



Shining the Light on Colorado School Spending: The Case for Online Financial Transparency in K-12 Education

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Summary

In the interest of expanding public accountability and economic efficiency, Colorado school districts, charter schools, and other local public education agencies ought to follow the lead of state government by exploring online financial transparency:

- Like hundreds of school districts around the country, including Durango 9-R and Rangely RE-4, education agencies could easily and cheaply post their check registers online
- To further promote transparency, education agencies should post all expenditures and contracts online in a user-friendly, searchable database

Introduction

With the proliferation of Internet technology, quick and convenient access to detailed government expenditures has become increasingly achievable and affordable. The city of Greeley is among the first Colorado governments to post its check register online, and the city of Fort Collins has approved a transparency plan set to take effect in June 2009.

During his January 8, 2009, State of the State speech, Governor Bill Ritter publicly declared his support for bringing financial transparency to state government, promising to work with leaders in both parties to ensure “we’ll have the state’s checkbook online.” State Representative Don Marostica, R-Loveland, unsuccessfully proposed legislation to create a searchable budget database in 2007, and had planned to bring a bill forward again this year before the governor announced his intention to implement the policy through executive order.

Following the lead of state government, local Colorado agencies that administer tax dollars dedicated to K-12 education—including school districts, charter schools, and Boards of Cooperative Services (BOCES)—should join the movement toward financial transparency.

Existing Challenges and Opportunities

In a democratic society, public access to information is vital. Citizens have a strong interest in the greatest possible oversight of how public funds are used. Through local property taxes, state

income taxes, and vehicle ownership taxes, a significant share of taxpayers' money is directed toward public K-12 education. Four in every ten dollars appropriated from the state of Colorado's general fund finances K-12 education, part of the more than 7 billion dollars in tax revenue received (and spent) by public school officials.¹

As of January 2009, 22 of Colorado's 30 largest school districts provide users free, direct online access to one or more prepared financial documents—including annual budgets, Comprehensive Annual Financial Reports (CAFRs), or in a few districts, monthly or quarterly reports.² These documents give the reader a limited amount of valuable information. As provided in the state's Open Records Act³, more detailed financial records are available through direct request or in-person visits. Yet citizens who seek to obtain the information frequently encounter a costly, complicated, and time-intensive process.

Today's technology makes it easier for government agencies to post detailed financial information in a more convenient and accessible manner. School districts in states like Texas and Illinois have led the way in using websites to make their use of public funds transparent. It is time for Colorado to pursue, and even to surpass, these states in the area of online financial transparency.

The Advantages of Financial Transparency

The Colorado state constitution guarantees local boards of education “control of instruction in the public schools of their respective districts.”⁴ Boards are entrusted with the authority to set district policy, while administrators act to manage day-to-day affairs. Boards of Cooperative Services (BOCES) are similarly governed. Charter schools are authorized by district boards or the state chartering authority, run by their own independent boards, and receive taxpayer funding. Online financial transparency offers an additional layer of public accountability for all these agencies.

The additional accountability that comes with improving the availability of accurate and detailed data also offers the following benefits:

- Promoting better-informed public debates about district financial priorities
- Enhancing public confidence in district oversight and management
- Reducing the potential for district waste, fraud, and abuse

Incoming Denver Public Schools superintendent Tom Boasberg has publicly stated his support for greater budget transparency so that parents and employees alike have a clearer picture of how district money is being spent.⁵

Furthermore, the potential exists for real cost savings in the delivery of government services. In 2007 the Texas Comptroller's office launched its detailed *Where the Money Goes* website. During its first year of operation, the office realized \$2.3 million in taxpayer savings “from consolidating contracts and eliminating duplicative services and non-essential items.”⁶ For instance, consolidating contracts for toner cartridges saved the state of Texas \$73,000, and an internal review prompted the Comptroller's office to save \$328,000 by replacing the purchase of a new mail-sorting machine with the use of an existing contracted service.⁷

Basic Transparency: Posting Check Registers Online

Genuine financial transparency enables citizens to observe within a reasonable amount of time the individual invoices or check payments made by a government agency. The most common way to practice financial transparency is to post the monthly check register or list of paid invoices online in a readable file format, typically PDF. A check register almost always includes the check number, vendor name, amount spent, and a brief description of the purpose of the expenditure (or the equivalent information as provided on an invoice).

As of January 2009, none of Colorado's 30 largest school districts posts a check register online.⁸ However, at least two smaller western Colorado districts—Durango 9-R⁹ and Rangely RE-4¹⁰—do practice this basic form of financial transparency. According to a compilation by Texas activist Peyton Wolcott, Durango and Rangely are two of 408 school districts in 28 different states that post their check registers or paid invoices online.¹¹ Neither Durango nor Rangely reports any additional cost for practicing transparency.¹²

Wolcott likewise has collected and posted positive feedback from numerous district officials who have implemented this type of transparency. She observes that all but the largest taxpayer-funded school districts can take the initiative to post the check register online with very little additional work and no new tools or special technology.¹³ In Illinois, the numerous districts that have posted check registers online report no additional cost, as the information is already prepared monthly to be submitted to the school board.¹⁴

Opening Up Other Financial Data

Posting the check register or invoice list on a local education agency website is an important step—but not the only step—towards online financial transparency. In the interest of increasing public accountability and the potential for cost-saving efficiency, districts should strongly consider placing the following information online:

- **All Expenditures:** Expenditures that may not show up on a check register should be included online as well. Showing the funding source and the purpose of the expenditure makes the information all the more useful, and may eliminate unnecessary confusion.
- **All Contracts:** Education agencies should publicly display information on all contracts with outside organizations for services, including vendor name, contract amount, and a basic description of the service performed.

Following provisions already provided in state law, useful online financial transparency can and should be done in a way that protects confidential personal information.

Creating Searchable Databases

For those school districts and other agencies that wish to move even further toward financial transparency, creating searchable Internet databases is the next logical step.

A legislative proposal to create an online searchable database for all of Colorado state government has been estimated to cost \$12,000 for the initial technology—with additional funding dependent largely on the need to add server space to accommodate more online traffic.¹⁵ In September 2008 the Fort Collins City Council approved the creation of a searchable online

database of all city expenditures. The database is set to be operational by June 2009 at a cost of less than \$10,000.¹⁶

Three state legislators—Senator Ted Harvey, Representative Amy Stephens, and Senator Mike Kopp—have sponsored the “Public School Financial Transparency Act.” The introduced version of Senate Bill 057 would require all local education agencies in Colorado to post detailed financial information in searchable online databases by September 2010. To provide clarity, the legislation proposes that all databases tie the amount and description of each expenditure to a funding source and identifiable budget program.

The CRG Network, a citizens’ activist group in Wisconsin, has worked to develop a software tool that quickly converts existing invoices into a searchable database. Among the group’s earliest projects was the creation of a database that allows users to search and sort through more than 432,000 Milwaukee Public Schools invoices totaling more than 2.2 billion dollars.¹⁷ The typical implementation cost for a government agency is less than \$10,000, and should continue to decline as the product is refined and capacity grows.¹⁸

A similar online tool was created locally at minimal cost. Jefferson County Schools charged Colorado citizen activist Natalie Menten 75 dollars for two hours of staff time to obtain a complete record of all district credit card transactions from January 2007 to August 2008.¹⁹ An associate of Menten created an online searchable database in about 20 hours using basic MySQL software.²⁰ Menten is compiling data to post a similar searchable database for Denver Public Schools, and Colorado Springs School District 11.

Conclusion

The time has come for Colorado school districts and other local education agencies to adopt online financial transparency. In the interest of greater accountability and an informed public debate, all agencies that operate websites should follow the example of Durango and Rangely and at least post their check registers online. Local taxpaying residents can step forward and politely but firmly urge their school boards to post check registers and other important financial information. With grassroots-generated momentum, Colorado could become a national leader in transparent public education spending.

As state officials move forward to implement a searchable database for state government, they should share the knowledge gleaned from the implementation process with officials and technology staff of local school districts.

In the meantime, citizens can continue the hard work of collecting and posting expenditure and contract data online in searchable formats for wider audiences to explore and analyze. Those who support greater efficiency and accountability in the administration of public education dollars can work to see more school districts take on the responsibility for themselves. Evidence of the effective cost savings produced in other governments should help to make the case.

Online financial transparency for schools is a commonsense policy that Colorado taxpayers can rally behind. With effective policies in place, parents then could better judge how well resources

are being spent on their students, and have greater confidence in the management and direction of their schools.

Notes

- ¹ Colorado General Assembly, Joint Budget Committee, FY2008-09 Appropriations Report, p. 12, http://www.state.co.us/gov_dir/leg_dir/jbc/FY08-09apprept.pdf; Colorado Department of Education, Public School Finance, School District Revenues and Expenditures, <http://www.cde.state.co.us/cdefinance/RevExp.htm>
- ² Websites accessed and searched by the author on January 7, 2009. Comprehensive Annual Financial Reports were found on 19 of the 30 websites. Only 14 of the 19 cover the most recent fiscal year completed on June 30, 2008. Annual budgets also were found on 19 of the 30 websites, with all but one being for the current 2008-09 fiscal year.
- ³ Colorado Revised Statutes § 24-72-201 *et seq.*
- ⁴ Colorado Constitution, Article IX, § 15.
- ⁵ Tillie Fong, “DPS has no plan to close schools, job finalist says,” *Rocky Mountain News*, January 14, 2009, <http://www.rockymountainnews.com/news/2009/jan/14/dps-has-no-plans-to-close-schools-job-finalist/>
- ⁶ The Honorable Talmadge Heflin and James Quintero, *Texas Transparency Then and Now*, Texas Public Policy Foundation (November 2008), p. 7, <http://www.texaspolicy.com/pdf/2008-11-RR12-transparency-th-jq.pdf>
- ⁷ Texas Comptroller Susan Combs, interview by David Guenther, Texas Public Policy Foundation, *Texas Policy Cast*, December 18, 2008, <http://www.policycast.com/texas/cast/tpc-350-combs.mp3>
- ⁸ See Note 2.
- ⁹ <http://business.durangoschools.org/checks.php>; telephone conversation of the author with Laine Gibson, Durango 9-R Chief Financial Officer, January 13, 2009. At the request of a board member, Durango began posting its check register online in December 2008 as a 3-month trial. Gibson believes the trial has been successful and will continue.
- ¹⁰ http://www.rangelyk12.org/board/financial_folder/budget_info.htm; telephone conversation of the author with Patsy Drindak, Rangely Re-4 Secretary to the Board, January 12, 2009. Starting in February 2008, the practice of including paid invoices online as part of the monthly board packets was done primarily as a means of saving paper.
- ¹¹ Texas is far and away the leader with 294 districts, followed by Illinois with 39. No other state has more than 7 listed. See <http://www.peytonwolcott.com/temp/CheckRegisterRosterUSA.html> for updated information. Links to Texas school districts that have posted check registers online are available from the Texas Public Policy Foundation at <http://www.texasbudgetsource.com/school-districts>
- ¹² Telephone conversation with Drindak, January 12, 2009; telephone conversation with Gibson, January 13, 2009.
- ¹³ <http://www.peytonwolcott.com/temp/CheckRegisterRosterUSA.html>
- ¹⁴ See For the Good of Illinois, Illinois School Transparency Honor Roll, <http://www.forthegoodofillinois.org/IL-School-District-Honor-Roll/>
- ¹⁵ Face The State, “Coming soon to the Internet: Colorado’s checkbook,” January 9, 2009, <http://www.facethestate.com/articles/13221-coming-soon-internet-colorados-checkbook>
- ¹⁶ Americans for Tax Reform, Friends of ATR Web Log, “We’re Digging It! Fort Collins, CO goes transparent thanks to Diggs Brown,” September 4, 2008, <http://friendsofatr.blogspot.com/2008/09/were-digging-it-fort-collins-colorado.html>; Andrew Boucher, “An Act with Bite: Fort Collins Residents are Now the Watchdogs of Government,” *Fort Collins Now*, September 25, 2008, <http://www.fortcollinsnow.com/article/20080925/NEWS/809259995>
- ¹⁷ <http://mps.spendingreports.com/search.aspx>
- ¹⁸ Telephone conversation of the author with CRG executive administrator Chris Kliesmet, December 15, 2008.
- ¹⁹ <http://www.nataliementen.com/custom/jeffcoschools/jeffcomain1.php>
- ²⁰ Telephone conversation of the author with Natalie Menten, January 8, 2009. Email message to the author from Menten, January 8, 2009.

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MORE INFORMATION on the Colorado Spending Transparency Project can be found at:
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