Understanding How School Vouchers Are Funded: Summary of Funding for the District of Columbia’s Opportunity Scholarship Program

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This profile provides detailed local context for the District of Columbia as part of Follow the Money: A Detailed Analysis of the Funding Mechanisms of Voucher Programs in Six Cases (Arizona, the District of Columbia, Indiana, Louisiana, Ohio, and Wisconsin). This three-part report includes a cross-case review, data visualizations of enrollment and funding patterns, and detailed profiles of each individual case, including the following profile.

The purposes of this report are to provide details on how voucher funding designs interact with funding formulas and to increase transparency around voucher design for taxpayers and policymakers. The financial impact and transparency of voucher funding are primary concerns due to the public governance and financing of U.S. public education systems. A federal, state, or local government’s decision to use tax revenues to help families pay for private schooling is often politically contentious and has been the topic of litigation in state and federal courts.

Understanding the potential impact that specific provisions may have on state and local revenues is necessary to inform policymakers about whether a voucher program design meets constituents’ expectations regarding public governance, funding, and educational services. An understanding of these details is equally necessary for taxpayers and voters so that they may make informed decisions. The data and analyses included in these profiles call into question the rhetoric used by both supporters and detractors of voucher programs—for example, in terms of whether local districts retain any of voucher students’ per-pupil allotment from the state, or whether any local funds are used for voucher awards.

BACKGROUND

In January 2004, Congress passed the D.C. School Choice Incentive Act of 2003 and created the D.C. Opportunity Scholarships Program (OSP), a three-part, five-year voucher program in the District of Columbia’s one public school system (District of Columbia Public Schools, or DCPS). The Incentive Act became part of Public Law 108-199 (2004). The OSP was designed to give priority to low-income families and to students slated to attend a school identified as needing improvement, corrective action, or restructuring under section 1116 of the No Child Left Behind Act (Pub. L. No. 107-110, 2002). Eligibility criteria for a voucher included student residence in the District of Columbia and in a household with income less than 200 percent of the federal poverty level. The U.S. Department of Education’s Office of Innovation and Improvement held a grant competition for administration of the OSP; the Washington Scholarship Fund (WSF), a 501(c)(3) organization, submitted the only complete application and was awarded the contract (Government Accountability Office, 2007; Wolf et al., 2010).
The 2004 law established the OSP, but funding was appropriated annually. For fiscal year 2004, Congress authorized $14 million to be distributed in vouchers of up to $7,500 per student regardless of grade level; funding was capped at 2,000 total students per year (D.C. Choice Incentive Act of 2003, Pub. L. No. 108-199, 2004). In the first year of the OSP, 1,027 vouchers were awarded; the highest participation was 1,930 students in 2007 (Wolf et al., 2010). In addition to creating the OSP, the law established additional funding for charter and traditional public schools: $13 million for the district’s public schools and $13 million to expand public charter schools, as well as the $14 million to provide vouchers. The 2003 Incentive Act also mandated an independent evaluation of the academic outcomes of the OSP.

When the original five-year program was phased out in 2009, there were 1,322 voucher students on continuing vouchers and no new applicants being accepted (Wolf et al., 2010). In 2010, the WSF withdrew as the OSP’s administrator. In 2009 and 2010, Congress voted to extend funding for existing students (Consolidated Appropriations Act of 2010; Omnibus Appropriations Act of 2009) until the OSP was reauthorized in 2011 for five more years via a new iteration of the Incentive Act: the Scholarships for Opportunity and Results Act (SOAR) (Pub. L. No. 112-10, §§ 3001–3014). The Act passed despite political contention from local policymakers. Eleanor Holmes Norton, the D.C. delegate to the U.S. House of Representatives, presented a letter co-signed by five members of the 13-member District of Columbia City Council (157 Cong. Rec. E637, 2011). These five members protested SOAR, noting that the evaluation of the OSP failed to find any statistically significant academic improvements among voucher students. The letter also noted that the proposed distribution of federal monies by school type was unequal when broken down by student: Schools participating in the OSP and receiving voucher students would receive up to $8,000 per student, but charter and public school funding amounts would receive, respectively, only $723 and $437 per student (added to local funding amount; 157 Cong. Rec. E637, 2011; see Table 1). Despite this protest, SOAR passed as H.R. 3237 and the District of Columbia’s voucher program was reauthorized for five additional years (Pub. L. No. 112-10, 2011).

In 2011, the U.S. Department of Education again held a grant competition for the administration of the OSP, and the grant was awarded to the D.C. Children and Youth Investment Trust Corporation (“the Trust”) (Feldman, Lucas-

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**TABLE 1. PER-PUPIL BASE FUNDING, SOAR FUNDING, AND TOTAL GENERAL EDUCATION FUNDING, FISCAL YEAR 2011**

<table>
<thead>
<tr>
<th></th>
<th>Public traditional</th>
<th>Public charter</th>
<th>Voucher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base funding*</td>
<td>$8,945</td>
<td>$8,945</td>
<td>–</td>
</tr>
<tr>
<td>SOAR funding</td>
<td>$437</td>
<td>$723</td>
<td>$8,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$9,382</strong></td>
<td><strong>$9,668</strong></td>
<td><strong>$8,000</strong></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total funding**</td>
<td><strong>$11,875</strong>*</td>
<td><strong>$9,708</strong></td>
<td>–</td>
</tr>
<tr>
<td>SOAR funding</td>
<td>$437</td>
<td>$723</td>
<td>$8,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$12,312</strong></td>
<td><strong>$10,431</strong></td>
<td><strong>$8,000</strong></td>
</tr>
</tbody>
</table>

* Base funding amounts for each school type (157 Cong. Rec. E637, 2011).
** Includes base funding, local funds, stimulus, and categorical funds for English Language Learner, special education, and summer school students (Government of the District of Columbia, 2010).
*** Authors’ calculations.
Sources: 157 Cong. Rec. E637 (2011); Government of the District of Columbia (2010); and authors’ calculations.

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1 The District of Columbia sends one delegate to the House of Representatives, but this delegate does not have a vote (2 U.S.C. § 25a). The D.C. City Council is comprised of elected representatives from the District.
McLean, Gutmann, Dynarski, & Betts, 2014). The reauthorized act included language requiring participating schools to be accredited and to participate in the standardized assessments mandated for DCPS. The reauthorization also raised the OSP’s maximum voucher limit to $8,000 for kindergarten through eighth grade (an increase of $500) and $12,000 for high school (an increase of $4,500), adjusted those voucher amounts for inflation in subsequent years, and authorized $20 million for each fiscal year from 2012 to 2016. The income criteria was narrowed to 185 percent of the federal poverty level, and priority was given to siblings of students currently covered under the 2009 and 2010 continuances of the OSP’s funding (Pub. L. No. 112-10 § 3006, 2011). With SOAR, Congress again required an independent evaluation of student achievement.

**District Funding Mechanisms**

In order to understand the effect of the District of Columbia’s voucher program on local (traditional public and charter) schools’ funding streams, the authors of this report examined the District of Columbia’s funding formula. DCPS is funded by local revenue, private sources, and federal funds (Bhat, 2015). The District of Columbia’s mayoral office calculates the Uniform Per Student Funding Formula (UPSFF), which sets the total local funding amount allocated to traditional public and charter schools (with the Council’s approval; D.C. Code § 38-1804.01; see Table 2). As the basis of UPSFF, enrollment is the key component of per-student funding; UPSFF also includes supplemental weights for schools with students needing special education services, English Language Learner support, and at-risk programs (D.C. Code §§ 38-2904–2906). The enrollment number used for UPSFF funding of DCPS is not based on actual counts of the current or previous funding year; instead, the district predicts its enrollment based on a four-step process: (1) an analysis of four years of historical trends; (2) an adjustment of kindergarten numbers based on birthrate trends; (3) an analysis and accounting of school-based trends of decreasing or increasing enrollment; and (4) a consideration of aggregate numbers based on the four-year trends (DCPS, 2015). These projected enrollment numbers are presented to DCPS principals for review and approval, and, when approved by the mayor’s office, provide the basis for the total UPSFF funding of DCPS.²

**Impact on Local Budgets**

Unlike the other voucher programs reviewed in this comprehensive report, the District of Columbia’s program does not utilize funds from existing public education funding streams (state or local). In fact, as noted above, the original and reauthorized acts provide federal monies for vouchers as well as additional monies to traditional public and charter schools (see Table 3). Greene and Winter (2006) argue that this funding mechanism prevents any financial loss to the public system. However, it is still possible that a DCPS school loses funds due to student

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²Some DCPS school functions are funded by other District agencies (e.g., the Metropolitan Police Department funds school resource officers; the Department of Health funds school nurses).
transfers into the voucher program. The UPSFF four-year projections may not take into account enrollment changes due to vouchers; this kind of enrollment change is unique in that a student’s per-pupil funding would not be reallocated to another building but would be retained, or “saved,” by the district, as the student would be receiving federal dollars for a voucher. Greene and Winter (2006) suggest that the district realizing a savings is a possibility, but they do not provide evidence.

Although the District of Columbia’s voucher program is district-wide, the appropriated funding can only fund vouchers for approximately 2.5 percent of DCPS students. To contextualize this percentage, Wolf and colleagues (2010) note that, as reported by the district’s Office of the State Superintendent of Education, the average annual DCPS mobility rate is 20 percent. Thus, in Washington, D.C., routine student mobility likely impacts school budgets more than any funding loss due to student transfers into the voucher program (Greene & Winter, 2006).

Fiscal Accountability and Reporting

The legislation authorizing both iterations of the District of Columbia’s voucher program included fiscal accountability requirements for schools applying for approval, for participating schools, and for monitoring the use of federal funds, for which the Secretary of Education and the mayor of D.C. are responsible. To be approved as a participating voucher school, the applying “entity” must ensure that it is “financially responsible and will use the funds received under Section 7 effectively” (Pub. L. No. 112-10, § 3005(b)(1)(J), 2011). Approved schools are required to have “financial systems, controls, policies, and procedures to ensure that funds are used according to this Act” (Pub. L. No. 112-10, § 3007(a)(4)(E), 2011). Under the Act, entities receiving funds must report on “the activities carried out with the funds during the preceding year” (Pub. L. No. 112-10, § 3010(a), 2011); the required level of detail regarding activities and fund use is not specified. Additional funding requirements exist for the contracted administrators of the voucher program (WSF in the first iteration, the Trust in the reauthorization): The Single Audit Act (Amendments of 1996; Pub. L. No. 104-156) lays out auditing requirements for non-federal entities expending federal funds.

Numerous fiscal accountability issues have beset the management of the District of Columbia’s voucher program. At the request of Congress, the Government Accountability Office (GAO) reviewed the OSP in 2007 and 2013. In 2007, the GAO released a report with eight recommendations for the WSF and the U.S. Department of Education. Most significantly, the report indicated that the WSF lacked the accountability mechanisms to guarantee appropriate use of federal funds (GAO, 2007); it noted problems included missing or incomplete documentation on payment reports and errors.

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Funding amount</th>
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<tbody>
<tr>
<td>2004</td>
<td>$13,917,400</td>
</tr>
<tr>
<td>2005</td>
<td>$13,888,000</td>
</tr>
<tr>
<td>2006</td>
<td>$13,860,000</td>
</tr>
<tr>
<td>2007</td>
<td>$13,860,000</td>
</tr>
<tr>
<td>2008</td>
<td>$14,800,000</td>
</tr>
<tr>
<td>2009</td>
<td>$14,000,000</td>
</tr>
<tr>
<td>2010</td>
<td>$13,200,000</td>
</tr>
<tr>
<td>2011</td>
<td>$15,500,000</td>
</tr>
<tr>
<td>2012</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>2013</td>
<td>$19,116,280</td>
</tr>
<tr>
<td>2014</td>
<td>$16,000,000</td>
</tr>
<tr>
<td>2015</td>
<td>$15,000,000</td>
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</tbody>
</table>

in bank reconciliations. The WSF also failed to collect evidence of financial stability from some participating schools, and neither the WSF nor the District of Columbia had verified that participating voucher schools were operating within requirements of the authorizing laws. The GAO further determined that students from schools in need of improvement were underrepresented among voucher recipients. Overall, the GAO reported numerous gaps in fiscal accountability and consistency during the first three years of the WSF’s management of the OSP. The WSF ended its management of the OSP in 2010.

In 2013, the GAO released a report on the OSP that made ten recommendations to the U.S. Department of Education and the new administrator, the Trust. The GAO questioned the Trust's internal controls and lack of timely audit reporting as required by the Single Audit Act (for example, federal funds might be distributed to schools that were not meeting the required standards as outlined above; GAO, 2013). No additional reports on the OSP or on the Trust have been issued since 2013.

**Conclusion**
Both iterations of the District of Columbia’s voucher program are unique due to their federal funding source, federal accountability requirements, and the awarding of program management via a federal grant application. The funding of the voucher program at the federal level makes the tax burden quite broad. Federal involvement in the program’s administration and accountability requirements distances the process from local stakeholders. Unlike the state- or locally managed voucher programs that comprise the other five cases in our comprehensive report, the organizations tasked with the management of the District of Columbia’s voucher program (WSF and the Trust) had minimal public accountability. To further contrast the design and implementation of the District of Columbia’s program, the authors recommend that readers explore the cross-case review and five other case profiles. Some patterns seen in Washington, D.C.—especially reporting and financial accountability issues—are echoed in the majority of cases.
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References


D.C. Code §§ 38-2904–2906


