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INFORM: GIVE STAKEHOLDERS THE INFORMATION THEY NEED TO MAKE SOUND DECISIONS

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BRIEFS IN THIS SERIES

Reason's series of policy briefs on the *Student-Centered Funding Roadmap for Policymakers* includes:

- *Student-Centered Funding Roadmap for Policymakers*
- *Streamline: Allocate Education Dollars Strategically*
- *Equalize: Put All Kids on a Level Playing Field*
- *Empower: Put Families and School Leaders in the Driver's Seat*
- *Inform: Give Stakeholders the Information They Need to Make Sound Decisions*

FINANCIAL TRANSPARENCY CAN HELP LEADERS GET THE MOST OUT OF EDUCATION DOLLARS WHILE SHINING LIGHT ON THEIR SPENDING DECISIONS.

Technology has revolutionized how we live. Apps such Waze, Open Table, and You Need a Budget provide users with real-time information to help them avoid traffic, make restaurant reservations, and attain their financial goals. Yet, public education stakeholders don't have access to basic financial data that are vital to making sound decisions. In fact, most superintendents, principals, and school board trustees are in the dark as to how education dollars are allocated among their own schools since many states don't yet report school-level expenditures. While budgets and financial statements are typically available, these documents are cumbersome and provide little context or meaning, making it difficult to compare trends across districts or schools.

This is problematic. State education dollars are often allocated unfairly among districts, and research also shows that district formulas often shortchange students in low-income communities. Not only will robust transparency highlight these funding inequities, but it can also be used to replace top-down spending mandates that limit local flexibility over how dollars are spent while promoting greater accountability for performance. As a growing body of research shows a disconnect between test score gains and later-life outcomes, policymakers can use financial data and other key metrics to evaluate how schools are doing in meeting the demands of parents and local communities.

ENHANCING FINANCIAL TRANSPARENCY

States should seek to create a robust system of financial transparency in which data are streamlined, actionable, and readily available in a centralized location. This can range from providing simple dashboards that provide meaningful comparisons to more comprehensive platforms that integrate numerous data sources. Below are six reporting ideas that address the critical data gaps that exist in most states, which policymakers can tailor to their needs.

#1 Spending Transparency Report

State funding formulas often contain burdensome restrictions that prevent local leaders from aligning spending decisions with student need. A better approach is to give districts flexibility over education dollars and shine light on their expenditures and outcomes. As such, states should report per-pupil spending data by district and what these trends look

like over time. These categories can be adjusted to align with state accounting practices and can be displayed by function, object, and program code.

#2 Funding Equity Report

In many states, local property wealth creates funding disparities among districts that funding formulas fall short of equalizing. Data that compare per-pupil revenue, property wealth, and student demographics can highlight flaws with education formulas and can be difficult to obtain. A report that shows key metrics for each of these three categories can help stakeholders examine the extent to which property wealth and other factors contribute to funding differences. Other relevant data in this report might include local tax rates, expenditures, and additional student demographic categories such as student poverty, special education, and English language learners.

#3 School-Level Spending Report

Federal lawmakers included a provision in the Every Student Succeeds Act (ESSA) requiring all states to publicly report school-level expenditures by June 2020. This is a big step in the right direction, but it doesn't go far enough. State policymakers should go beyond ESSA's baseline requirements by providing accessible data that combine school-level spending figures with other data sources. Working with a consortium of state officials, Georgetown University's Edunomics Lab recommends that states create three types of comparison reports: equity, efficiency, and productivity. Ultimately, this will help stakeholders assess whether resources are allocated fairly, and also provide insight into how schools are leveraging their resources so that best practices can be highlighted and shared.

#4 Right-Sizing Report

Enrollment trends are critical for school districts. Not only is enrollment a substantial driver of revenue, but it can also serve as a proxy for demand and provide insight into parent and community satisfaction. These data are even more powerful when paired with staffing data. For example, a declining student population and a staffing surge might indicate an inability to right-size operations (i.e. adjust to changes in revenue) and raise flags about financial stability. A right-sizing report that compares student enrollment with key expense categories will ultimately help stakeholders assess to what extent school districts are operating efficiently.

#5 Open Enrollment Report

Open enrollment policies that give families options outside of their zoned school district are on the rise, with states such as Florida and Colorado leading the way. Nevertheless, many districts still have restrictive practices that prevent families from seeking greater opportunities, even when seats are available. Given these realities, it's critical for policymakers to publicly report open enrollment data. Stakeholders should know exactly what each district's policy is, how many transfer applications districts receive, the number of transfer students enrolled, and how much revenue is collected each year from families in tuition payments.

#6 School Capacity Report

It's important for district officials to know exactly where they stand in terms of school capacity. Not only is this a foundational component of strategic planning, but it can also help identify spending inefficiencies, since districts often divert more per-pupil dollars to schools with declining or low student populations. But this information should also be publicly reported. Stakeholders should know the extent to which buildings are being used and whether available seats could be offered to transfer students via open enrollment programs. As such, districts should publicly disclose their capacity data by school. One model to follow is Florida's Controlled Open Enrollment law, which requires districts to provide an annual report on how many empty seats exist at each school.

BENEFITS

- ✓ **More-informed decisions:** Financial data can help stakeholders make better decisions with their education dollars.
- ✓ **Flexibility coupled with transparency:** By shining light on spending decisions policymakers can eliminate top-down mandates and push flexibility down to the local level.
- ✓ **Identifications of funding inequities:** Financial data can highlight flaws in state and district funding formulas that arbitrarily shortchange some students.
- ✓ **Support for open enrollment:** Student transfer and school capacity data support policies that put families in the driver's seat.

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