

Letter to DC Council from the DC Public Charter School Board Executive Director on FY24 Budget

Good afternoon Councilmembers,

Over the past few weeks, you have heard several concerns from public charter school leaders, teachers and staff related to their overall funding levels. I am writing to follow up on some of the topics raised to hopefully provide more clarity as you deliberate. This is broken into three categories of timing, facilities, and the grant process followed by detailed information.

This is a summary of the public charter sector's requests of DC Council during this budget cycle:

1. Fund both education sectors through the UPSFF;
2. If it is not possible to put the dollars through the UPSFF, convert the one-time grant to recurring funding so that LEAs can increase educator's base salaries in FY24 and beyond;
3. Allow public charter schools to use the funding for pay increases for the full range of staff positions covered by the WTU agreement; and
4. Ensure any funding through a grant is expeditiously disbursed.

History

Public charter schools were created by law more than 25 years ago to have an intentionally different governance structure than traditional public schools, which comes with advantages and disadvantages. As you may know, public charter schools are organized as nonprofit entities, each governed by a board, assuming the same responsibilities as a traditional nonprofit. This means they have the flexibility to tailor their academic programming to their student body and it also allows them the opportunity to try different approaches with their staffing models. The disadvantage our schools face is that they are often overlooked by various agencies when new services are offered to public schools due to the bifurcated nature of the education landscape. They are also at a disadvantage when it comes to not having the full faith and credit of the District behind them for financing or the representation of the attorney general in legal matters.

Some of you expressed concern with the message equal funding would send to the Washington Teachers Union (WTU) and the precedent it would set. I congratulate the union on its hard fought gains. However, the city created the funding formula back in 1998 to fully and equitably fund the total cost of education regardless of the sector a student attended. Public charter schools and staff are simply asking for the same funding to attract, hire, and retain great talent as is available to DCPS. As you know, teacher salaries are the

largest financial expense of educating children, and that component is even larger when you include the salaries of social workers, counselors, etc. The proposed budget creates a disparity for LEAs by funding one sector more than the other.

The last time a WTU contract was ratified in 2017, this Mayor set the precedent of providing equivalent funding through the UPSFF in part because our government recognized that salaries are the majority of a school's budget. The city acknowledged the increasing costs of educating a child and the legal requirement to equitably fund all public schools in the District.

With a finite amount of dollars, I deeply believe that the city needs to put all education funding through the formula to support the true cost of educating students. In other school districts, budgeting works this way; the city government knows the size of the pie and negotiates with the labor unions under the constraints of the overall education budget. I understand you did not create this problem and it will be difficult for this Council to provide this level of funding. However, public charter school students, their staff, and school communities should not be penalized for the unfortunate circumstance that these negotiations coincided with a downturn in the District's revenue.

Timing

The urgency heard in the recent engagement from public charter school communities is due to a confluence of factors that have made running a school in 2023 very difficult. In short, schools are feeling the same pressures that the rest of our country feels.

We have record or near record level lows of unemployment nationally. While that may be positive overall, it does mean that the overall pool of talent to draw from is smaller. As employers, this leaves our LEAs in the position of trying very hard to both attract new talent to the District of Columbia and retain the talent they have. Teachers and other staff are demanding higher wages, flexible time off (which requires schools to hire more staff), and more benefits. This leaves our District public schools in a hypercompetitive hiring environment competing against each other, with the region, and in some cases beyond.

As you know, both DCPS and public charter teachers have experienced the most challenging years of their careers since 2020. Teachers deserve to be compensated for how they stepped up during the pandemic and LEAs want to pay their staff more and reward them for their work during this challenging time. The disparity in funding could be the difference in a charter

teacher affording childcare this year or buying a home in the District. Almost half of the teaching jobs in the District are in public charter schools, and many teachers joined their schools because they wanted to work with the District's youth. They did not join to make a statement about unionization or lack thereof or about charter versus traditional district schools.

When we fund our schools outside of the UPSFF, creating a difference of roughly \$187 million dollars (or \$3,700 per student) between sectors, the teachers, staff, and families may feel pressure to flock to where the funding is. Our city already has an issue with teacher retention. This Council and the State Board of Education have held several hearings over the past few years exploring the issue. The inequitable funding between sectors has the potential to make those numbers worse if teachers flee the charter sector for more pay. Students attending a public charter school deserve to see their teachers remain in their schools just as students in DCPS do.

Facilities

Many questions have surrounded the facilities allotment for public charter schools. As nonprofits, public charter schools are responsible for funding every aspect of their campus including facilities acquisition and maintenance. This means schools need to use their money more like other nonprofits rather than the government because they do not have the strength of the District finances to back them or DGS to handle building issues. You heard testimony from multiple school leaders during the hearing on April 5 regarding their facility and cash reserve situation that I will summarize.

Lenders view reserves as a critical indicator of financial health and stability. Not unlike buying a house, having money set aside with a proof of steady income is critical for public charter schools to have because it impacts their interest rate and ability to purchase, renovate, and maintain their buildings. In most cases, schools are required to maintain a specific debt service coverage ratio and cash reserves. Lenders are constantly evaluating risk and pay attention to many indicators including the city's education investments as well as non-financial actions of the DC PCSB. This is also true of schools that obtain revenue bonds voted on by this Council. Under the terms of these bonds, if they do not maintain certain balances the schools would default on their loan even if they made every payment. Public charter schools must carry reserves throughout the length of the loan to cover any debts and must save and spend money above those figures if and when the building needs to be modernized.

Many of public charter LEAs spend more than the allowance on their facilities due to some of the factors I mentioned previously. In FY21, the median charter received \$1.4 million via the facilities allotment and spent \$2.3 million,

\$900,000 more than they received. The trend over the last five years demonstrates a similar level of need. DCPS is not only serviced by DGS (that has its own operating budget) but is also allocated several million dollars outside of the funding formula for projects such as HVAC upgrades. This is in addition to the millions they receive in their overall capital budget.

In summary, we are not staying true to the UPSFF, especially when it comes to facilities due to the way we fund capital and maintenance issues between the sectors. This is the reason public charter schools must make the decisions they do with respect to reserves and their facilities dollars.

Grant Process

Many of you acknowledged that schools need more information to understand the terms of the proposed grant they will receive from OSSE to fund these raises. We appreciate your advocacy to make the parameters public as soon as possible. LEAs are willing and ready to comply with the requirements of the proposed grant, and many school leaders are prepared to publish salary scales whether the funding goes through the UPSFF or through the grant process if it means more stability for their staff. The concerns of school leaders were rooted in the eligibility requirements (the definition of “teacher”) and the timing of the grant release given that hiring decisions are occurring now.

It is unclear whether the amount of funding the executive has allocated for the grant is sufficient to cover the costs of providing a well-deserved raise to all public charter educators. Widespread input was not sought from LEA leaders nor DC PCSB in the creation of this grant and the overall funding level. During a recent hearing, the city’s budget director said the figure was “based off of the DCPS teacher salary, which, as we know, is much higher than those in the charter sector.” I am concerned that the grant will be exhausted before all schools are distributed funding if more public charter schools are paying higher salaries than the executive estimated. If funds are exhausted before all schools can avail themselves, the inequity will be further exacerbated.

DC PCSB has structures in place to collect information from public charter schools. If there must be a one-time grant, which again would not raise base salaries, we are willing to support the process in any way to ensure the speedy implementation of the program to get teachers and staff well-deserved pay.

I thank you in advance for your thoughtful consideration of these requests and finding long term solutions to the issue of funding equity across sectors. I

am happy to serve as a thought partner as you deliberate and hope you will utilize myself and colleagues across the sector as needed.

Sincerely,
MJW

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