

CDE Responses to ESSA Per-Pupil Expenditure Proposed Rules

Section 200.35 Per-Pupil Expenditures

Statute: Section 1111(h)(1)(C)(x) and section 1111(h)(2)(C) of the ESEA, as amended by the ESSA, require a State and its LEAs to annually report on the State and LEA report cards “The per-pupil expenditures of Federal, State, and local funds, including actual personnel expenditures and actual non-personnel expenditures of Federal, State, and local funds, disaggregated by source of funds, for each local educational agency and each school in the State for the preceding fiscal year.”

Comment #1

Proposed rule imposes an unreasonable timeline.

Colorado school districts are statutorily required to submit audited financial statements to the Department of Education and the Office of the State Auditor no later than December 31st. School districts may file for an extension through the State Auditor allowing them 60 additional days to submit audited financial statements, allowing them through March 1st.

Districts are unable to finalize their financial data to the Department of Education until the completion of their audited financial statements. Following the receipt of the district financial data and audited financials, the Department of Education has a review process, which often results in updates to the data submitted by districts. This process ensures the accuracy and consistency of the financial data submitted to the U.S. Department of Education.

It is not feasible to require LEAs to produce audited financial statements earlier than December 31st. In fact, approximately 34 of 203 (17 percent) of LEAs receive extensions each year. Requiring reporting prior to the completion of the audit will result in inaccurate and unreliable data. Inconsistencies in reported data and audited financial statements will undermine public confidence and result in less financial transparency due to the resulting confusion from conflicting data.

Suggested Alternative

Change the required deadline to no later than June 30th for the preceding fiscal year.

Supporting Evidence

§ 200.35(a)(1)(i) Current expenditures per pupil from Federal, State, and local funds, for the preceding fiscal year, consistent with the timeline in § 200.30(e), for each LEA in the State, and for each school served by each LEA

§ 200.35(b)(1)(i) Current expenditures per pupil from Federal, State, and local funds, for the preceding fiscal year, consistent with the timeline in § 200.31(e), for the LEA and each school served by the LEA

§ 200.30(e) Timing of report card dissemination.

(1) Beginning with report cards based on information from the 2017-2018 school year, a State must annually disseminate report cards required under this section for the preceding school year no later than December 31.

(2) If a State cannot meet the December 31, 2018, deadline for reporting some or all of the newly required information under section 1111(h)(1)(C) of the Act for the 2017-2018 school year, the State may request from the Secretary a one-time, one-year extension for reporting on those To receive an extension, a State must submit to the Secretary, by July 1, 2018-

- (i) Evidence satisfactory to the Secretary demonstrating that the State cannot meet the deadline in paragraph (e)(1) of this section; and
- (ii) A plan and timeline addressing the steps the State will take to disseminate, as expeditiously as possible, report cards for the 2017-2018 school year consistent with this section.

§ 200.31(e) Timing of report card dissemination.

- (1) Beginning with report cards based on information from the 2017-2018 school year, an LEA must annually disseminate report cards required under this section for the preceding school year no later than December 31.
- (2) If an LEA cannot meet the December 31, 2018, deadline for reporting some or all of the newly required information under section 1111(h)(1)(C) of the Act for the 2017-2018 school year, a State may request from the Secretary a one-time, one-year extension for reporting on those elements on behalf of the LEA consistent with the requirements under 200.30(e)(2).

[§ 29-1-606, C.R.S.](#) (1)(b) The audit required by this part 6 for school districts shall be completed and the audit report thereon submitted by the auditor to the school district within five months after the close of the fiscal year of the school district.

[§ 29-1-606, C.R.S.](#) (3) The local government shall forward a copy of the audit report to the state auditor within thirty days after receipt of said audit. The state auditor shall retain such copy in his office as a public record where it shall be available for public inspection at all reasonable times. In the case of a school district, a copy of the audit report shall also be submitted to the commissioner of education within thirty days after the audit report is received.

[§ 29-1-606, C.R.S.](#) (4) If within one month after the time period provided in subsection (1) of this section the local government is unable to file an audit report with the state auditor, the governing body of the local government shall submit to the state auditor a written request for extension of time to file. Such request for extension shall be submitted no later than one month after the time period provided in subsection (1) of this section. The state auditor may authorize an extension of such time for not more than sixty days.

Comment #2

Proposed rule increases the burden on LEAs.

The proposed regulations require all LEAs to report current expenditures at the school-level. This will place a burden on LEAs. Specifically, small LEAs will be significantly burdened by this requirement. In 2014, Colorado's General Assembly amended the Public School Financial Transparency Act to require the reporting of actual expenditures at local education agency level and the school-site level. In 2015, this Act was again amended to exempt school-site level reporting for rural school districts that enroll fewer than one thousand students. This exemption was made in order to reduce the burden such reporting would have on small rural school districts.

Suggested Alternative

Provide for an exemption of school-level reporting for school districts with less than one thousand enrolled students. This change would greatly reduce the burden for small districts, but would still capture school level reporting for districts representing 96 percent of students within Colorado.

Supporting Evidence

[§ 22-44-304, C.R.S.](#) (1)(d) (I) Additionally, commencing July 1, 2015, each local education provider shall post in a format that can be downloaded and sorted, for free public access, the local education provider's actual expenditures, including but not limited to actual salary expenditures and actual benefit expenditures reported

by job category specified in the standard chart of accounts, at the local education provider level and at the school-site level.

(II) Notwithstanding any provision of subparagraph (I) of this paragraph (d) to the contrary, a school district that the department determines is rural, based on the geographic size of the school district and the distance of the school district from the nearest large, urbanized area, and that enrolls fewer than one thousand students in kindergarten through twelfth grade is not required to report expenditures at the school-site level except for those school-site level expenditures that the school district charges any portion of to a district charter school.

Comment #3

Proposed rule increases the burden on LEAs.

The proposed regulations require expenditures per pupil be disaggregated by source of funds both at the LEA-level and at the school-level. This will place a burden on LEAs as the proposed regulations will result in the need for a significant amount of additional coding for expenditures. The Colorado Chart of Accounts currently requires a program code for all expenditures. Expenditures associated with most federal funds and grant funds also require a grant/project code for expenditures. However, federal child nutrition program expenditures and expenditures for state, local, and private funding sources are not required to be coded with grant/project codes. Under the proposed regulation, additional grant/project coding will be required for expenditures associated with federal child nutrition programs and private sources. This will require a significant amount of effort by LEAs in order to specifically tie expenditures to these funding sources.

Suggested Alternative

Remove the disaggregated reporting of expenditures by source of funds. Disaggregated reporting of revenues by fund source is meaningful and appropriate.

Supporting Evidence

§ 200.35(a)(1)(i) Current expenditures per pupil from Federal, State, and local funds, for the preceding fiscal year, consistent with the timeline in § 200.30(e), for each LEA in the State, and for each school service by each LEA –

- (A) In the aggregate; and
- (B) Disaggregated by source of funds, including -
 - (1) Federal funds; and
 - (2) State and local funds combined (including Impact Aid funds), which must not include funds received from private sources.

§ 200.35(b)(1)(i) Current expenditures per pupil from Federal, State, and local funds, for the preceding fiscal year, consistent with the timeline in § 200.31(e), for the LEA and each school service by each LEA –

- (A) In total (Federal, State, and local funds); and
- (B) Disaggregated by source of funds, including -
 - (1) Federal funds; and
 - (2) State and local funds combined (including Impact Aid funds), which must not include funds received from private sources.

Comment #4

Proposed rule is unclear.

The proposed regulations require that state and local funds must not include funds received from private sources, however, funds from private sources is not defined. The Colorado Chart of Accounts classifies the following as local sources: taxes, property taxes, specific ownership taxes, sales and use taxes, delinquent taxes

and penalties and interest on taxes, abatements and credits, refunds, tuition, transportation fees, earnings on investments, interest on investments, dividends on investments, other earnings on investments, reimbursable food service revenue, student lunches/breakfasts, adult lunches/breakfasts, a la carte, adult, a la carte, pupil activities, gate/door admissions, fund raisers, private grants, gifts, other revenue from local sources, rentals/leases, contributions and donations from private sources, instructional materials fees, parking fees, advertising, insurance claims and other miscellaneous revenue. In order to know which of these sources to be excluded from state and local sources, we would need a definition of private sources. For example, would all non-tax revenues be considered private sources.

Suggested Alternative

Provide clarification for the definition of funds from private sources.

Supporting Evidence

§ 200.35(a)(1)(i)(B)(2) State and local funds combined (including Impact Aid funds), which must not include funds received from private sources.

§ 200.35(b)(1)(i)(B)(2) State and local funds combined (including Impact Aid funds), which must not include funds received from private sources.

Comment #5

Proposed rule imposes unreasonable requirements.

The proposed regulations require the State to develop uniform, single statewide procedures to calculate school-level current expenditures per pupil, including personnel and non-personnel expenditures. It is not feasible to have a uniform, single procedure established by the State.

Every LEA is unique, and Colorado is a local control state which allows LEAs to determine the appropriate level of budget management and control. The expenditures each LEA reports at each unique school site are decisions specific to the school district. For example, some LEAs are centralized, where budgets and expenditures are managed at the district level, while others are decentralized, where budgets and expenditures are managed at the school level.

Additionally, it may be impractical for many LEAs to assign or allocate non-personnel costs to the school level with their current staffing and systems. Many LEAs do not have a cost accounting systems or procedures necessary for reporting at this level. In response to draft legislation in 2014, it was estimated that meeting proposed school site-level reporting requirements could increase staffing costs by up to \$1.1 million to compile, track, and verify school-level data.

Suggested Alternative

Remove the requirement for a uniform, single statewide procedure, allowing LEAs to report those expenditures at the school-level which are appropriate to each LEA.

Supporting Evidence

§ 200.35(a)(1)(ii) The Web address or URL of, or direct link to, a description of the uniform procedure required under paragraph (c) of this section that complies with the requirements under § 200.21(b)(1) through (3).

§ 200.35(b)(1)(ii) The Web address or URL of, or direct link to, a description of the uniform procedure required under paragraph (c) of this section.

§ 200.35(c) Uniform procedures. A State must develop a single statewide procedure to calculate LEA current expenditures per pupil and a single statewide procedure to calculate school-level current expenditures per pupil, such that –

- (1) The numerator consists of current expenditures, which means actual personnel costs (including actual staff salaries) and actual non-personnel expenditures of Federal, State, and local funds, used for public education –
 - (i) Including, but not limited to, expenditures for administration, instruction, instructional support, student support services, pupil transportation services, operation and maintenance of plant, fixed charges, and preschool, and net expenditures to cover deficits for food services and student body activities; but
 - (ii) Not including expenditures for community services, capital outlay, and debt services;

[Colorado Constitution - Article IX, § 15](#) The general assembly shall, by law, provide for organization of school districts of convenient size, in each of which shall be established a board of education, to consist of three or more directors to be elected by the qualified electors of the district. Said directors shall have control of instruction in the public schools of their respective districts.

[§ 22-30.7-101, C.R.S.](#) (g) Local control of schools is a fundamental Colorado value;

Comment #6

Proposed rule is unclear.

The proposed regulations outline that preschool expenditures are included as current expenditures. However, the regulations also outline that student membership data should include the number of students whom the State and LEA provide free public education. These regulations appear inconsistent as the expenditure data would include expenditures associated with tuition preschool students, while the student count data would not include such students. Tuition preschool students represent approximately 16 percent of preschool students in Colorado. This scenario would also apply, albeit to a lesser extent, for other grades. Such a discord between the nominator and denominator could skew the per pupil expenditure figures.

Suggested Alternative

Provide clarification for the denominator of student membership definition to include all students enrolled in the State, LEA or school, not just those to whom the State and LEA provide free public education.

Supporting Evidence

§ 200.35(c)(1)The numerator consists of current expenditures, which means actual personnel costs (including actual staff salaries) and actual non-personnel expenditures of Federal, State, and local funds, used for public education –

- (i) Including, but not limited to, expenditures for administration, instruction, instructional support, student support services, pupil transportation services, operation and maintenance of plant, fixed charges, and preschool, and net expenditures to cover deficits for food services and student body activities; but
- (ii) Not including expenditures for community services, capital outlay, and debt services; and

§ 200.35(c)(2) The denominator consists of the aggregate number of students in elementary and secondary schools to whom the State and LEA provide free public education on October 1, consistent with the student membership data collected annually by States for submission to the National Center for Education Statistics.