The real upside of the new ESSA financial transparency reporting requirement is that it presents an opportunity for state education agencies (SEAs) to build an information system that helps districts and schools leverage their dollars to do the most for students.

For years, we’ve measured student outcomes by school, but haven’t had the financial data to know how much is spent on behalf of each school. Accounting for and reporting spending by school will be a new challenge for many states and districts where finances aren’t currently tracked or reported by school. Even where financial information exists, SEAs will need to integrate financial data with other data and create metrics and visualizations that produce value for the system.

In our work with 22 SEAs, we have found that school-level per-pupil expenditure data availability and access at the state-agency level varies widely from state to state, and even the most robust data systems need adjustments to meet the requirement or even better go beyond to inform system improvements.

After conducting one-on-one interviews with individuals representing the 22 SEAs, we concluded that most states will fall into one of four buckets in terms of data readiness. (Some SEAs fall into multiple buckets but are categorized into the bucket that provides the richest data source.) Using Figure 1 and the inventory processes outlined below, states can identify their own data readiness.

**Figure 1: SEAs fall into four buckets of data readiness**

**BUCKET 1**
- SEA has a common chart of accounts (COA) including a field for location
- SEA has not yet collected general ledger data with COA and location OR is in pilot phase
- SEA collects general ledger data with COA and location
- COA uses real salaries
- COA uses average salaries
- WY, RI, DE, OH, MA, MS, HI, FL, ME

**BUCKET 2**
- SEA has a School Level Finance Survey OR similar data by school
- SEA has real salaries/benefits of personnel with location
- CO, DC MD

**BUCKET 3**
- SEA has real salaries/benefits of personnel with location
- All school personnel
- Only certificated/instructional personnel
- IL

**BUCKET 4**
- SEA does not yet have access to financial information by school
- ND, VA, AZ, SD, MO, TN
Conducting a data inventory: Bucket 1

SEAs with a statewide chart of account (COA) with the availability of a site-level code

In these states, local education agencies (LEAs) use a common COA that includes a field for recording and reporting expenditures down to the school level. Although consistency in reporting school-level vs. central-level expenditures is a reported challenge for most every state in this category, SEAs can at least do initial data runs to determine some per-pupil expenditures at the school level and identify next steps to reaching the reporting requirement with relative ease.

Bucket 1 inventory framework:

Does the statewide COA include a field for location/site-level/school-level coding for all LEAs in the state?

**YES**

These states likely have all the data readily available to meet the requirement.

**NEXT STEP:** SEAs can explore their data by completing the aggregation table on page 4. This exercise will unveil important decision points for the SEAs as they start the task of developing a procedure for parsing dollars to the school level.

**NO**

Not all LEAs use the location code feature of the common COA (perhaps it is only in use in some districts).

**NEXT STEP:** SEAs can exploring adding a location code to their chart of accounts, acknowledging that data will be imperfect in the first year given the likely inconsistencies across districts. Alternatively, SEAs can review the buckets on page 1 and complete the data inventory using the framework for Bucket 2, 3, or 4.

Important considerations:

Does the COA capture actual salaries (as opposed to average)?

ESSA requires the inclusion of actual salary expenditures in the per-pupil expenditure reporting. If needed, SEAs should make adjustments to the COA policy so that LEAs use actual salaries when reporting school-level expenditures.

Are LEAs using the allocation rules (school level vs. central level) with fidelity statewide? Early data analyses using district expenditure data can determine whether and which districts are using the location code with fidelity.

What portion of expenditures are being coded to LEA level vs. school level?

SEAs can explore their data by completing the aggregation table on page 4.

Conducting a data inventory: Bucket 2

SEAs with a School Level Finance Survey data or similar data by school

SEAs that fall into this category either participated in the School Level Finance Survey (SLFS) or collect data from LEAs that include some school-level financial information. These SEAs do not have the richness of data that a common COA with location code provides, but there are some school-level data to work with in order to develop an initial per-pupil expenditure at the school level.

Bucket 2 inventory framework:

Did all SEA districts (and charters) participate in School Level Finance Survey?

**YES**

NEXT STEP: SEAs might start by determining what portion of the total district spending is captured in their SLFS data. To do so, the SEA can compare the LEA expenditure totals in SLFS to LEA totals (collected elsewhere, as in F-33) and then consider the following:

1. What elements of the SLFS could be captured? What elements was the SEA unable to capture (if any)?
2. Are there any other expenditure categories that the SEA could capture beyond what’s required by SLFS?
How many districts reported school-level data with the SLFS pilot? Did districts report on all variables?

If a subset of districts is using a common COA with location codes, and those data are accessible to the SEA, then the SEA has pilot viability and could choose instead to complete its data inventory using the framework for Bucket 1.

Is it viable for the state to extend the SFLS data for all districts? The SEA can run a pilot analysis using the aggregation tool to explore if expanding this data collection would provide the necessary data for the SEA.

**Conducting a data inventory: Bucket 3**

**SEA has location-coded personnel files with actual salaries**

SEAs in this bucket have access to salary files that include actual salaries and code personnel to the school level. While salary information does not capture all education expenditures, it does capture a large share of expenditures. These data could be a useful starting point if the SEA lacks other data to track school-level expenditures.

**Bucket 3 inventory framework:**

SEAs in this bucket can use the salary file together with district expenditure files to complete the aggregation table on page 4. SEAs can further explore the scope of the salary data by asking the following questions:

1. Are personnel in the SEA salary file reliably coded by school location?
2. Does the file include percentage of full-time equivalency? (If not, the data are of little value determining expenditures.)
3. Can the SEA determine which positions are federally funded?

If the answer to any of the first three questions is no, the SEA cannot map salaries to expenditures. Skip to Bucket 4.

4. What categories of personnel or positions does the SEA capture in its salary file (certified, instructional, non-instructional, etc.)?
5. Does the file include benefits or function (such as special education)?
6. What proportion of total LEA spending does the SEA capture in the salaries?

**Other considerations:**

7. When does the SEA receive the personnel data from LEAs?
8. Does the SEA adjust the salary file when teachers leave or are hired at various points during the year?

**Conducting a data inventory: Bucket 4**

**SEA does not yet have access to financial information by school**

The majority of SEAs in the working group fell into Bucket 1—a lot of school-level data—or Bucket 4—no school-level data. This is not surprising, as detailed data collection of this sort has not been a typical role of an SEA in the past decades. SEAs in Bucket 4 collect LEA-level financial information, but do not have any school-level expenditure data, nor do any subset of LEAs in the state collect school-level expenditures in a consistent way.

**Bucket 4 inventory framework:**

1. Do any districts in the state use a common accounting structure (possibly from a vendor) that has the option of a school-level code? Do any districts in the state record expenditures down to the school level? If so, the SEA could expand on what those subset of districts do and apply it statewide.
2. If there is no existing COA, what can the state realistically ask from an LEA in terms of shifting accounting procedures to collect school-level expenditures? Is developing a COA a viable option? How many districts are there, and what capacity do they have to take on a COA? Is there an appetite in the state to develop a common COA or adding a location code to the existing COA?
3. Has the state considered participating in the SLFS? Doing so would be easier than designing a new collection tool.
Aggregating & exploring your own data

Regardless of the bucket, at the point the SEA has access to school-level finance data on a subset of LEAs, we recommend using this table to aggregate and explore the financial data.

The SEA can complete the table below for a subset of districts (and charters) for which it has school-level expenditure information, adding on as districts have additional schools. Once complete, SEAs can consider the questions below.

**Important questions:**

1. To what extent is there consistency/variation in the state’s LEAs/charters on the type and portion of expenditures accounted for by school (or centrally)?
2. What changes, if any, should the state consider to further identify school-level costs and parse them from LEA costs?
3. Beyond meeting the ESSA requirement, does the current collection provide the state with useful detail, or are there additional data or parsing the state should consider to achieve its own goals? (e.g., separating expenditures by function such as special education)

<table>
<thead>
<tr>
<th>School level</th>
<th>School district #</th>
<th>School A</th>
<th>School B</th>
<th>LEA average</th>
<th>School district #</th>
<th>School A</th>
<th>School B</th>
<th>LEA average</th>
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<tbody>
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<td></td>
<td>Federal dollars</td>
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<td></td>
<td>State &amp; local</td>
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<td>Federal dollars</td>
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<td>State &amp; local</td>
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<td>dollars</td>
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</tr>
</tbody>
</table>

Add more columns to include all LEAs and all schools

Setting up data collection to meet the annual deadline

SEAs may consider the following in order to develop a timeline for meeting the requirement:

1. When does the state receive the financial data from LEAs, and how quickly can the SEA turn those data around to meet the financial transparency requirement?
2. How are data being captured and reported to the SEA level?
   - Are all LEAs using the same accounting software or system?
   - Is accounting done one way at LEA level and then retrofitted into the state system?
   - Does the SEA keep all location codes in the file when LEAs report them to the SEA (e.g., are location codes kept in the SEA file)?