018

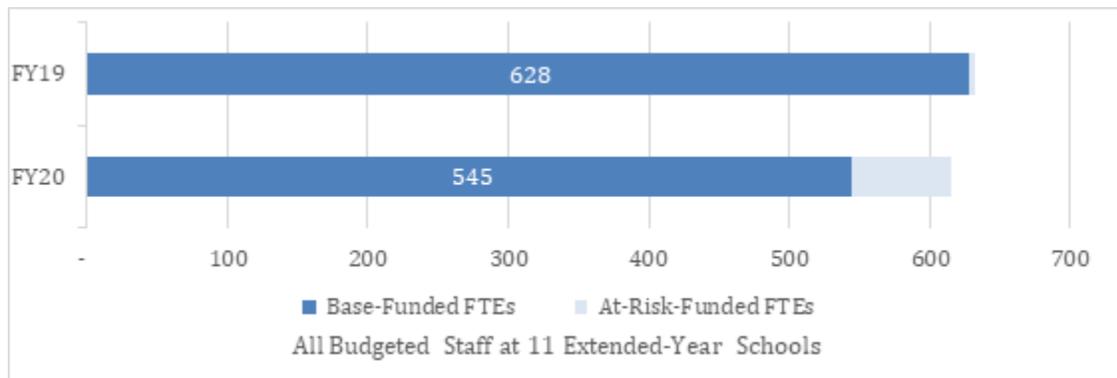


Source: DCPS Submitted Budgets, Fiscal Year 2018

When DCPS ended its extended-year program in FY 2020, at-risk funds were budgeted to pay for 65 positions that were formerly paid for with base funds.

Seventy-six percent of the at-risk funds for extended year schools in FY 2018 supported higher salaries and larger supplies budgets at participating schools. With the end of the extended year initiative in FY 2020, most at-risk funds are now budgeted for services and positions that had been paid for in FY 2019 with base funds. In effect, this means that funds which were supplementary in FY 2019 were used to supplant positions in FY 2020 that were funded with CSM formula funds in FY 2019. In total, the 11 DCPS extended-year schools have 65 more positions budgeted with at-risk funding in FY 2020 than in FY 2019—a 1,300 percent increase—despite a modest 7 percent increase in at-risk funding. Further, as shown in Figure 3 below, the extended-year schools saw their base staff budgets reduced from 628 in FY 2019 to 545 in FY 2020, a net staff reduction of 83 FTEs across 11 schools.

Figure 3: FTE Funding at 11 DCPS Extended Year Schools, FY 2019 Approved vs. FY 2020 Submitted



Source: Council Budget Office Dashboard; DCPS Submitted Budgets, Fiscal Years 2019-20

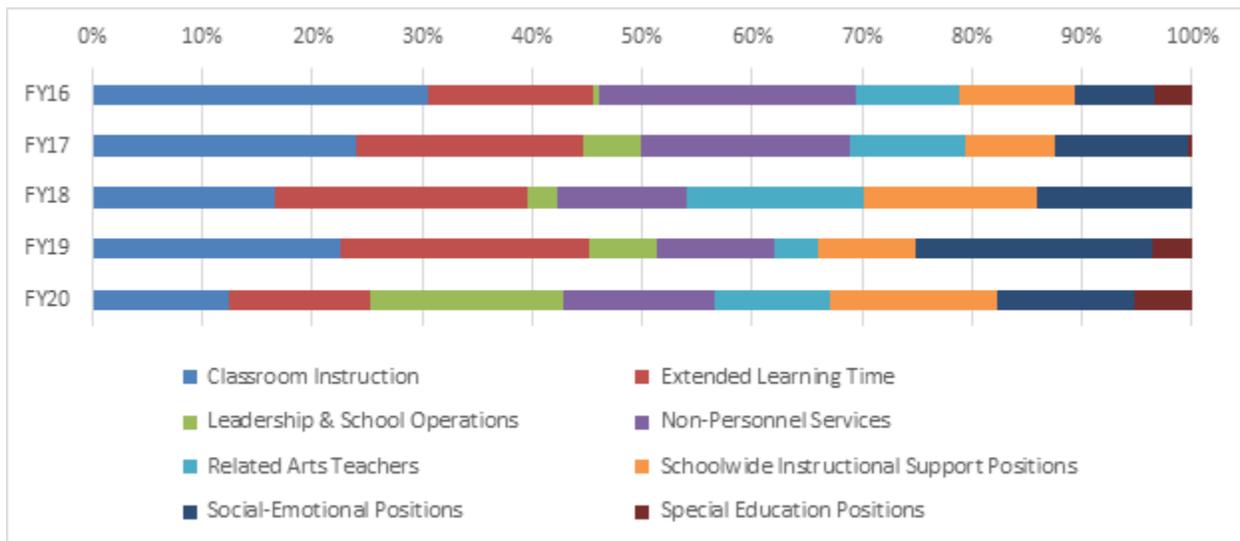
Our second objective was to track the uses of at-risk funds in District schools over time to investigate whether a measurable strategy for their use was in place. While some expenditures may be better than others at improving academic outcomes, we will not be able to measure and determine impact until funds are supplementary as intended in the law. We found no evidence of a consistent plan for these funds within any LEA. **This means the District has spent more than \$450 million in at-risk funds without a measurable and consistent strategy.**

Currently, D.C. Code does not provide substantial guidance on the use of at-risk funds. As a result, LEAs have not articulated an evidence-based plan for these dollars. D.C. Code is silent regarding charter schools' use of at-risk funds and does not even require that they be used within the fiscal year, or that they be supplemental. Again, this lack of legislative specificity likely contributes to unclear expectations regarding plans for use.

The chart below shows the various proposed uses of at-risk funding in DCPS schools from school-year 2015-16 (FY16) to school-year 2019-20 (FY20). Over the five-year period, classroom

instruction has been the most popular use of at-risk funds in DCPS, but still is only equivalent to 21 percent of school-level at-risk funded items. Leadership and school operations is the fastest growing category of at-risk spending in DCPS, moving from less than 1 percent of all at-risk funding in FY 2016 to become the largest category in FY 2020, representing nearly 18 percent of all at-risk funded items. Finally, following the end of its extended-year program, investments in other extended learning time programs have fallen from 23 percent of at-risk spending in FY 2019 to 13 percent in FY 2020. It is worth repeating that ODCA did not analyze whether all uses of at-risk funds in FY 2016-2020 were supplementary to base school-level budgets.

Figure 4: Categorized Uses of At-Risk Funding in DCPS Submitted Budgets as % of FY 2016 to FY 2020 Totals



Source: DCPS Submitted Budgets, Fiscal Years 2016-20

Charter Schools and At-Risk Funds

The Public Charter School Board (PCSB) collects data on the use of at-risk funding in an annual, open-ended survey of eligible charter LEAs, i.e., those with PK-12th grade students because students enrolled in alternative or adult programs are not eligible for at-risk funding.

Notably, there was no FY 2015 reporting requirement for charter schools on the use of at-risk funding. The FY 2016 and FY 2017 Budget Support Acts required PCSB to report on the current school-year’s use of at-risk funds including a breakdown of the intended uses of the funds and a description of the programs, initiatives, and enrichment activities supported with at-risk funding. Unfortunately, PCSB used its FY 2017 report to ask charter LEAs about the previous school-year (2015-16) again, so there are no survey responses available regarding the use of at-risk funds for school year 2016-17. Finally, the D.C. Council received reports on the use of at-risk funds along with LEA-level spending plans for school years 2017-18 and 2018-19 through PCSB’s FY 2017 and FY 2018 performance oversight responses.

PCSB’s data collection methods, though simplified for LEA compliance, limit comprehensive analysis of at-risk funding in charter schools. PCSB says precise tracking of at-risk funds would be “difficult and costly” and so limits its inquiries to the annual survey. **We found that the survey asks only one question and fails to collect accurate or comprehensive information on the use of at-risk funds in the charter sector.** Not all charter LEAs receiving at-risk funding even respond to each year’s survey. Figure 5 shows that, across four reports, only 69 percent of eligible charter LEAs responded, and, despite recent improvements, PCSB still lacks 100 percent participation.

Figure 5: Survey Response Rate to PCSB At-Risk Survey Among Eligible Charter LEAs, FY 2015 to FY 2019

Fiscal Year	Total Charter LEAs	Charter LEAs Eligible to Receive At-Risk Funds	Responsive Eligible Charter LEAs	Response Rate of Eligible Charter LEAs
FY 2015	<i>No reporting requirements on the use of at-risk funds in charter schools</i>			
FY 2016	62	55	26	47%
FY 2017	62 (FY16)	55 (FY16)	36	65%
FY 2018	66	59	39	66%
FY 2019	66	58	55	95%
Total/Average	256	227	156	69%

Source: PCSB At-Risk Funding Reports

ODCA Report Recommendations

Based on our analysis we have six recommendations for education leaders and the D.C. Council, and were pleased with the positive response to a majority of the recommendations on the part of the Deputy Mayor and DCPS. I recommend a careful review of their comments included in our published report, especially the extent to which they indicate they are already moving forward with improvements in allocation and tracking. Our recommendations are:

1. DCPS should establish transparent base funding for each school tied to enrollment and grade level. The annual budget process should use a specific and transparent methodology so that school communities are informed on both the method and the results.
2. DCPS should publish each school’s base funding and supplemental at-risk allocations so principals and LSATs can identify what is base funding and what is supplemental.

3. DCPS should establish internal controls for any adjustments to base funding including policies and procedures for allocating at-risk funds.
4. The Council should amend D.C. Code to strengthen at-risk provisions on “supplement not supplant” and apply these provisions to all public schools in D.C. to aid in its oversight of compliance with the at-risk funding requirements.
5. The District should evaluate and continuously improve its at-risk funded programs. In partnership with the forthcoming Research Practice Partnership (RPP), DCPS should initiate formal research on the context and impact of its at-risk funded initiatives, using rigorous quantitative and qualitative methods. In partnership with the forthcoming Research Practice Partnership (RPP), the DME should initiate formal research on the context and impact of its at-risk funded initiatives, using rigorous quantitative and qualitative methods.
6. The Council should require consistent reporting of at-risk spending across all public schools.

Legislation Before the Committees

The intent of the legislation before the Committees today is consistent with our analysis and our recommendations in seeking to promote budget transparency overall and using at-risk funds in a manner that is clear and subject to evaluation on whether the use of funds is meeting the goal of improving achievement among at-risk students.

Both bills speak to format and process for annual budgeting, and I bring to the Committee’s attention the Management Alert that the Office of the D.C. Auditor issued earlier this year to the City Administrator, the Chief Financial Officer and the D.C. Council itself, titled [District Government Not In Compliance with Statutory Performance Budget Requirements](#). The alert notes that the D.C. Code requires each agency, including DCPS, to provide an annual budget at the program, activity, and service levels, based on a comprehensive Strategic Business Plan provided to the D.C. Council in January of each year. DCPS, like other executive branch agencies, has failed to meet these requirements for more than a dozen years and the D.C. Council also has not sought to enforce the law’s requirements. In earlier testimony and in the response to our at-risk funding report, the Chancellor indicated that a review of the budget process is underway. The school system’s leadership may want to take account of what is currently required by law in devising a new budget format and process and we hope the Committees also keep current statutory requirements in mind in amending the budget law.

Bill 23-0046, the At-Risk School Funding Transparency Amendment Act of 2019, sets out in Section 3 (b) a specific role for the local school principal and the Local School Advisory Team in determining the use of at-risk funds. Enhancing the principal’s role in budgeting for local school needs was a very high priority expressed by DCPS principals in the survey we conducted a year ago. Our report, [D.C. Public School Principals Share Challenges, Concerns](#), found that principals, while they welcomed additional funding, were even more concerned with having a

voice in the expenditure of funds. The legislation, however, retains the Chancellor’s authority to change the allocation and requires an explanation in cases when that occurs.

That section of the bill also describes an annual reporting requirement, including information on expectations for improving academic achievement and whether, over a 5-year-period, the use of funds has improved achievement. We emphasize in our report the importance of evaluation on the use of at-risk funds, something that cannot occur unless the funds are truly supplemental, and expenditures are based on an articulated strategy. If the goal is to have evidence of what works in order to do more of what works and tweak and change what is not proving to be successful, it will be important to make those decisions based on more than a single year’s experience. We would recommend, as I mentioned, tasking the new Research Practice Partnership (RPP) with evaluating what strategies employed with at-risk funds have been successful for the District’s at-risk populations.

The District can work with the RPP to request evidence about what interventions currently have rigorous evidence of positive impacts on student achievement for students considered at-risk and their costs. The research on these interventions largely focuses on direct instruction interventions such as tutoring or small group instruction. We did not find evidence of any overarching strategy around providing additional direct instruction interventions in either sector. To that end, the RPP should be a partner with which the District can design a plan of action for these funds in collaboration with a variety of local education stakeholders.

Bill 23-0239, the School-Based Budgeting and Transparency Amendment Act of 2019, includes a variety of approaches to encourage more and better information on expenditures made by DCPS and public charter schools. Both bills—Section 3(b) of 23-0239 and Section 3(a) of 23-0046—would require each LEA, including each public charter school, to describe their expenditures of at-risk funds. This is consistent with our findings and recommendations. We addressed the “supplement not supplant” issue and recommended that the Council apply the provisions to all public schools, which would require charters to describe how they have used at-risk funds.

In addition, Bill 23-0239 includes a provision on shifting the pupil count day to March for DCPS. Related to this, our report, [A Study of Enrollment Projections for D.C.’s Public Schools: Assuring Accuracy and Transparency](#), found that less than 40 percent of DCPS’s projections were accurate within 2 percent of audited October enrollment.

This concludes our prepared testimony and I would be happy to respond to questions. The Office of the D.C. Auditor would be happy to assist the Committees as you move forward with the legislation.

Thank you.