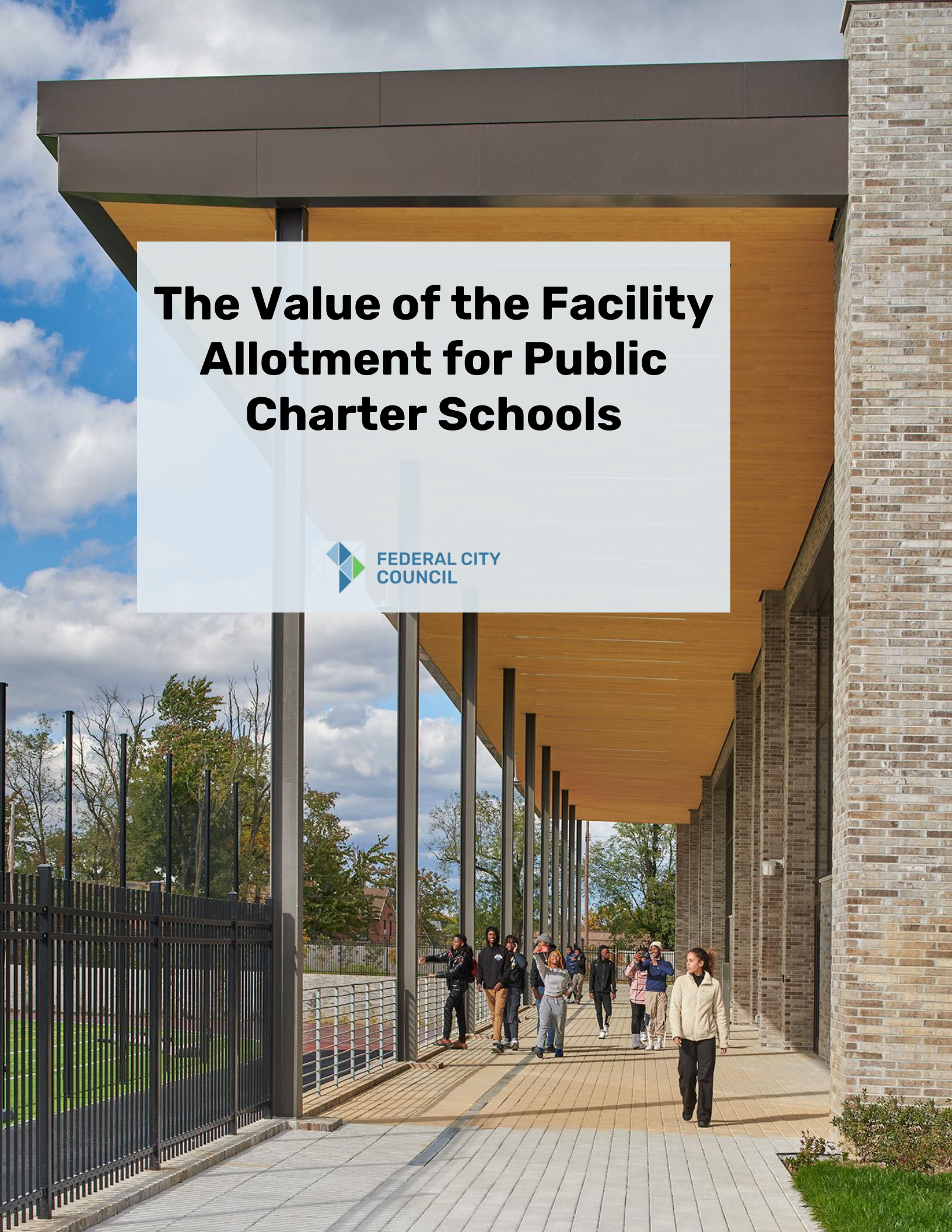


The Value of the Facility Allotment for Public Charter Schools



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The Value of the Facility Allotment for Public Charter Schools

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A copy of this report can be found on the [Federal City Council's website](#).

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GLOSSARY OF TERMS

ACRONYMS

DC PCSB	DC Public Charter School Board
DCPS	DC Public Schools
DME	Deputy Mayor of Education
GAAP	Generally Accepted Accounting Principles
LEA	Local Education Agency
OSSE	Office of the State Superintendent of Education
UPSFF	Uniform Per Student Funding Formula

EXPENSE METHODS

Capitalization	Capitalization is the process of paying off an expense over time through <i>amortization</i> or <i>depreciation</i> .
Amortization	Amortization is the process of paying off a debt or mortgage over a period of time (either the expected life of an asset or term of a lease). Amortization is commonly used to account for intangible assets, such as loans and mortgages.
Depreciation	Depreciation is the process of allocating the cost of a tangible asset over its useful life. Depreciation is used to expense tangible assets which reduce in value over time, such as buildings, equipment, and furniture.

EXPENSE DEFINITIONS

All terms appear on facility expense reports, see the template in Appendix B.

Capitalized Facilities Cost	A capitalized facility cost is any building asset generally with a useful life greater than one year and costing more than \$1,000. These facility-related costs are recorded as fixed assets on an LEA's balance sheet. These costs are <i>capitalized</i> , meaning they paid off via <i>depreciation</i> or <i>amortization</i> , depending on the type of cost.
Debt Service	Payments made to cover a loan or other debt.

Depreciation of Building	<i>Depreciation of Building</i> refers to the gradual decline in value of a property, usually due to normal wear and tear. To account for this decline in value, the cost of the building is allocated across its expected period of use.
Furniture, Fixtures, and Equipment (FFE)	<p>All costs relating to the purchase, shipping, and installation of furniture, fixtures, and equipment.</p> <p>For leased facilities, FFE are <i>amortized</i>, meaning these costs are paid off over the period of the lease. For owned facilities, FFE are <i>depreciated</i> over their useful life.</p>
Leasehold Improvements (LHI)	Leasehold improvements are modifications or updates made to any leased property. These costs are <i>amortized</i> , meaning they are paid off over the length of a lease.
Real Estate Taxes	<p>Annual tax that must be paid on a property.</p> <p>LEAs that own facilities may pay property tax on those buildings. For LEAs that lease buildings, real estate tax is either paid by the landlord or tenant, depending on the terms in the lease. Real estate tax rates depend on the type of property. Learn more from the Office of Tax and Revenue.</p>
Rent Expense	Payments made to a property's landlord on a leased facility. These payments are outlined in the lease agreement between tenant and landlord.
Principal Payment	The principal is the original amount of money borrowed in a loan. A principal payment is a payment made to pay off the loan, which reduces the total size of the principal.
Property Insurance	Property insurance covers the building, structures, and contents (including permanently installed fixtures, machinery, and equipment).
Utilities, Repairs, and Maintenance	<p>These expenses are listed as "other" on LEA facility expense reports, see Appendix B for exact language.</p> <p>Utilities may include water, electricity, gas, and telecommunications, such as wifi.</p> <p>Repairs made to the building and equipment. Some examples include fixes to HVAC systems, fire alarms, and plumbing.</p> <p>Maintenance refers to the upkeep of the building, equipment, and property. Maintenance costs may include installing and upgrading wifi systems, elevators, HVAC, and plumbing.</p>

EXECUTIVE SUMMARY

Quality, permanent facilities are essential for student development, school growth, and community stability. District public charter schools, which serve 48% of the city's students, are responsible for locating, renovating, and financing their facilities. After personnel costs, facilities are the second-largest expense for public charter schools each year.

While traditional District public schools operate out of government buildings, maintained and operated with funds from the [District's Capital Budget](#), charter schools are responsible for the purchase, lease, maintenance, and operation of school buildings. Since 1999, public charter schools in DC have received an annual facility allowance through the [Universal Per Student Funding Formula \(UPSFF\)](#).

This report examines public charter school facility spending for fiscal years 2017 to 2021. Using data provided by DC PCSB in response to a public records request, we analyze annual trends in facility spending and determine the adequacy of the per-pupil facility allowance.

During the five-year period examined in this report, charter schools relied on the facility allotment to cover a portion of their facility-related expenses. For the majority of public charter schools, however, the allotment was insufficient on its own to meet all facility expenses.

Our analysis revealed that between fiscal year 2017 and 2021, public charter schools:

- Spent over \$4,000 per student on facilities annually.
- Spent about \$800 more per student on facilities than they received through the facilities allotment.
- Spent nearly half of their annual allotment on leases and mortgages.

As this report explores, the annual increase of the facility allotment has failed to keep pace with the rising cost of facilities. Between 2017 and 2021, the facility allotment increased by only 9.9% (2.2% annually), while the average per-pupil facility expense increased by 17.2% over the five-year period.

In short, facilities are expensive and public charter schools rely on the allotment to cover a substantial portion of their facilities costs. The District should continue to increase the facility allotment to keep pace with rising costs and work closely with schools to support their facility needs.



INTRODUCTION

For public charter schools in Washington, D.C., facility expenses are some of the most essential and costly payments made each year. While traditional District public schools operate out of government buildings, maintained and operated by funds from the [District's Capital Budget](#), charter schools are responsible for the purchase, lease, maintenance, and operation of school buildings.

District Public Charter Schools

The District's public charter schools, which serve approximately 48% of students in the city, are operated by non-profit organizations known as local education agencies (LEAs). As of the 2022-23 school year, there are 135 schools managed by 69 LEAs.

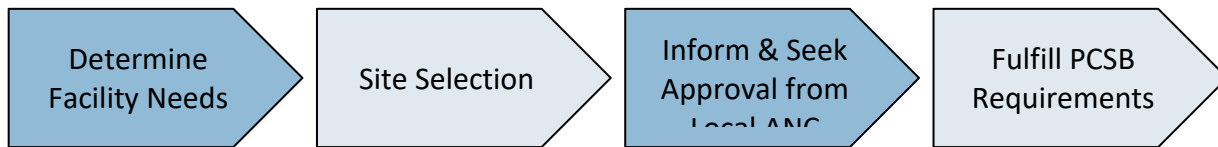
In 1996, the DC Council and the US Congress separately passed laws allowing for the creation of public charter schools in the District. Currently, the DC Public Charter School Board is the sole authorizer for public charter schools in the District. The US Congress created the Board, an independent government agency, through the passage of the [District of Columbia School Reform Act](#).

The Board, which is composed of seven mayoral appointees, oversees the establishment, expansion, and closure of all public charter schools. DC PCSB monthly meetings are open to the public and provide the opportunity for public comment. Public charter schools must adhere to the Board's [Annual Compliance Reporting](#), as well as participate in [Qualitative Site Reviews](#), and routine [Charter Reviews and Renewals](#). The Board's procedures hold schools accountable to charter laws, financial standards, and operational transparency.

In addition to routine oversight procedures, DC PCSB authorizes the purchase, closure, and expansion of charter facilities. If a public charter school plans to operate a new facility through purchase or lease, the school must file a [charter amendment](#) at least three months before it intends to open a new space. DC PCSB will then vote to approve or deny the amendment during their monthly meetings.

Facility Procurement

For public charter schools in the District, school siting can be a lengthy, challenging process.¹ The [D.C. Public School Charter Operations Manual](#) provides guidance on the facility procurement process, including the suggested steps below.²

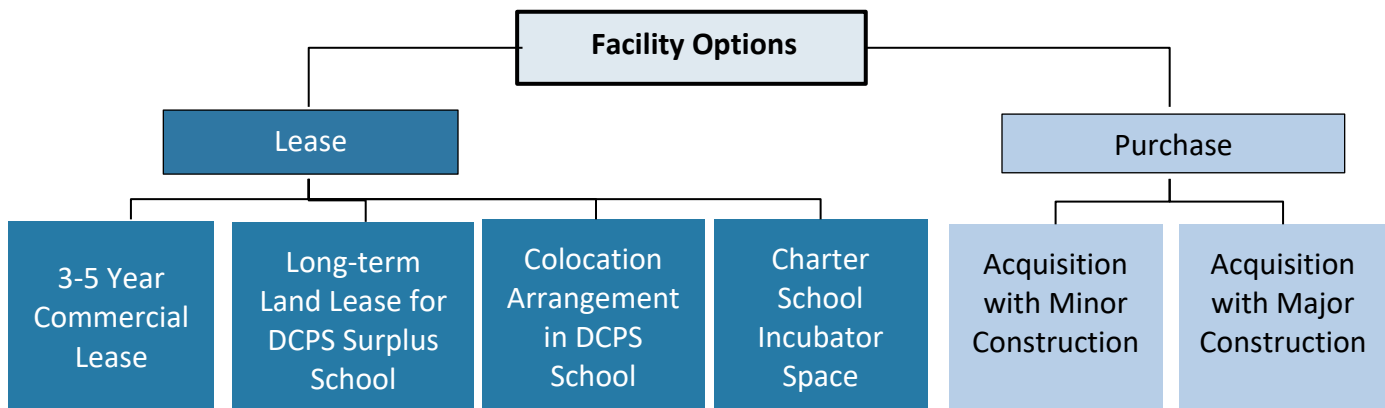


Prior to starting the facility search, public charter schools should outline the essential features they need in a facility. Public charter schools may consult the Capital Impact Partners’ guide, [The Answer Key](#), a valuable resource for facility planning. Beyond classroom and academic space, LEAs should consider their need for non-academic student space (gyms, cafeterias, playgrounds, etc.), accessibility, parking, and space for student drop off.

Public charter schools should also consider any potential constraints related to budgeting, timing, permits and regulations. As [The Answer Key](#) mentions, public charter schools may encounter roadblocks which force them to reassess their facility needs.

Facility Options

Public charter schools may lease, purchase, or share facilities with other schools, a practice known as [colocation](#). The diagram below provides a brief overview of facility options detailed in the [D.C. Public School Charter Operations Manual](#).



Leased Facilities

Facility rental is the most common solution for public charter schools in the District. For the 2021 fiscal year, 90 percent of schools in our sample reported expenses for leased facilities.

As public charter schools build capital for a long-term rental or purchase, a three-to-five year lease may best suit their financial and operational needs. When options are limited, public charter schools may resort to leasing commercial spaces that are not equipped for school use. Unfortunately, commercial facilities are rarely suited for school use. Public charter schools often make landlord-approved renovations to these facilities, known as *Leasehold Improvements (LHI)*.

As the [D.C. Public School Charter Operations Manual](#) suggests, renters may be able to negotiate a payment plan with their lease-holder, especially if the public charter school is newly-established with a smaller budget. Landlords may consider lower payments during the initial years of the lease term, balanced by higher rates in the final years of the lease. Since public charter schools are funded on a per-pupil basis, funding will increase as enrollment grows.

In addition to lease negotiation, renters should discuss maintenance and utilities responsibilities with their landlord and ensure the agreement is outlined in the final lease. While public charter schools are commonly responsible for utilities (water, electricity, heating, etc.), landlords may agree to cover maintenance and repair costs over a certain dollar amount. Commercial space renters may also be responsible for the facility's *Real Estate Taxes*.

Purchase & Rental of DCPS Buildings

Since the first public charter schools opened in 1998, the DC government has made surplus public buildings available to public charter schools for long-term lease or sale. Public charter schools often prefer former or underutilized DCPS buildings, as these facilities are equipped for school operation. According to a 2016 survey of public charter schools, at least 71 percent of respondents were interested in moving into a city-owned building.

Currently 42 public charter school campuses are located in facilities formerly occupied by DCPS. At least six of those facilities are shared between two charter LEAs through colocation. Appendix A contains a complete list of the 42 campuses.

Public charter school rental of DCPS buildings has considerable benefits for both parties. Charter LEAs bring additional revenue to the city through regular rent payments and often make *Leasehold Improvements* which increases the property's value.

In 2017, DC Council introduced the [Multiyear Facilities Master Plan](#), a ten-year plan to address and improve facility utilization and conditions. The Office of the Deputy Mayor of Education (DME) directs the project and collaborates with DCPS, DC PCSB, OSSE, and the Department of General Services (DGS).



Mundo Verde Bilingual PCS at J.F. Cook

In 2013, the city selected Mundo Verde Bilingual PCS, the city's only sustainability-focused school, to use and renovate the historic J.F. Cook School. Over the last ten years, Mundo Verde has thoughtfully restored the campus while preserving the integrity and character of the historic building. The J.F. Cook Campus is now LEED Gold and Platinum certified, outfitted with a rainwater harvesting system that saves 300,000 gallons of water annually. The building also features a green roof, solar panels, and composting system.

The J.F. Cook campus, which had been unoccupied since the school was shuttered in 2008, is now a model for sustainability and historic preservation. Mundo Verde students have the privilege of learning at a historic site, renovated with sustainable features that encourage their learning. Learn more about the J.F. Cook campus on [Mundo Verde's website](#).

Colocation

Shared buildings are another common option for public charter schools in the District. According to [EdScape](#), a facility-mapping tool created by the DME, 13 campuses were collocated during the 2022-23 school year. Twelve of the campuses are occupied by at least two charter schools. Only one DCPS school, Dorothy Height Elementary, uses a collocated space, sharing a building with Briya PCS.

Appendix A has a complete list of colocation facilities for the 2022-23 school year.

Charter School Incubator Space

Charter school incubators provide funding support and facility access for public charter schools. Since 2006, OSSE has partnered with [Building Hope](#) to create the incubator [Building Pathways](#), which provides facilities, property management, and financing to new charter schools. Incubators allow public charter school admin to focus on academics and school operation rather than facility management. Incubator spaces are often collocated facilities. Since 2006, Building Pathways has provided start-up space to 24 public charter schools in the District.

Facility Purchase and Construction

Public charter schools looking to purchase facilities may face the same siting challenges as renters, partnered with the demand of mortgage financing. Luckily, there are several guides for prospective buyers, like Capital Impact Partners' [The Answer Key](#). Capital Impact Partners outlines the crucial phases of school construction or purchase, as well as the essential features lenders look for in prospective borrowers.

When seeking a mortgage or loan, Capital Impact Partners advises public charter schools to consider the following financial performance criteria:

- Income Statement
- Cash Flow Statement
- Audit Report
- Financial Projections
- Collateral

In addition to financial performance indicators, lenders will consider the school's academic performance, enrollment history and projections, and operation. Since lenders aim to mitigate risk to ensure the loan will be repaid, their evaluation usually considers all components of school performance.

Public Charter School Funding

Like traditional public schools in the District, charter schools are publicly funded through the [Universal Per Student Funding Formula \(UPSFF\)](#), which provides allocations determined by student enrollment. All District schools receive foundation payments through the UPSFF, distributed by the [Office of the State Superintendent \(OSSE\)](#) on a quarterly basis. In addition to the UPSFF foundation payments, District schools may receive additional funds for each student designated as English-language learners (ELL) or “[at-risk](#)”, as well as students receiving special-education services.

The Mayor and DC Council determine the Capital Budget for DCPS as part of the District’s annual budget process. In fiscal year 2023, the District approved \$388 million in funding for capital improvements at DCPS. This money is used for modernizations or renovations, modifications to comply with the Americans with Disabilities Act, HVAC repair, and other uses. Under the [Planning Actively for Comprehensive Education Facilities Amendment Act of 2016 \(PACE ACT\)](#), the District must renovate DCPS buildings in a designated order which is determined by several factors including conditions, student enrollment, and community need.

Annual Facility Allotment

In addition to foundational UPSFF payments, public charter schools receive an annual [facility allowance](#), which is also determined by school enrollment. As explained in OSSE's annual UPSFF Letters, non-residential and residential charter schools receive different facility allotments. Since the majority of DC public charter schools are non-residential, this report will limit its focus to those schools and will refer to the non-residential facility allotment as "the facility allotment."

Figure 1 displays the per-pupil facility allotment for the seven most recent years, as reported in [Title 38 of the Code of the District of Columbia](#).

From 1999 to 2008, the District calculated the facility allotment by matching the Capital Budget's allocation for traditional public schools. For 2023, if the District calculated the charter facilities allotment based on the DCPS Capital Budget, the allotment would be \$7,691 per student since the DCPS capital budget is \$388,022,000 for a population of 50,454 students.³

Figure 1: UPSFF Per-Pupil Facility Allotment by Fiscal Year

2017	2018	2019	2020	2021	2022	2023
\$3,100	\$3,193	\$3,263	\$3,335	\$3,408	\$3,408	\$3,513

Additional Sources of Funding

To supplement UPSFF funding, public charter schools often utilize a variety of alternative funding sources, including loans, credit-enhancement programs, and grants. The table below provides a brief overview of some funding methods outlined in the [D.C. Charter School Operations Manual](#).

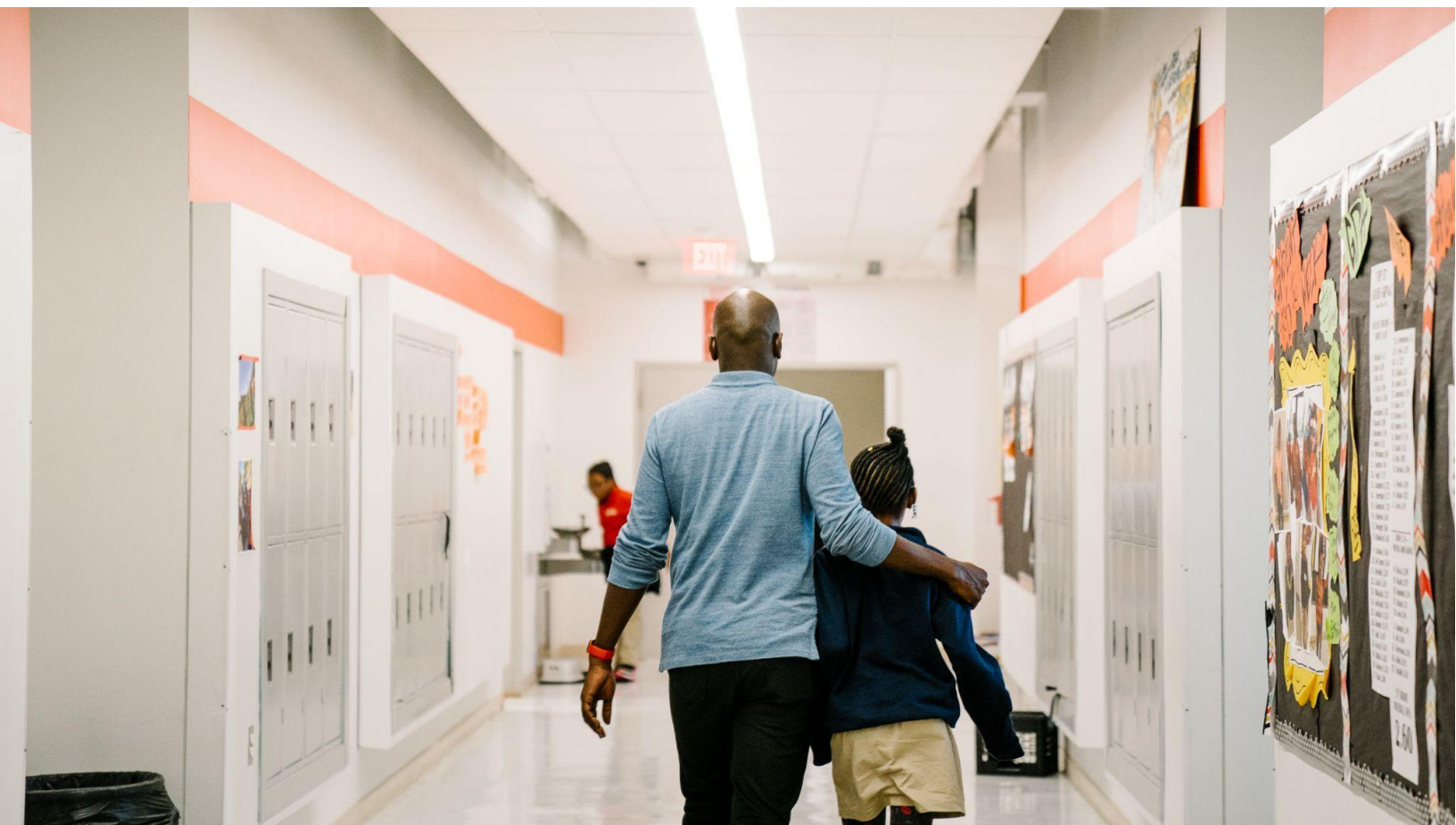
Figure 2: Alternative Funding Sources for DC Charter School Facilities

Credit Enhancement	<ul style="list-style-type: none"> ● OSSE Credit Enhancement Revolving Fund ● Building Hope Credit Enhancement ● Charter Schools Development Corporation (CSDC) Building Block Fund
Loans	<ul style="list-style-type: none"> ● OSSE Direct Loan Revolving Fund ● Traditional Bank Loan ● Loans from Community Development Organizations or Charter Support Organizations, including the following: <ul style="list-style-type: none"> ○ Building Pathways ○ Local Initiatives Support Corporation (LISC) ○ Capital Impact Partners
Bonds	<ul style="list-style-type: none"> ● Tax-Exempt or Taxable ● Qualified Zone Academy Bonds

Public charter schools must apply for these funding sources, the majority of which must be paid back with interest. Not only are most application processes lengthy, but public charter schools should also plan strategically to increase their chances of securing funding. Lenders carefully evaluate borrowers’ financial health, program, reputation, and other factors when determining whether to lend and at what rate to do so.⁴

Unrestricted cash is a key factor that lenders consider when analyzing a borrower's risk. Not only is retaining unrestricted cash (also known as cash on hand) essential for loan procurement, but these savings are an essential source for facilities. To learn how some public charter schools utilize unrestricted cash, see the table of board meeting notes in Appendix B.

In addition to the sources listed above, public charter schools may apply for rotating grants from the local or federal government. OSSE provides a series of grants each year, described in their [Grant Forecast](#). For the 2021-22 school year, OSSE provided \$10 million in grants through the [Public Charter School Reopening Facilities Grant Program](#). The Department of Education also offers discretionary grants through its [Office of Charter School Programs](#).



ABOUT THE DATA

Sources

This report utilizes facility expense data for fiscal years 2017 through 2021, provided by the DC PCSB in response to a public records request. The provided data was reported annually by public charter schools, using a template provided by the Board. The facility expense data was then aggregated by DC PCSB and posted on their website. The Board updated their reporting process in 2022 to align with the [Common Financial Reporting Standards](#). As of last year, public charter schools report facility expense data in their fiscal audits, which can be found on the [DC PCSB website](#).

In addition to the facility expense data provided by DC PCSB, this report includes information from public charter school board meetings. Appendix B includes further information about the sources used in this report.

Sample

In an effort to provide consistent, longitudinal data, our analysis includes 54 public charter schools that operated between 2017 and 2021. We omitted schools that were in operation during those years but are missing expense data for at least one of the years. We also omitted residential charter schools, as their facility allotment and expenses vary significantly from non-residential schools. Appendix B contains a complete list of schools included in this report.

Expense Categories

In compliance with DC PCSB's [annual reporting requirements](#), public charter schools report facility expenses disaggregated by leased and owned facilities, as well as additional costs. The provided expense sheets include eight categories for leased facilities, seven categories for owned facilities, and two expenses listed under additional costs. The template sheet for facility expenses can be found in Appendix B.



Finding 1: Between 2017-2021, public charter schools spent over \$4,000 per student on facilities annually.

During fiscal years 2017 through 2021, public charter schools spent an annual average of \$4,041 per student on facilities. For fiscal year 2021, the most recent year in our dataset, the average per-pupil facility expense reached \$4,346, up 17% from 2017. The table below displays all per-pupil averages for fiscal years 2017 to 2021, as well as the average for the five-year period.

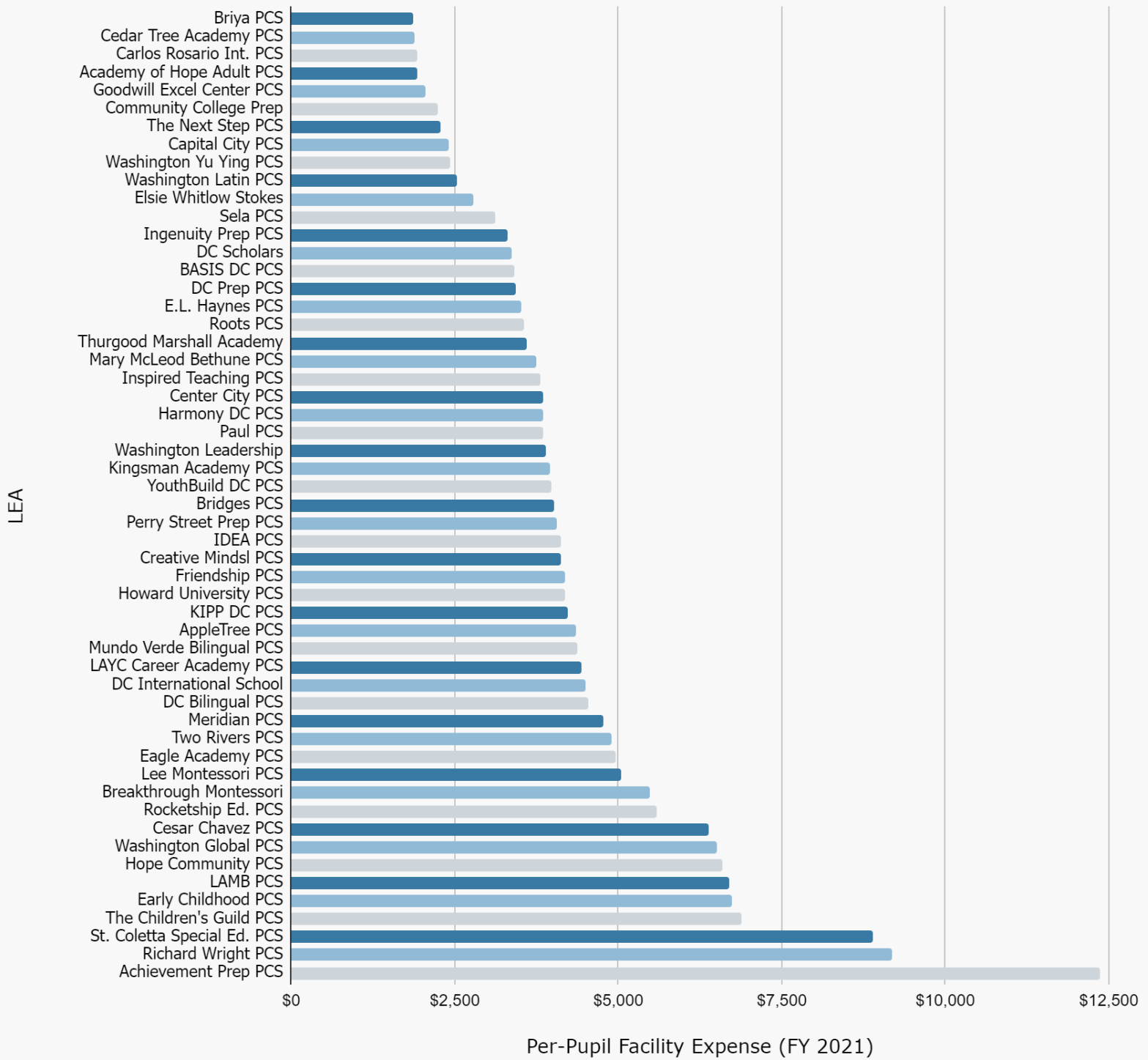
Figure 3: Average Facility Expense Per Pupil

2017	2018	2019	2020	2021	5-Year Average
\$3,708	\$3,968	\$4,019	\$4,162	\$4,346	\$4,041

Figure 4 displays the per-pupil facility expense for the public charter schools during fiscal year 2021. As the graph reveals, the per-pupil average varied significantly across the 54 schools in our dataset. For fiscal year 2021, facility expenses ranged from \$1,872 to \$12,370 per pupil.

Figure 4 displays one fiscal year of data and does not tell a complete narrative of school's spending habits. For example, Achievement Preparatory Academy spent the greatest amount per-pupil for fiscal year 2021, but spent only \$4,603 the year prior, below the annual average for 2020. While this report does not analyze expense fluctuation by school, viewers may explore the dataset linked in Appendix B.

Figure 4: Per-Pupil Facility Expense by Public Charter School, Fiscal Year 2021



**Note: This figure includes only 54 public charter schools. Several names have been abbreviated to fit, see Appendix B for the full names of each public charter school.*

Average Expense by Public Charter School

Considering variation in school enrollment, the per-pupil facility averages provide the most accurate depiction of public charter school spending. While school averages do not account for variation in enrollment, this data demonstrates the magnitude of facility spending for the average public charter school. Figure 5 displays the annual facility expense for the average public charter school in the District.

Figure 5: Average Facility Expense Per Public Charter School

2017	2018	2019	2020	2021
\$2,509,985	\$2,753,226	\$2,758,133	\$3,072,685	\$3,170,628

For fiscal year 2022, the average facility expense is \$3,588,870, according to preliminary audit data.⁶ Because the data for 2022 is preliminary, we largely exclude it from this paper but mention it here to illustrate that the trend of increasing expenditures on facilities continues. The 2022 average represents a steep, 13% increase from the previous year. However, this increase does not account for enrollment growth.

Comparing to DCPS

While public charter schools are responsible for the acquisition, funding, and maintenance of school facilities, DCPS owns those responsibilities for traditional public schools. DCPS is rarely required to pay rent, as most school facilities are owned by the DC government. DCPS renovates a select number of school facilities each year as part of its capital budget, rather than distributing funds to schools on a per-pupil basis, as is done with the facilities allotment. However, looking at the annual amounts budgeted by the District to pay for DCPS capital improvements and comparing that to the facilities allotment is one method of comparison as the DCPS capital budget was the baseline for calculating the facilities allotment until 2009. The table below illustrates the per-pupil cost of the DCPS capital budget during 2017-2021, the years covered by this report.

Figure 6: Per-Pupil Expense of DCPS Capital Budget

	2017	2018	2019	2020	2021
DCPS Capital Budget	\$392.2M	\$288.7M	\$348.5M	\$370.6M	\$313.2M
DCPS Enrollment	48,556	48,144	49,056	51,037	49,890
DCPS Per-Pupil Facilities Budget	\$8,077	\$5,997	\$7,105	\$7,261	\$6,278
Charter School Facilities Allotment	\$3,100	\$3,193	\$3,263	\$3,335	\$3,408



Finding 2: Between 2017-2021, public charter schools spent nearly \$800 more per student than they received from the allotment.

Facility Spending Across the Sample

Between 2017-2021, the 54 public charter schools in our sample spent \$121 million more on facilities than they received via the allotment. During the five-year period, public charter schools spent \$770.3 million on facilities and received \$649.2 million via the facilities allotment. This amounted to a deficit of \$121.1 million. Figure 7 below shows the growth of this deficit over the five-year period.

Figure 7: Total Facility Allotment Compared to Total Facility Expense

	2017	2018	2019	2020	2021	Total
Allotment	\$115,661,000	\$125,325,250	\$124,803,224	\$139,316,290	\$144,083,424	\$649,189,188
Expense	\$135,539,182	\$148,674,184	\$148,939,171	\$165,924,978	\$171,213,921	\$770,291,436
Difference	(\$19,878,182)	(\$23,348,934)	(\$24,135,947)	(\$26,608,688)	(\$27,130,497)	(\$121,102,248)

Figure 8 compares the annual per-pupil allotment to the average per-pupil facility expense. As the table reveals, the average facility expense is growing at a greater rate than the allotment. In 2017, the gap between expenditures and the allotment was \$608 per student. By 2021, the gap grew to \$938 per student.

Figure 8: Average Per-Pupil Expense and Allotment Comparison, FY 2017-2021

	2017	2018	2019	2020	2021	5-Year Average
Expenditure	\$3,708	\$3,968	\$4,019	\$4,162	\$4,346	\$4,041
Allotment	\$3,100	\$3,193	\$3,263	\$3,335	\$3,408	\$3,260
Difference	(\$608)	(\$775)	(\$756)	(\$827)	(\$938)	(\$781)

Adjusting for Inflation

From 2017 to 2021, the average per-pupil facility expense increased by 17.2%, while the facilities allotment saw a cumulative increase of 9.9%. Like all costs incurred by public charter schools, facilities expenses are subject to price increases tied to annual inflation. The Consumer Price Index (CPI) is a measure of annual inflation rates of all goods and services across the United States. Using the [CPI Inflation Calculator from the Bureau of Labor Statistics](#), we provide the annual CPI inflation rate for fiscal years 2018 through 2021.

Figure 9: Percent Annual Increase of Per-Pupil Allotment & Expense with Inflation Comparison

	2018	2019	2020	2021	5-Year
Per-Pupil Facilities Allotment	2.2%	2.2%	2.2%	2.2%	9.9%
Average Per-Pupil Facility Expense	7.0%	1.3%	3.6%	4.4%	17.2%
CPI Inflation Increase*	2.87%	1.65%	.65%	5.39%	10.92%

*CPI Inflation Calculated for June of each year.

Increases to the facilities allotment did not keep pace with price increases due to inflation. Increases in per-pupil expenditures significantly outpaced price increases due to inflation as well as increases in the facilities allotment.

Adjusting for Inflation

Each year the majority of public charter schools spend more on facilities than they received through the UPSFF facility allotment. In our analysis of facility expenses, we calculated each LEA's annual spending as a percentage of the facility allotment. As Figure 10 displays, between 38 and 41 of the public charter schools in our sample reported spending more than they receive for facilities each year. Each year, the average public charter school spent between 120% and 128% of its allotment on facilities expenses.

Figure 10: Number of Public Charter Schools Spending More and Less than the Facilities Allotment

	2017	2018	2019	2020	2021
Less than Allotment (n)	16	14	16	13	14
More than Allotment (n)	38	40	38	41	40
Average Expense as % of Allotment	119.6%	122.9%	123.1%	125%	127.5%

Schools provide a variety of reasons for spending more or less on facilities in a given year. While costs can fluctuate annually, major renovations, repairs, or modernizations can also drive fluctuations in expenditures. Schools may need to save funds for a major expense and therefore may not spend all of their facility allotment in a given year. Conversely, schools may need to pay for a large expense in a particular year and spend significantly more than their allotment that year. Schools with a “surplus” may use the leftover funds for future expenses. Schools with a “deficit” must turn to other sources of funding like loans, philanthropy, or grants to provide funding to close the gap.



Finding 3: Between 2017-2021, public charter schools spent nearly half of their annual allotment on leases and mortgages.

Facility Expenses Grouped by Category

Public charter schools report annual facility expenses across 15 categories which are disaggregated by *Leased* and *Owned* expenses. To provide a clear understanding of what facilities costs public charter schools incur, we grouped facility costs into three categories: *Leases and Mortgages*; *Improvements and Equipment*; *Utilities, Repairs, and Maintenance*.

The *Leases and Mortgages* category includes costs directly related to mortgage and rental payments. The *Improvements and Equipment* category covers costs associated with making improvements to owned or leased facilities, as well as the purchase of furniture and equipment. One category of expense, “Depreciation of Building, Improvements, and FFE” includes costs that could fall into either category. We chose to include it in the *Improvements and Equipment* category and recognize the somewhat subjective nature of categorizing expenses in this way.

The table below provides a breakdown of each category as well as the average annual spending per LEA in the sample during the period from 2017-2021. As the table below shows, the average public charter school in our sample spent over \$1.1 million between 2017-2021 on *Leases and Mortgages*,

equivalent to 39% of the average annual expenditure. This expenditure was equivalent to 47% of the annual facilities allotment.

Figure 11: Facility Expenses Grouped by Category

Category	Leased Expenses	Owened Expenses	Annual Average per LEA
Leases and Mortgages	Rent, Real Estate Taxes, Property Insurance	Real Estate Taxes, Property Insurance, Interest (Debt Service for Mortgage Financing), Other Finance Costs Being Amortized	\$1,118,406
Improvements and Equipment	Amortization for LHI and FFE, Debt Service for LHI & FFE	Depreciation of Building, Improvements/FFE	\$995,779
Utilities, Repairs, and Maintenance	Utilities, Repairs, and Maintenance	Utilities, Repairs, and Maintenance	\$758,690

Note: Definitions for each expense can be found in the Glossary of Terms.

For public charter schools that own their own school building, costs in the *Leases and Mortgages* category are primarily the cost of repaying the loan(s) that the school took out to finance the cost of the building's purchase. For schools that are leasing a building from a landlord (commercial, public, non-profit, etc.), this cost is primarily reflected in rent. Additionally, schools may pay real estate taxes, property insurance, or have other mortgage costs spread out over the life of a loan.

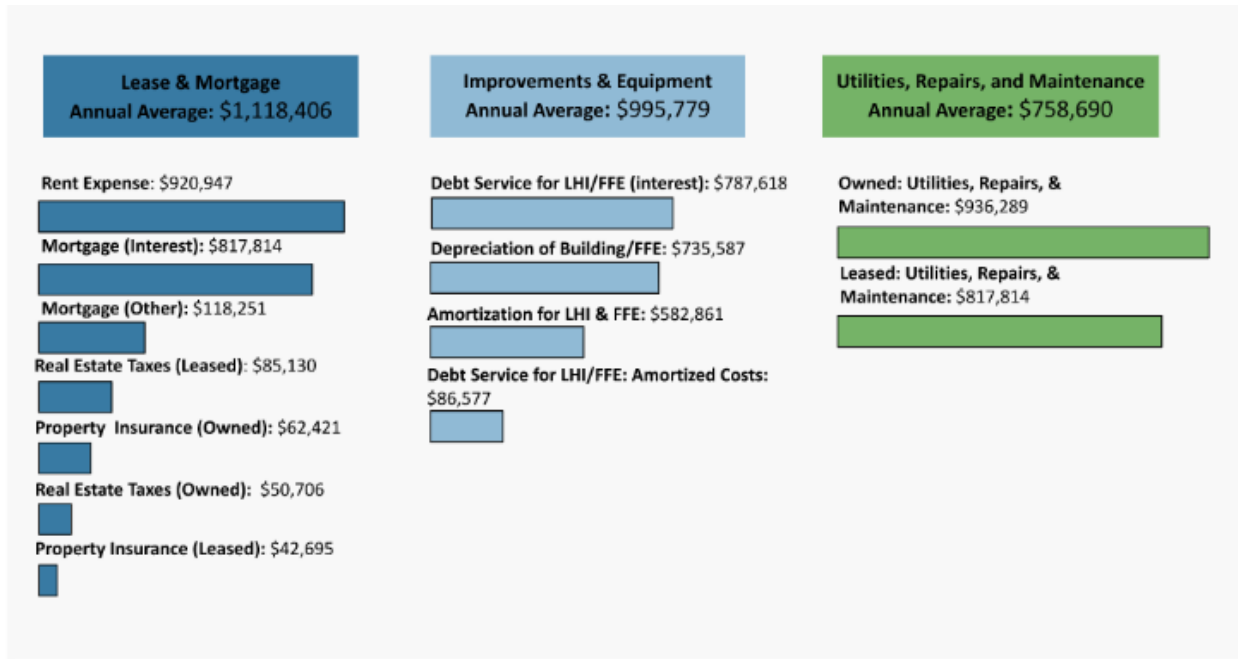
Improvements and Equipment was the second-most expensive category each year, reaching \$1.1 million in fiscal years 2020 and 2021. The five-year average for the category is \$1 million, equivalent to 35% of annual facilities expenditures. The primary expenses in this category are associated with the purchase of furniture, fixtures, equipment (FFE), and major building improvements like upgrades to heating, ventilation, and air conditioning systems.

When schools that lease their building make improvements, these are recorded as *Leasehold Improvements* (LHI). DC PCSB and general accounting practices expect that while a school might spend millions of dollars on a major building improvement or equipment purchase in a single year, many of these costs will be spread over multiple years through amortization. For example, if a school spent a significant amount of money to improve its roof, the school would record a portion of that expenditure in its reporting over the expected useful life of the roof, rather than account for the entire purchase in one year. Notably, many of these improvements like roof replacements and ventilation upgrades are necessary to ensure that a building is safe for students and staff.

Finally, public charter schools on average spent \$758,690 on *Utilities, Repairs, and Maintenance*, equivalent to 26% of annual facilities expenditures. These expenses may include water, electricity, gas, and telecommunications payments, repairs like fixes to fire alarms, and maintenance costs associated with elevators, plumbing, and other building systems.

The figure below provides a breakdown of the three facility categories, as well as the annual average for each expense. The averages included are calculated from each annual average for fiscal years 2017 through 2021. For example, the average *Rent Expense* was \$920,927 over the five-year period, meaning that for all public charter schools with rent expenses between 2017 and 2021, the average was \$920,927.

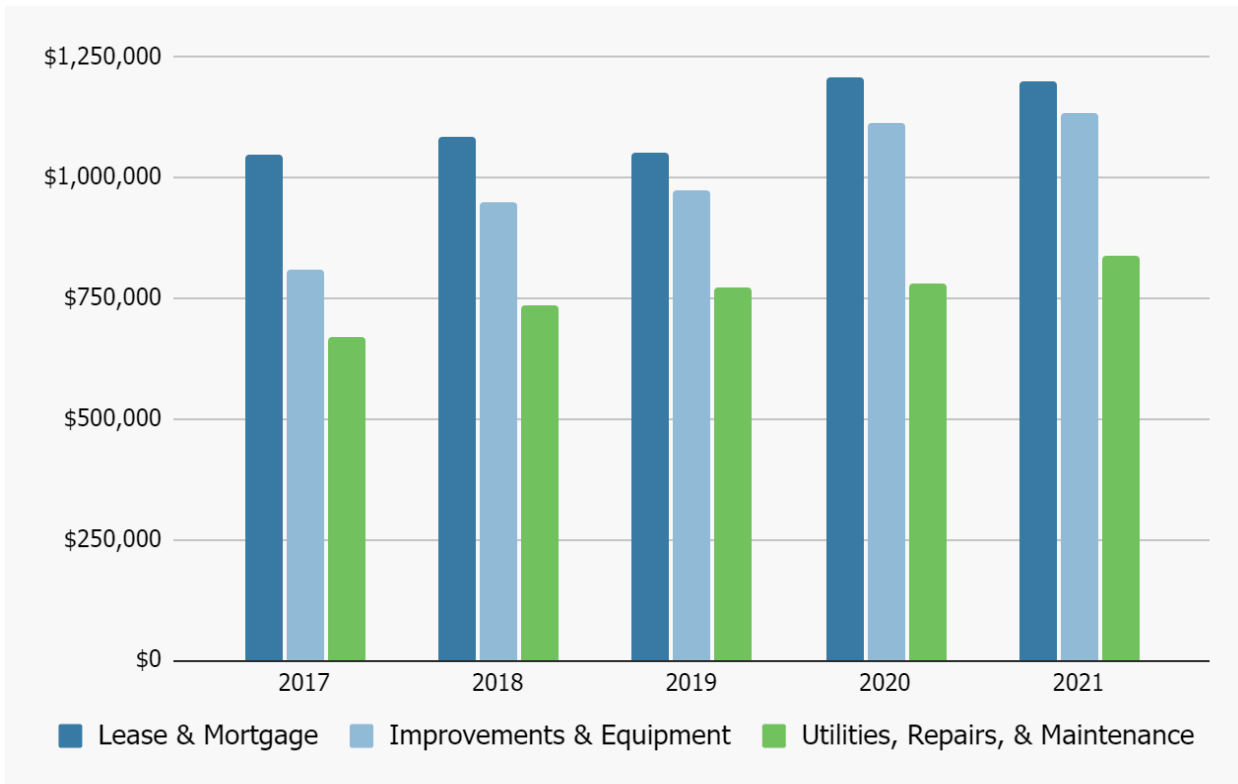
Figure 12: Facility Expense Categories & Average Per Public Charter School for FY 2017-21



Expense Categories: Year-by Year Comparison

Figure 13 shows the average rate for the three expense categories during fiscal years 2017 through 2021. Each year, public charter schools spent the most on expenses in the *Leases and Mortgages* category, followed by *Improvements and Equipment*.

Figure 13: Average Expense per Public Charter School, Grouped by Category, FY 2017-2021



Public charter schools spent a substantial proportion of their allotment on the basic costs associated with occupying a building - paying for a lease or a mortgage. These costs rose during the period covered by this paper and show no sign of decreasing. Furthermore, costs in each category rose from 2017-2021.

CONCLUSION

The annual charter facility allotment is a critical funding source for public charter schools in the District. As the expense data reveals, the average public charter school spent almost \$800 more per student on facilities than was provided via the allotment. While public charter schools rely on the allowance to support their facility needs, the current allocation is insufficient to meet all of those needs on its own. Furthermore, average facility expenses continue to climb at a faster rate than the facility allotment. From fiscal year 2017 to 2021, the average per-pupil facility expense increased by 17.2%, while the per-pupil facility allotment grew by only 9.9% over the same five-year period.

Recommendations

The District should continue to support public charter schools through the annual UPSFF facilities allotment. Based on the rising rates of facility expenses, the annual allowance should be expanded to keep pace with these essential costs. We recommend this rate be a topic of consideration for the [UPSFF Working Group](#) convened by OSSE each year. The District's education agencies should continue to collaborate with public charter schools to best support their facility needs. We hope the DME's [Master Facility Plan](#) will increase facility utilization to support all students across the District.

Areas for Further Exploration

In addition to funds, public charter schools dedicate time, staff, and resources to the facility procurement process. Considering the scarcity of facilities in the District, public charter schools struggle to find adequate facilities that meet their current and future needs. As a consequence, public charter schools often settle for leased, commercial facilities while they locate a long-term solution and secure financing.

Future research should explore the opportunity costs tied to facility siting, financing, and renovation. As the excerpts from Board meetings reveal, schools spend valuable time finding proper buildings and budgeting for facility-related costs. The time, money, and resources dedicated to facilities could be used to support other school priorities related to students, teachers, and families. Furthermore, campus renovations and moves may cause disruptions to school operation and performance.

APPENDIX A: Introduction

Section A.1: Use of former DCPS Buildings

As of the 2022-23 school year, 42 public charter schools operate out of facilities formerly occupied by DC public schools. DC PCSB provided a list of these schools in response to Performance Oversight Hearing (POH) questions from DC Council for FY 2022-23. As DC PCSB states in their POH response, this list is informed by their records and information shared by the DME. The list can be found on page 107 of [DC PCSB's POH responses](#) from February 24, 2023.

Section A.2: Colocated DC School Facilities, SY 2022-23

Within the District, thirteen locations contain multiple schools sharing the same building. These “co-located” schools must work closely together to manage facility operations. The figure below notes the schools co-located during the 2022-23 school year.

Appendix Figure 1: Colocated DC School Facilities, SY 2022-23

Number	Public Charter Schools	Address
2	Bridges PCS; Briya PCS	100 Gallatin Street NE
4	Community College Preparatory Academy PCS; KIPP DC - Honor Academy; KIPP DC - Inspire Academy; KIPP DC - Pride Academy	3301 Wheeler Road SE
4	Briya PCS; Dorothy I. Height Elementary School (DCPS)	4300 13th Street NW
2	Ingenuity Prep PCS; Statesmen Preparatory Academy for Boys PCS	4600 Livingston Road SE
3	Elsie Whitlow Stokes Community Freedom PCS - East End; Maya Angelou PCS - High School; Maya Angelou PCS - Young Adult Learning Center	5600 Capitol Street NE
2	Achievement Preparatory Academy -Wahler Place Elementary School; Digital Pioneers Academy PCS - Johenning	908 Wahler Place SE
3	Latin American Montessori Bilingual PCS; Perry Street Preparatory PCS; The Sojourner Truth School PCS	1800 Perry Street NE
2	Friendship PCS - Collegiate Academy; Global Citizens PCS	4095 Minnesota Avenue NE
2	DC Prep PCS - Anacostia Middle School; Excel Academy	2501 Martin Luther King Jr Avenue SE
2	LAYC Career Academy PCS; YouthBuild DC PCS	3220 16th Street NW
2	Lee Montessori PCS - Brookland; Washington Leadership Academy PCS	3015 4th Street NW
2	AppleTree Early Learning Center PCS - Southwest; Richard Wright PCS for Journalism and Media Arts	475 School Street SW
2	Rocketship PCS- Infinity Community Prep; Social Justice PCS	5450 3rd street NE

Source: [EdScape](#)

Appendix B: About the Data

The spreadsheet containing all data analyzed in this report can be accessed via the Federal City Council's [web page for this report](#).

Section B.1: Charter School Board Meetings

Each public charter school is governed by a Board of Trustees, which monitors academic performance, finances, and operations. These boards are specific to each public charter school and are distinct from DC PCSB, the authorizer of DC charter schools.

DC PCSB requires each Board of Trustees to hold at least one meeting per quarter, which must be made open to the public, in accordance with the city's [Open Meetings Act](#). Public charter schools must make a copy of meeting minutes available to the public no later than 30 business days after the meeting.

As part of the research for this paper, FC2 staff member and Leadership for Educational Equity fellow, Cecilia Dye, watched 39 public charter school Board meetings to better understand how schools discuss facilities expenditures. Below is a sample of Board meeting discussions with links to records of the public Board meetings.

Appendix Figure 2: Select Board Meeting Notes from DC Charter Schools, Fall 2022

Source	Facilities Discussion
Briya PCS September 2022 Meeting	<ul style="list-style-type: none"> ● Cash: "We came 800k under budget, primarily due to hiring efficiencies and delays in hiring as well as additional private grant revenue that covered the expense side of the budget." ● "This additional cash will help fund the lease/construction of a more permanent facility during this fiscal year."
Creative Minds International PCS September 2022 Meeting	<ul style="list-style-type: none"> ● Federal Grants & Budget Variance: "104 days of cash. Enrollment projection of 580 (higher than budgeted), ~\$200K+ revenue upside. Overall financial position is good due to federal grants/funds." ● Facilities: "Goals for SY 22-23: Identifying how to invest the cash that we have, evaluating what our facility options are going forward...quickly running out of room, looking at options"
DC Prep PCS September 2022 Meeting	<ul style="list-style-type: none"> ● Cash: "The second set of funds is our finance-restricted funds, these are funds we are required to keep in reserve accounts for the financing of our buildings. Think of it as collateral that the bank requires us to set aside for our loans. We set it aside and don't touch it." ● Plans & Long-Term Sustainability: "The third category is funds we set aside for future needs. We have some things we

know we need to spend money on in the future. For example, we will have to refinance our AEC facility on V street for 2024... We set aside money so we can meet these obligations in the future. "The last category is funds for our long-term sustainability. We don't currently have any funds dedicated to this, but the policy anticipates we would create an endowment to help support DC Prep in the long-term. This fourth category would be funded by private donations."

[Girls Global Academy PCS
August 2022 Meeting Minutes](#)

- **Cash:** "End of SY 2021-2022 ended better than projected. Increased revenue in some places. Expenses reduced in some places. Uptick of cash to cover Facilities Project. The Finance and Facility Committee are exerting effort to change Q4 2022 or 2023 rent payments due to COVID's impact on enrollment."

[Global Citizens PCS
September 2022 Meeting](#)

- **Facility Procurement:** "We have our lease for 3 years and are hoping for an extension for 1 year. However, we are still looking for a permanent facility. We reached back out to Level Field Partners to discuss real estate/facility plan and next steps.
- **Budgeting:** "We also discussed on September 8th with EdOps' Facility team and OSSE to discuss potentially refinancing our \$800,000 loan that we used for renovations. EdOps suggested that we wait until after the official count day to have a stronger budget model to work with."

[Perry Street Prep PCS
October 2022 Meeting](#)

- **Grants:** "21st Century Community Learning Center Grant was not released by OSSE for 22-23 school year impacting our budget by \$320k in lost revenue. Search for additional funding sources and programmatic shifts are taking place over the next two months."

[Sela PCS
October 2022 Meeting](#)

- **Budgeting:** "Recently held a visioning session with Perkins-Eastman (architectural firm) and school stakeholders to discuss building renovation plans and cost estimates. Simultaneously looking at options to buy another property, which currently look beyond our budget."

[Washington Yu Ying PCS
September 2022 Meeting](#)

- **Cash:** "The school currently has \$12.39M, which represents 382 days of cash. After the Kirov [Construction] payment, the school will have \$8.46M cash on hand...Trustee Douglas shared how good it is to make the first payment for Kirov from the cash on hand; and still have a strong reserve of cash on hand. This is a product of the strong financial stewardship of the school."

Section 2: Additional Sources & FY 2022 Data

In 2022, DC PCSB updated their financial reporting expectations to align with [Common Financial Reporting Standards](#). At the time of this report's publication in May 2023, DC PCSB had yet to release facility expenditure for FY 2022. However, DC PCSB did include preliminary, audited FY 2022 data in their [POH responses](#) to DC Council. This data includes expenditure totals, disaggregated by leased and owned facilities, as well as a total combining both categories. While this data is audited, it is listed as "preliminary" which is why it is not included in our full analysis. To view the FY 2022 preliminary data, see pages 103 to 106 of [DC PCSB's POH responses](#).

Section 3: Sample Included in this Report

This report utilizes facility expenditure data for 54 public charter schools operating between FY 2017 and FY 2021. In an effort to provide consistent, longitudinal data, we excluded schools that were not in operation during five fiscal years, as well as those with missing data. As mentioned in the "About the Data" section, we also omitted residential public charter schools, as they have distinct needs and receive a greater allotment than non-residential schools. The tables below list the public charter schools omitted and included in this report.

Appendix Figure 3 : Public Charter Schools Included in Sample

Public Charter School
Academy of Hope Adult PCS
Achievement Prep PCS
AppleTree Early Learning PCS
BASIS DC PCS
Breakthrough Montessori PCS
Bridges PCS
Briya PCS
Capital City PCS
Carlos Rosario International PCS
Cedar Tree Academy PCS
Center City PCS
Cesar Chavez PCS for Public Policy
Community College Preparatory Academy PCS
Creative Minds International PCS
DC Bilingual PCS
DC Prep PCS
DC Scholars PCS
District of Columbia International School
E.L. Haynes PCS

Eagle Academy PCS

Early Childhood Academy PCS

Elsie Whitlow Stokes Community Freedom PCS

Friendship PCS

Goodwill Excel Center PCS

Harmony DC PCS

Hope Community PCS

Howard University Middle School of Mathematics and Science PCS

IDEA PCS

Ingenuity Prep PCS

Inspired Teaching Demonstration PCS

Kingsman Academy PCS

KIPP DC

Latin American Montessori Bilingual PCS (LAMB)

LAYC Career Academy PCS

Lee Montessori PCS

Mary McLeod Bethune Day Academy PCS (MMBDA)

Meridian PCS

Mundo Verde Bilingual PCS

Paul PCS

Perry Street Preparatory PCS

Richard Wright PCS for Journalism and Media Arts

Rocketship DC PCS

Roots PCS

Sela PCS

St. Coletta Special Education PCS

The Children's Guild DC PCS

The Next Step/EI Proximo Paso PCS

Thurgood Marshall Academy PCS

Two Rivers PCS

Washington Global PCS

Washington Latin PCS

Washington Leadership Academy PCS

Washington Yu Ying PCS

Youthbuild PCS

Appendix Figure 4: Public Charter Schools Omitted from Sample

Public Charter School	Reason for Omission
Capital Village PCS	Opened after 2017
DC Wildflower PCS	Opened after 2017
Digital Pioneers Academy PCS	Opened after 2017
Girls Global Academy PCS	Opened after 2017
Global Citizens PCS	Opened after 2017
I Dream PCS	Opened after 2017
Learn DC PCS	Opened after 2017
Maya Angelou PCS	Missing data for FY 2018 due to datafile error
Monument Academy PCS	Residential
SEED PCS of Washington	Residential
Shining Stars Montessori Academy PCS	Missing data for FY 2017 due to datafile error
Social Justice PCS	Opened after 2017
Statesmen College Preparatory Academy for Boys PCS	Opened after 2017
The Family Place PCS	Opened after 2017
The Sojourner Truth School PCS	Opened after 2017

Note: This list only includes schools currently in operation as of SY 2022-23

Part 3: Leased vs. Owned Facilities

The majority of public charter schools in the District report *Leased Facility Expenses* for fiscal years 2017 to 2021. Of the 54 schools in our dataset, six reported *Owned Facility Expenses* during fiscal years 2017 through 2020. Only five schools in our dataset reported *Owned Facility Expenses* for fiscal year 2021. As the table below shows, several schools reported both *Leased Facility Expenses* and *Owned Facility Expenses* as many schools operate multiple campuses across the District.

Appendix Figure 5: Number of Public Charter Schools Reporting Leased & Owned Expenses

	2017	2018	2019	2020	2021
Lease	36	35	35	32	34
Own	6	6	6	6	5
Reported Both	12	13	13	16	15

Part 4: Facility Expense Template

Appendix Figure 6: DC PCSB Facilities Expense Template (FY 2017 - FY 2021)

LOCAL EDUCATION AGENCY NAME		
	Current Year (Actual/ Audited)	Next Year (Budgeted)
LEASED FACILITY EXPENSE		
Rent expense		
Real estate taxes (if applicable)		
Property insurance		
Amortization of leasehold improvements (LHI) & furniture, fixtures, and equipment (FFE)		
Debt service for LHI & FFE:		
Interest		
Other finance costs being amortized		
Other leased facility expenses (utilities, repairs, maintenance)		
TOTAL LEASED FACILITY EXPENSE		
Total usable square footage (leased facilities)		
OWNED FACILITY EXPENSE		
Real estate taxes (if applicable)		
Property insurance		
Depreciation of building/improvements/FFE		
Debt service for mortgage financing:		
Interest		
Other finance costs being amortized		
Other owned facility expenses (utilities, repairs, maintenance)		
TOTAL OWNED FACILITY EXPENSE		
Total usable square footable (owned facilities)		
TOTAL FACILITY EXPENSE		
Additional costs (excluded from calculations below):		
Capitalized facilities costs		

Principal payments		
Total student enrollment		
Total usable square footage (lease and owned facilities)		
Per pupil facility expense (A): current space		
Standard space/student* (B)		
* DCPS ranges from 140 sf to 190 sf (average equals 165 sf)		
Actual space/student = Total facility space/current enrollment (C)		
FACILITY ALLOWANCE CALCULATION: $A \times B / C$		

ENDNOTES

1 Public charter schools discuss these challenges in board meetings ([Appendix B](#)) and [public testimonies](#).

2 The [D.C. Public School Charter Operations Manual](#) was written by FOCUS "in collaboration with EdOps with funding support from the Office of Public School Financing & Support (OPCSFS)" of OSSE. As the manual states "nothing in this document should be considered as legal authority or advice."

3 According to the [FY 2023 Capital Improvement Plan](#) (page 209), DCPS is allocated \$388.022 million.

4 [DC Charter School Operations Manual](#), (pages 207-217)

PHOTO CREDITS

Photos in this report were provided with permission from KIPP DC and Ingenuity Prep.

Images from [KIPP DC](#): Cover image (KIPP DC legacy College Prep High School), page 12 (KIPP DC AIM Academy), page 13 (KIPP DC legacy College Prep High School), and page 16 (KIPP DC Spring Academy).

Images from [Ingenuity Prep](#): Images on pages 5 and 19, shot by [Ann-Marie Vantassell](#).