

May 28, 2009

**CONCERNS WITH THE PLAN TO SET ASIDE  
\$27.5 MILLION OF THE DC PUBLIC SCHOOL FY 2010 BUDGET**

On May 12, the DC Council voted to set aside \$27.5 million in the DCPS FY 2010 budget out of a belief that its projected enrollment increase is unrealistic. These funds would be held in an escrow account until projections of increased enrollment could be confirmed during the enrollment count in October.

The school system has responded that this effectively is a budget cut, since it would require DCPS to start the school year with a reduced funding level. Since the vote, the DCPS and the Fenty administration have made more information available, including a memo from the Urban Institute, Brookings, and 21<sup>st</sup> Century School Fund that helped form the basis for the enrollment projection.

The DC Council's concern over projected enrollment is reasonable. Under the Mayor's budget proposal this March, enrollment would grow by roughly 400 students in DC Public Schools and by 2,600 in DC Public Charter Schools, for a combined enrollment growth of 3,000 students. (The projections never assumed DCPS alone would increase by 3,000 students, as has been characterized by some.) Yet combined enrollment in the two systems has fallen in recent years. It seems unlikely that an additional 3,000 students will enroll in a publicly funded school in the fall. .

At the same time, the Council proposal raises several concerns, including both the amount of funding it would set aside and the plan to restrict those funds until well after the school year starts. This review suggests that the Council should reconsider the plan to set aside \$27.5 million when it holds the second vote on the budget on June 2.

- **The Council should set the DCPS Budget now and not hold funds in escrow:** School-level budgets already have been created for the next school year, and schools will soon need to start the process of hiring staff based on these budgets. The Council should decide the appropriate level of funding for DCPS now, so that schools have enough time to adjust their budgets and hire and place teachers before the school year begins. Releasing the funds in October won't help schools prepare to serve students on the first day of school.

**The DCPS enrollment projection is based on an independent estimate.** Although it was not clear at the time of the May 12 Council action, the DCPS enrollment projection was based in part on an analysis by Brookings, Urban Institute, and the 21<sup>st</sup> Century School Fund. A May 1, 2009 memo from these groups describes their methods and suggests that it is reasonable to expect some increase in DCPS enrollment next year due to the shift to K-8 schools.

- **The Council should give both DCPS and Public Charter Schools some benefit of the doubt, as the price of a school system with a high level of choice:** DC families have a great deal of choice in where to send their children to school, given the large charter school capacity and the DCPS out-of-boundary system. But this also makes it a very difficult environment in which to make enrollment projections, particularly at the individual school level.

To ensure that both DCPS and the public charter schools have the resources they need to educate DC children on the first day of school – no matter which school students choose to attend — it makes sense to allow both to rely on their best enrollment projections, even if that results in combined enrollment that may be somewhat higher than what is likely.

It is worth noting in most years since 1999, DCPS funding was based on the audited enrollment of the previous year. This level of funding provided a “cushion” to help DCPS pay for fixed costs, like maintenance and administrators, as school enrollment decreased. This accepted school budgeting formula helped ensure that DCPS had adequate resources to start the school year.

- **The Council should require increased transparency in the DCPS budget.** The concern raised by the DC Council reflects the fact that the process for setting enrollment projections has not been clear — and also that it is not clear what DCPS does with the funds it receives when actual enrollment turns out to be lower than the enrollment used to set the budget. In such a complex environment, it is important to have a transparent process for projecting enrollment and for setting funding levels for both DCPS and the charter schools. This should include a clear, consistent, and fair process for projecting enrollment — the process established by the three organizations is one solid model. In addition, the Council should require a more transparent accounting of how DCPS funds are spent. This could help to allay fears of wasteful spending.

## Conclusion

These findings suggest that it makes sense to determine an appropriate enrollment projection for both DCPS and DC Public Charter Schools, and to set a budget based on that now, so that the schools can start planning now for the start of the school year. While an increase of 3,000 students between DCPS and DC Public Charter Schools seems unrealistic, the increase is due largely to expected growth in charter schools, and both estimates are based on independent estimates. Moreover, it is reasonable to include some level of over-estimation in the enrollment projections for the two systems, given the high level of choice in DC’s publicly funded schools and the resulting difficulty in setting projections. The DC Council could review both the DCPS enrollment projections and the Public Charter School enrollment projections and make adjustments that seem more reasonable, while still building in some level of over-estimation.