

Fund Schools Transparently

This brief is part of a series that explains EdTrust's core beliefs about how states should adequately and equitably fund public schools. To learn more, visit edtrust.org/fair-funding-policy-positions.

EdTrust believes that for state leaders to truly meet student needs, states need to more clearly explain and share information about how they allocate funds to districts and how districts in turn distribute funds across schools to target the needs of students facing the steepest barriers to learning. Most state school funding formulas are complex, some would say by [necessity](#),¹ and are rarely understood by everyday people — information is often buried in dense legislative or agency documents posted in obscure places online. This undermines the public's ability to hold state leaders accountable, identify the strengths and weaknesses of a formula's design, and determine the extent to which dollars are reaching students.

When all stakeholders, from legislators to parents to advocates, have access to easy-to-understand information and sensible data, it ensures that policy and budget decisions are fairer, more inclusive of diverse voices and perspectives, and lead to better student outcomes. State leaders can improve the transparency and accountability of their funding systems by doing the following:

- **Clearly explain how their state's funding formula is designed to work.**
- **Annually collect and publish transparent data on how much funding districts and schools receive.**
- **Ensure that districts use funding to improve student experiences and outcomes.**

Clearly Explain How the Funding Formula is Designed to Work

State leaders should provide clear and plain language explanations about how their funding formulas are supposed to work so that all stakeholders can understand, whether they are a school finance expert, fifth grade teacher, or an advocate. Below are several key practices that state leaders should prioritize to make school funding formulas more accessible to a broader range of stakeholders. Additionally, state education agencies (SEA) should consider partnering with local advocacy organizations that are experienced in distilling complex information for more general audiences. When looking at organizations to partner with, SEAs should ensure that they partner with organizations that represent a diverse range of communities, voices, and student needs.

Make It Easy To Find Information About The Formula On The State Education Agency's Website

Unfortunately, it is generally difficult to locate basic information about funding formulas on many states' websites. Oftentimes, users must know the right terminology to navigate the various webpages or tabs within a SEA website and in some instances, the information stakeholders need is not even available online. This undermines the public's ability to be equally informed and hold state leaders accountable for how they are supposed to fund schools and support students.

Every SEA's website should have a webpage that includes key information about a state's funding formula such as the name of the formula, when the formula was established, a list of related state statutes or codes, and easy to understand explanations of the components of the formula and how they work. It should be easy-to-find from the website's homepage and should include hyperlinks to any additional information that will help users learn more about the formula, such as legislation or engagement processes that state leaders use to monitor and improve the formula. This webpage should be user-friendly and regularly updated to reflect actual state policy. Additionally, SEAs should ensure all public information on funding formulas can be accessed in multiple languages.

The California Department of Education's Funding Formula Webpage

Relative to other states, the California State Department of Education makes it easier for people to access important information about the state's Local Control Funding Formula (LCFF) on its website.² There is a clearly labeled tab, "Finance and Grants" that once clicked, takes users to another webpage with a clearly labeled button that users click to access key information about the formula. This webpage includes an overview of the formula, resources explaining specific components of the formula, information about the state's accountability system for the formula, and a list of frequently asked questions.

The webpage also includes linked resources, such as a Family Engagement Toolkit, designed to support districts in implementing the Local Control and Accountability Plans (LCAP) which require districts to set goals and develop plans to help improve student outcomes. These tools help give the public a window into the state's expectations of districts and can facilitate the public's ability to hold districts and the state accountable for their investments in students.

While there is still room for [improvement](#)³ (for example, the website lacks visualizations and is very text heavy) the California State Department of Education's website is relatively user-friendly and provides clear and accessible language about the state's funding system.

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Provide An Accessible Guide To The State's Funding Formula

Some state legislatures and/or SEAs publish education funding guides to help explain how their formulas work; however, they are usually not written for the average person. These guides typically use very technical language and are often structured in ways that make it difficult to follow along.

SEAs should publish simplified funding guides that are jargon-free to ensure accessibility. This will better allow people with varying knowledge to understand how school funding formulas are supposed to work. Guides should define all relevant terms and acronyms associated with the funding formula and they should not be excessively long.

Taking these steps are essential to diffusing knowledge and can provide “a seat at the table” for parents, advocates, and school community members to meaningfully engage in conversations around school funding in their states.

Alaska's Citizen's Guide to Public Education Funding

The Legislative Finance Division (LDF) within the state government publishes a “[Citizen's Guide to K-12 Funding in Alaska](#)”⁴ that explains how the state's public schools are funded. Interestingly, this guide is more accessible and public-friendly than the numerous documents housed on the Alaska Department of Education and Early Development's [website](#). The citizen's guide, which is just 15 pages long, includes simple explanations of how the state's funding formula works, key revenue sources, a glossary of terms and abbreviations, and is mostly written in plain language. The guide also includes some simple pie and bar charts. While the LDF could take additional steps to enhance the usability of the guide even further, such as including graphics to illustrate how funds flow to districts, schools, and students, it is one of the more accessible guides than typically provided by states.

The Tennessee Investment in Student Achievement Act (TISA) Guide

The Tennessee Department of Education's [TISA Guide](#)⁵ provides detailed information about the different components of the formula as well as information about relevant data and how funding amounts are calculated. It also includes answers to frequently asked questions. While 60 pages long, the table of contents is organized in a clear way, making it easier to navigate. Though short on visuals, the TISA guide is a good example of a document that plainly explains how the funding formula works while not being overly technical.

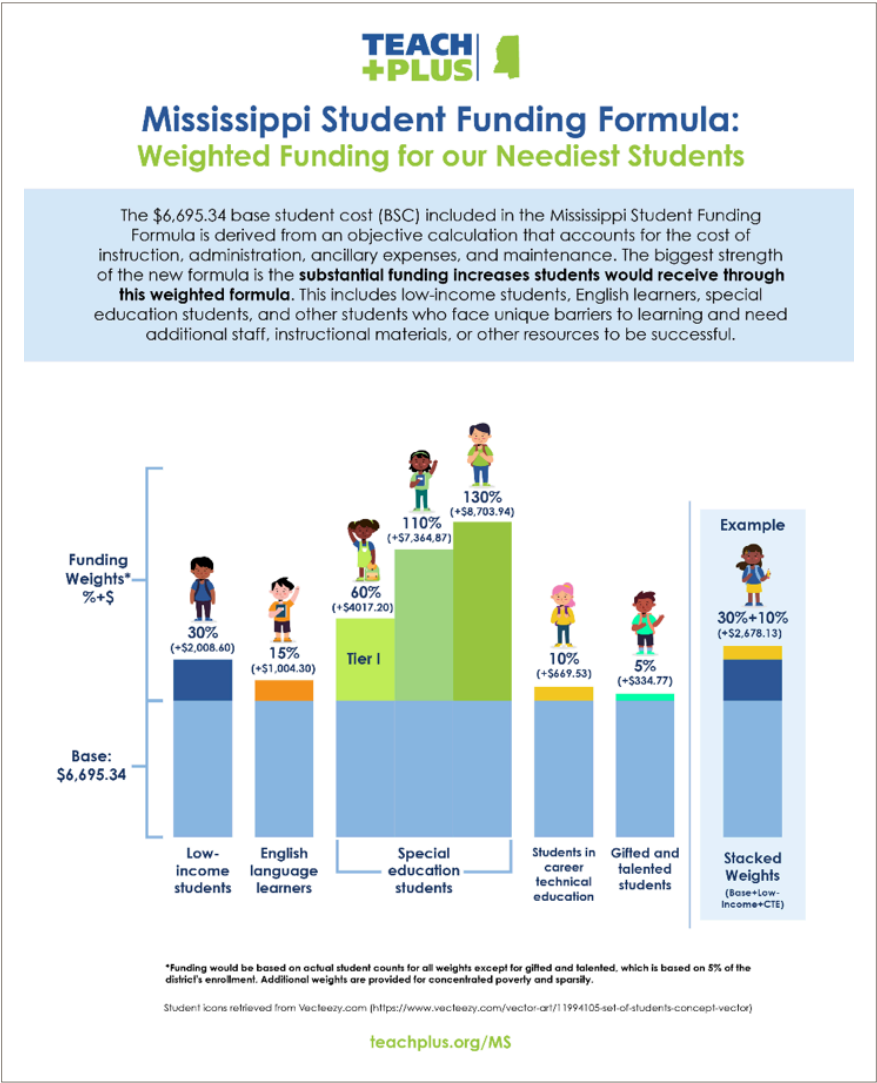
Utilize Visualizations and Graphics

SEAs should include visualizations on websites and funding guides to help people understand how formulas work. There may be some aspects of a school funding formula that cannot be easily translated for a lay audience and adding visualizations could help convey the information that stakeholders need to understand better. For example, in a state that has a weighted student formula, a state should provide a visual that shows the relationship between the per-student base and the student weights that are multiplied by the base to determine a district's funding amount.

Figure 1. Example of an Infographic Explaining a Weighted Student Funding Formula

Mississippi Student Funding Formula: Weighted Funding for our Neediest Students

The \$6,695.34 base student cost (BSC) included in the Mississippi Student Funding Formula is derived from an objective calculation that accounts for the cost of instruction, administration, ancillary expenses, and maintenance. The biggest strength of the new formula is the substantial funding increases students would receive through this weighted formula. This includes low-income students, English learners, special education students, and other students who face unique barriers to learning and need additional staff, instructional materials, or other resources to be successful.



Reading this figure: This infographic explains how the state’s new student-centered formula works. State education agencies should include visuals that are high-quality and easy to use by people of all abilities on relevant state websites and education funding guides.

Source: Teach Plus Mississippi [@TeachPlusMS]. (2024, May 9). “Thanks to the hard work of legislators and education advocates, we finally have a formula that provides both adequate and [Image attached]. [Post]. X. <https://x.com/TeachPlusMS/status/1788655574529245559>

Annually Collect and Publish the Amount of Funding That Schools and Districts Receive and Spend

There are several federal data reporting requirements that ensure SEAs are reporting data on how much funding districts and schools receive and spend.⁶ While the National Center for Education Statistics sets specific accounting procedures and provides guidance for how SEAs should report data for its collections, the Every Student Succeeds Act (ESSA) fiscal transparency requirement gives states and districts much more flexibility for reporting that data. This creates an opportunity for advocates to influence how the requirement is met and to ensure states report meaningful data on how much districts and schools are spending to meet students' needs. Advocates should make sure that state leaders share data on school spending in a way that is accessible to and useful for caregivers, community members, and other advocates. To share meaningful data, states must do two things:

1. Calculate the data in a way that enables apples-to-apples comparisons between schools in different districts, and
2. Report in a way that is accessible and presented with appropriate context about student characteristics in a school.

Calculate the Data In a Way That Enables Apples-to-Apples Comparisons Between Schools

The first step to meaningfully reporting school spending data is to make sure that the spending numbers have been calculated in a way that is consistent within the state. This allows for interested stakeholders to make one-to-one comparisons between schools in different districts, which in turn can help uncover inequitable spending patterns across district lines.

States must provide guidance to districts that sets clear and consistent expectations for the way that expenditures should be classified. At a minimum, this guidance should cover included vs. excluded expenditures and school-based vs. central office expenditures.

Included vs. Excluded Expenditures: Expenditures that are included in school-level reporting should reflect the expenditures that are required for day-to-day operation of schools and LEAs. Spending for instruction, school and district administration, and transportation should be included; while spending for large capital projects like school construction or spending for adult education should be excluded.

Edunomics Lab worked with state finance leaders to develop Interstate [Financial Reporting](#)⁷ guidelines to identify a standard set of minimal reporting criteria to help states produce per-pupil spending data that could allow for apples-to-apples comparisons.

Central Office Expenditures: Another key issue that states need to consider is what expenses are tracked at the central office and what expenses are tracked to individual schools. Districts pay for many things in the central office on behalf of the schools they serve — everything from curriculum development to superintendent salaries. Some costs, such as professional development services and salaries and benefits for instructional coaches, could be treated as central office costs in some districts but school-site costs in others.

For example, [New Jersey clarifies](#)⁸ that expenditures that are meant to improve attendance at school should be assigned to “each school based on the actual activity performed at each location” and further clarifies that costs should be prorated based on time spent across multiple programs or locations. Without such guidance, some district leaders could assign salary and benefit costs for those staff to central office expenditures since they operate across multiple schools in a district.

States should issue clear guidance so that leaders in different districts make the same decisions about categorizing expenses. EdTrust believes that at a bare minimum, state guidelines should require salaries for personnel who work in a single school to be counted as school site expenditures. In addition, state leaders should issue decision rules for other costs. For instance, the state might say that all spending on personnel or resources that are present in a school at least 70% of the time must be tracked to the school site. Striking the balance between being prescriptive and flexible is key.

Report the Data In a Way That Enables Comparisons That Focus On Equity Between Schools

EdTrust advocates for five principles that can help guide states to [go beyond mere compliance with ESSA](#)⁹ and report per-pupil spending data in a way that is meaningful, equity-oriented, and actionable. The principles highlight the additional data elements that states should report alongside financial data and the comparisons that states should provide to help stakeholders clearly see and make meaning of differences in spending.

- **Total and Detail:** Provide total per-pupil spending as well as a breakdown by source and location of spending. Displaying a clear total per-pupil spending amount shows stakeholders exactly how much each school or district spends and serves as a starting point for comparisons of spending across and within districts. Breaking down spending by source and location of spending (at the school or in the central office) can reveal where and why inequities may exist.

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Figure 2. Screenshot of a Wisconsin School Report Card, Showing Total Expenditures by Source and School vs. Central Office Share in the 2022-23 School Year.



Reading this figure: Total per-student spending at Badger Rock Middle School in Madison, WI, is \$23,104.

Source: WISEdash Public Portal, Wisconsin Department of Public Instruction, <https://wisedash.dpi.wi.gov/Dashboard/dashboard/22051?filtersetId=a290eb68-a57b-4930-a173-79410c635b77>

- **Context:** Include contextual information about the school or district — such as student need, school size, and program type — alongside financial data to provide information to help make sense of differences in spending across schools and districts.
- **Comparisons:** Provide comparative data on spending and need across districts and schools so stakeholders can assess whether spending is sufficiently differentiated to meet various levels of student need.
- **Beyond Money:** Include additional information on how well resources are used to impact students' experiences in schools. Reporting information about non-financial resources in the context of spending and need can help stakeholders make meaning of spending data and highlight where inequities exist — both in how much schools and districts spend and how well they use their resources to create high-quality learning experiences for all students.
- **Accessibility and Timeliness:** SEAs should publish accessible and transparent spending reports and strive to release complete, accurate data in a timely manner, and on a predictable schedule. This enables advocates, policymakers, and other stakeholders who use the data to reliably plan the ways in which they'll engage with it, such as using the spending data to inform key budgeting decisions or advocate for state-level school funding policy changes.

Illinois Gets School Funding Reporting Right

EdTrust's report [Going Beyond ESSA Compliance](#) highlighted how states had begun reporting their data leading up to the first [reporting target](#)¹⁰ in June 2020. That analysis identified Illinois as the only state that had aligned their spending reports with the principles outlined above. The state's "Site-Based Expenditure Report" is the product of a deliberate, two-year collaborative planning process that was informed by a diverse set of stakeholders — including business officials, superintendents, associations, advocates, parent representatives, and community members — that was guided by the goal of making the data meaningful for LEAs and communities.

Ensure That Districts Use Funding To Improve Student Experiences and Outcomes

The best state funding formula means very little if district leaders are not held responsible for ensuring dollars are used well to improve student experiences and outcomes. Therefore, state school funding systems should include accountability measures to make sure that funding is spent on resources and evidence-based supports and interventions that will close opportunity and achievement gaps for students from low-income families, English learners, students of color, students with disabilities, and rural students

To ensure these accountability systems work, state legislators must establish regulatory and legal frameworks to ensure the state department and local stakeholders can track whether funding intended for students with additional needs is reaching them and leading to meaningful improvements in student experiences and outcomes. There is no one-size fits all approach for these frameworks — holding local school districts accountable for allocating resources in the spirit of the formula looks a lot different when there are 25 school districts serving 1 million students than when there are 2,000 school districts serving 6 million students. However, there are a few key features of such frameworks that every state's fiscal accountability framework should include. Specifically, states should:

- Require district leaders to use a substantial portion of funds that are intended to support students with additional needs in the schools where the students are enrolled — or on districtwide activities that serve the students they are intended to support.

Advocates and education leaders alike can't fix what they can't see. State leaders must work to continuously improve transparency in school funding — both by being clear about how the funding formula is supposed to work and being transparent about the funding that districts and schools are receiving. This transparency allows for critical conversations about and accountability for how states and districts prioritize limited financial resources to meet the needs of students — especially students who continue to be underserved by our education systems.

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- Require all district leaders to develop, publish, and follow a plan for how the district will use the funding it receives to create enriching experiences for all students given their specific local contexts. Those plans should:
 - Be based on a set of guiding questions or a template that is developed by the state so they are consistent across districts.
 - Be based on a needs assessment, evidence, and/or research — supported by state and federal technical assistance.
 - Be developed in consultation with families and students who have been underserved in the community and community advocates representing those groups, along with educators and school leaders.
 - Cover a specified time period (e.g., three years) and be reviewed and revised at the end of the time period.
 - Include ambitious, time-bound targets for closing opportunity and achievement gaps.
 - Be approved by the state department of education.
- Hold district leaders accountable for allocating additional resources to meet the needs of the students those resources are meant to support and for implementing their local resource-use plan with fidelity. State leaders should set clear processes for escalating intervention if districts do not meet targets. This intervention could include additional technical assistance, a resource allocation review or equity audit, or staffing or governance changes — it should not include withholding state funding.

Accountability for how funds are used is important, but that accountability can lead to prescriptive uses of funds that prevent districts from meeting the specific needs of their schools and students. States should strike a balance between including guardrails in their systems to make sure that funds are used well and on students who need the most support, while also providing enough flexibility to allow districts to respond to their local needs and context. The key to striking this balance is a system of escalating intervention that maximizes flexibility for districts that are meeting their ambitious, time bound targets for closing gaps, and increases requirements for action in districts that are not meeting those goals on behalf of their students. To learn more, see [“Five Things State Leaders Should do to Advance Equity: State Accountability Systems, School Improvement, and Reporting.”](#)¹¹

Endnotes

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