

FAQs: FISCAL TRANSPARENCY UNDER ESSA

Q: What is the Every Student Succeeds Act (ESSA)?

A: The Every Student Succeeds Act (ESSA) is a federal law that was passed by Congress with bipartisan support in 2015. It is the reauthorization of the 1965 Elementary and Secondary Education Act (ESEA), which oversees the distribution of the bulk of federal education funding provided to increase educational opportunities for low-income students and to improve elementary and secondary schools and districts. ESSA replaces an earlier reauthorization of the ESEA, known as the No Child Left Behind Act.¹

Q: What are state and local report cards?

A: Under ESSA, state education agencies, such as the Connecticut State Department of Education (CSDE), must prepare and disseminate report cards to parents and the general public that include easy-to-understand information regarding key metrics of performance, progress, and expenditures for the state and districts, as well as schools for all local education agencies, such as school districts, charter schools, and Regional Education Service Centers. ESSA specifically requires that report cards be in a uniform format that is understandable, concise, accessible to persons with disabilities, and to the extent practical, available in the primary languages spoken by parents.² Report cards must be made available online and must include a link that describes the methodology for calculating per-pupil expenditures.³

Q: How does ESSA increase fiscal transparency?

A: Under ESSA, state and local report cards must include data on school-level expenditures. Under previous authorizations of the ESEA, only the reporting of state and district-level expenditures was required. This means school-level data can be matched with expenditure data, which can be used to increase equity and performance across schools and districts. Access to school-level fiscal data can help school districts make better decisions about how they spend money to improve student achievement as well as increase comparability between schools and districts and allow the public to better understand how taxpayer dollars are being spent in their school district.⁴

Q: What financial data are states and districts required to report at the school and district levels?

A: ESSA requires that the CSDE develop a single, statewide procedure that each district must use to calculate per-pupil expenditures at the school and district levels. District and school-level data must be disaggregated by whether the funds come from federal, state, or local sources, and districts must separately report any district-wide expenditures that were not allocated to the school level (such as student transportation). For district-level data, federal statute clearly defines the per-pupil calculation: the numerator of the calculation must be comprised of actual current expenditures, including information on actual (not average) salaries, administration, instruction, student support services, pupil transportation, operation and maintenance, fixed charges, preschool, and net expenditures to cover deficits for food services and student activities. States may choose to also require districts to include expenditures related to community services, capital outlay, and debt service in school-level reporting. The denominator of the district-level per-pupil expenditure calculation must consist of the aggregate number of students enrolled in prekindergarten through grade 12, collected on or about October 1, consistent with student membership data collected for submission to the National Center for Education Statistics (NCES).⁵

However, the U.S. Department of Education (USDE) maintains states have a great deal of latitude in determining which data must be reported at the school level when designing their uniform reporting systems, especially when determining how central office expenditures and services shared across schools are allocated at the school levels.⁶

Q: Has the U.S. Department of Education provided any guidance regarding fiscal transparency under ESSA?

A: The USDE has not issued any regulations regarding the implementation of ESSA since 2016. In January 2017, the USDE issued non-regulatory guidance regarding the implementation of ESSA fiscal transparency requirements, which provides states with a relatively wide degree of flexibility in how they choose to implement school-level financial reporting. This guidance discusses two potential approaches to assigning expenditures at the school level:

1. Assigning only expenditures related to instruction and support functions, such as staff and teacher salaries and professional development. The USDE notes this approach recognizes that school leaders are rarely in control of district-level expenditures, such as the salaries of central office administrators, and makes it easier to identify how individual schools benefit from the funds that are directly allocated, without the potential for equal central office expenditure allocation to mask inequities in spending on direct instruction.
2. Attribute all of a school district's expenditures to individual schools, including central functions such as administrative salaries and facilities management, by prorating each expenditure based on appropriate metrics, such as the number of students in a school or the percentage of time a central office staff person spends supporting each school.⁷

However, it is important to note that non-regulatory guidance is not enforceable, so states have the ultimate authority to implement school-level reporting in the manner they deem appropriate.

Q: How is Connecticut planning to comply with fiscal transparency requirements under ESSA?

A: The CSDE has developed a new financial reporting system for school districts called the Education Financial System (EFS), which replaces the end-of-year reporting form known as the ED001. The EFS is a data collection system that includes a standardized set of processes to manage and report financial information, which is an extension of existing data collections the CSDE reports to the NCES.⁸ The CSDE is currently working on how it will make this data publicly available through uniform state and local report cards.

Q: When will I be able to view Connecticut's state and local report cards with school-level financial data?

A: Originally, state and local report cards for school year 2017-18 were expected to be released with school-level data, but the USDE postponed this requirement to give states time to create standardized fiscal reporting systems. Currently, state and local report cards released for the 2018-19 school year must, for the first time, include school-level per-pupil expenditure data.⁹ The CSDE has not announced a public release date for its 2018-19 state and local report cards.

¹ U.S. Department of Education. (n.d.). Every Student Succeeds Act (ESSA). Retrieved from <https://www.ed.gov/essa?src=rn>.

² U.S. Department of Education, Office of Elementary and Secondary Education. (2017). *Every Student Succeeds Act State and Local Report Cards Non-Regulatory Guidance*. Washington, DC: Author. Retrieved from <https://www2.ed.gov/policy/elsec/leg/essa/essastatereportcard.pdf>.

³ Ibid.

⁴ Building State Capacity and Productivity Center. (n.d.). Financial Transparency & Reporting. Retrieved from <http://www.bscpcenter.org/FinancialTransparency/>.

⁵ U.S. Department of Education, Office of Elementary and Secondary Education. (2017). *Every Student Succeeds Act State and Local Report Cards Non-Regulatory Guidance*. Washington, DC: Author. Retrieved from <https://www2.ed.gov/policy/elsec/leg/essa/essastatereportcard.pdf>.

⁶ Ibid.

⁷ Ibid.

⁸ Connecticut State Department of Education. (2018). *Education Financial System* [PowerPoint slides]. Hartford, CT: Author. Retrieved from <https://portal.ct.gov/-/media/SDE/Grants-Management/EFS/EFSUpdateJanuary2018.pdf?la=en>.

⁹ Botel, J. (2017, June 28). Dear Colleague Letter. Washington, DC: U.S. Department of Education, Office of Elementary and Secondary Education. Retrieved from <https://www2.ed.gov/policy/elsec/leg/essa/perpupilsrtr.pdf>.