



What Should School District Financial Transparency Look Like?

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Summary

In 2009 the Colorado General Assembly considered Senate Bill 57, legislation that would have greatly increased transparency in financial reporting for school districts, public charter schools and other local education providers. The bill passed the senate but was defeated by the House Education Committee. Nevertheless, as the technological capabilities for greater transparency at all levels of government have continued to grow, so has public demand.

Resulting in part from the public demand for transparency evidenced in the SB 57 debate, Jefferson County R-1 created its own searchable online financial database. While Jeffco, Colorado's largest school district, has established itself as a national leader in public education financial transparency, other Colorado school districts also have made progress in posting detailed expenditure information online: Colorado Springs 11, Durango 9-R, Falcon 49 and Greeley-Evans 6.

In addition, Colorado lawmakers have introduced new transparency legislation for consideration in 2010. As proposals are debated and initiatives implemented and upgraded, both state and local policy makers can benefit by understanding the criteria for effective financial transparency. Senate Bill 91 most closely would lead local education providers to achieve those criteria. Although House Bill 1036 would lead providers to post a substantial amount of financial information online, the introduced legislation falls short of ensuring the level of transparency that citizens deserve and that the state's largest school district already has achieved.

Criteria for Effective Financial Transparency

Effective financial transparency should enable an interested citizen to access detailed data to the line item expenditure level.¹ Expenditure data may be viewed directly on a Web interface, or only after being downloaded by the user. But in either case, effective financial transparency features the following seven criteria:²

1. Easy to find. Users should be able to find a link to the database of expenditures directly from the local education provider's home page.

2. Detailed. Each expenditure should be attached to a unique record that at minimum includes:

- The *transaction amount*;
- The *transaction date*;
- Both the *recipient's name and address* (if employee payroll is included, workplace addresses should be used to provide reasonable privacy), to ensure clear identification;
- The name of the *budget fund*;
- The budget fund's associated *revenue sources*, to help determine whether an expenditure was funded by local and state taxes, federal grants, private grants, or user fees; and
- The *purpose of the expenditure*, so local education providers can explain once and avoid misunderstandings.

3. Free to use. An "open" format ensures the user can access all available expenditure data without having to purchase additional software. To meet this criterion school agencies can export files from Microsoft Excel or Quickbooks into a free XML or CSV format, and upload the files to the online database for citizens to access.

4. Searchable. A structured format ensures the user can find and sort expenditure data by relevant category details. Searchability is a highly important feature that distinguishes a user-friendly online database from a descriptive PDF uploaded and posted online.

5. Regularly updated. Since school districts and other education providers typically prepare financial reports for monthly board review, an update of expenditure data each month is entirely reasonable.

6. Available notifications. Local education providers easily can create RSS feeds or similar mechanisms to which users may subscribe for automated notifications of data updates.

7. Archived data. Expanding information technology capabilities will continue to enable low-cost data storage. Expenditure data should not disappear, but should be kept in place permanently.

Local Initiatives

Jefferson County R-1, Colorado's largest school district with more than 84,000 students, covers the immediate western suburbs of Denver. Jeffco received a great deal of public attention during the 2009 debates surrounding Senate Bill 57. District purchase card expenditure data that were requested and posted online by Lakewood resident Natalie Menten raised suspicions of questionable spending practices. District officials heard the complaints of citizens and recognized the need to take the initiative.

Jeffco decided to open online access to line item financial expenditures and to provide additional context to clear up misunderstandings. Led by chief financial officer Lorie Gillis, the district launched an online expenditure database³ in August 2009. Accounting and IT personnel worked in-house to create a software tool that translated the district's People Soft financial data into a user-friendly transparency website. Including personnel time, the district has spent about

\$20,000 to develop and modify the database. Monthly maintenance requires two to three hours of staff time and costs about \$150.⁴

Jeffco Public Schools' new transparency website meets nearly all the criteria for effective transparency, and even includes additional expenditure details. Gillis says the district's decentralized accounting process has improved with the transparency site as a training tool, encouraging financial personnel at school sites to provide more detailed expenditure descriptions. She also noted that the database is a work in progress, and that the district is accepting feedback in active efforts to make the site more user-friendly.⁵

As possibly the first school district in the United States to post a searchable financial transparency database online, Jeffco has established itself as a national leader. But it is not the sole Colorado local education provider to have enabled free online access to expenditure-level data. Colorado Springs 11 has included some searchable features on its new transparency web page⁶, though the user's ability to manipulate and interpret expenditure data is more limited than on Jeffco's site. Taking even smaller steps, Durango 9-R⁷ and El Paso County's Falcon 4⁸ regularly post copies of their check registers online. As of January 2010, Greeley-Evans 6 also has posted some of its recent check registers online.⁹

House Bill 1036 and Senate Bill 91

Representatives Christine Scanlan and Tom Massey have sponsored House Bill 1036 for the 2010 legislative session. Endorsed by the 2009 interim committee on school finance to expand "public access to public school financial information," the legislation as introduced would mark a positive step forward for local education transparency in Colorado.

HB 1036 requires school districts and other agencies to post online not only detailed expenditure records but also annual budgets, annual and quarterly financial statements, investment performance reports and employee salary schedules. Many districts already have added some or all of these items to their websites. Such additional information is useful insofar as it provides context for the line item records of financial activity.

Though HB 1036 covers a broad spectrum of financial information, the prescription for expenditure-level transparency only requires that the information is presented "in a downloadable format" and that it is made available "for free public access." Ensuring citizens can access public school expenditures without paying a fee is an important provision. However, requiring a "downloadable format" does not necessarily guarantee that users will be able to search or analyze the data in a meaningful way.

HB 1036 as introduced also includes three other noticeable weaknesses:

- Education providers would have to update the online information regularly, but only after 60 days;¹⁰
- Education providers would be left to their own devices to determine how easily website users could find the information; and
- Education providers would be required to keep information online for only two years.

Senate Bill 91, sponsored by Senator Ted Harvey, provides a more detailed prescription for local education providers to follow. The legislation's requirements for school transparency websites closely match the criteria for effective financial transparency.

Conclusion

Greater online financial transparency enhances the effectiveness of school districts and other local education providers by increasing the level of trust in their relationships with taxpayers. Given the ever-improving technological capabilities, citizens deserve nothing less than full and open disclosure that is reasonably simple to access and understand. House Bill 1036 as introduced would mark a positive step forward. Yet state officials and local education providers would do even better to follow the example of Jefferson County Public Schools, as well as to embrace the seven criteria embodied in Senate Bill 91 that fulfill the spirit of financial transparency.

Notes

¹ For more background on the issue of financial transparency in local education agencies, please see Benjamin DeGrow, "Shining the Light on Colorado School Spending: The Case for Online Financial Transparency in K-12 Education," Independence Institute Issue Backgrounder 2009-A (January 2009), <http://www.i2i.org/files/pdf/IB2009A.pdf>.

² The seven elements are incorporated into The Public School Financial Transparency Act, adopted by the American Legislative Exchange Council as model legislation in August 2009, <http://www.i2i.org/files/pdf/ALECPublicSchoolFinancialTransparency.pdf>

³ http://www.jeffcopublicschools.org/financial_transparency/reports.php

⁴ Lorie Gillis, Jefferson County R-1 chief financial officer, personal conversation with the author, January 13, 2010.

⁵ Ibid.

⁶ <http://www.d11.org/TRANSPARENCY/>

⁷ <http://business.durangoschools.org/checks.php>

⁸ <http://www.d49.org/district/Pages/Budget.aspx>

⁹ <http://www.greeleyschools.org/blogs/rveaudry-fiedler>

¹⁰ House Bill 1036 requires the information to be posted online "within sixty days after...completion or receipt of the applicable report, statement, or document."

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