

THE DISTRICT OF COLUMBIA

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I. GENERAL BACKGROUND

State/Local

The District of Columbia government and the D.C. Public School system (DCPS) combine state and local levels of governance. Until the institution of public charter schools (PCS's) in 1996, DCPS was the District's only school district. Public charter schools now function as independent Local Education Agencies (LEA's), while DCPS still acts as both the State Education Agency (SEA) and as an LEA. U.S. Department of Education reports treat District of Columbia funding for public education as totally local, none as state.

DCPS and public charter schools are fiscally dependent on the District government. For budget purposes they are considered as two city agencies – DCPS and public charter schools as a group. Their budgets are set by the Mayor and City Council, and subsequently appropriated by Congress as part of the federal budget process.

The D.C. School Reform Act of 1995, enacted by Congress, directs the Mayor and Council of the District to establish a formula providing “a uniform dollar amount” per resident pupil to DCPS and the public charter schools (DC CODE § 31-2853.41). The Uniform Per Student Funding Formula for Public Schools and Public Charter Schools Act (UFF) was passed in September 1998, and went into effect in March, 1999 (DC CODE § 31-2901 et seq.). During the three fiscal years preceding, including 1998–1999, DCPS received its state/local appropriation like other city agencies, through legislative give-and-take. The public charter schools were funded under temporary formula legislation matching their per pupil allocations to that effectively received by DCPS. The UFF went into full effect for the 1999–2000 school year and was fully funded.

The UFF sets a minimum (foundation) allocation per resident student and uses weightings to provide additional percentages of funding for students in certain grades and special needs categories.

The UFF legislation also provides for certain non-formula “state-level” costs that are borne solely by DCPS: tuition for placements of special education students in non-public schools where appropriate public school placements are not available; required transportation of special education students, whether to DCPS, PCS’s or private programs; and SEA functions such as teacher certification and grant administration and monitoring (DC CODE § 31-2907).

State/local funding for elementary and secondary education comes from the District’s general fund, with revenues primarily from individual income tax, property taxes, and sales and use taxes. The District has no specific revenue sources earmarked for public schools.

In 1998–1999, there were 71,889 students enrolled in DCPS and 3,594 enrolled in 18 public charter schools, a total of 75,483. Charter enrollment is increasing rapidly, to about 7,000 in 27 PCSs in fall of 1999 and 11,000 projected in fall 2000.

Funding Summary 1998–1999

Total State/Local School Revenue		\$ 614.4 million
Appropriation to DCPS and PCS’s	\$ 584.3 million	
Teacher Retirement Contributions (separate D.C. agency)	\$ 18.6 million	
FICA (included in appropriation)	Included million	
Local source non-tax revenue	\$ 8.0 million	
School transit subsidy (separate D.C. agency)	\$ 3.5 million	
State/Local Financed Property Tax Credits Attributable to School Taxes		Not applicable

**II. LOCAL SCHOOL REVENUE
(INCLUDING LOCAL EARMARKED TAXES)**

In 1998–1999, the District of Columbia appropriated an estimated \$614.4 million in local funds to support educational programs. The District’s tax base is heavily impacted by the presence of the federal government, which creates significant tax exemptions and which restricts the District’s taxing power. As a partial offset, the federal government has taken financial responsibility for some state-level

functions. The only such function related to public education is assumption of the cost of past liability for the Teachers' Retirement system. The primary sources of local revenue are individual income tax, property taxes, and sales and use taxes.

Property Taxes

Real property is assessed at 100% of the current fair market value. Rates are expressed as dollars per hundred valuation. In 1998–1999 19.5% of the District's general fund revenue came from real property taxes. Approximately 70% of real property tax collections are dedicated to paying the principal and interest on general obligation bonds.

The District levies the real property tax on only 58% of the total assessed value of its real property. The remaining 42% is exempt as owned by the federal government, the District government, non-profits, embassies, cemeteries and educational facilities, including a number of universities.

Income Tax

The individual income tax is the District's largest single source of tax revenue and accounted for 30.7% of general fund revenue in 1998–1999. Since Congress forbids taxing income earned in the District by non-residents, this tax is paid solely by DC residents.

Sales Tax

Sales and use taxes provided 18.4% of the District's revenue in 1998–1999. These include differing rates for general retail sales, alcohol, restaurant, parking and hotel taxes.

Tax Credits and Exemptions

Homestead Exemption: District taxpayers occupying their own homes are entitled to a \$30,000 reduction in the assessed value of their property (based on the 100% assessment ratio).

Senior Citizen Exemption: Senior citizens who occupy their own homes and have a family income of less than \$100,000 are allowed a 50% reduction in their real property tax after the application of the homestead exemption.

III. TAX AND SPENDING LIMITS

Tax Limits

Not applicable.

Revenue Growth Limits

Not applicable.

Spending Limits

Under the federal Anti-Deficiency Act, DC government officials may not overspend their annual appropriations (31 U.S.C. §1341). In addition, Congress often imposes specific spending restrictions in the annual Appropriations Acts, for example a ban on employment benefits for unmarried “domestic partners.”

Voter Approval of Budgets

Budgets are not subject to initiatives or referenda. The Board of Education, Mayor and Council are required by law to hold public hearings on the DCPS budget before enacting budget requests and budgets (DC CODE § 31-2217).

Deficit Spending

Deficit spending is not allowed at either the agency or District-wide level (see above).

Fund Balance Limitations

General fund appropriations may not be carried over from one fiscal year to the next, at either the agency or District-wide level. Capital and pay-go capital (funded from current revenues) may be carried over without limits.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

No specific D.C. tax revenue sources are earmarked for schools. Annual appropriations are made from the general fund to four agency lines: DCPS, public charter schools, teacher retirement, and the school transit subsidy for school fares on the public subway and buses.

V. BASIC SUPPORT PROGRAM

Funding in 1998–1999: \$ 488.7 million (Uniform Per Student Funding Formula)

Percentage of Total D.C. School Funding: 79.5%.

Nature of Program: Foundation. The Uniform Per Student Funding Formula (UFF) annually guarantees a specific dollar base amount for each weighted pupil unit (DC CODE § 31-2903). The UFF applied only to public charter school funding in 1998–99. This figure is calculated by adding the appropriation for PCSs to the effective formula funding for DCPS, calculated by subtracting non-formula funded costs from DCPS' total appropriation.

Allocation Units: Weighted Pupil Units (WPU). For the last several years, the District has used October 1 as the date of the student count for funding purposes for both DCPS and public charter schools; the D.C. School Reform Act requires a second count for public charter schools in the spring of the current school year ((DC CODE § 31-2853.42). Counts record the number of resident students at each grade level, at each level of special education services, and the number receiving bilingual or English as a Second Language (ESL) services, and are audited. DCPS is funded on the basis of the prior school year's audited count. Public charter schools receive 75% of their entitlement based on the current year's fall count and the remaining 25% based on their spring count with a 50% adjustment for each WPU increase or loss (DC CODE § 31-2853.43). Since all grade levels, including pre-school and pre-kindergarten, are full-day programs, the District does not use full-time equivalency except for adult programs.

Local Fiscal Capacity: Not applicable

How the Funding Formula Works: The UFF entitlement of DCPS and of each PCS is determined by multiplying the weighted pupil unit count (for DC residents only) by the guaranteed foundation level. That amount was set at \$5,500 per student for the 1998–1999 fiscal year, and increases automatically each year by the increase in the local CPI or 4%, whichever is less.

The base amount is intended to cover all costs associated with educating a student in grades 6–8 who receives no special education, ESL/bilingual, alternative education or summer school services. The only costs excluded (apart from

teacher retirement and the school transit subsidy which are funded separately in the city budget) are “state-level” costs, borne only by DCPS and not the public charter schools, as described below.

Local Share and State Shares: Not applicable, since they are unitary.

Weighting Procedures: Grade level weights reflect sufficient funding to pay assumed extra costs of smaller pupil/staff ratios at certain grade levels. Weights for pre-school and pre-kindergarten pupils, all of whom are entitled to full-day services, assume a pupil-teacher ratio of 20/1 and an aide for each classroom. Program weights for grades K–5 assume a class size of 22/1 and sufficient funds for specialists qualified to teach art, music, and physical education plus reading specialists, librarians and counselors. Program weights for middle and senior high school grades assume average class sizes that vary for math and English vs. other academic subjects vs. art, music and physical education vs. vocational education, including a preparation period free of assigned students.

Special education, ESL/bilingual, and summer school weights are based upon past experience in the District and the range of weights used by other jurisdictions. Residential school and adult education weights are based upon costs elsewhere, including evidence presented by PCS applicants proposing to serve these populations. DCPS has no adult or residential school programs.

Included in all levels and programs are sick and personal leave for staff, health insurance and other fringe benefits programs (apart from teacher retirement), instructional supplies, materials and equipment, texts, and all central office and non-instructional service costs apart from transportation.

The Council is directed to review all aspects of the UFF, including the weights, every two years twice after its 1998 enactment, and thereafter every four years.

Neither DCPS nor any PCS is required to allocate its funding internally in accordance with the proportions set by the weights. The weights are intended solely to generate a bottom line budget for each.

The weights for 1998–1999 are:

Grade Level Weights (DC CODE § 31-2904)

Pre-school and Pre-kindergarten	1.16
Grades Kindergarten–5	1.05
Grades 6–8	1.00
Grades 9–12	1.20
Alternative school (grades 7–12)	1.20
Adult FTE	0.75

Program Weights-- cumulative to grade level and each other (DC CODE §§ 31-2905)

Special Education – Level 1 (services less than 6 hours/school week)	0.22
Special Education – Level 2 (services from 7–15 hours/school week)	0.80
Special Education – Level 3 (services more than 15 hours/school week)	1.73
Special Education – Level 4 (separate school or program)	1.72
Limited or non-English proficient (LEP/NEP)	0.40
Summer school (where needed for promotion to the next grade)	0.10
Residential	1.70

Adjustments for Special Factors:

Enrollment decline or growth: None. Funding DCPS based on prior year enrollment holds it harmless for one year (only) for enrollment decline; should trends change, DCPS would have to cover one year’s growth without additional funds. Public charter schools are funded on current enrollment.

New public charter schools: Because the District’s fiscal year, like that of the federal government, begins on October 1, new charter schools receive a one-time-only payment of 1/12 their entitlement to cover their first-year September costs (DC CODE § 31-2853.43).

Funding Distribution Schedules: DCPS receives its entire appropriation at the beginning of the fiscal year, October 1, unless Congress has not yet appropriated the District of Columbia budget. Public charter schools receive 75% of their entitlement at the beginning of October and the remaining 25%, with adjustments for enrollment change, at the beginning of May. If Congress has not acted by October 1, as is often the case, both are usually funded under continuing resolutions, at the prior year’s levels, until Congress acts and the President signs the D.C. Appropriations Act.

Districts Off Formula: none.

VI. TRANSPORTATION

Funding in 1998–1999: \$26.8 million.

Percentage of Total DC School Funding: 4.4%.

Description: DCPS, as part of its “state-level” responsibilities, provides bus transportation for children with disabilities whose Individual Education Plans (IEP) require it, whether they are enrolled in DCPS, public charter or non-public schools. Other students, public and non-public, are entitled by statute to half-price fares on public transportation for trips to and from school and related educational activities. The Council appropriates funds on a separate agency line to reimburse Metro (the regional transit authority) for the other half of school fares. Special education buses are available to DCPS schools for field trips and similar purposes when not otherwise in use.

State/Local Responsibility for Funding: The Mayor and Council determine how much to allocate for DCPS-provided transportation based on their review of the DCPS annual budget submission. Any variation in actual costs must be covered by DCPS. The amount of the transit subsidy is based on projected ridership.

Extent of Participation: Not applicable.

VII. SPECIAL EDUCATION

Funding in 1998–1999: \$111.9 million (partially included in UFF formula funding).

Percentage of Total DC School Funding: 18.2%.

Description: The District is responsible for providing special education programs ranging from programs for children at birth through four years old with severe disabling conditions to programs for certain students through age 21 as required by federal law.

Formula-funded special education costs. Both DCPS and public charter schools provide special education services in regular schools; DCPS also operates four separate special education schools, and one PCS specializes in special education. Two additional programs are scheduled to open for SY 2000–2001. These

services are funded through the UFF with the weightings described in the above section V, weighting procedures. In 1998–1999 DCPS effectively received \$41.0 million in formula funding for special education; the amount received by PCSs is unreported.

“State-level” special education costs. Where no appropriate DCPS placement is available for a special education student, DCPS pays tuition to qualified non-public institutions, including residential facilities. In 1998–1999, the final budget allocation for tuition was \$55.3 million. DCPS is also responsible for special education tuition costs of DC children in foster care and other wards of the city, for which \$15.6 million was allocated.

State/Local Responsibility for Funding: DCPS must absorb any tuition costs beyond those included in the “state-level” appropriation. UFF funding is intended to cover the reasonable cost of required services provided within DCPS and PCSs. Any shortfall in actual costs must be absorbed by general education funding.

Extent of Participation: DCPS and approximately 16 PCSs received funding in 1998–1999.

VIII. COMPENSATORY EDUCATION

Funding in 1998–1999: \$15.6 million (included in UFF formula funding).

Percentage of Total DC School Funding: 2.5%

Description: The number of students in the District needing compensatory education is so high in both DCPS and public charter schools that the Council decided against any special weighting, preferring to include it in resources assumed to be needed in the general education program. There is separate funding, however, for summer school for students who need that additional instructional time for promotion to the next grade.

State/Local Responsibility for Funding: not applicable.

Extent of participation: DCPS and an unreported number of PCS’s.

IX. GIFTED AND TALENTED

Funding in 1998–1999: none designated.

Percentage of Total DC School Funding: not applicable

Description: DCPS gifted and talented programs are school-based rather than system-wide. Individual DCPS schools and PCSs offer such programs with their formula funding.

State and Local Responsibility for Funding: not applicable.

Extent of Participation: not applicable.

X. BILINGUAL EDUCATION

Funding in 1998–1999: \$10.9 million (included in UFF formula funding).

Percentage of Total DC School Funding: 1.8%.

Description: Both DCPS and public charter schools are responsible for providing English as a Second Language (ESL) and/or bilingual services in compliance with federal requirements.

State and Local Responsibility for Funding: UFF funding is intended to cover the reasonable cost of required services provided within DCPS and PCS's. Any shortfall in actual costs must be absorbed by general education funding.

Extent of Participation: DCPS and approximately 11 PCS's received funding in 1998–1999.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–1999: included in UFF formula funding.

Percentage of Total DC School Funding: not applicable.

Description: Both DCPS and public charter schools are funded for as many full-day pre-kindergarten and kindergarten students as they enroll. Compulsory school attendance in the District begins at age 5, and DCPS full-day kindergarten has been available to any resident child seeking to enroll for many years. Pre-kindergarten classes for four-year-olds were expanded from half- to full-day in the mid 1980's and serve most although not all children applying.

State and Local Responsibility for Funding: not applicable.

Extent of Participation: DCPS and 7 PCSs received funding in 1998–1999.

XII. OTHER CATEGORICAL PROGRAMS

None.

XIII. TEACHER RETIREMENT AND BENEFITS

Funding in 1998–1999: \$18.7 million.

Percentage of Total DC School Funding: 3.0%

Description: The teachers' retirement system is funded as a separate DC agency. The plan is available to all teachers and other certificated personnel employed by DCPS. DCPS teachers who take employment with public charter schools are entitled to unlimited two-year leaves and may remain in the retirement plan with the employer contribution paid by the PCS. The plan is not available to other public charter school teachers; PCS's must establish their own pension plans using formula funding.

State and Local Responsibility for Funding: The teacher retirement plan is funded by individual contributions and direct District government contributions. Annual appropriations levels are based on a certified actuarial analysis from the DC Retirement Board. In 1997 the federal government assumed the District's unfounded pension liability for teacher and other retirement plans; it pays the future retirement, death and a share of disability benefits earned by the beneficiaries vested prior to June 30, 1997. Benefits earned thereafter remain the responsibility of the District.

Extent of Participation: all DCPS certificated personnel.

XIV. TECHNOLOGY

Not applicable.

XV. CAPITAL OUTLAY AND DEBT SERVICE

State/Local

Funding in 1998–1999: \$55.0 million

Percentage of Total DC School Funding: N/A.

Description: Capital outlay projects for DCPS are funded through general obligation bonds issued by the District government as well as any balances from property sales of school facilities no longer in use. Debt service is paid directly by the DC government from real property tax revenues, and under the Home Rule Charter may not exceed 17.0% of local revenues. Under a settlement agreement with a parents' organization that had sued successfully for enforcement of the DC Fire Code, DCPS is entitled to at least 27.5% of the revenues of long-term general obligation bond issues. The DCPS capital budget is subject to approval by the Mayor and Council on a project-by-project basis, but DCPS itself has exclusive implementation authority.

Public charter schools do not participate in the capital program. In lieu of capital funds, they receive a facilities allowance as an addition to their per student allocation through the UFF. The amount is based on a rolling multi-year average of DCPS capital funding per DCPS pupil; it was \$617 per PCS student in 1998–1999 (DC CODE § 31-2908).

State and Local Responsibility for Funding: not applicable

Extent of Participation: DCPS only.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

Funding in 1998–1999: None.

Percentage of Total DC School Funding: N/A.

Description: The District has standards/accountability measures but none currently tied to funding. DCPS has standards in all major curriculum areas and administers the Stanford-9 (SAT-9) reading and mathematics tests annually to its own and to public charter school students in all grades 1–11. Assessments related

to the standards are being developed. DCPS produces school-level profiles including student data, SAT-9 test results, results of the “Satisfaction Survey” of parents, students and teachers, and staffing data.

Charter applications of the public charter schools include the outcomes for which they agree to be held accountable by their chartering authorities. In addition they must publish annual reports including academic and fiscal data (DC CODE § 31-2853.14). All PCS’s must obtain accreditation from an accrediting body deemed appropriate by its chartering authority, and any PCS including pre-school or pre-kindergarten must also be licensed as a child development center by the DC government (DC CODE § 31-2853.12).

Extent of Participation: DCPS and all public charter schools.

XVII. REWARD/SANCTIONS

DCPS provides monetary awards to schools meeting specified targets on the SAT-9, and has reconstituted some under-performing schools but there are no external rewards for performance or sanctions for system-wide deficiencies. Public charter schools may be put on probation or have their charters revoked if they fail to meet the terms of their charters or to comply with statutory requirements. One PCS has had its charter revoked and two were placed on probation in 1998–1999 pursuant to these requirements.

Pay for Performance

Funding in 1998–1999: none.

Percentage of Total DC School Funding: not applicable.

Description: Pay for teacher and principal performance is scheduled to begin in school year 2000–2001 pursuant to collective bargaining agreements.

Extent of Participation: Not applicable.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

Alternative High Schools

Funding in 1998–1999: \$1.1 million (included in UFF formula funding).

Percentage of Total DC School Funding: Less than 1%.

Description: DCPS operates one alternative school for students in grades 7–12 suspended for more than 25 days. Services include emotional counseling as well as academic instruction. Several public charter schools specialize in educating students exiting from the juvenile justice system, former drop-outs and students at high risk of drop-out.

Extent of Participation: Not applicable.

Charter Schools

Funding in 1998–1999: \$27.9 million.

Percentage of Total DC School Funding: 4.5%

Description: Charter schools are governed by the congressionally enacted DC School Reform Act of 1995 (DC CODE §§ 31-2853.11 et seq.). A charter school operates under the terms of a performance based charter approved by an eligible chartering authority for a period of five years. There are two chartering authorities: the DCPS Board of Education and a mayorally appointed independent Public Charter School Board. The law exempts charter schools from DC “statutes, policies, rules, and regulations established for the District of Columbia public schools by the Superintendent, Board of Education, Mayor, District of Columbia Council, or Authority [the control board],” except as explicitly provided by the governing legislation or the PCS’s own charter. Charter schools are public, nonsectarian, non-religious, nonprofit corporations that may not charge tuition and must enroll any DC resident at grade levels offered regardless of “race, color, religion, national origin, language spoken, intellectual or athletic ability, measures of achievement or aptitude, or status as a student with special needs” (DC CODE § 31-2853.16). Random selection occurs if there are more applications than spaces. The funding for charter schools is described in relevant sections above.

Extent of Participation: In 1998–1999, there were 18 public charter schools in operation in the District.

XIX. AID TO PRIVATE SCHOOLS

None.

XX. RECENT/PENDING LITIGATION

None.

XXI. SPECIAL TOPICS

Lottery

The District has a lottery, which produced \$64.2 million in fiscal 1999 (preliminary estimate), but revenues are not earmarked for any particular purpose.