



**DC PUBLIC SCHOOL AND PUBLIC CHARTER SCHOOL
CAPITAL BUDGETING**

TASK 3 REPORT

April 4, 2005

**For the Office of the Mayor and City Administrator
Washington, DC**

by the

21st Century School Fund

and the

Brookings Greater Washington Research Program

Preface

The District of Columbia contracted with the Brookings Greater Washington Research Program in January 2004 to conduct a three-part study of the city's master facility planning and capital budget process. Brookings subcontracted with the 21st Century School Fund to assist in the study.

The first task was a review of best practices in coordinated public facility and capital budgeting processes around the country. This task was led by the 21st Century School Fund and is the subject of a separate, August 26, 2004 report. The second task was to assist the District of Columbia in the design and implementation of a new, coordinated facility planning and capital budget process. This was led by the Brookings Greater Washington Research Program, and is also the subject of a separate, August 24, 2004 report. The third and last task, led by the 21st Century School Fund, is the subject of this report. Here we provide an analysis of the DC Public School and Charter Public School capital projects, budgets and expenditures and present a number of recommendations to the District, DCPS and the public charter schools.

The authors of this Task 3 report are Mary Filardo, Director of the 21st Century School Fund, Alice M. Rivlin, Director of the Brookings Greater Washington Research Program, Carol O'Cleireacain, Brookings Nonresident Senior Fellow, and David Garrison, Deputy Director of the Brookings Greater Washington Research Program. The authors thank Kimberly Driggins, Project Manager, and Kendrinna Rodriguez, Program Analyst for the Master Facilities Program Coordination Plan in the City Administrator's Office, as well as Noel Bravo, formerly Special Assistant to the Mayor for Budget and Finance. The authors are grateful for their leadership and perseverance in organizing and guiding the overall project for the city and in pushing forward aggressively to reform the District's facility planning and capital budget process, especially with regard to integration of public education.

The authors also wish to thank Lucian Coleman, Deputy Director of Planning, Design and Construction for his assistance with data and information about DCPS facilities, Mitchell Silver, Director of Long-term Planning for the DC Office of Planning, and Julie Wagner, consultant to the city, for their many helpful comments and suggestions for this report.

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Executive Summary

The District is currently engaged in restructuring its decision processes with respect to program coordination, facilities planning, capital budgeting and implementation of its capital program in order to make them more efficient and effective. In an effort to contribute to that restructuring, The Brookings Institution and 21st Century School Fund were engaged to assist the District with research and analysis associated with this work. Task 1 of our three-part project focused on experience in other jurisdictions in using facilities more efficiently by co-locating programs of more than one public agency or, in some cases, encouraging use of public space by non-profit service programs. Our Task 2 report described the District's capital planning and budgeting processes and recommended ways of improving them. This Task 3 report reviews the history of facilities planning and budgeting in the District of Columbia Public Schools (DCPS), and the complexities introduced by the advent of Public Charter Schools.

One of the most serious and widely acknowledged problems of the District of Columbia is its long neglect of public buildings and other facilities, especially schools. The District of Columbia Public School system began the planning and implementation for major improvements to its building infrastructure with the development of a Preliminary Facilities Master Plan in 1995. The Public Charter Schools have attacked the problem of acquiring and improving their educational space on a case by case basis. However, the speed, scope, quality and cost of improving the District's public schools buildings are challenges for the District and its public education agencies.

Declining enrollment has led to school closures and many school buildings that are seriously underutilized. At the same time Public Charter Schools, whose enrollments have been growing, are having great difficulty finding adequate facilities. Moreover, other public programs, such as libraries, recreation centers, primary care clinics and senior centers, also desperately need space in modern efficient facilities. Like the schools, many of these public programs are delivering less effective services at higher cost because their facilities are so antiquated and ill adapted to their current needs.

Since borrowing authority is limited and per capita debt is already extremely high, the District needs a comprehensive capital planning and budgeting process that will allow it to set priorities across agencies and meet the highest priority needs first. The process should encourage agencies to plan together and seek opportunities for co-location and joint use of facilities wherever this would result in more effective programs or more efficient use of capital funds.

The construction and renovation of public school facilities constitute major investments in the neighborhoods of this city. Where the physical condition and leadership of a public school is good, that school can and often does serve as an anchor institution for that neighborhood. Yet there are significant constraints on the availability of capital for all public facilities, including schools, in the years ahead. One important strategy for maximizing the value and utilization of such public facilities and programs is to find

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ways to leverage scarce public capital dollars through the coordination of programs, the collaboration among agencies in designing and delivering related services, and, where feasible, the co-location of activities.

Managing public facilities in this environment is not easy. But the management at DCPS has left much to be desired. DCPS has not reduced its inventory by closing or aggressively leasing unutilized space for use by public charter schools and city agencies. The inadequate maintenance has increased both operating and capital costs over time. These already serious problems have been exacerbated by the fact that the construction projects authorized under the master plan have run substantially over budget and behind schedule.

The years of deferred maintenance and capital investment in public school buildings, complex planning environment, and fiscal constraints in the District have created a number of policy challenges for the District. These are:

Policy Challenge 1: Creating an Adequate Long Range Public Educational Facility Master Plan and a Fiscally Responsible DCPS capital plan.

- The DCPS Master Facilities Plan (MP2000) and its 2003 Update do not adequately reflect the impact of declining enrollment, the existence of charter schools, or the opportunities available for educational and community improvement, as well as efficiencies, through alignment of the educational facility master plan with municipal plans.
- The DCPS capital plan and budget do not strategically implement the facility master plan or provide a realistic or fiscally responsible project specific plan for meeting the goals and objectives of the DCPS master facility plan.

Policy Challenge 2: Informed Decision Making and Adequate Oversight of Capital Programs

- The Mayor and Council have taken a laissez-faire approach to DCPS capital planning and budgeting and have not engaged in sufficient oversight of DCPS' utilization of the District's capital budget resources.
- The Board of Education has not been adequately informed or devoted the time required to make wise decisions concerning DCPS' capital program. The Board's lack of attention has been accompanied by high turnover in facilities management staff and a lack of engagement in facilities planning and educational programming from the academic side of DCPS' central office.

Policy Challenge 3: Sufficient Funding and Responsible Financing

- Even a scaled back DCPS capital program threatens to crowd-out other needs within the District's capital budget. The city's limited borrowing and debt service capacity force the District to assess seriously the prioritization of all capital improvements, including schools.
- DC government has not planned for a sustained and increasing per pupil funding allowance to public charter schools and the private borrowing that is depending on this allocation.

Policy Challenge 4: Managing Public School Facilities Efficiently and Effectively

- The current system for allocating public building space among existing DCPS schools and public charter schools does not respond to changes in enrollment or neighborhood needs and opportunities.
- DCPS' inability to limit the scope and therefore cost of projects in the face of far lower than expected funding from the city has led to misallocation of resources. A small number of schools have been replaced or fully modernized and added to at extremely high cost as the vast majority of school buildings suffer from obsolete systems, deteriorated components, design problems and inadequate maintenance.

To meet these challenges, the District, DCPS and the Public Charter Schools should work together to plan and budget for facilities, use limited funds as effectively as possible, and increase the funds available for public education infrastructure in the District. DCPS should be fully integrated into the District's capital planning and budgeting process and should cooperate in efforts to find co-location opportunities. In addition, the public charter schools should be participants in district and neighborhood planning where they are affected or will affect other public facilities.

Moving a comprehensive public facility plan and budget forward requires a re-thinking of prior policies at DCPS and the District. It also requires a more disciplined policy and oversight posture by DC government towards DCPS. It will require greater transparency at the individual charter schools, reporting on them and treating them for budget and capital planning purposes as more of a group than a collection of separate entities. Taxpayers pay for both the DCPS and public charter schools, and thus have a right to expect safe, state-of-the-art facilities for their students, as well as a return on that public investment in improved educational achievement in all schools.

But even with the efficient allocation of space, and the effective expenditure of funds for building improvements, the age and condition of the District's school building infrastructure and the need to better support educational programs and services requires a greater commitment of public funds. The District's public school building infrastructure

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has tremendous value, but like the District's Pension Fund, it was conveyed to the District with considerable deficits. It will take a sustained commitment from the District's taxpayers, the responsible use of public private partnerships, and support from Congress to eliminate these deficits. It will further be necessary to maintain our public education infrastructure in good repair and be responsive to educational and community requirements.

Introduction

The District of Columbia urgently needs to modernize, improve and better utilize its public school facilities, many of which are outdated, poorly maintained or used at far below their capacity. The challenge is complicated by the fact that the District is supporting two separate school systems—the District of Columbia Public Schools (DCPS) and Public Charter Schools (PCS)—each in need of modern, adequate facilities that are kept in good repair. This new and complex public educational environment requires that policy makers work to eliminate barriers and create incentives to responsible stewardship and operation of the District’s public school and charter school buildings.

The District of Columbia is four years into the implementation of a ten year Educational Facility Master Plan and seven years into the development of Public Charter Schools. A great deal of work to improve public school facilities has been done. The new buildings and renovations that have been completed by the DCPS and Public Charter Schools are not inconsequential. However, there are still serious policy, planning, management and fiscal shortcomings in the District’s system for housing and improving public education programs and services. As a result, most public school students in the District of Columbia attend school in buildings with serious design and condition deficiencies. Moreover, the District does not have the fiscal capacity to support the level of capital and operating funding necessary to resolve these problems.

This paper provides background on public school facilities in the District of Columbia identifies the District’s planning, management, decision making, oversight and fiscal policy challenges; and provides the various governmental sectors recommendations for addressing these challenges. The report will help the District, DCPS and Public Charter School leaders take stock of what has been done and what course corrections and/or adjustments are required to increase the quality, rate, and efficiency of how the District provides, maintains and improves public school buildings.

The findings and challenges described in this report mirror in many ways the findings this Team provided to the District on shortcomings in the City’s overall capital program (See our Task 2 report and its section headed “Weakness of the Prior Process” (pages 3-5)). Those findings were that there is:

- a lack of information for making sound capital budgeting decisions;
- a lack of attention to projecting demand for services and the implications for facilities;
- an inability to align capital planning and capital budgeting; and
- a lack of capacity to implement the plans underlying the capital budget and turn them into finished projects in a timely and cost-effective manner.

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The District needs to develop the mandates and incentives for sound facility management that meet the needs of both school systems, address the highest priority requirements first, and use available public space and funds efficiently. The plans and processes need to be fully integrated with facilities planning for other District agencies, such as libraries and recreation centers, to take advantage of opportunities for co-locating neighborhood facilities. Hence, the improvements in policy and practice of the DCPS and the Public Charter Schools recommended in this report should be seen as part of an overall reform of the District's planning and management of its public building assets through the capital budgeting process.

Public School Enrollment

Over the last several decades school enrollment has declined dramatically in the District, as the population dropped precipitously, especially the number of families with children. The enrollment in DCPS declined from a high of 147,000 students in 1967 to approximately 85,000 in 1990. Between 1990 and 1998 birth rates fell by 35-40% in all areas of the City except Ward 3 (down 3%), and Ward 4 (down 25%)¹. Very few families have moved into the city to offset this decline. Since 1991, the total public school enrollment has remained fairly constant in the 78,100-80,700 range while the DCPS segment of this total has continued to decline (see Chart 1).

The decline in the city's population resulted in a shift away from what had been intensely crowded schools, making a number of improved educational opportunities in the District possible. With the excess space available, many of the successful innovations of the 1970s—School Without Walls, Banneker Senior High School, Ellington School for the Performing Arts, the Oyster Bilingual Elementary School, and the Six School Complex—became possible. As a result of population decline, it became possible to lower class size, operate small schools, establish all day pre-kindergarten programs, and serve special needs students.

Since 1996, with the opening of the first public charter schools, there has been a dramatic shift in students from DCPS to the public charter schools. The District has supported the expansion of Public Charter Schools in former DCPS buildings with nearly 43% of public charter school students attending school in former DCPS buildings or on former DCPS sites.

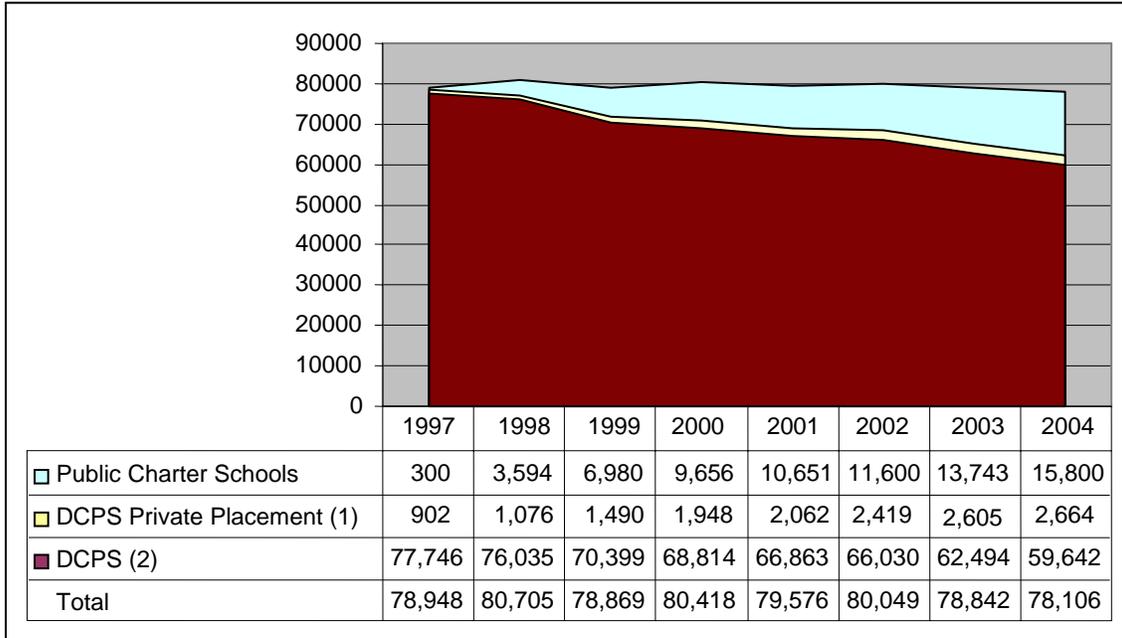
The October 7 enrollment count for the 2004-2005 school year shows continued decline in the DCPS student population. The total DCPS enrollment (DCPS students, as well as private placement students) dropped by another 2,793 students to 62,306. The number of students in secondary schools and private placement increased, but there are 3,036 fewer students in DCPS elementary schools. Some of the decline at the elementary school level is explained by the fact that the 2004-2005 school year is the first year of a federally funded voucher program, providing federal funds to approximately 800 (mostly

¹ US Census 2000.

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elementary) students to attend District private schools. But most of the decline appears to be a result of the continued growth of the public charter schools, which increased their total enrollment by 2,057 to 15,800.

Chart 1: Public School Enrollment in the District of Columbia 1997-2004



(1) Number of students for which DCPS is paying private tuition for special schools, but does not include 403 foster care regular education students for whom DCPS pays non-resident tuition in Maryland.

(2) Students attending in DCPS operated buildings.

Source: DCPS Master Plan Update 2003, DCPS October 7, 2004 Membership Report, Public Charter School Enrollment Report.

The public charter school (PCS) growth reflects current public policy which:

- has encouraged the establishment of charter schools;
- provides them with a per-pupil stipend identical to that for DCPS;
- supplies an annual facilities allowance;
- grants first access to closed public school facilities;
- discounts the appraised value of surplus schools for PCS ;
- offers direct loans and credit enhancement to reduce the cost of private debt; and
- provides public revenue bonds backed by the District's per pupil facility allowance.

However, the continued and accelerated decline in enrollment of DC Public Schools and the steady increase in public charter school population have created tremendous challenges for the District. DCPS is operating 37 schools that are at 65% or less capacity while at the same time the public school facility inventory is expanding as public charter schools convert former private sector spaces into the public education sector inventory. In addition, whether being used by DCPS or PCS, most of these school buildings need

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full modernization of components, systems and an updating of design so they support contemporary educational and community requirements. Although some former school buildings have been sold and devoted to other uses, the desire of neighborhoods to retain the public school in their community has left DCPS with more buildings than it can clean, maintain or improve.

Public School Facilities

The entire inventory of school buildings suffers from many years of deferred maintenance and little public investment in capital building projects. In 1990, attention to the deteriorating basic building conditions increased following a system-wide building assessment by 3DI, a construction and engineering firm. This review identified approximately \$555 million of deferred maintenance in 189 public schools. Following this assessment, the Committee on Public Education (COPE), a broad group of stakeholders, recommended that the District increase the capital budget for DCPS. They also pushed for school closings. As a result, the city authorized \$50 million a year for the next three years for DCPS buildings and in 1993, the school system agreed to close 10 schools.² Adding urgency to the situation, Parent's United, an advocacy organization, sued the District for failing to inspect school buildings for fire code violations.

There was a flurry of activity between 1991-1995 to replace boilers, upgrade electrical systems for technology, replace windows, do basic maintenance and close schools. With the District's fiscal crisis, this work came to a complete halt in 1996. Notwithstanding the loss of momentum caused by this hiatus in funding, it was already clear that working through laundry lists of projects would not substantially improve the overall teaching and learning environment within the schools or address the problems of under-utilization. It was also clear that without better understanding of existing conditions and a vision and plan for improved school building conditions, DCPS would continue to manage its buildings under crisis and not as part of a planned facilities management program.

Under pressure from the public which was concerned about the substandard condition of its public school buildings and grounds and poorly managed school closings, the DCPS developed the Preliminary Facilities Master Plan 1995-2005. This Preliminary Plan proposed a framework for comprehensive capital improvements to the DCPS public school buildings that was accepted in the Reform Act of 1996.

In 1997, DCPS was again able to make capital improvements to its school buildings beginning with \$46 million from a federal appropriation for roof replacements to settle the Parents United fire code lawsuit. Finally, in December 2000, DCPS completed the Educational Facilities Master Plan 2000 (Master Plan 2000), a program to replace or modernize every active school in the District's inventory.

² The \$150 million was authorized, but the city, approaching financial insolvency, did not fully finance its capital budget and DCPS received only \$83 million during these three years.

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Since the completion of the Facilities Master Plan 2000, DCPS has embarked on an ambitious program to replace aged and malfunctioning components and systems and to fully modernize or replace all of the active schools in the DCPS inventory. At the same time, the Public Charter Schools have been leasing and acquiring space for schools from private landlords (for profit and non-profit, including churches) and from DCPS. Once space is secured, they have typically made building improvements that range from a modest clean up to constructing an entirely new building.

Capital Program Management

DCPS obtained management control of its capital program from the District's Department of Public Works in the early 1990s. During the early years of the Control Board, Congress, through the Reform Act of 1996, mandated that the U.S. General Services Administration (GSA) assist DCPS with facilities. In 1997, the Control Board appointed retired Army General Julius Becton as Chief Executive Officer. DCPS then dismissed GSA, deciding to manage the facilities program internally.

In the summer of 1997, DCPS oversaw a poorly managed roof replacement program. Roof replacement costs were as much as ten times the usual market price and schools remained closed for three weeks beyond the start of school year in 1997 because roof replacements were still in progress at nearly 50 schools.³ By the end of 1997, it was clear that no real progress had been made in addressing the system's serious facilities problems.

In April 1998, DCPS, the Executive Director of the Control Board and the Chief Procurement Officer signed a facilities support agreement with the US Corps of Engineers. This agreement was followed by special legislation which enabled DCPS to use the procurement system of the US Army Corps of Engineers to secure contractors and have the Corps to oversee the capital program. DCPS depended upon the Corps to manage capital projects from pre-planning through implementation. The leadership of the Corps at DCPS was stable. Dave Morrow was the lead Corps representative to DCPS for nearly 6 years. During the same period, however, there were five different facility directors at DCPS, with vacancies between appointments.

Beginning in 2002, DCPS assumed greater procurement and management responsibility with the intent of phasing out its dependence on the Corps. DCPS entered into a contract with Daniel, Mann, Johnson, and Mendenhall (DMJM) to provide "staff augmentation" to the Office of Facilities Management Capital Program. DCPS had approximately 35 employees assigned to the capital program, paid from the capital budget while using DMJM to supply 15 more persons.

³ Government Accountability Office, 1998; "District of Columbia Public Schools: Availability of Funds and the Cost of FY 1997 Roof Projects", report to the Senate Committee on Government Affairs, GAO/AIMB-98-82.

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The PCS, on the other hand, have managed their facilities and any capital improvements on a school by school basis, entirely separate from DCPS. Each charter has had to manage its real estate and building improvement needs using whatever capabilities exist within their board or administrative staff. They have the ability to supplement this with consultants who can advise them on real estate, finance, design and construction. Various organizations such as FOCUS, the DC Office of Charter School Finance and Support, Charter School Development Corporation and now Building Hope of the Sallie Mae Foundation have helped PCS navigate the complexities of real estate, design, construction and finance. The District business community, while not engaged in the DCPS capital program, has been far more involved with PCS building acquisition and improvement.

Modernizations and School Replacements

Until the rebuilding of the Oyster Bilingual Elementary School in 2001, the District had not had a new school building since Burrville Elementary School in 1980. Before the DCPS Master Plan was completed in 2000, the DCPS Board of Education had already approved 9 major modernization projects and the Mayor and Council had approved them as part of the FY2000 Capital Budget. Of the nine, DCPS replaced four schools, fully modernized and provided additions to four other schools and performed a major interior modernization to another. From approval to opening, these projects took an average of 4.5 years each. Eight elementary schools were selected to initiate the modernization program. The first 8 schools to be modernized were selected by committee using the following criteria:

- elementary school
- one per ward
- over 50 years old
- 70,000 square feet or less
- the most crowded as measured by gross square feet per student
- the highest level of building deficiencies

A budget of \$100 per square foot was set and a space allowance of 140 square feet per student. These 8 schools, plus Kelly Miller Middle School, a closed school, were described as “Tier 0” schools in the Master Plan 2000. The original intention of the Tier 0 projects was:

- *modest scope*, so the standards set would not be impossible to meet in the long term and the improvements could be done quickly;
- *small schools*, so DCPS could make its mistakes on a small scale and develop management capacity with simpler projects (not high schools, for example); and
- *crowded schools*, so projects would be done in schools for which there was demand and which indicates the likelihood of a strong principal, staff and community support.

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Unfortunately these original budgets and the intentions to discipline the scope of these first projects were entirely lost in the implementation of the Tier 0s. Thus far, all modernizations have involved a complete gutting of the existing building and 5 of the first 9 Tier 0 schools were demolished and then rebuilt.

Table 1 provides basic information on each of these first projects and illustrates how dramatically the costs of these first projects escalated. It also shows how costly the first projects have been on a per square foot and on a per student basis. The average cost per square foot was \$352 and the average cost per student was \$54,814. This contrasts with the school construction costs of Public Charter Schools reported in Table 3, particularly with regard to the former DCPS schools that were renovated by public charter schools. If DCPS continued to spend on a per student basis at this rate, it would need another \$3 billion for the 56,000 students currently in DCPS schools who attend schools currently identified for full modernization or replacement.

Table 1: Tier 0 Projects, Begun Prior to Master Plan 2000

Tier 0 Schools	Student Capacity	Gross Square Feet)	Original DCPS Capital Budget FY2000	DCPS Capital Budget FY03-FY08	Actual * or DCPS FY2005 Budget	\$ Cost per SF	Cost per student
Barnard New School	520	72,500	\$ 9,438,000	\$ 23,866,880	24,427,639*	337	46,976
Cleveland Modernization Addition	360	53,000	\$ 6,004,000	\$ 12,165,120	20,887,000	394	58,019
Kelly Miller New School	600	115,000	\$ 10,286,000	\$ 25,233,920	34,559,000	301	57,598
Key Modernization Addition	320	50,000	\$ 5,148,000	\$ 11,904,000	14,873,689*	297	46,480
Miner New School	560	76,900	\$ 9,438,000	\$ 22,013,440	22,176,000	288	39,600
Noyes Modernization Addition	360	51,500	\$ 6,862,000	\$ 16,524,800	23,752,000	461	65,978
Patterson New School	520	78,300	\$ 7,822,000	\$ 18,270,720	23,727,000	392	59,090
Randle Highlands Modernization Addition	520	72,500	\$ 7,721,000	\$ 20,816,640	24,768,000	342	47,631
Thomson Modernization Addition	335	67,000	\$ 6,864,000	\$ 17,280,000	24,104,164	360	71,953
Total/Average	4,095	636,700	\$69,583,000	\$168,075,520	\$216,623,164	352	54,814

Source: USACOE report on Contracts awarded 1998-2003 and DCPS Capital Budget FY2005-2010.

In addition to the modernization of these nine schools that were planned and budgeted prior to development of the Master Plan 2000, there were three other projects already under development. These were:

- 1) McKinley Technology High School, which had been closed in 1997, was a priority for revitalization for the Mayor.

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- 2) Bell Multicultural High School, whose local school community had been working to find a way to relieve overcrowding, build a cafeteria and gymnasium and improve the overall poor condition of the school over many years and had developed a capital campaign to supplement District capital funds..
- 3) Oyster Bilingual Elementary School, a public/private development partnership that was designed, constructed and financed by LCOR, a private developer through the subdivision and sale of District land and the dedication of property taxes to repay the Oyster construction bond.

Table 2: Other Projects begun prior to Master Plan 2000

Pre-Plan 2000 Schools	Student Capacity	Gross Square Feet (GSF)	Original DCPS Capital Budget FY2000	DCPS Capital Budget FY03-FY08	DCPS Budget FY2005	\$ Cost per SF	Cost per student
Bell/Lincoln	1,400	252,000		\$62,964,000	\$62,964,000	250	44,974
McKinley	800	220,000		\$52,039,680	\$73,337,000	333	91,671
Oyster (PPDP)*	350	47,000	\$8,779,200			187	25,083

After the opening of the new Oyster Bilingual Elementary School in the fall of 2001, seven of the nine Tier 0 schools opened. McKinley opened to students in the fall of 2004, and Bell/Lincoln is under construction.

Nearly four years into the long range Master Plan, only one of the 10 schools in Tier 1 is in construction (Brightwood ES), although all of the Tier 1s are designed and are ready to begin construction. The Tier 2 schools are all at some stage of design, but none are ready to go out for construction bids.

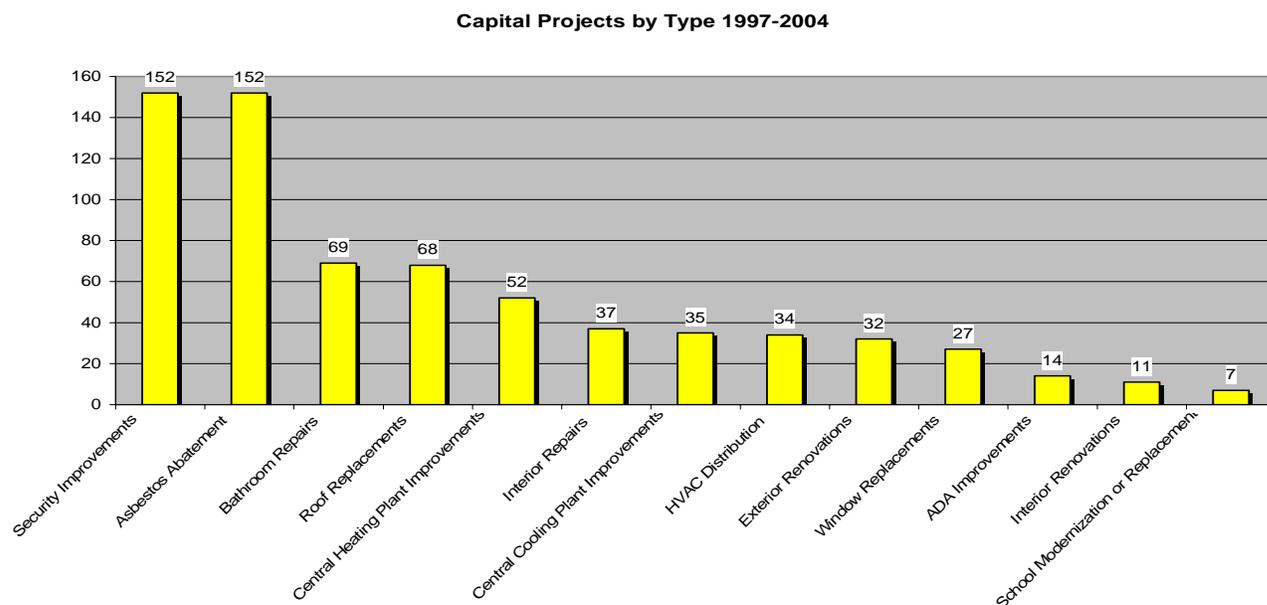
Major Capital Improvements

In addition to modernization and school replacement projects, DCPS has undertaken hundreds of component replacement, systems upgrade or maintenance and other minor capital improvement projects. Major capital improvements have included:

- the replacement of roofs, boilers, windows, doors, and chillers;
- the upgrading or replacement electrical, technology, ventilation, and heating or cooling distribution systems;
- complying with mandates to abate asbestos, remove lead paint or mold and meet ADA requirements; and
- modifying school design such as adding partitions to an otherwise open space instructional area, or installing a science lab.

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Chart 2: Number of Schools Receiving Capital Projects by Type



Source: DCPS OFM, USACOE, 21st Century School Fund Roofing data

Although every school has had some capital project since 1997, the capital improvements were not part of a strategic capital improvement plan, but rather were taken from laundry lists of discrete problems. While these projects are important to the reliable operation or health and safety of a building, they have had limited impact on the actual teaching and learning environments. In a survey of teachers in DCPS in the late spring of 2002—after DCPS had already financed \$450 million for school building improvements—of the 1286 teachers who responded from 89 schools, 58% indicated that they were dissatisfied with the overall condition of their school facility and 42% reported that they thought it was educationally inadequate.⁴

Public Charter School Capital Projects and Expenditures

At the same time DCPS has been working to improve the quality of its public school facilities, the public charter schools have been busy improving their facilities as well. These projects range from quick improvements to former DC public school buildings to complete renovations or new construction. There is no public record of public charter school project scope and costs, so the figures in Table 3 are based on informal survey by

⁴ “Public School Facilities and Teaching: Washington, DC and Chicago”, A Report Prepared by Mark Schneider, Ph.D., Professor of Political Science State University of New York at Stony Brook for the Building Educational Success Together (BEST) Collaborative of the 21st Century School Fund, Fall 2002.

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Friends of Choice in Urban Schools (FOCUS), an advocacy organization for public charter schools.

Table 3: Public Charter School Construction Record as of Spring 2004

	# Students	Total Square Feet	Development Cost	Cost per Square Foot	Square Foot per Student	Cost per Student
ARTS AND TECH*	611	55,000	\$3,500,000	\$64	90	\$5,728
CAP CITY	250	30,000	\$5,500,000	\$183	120	\$22,000
CARLOS ROSARIO	790	84,000	\$18,000,000	\$214	106	\$22,785
FRIENDSHIP ED						
BLOW PIERCE*	759	62,000	\$5,500,000	\$89	82	\$7,246
CHAMBERLAIN*	835	75,270	\$3,500,000	\$46	90	\$4,192
COLLEGIATE*	721	152,000	\$13,500,000	\$89	211	\$18,724
WOODRIDGE*	397	40,000	\$2,300,000	\$58	101	\$5,793
HOWARD RD	525	36,000	\$5,000,000	\$139	69	\$9,524
IDEA*	195	19,000	\$1,650,000	\$87	97	\$8,462
KINGSMAN*	550	53,000	\$7,100,000	\$134	96	\$12,909
MAYA ANGELOU	73	29,300	\$1,800,000	\$61	401	\$24,658
NEW ENTERPRISE	356	52,000	\$2,000,000	\$38	146	\$5,618
SAIL	140	29,000	\$2,800,000	\$97	207	\$20,000
SE ACADEMY	623	28,000	\$3,200,000	\$114	45	\$5,136
TOTALS/AVERAGE	6,825	744,570	\$75,350,000	\$101	133	\$12,341
* Former District of Columbia Public School						

Source: Friends of Choice in Urban Public Schools (FOCUS)

PCS have been able to do more economical projects and complete work more efficiently. They have not been constrained by the DCPS space or design standards. While they must follow District procurement rules, they are much less constrained in their ability to plan, design, procure and then construct projects. The challenge for public charter schools, in contrast to DCPS projects, is that they must finance projects themselves.

Challenge 1: Adequate and Fiscally Responsible Facility Planning

The District of Columbia's educational facility master plan should be a long term plan to support the educational goals and objectives of the District of Columbia Public school system and public charter schools, as well as complement the current vision of the city over the next decade. The master plan should be based on realistic assumptions about enrollment, costs of construction and the availability of funding. However, it should also articulate the ambitions of the community and the full array of what needs to be done to create high quality school buildings for all children. The plan should be developed with community input and should be approved by the Mayor, Council and School Board. It should be coordinated with the District's overall public facilities plan so as to take maximum advantage of opportunities for co-locating educational and other community services, where appropriate, and use public space as efficiently as possible. It should include public charter schools. This plan should be widely available, so that all stakeholders know what the priorities are and which schools are next on the schedule. Moreover, it cannot be set in stone. It should be revised periodically to reflect changes in projected enrollment, experience with costs of construction and maintenance and evolving standards for educational technology and community needs.

The District of Columbia's capital improvement plan for DCPS needs to be a strategic plan for improving specific schools. The capital plan needs to take the ambitions and framework of the master plan and align them to available funds. The difficult choices must be made at the capital planning and budgeting stage. The capital plan should apply the criteria for priorities from the master plan and scale the scope of work to be done to match fiscal realities. Before a project is moved from the master plan to the capital budget, sufficient due diligence must be done to establish the scope, schedule and estimate of the work to ensure the capital budget and spending plans and projections will be within a 5-10% margin of error.

Background on Facility Planning

District-wide Educational Facilities Master Plan

After a nearly 30 year hiatus, public educational facility master planning began in 1995 with the Preliminary Facility Master Plan 2005 of then Superintendent Smith's Task for on Education Infrastructure for the 21st Century. This was followed in 1999 by a comprehensive long range educational facility planning process that engaged residents, teachers, principals, parents, and other school representatives. The result was the "District of Columbia Public Schools Facility Master Plan: A New Generation Schools, December 2000" (Master Plan 2000). Master Plan 2000 was the product of a serious, elaborate effort by DCPS to engage the community in assessing school needs, setting priorities and planning for future facilities improvement.

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The Master Plan 2000 articulated a statement of values for DCPS school buildings and how school buildings would fit into neighborhoods. The Master Plan 2000 was a community supported, best case scenario for improving DCPS school buildings. It represented the aspirations of the community for good public schools for its children and a desire to sustain these public assets in its neighborhoods. DCPS public school buildings would be:

- small, in order to foster individualized attention;
- neighborhood based in order to be accessible to students by foot or on public transportation;
- community centered and offer locations for non-school services, activities and programs;
- respectful of history and streetscapes by retaining and improving important landmarks in neighborhoods;
- educationally adequate and meet educational program needs; and
- efficiently utilized.

The Master Plan 2000 describes a plan for the complete revitalization and right sizing of the school system to support an enrollment of 71,000 students. This was to be accomplished by modernizing or replacing every school in the DCPS inventory over a ten to fifteen year period. Other objectives, such as using space more efficiently, having buildings in good repair, meeting all health and safety standards and mandates, and assuring educationally adequate design were promised as a result of implementing the full modernization and replacement program.

The Master Plan 2000 established priorities for modernization or replacement in tiers. Participants of multiple community area meetings ranked schools for the first four tiers. The plan proposed to allocate facility improvements in such a manner that the new and fully modernized schools were to be spread throughout the city—in planning areas that were created based on the number of schools. Within each of these 8 planning areas, 4 tiers of 8 elementary and middle or junior high schools were specifically identified for modernization. The high schools were ranked in another process.⁵ The schools in each tier were identified for full modernization or replacement. The Master Plan 2000 identified the need for “small capital” or component and system replacement projects and “high school stabilization” to meet facility needs in what was an aged inventory, but it did not provide any guidance or framework for planning these component replacements or system upgrades.

⁵ DCPS has both comprehensive neighborhood based high schools and city wide specialty high schools. Many students attend schools outside of their attendance boundaries. During the master planning process it was clear that making decisions about high school building improvements by planning area had significant shortcomings. To address the limitations of the area-wide planning process, in the fall of 2001, DCPS led a high school planning process to rank the high schools. Through a series of meetings of principals, parents, teachers, custodians and other stakeholders, the high schools created a new city-wide ranking for all high schools.

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The Master Plan 2000 estimated the cost of implementation of the master plan using construction cost estimates for the Mid-Atlantic region from R.S. Means, School Planning and Management Magazine and American School and University Magazine. The estimated construction costs per square feet for 2000 are reported in Table 4.

Table 4: Construction Cost Estimates (per square foot) used in Master Plan 2000

	Elementary	Middle/Jr High	High School
New Building	\$130	\$140	\$150
Full Modernization	\$100	\$110	\$120
Partial Modernization	\$80	\$90	\$100

The Master Plan 2000 added 25% to the cost of construction for design, construction management and other fees to the construction cost estimate (soft costs). These square foot cost estimates were multiplied by the gross square foot space standards developed for DC Public Schools and the projected enrollment of a school to give an estimated cost.⁶ The 2000 formula for total project costs (\$130 SF construction costs plus 25% soft costs) of a new elementary school for 400 students would be:

$$\$130(1.25) \times 150 \times 400 = \$9,750,000$$

This estimate was then increased by an inflation factor of 5% in year one and in year two and 3.5% for the subsequent out-years. The Master Plan 2000 did not provide a total cost estimate, but it could be computed by adding the 62 individual modernization or replacement projects listed in the Master Plan 2000, along with the estimate for component replacements, environmental abatement, systems upgrades, and major maintenance for schools while they waited their turn for modernization or replacement. The cost estimate for this Master Plan 2000 was \$1.6 billion.

In 2003, DCPS revised the Master Plan 2000. This revision did not change the basic approach to improving DCPS school facilities or the ranking order of schools to be fully modernized or replaced. It began to address the critical issues associated with enrollment decline and Public Charter School growth, but not proactively enough given the urgency of these issues in the District.

Facilities Planning for Public Charter Schools

Public charter schools are individual local education agencies created to be outside DCPS. There is no master plan for charter school facilities. Even though the DCPS Master Plan 2000 included information on each public charter school operating at that

⁶ The Master Plan established targets and incorporated space standards in its estimates:

- 180 gross square feet (GSF) per high school student (now revised to 192 GSF/student);
- 170 gross square feet per middle school or junior high school student; and
- 150 gross square feet per elementary school student.

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time, it did not incorporate them into its plan. The Master Plan 2003 discussed the public charter schools and reported that DCPS has established a Public Charter School Task Force, but still did not integrate them into the Master Plan 2003.

There are 52 public charter schools, run by 42 charter organizations, open for the 2004-2005 school year. Public charter school growth takes place in a number of ways.

- Public charter schools already in existence are expanding as they reach their charter capacity, adding grades every year until they serve all of the grades for which they have been chartered.
- The District law permits up to 20 new charters each year and new charters are awarded on an annual basis.
- Existing charter schools can request amendments to their charters to expand their capacity.
- Finally, even though it has occurred only with Paul Junior High School, the law provides for conversion of existing DCPS schools to public charter schools.

Of the 52 existing charter schools, over half have plans to move or initiate some type of renovation project at their current facility. The conditions of their facilities range across a wide spectrum – from new or fully renovated buildings to buildings in poor condition.⁷ Each individual charter school must plan, acquire, develop and manage its facility on its own. Various organizations offer technical assistance and support to public charter school leaders and their boards of directors, but ultimately, the holder of the charter is responsible for securing appropriate space.

DCPS Capital Plan

DCPS annually prepares a six year capital improvement plan as part of the District's overall capital budget. This budget must be approved by the Board of Education, Mayor and Council. Since adoption of the Master Plan 2000, DCPS has consistently reflected the priorities and scope of this Master Plan 2000 in its capital improvement plans and budgets. DCPS has attempted to start a new tier of 10 schools for full modernization or replacement each year and move them through planning, design, and then construction within a 3-4 year period. The FY2005-2010 Capital Improvement Plan has 23 schools in various stages of planning, design or construction. In addition, DCPS has schools ranked for window replacements, new boilers and chillers, roofs, as well as other component or system replacements or upgrades.

To accomplish the capital plan, DCPS requested \$2 billion for the FY2004-2009 capital budget. For the next year's capital budget, DCPS knew that it needed to submit a more realistic budget request and so they requested \$1.1 billion for the FY2005-2009 capital budget. This was still higher than the District could fund, even though it was a relatively accurate assessment of DCPS needs over the capital budget time period.

⁷ 21st Century School Fund 2004 survey of D.C. public charter school principals and business managers.

District Planning

The District government is currently engaged in a several year process of updating the city's comprehensive plan. This extended undertaking, involving extensive public involvement as well as full engagement by all city agencies, presents a special opportunity to further clarify and, to some extent, codify the objectives of coordinating and collocating city services. The city's current efforts to improve program coordination and conduct multi-year capital planning also advance this important goal. The greater integration of public education services into the web of other city services could well be advanced through these planning efforts.

At the neighborhood level, the city has now put forward a number of initiatives designed to encourage the targeting of city services within particularly areas. In 2001, the Mayor identified a dozen "Strategic Neighborhood Investment Plan" areas around the city where the potential for concentrated city investments appeared to have special promise. More recently, the City Administrator has focused city agency attention on fourteen so-called "Hot Spots" with significant public safety concerns for special, coordinated attention. And earlier in 2004, the City Council approved legislation authorizing a dedicated "Neighborhood Investment Fund" for a dozen areas using churches as anchor institutions. All of these planning activities are or will result in development and service delivery decisions that will impact upon DCPS and public charter school facilities and plans. These various city planning processes present significant opportunities for addressing issues such as the better coordination and collocation of public school programs with other related activities.

Concerns with Facility Master and Capital Planning

Enrollment Shifts

The DCPS Master Plan 2000 and its 2003 update do not adequately reflect the decline in enrollment in DCPS schools and the shift to charter schools and do not offer a plan to address the extent of inventory operated but poorly utilized by DCPS.

Unmet Promises to Schools and Communities

The Master Plan 2003 did not revise the direction, priorities or scope of the Master Plan 2000 in such a way to make it a fiscally sustainable plan. The update did not lay the groundwork for the scaling back of the scope of work and modifying the promises that were made by the administration to the Tier 1 and Tier 2 schools and communities.

Capital Plan Does Not Reflect Fiscal Constraints

Implementing the Master Plan at the speed and scope at which it began would require approximately \$300 million per year. However, neither the District nor Congress have committed to funding DCPS at the levels needed to sustain a full implementation of the master plan. If DCPS continues according to the FY 2005-2010 Capital Budget, and replaces and or fully modernizes the Tier .5, Tier 1 and some of the Tier 2 schools, most of these 23 projects can be completed. However, there would be almost no funding to

address the other urgent capital needs in the remaining nearly 121 schools and no capacity to initiate new whole school facility improvement projects.

Unrealistic Revenue Proposals

Master Plan 2003 included proposals for nearly \$1.5 billion from new funding sources—certificates of participation, federal funding, public private partnerships and energy savings. While each of these is theoretically possible, and there is potential for generating some funding from each source, none are positioned to generate the level of funding proposed in the Master Plan 2003. These revenue sources cannot be counted on for capital planning and budgeting without considerably more administrative and policy infrastructure.

Underdeveloped Plan for Linkages, Co-location and Shared Use

Neither the Master Plan 2000 nor its 2003 update linked the DCPS facility planning to various neighborhood plans for redevelopment. These master plans did not develop a strategy to link public education facility investment and other public capital investment and they did not provide a school specific proposal for co-location.

Lack of Integrated Plans for Public Charter Schools and DCPS Schools

Even though the Public Charter Schools are established to be independent of the District of Columbia Public School System, they are part of an inter-related public education network of schools. As such, the location and size of the PCS and their building design, condition, cost and financing all have significance to the DCPS school system, other public charter schools and the city. Currently, there is no consideration given by the two charter boards on whether a public school is needed in a particular area when new charters are granted. In fact, a major premise for public charter schools is that they should offer a choice to parents and students. Having public charter schools and DCPS schools adjacent to each other is seen as a benefit according to a “choice” reform model because two schools in close proximity give the parent real options, ones not limited by transportation. There is, however, tension between this approach and a planned system of schools from a fiscal perspective since the conflict complicates the desire to have a more efficient distribution of space in order to save taxpayers money.

Recommendations

District Government

In order to sustain a responsible facilities program for DCPS and the PCS, the CFO and Mayor need to require comprehensive long term master plans and fiscally manageable capital plans. To accomplish this, the District should:

- Hire one or more school facilities specialists in the District’s Budget Office to review the DCPS capital plan and budget as a year long process.

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- Create a Budget Office requirement that neither major modernization, replacement nor small capital projects will be included in the capital improvement budget until the scope of work has been sufficiently developed and there is a reliable cost estimate and schedule.
- Create a Budget Office requirement that enrollment, neighborhood, education and fiscal impacts must be considered before a major project is approved for the capital improvement plan.
- Incorporate public education facilities into the comprehensive plan and address issues of school size, location, relationship to neighborhoods and the broader community, transportation, proximity to business centers and cultural assets for place-based learning opportunities for children, and other cross sector issues.

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The Master Plan should include detailed guidance for making difficult choices about inventory, space requirements, building utilization and setting capital budget priorities. DCPS should revise the Master Plan so it adequately reflects the extent of and urgency associated with the decline in DCPS enrollment and realities of likely funding. It should expand the options available for improving school facilities beyond replacement and re-define the scope of a modernization. DCPS should:

- Establish a task force to revise the Master Plan. Members of the task force should be drawn from the public as well as from DCPS. The Task Force should include the DCPS Office of Facilities Management, DCPS academic leaders, local school educators, public charter schools, as well as the District's Offices of Budget, Planning and Property Management and the Office of the Chief Financial Officer.
- Support the task force with a technical committee with expertise in urban and educational planning, design, construction, and public education and municipal finance. Charge the committee with developing criteria to reduce excess space, and identifying the indicators of a needs-based facility improvement program.
- DCPS should translate the new Master Plan into a year-by-year school and project specific Capital Improvement Plan and budget for DCPS. In formulating this CIP, DCPS should look for opportunities to co-locate with other city services and charter schools when building or renovating schools or other facilities.

State Education Office

- The State Education Office should work with charter schools to ensure they are represented in the District's planning process, recognizing that individual charter schools are independent entities which must make their own decisions about where to locate and how to acquire space.

Challenge 2: Making Informed Decisions and Overseeing Capital Programs

In order for the Mayor and the Council to make informed decisions about budgeting and financing school facilities for both DCPS and public charter schools, they need basic information about current inventory and building conditions, as well as projected facility needs for both DCPS and public charter schools. The District should also know what lease and debt obligations public charters schools are committing to with the District's appropriations.

In order for DCPS officials to make responsible decisions concerning public school facility management, planning, design and construction, they need even more timely, comprehensive, and accurate information on school facilities and the educational and community based programs and services they must support. Because of the broad impact DCPS facility policies and budgets have, they also need public input into the impact of their proposals and decisions on schools and neighborhoods.

Finally, aside from the basic information needed to manage and plan for individual public charter school facility needs, public charter schools need access to information about excess DCPS public school facility space and ample notice of when former public school buildings in the City's inventory will be made available for disposition.

There needs to be adequate oversight of public school facilities management and funding in order to ensure fair, effective and efficient use of public funds. This oversight will help engender public trust and support for the capital program, as well as assure private contractors who might be engaged in design and construction of capital projects that procurement is being done in a fair and open manner.

Background on Decision Making and Oversight

Facilities Management Information System

Neither the District, DCPS, nor the PCS have adequate facility information systems for making responsible decisions or doing adequate oversight. DCPS, despite a centralized management approach, has no system with comprehensive information about students, buildings, utilization, and budget and expenditures that can provide decision support to officials. Progress has been made over the last seven years with an updated Geographical Information System and an electronic work order system for maintenance and repairs, but planning, budget, expenditure, and project information are not maintained to support good district-wide planning or linked to individual schools. For example, DCPS cannot readily provide exactly what capital projects have been done in which schools, on what date and at what cost. DCPS also cannot readily access the utilities, maintenance and cleaning cost of operating the each facility.

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The decentralization of PCS operations results in a lack of impetus and capacity for a centralized facilities information system. The Master Plan 2000 contains some information on the space and leasing or ownership arrangements of the PCS and the Master Plan Update 2003 includes minimal update on this information. Neither the State Education Office nor the Chartering Boards collect or maintain information on the inventory or condition of charter school facilities, or on the terms under which they are leasing, acquiring or improving property. The DC Office of Public Charter School Finance and Support, now in the State Education Office, has information on the schools that participate in its program, although the level of detail and currency of the data varies from school to school. Friends of Choice in Urban Schools (FOCUS), a non-profit advocacy organization for public charter schools, has some information on facility expenditures from its tracking of facility issues and activities over many years. The 21st Century School Fund surveyed PCS to obtain financial information about facility leasing and borrowing, capital improvements and other building related costs and found the information was not readily or willingly available for collection.

The District should require sufficient information to ensure that PCS facilities fit into a coherent city-wide plan. There are no officially collected data or reporting requirements for facilities for the PCS. Banks and others in the private sector have better financial information on the charters than the District does. Lenders are given access to the books, and thus know the cost structure, the assumptions of enrollment growth, and the business plans. The District, unfortunately, requires none of this information. Further, there is no uniform financial reporting system for the PCS; the District's CFO cannot audit them by right. Like DCPS, the PCS bills are picked up by the District, without financial transparency

Decision Making

This recent period of rapid increase in capital funds for DCPS -- from zero dollars in 1996 to a high of \$212 million in 2000 (see Chart 2) -- coincided with extremely unstable governance of DCPS. The Control Board assumed control of the schools in 1996 and appointed a Board of Trustees. The Board of Trustees was the decision making body for DCPS until a challenge to their authority left the Control Board itself in charge.

In 2001, after a public referendum, a governance structure was put in place that provided for a half elected and half mayoral appointed school board. The so-called "hybrid" Board of Education has relied almost entirely on its facility staff, their consultants and the USCOE for direction and advice on capital projects. While it is reasonable to rely on staff and consultants to some extent, since DCPS had no experience, processes, policies or systems in place for managing a school construction program, particularly of this size, the school system is and has been vulnerable to waste and mismanagement. While there are no public allegations of fraud or abuse in the capital program, a system such as this one, is vulnerable.

DCPS had the opportunity to function in a more transparent way with the establishment of the Committee of 21 that was created during the master planning process. But after

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the Master Plan 2000 was completed, the Committee of 21 was not provided with information, did not hold regular meetings, and was not supported in any credible way to monitor the implementation of the Master Plan.

From 2001 with the establishment of the hybrid Board of Education until 2004 when the Board of Education eliminated its committees, the jurisdiction for facilities was in the Committee of Facilities and Finance, co-chaired by District 4 School Board Representative William Lockridge and Mirian Saez, a mayoral appointee. Under the committee structure, all decisions were made in committee, and rarely did school board members raise issues with any recommendation of the committee. This combination of factors led to thin oversight and a capital program, while somewhat disciplined by the basic framework of the Master Plan, that was and still is vulnerable to waste, fraud, abuse and excess.

Capital Decision Making in the District in the 1960s and 1970s

During the public building boom of the 1960s and 1970s, the executive branch was much more involved in capital planning and budget decisions. Mayor Walter Washington established a Capital Improvement Plan Technical Advisory Committee (CIPTAC). This lasted into the Barry administration, roughly until 1979. The committee was made up of representatives from agencies that had no capital budget themselves. They coordinated all aspects of the capital improvement plans, budgets and oversight for all DC agencies, including DCPS.

The Committee was coordinated by the DC Capital Budget Office. It worked with community service coordinators who held ward meetings to discuss and evaluate projects that were being proposed by agencies or council members. Council members participated in the community process and therefore honored the priorities of communities when it came time to vote. There was no policy that guided the Committee as it had been established by a Mayoral order rather than Council legislation.

There are many examples, still a part of the city's infrastructure, that represent the coordinated capital planning and budgeting this Committee did. It planned for and implemented co-location of fire and police stations. It planned and implemented community schools, such as Fletcher Johnson, Marie Reed, and Shaw Jr. High. These public schools all had health, recreation (many had swimming pools) and other community programs designed into the school. The coordinated planning represented by these and other schools built during this period is worth replicating. Unfortunately, the building designs, although state of the art at the time, are no longer optimal. Many of the buildings built during this period now need major improvements or to be replaced altogether.

The Committee was responsible for asset management decisions and was involved in the transfer of development rights for McGruder School in exchange for the restoration of the Sumner School. It facilitated a swap of the old Benning School at Benning and

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Minnesota Avenue (in front of the Minnesota Avenue Metro Station) for Metro parking in exchange for the Brooks Mansion near the Brookland Metro.

During this period, the District's Department of Public Works was responsible for the implementation of the DCPS capital program. However, since the function was transferred to DCPS in the early 1990s, the District government has taken a hands-off approach to the planning and decision making associated with the DCPS capital program. Until recently, the Mayor and Council limited their involvement in the DCPS capital budget to setting the upper limit for the annual allocation of borrowing authority. They did not become involved in educational facility planning, or exercise their authority to ensure that DCPS was responsibly spending the District's capital funds. During 2004, in preparation for the Fiscal Year 2006 capital budget, the Mayor set a much reduced cap on the amount of borrowing authority the Mayor would recommend to the City Council and began a more in-depth discussion with DCPS about the details of its capital budget plan.

Oversight

In 1997, when funds were finally available to DCPS for capital construction, the Board of Trustees and the Control Board were responsible for oversight of the DCPS capital program. However, the Board of Trustees saw its role as a supporter of General Williams, Chief Operating Officer and Director of Facilities, and exercised little to no oversight of decisions that were being made on the capital budget. The Control Board was almost entirely occupied with the massive job of improving the City's operating budget.

However, there were two audits of the 1997 roofing program which revealed an excessively high cost for roof replacement and repair. One was done by the GAO and the other was done by the Control Board. These audits did not examine quality of work even though there was concern about this given the fast pace of work done during the summer of 1997. Further, no audits have been undertaken since 1997, even though an additional \$750 million has been spent (or encumbered) for school planning, design and construction since then.

The Mayor and Chief Financial Officer have the duty and opportunity to oversee the capital program. The DCPS capital budget has consumed 20% to 53% of the District's annual capital budget since 1998 (See Table 2). DCPS uses far and away the largest share of the District's capital funds of any city agency.

The Council, in approving the District Capital Budget, has responsibility for oversight and for ensuring that District funds are expended responsibly. The Council, too, could have insisted on an audit of the capital program, but did not. The Chairman of the Education Committee, seeing failures of management, proposed relocating the DCPS facility office and the control of public school buildings to the Office of the Mayor, but it is not clear how such a shift in control would solve the problems with facility policy, planning, management or funding.

Concerns with Decision Making and Oversight

Charter schools are not District agencies. The two entities that create them – the DC Public Charter School Board and the Board of Education – act with greater autonomy than ordinary city agencies. This independence is consistent with the goal of providing choice in DC education but makes it harder to provide efficient facilities for all DC public school students. The shrinking DCPS and the growing PCS, taken together, are providing public education and running public schools in the District. The District currently does not view them as a common system, lay out all the facilities needs, sum all the available resources, and establish a set of coherent financial incentives, budget rules and trade-offs.

The Board of Education has not established adequate facility information system or procedures or indicators for determining whether DCPS facilities are being well managed and whether the schedule, cost and quality of work are under adequate control.

The Board of Education has not sought independent advice from the business community on its capital program or established any sort of citizen oversight or advisory committee to monitor the implementation of its Master Plan and Capital Budget.

Board of Education does not view its facilities needs as a whole. Instead, it approves spending incrementally, sub-project by sub-project.

Mayor has not provided organizational framework for integrated decision making that would support inter-governmental program and facility coordination across agencies.

Council Budget Office does not have staff to assist Council members or their staff with the kinds of questions and issues that should be a part of routine oversight and budget formulation.

Mayor and Council focus primarily on the operating budget and educational issues separate from other agency concerns to the neglect of the capital budget. Oversight of public education, especially with the added complexities of public charter schools, is a complex task. Unfortunately, insufficient attention has been paid to the school capital budget, especially given its size and scope.

Public Charter Schools make their facility decisions in a narrow context without benefit of good district wide or neighborhood information.

Recommendations

District of Columbia Public School System

- Develop data management systems and protocols on public school facilities—see National Center for Educational Statistics, “Facilities Information Management: A Guide for State and Local Education Agencies” July 2003.
- Audit the capital budget expenditures incurred over the 1998-2004 period for process, quality, cost and schedule, in order to develop more effective management processes and capabilities.
- Conduct post occupancy evaluations of the Tier 0 schools that have been occupied for a year or more.
- Establish a technical advisory committee to the Board of Education to review recommendations from the Office of Facilities Management.
- Create a citizen’s oversight board, with at least half the members having expertise in finance and construction management, to see that internal controls are effective and that public funds are being spent responsibly.⁸
- Convene public roundtable and hearings on proposed DCPS capital budgets prior to their submission to the Mayor.

Public Charter Schools

- Public Charter Schools should work together through their associations and with DCPS to develop multi-year analyses of charter school space and building improvement needs. They should develop a database on public charter school facilities that can be integrated into a larger DCPS database.
- Individual charter schools must operate openly and be accountable for public money. Compliance with financial standards and provision of public audits should automatically accompany the receipt of a public charter to operate a school.

DC Council

- DC Council needs to hold oversight hearings on the implementation of the city’s capital budget on a regular basis.

⁸ “Citizen Oversight of Public School Construction Programs,” A Report Prepared by 21st Century School Fund, February, 2003.

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- DC Council needs to add staff expertise both in capital budget formulation and execution to support its decision making and oversight responsibilities.
- Complete the review of the capital budget prior to undertaking the review of the annual operating budget.

Mayor

- Implement the recommendations of the August 24, 2004 Brookings-21st Century School Fund Task 2 report on Capital Program Coordination, including:
 - Creating a Ten-Year Capital Plan for the city, lead by the City Administrator, and review the plan periodically;
 - Issuing written instructions to all agencies, including DCPS, setting forth new requirements for the annual capital budget process and the evaluation criteria that will be used to assess each agency's proposals; and
 - Moving forward the schedule for developing the annual capital budget so that the Mayor's recommendations to the City Council are determined before the Mayor formulates the recommendations to the Council on the annual operating budget.

Challenge 3: Sufficient Funding and Responsible Financing

The District is responsible for providing sufficient funds for adequate DCPS facilities and public charter school facilities. In many states the definition of “adequacy” has become the substance of school finance litigation. A minimal definition for DC may be that adequate facilities are those that do not interfere with teaching, learning or basic school based administration and operations. This would mean that the basic building would function without major or chronic problems—the roof doesn’t leak, windows open and close and you can see through them, finishes are in good condition, mechanical systems operate as they were designed to, and electrical and plumbing systems function reliably.

A definition more consistent with DCPS standards, the Master Plan, public charter school ambitions and a goal of retaining and attracting residents into the District is that adequate school facilities enhance and support teaching and learning. This would mean that buildings efficiently support educational programs and services—including early childhood, special education, career and technical programs, teacher planning, instructional and administrative technology, school based social services, after-school programs, and the myriad of other programs that have become an integral part of public schools. Further, sufficiency would mean that school buildings were physically attractive inside and out, students and teachers feel safe, and education is given respect and value.

The District needs a financial plan to meet the DCPS and public charter school capital requirements in the most efficient way. The District needs to identify how it will secure and sustain a revenue source to support the level of debt that is required by DCPS and the public charter schools to eliminate facility design and conditions deficits and then maintain a system of adequate facilities.

Background on Facility Funding and Finance

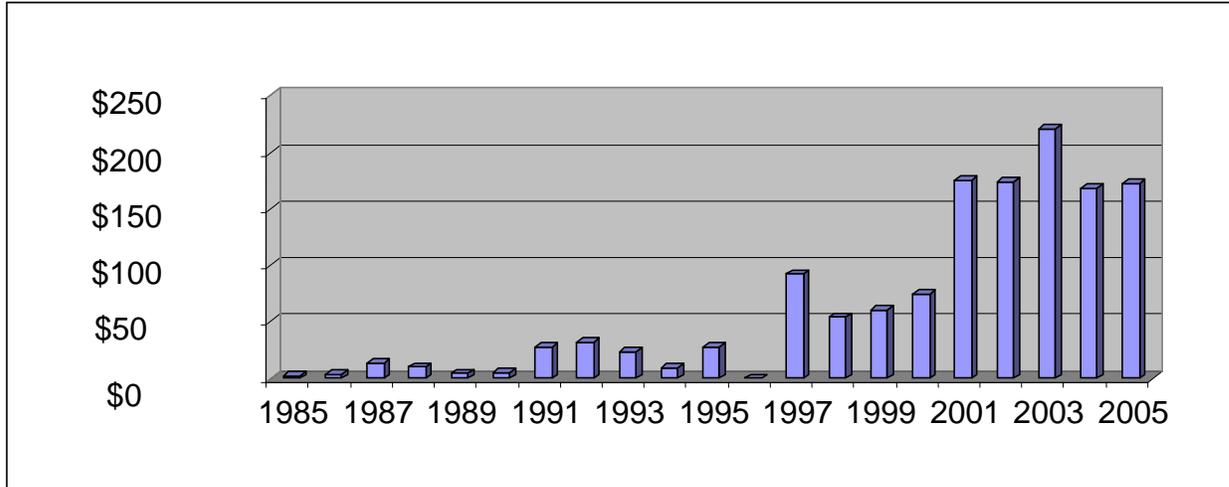
The District funds public education operating budgets for both DCPS and Public Charter Schools through the Uniform Per Pupil Funding Formula. The District borrows funds to finance capital expenditures for DCPS school facility improvements, but the operating costs for facilities—utilities, cleaning, minor maintenance and repairs—are paid by current tax and other revenues through the DCPS operating budget. Public charter schools are provided a per pupil facility allowance for facility related obligations. There is no restriction on what the public charter schools may use the additional funds for, but the facility allowance is intended to pay for leases, acquisition, building improvements, and the ongoing operating costs associated with utilities, cleaning and repairs.

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District of Columbia Public School System Capital Funding

As is illustrated in Chart 3, capital budgets at DCPS increased substantially beginning in 2001, moving to the highest levels of capital budgets for DCPS in over a generation.

Chart 3: DCPS Capital Budgets FY 1985-2005 (\$ in millions)



Source: DCPS Comprehensive Annual Financial Reports

DCPS does not have an independent revenue source for either its capital revitalization or its operations. Funds are provided by the District's taxpayers through the District's budget. As such, the school system needs regularly bump up against the needs of others. In the case of the capital program, DCPS is reliant on authorizations of the City Council and the borrowing ability of the District government. The bonds used to pay for school construction are repaid from the District's General Fund. The debt service for the school portion of the District's borrowing is not in any way the responsibility of the Board of Education or DCPS and is not a line item in DCPS' operating budget, as it is in most school districts.

According to the Chief Financial Officer, of the \$2.1 billion the District has borrowed for capital projects since 1997, \$619 million (30%) has gone to DCPS. The DCPS annual share of the city's total grew steadily – from 8% in 1997, to 20% in 2000, to 32% in 2002, to 53% in 2004.

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Table 5: District General Obligation Borrowing

Bond Series	Par Amount	Fiscal Year	Total Capital Projects Funded	Funds Allocated to DCPS	% to DCPS
2003B/C/D	\$ 314,320,000	2004	\$ 315,668,741	\$ 168,406,000	53%
2003A	\$ 327,835,000	2003	\$ 338,961,703	\$ 106,287,458	31%
2002C/D	\$ 163,170,000	N/A	\$ -	Refunding Bonds	N/A
2002A/B	\$ 374,200,000	2002	\$ 367,930,954	\$ 117,320,359	32%
2001D	\$ 69,715,000	N/A	\$ -	Refunding Bonds	N/A
2001C	\$ 214,155,000	2001	\$ 216,010,000	\$ 68,638,000	32%
2001A	\$ 114,150,000	N/A	\$ -	Refunding Bonds	N/A
2000A/B & 2001B*	\$ 254,830,000	2000	\$ 251,663,536	\$ 51,489,000	20%
1999B	\$ 685,715,000	N/A	\$ -	Refunding Bonds	N/A
1999A	\$ 241,190,000	1999	\$ 236,876,000	\$ 55,000,000	23%
1998B	\$ 451,635,000		\$ -	Refunding Bonds	N/A
1998A	\$ 206,135,000	1998	\$ 200,000,000	\$ 40,000,000	20%
1997A-1**	\$ 154,966,474	1997	\$ 149,871,000	\$ 11,500,000	8%
1997A-2	\$ 82,843,526		\$ -	Refunding Bonds	N/A
Total	\$ 3,654,860,000		\$ 2,076,981,934	\$ 618,640,817	30%

Source: Office of the Chief Financial Officer, Lasana Mack

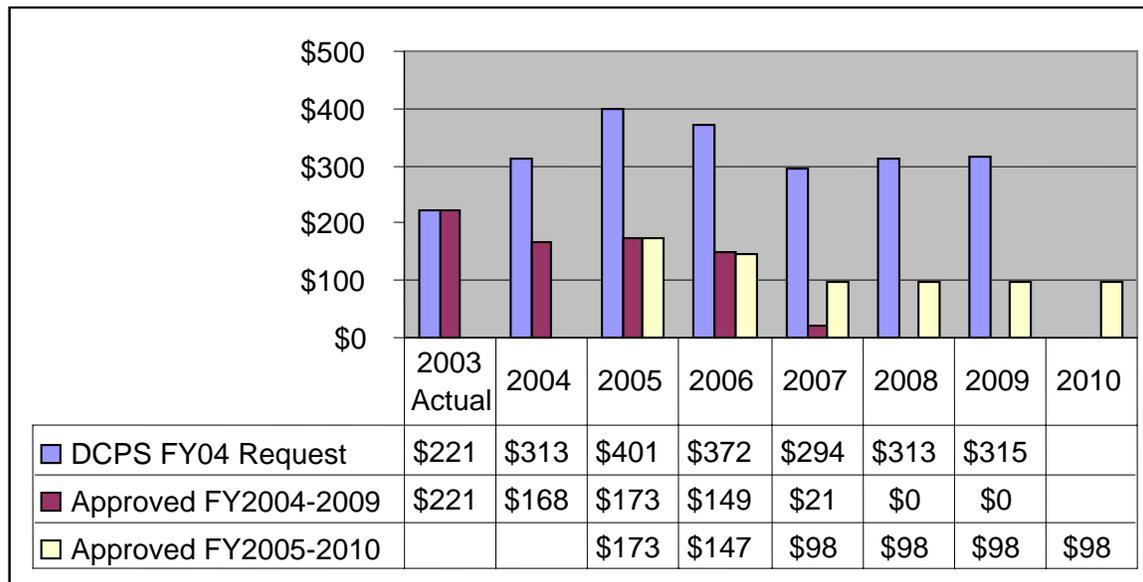
For public charter schools, there has been a sharply increasing appropriation for a per pupil facility allowance.

Going forward the funding picture has changed dramatically. The District, hoping to retain the benefits of an improved general fund balance, stable taxes and higher bond ratings, has set a borrowing target – and thus a capital spending target for the entire District capital budget – of \$400 million/year in FY2005 with lesser amounts for each of the out-years of its financial plan.⁹ At these reduced levels, the school system following its Master Plan could easily consume the District’s entire capital budget. Instead, the District’s FY 2005-2010 capital budget provides DCPS with \$98 million in 2007 and projects similar annual amounts through 2010.

⁹ District of Columbia FY 2005 Proposed Budget and Financial Plan.

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Chart 4: Comparison of DCPS FY2004 Requested and Approved Capital Budgets



Public Charter Schools

In addition to capital budget authorizations and borrowing for the DCPS schools, the District has provided public charter schools a per pupil “facilities allowance” to pay for costs associated with housing their programs—rent, purchase, improvements, utilities and operations. The per pupil facilities allowances is an annual appropriation, subject to Mayoral, Council and Congressional approval. Since 1997, public charter schools have been provided with approximately \$111.6 in facilities allowance. The use of the facilities allowance is not restricted to facilities.

Table 6: Public Charter School Per Pupil Facilities Allowance 1997-2004

School Year	1999	2000	2001	2002	2003	2004
Allowance (\$)	617	1,058	1,482	1,422	1,981	2,380
Students	6,980	9,656	10,651	11,600	13,743	15,800
Total \$	4,306,660	10,216,048	15,784,782	16,495,200	27,224,883	37,604,000

As noted above, charter schools receive a facilities allowance from the District. Unlike DCPS, which already has land and buildings, PCS, with restricted access to the District’s public facilities (an ongoing concern to public charter operators), must lease or purchase either from private landlords, from DCPS or the District. Drawing on the available public subsidies, public charter schools have already amassed almost \$200 million in debt for their schools. More than \$70 million is from private loans, often leveraged by District credit enhancements. Almost \$100 million has been borrowed through city revenue bonds.¹⁰

¹⁰ Data provided by the Office of the Mayor and the Chief Financial Officer.

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Table 7: Public Charter School Revenue Bond Issues

NAME OF SCHOOL	BOND AMOUNT	BANK
SEED Public Charter School	\$8,105,000	BoA
SEED Public Charter School	\$6,000,000	BoA
Washington Very Special Arts and WVSA SAIL PCS, Inc.	\$4,600,000	Wachovia
Carlos Rosario Public Charter School	\$9,300,000	BoA
IDEA Public Charter School	\$2,600,000	NA
Arts & Technology Public Charter School	\$3,900,000	AllFirst
Capital City Public Charter School	\$4,000,000	AllFirst
Friendship Public Charter School (Edison)	\$44,880,000	Insured
TOTAL	\$83,385,000	

(Source: DC Govt., 9/04)

A large public revenue bond sale by the Friendship/Edison Charter accounts for more than half of the PCS's revenue bonding so far. The seven other revenue bond deals have relied on local banks providing letters of credit to the public credit market.

When a charter school borrows, the current enrollment and waiting lists are used as proxies for the ability to repay the loan. The size of each deal is limited effectively by the size of the reimbursement from the District government and the credit enhancement. In this way, the charters leverage their per-pupil allowance. Of course, a charter's ability to draw on DC revenue bonds occurs after it has managed to demonstrate viability. Financing is even tougher and more costly during the start-up period, when it is not yet clear that demand and enrollments will be sustained or that management will succeed.

PCS borrowing does not just go for building improvements, but may also pay the cost of financing and acquisition. For DCPS, the financing costs are covered by the District and because they already have sufficient and even excess buildings and land in their inventory, they do not need to acquire more.

Concerns with Funding and Financing

There needs to be sufficient capital funding to eliminate deferred maintenance and modernize obsolete building design. The District needs the infusion of substantial capital funds to compensate for the decades of neglect. DC needs to create a lifecycle replacement and improvement program that will sustain public school buildings in good repair and fund modifications as program needs dictate.

In the case of the PCS, the District government does not assume direct responsibility for the quality of facilities. There is no uniform financial reporting system for the PCS

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facilities to the District government. Rather, individual banks and lenders in the private sector have better financial information on the lease and purchase obligations of the charters than the District does. Lenders are given access to the books, thus knowing the cost structure, the assumptions of enrollment growth, and the business plans. Nowhere is that information gathered and used by District officials.

While payments to PCS, as a group, have become an entitlement, any individual charter is subject to educational and other performance criteria and, ultimately, to revocation.¹¹ While the District is securing the rights to re-acquire public buildings that it is selling to public charter schools, there are no procedures to exercise the rights of reversion and no funds designated for this use. And, although the District is not technically responsible for stepping in to cure a default on a revenue bond, it would certainly lose its right to the property. What would the District's rights be in the case of a failed Charter with a facility financed through a DC revenue bond?

A further concern with the current approach to financing charter school facilities is that revenue bond financing is more expensive than issuing General Obligation bonds.¹²

The current system reflects poor budgetary and financial policy. The District transfers the funds from the DCPS to the PCS without oversight as to how it is spent. Further, these transfers are supplying PCS with funds to lease or purchase private property when the DCPS carries within its inventory over 5 million square feet of excess space. The time has come for the District to impose realistic budget constraints on the DCPS and exercise public leadership and oversight accountability over the entire inventory of public schools in order to fully utilize public school assets for all public education.

Recommendations

Mayor

- Explore all manner of new revenue sources to support facilities, such as federal funding, payments in lieu of taxes, and partnerships with private or non-profit organizations.
- Fully utilize various federal programs for Qualified Zone Academy Bonds (QZABs), and eRate funding for technology. It should also explore the use of

¹¹ By mid-2003, 7 DC Charters had closed – one voluntarily and 6 for performance and management reasons. See GAO, *Charter Schools: New Charter Schools across the Country and in the District of Columbia Face Similar Start-up Challenges*,” GAO-03-899, Sept. 2003, p.8.

¹² This is because the financing is for shorter duration and uses floating, rather than fixed, interest rates. In the best possible case for the District – Friendship/Edison's insured public offering – the difference was probably only .25% on the interest rate, but the weighted duration on the bonds was 20 years, compared to 30 years for GO debt. In the case of the bank LCs, the deals may get swapped to fixed rates around 5%, but LCs do not run longer than 7 years.

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Qualified Public Education Fund bonds (QPEFs) for use in public private partnerships.

- To the extent that charter schools buy or lease public structures, rights of reversion to the District should be ensured in the event that the space is no longer being used for public charter school purposes. Procedures need to be identified to exercise these rights.
- Provide technical support to DCPS and PCS on public private partnerships and cross agency partnerships through the Deputy Mayor for Planning and Economic Development.
- Diligently pursue federal support for capital investment in the District's facilities, including schools since the District is not fiscally structured to be able to adequately support its capital infrastructure needs.
- The District should require sufficient financial information to ensure that PCS facilities fit into a coherent city-wide financial plan.

District of Columbia Public Schools

- Use capital budget investments to *save and raise* both operating and capital funds. For examples:
 - Invest in capital projects such as window replacement, energy management, boiler and distribution systems that can reduce on-going heating and cooling costs.
 - Require that new components, systems and finishes used meet a standard to minimize long term cleaning and maintenance costs.
 - Expend capital funds for interior space planning and improvements in underutilized schools to prepare these schools to be receiving schools for other closed schools or to share space with tenants such as charter schools or other entities that will pay rent or share operating cost for the excess space.
 - Use public building, land, taxing, and zoning assets and authority to leverage partnerships with private and other public projects.
 - Provide capital and operating funds to local schools to consolidate within their existing buildings.

Public Charter Schools

- Charter schools should work together with the objective of reducing the cost of individual charter school financing.
- Charter schools should work together to provide an aggregated comprehensive financial reporting of their assets, liabilities and indebtedness, revenues and spending.

DC Council

- The Council needs to ensure that there are adequate funds in the operating budget for cleaning and routine and preventative maintenance for DCPS and an adequate per pupil funding allowance to support the new and modernized facilities.
- DC Council needs to review capital budget for cross agency and cross sector joint projects—schools and libraries; recreation and schools; and public charter schools and DCPS schools and give them priority in the capital budget.

Challenge 4: Managing Public School Facilities Efficiently and Effectively

As operators of public school facilities, DCPS and public charter schools should maintain their facilities in good condition so that deferred maintenance does not lead to unnecessary costs or to unsafe or unhealthy building conditions. DCPS and public charter schools should manage school specific planning, design and construction projects to make sure that they do not cost more than required to meet educational adequacy standards. Projects need to stay within approved budgets, be constructed with good quality materials and with skilled workmanship. Building repairs and improvements need to be done in a timely way.

The management of public school facilities (exclusive of the basic operations) falls roughly into three main categories: asset management; building maintenance and capital program management. The management of the public education building and land assets of the District of Columbia is largely with the District of Columbia Public Schools, although the District Government has former public school buildings within its facility inventory and public charter schools individually lease or own other public school buildings and land. Asset management of public schools involves the information and management of the utilization of the buildings and land. The focus of this report is on capital management, but these are interrelated pieces and cannot be separated in their operation. Thus, a brief discussion of asset management and maintenance is included. Asset management, the planning and management associated with the use of buildings and land, needs to be developed separately from concerns associated with condition and design. New buildings, as well as old, need maintenance and the District's recent capital investments will deteriorate rapidly without an adequately funded and managed maintenance operation. A capital program is no substitute for regular maintenance.

Asset Management

DCPS is currently operating schools and programs in 156 buildings in about 16 million square feet of space. However, in addition to the traditional use of the public school buildings for pre-kindergarten to senior high schooling, DCPS school buildings provide both dedicated and shared space to a myriad of other program and service providers, as well as office space to a number of DCPS administrative units. The DCPS Realty Office is responsible for use agreements and leases of DCPS school buildings.

If the space standards described in the Master Plan 2000 are applied to the current 2004-2005 enrollment of students in DCPS schools, DCPS would require only approximately 10.3 million gross square feet of interior school space for its educational programs and services, not including school based services or other important claims to public school space. Even if DCPS were able to bring back all of the students for which the city pays

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private tuition (excluding residential students), DCPS would require only 10.8 million square feet of space.

Table 8: Space per DCPS Space Standards for 2004-2005 Enrollment

Grade Levels	Students 2004-2005	Space Per Student	Total Square Footage
Non Graded (all grade levels)	1,491	250	372,750
Elementary Schools	36,125	150	5,418,750
Middle Schools	4,335	170	736,950
Junior High Schools	4,756	170	808,520
Senior High Schools	12,635	192	2,425,920
DCPS Special Education Schools	2,017	250	504,250
Private Placement returned to DCPS ¹	2,300	250	575,000
Total Students/SF	61,359		10,842,140

1 – Space for students currently in private placement, but excludes 297 students in residential placement.

The Master Plan 2003 identified the need to reduce the space in the DCPS inventory, but did not quantify the amount of excess space and did not provide a plan or guidelines on how to reduce space in the DCPS inventory. It did however set up a charter school task force and propose criteria for making excess DCPS space available to PCS. These criteria are:

1. There must be 250 student spaces or 13 classrooms available;
2. There need to be separate entrances and administrative areas available;
3. Ideally, there should be an entire wing or floor of a building available; and
4. There should be a separate administrator to schedule shared space between DCPS and Charter School users.

The District of Columbia holds legal title to all public school buildings of DCPS, and, as long as they are in the DCPS inventory, they are entirely controlled by DCPS. The titles to public charter school facilities are held by charter schools, or a corporation designated by the public charter school. Once property has been transferred to the District through the legal requirements for creating surplus property, the District is obligated to offer this surplus DCPS school property for use by charter schools. In the case of former public school buildings, the District retains a right of reversion if the facility is no longer used as a public charter school.

Between 1997 and 2003, while public charter school enrollments were rising and DCPS enrollments were declining, DCPS transferred only one school (Evans Junior High School) for use by a public charter school (for fall of 2004). The charter schools now in former public schools are all in buildings closed by DCPS before 1997. In fact, DCPS has expanded the amount of space in its inventory with the Tier 0 and Tier .5 modernizations and replacements.

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DCPS has complete authority over buildings in its inventory. Access to public school buildings is at the discretion of the Superintendent and the Board of Education. There is no policy that requires DCPS to reduce under-utilized space or make it available to PCS or other public entities. Since DCPS was not making space available to PCS voluntarily and there was no policy or legislative requirement that the system do this, Council member Ambrose successfully sponsored legislation creating incentives for local schools to share space. This law, DC Code 38-1831 (FY 2003 Addition to School Reform Act) requires that DCPS permit charter schools to “utilize” space in DCPS facilities that are underutilized. The fee charged by DCPS for the space is to be “added to the individual school’s budget.”

In an attempt to further increase the public space available to public charter schools, Senator Landrieu successfully included an amendment in the District’s FY2005 Appropriation Act to require that all former DC public school buildings in the Mayor’s inventory be made available to public charter schools for purchase.

Public charter schools often find themselves with mixed objectives concerning opportunities for co-location. As noted elsewhere in this report, many public charter schools seek to locate in unused school buildings, often the most efficient and cost effective way for charters to resolve vital space needs. Yet a number of charters approach with concern the idea of collocation with existing public schools, feeling a need to stake out an existence clearly separate from current DCPS offerings in order to emphasize the alternative educational mission of the charter.

The reluctance of DCPS to consolidate or close underutilized schools is partly the result of District law and school system policy and is exacerbated by the inefficiencies of the District’s funding of facilities. There are also substantial political barriers to closing schools as many communities have a strong attachment to their school buildings, developed over many decades.

Concerns with Asset Management

DCPS Burdened with Excess Space

There is no immediate budget penalty to holding on to obsolete or underutilized space. Instead of reducing its stock in buildings, DCPS has opted to spread its already inadequate cleaning, maintenance and capital improvement capabilities over an inventory far greater than it needs or than it can afford to properly clean, maintain, improve or secure. Utility costs of underutilized space are an ongoing expense for DCPS.

DCPS Driving up Cost of Public Charter School Facilities

DCPS reluctance to dispose of underutilized space in its inventory has effectively created a shortage in school space for public charter schools across the city. This has meant that the demand is high for the limited supply of private market space that is available for use by charter schools. This demand increases the market lease price and thus the discounted lease or sale amount to be paid by PCS. These higher costs translate into financial

pressure on the District to increase the funding of the facility allowance portion of the per capita subsidy for PCS.

Lack of Capacity in DCPS for Comprehensive Asset Management

There is inadequate staff capacity for managing public school assets in such a way that they link to other public and private interests. PCS are not alone in finding little policy, regulatory or process infrastructure on co-location or partnerships associated with DCPS assets. Other city agencies, private developers, and non-profits who might want or need access to public school buildings or land have found the same barriers at DCPS.

Recommendations on Asset Management

To address these problems, the **Board of Education** in cooperation with the Mayor and Council should:

- Evaluate DCPS's in-house capacity conduct proper asset management and support public private partnerships.
- Explore asset management alternatives, such as:
 - creating an independent public education asset management authority that would serve DCPS, public charter schools and other agencies or entities that might want access to public school space;
 - contracting with a private realty management firm to manage DCPS and other publicly owned school assets; and
 - creating a real estate trust to manage public/private and public/public partnerships and joint development projects (per legislation introduced by Councilmember Patterson).
- Complete the development of a policy for co-location policy that establishes processes and procedures for making under-utilized school space available to PCS and those supporting joint or shared use by other tenants or partners.
- Identify a set of schools to adapt for shared use and support the ones already doing so—for examples, Eliot JHS and the high schools with STAY programs.
- Establish a process for determining in what ways schools may benefit from relocation or consolidation.

Maintenance

The combined result of the advanced age of the DCPS buildings, the lack of capital investment over the period from 1980 to 2000, and the generally inadequate level of operating funding for maintenance and repair is schools in poor condition. There is new Board of Education policy that requires the Superintendent to prepare an annual maintenance plan. DCPS prepared a Draft Maintenance Plan in 2003, but it does not actually describe a school by school program for maintaining buildings. DCPS contracted with Jacobs Facilities for a procedures and operations manual, an important piece of maintenance management capability infrastructure, but this needs to be better developed and implemented.

In the mid 1990s, the operating budget used to support over 200 repair staff, including locksmiths, roofers, plumbers, electricians, and carpenters. The number of repair workers now in the system has been reduced to about 70 persons. The decline in repair workers was to a large extent the result of problems with the management of the DCPS in-house maintenance and repair staff. There were chronic problems with the quality of work, the availability of materials, trucks and tools to get work done, and the amount of overtime billed to DCPS by repair workers. DCPS tried to compensate for this loss of in-house capacity by contracting out for basic maintenance and repairs.

The first case of a major initiative to contract out maintenance and repairs was with ServiceMaster. DCPS initially entered a contract with ServiceMaster to manage the custodial operations only, but due to problems with repair and maintenance capabilities, used ServiceMaster to assist with maintenance and repairs, particularly those associated with fire code violations. This ended up being an extremely expensive arrangement with ServiceMaster and DCPS terminated the relationship. This “privatization” was always controversial and did not enjoy wide public support. During the time ServiceMaster was engaged by DCPS (FY1995-FY1998), DCPS did not build up its in-house capabilities and continued to reduce repair worker staff. With deferred maintenance and pressure from local schools increasing, in FY 2001 DCPS expended approximately \$33 million for maintenance and repair through a no-bid contract with Washington Gas. These funds were used to unstop drains, paint hallways, replace carpet, and a myriad of other repairs, but again the contracting out proved extremely expensive, with Washington Gas charging a 25% management fee and sub-contractors doing work on a no-bid basis under the Washington Gas contract.

Following this, there has been little concentrated work to fund an organized maintenance and repair program and the funds for it were regularly cut. In the Spring of 2005, the Mayor agreed to a \$6 million supplemental budget increase for FY2005 to be used for building maintenance. The DCPS Board of Education has increased the FY2006 maintenance and repair budget by \$4 million from the original FY2005 amount of approximately \$17 million.

Concerns with Maintenance

Poorly maintained buildings create crises. Boiler breakdowns, ceilings falling due to water damage, window panes falling out because of old dry putty – these are but some examples of situations where classrooms and sometimes whole schools have had to be closed as the result of inadequate routine or preventative maintenance.

Maintenance is chronically under funded. Since it directly competes with other demands in the DCPS operating budget and because it is possible to defer preventative and routine maintenance -- including items such as chemical treatment of boilers, changing filters in ventilation systems, replacing a cracked window, or repairing a leak in a roof -- maintenance is often cut to reduce budget shortfalls.

DCPS has neither sufficient internal staff nor small contracting capabilities to responsibly maintain its facilities. Even if sufficient funds were made available to the Office of Facilities Management for maintenance, that office could not effectively or efficiently utilize a major increase due to problems with their vehicle fleet, insufficient procurement of materials and inadequate training of employees.

The new and fully modernized buildings are not properly supported by DCPS. The new and fully modernized buildings are centrally air-conditioned. They have sophisticated ventilation systems and controls. They have more advanced security and technology infrastructure, as well as modern finishes that are less durable than those of the buildings built in an earlier era. DCPS does not have custodians, engineers or repair works properly trained to operate these new schools, all of which require *more, not less* maintenance. The District cannot afford to invest capital funds in buildings that are not properly maintained.

Recommendations on Maintenance

The maintenance program needs to be planned and budgeted to be supported in the operating budget. Along with the need to maintain schools that have not and will not be modernized in the near term, the new and fully modernized schools have increased maintenance requirements due to the introduction of current information technology and the use of modern construction materials and finishes. DCPS needs to:

- Develop school specific routine and preventative maintenance plans with explicit descriptions of who will implement such plans, when, and how much it will cost.
- Evaluate DCPS in house capacity for facility maintenance and repairs and explore both immediate and long term facility maintenance management options with the possibility that a menu of approaches may be best. These approaches could include:
 - contracting out all or some aspects of building maintenance and repairs;

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- rebuilding in house maintenance and repair capabilities, including principal, custodian, engineer and repair worker training, and reconstituting the staff to align the skills of the workforce to DCPS specific requirements; and
- increasing local school budgets for repairs while keeping maintenance centralized and giving more control over repairs to local school officials. This could be a short term approach until other options are explored, or may be something that is done long term on a school by school basis, with the individual schools applying for this authority and receiving it based on various criteria.
- Structure allocation of maintenance and repair funds to create incentives for efficient allocation of space and co-location of space if a school is underutilized.
- Target maintenance and repair budgets to industry standards (approximately \$2 per square foot) to align with increasing staff and contracting capabilities.
- Intensify training of principals, custodians, engineers and repair workers about the care and maintenance of new and modernized schools.

Facilities Management

No audit, post occupancy evaluation or other formal project based analysis has been done to determine the reasons for the high cost of DCPS capital projects, description in the introduction to this report. One possible explanation is that using the US Army Corps of Engineers to manage the planning, design and construction processes increased cost. However, a complete explanation is likely to be more complex and not the same for every project. The reasons are likely to be a composite of the following in-house factors beyond the USCOE's 9% fee and special approaches to design and construction management:

Concerns with Facilities Management

Initial scope of capital projects was not disciplined: Decisions made during early planning and design, even as early as the feasibility stage, were not made with the larger responsibilities of DCPS in mind. Instead, each project was viewed as a discrete transaction. Issues about school size and whether or not to keep a school or replace it were unconstrained by larger, system-wide considerations.

Poor quality construction documents: Without high quality construction documents, contractors need hundreds of questions answered and clarification given. This leads to high bids and subsequent change orders.

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Rigid application of design standards: Inflexibility in the use of design standards have meant that there were unnecessary modifications made in existing buildings, such as changing classroom size from existing configurations of perhaps 725 square feet in a classroom to 850 square feet.

Overly specified or high cost construction standards: The construction standards that are in place for DCPS were developed based on a new school construction prototype. They include overly complex distribution control systems (according to nationally recognized engineering experts at Johnson Controls), oversized hot water heaters, excessive requirements for abating asbestos involving a standard to eliminate ALL asbestos, even in areas likely to remain undisturbed for decades (for example, sub flooring adhesive) and regular use of non-standard specifications for windows, for example, which increases the cost by nearly double.

Difficulty meeting scheduled completion dates: DCPS has had difficulty meeting scheduled completion dates for school construction. In their desire to increase the speed of projects, they requested fast track treatment for Barnard and Key Elementary Schools. However, this cost them a premium, created problems during construction and ended up saving little time.

Problems with DCPS staffing: There has been tremendous turnover of decision makers and managers at DCPS. As a result, architects, construction managers, and contractors had little guidance or direction from their “client” DCPS and were left to make decisions without DCPS oversight. As projects extended their schedules, there was turnover of staff not only in DCPS, but also with the architects and contractors, including USCOE. Since projects take multiple years and often are delayed, those working in the private sector may move to other firms or be taken off one job and put on another within the same firm.

Procurement system is slow and difficult to work with efficiently: The reason for using the USCOE was largely because DCPS did not have access to a procurement system that could manage the level of work being generated through the large capital construction program. However, USCOE procurement system, which, while more functional than DCPS, also invites high bids from contractors due to processes and time frames typical of USCOE contracts. USCOE assigned task orders to USCOE contractors who had been awarded contracts for amounts up to \$3 million. While this shortened time for procurement, contractors provided bids for work, particularly asbestos abatement, without competing on price.

The problems with procurement and lack of internal DCPS repair capacity led DCPS to use an already existing procurement vehicle with Washington Gas. In this contract, also, all subcontractors to Washington Gas provided services and materials in a non-competitive environment.

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With a slow procurement process, the time between invitations to bid and bid award and notice to proceed can extend for up to a year or more. This discourages participation from responsible bidders. Poor development of the scope of work in the bid package also discourages high quality bidders from doing the considerable work it takes to respond to a request for bid.

DC requirements for small, local disadvantaged contractor participation also limited the pool of highly experienced contractors in the Washington area who can and will bid. Being a low qualified bidder was and is often not sufficient to be competitive. This results in less competitive pressure on the small local disadvantaged contractors who do bid, leading to higher project estimates.

In addition to these factors which are to a large extent in the control of the school system, other factors outside of its control affect the cost of construction, such as rising cost of material, shortage of labor, and challenges associated with construction site location and constraints.

Recommendations on Facilities Management

DCPS should:

- Review and revise current space, design and construction standards.
- Evaluate DCPS in house capacity for planning, design, project management, and construction and other procurement.
- Do a management audit of the current maintenance and capital staff, including the staff augmentation provided by DMJM, and assess whether funds being spent on staff and private contractor staff support are being well utilized.
- Develop appropriate job descriptions and job qualification requirements and evaluate current capital and maintenance staff.
- Explore capital program management alternatives, such as:
 - establishing a separate construction authority which can serve both DCPS and public charter schools;
 - contracting out design and construction management to one or more private sector companies; and
 - using a sale lease back structure to facilitate efficiencies in procurement and delivery of design and construction.

Conclusions

One of the most serious and widely acknowledged problems of the District of Columbia is its long neglect of public buildings and other facilities, especially schools. The District of Columbia Public School System has begun the planning and implementation for major improvements to its building infrastructure. The Public Charter Schools have attacked the problem of acquiring and improving their educational space on a case by case basis. However, the speed, scope, quality and cost of improving the District's public schools buildings is a challenge for the District and its public education agencies.

Declining enrollment has led to school closures and many schools that are seriously underutilized. At the same time Public Charter Schools, whose enrollments have been growing, are having great difficulty finding adequate facilities. Moreover, other public programs, such as libraries, recreation centers, primary care clinics and senior centers, also desperately need space in modern efficient facilities. Like the schools, many of these public programs are delivering less effective services at higher cost because their facilities are so antiquated and ill adapted to their current needs.

Like all the District's municipal agencies, the operating budgets of DCPS, including the allowance for charter schools, are funded out of a single pool of money – the District's tax receipts. In general, capital spending for all of the District's public agencies is financed under the District's general borrowing authority. Since borrowing authority is limited and per capita debt is already extremely high, the District needs a comprehensive capital planning and budgeting process that will allow it to set priorities across agencies and meet the highest priority needs first. The process should encourage agencies to plan together and seek opportunities for co-location and joint use of facilities wherever this would result in more effective programs or more efficient use of capital funds. Opportunities for leveraging public dollars by forming public-private partnerships to build or renovate facilities, although not addressed in this report, should also be explored.

The District is currently engaged in restructuring its decision processes with respect to program coordination, facilities planning, capital budgeting and implementation in order to make them more efficient and effective. In an effort to contribute to that restructuring, Task 1 of our three-part project focused on experience in other jurisdictions in using facilities more efficiently by co-locating programs of more than one public agency or, in some cases, encouraging use of public space by non-profit service programs. Our Task 2 report described the District's capital planning and budgeting processes and recommended ways of improving them. This Task 3 reports reviews the history of facilities planning and budgeting in DCPS, and the complexities introduced by the advent of Public Charter Schools.

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The principal conclusions of this review are:

- The DCPS Master Facilities Plan (MP2000) and its 2003 Update do not adequately reflect the impact of declining enrollment, increasing design and construction costs, the existence of charter schools, and the hundred's of millions already expended on major capital improvements on the needs of DCPS.
- DCPS efforts to stick to the priorities in MP2000 in the face of far lower than expected funding from the city has lead to misallocation of resources. As a result, a very small number of schools have actually been replaced or completely modernized, and those that have, have been done at a high cost per student. If the same money had been used for substantial renovation of a larger number of schools, for example, many more students would have benefited.
- DCPS has been slow to release unutilized school space to charter schools and has not aggressively sought out opportunities for co-location of school programs and facilities with charter schools or other city agencies.
- DCPS has not been rigorous in implementing school facilities projects and many have run seriously behind schedule and over budget. Efforts to track projects and account for funds spent have been weak.
- While the cost of design and construction are lower for public charter schools, the cost of financing, acquisition and transactional costs are high for PCS.
- The Mayor and Council have taken a laissez faire approach to DCPS capital planning and budgeting.
- The current approach to providing and improving public school facilities is not financially sustainable by the District of Columbia without new sources of revenue.

A well managed, fiscally responsible management of public school facilities requires a combined effort of the City, the DC Public School System and Public Charter Schools. There is no single reform that will magically transform the planning, decision making and oversight, funding or management of public school facilities in the District. But making capital planning and budgeting priorities for the District, not just for DCPS and public charter schools, will greatly improve the likelihood that the District will secure high quality public school facilities for all its children and communities.

To meet these challenges, the District, DCPS and the Public Charter Schools should work together to plan and budget for facilities, use limited funds as effectively as possible, and increase the funds available for public education infrastructure in the District. DCPS should be fully integrated into the District's capital planning and budgeting process and should cooperate in efforts to find co-location opportunities. In addition, the public

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charter schools should be participants in district and neighborhood planning where they are affected or will affect other public facilities.

Moving a comprehensive public facility plan and budget forward requires a re-thinking of prior policies at DCPS and the District. It also requires a more disciplined policy and oversight posture by DC government towards DCPS. It will require greater transparency at the individual charter schools, reporting on them and treating them for budget and capital planning purposes as more of a group than a collection of separate entities.

Taxpayers pay for both the DCPS and public charter schools, and thus have a right to expect safe, state-of-the-art facilities for their students, as well as a return on that public investment in improved educational achievement in all schools.

But even with the efficient allocation of space, and the effective expenditure of funds for building improvements, the age and condition of the District's school building infrastructure and the need to better support educational programs and services requires a greater commitment of public funds. The District's public school building infrastructure has tremendous value, but like the District's Pension Fund, it was conveyed to the District with considerable deficits. It will take a sustained commitment from the District's taxpayers, the responsible use of public private partnerships, and support from Congress to eliminate these deficits. It will further be necessary to maintain our public education infrastructure in good repair and be responsive to educational and community requirements.