



**Testimony of Rick Cruz
DC Public Charter School Board
FY 18 Budget Oversight Hearing
Committee on Education
May 4, 2017**

Good afternoon Chairman Grosso and education committee members. Thank you for the opportunity to testify at today's budget hearing. My name is Rick Cruz and I am a member of the DC Public Charter School Board and the chair of the finance subcommittee. With me today are Executive Director Scott Pearson and Deputy Director Naomi DeVeaux.

Serving more than 41,000 students across the city, DC public charter schools prove every day that they are worth the investments this Council has made over the years. Across virtually every dimension, charter schools outperform city averages while serving a more disadvantaged population. And this performance has improved year over year. Four-year graduation rates for the sector are now 73%, higher than the citywide average of 69% and 1.2 percentage points higher than last year. Public charter school PARCC results grew 4 and 2.5 percentage points respectively in students meeting or exceeding expectations in reading and math. Attendance, reenrollment, and waitlists are up. Suspensions and expulsions are down and we're seeing LEAs exploring restorative justice approaches while expanding models that are proving successful. And more students are attending Tier 1 schools than ever before.

That said, as we continue to add students in DCPS and the charter sector, we realize we need to do more to meet the increasing challenges we face. All of our schools make a core commitment to maintain high academic standards and prepare students for future success. And yet we hear from school leaders that the challenges they are asked to take on, from addressing the rising tide of homelessness to the growing demands of students who suffer mental health challenges and trauma, put greater pressure on staffing and resources.

With this in mind, there are positives and negatives to the mayor's proposed budget, that I'd like to comment on briefly. First, we commend the mayor for her commitment to increasing the per student facilities allotment by 2.2% over the next four years. Building costs and rents have been rising for years, while the facilities allowance has stayed flat. To some extent, low and falling interest rates masked these underlying inflationary pressures. Now the era of low interest rates appears to be ending, making it urgent that the facilities allowance rise with inflation. We are grateful that the mayor has recognized this urgent need. This increase will relieve some of the pressure on school finances.

Unfortunately, we were disappointed to see the administration's decision to not increase the universal per pupil funding by at least 2%, given the needs of our at-risk students, including wraparound services whose funding was not increased. We would note that the mayor's UPSFF working

group, which included many representatives of the administration, recommended a 3.5% increase. Furthermore, we were disappointed the budget does not provide funding to extend the “Kids Ride Free” program to adult learners, which was an initiative of this council that we applaud.

Now I’d like to turn to DC PCSB’s proposed budget for FY18. Last year I testified about our operating budget that was based on the 1% oversight fee, a fee which remains modest compared with other authorizers nationwide. Previously, this fee was set at .5%, and we struggled to fund our operations properly. Due to the increase in the fee, we have been able to adequately staff our oversight function as well as rebuild our reserves beyond our target of 90 days of cash. After carefully assessing our needs, we have decided this year to invoice schools at 0.9% instead of the allowable 1% fee. This will result in a \$970,124 net decrease in funds from FY17, an amount that schools can instead use on academics or support services. At this point, we plan to continue this practice for FY19 to give schools certainty in their budget planning.

In addition to this fee adjustment, DC PCSB proposes a few other shifts in our budget. As you are aware, we are required by law to conduct a thorough review of each school’s performance at least every five years. Because of an uneven distribution of schools across different founding years, some years have particularly large numbers of schools up for review. We are entering such a period. Over the coming two years we will perform

approximately 31 campus reviews and renewals. While this year saw four reviews, next year will involve 17 and 14 the year after. This work entails a Qualitative Site Review, analyzing five years of school performance data, and legal compliance. Given the impending workload, we have adjusted our staffing in anticipation of this need. As a result, our biggest budgetary increase comes in the form of salary and benefits.

As you review our budget, you will also observe a decrease in non-recurring revenue in FY18. In response to the concerns related to lead in school drinking water last year, the administration granted us \$721,164 in one-time funds to pay for lead testing and abatement. We hope to work with the city to find a more permanent solution to this issue.

Finally, I'd like to close with a few words about the financial health of the schools we oversee and the oversight DC PCSB performs. Since the implementation of our Financial Audit Review process five years ago, we have doubled the number of public charter schools who earn "Fiscal High Performer" status even as we've raised the criteria for this designation. In addition, the number of low fiscal performers has fallen more than 75 percent. Overall, last year's FAR report showed the average fiscal performance across all schools increased in every metric. That includes operating surplus, cash flow, and balance sheet strength. We are confident schools are in better shape than ever to weather any storm. We look forward to continuing this important work by releasing our FY16 FAR report in June.

Chairman Grosso, thank you for your leadership of this committee. Your support of quality programs, school choice, and fairness in both sectors has helped lead to productive and healthy school sectors citywide. Thank you for the opportunity to testify. We are happy to answer any questions.