



Using Financial Data to Support Student Success

October 2014

Executive Summary

Better information about how investments in education are influencing outcomes for students, schools, and districts is needed. The growing hunger for using financial data to answer more and evolving questions will require changes in systems, policy, practice, and culture. Further, leaders will better understand and account for the return on education investments if they broaden their view of education funding data to include not only dollars spent but also resources—the people; their time and talents; and the things like technology, teacher supports, and other factors that contribute so much more than a one-time expenditure reflects.

The problem at hand is that both people and systems have limited capacity to make use of financial information to best understand how education dollars, and the resources they buy, influence outcomes for districts, schools, and critically, students. Collecting clear, accurate financial data and linking those data to education input and outcome data—including teacher effectiveness and student achievement—will provide decisionmakers a clearer picture of how personnel, programs, and instructional resources are working and will help them understand these resources' value relative to education priorities.

Because of policy, practice, and cultural barriers, trying to understand how education spending is influencing our education priorities is like looking through murky water—it is evident *something* is there, but it is not exactly clear *what*. But leaders have clear steps they can take to move financial data from a separate, siloed collection of data that has not yet reached its potential to information that is integrated into the conversation about how states and districts meet education goals. States must take the lead in changing policies and collaborating with and supporting districts to better use financial information.

Recommendations for State Leaders

- ▶ **Start with leadership.** States should empower **P-20/ workforce governance** or other leadership bodies to take the helm on being strategic about education resources.
- ▶ **Integrate financial data into statewide longitudinal data systems.** To overcome the barriers of siloed, incomparable information that provides insufficient value to both the state and districts, states must integrate financial data collection into the K-12 longitudinal data system.
- ▶ **Implement a statewide common chart of accounts.** States should implement a statewide common chart of accounts that allows all districts to monitor and report financial information in a comparable format.
- ▶ **Transform raw data into useful information at the state level.** As with student information, states must take the lead in taking the tremendous amount of financial information provided by districts and returning research, analytics, and easy-to-use data to them.
- ▶ **Connect financial data with education input and outcome data.** States must also take the lead in

developing tools that allow resource, input, and outcome data to be considered side by side, as opposed to as unrelated pieces of information.

- ▶ **Take business officials from “keeping track” to contributing.** State and local education agencies alike can rewrite job descriptions for business officials to reflect the need for personnel who manage finances to be more like CFOs—driven by the mission and goals of the organization and dedicated to ensuring that funds support service to students.
- ▶ **Ensure financial data literacy.** States have a leadership role in providing training to many stakeholders, as well as developing a common language that gets everyone,

including the public, on the same page when it comes to schools and finance.

- ▶ **Provide districts opportunities to collaborate and learn from one another.** States should use existing structures, such as regional service providers, to provide districts ways to collaborate.
- ▶ **Be transparent.** States must make financial data more accessible and useful to the public by making this information available in the same places where other education information—like student achievement and growth—is reported.

Looking at Education Spending Is Like Looking through Murky Water

Because of tight budgets and focus on improving the quality of education for all students, leaders are interested in understanding how dollars spent on education are influencing student outcomes. While districts and states collect financial data for public reporting and compliance with state and federal laws, and to a certain extent to inform policy decisions and resource allocation, the existing formats, grain sizes, and lack of connection to student and other data are insufficient for answering questions about how the resources allocated to education are being used to improve what happens in the classroom. Better information about how investments in education are influencing outcomes for students, schools, and districts is needed. The growing hunger for using financial data to answer more and evolving questions will require changes in systems, policy, practice, and culture.

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and instructional resources are working and will help them understand these resources’ value relative to education priorities.

What Leaders Are Asking

Examples of leaders’ questions include the following:

- Are state investments in interventions, like reading or math programs, having an impact?
- Are our education dollars being used both equitably and effectively—do districts with high proportions of students who have disabilities, are learning English, etc. have the resources they need, and are they using them well?
- Are the state dollars we spend on teacher professional development actually leading to improved practice and student learning?

Currently, the landscape of financial data and their use includes the following challenges:

- ▶ **Information is siloed.** Currently, financial information is kept separately from information about personnel, programs, students, and other investments and their outcomes, making it challenging for state leaders to

Financial Data: More Than Dollar Signs

Typically financial data have meant information about money spent. In addition to using this information in a new way, however, leaders should also think about what these data are in a new way. Simply understanding how much something costs does not paint a full picture of the value of an investment. Often in tight education budgets, big-ticket items can be viewed as the things that should be cut back. Leaders will better understand and account for the return on education investments if they broaden their view of education funding data to include not only the dollars spent but also the people; their time and talents; and the things like technology, teacher supports, and other factors that contribute so much more than a one-time expenditure reflects.

use the information to make decisions about education spending.

- ▶ **Data quality varies.** Data across districts and at the state level vary in quality, and available information is not always comparable, leaving states and districts without clear comparison points about spending and outcomes.
- ▶ **Capacity for analysis is limited.** As with student information, a tremendous amount of financial data are available, but districts, especially smaller districts, have limited capacity to synthesize those data into useful information, leaving decisionmakers with spreadsheets full of data but not enough context on how to move forward.
- ▶ **Data are not tailored to desired uses.** Existing financial data and the way they are collected and used are insufficient for answering existing and emerging questions about education spending, meaning that decisionmakers must cobble together best guesses or rely on “the way things have always been done.”
- ▶ **Capacity for access and use is limited.** Leaders in states, districts, and school buildings lack access to clear financial information and do not understand how to use financial data to drive decisionmaking and better outcomes for students. Therefore, financial data’s value as a tool for improving system performance, and ultimately student achievement through better resource allocation, is limited.

Further, states’ collection and use of financial data vary. Results from *Data for Action*, Data Quality Campaign’s annual survey of all 50 states and the District of Columbia, show the following:

- ▶ **Forty-eight states** collect financial data at the district level, **16 states** collect those data at the building level, and only **two states** collect how dollars are spent at the classroom level.

- ▶ Currently, **25 states** report collecting financial data in their state longitudinal data system, and **13 states** report having plans to do so in the future.
- ▶ **Forty-eight states** report making financial information about districts publicly available, although the quality and accessibility of those reports varies, with Colorado and Illinois having some of the easier-to-use online reports.

These numbers are large and reflect that every state has a commitment to collecting and making public financial information about districts and schools, typically for compliance purposes. Although every state is committed to collecting this information, most education leaders do not currently have the access to quality data needed to make use of financial and resource information to inform decisionmaking.

Because of these policy, practice, and cultural barriers, trying to understand how education spending is influencing our education priorities is like looking through murky water—it is evident *something* is there, but it is not exactly clear *what*. While enacting real change is not easy or rapid, there are clear steps that leaders can take to move financial data from a separate, siloed collection of data that has not yet reached its potential to information that is integrated into the conversation about how states and districts meet education goals.

States, districts, and the federal government all have a role in creating the policies and practices necessary to be sure that financial data are useful. The entire education system will be most effective if the federal government provides support and frameworks for states. And states must take the lead in changing policies and collaborating with and supporting districts to better use financial information.

Moving the Needle: Recommendations for Policymakers

Overcoming these barriers—clearing the water—requires state leadership with district input and buy-in.


CHALLENGE Information is siloed.

RECOMMENDATIONS

Start with leadership. State **P-20/workforce (P-20W) governance** bodies are currently best positioned to develop shared vision and state policy questions. If states wish to use financial data in more actionable, productive ways, incorporating the governance of financial data into bodies charged with cross-sector data governance and developing strategic policy questions may be the best place to start. Governance bodies should seek to include district feedback and buy-in on the front end as they endeavor to make financial data more transparent and useful to stakeholders.

TIP: No P-20W governance in your state? Start with the leadership available, like the state education chief or the department's CFO.

Integrate financial data into statewide longitudinal data systems. To overcome the barriers of siloed, incomparable information that provides insufficient value to both the state and districts, states must integrate financial data collection into the K-12 longitudinal data system.

 *Georgia has plans to incorporate financial data into its K-12 longitudinal data system. Incorporating financial data into the system will allow district administrators to view historical financial information in the same system as student performance and other outcome data.*

CHALLENGE Data quality varies.

RECOMMENDATION

Implement a statewide common chart of accounts. States should implement a statewide common chart of accounts that allows all districts to monitor and report financial information in a comparable format. States should collaborate with districts to determine what elements belong in the common chart of accounts, paying special attention to reducing burden by leaving out information that is not used by either the state or district. Districts also may need flexibility to collect finer-grain-sized information than that required by the state, but business rules should be put in place to maintain data comparability across districts. Ideally, states' charts of accounts should align with federal reporting requirements to ensure comparability across financial data


collections. However, the federal requirements should reflect the floor and not the ceiling of what states and districts may choose to collect and use.

TIP: According to *Data for Action*, 45 states already require districts to use a statewide common chart of accounts. More could be done, however, to make sure that data collection requirements are aligned to what is useful to leaders at the state and local levels.

CHALLENGE Capacity for analysis is limited.

RECOMMENDATION

Transform raw data into useful information at the state level. As with student information, states must take the lead in taking the tremendous amount of financial information provided by districts and returning research, analytics, and easy-to-use data to them. This process should also include a validation process, especially if the data will be used in public reports, in which districts can verify that the information the state is reporting is accurate.

 *Oregon calculates return on investment for every district based on funding, enrollment, student outcomes, and other measures. The state uses the calculation to analyze state education initiatives and inform performance-based funding.*

CHALLENGE Data are not tailored to desired uses.

RECOMMENDATION

Connect financial data with education input and outcome data. When presented with financial data side by side with these other types of data, stakeholders at every level can make better informed decisions about how money is being spent, how resources are being used, and how that relates to meeting education goals. States must take the lead in developing tools that allow financial data and education input and outcome data to be considered side by side, as opposed to as unrelated pieces of information. When stakeholders at every level have access to this information and it is tailored and actionable, it will be a first step in having conversations that are focused on efficiency, spending wisely, and continuous improvement.

CHALLENGE Capacity for access and use is limited.

RECOMMENDATIONS

Take business officials from “keeping track” to contributing. State and local education agencies alike can rewrite job descriptions for business officials to reflect the need for personnel who manage finances to be more like CFOs—driven by the mission and goals of the organization and dedicated to ensuring that funds support service to students. Business officials have a critical role in ensuring that dollars are spent, records are kept, and audits are successful. But just as financial information has traditionally been siloed from information on education outcomes, so too have business officials been removed from conversation about goals of improving student achievement.

Ensure financial data literacy. Teachers, school boards, principals, superintendents, and other school administrators, as well as state policymakers and the press, need to have access to and the skills to interpret financial information appropriate to their roles. States have a leadership role in providing training to many stakeholders, as well as developing a common language that gets everyone, including the public, on the same page when it comes to schools and finance. Educator and administrator preparation programs also have a role in incorporating financial data literacy into curriculum.



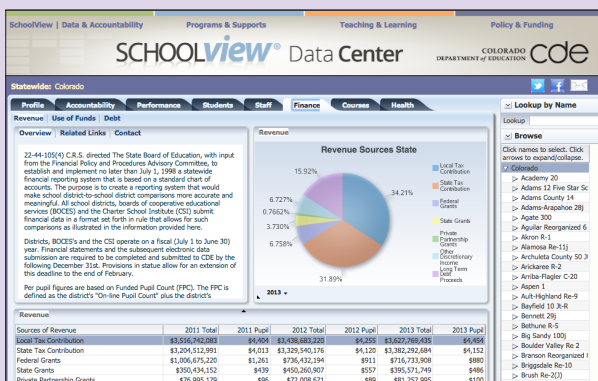
Maine’s department of education engaged district superintendents to develop a new common reporting system for financial information. In response to feedback from superintendents, the state also provided training to a wide range of stakeholders including the press to help them better understand and report on district financial data.

Provide districts opportunities to collaborate and learn from one another. With clear goals and opportunities to learn from one another in person, as well as through online forums, district leaders will be able to share best practices in financial management and resource allocation targeted at improving district performance and outcomes for students. Both targeted conversations and training and ongoing support and collaboration are needed. States should use existing structures, such as regional service providers, to provide districts ways to collaborate. States should use this as a part of their efforts to move from being compliance-oriented to service-oriented bodies by getting feedback from districts through these venues.

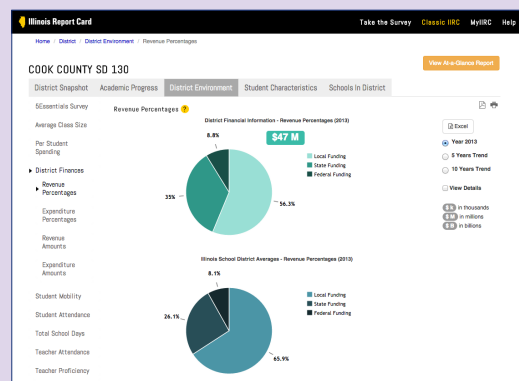
Be transparent. States must make financial data more accessible and useful to the public by making this information available in the same places where other education information—like student achievement and growth—is reported.¹ States should work collaboratively with districts to develop the types of information that will be available and ensure that the reports are clear, contextual, and useful to the public and include necessary definitions and explanations. Data dumps are *not* transparent—they are cumbersome and confusing.

What Good Looks Like

Colorado and Illinois are two states that publicly report school finance information with other types of information about schools.



Colorado’s SchoolView includes financial data with other data resources.



Illinois’s newly designed school report card shared detailed information about the state’s public schools, including their finances.

1 Stay tuned for more guidance from Data Quality Campaign on quality public reporting.

The Federal Role

The federal government can support states in meeting these goals through two critical means:

- **Reduction of Burden**—The federal government can consider the types of financial information that are collected from states, whether they are being used, and how burdensome the collection is to state education agencies. It is helpful for states for the federal government to streamline financial information collection to the most useful information.
- **Transparency**—The federal government can act as a leader in being transparent about its own financial information. Actions like [USASpending.gov](#) and the [DATA Act](#) are already steps in this direction.
 - USASpending.gov is a single, searchable website that details federal government expenditures by agency, including dollar amounts given for state assistance, for loans, to contractors, and via grant programs.
 - The DATA Act expands on this federal reporting by establishing governmentwide data standards for financial data, streamlining reporting requirements. The DATA Act will result in improvements in the quality and availability of the information available to the public via USASpending.gov (or a replacement).

Conclusion

Education is one of the largest expenditures in every state. Yet useful information about that tremendous investment has been limited, hindering leaders' ability to understand how, if at all, dollars and resources are working to meet education goals. By taking the steps highlighted here, engaging districts, and changing conversations, states will put in place a structure that will begin to inform education finance decisionmaking in new ways.

As literacy for financial and resource information and the systems used to collect, synthesize, and analyze it become more sophisticated, so too will the decisions education leaders will be able to make based on the information. States will create a culture of continuous improvement by focusing policy changes on the “flashlight”—transparency and collaboration around the new information about resources and outcomes—rather than focusing only on the “hammer”—accountability measures based on these data.



*Using Data
to Improve
Student
Achievement*

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The **Data Quality Campaign (DQC)** is a nonprofit, nonpartisan, national advocacy organization committed to realizing an education system in which all stakeholders—from parents to policymakers—are empowered with high-quality data from the early childhood, K-12, postsecondary, and workforce systems. To achieve this vision, DQC supports policymakers and other key leaders to promote effective data use to ensure students graduate from high school prepared for success in college and the workplace.

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