

ISSUE BRIEF

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Time to Strengthen the D.C. Opportunity Scholarship Program

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Since 2004, students in the District of Columbia have had access to the D.C. Opportunity Scholarship Program (D.C. OSP), the nation's only federally funded school voucher program. Income-eligible children—those from families earning 185 percent or less of the federal poverty level (FPL)—can apply to receive a scholarship worth up to \$13,287 to pay tuition at a private school of choice. The D.C. OSP has produced important outcomes for participants: significantly higher graduation rates, safer students, and more satisfied parents.

Although the scholarships work well for participating students, the OSP's funding and student eligibility rules undercut the program's ability to serve more students and its long-term viability. In order to expand and strengthen the D.C. Opportunity Scholarship Program, scholarships should be funded through a process similar to District public and charter schools' formula and based on student needs (such as higher amounts for children with special needs). Furthermore, lawmakers should remove the income eligibility caps, which limit how many children can participate annually. Using a stable approach to funding the scholarships with a set per-student allocation derived from the student-centered components of the public school formula would be more reliable for families and private schools in the

years to come. These updates would modernize the OSP and reflect the way state-based school choice programs are designed and enable the program to serve more students for generations to come.

Current Funding Mechanism for the D.C. OSP

The OSP is currently funded through an annual appropriations process in Congress, informed by an authorized amount in law. By contrast, most state-based school choice programs fund participants through a stable formula that supplies school choice funding to eligible students reliably, year after year. The OSP is also unique in the school choice landscape in that it is the only federally funded voucher program to date. At the federal level, formula grant programs are “noncompetitive awards based on a predetermined formula.”¹ Formula-funded programs represent mandatory spending that is allocated based on pre-determined statistical criteria and delineate the way specific funding is awarded to eligible recipients.² Formula grants are noncompetitive, meaning that the formula has been established in law and clarified through regulations, confining funding to be distributed through the set formula. For the purposes of the D.C. OSP, formula funding the program would provide consistency for participants by establishing a stable process for funding for their scholarships.

Current Funding Structure Leaves the OSP Blowing in the Political Winds. State-level spending on K-12 education, including on school choice options, is largely governed by statewide funding formulas, which are designed to distribute state taxpayer dollars to school districts based on predetermined factors.³ The OSP, by contrast, relies on annual appro-

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priations from Congress limited by an authorized amount under law. Currently, the Scholarships for Opportunity and Results (SOAR) Act (reauthorized on May 5, 2017, as part of the Consolidated Appropriations Act of 2017) authorizes up to \$15 million to be spent annually on the OSP. However, the current funding mechanism for the OSP has created instability in the program, which is at the whim of political winds that blow in different directions from one presidential Administration to the next. That has led to the inexorable politicization of funding for the OSP.

In 2009, the very first year of the Obama Administration, the so-called Durbin amendment introduced by Senator Richard Durbin (D-IL) was included in the fiscal year (FY) 2010 Omnibus appropriations act signed into law by President Barack Obama. The Durbin amendment required reauthorization of the OSP and that it be approved by the D.C. City Council, effectively ending the program. That effort was spearheaded by D.C. Delegate Eleanor Holmes Norton (D-DC), who has long tried to end the scholarships.⁴ In 2009, President Obama's FY 2010 budget request retained funding for existing students in the scholarship program,⁵ but did not allow funding for any new scholarships. In a breathtaking show of disregard for the educational choices made by families participating in the OSP, then-Education Secretary Arne Duncan went as far as to *rescind* hundreds of OSP scholarships that had already been awarded to students.⁶

Subsequently, President Obama's budget requests annually sought to dramatically reduce or zero-out funding entirely for the D.C. OSP. In 2009 the president's FY 2010 budget request slashed funding for existing scholarships down to \$8.4 million (down from \$13 million).⁷ Obama's budget requests then began routinely zeroing-out funding for the D.C. OSP in every budget from FY 2012 to FY 2017.⁸

Congress should move away from a volatile funding approach for the D.C. OSP and toward a stable formula-funded model. Such a move would give confidence to participating families and private schools that the OSP would not suddenly be closed or funding significantly reduced—leaving both parents and schools to make difficult choices.

Formula Funding the OSP. In order to formula fund the D.C. OSP, Congress should use the next reauthorization of the program (currently reauthorized through 2020) to set a stable base per-pupil allocation for participating students. Congress should set a base amount of funding for each student as a proportion of the base amount allocated for students attending D.C. public schools and use a sliding-scale to align the base funding amount according to parental income. The base funding amount should be supplemented by a weighted formula for students with special needs. For example, Arizona's education savings account (ESA) program uses the following formula to determine the amount of ESA funding that

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1. U.S. Department of Education, "Formula Grant Definition," <https://www2.ed.gov/fund/grant/about/formgrant.html> (accessed June 5, 2018).
 2. Grants.gov Community Blog, "What Is a Formula Grant?" July 13, 2016, <https://blog.grants.gov/2016/07/13/what-is-a-formula-grant/> (accessed June 5, 2018).
 3. Urban Institute, "How Do School Funding Formulas Work?" November 29, 2017, <https://apps.urban.org/features/funding-formulas/> (accessed June 5, 2018).
 4. Vicki E. Murray and Evelyn B. Stacey, "Down But Not Out in D.C.: Bi-Partisan, Bi-Cameral Efforts to Continue the Opportunity Scholarship Program," IWF Policy Brief, August 13, 2009, <http://www.iwf.org/files/2aca442cb158faeebf599024c5e48199.pdf> (accessed June 5, 2018).
 5. U.S. Department of Education, "Waiver and Extension of Project Period," *Federal Register*, July 19, 2010, <https://www.federalregister.gov/documents/2010/07/19/2010-17580/waiver-and-extension-of-project-period> (accessed June 5, 2018).
 6. Michael Ricci, "President's Budget Zeroes Out Funding for Successful DC Opportunity Scholarship Program," Speaker Paul Ryan, February 14, 2012, <https://www.speaker.gov/general/presidents-budget-zeroes-out-funding-successful-dc-opportunity-scholarship-program> (accessed June 5, 2018).
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 8. D.C. Parents for School Choice, "Parents Outraged as President Obama's FY 2012 Budget Eliminates Funding for the Successful D.C. Opportunity Scholarship Program," PR Newswire, February 15, 2011, <https://www.prnewswire.com/news-releases/parents-outraged-as-president-obamas-fy-2012-budget-eliminates-funding-for-the-successful-dc-opportunity-scholarship-program-116266969.html> (accessed June 5, 2018); Ricci, "President's Budget Zeroes Out Funding for the Successful DC Opportunity Scholarship Program"; Lindsey Burke, "Obama Budget Ends Funding for D.C. School Choice Program," *The Daily Signal*, April 12, 2013, <https://www.dailysignal.com/2013/04/12/obama-budget-ends-funding-for-d-c-school-choice-program/>; Center for Education Reform, "Obama Budget Neglects DC Opportunity Scholarships," <https://www.edreform.com/2015/03/obama-budget-neglects-dc-opportunity-scholarships/>; and U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2017*, "Other Independent Agencies," 2017, <https://obamawhitehouse.archives.gov/sites/default/files/omb/budget/fy2017/assets/oia.pdf> (accessed June 5, 2018).
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students with special needs will receive each school year, establishing a set per-pupil allocation:⁹

$$\text{Base Amount} + \text{Estimated Per-Pupil Amount} + \text{Additional Weights} = \text{Estimated Award Amount}^{10}$$

The base amount for ESA students in Arizona is approximately \$5,000 per year. Children with special needs are awarded an additional estimated per-pupil amount and a funding “weight” that reflects their specific special needs. During the 2016–2017 school year, the average ESA amount per student with special needs was \$18,900.¹¹

D.C. public schools and public charter schools employ a Uniform Per Student Funding Formula (UPSFF) that is comprised of a foundation level that establishes a per-student funding amount (similar to Arizona’s “base amount” listed above). During the 2017–2018 school year, the foundation level was approximately \$10,257 for students attending D.C. public schools.¹² That figure is then adjusted using supplemental weights to the foundation level for children in higher-cost grade levels, and English language learners. D.C. public schools and public charter schools also receive \$2,334 per student in addition to the foundation level for students who are “at risk,” either economically or academically (similar to the “estimated per-pupil amount” listed above). About half of students in D.C. are considered

at risk, and generate the additional funding for their schools.¹³ Additional funding is included to provide extra dollars to children with special needs, with an additional \$10,000, on average, being provided on top of the base and estimated amounts per child with special needs.¹⁴ Those three components are combined to produce the “estimated award amount” in Arizona’s ESA formula, which is similar to the D.C. public school and public charter school formula.

The base foundation amount and additional weights do not capture the total amount spent per child in publicly funded schools in D.C., not including, for example, federal Title I funds. During the 2017–2018 school year, D.C. public schools’ budget exceeded \$930,400,000¹⁵ for 50,243 students,¹⁶ yielding an average cost per student of \$18,518. The charter-school funding formula works much the same way as the traditional public-school funding formula. During the 2017–2018 school year, D.C. public charter schools’ budget exceeded \$813,700,000 for 44,361 students, yielding an average cost per student of \$18,344.¹⁷

Revenue per pupil in D.C. public schools far exceeds the average cost estimate per pupil, with revenue per pupil standing at approximately \$30,000 per student, per year.¹⁸

The award amount for students enrolled in the D.C. Opportunity Scholarship Program should be updated using a funding formula based on the

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10. Arizona Joint Legislative Budget Committee, “K-12 Funding (M&O, Capital and All Other: FY 2004 through FY 2013 est.,” August 30, 2017, <http://www.azleg.gov/jlbc/allfunding.pdf> (accessed June 5, 2018).
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12. Council of the District of Columbia, “Code of the District of Columbia: Chapter 29. Uniform Per Student Funding Formula,” <https://code.dccouncil.us/dc/council/code/titles/38/chapters/29/> (accessed June 5, 2018), and Marlana Wallace, “What’s in the Proposed Fiscal Year 2019 Budget for PreK-12 Education?” DC Fiscal Policy Institute, April 6, 2018, <https://www.dcfpi.org/wp-content/uploads/2018/04/11.30-Ed-FY19-PK-12-Education-Toolkit-formatted-1.pdf> (accessed June 5, 2018).
13. Wallace, “What’s in the Proposed Fiscal Year 2019 Budget for PreK-12 Education?”
14. Mary Levy, “Per Student Cost Figures for the District of Columbia Public School System,” Washington Lawyers’ Committee for Civil Rights & Urban Affairs, November 2007, http://www.21csf.org/csf-home/DocUploads/DataShop/DS_86.pdf (accessed June 5, 2018).
15. “District of Columbia Public Schools,” Table GAO-1, https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/D-01_GAO_AgencyChapter-FINAL.pdf (accessed June 5, 2018).
16. Wallace, “What’s in the Proposed Fiscal Year 2019 Budget for PreK-12 Education?”
17. “District of Columbia Public Charter Schools,” Table GC0-1, https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/gc_dcpcs_chapter_2018j.pdf (accessed June 5, 2018).
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TABLE 1

Funding Formula Estimates for D.C. Opportunity Scholarship Program Students

Income Group	Base Funding	Additional Per-Pupil Funding	Total Award
185% of federal poverty level or less	\$10,257 (100% of \$10,257)	\$2,334	\$12,591
300% of federal poverty level or less	\$9,231 (90% of \$10,257)	\$2,101	\$11,332
400% of federal poverty level or less	\$8,206 (80% of \$10,257)	\$0	\$8,206
Greater than 400% of federal poverty level	\$7,180 (70% of \$10,257)	\$0	\$7,180

FOR STUDENTS WITH SPECIAL NEEDS:

Income Group	Base Funding	Additional Per-Pupil Funding	Additional Special-Needs Funding	Total Award
185% of federal poverty level or less	\$10,257 (100% of \$10,257)	\$2,334	\$10,000	\$22,591
300% of federal poverty level or less	\$9,231 (90% of \$10,257)	\$2,101	\$10,000	\$21,332
400% of federal poverty level or less	\$8,206 (80% of \$10,257)	\$0	\$10,000	\$18,206
Greater than 400% of federal poverty level	\$7,180 (70% of \$10,257)	\$0	\$10,000	\$17,180

SOURCE: Author's calculations.

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amounts allocated to children in D.C. public schools and public charter schools. The formula should use a sliding scale based on income, with participating students receiving 100 percent of the base foundation amount if they are from families earning below 185 percent or less of the FPL; 90 percent of the base foundation amount if they are from families earning 300 percent or less of the federal poverty line; 80 percent of the base foundation amount if they are from families earning 400 percent or less of the federal poverty line; and 70 percent of the base foundation amount for all children from families earning more than 400 percent of the federal poverty line. Each voucher amount would then be supplemented with the additional funding currently allocated for children with special needs in D.C. Public Schools and charter schools, and the additional “at-risk” amount, if eligible. Modeling the new scholarship funding formula from Arizona’s ESA funding formula (Base Amount + Estimated Per-Pupil Amount + Additional Weights = Estimated Award Amount), could follow the form shown in Table 1.

For children with special needs, using the \$10,000 average amount spent currently, Table 1 shows the funds that could be made available.

Both formulas should be adjusted for inflation annually. Again, these formulas do not capture all of what is spent per pupil in D.C. public schools. However, using a stable approach to funding the scholarships with a set per-pupil allocation derived from the student-centered components of the public school formula would provide permanency for families and private schools in the years to come.

The D.C. Opportunity Scholarship Program was under political siege for eight years under the Obama Administration, with freezing and unfreezing funding having a considerable negative effect on student enrollment. Shifting to a formula-funded model would eliminate much of the political back-and-forth that results from annual appropriations processes and the whims of various Administrations. It would also put scholarship funding on more equal footing with funding for D.C. public schools and charter schools, particularly for students with special needs.

Time to Expand Program Eligibility

In addition to formula funding the D.C. Opportunity Scholarship Program to ensure that students and schools can rely on a stable funding source into the future, student eligibility to participate in the OSP should also be expanded. Recognizing that K–12 education funding should be student-centered and portable, states are increasingly moving toward school choice options that allow middle-income families to access learning options that are the right choice for their children, not just children from low-income families. Some state lawmakers have done this by setting the income threshold for participation higher, while others, such as Nevada, have established programs that are entirely universal. As Jason Bedrick and I explain in a 2016 Heritage Foundation *Special Report*:

Universal education choice maximizes the number of families of all backgrounds who can afford to pay for private education options, and as such, fosters the introduction of new private schools and other education providers that meet the needs of all families, at a variety of price points.... Universality can create broad public support for an education choice initiative to increase its likelihood of long-term viability.... In aligning the interests of the poor and upper income alike, universal choice programs are likely to become less politically vulnerable in the long run. Broad public support has tangible value when it brings the interests of the public at large against the concentrated opposition of unions.¹⁹

Removing the existing income limit for OSP participation would ensure that more families from all backgrounds could participate, and would catalyze private school participation in the program. Combined with a shift toward formula-funding, these two updates would help the OSP to grow in a stable manner, providing confidence to families and schools.

Conclusion

Nearly 20,000 students have applied for an Opportunity Scholarship since the program's inception in 2004. Due to the current funding structure, only 6,600 students have been awarded a scholarship since then. Despite high demand over time, just 1,244 students were awarded scholarships in 2017.²⁰ As education scholar Matthew Ladner has written:

The Opportunity Scholarship Program lacks crucial features that would give it a chance to compete. First and foremost DC charter schools have *higher and far more reliable* per pupil funding. *The reliable part in the long run outranks the amounts in importance.* DC OSP budgets have been a political football over the years. You would not only be nuts to start a private school in preference to a charter in DC, the finances have given hard nudges for many private schools to convert into charters-which has in fact happened.

Second charter and district school funding in DC is *universal*.... For some reason however DC OSP is limited to only a small number of low-income families on the basis of a continually imperiled appropriation.²¹ (Second emphasis added.)

Congress should set the D.C. OSP on stable footing for the future by establishing a dedicated scholarship revenue stream through formula funding for the program, and by expanding eligibility to more District residents. These updates would provide stability to participating children and private schools and allow the D.C. OSP to be a model school choice program for the country.

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19. Jason Bedrick and Lindsey Burke, "Recalibrating Accountability: Education Savings Accounts as Vehicles of Choice and Innovation," Heritage Foundation and Texas Public Policy Foundation, *Special Report* No. 190, December 12, 2016, <https://www.heritage.org/education/report/recalibrating-accountability-education-savings-accounts-vehicles-choice-and>.

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21. Matthew Ladner, "The Slow-Motion Agonizing Death of DC OSP," Jay P. Greene's Blog, May 2, 2017, <https://jaypgreene.com/2017/05/02/the-slow-motion-agonizing-death-of-dc-osp/> (accessed June 5, 2018).