DC Fiscal Policy Institute

TESTIMONY OF SOUMYA BHAT, EDUCATION FINANCE AND POLICY ANALYST
DC FISCAL POLICY INSTITUTE

At the Public Hearing on the
Public Charter School Fiscal Transparency Amendment Act of 2015
October 14, 2015

Chairman Grosso and members of the Committee on Education, thank you for the opportunity to speak today. My name is Soumya Bhat, and I am the Education Finance and Policy Analyst at the DC Fiscal Policy Institute. DCFPI is a non-profit organization that promotes opportunity and widespread prosperity for all residents of the District of Columbia through thoughtful policy solutions.

Charter schools serve over 44 percent of all public school students in the District and are funded with over $600 million in local resources. This makes it critical that the Public Charter School Board (PCSB), as a charter authorizer, has information at their disposal to conduct adequate oversight of all charter school local educational agencies (LEAs).

The proposed bill—B21-0115, The Public Charter School Fiscal Transparency Amendment Act of 2015—would allow PCSB the legal authority to access financial records and contracts of school management companies and better define what constitutes fiscal mismanagement. This will help PCSB catch the bad actors and ultimately revoke charters when schools are not compliant. While DCFPI supports these measures, we hope the conversation about charter school fiscal transparency does not stop with this bill and that both PCSB and the DC Council are open to additional recommendations for improving the fiscal management and oversight of DC's public charter school sector. I will highlight some of them today.

Improving Transparency in the Financial Audit Review (FAR) Report Cards

The PCSB conducts an annual performance management review process for each charter school LEA. Schools that fail to reach the standards set internally by PCSB are deemed "financially unstable," and PCSB will work individually with the schools to provide technical assistance and prevent insolvency. In efforts to increase oversight, PCSB increased the threshold of financial stability in its latest FAR report by introducing several new financial measures and raising the score that schools had to reach based on one of its internal formulas. LEAs that fail to improve their financial status could have their charter revoked by PCSB.

While the FAR report offers financial snapshots for each school and detailed information on a number of factors affecting a school's financial health, it could offer a clearer picture of how resources are being spent in the charter sector. DCFPI reviewed the most recent FAR report from fiscal year 2014 and makes several recommendations of additional information that could be incorporated, including the following[1]:

- **Breakdown of occupancy expenses** – The FAR defines occupancy expenses broadly by presenting both capital costs – dollars spent to build, own, and maintain long-term assets – with operating expenses like utilities and maintenance. DCFPI recommends a more careful accounting of capital costs by separating occupancy into operating costs and capital costs for each charter LEA, particularly since each charter school LEA gets an annual payment intended for operating expenses and a separate payment intended for capital expenses.
- **Summative "grade" for each LEA**— The FAR lacks a cumulative list of which specific LEAs are considered high performing or at-risk. The FAR financial report cards for individual LEAs present several metrics but not a summative "grade." One singular number or letter grade to represent the overall financial health of a charter would be a helpful addition to the financial report cards.
- **List of charters and their financial status** – The FAR does not have a clear list of which schools are financially high-performing or low-performing. It simply states the number of charters in each category – for example, 21 of 60 charter LEAs were identified as financially high performing, and seven LEAs were identified as having "low and inadequate performance." There was no identifying category for the remaining 32 LEAs that were outside of the two extremes. A tier system would be beneficial for the public.

Standards for Increased Accountability

As the Council works to strengthen fiscal transparency of DC's charters schools and weighs the findings of the recent National Research Council report on PERAA, there are a few resources worth consideration. Last year, Brown University's Annenberg Institute for School Reform released a report[2] outlining standards for charter schools to raise the levels of accountability, transparency, and equity of public charter schools. Many of these concepts are echoed in the paper released this week by the Coalition for DC Public Schools and Communities (C4DC).[3] For example, including allowing individual charter LEAs to be subject to Freedom of Information Act rules and creating a data warehouse and uniform budgeting framework for both school sectors could help parents and policymakers better understand the way schools make funding and governance decisions. Ultimately, all publicly funded institutions should be subject to the same levels of scrutiny and oversight, particularly when it comes to public schools.

Thank you again for the opportunity to testify. I am happy to answer any questions.

---

[1] The full DCFPI report can be found at: http://www.dcfpi.org/wp-content/uploads/2015/08/8.5.15-Revenue-and-Spending-Per-Student-TP-Final.pdf.

[2] For more information, see: http://annenberginstitute.org/?q=publication/charter-accountability-report

[3] The C4DC paper can be found at: http://www.c4dcpublicschools.org/