No Financial Accountability

Why Texas K-12 public education lacks any real financial accountability and the implications for both the ongoing public school financing litigation and the future of our State.

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Although Texas spends $55B per school year on K-12 public education, there is no transparency or financial accountability for how this money is actually used.

Executive Summary

Texas has been embroiled in a multi-decade legal and political battle over the funding of public education. The Texas Supreme Court has concluded that to be constitutional, the system of funding K-12 public education must be “efficient,” “suitable” and “adequate.” However, the Court defined these terms very broadly. It also declined to provide any quantifiable metrics by which to evaluate whether the system meets these criteria.

As outside but interested observers, we at the Texas Education Accountability Project (TEAP) found the ongoing legal battle intriguing because the plaintiffs to date have failed to propose any quantifiable metrics to address the efficiency and suitability of the current system and have offered only very limited ones for evaluating its adequacy. Nor has anyone provided any useable information which would allow either the Legislature or the courts to measure how changes in funding might directly translate into changes in the quality of education provided to students.

Certainly, various parties have pointed to disparities in spending per student as well as the relative performance of students in different school districts on standardized tests. However, the Court has already ruled that per student spending and test scores alone are not dispositive. More importantly, none of the plaintiffs has even attempted to show that they use their current funding efficiently and thus, only if they receive additional resources will they be able to provide a suitable and adequate education for their students.

Consequently, we thought it might be useful if an outside group independently conducted a detailed review of how Texas schools spend the billions of dollars of funding that they receive. Of course we recognize that there is not a perfect correlation between the amount of money spent – or even to some degree how the money is spent – on educating students and the resulting outcomes. But at the same time, a precondition to improving any system of public education (much less making it conform to the State’s constitution) is to first understand how current resources are being used and compare that with the results that they produce.

Our goal was to identify a set of quantifiable metrics that could be used in evaluating the efficiency, suitability and/or adequacy of the current system as well as any new system the Legislature might devise. To do this, we spent two years gathering and analyzing financial data from school districts across our State.

1 By way of background, TEAP is a nonprofit, nonpartisan organization. Our goal is to utilize the private sector experience of our members in order to make some small contribution to improving public education in our State. Our members do not directly or indirectly provide any services, supplies or equipment to schools or in any other way financially benefit from K-12 Texas public education. Rather, we earn our livings investing capital into private companies unrelated to education.

2 In order to support these arguments, some plaintiffs have relied on academic studies that employ macro-econometric models based on aggregate statistical data across many school districts.
No real financial accountability in Texas public education

What we found was startling – namely, there is no real financial accountability for K-12 public education in Texas. In a system of public education that in aggregate spent nearly $55B\(^3\) in the 2008-2009 school year and which increased spending per student by nearly 63\% over preceding decade (almost twice the rate of inflation), it is almost impossible for any average citizen who does not work for a school district to have any idea of how taxpayer funds are used.

To be sure, the current system of reporting generates tremendous amounts of data and each school district is required to publish an annual financial report that has been independently audited. However, for several reasons the system produces little useful information, precluding both transparency and accountability.

First and foremost, the primary financial disclosure document produced by school districts – their annual financial report – does not provide an average citizen with any real insight into how a particular school district uses its funding. These documents uselessly aggregate the overwhelming preponderance of the school district’s expenditures into a small number of individual line items, each with comforting-sounding names such as “Instruction” and “School Leadership.” In other words, the documents do not tell the reader what the district purchased. Rather, all that is disclosed is the generic purpose of the expenditures.

For example, according to the Comptroller’s office on average 56\% of Texas school districts’ expenditures are incorporated into their annual reports in the single line item of “Instruction.” Under current Texas Education Agency rules, school districts are required to include in this line item 29 different categories of expenditures. In addition, they are allowed to add into “Instruction” any expenditure which fits the very broad definition of providing “direct interaction between staff and students to achieve learning.” Our review of a group of school districts’ supporting documents (general ledgers and check registers) used in preparing their annual reports found that expenditures included in “Instruction” ranged from hotel and travel costs to general supplies to “Xmas Staff Gifts” and even a “Magic Show.”\(^4\)

The paucity of the information provided to citizens by school districts on how taxpayer funds are actually used is particularly surprising given that they regularly collect immense amounts of financial data. Their general ledgers track every expenditure made and accompanying these entries are a series of “object codes” that are either very specific (i.e., cell phone allowances, print shop expenditures, water, sick leave, etc.) or extremely broad (general supplies, contracted services, other operating expenses, etc.). In the general ledgers that we reviewed, every expenditure had both a function code (i.e., “Instruction,” “Curriculum Development,” “School Administration,” etc.) and an underlying object code. Much of this information, in turn, is captured in databases maintained by the TEA.

\(^3\) Financial Allocation Study of Texas

\(^4\) The authors would like to emphasize that in no way are we suggesting that the school districts that we reviewed are misreporting their financial data. Rather, it is the reporting rules that they must follow that preclude any financial transparency and/or accountability.
Transparency a precondition to financial accountability

Unfortunately, no average person has the time or resources necessary to analyze even a fraction of this data. But without such a forensic accounting exercise, it is impossible to determine relatively simple things such as how much of the district’s funding is used to pay teachers solely to teach vs. what it costs to insure driver’s education vehicles (both of which are classified as “Instruction” expenditures), much less what is the district spending money on that is essential vs. optional. 5

For many good reasons, our State’s system of public education is based on “local control” – that is, local school districts and not some centralized authority determine, given their individual demographics, location, economics and other factors, the best way to educate students. Ideally, local control allows parents input into how their children are educated and how their school districts should best use taxpayer funds. However, a precondition to financial accountability under such a structure is that an average citizen be able to understand exactly how his or her school district spends money, something precluded by the current system of financial reporting.

The uninformed being evaluated by the equally uninformed

Also consider for a moment the larger implications of what we found: The Legislature somehow must design an efficient, suitable and adequate system of funding Texas public education while at the same time possessing no real idea of how school districts currently spend taxpayer money. Equally problematic, the courts somehow must evaluate the constitutionality of whatever the Legislature produces but they have no better information than that on which the Legislature must rely. The resulting process can be best characterized as the uninformed being evaluated by the equally uninformed.

Most importantly, the economic future of our State is dependent on having a well-educated populace. But without any useful information of how we currently spend our education dollars, whatever system the Legislature devises will be at best arbitrary and will likely do little to improve education in Texas.

A simple solution

There is, however, a simple solution to this dilemma: fix the current system of financial reporting. These changes should be guided by one simple, overarching principle: the primary purpose is to produce information that allows an average citizen to easily understand exactly how his or her school district spends taxpayer money.

Only if and when the system meets this standard will there ever be real financial accountability in K-12 public education. Additionally, only with these changes will the system generate the necessary information that will

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5 In fact, we concluded after nearly two years of research that the only way TEAP – even though we invest in companies for a living – would ever be able to figure out exactly how a school district was spending taxpayer money would be to recreate a new general ledger (and from that an annual financial report) by beginning with the thousands of underlying receipts from all of a district’s individual purchases and expenditures.
allow the Legislature to design a system of funding public education that is constitutional.

We would recommend that at a minimum:

(i) School district annual financial reports must be redesigned in six ways:

a. The line items included in the summary pages of the reports should be tied to specific types of expenditures and not simply their general purposes;

b. Each of these line items should be accompanied by a schedule with numerous sub-line items which detail precisely how the funds were used;

c. The annual report should include key output metrics including the numbers of students taught in different types of classes;

d. It should also include a detailed organizational chart for the district;

e. It should list any and all agreements with non-district employees and entities as well as the amounts paid and services and/or products received;

f. For those districts which share services with other school districts and government agencies, their annual report should have a separate set of detailed disclosures describing what was purchased and how the funds provided were used.

(ii) The coding in school district’s supporting documents (i.e., general ledgers and check registers) should likewise be changed so to create an easy audit trail that ties individual expenditures into the sub-line items of the supporting schedules in the district’s annual financial report. Only by doing this can an outsider easily determine not only to whom or to what money was paid but also for what exact purpose; and

(iii) School districts should be required to make their financial reports, major contracts and supporting documents easily accessible online through the individual district’s website.

We have included in this report a series of proposals to address these issues.
I. Introduction

Texas has been engaged in a four decade political and legal battle over how much it must spend on public education, how those monies should be allocated and from where all of this funding is going to come. Poorer districts have argued that the state’s historical system of funding K-12 public education is unconstitutional because of its reliance on local property taxes which, in turn, creates a vast disparity in the amounts spent on educating students in public schools in different parts of the state. Their litigation culminated in the landmark Edgewood cases which forced the Legislature to materially alter how public education is funded.

The resulting system was and remains – to put it mildly – extremely unpopular and controversial. Relying on a series of formulas that are altered in every Legislative session and that are almost indecipherable, the program nicknamed “Robin Hood” takes funding that would have otherwise been used to educate students in wealthier districts and transfers it to less affluent ones.

Robin Hood spawned a series of additional lawsuits claiming that this system of funding public education violated the State’s constitution because it de facto imposed a state property tax. The Court agreed that, as then structured, Robin Hood violated the State’s constitution. It also indicated that the K-12 public education system in general required both structural changes and new sources of funding because it was on the cusp of being inadequate.

At the same time, however, the Court’s guidance to Legislature was fairly non-specific. It determined that there is a constitutional obligation that Texas’ system for providing free public education meets three key standards: (i) efficiency; (ii) suitability; and (iii) adequacy.

The Court defined efficiency as “the meaning of effective or productive of results and connotes the use of resources so as to produce results with little waste.” It explained that in order to be suitable “the public school system be structured, operated and funded so that it can accomplish its purpose for all Texas children” and that an “adequate” education system is “one that achieves a general diffusion of knowledge.” Exactly how the then current system of funding public education must be changed to meet these criteria was left up to the Legislature as the Court claimed that it lacked the basis for “declaring what education or finance systems will alone satisfy [the Constitution’s] standards.”

Court has left it to others to propose quantifiable metrics

However, these rulings made it clear that the Court decided that it was not its job to redesign the Texas system of public education and that the Court was unwilling to propose any quantifiable metrics by which to measure whether any system would be constitutional. More specifically, the Court provided no guidance as to the types of skills that students must acquire – much less how one should measure whether these skills have been achieved – to meet the constitutional requirement of “achieving a general diffusion of knowledge.” It likewise provided no metrics on how to measure efficiency. Instead, it left it to others to propose their own ideas.
Perhaps because the ruling was so broad, the Legislature subsequently elected to only marginally change the structure of funding for public education. The resulting legislation required school districts to gradually lower their maximum property tax rates for school maintenance and operation and (at least theoretically) replaced that revenue through a combination of new state taxes.

Lack of clarity + less funding + higher standards = more lawsuits

The non-specificity of the Court’s ruling also made it inevitable that, regardless of whatever the Legislature did, there would be additional legal challenges. The potential for more litigation was further enhanced because the Legislature had to cut more than $5B in public education funding over the next biennium in order to balance the State’s budget. In addition, at the same time it substantially raised the education standards for Texas high schools through a program called “College and Career Readiness Standards” (CCRS).

Consequently, late last year and early this year a flurry of new litigation was filed. Although each of these lawsuits rely on different bases for challenging the public system of education, they all claim that it either fails to meet the three criteria outlined by the Court, or that in attempting to meet these criteria, it violates some other aspect of the State’s constitution.

Texas Education Accountability Project (TEAP)

We at the Texas Education Accountability Project (TEAP) have dared to wade into the middle of this debate. By way of background, TEAP is a nonprofit, nonpartisan organization. Our goal is to utilize the private sector experience of our members in order to make some small contribution to improving public education in our State. Our members do not directly or indirectly provide any services, supplies or equipment to schools or in any other way financially benefit from K-12 Texas public education. Rather, we earn our livings investing capital into private companies unrelated to education.

Our members (like anyone else who has studied the current system of public education) see that it is rife with problems that must be solved and the current quality of education provided to many students in some school districts is abysmal at best. And certainly, the level of resources that school districts have at their disposal to educate students varies immensely across our State, with some school districts clearly having to do a great deal with very little.

As interested observers of the battle being waged in the Legislature and the courts over public education, we were surprised that the participants in this debate have provided to date only very limited quantifiable metrics to support their arguments. No one has proposed any methodology for measuring efficiency and/or suitability. Those who have tried to quantify adequacy have relied on very broad econometric models that purport to correlate education outcomes and different spending levels. More importantly, no plaintiff has even attempted to demonstrate that it uses its current funding efficiently and, therefore, only with additional funding can it provide a suitable and adequate education for their students.
Of course, plaintiffs have also pointed to spending per student and the relative performance of students in different school districts on standardized tests. However, the Court has already ruled that per student spending and test scores alone are not dispositive.

**Independent review of the data**

Consequently, we at TEAP thought it might be constructive to have an outside group independently examine how Texas school districts currently spend taxpayer dollars. We spent almost two years collecting and analyzing financial data across multiple school districts throughout Texas. Our goal was to identify a series of potential metrics or benchmarks that could be used to better measure the efficiency, suitability and adequacy of the current system and, thereby, assist both policymakers and jurists in fashioning a funding mechanism for public education that would meet its constitutional requirements. Ideally, these same metrics could also be used to improve how we educate children in our State.

Our analysis quickly evolved into an exercise in forensic accounting. We looked at the audited financial reports for individual districts as well as the Texas Education Agency’s rules for reporting. We also delved much more deeply into the numbers by comparing the financial reports of several individual school districts with their supporting documents including their general ledgers, check registers, the superintendent’s employment agreement, the structure of the district’s employee benefit programs and how they accounted for shared services and supplies, etc.

**No real financial accountability for public education in Texas**

What we found was quite different from what we had expected. More specifically, we discovered that there is currently no real financial accountability for K-12 public education in Texas.

Certainly, school districts currently generate oceans of financial data and each school district must prepare an annual financial report which is independently audited. Unfortunately, however, the current system of financial reporting produces no useful information, making it impossible for anyone who does not work in the district to have any real idea of how it spends taxpayer funds.

As we will explain later in greater detail, three findings led us to this conclusion:

(i) The primary disclosure document produced by school districts – their annual report – tells the average citizen very little on exactly how a particular school district uses its funding;

(ii) Although school districts regularly track thousands of pieces of financial data in their general ledgers and check registers and much of that data is captured in databases maintained by the Texas Education Agency (TEA), it is just that, raw data. No average person has the time and resources to analyze a fraction of it. But without a detailed forensic accounting analysis this mass of data provides no useful information; and
Some – but not all – school districts make it extremely difficult for outsiders to obtain their financial data.

The uninformed being evaluated by the equally uninformed

Consider for a moment some of the consequences of our findings. The Texas system of public education is based on the concept of “local control” – that is, instead of relying on a centralized authority, each district determines the best way to educate its students given its geography, demographics, economics and other factors. Ideally, local control allows parents input into how their children are educated and how their school districts should best use taxpayer funds.

Clearly, a precondition to financial accountability in a system based on local control is that average citizens must be able to understand exactly how their school district spends money. Unfortunately, the current system of financial reporting precludes any such understanding.

Further, the Legislature likewise has no better information with which to (re)design the system of funding public education. However, whatever it devises must “produce results with little waste,” although it lacks any ability to measure or evaluate exactly how the money it appropriates is employed. It also must create a system that “accomplishes its purpose” and produces “a general diffusion of knowledge” without the ability to measure precisely what is being done to educate students with the dollars provided.

Equally problematic, the courts must evaluate the constitutionality of whatever the Legislature designs but has no better information than that on which the Legislature must rely. The resulting process can be best characterized as the uninformed being evaluated by the equally uninformed.

More importantly, whatever the Legislature and the courts arrive at will be at best arbitrary and will likely do little to improve education in Texas. It also will invariably lead to more lawsuits challenging the new system’s constitutionality.

A simple solution

However, there is a simple solution to this dilemma: fix the current system of financial reporting in public education in Texas. It should be redesigned so that the information that it provides allows the average citizen to easily understand how his or her school district spends taxpayer money. Later in this report we will outline a series of proposals to address these issues.
II. A system of financial reporting financial that produces little useful information

School districts in Texas report their financial data using the Public Education Information Management System (PEIMS). Designed by the Texas Education Agency (TEA), the system’s purpose is to track a wide variety of information from school districts across the state including student demographics and academic performance, personnel, financial and organizational information.

School districts track all of their expenditures in their general ledgers and check registers. The data is used in preparing the district’s primary financial disclosure document, an independently audited annual financial report. The manner and format used by school districts to prepare this report is prescribed by the TEA’s Financial Accountability Resource Guide (FARG).

As described in the FARG, the goal of all this work and expense is to “communicate adequate information to user groups to enable them to assess the performance of those parties that have been empowered to act in the place of the citizenry.” Further, the reporting is not “an end in itself” but, rather “helps fulfill government’s duty to be publicly accountable.” It also is designed to help “satisfy the needs of users who have limited authority, ability, or resources to obtain information and who therefore rely on the reports as an important source of information.”

Finally, the FARG also identifies the three primary target audiences for the districts’ annual financial reports:

(i) Citizens of the school district (taxpayers, voters, service recipients, media, advocate groups, and public finance researchers)

(ii) Direct representatives of the citizens such as legislatures and oversight bodies (state legislatures, school boards)

(iii) Creditors (individual and institutional investors, bond rating agencies, intergovernmental grantors)

Simply put, the consumers of tax dollars – namely, the school districts – are accountable to their constituents, elected officials and creditors. In order to be accountable, the districts are obligated to provide financial disclosure in such a manner so that someone who does not work in the district on a day to day basis can understand how these tax dollars are being used.

Three reasons why the current system fails to meet its own stated objectives

Unfortunately, for three reasons the current system of public education financial reporting falls far short of meeting these objectives. First, the rules on how school districts are required to prepare their annual financial reports effectively preclude
any transparency on how school districts actually spend their money. Second, although school districts amass large amounts of financial data in their check registers and general ledgers (much of which is captured by databases maintained by the TEA), it is just that, raw data. Absent a detailed forensic accounting analysis – something impractical for most people – the data provides no useful information. Finally, Texas school districts are not required to make their financial data easily accessible to outsiders.

**Issue I – Disclosing only the general purpose of spending and not what exactly was purchased**

If you pick up a copy of a school district’s annual report, you will find many similarities to that of the financial report of any public company. The report includes basic financial statements as well as notes explaining in greater detail some of the data that was incorporated in the summary pages.

But, unlike a public company, school districts do not have income statements because they are not intended to make money. Instead, the basic financials include a “Statement of Revenues, Expenditures and Changes” which both describes the sources of the district’s revenues and its expenditures in that school year.

This page of its annual financial report is the primary way in which school districts disclose how they spent taxpayer money. It is also a key reason why there is no real financial accountability for public education in Texas.

**Vast number of different types of expenditures crammed into individual line items of disclosure**

More specifically, as currently designed, the expenditures listed in this page of the report are crammed into a small number of individual line items with comforting sounding names such as “Instruction”, “School Leadership,” “Curriculum and Staff Development,” etc. But these line items do not tell the reader how the money was spent; rather, they only disclose the general purpose of the spending.

More problematic, they provide only very limited additional information on exactly how the district used its funding, although there are notes and additional schedules to the annual report. Consequently, the reader has no idea of very basic items such as how much is being spent to pay teachers to teach or what are the overhead costs of the district.

In addition, no outsider reading this report has any idea of how to determine which activities that are being funded by the district are necessary and essential to educating students versus those that are nice and useful but, in reality, are optional to getting a good education. Further, the disclosure provided makes it impossible for anyone to measure how efficiently the school district is using its funding.

For example, according to the Comptroller’s office, on average about 56% of school districts’ expenditures were included in a single line...
item of their annual financial report. With the ubiquitous title of “Instruction,” this line item aggregates, at a minimum, 29 different types of expenditures including:

1. Paying regular and/or substitute classroom teachers;
2. Paying teacher aides;
3. Paying classroom assistants;
4. Paying graders;
5. Paying staff working in the classroom on a dedicated basis;
6. Paying adult basic education teachers;
7. Paying teachers that deliver instruction by television or satellite;
8. TI-IN services provided by education service centers;
9. Classes taught to students by education service centers;
10. Special education instructional services, including speech occupational and physical therapy;
11. Upkeep and repairs to instructional materials and equipment in the classroom;
12. Instruction in health;
13. Field trips;
14. Band instruments purchased by the school district or donated by band boosters or other groups;
15. Instructional computer networks;
16. Software;
17. Licensing fees;
18. Maintenance and supplies for instructional computer networks;
19. Paying staff and instructional computer lab teachers;
20. Paying network managers for instructional networks;
21. Paying technology coordinators for instructional networks;
22. Testing materials for tests developed and administered by teachers;
23. Salaries for instruction including that portion of the salary for the regular school day that is for teaching physical education courses for credit when athletic activities are taking place;
24. Instructional supplies including but not limited to classroom supplies, grade books, grade book software, report cards, student handbooks and related costs;
25. Insurance for driver’s education vehicles;
26. Graduation expenditures/expenses;
27. Pre/post-employment physicals for personnel classified in this function;
28. Drug testing for personnel classified in this function; and
29. Purchase of vehicles for instructional purposes, including driver education.

Wide variety of other types of expenditures included in “Instruction”

“Instruction,” however, is not limited to only these kinds of expenditures. So long as any expenditure falls into the category of providing “direct interaction between staff and students to achieve
learning,” it qualifies to be lumped into this single line item of a school district’s annual report.

Our analysis of general ledgers of a cross section of school districts found that they included all kinds of expenditures in “Instruction” in their annual financial reports. A small sample of the examples that we uncovered included:

1. “Magic show” ($2,700.00)
2. “Pictures” ($250.00)
3. “General Supplies” ($280,000 in aggregate across multiple entries)
4. “Hyatt Regency” ($273.20)
5. “Primetime Entertainment Center” ($143.20)
6. “Agape Tours” ($3,300)
7. “Radisson Hotel and Suites” ($502.44)
8. “Hilton Anatole” ($627.84)
9. “Postage” ($1,750.00)
10. “Puppets-LIBR-MS” ($313.17)
11. “Xmas Staff Gifts” ($138.53)

All of these expenditures may in reality provide “direct interaction between staff and students to achieve learning” and thus, these school districts’ reporting is consistent with their rules for financial disclosure. However, what is also clear is that no outsider would have any idea if this was the case.

Further, how could anyone who does not work in the district be able to separate out essential functions such as teachers’ salaries versus non-essential items such as cars for drivers’ education or even “magic shows” or “Xmas Staff Gifts”? This kind of financial reporting is the antithesis of transparency.

Most of the remaining expenditures are likewise crammed into only a few line items

TEA’s reporting rules require that school districts aggregate most of their remaining expenditures into a relatively small number of other line items in their financial disclosures. For example, the second largest category of expenditures was “Instructional and Media Resources.” Under the TEA’s rules, there are (at a minimum) sixteen different kinds of expenditures incorporated, including the salaries and costs associated with:

1. Librarians;
2. Library aides and assistants;
3. Media or resource center personnel who work in an audio visual center, television studio or related work study areas;
4. Substitute pay for library staff;
5. Selecting, preparing, cataloging and circulating books and other printed materials;
6. Planning the use of the library by students, teachers and other instructional staff;
7. Building individuals’ ability in their use of library books and materials;
8. Selecting, preparing, maintaining and making available to members of the instructional staff equipment, films, filmstrips, transparencies, tapes, TV programs, software, CD/DVDs and similar materials;

9. Planning, programming, writing, and presenting educational programs or segments of programs by closed circuit or broadcast television;

10. Studio crews that record educational programs or segments of programs by closed circuit or broadcast television including those for TI-IN;

11. Library books, films, video cassettes, CD/DVD disks and, other media that are maintained by a resource center or library;

12. Supplies for binding and repairing books or other media contained in resource centers;

13. Upkeep and repairs to media, library and resource center materials and equipment;

14. Media and Living Science services provided by an education center;

15. Pre-post-employment physicals or drug testing for personnel in this function;

16. Purchase of vehicles for instructional resources and media purposes.

However, this list is not all-inclusive. Also included in this line item are any and all expenses that are “directly and exclusively used for resource centers, establishing and maintaining libraries and other major facilities dealing with educational resources and media.”

**How do you determine if an automobile is solely for “staff development”?**

Consider also how school districts report what they spend on developing their curriculums and improving the quality of the staff which provide instruction. Included (but not limited to) in the “Curriculum Development and Instructional Staff Development” line item are: the costs of outside consultants, curriculum coordinators who are not responsible for supervising instructional staff, Assistant/Deputy Superintendents for Curriculum, tuition and fees paid by instructional staff to attend college, upkeep and repairs of equipment used for curriculum development or inservice training, paid sabbatical leaves for instructional staff and even purchases of vehicles for staff development or curriculum development purposes.

Let’s put aside for the moment the question of how a school district might determine that the purchase of a vehicle was solely for “staff development” purposes. But when an annual report mixes into a single line item of disclosure everything from the cost of paid sabbaticals for teachers to the maintenance costs of certain types of equipment to the costs drug testing, how can any outsider have any idea as to what exactly are a district’s spending priorities?

Also consider the line item (“School Leadership”) of the annual financial report that any outsider would likely assume as most associated with overhead – namely the administrators who are not involved in teaching
students. While it is extremely broad, it is not all inclusive. For example, encapsulated in it are the costs of principals, assistant principals and related staff as well as those staff who track student attendance.

However, not included in this line item is that part of the superintendent’s salary for performing “administrative duties directly related to the superintendency” as well as “other salaries and expenditures related to the office of the superintendent” and “salaries related to the budgeting, accounting and fiscal affairs” and “related to human resources.” This category also excludes the cost of those staff members who prepare “the superintendent’s annual report.”

Loosely translated, this means that someone must divine how much of a superintendent’s time is spent on “school leadership” (and any associated costs) separately from any costs associated with the time that a superintendent spends on administration. We find all of this remarkable given that superintendents are almost by definition administrators who lead their districts and that the necessary time and effort required to parse through these definitions probably could be put to much better use in educating our children.

**Line item with the least transparency**

As bad as all of these examples of how school districts are required to disclose their non “Instruction” expenditures, they are downright transparent when compared with “Payments to Fiscal Agent/Member Districts of Shared Services Arrangements.” This line item is used when a school district outsources any functions to another school district. All of the costs associated with doing so are aggregated into a single line item.

To reiterate – the school district’s annual report does not disclose what services it is buying, the other school districts involved and how and for what purpose the money was used. Rather, so long as it shares services with another school district, its annual report simply discloses the total dollars involved.

As innocuous as this may sound, we found that several school districts had about 20% of their aggregate expenditures included in this line item. In other words, the district’s financial report simply discloses that it paid another district(s) one out of every five dollars that it spent that year to perform some unknown services for the district. It is unclear how a set of accounting rules could make a school district’s financial disclosures less transparent but it would definitely take much imagination and creativity.

**Illegal for publicly traded companies**

What all of these examples mean is that a school district’s annual financial report – again, its primary financial disclosure document – provides no useful information as to how it actually spends taxpayer dollars. It is also a bit bizarre that the State relies on such an opaque system of financial disclosure for public education when one considers what would happen if the management of a public company tried to likewise aggregate so much of its expenditures into so few line items of its primary financial report. There is almost no disclosure about more than one fifth of some districts’ expenditures.
What is illegal for public companies is mandatory for Texas school districts. Disclosure documents (i.e., annual report, 10K, 10Q, etc.) with no additional detailed disclosure.

It is quite probable that the management of the company would face civil sanctions from the SEC and even potential criminal ones from the Department of Justice. Further, it is also highly likely that the company would quickly find itself in a class action lawsuit for inadequate and misleading financial disclosure. But in the Texas system of public education, making such grossly insufficient financial disclosure is not only acceptable under the current rules for financial reporting, it is required.6

Issue II – Immense amounts of data but no useful information

It is particularly surprising to us that Texas school districts provide no useful information in their annual reports on how they spend taxpayer dollars given that they regularly track and record immense amounts of data. All of their individual expenditures are captured in their general ledgers and check registers. It is from these supporting documents that the data incorporated into annual reports is drawn.

For example, one smaller school district that we reviewed had about $6.3M of aggregate expenditures in the 2009 – 2010 school year. But a review of its general ledger only reveals who or what got paid but not what for. A handful of example entries in the ledger included:

1. HITEQ Computer Systems $870.95
2. Masterscapes $596.02
3. Roberts Truck Center $1,932.50
4. Roberts Truck Center $4,550.00
5. Roberts Truck Center $512.44
6. Webb Electronics $7,579.00
7. Webb Electronics $1,670.00
8. John Deere Govmt and Ntl Sales $3,611.94
9. Alton’s Sewing Machine $300.00
10. JnR Electronics $68.00
11. Interstate Battery $84.69
12. School Specialty Supply $1,768.18
13. CDW Government $3,330.00
14. Future Pro $3,285.00
15. Academic Superstore $542.00

6 To better understand just how much more publicly-traded companies disclose in their financial statements as compared to Texas school districts, consider the reports provided by a great Texas-based company, Whole Foods. Although it is in a ferociously competitive business and (understandably) wants to provide its competitors with as little information as possible, a small portion of its annual disclosures includes: direct store expenses, G&A expenses, pre-opening expenses, relocation, store closure and lease termination costs, costs of goods and store occupancy costs, average pre-opening expense per store, its average pre-opening rent per store, stores opened, acquired, divested, relocated and closed, remodeled stores with major expansions, total gross square footage in stores, the sales mix between stores, number of stores in development, their average size and the total gross square footage in development, percentage sales by product category (non-perishables, prepared foods and bakery and other perishables), store sales growth by year over the last ten years, advertising as a % of revenues and compared with peers, contributions to not-for-profit organizations as a % of profits, number of stores by state, return to shareholders compared with peer benchmarks, sales growth, identical store sales growth, sales increases from stores acquired over the previous 52 weeks, direct sales expenses as a percentage of sales, wage expenses as a percentage of sales, workers’ compensation expense as a percentage of sales, inventory valuation and methodology employed, impairment of long-lived assets, long-lived assets and sales domestically and in foreign countries, construction accruals, intangible asset depreciation, accretion of interest on existing reserves and new closures, rental expenses, deferred tax assets, stock options granted, exercised, expired and forfeited and weighted average exercise price for each and aggregate intrinsic value, restricted stock grants, stock purchase plan shares, 401(k) plan contributions, equity compensation plans and exhibits detailing each of the material contracts that company has entered into. Additionally, it publishes an annual proxy statement that provides detailed information on executive compensation, directors and corporate governance.
However, as with all of the general ledgers and check registers that we reviewed, each of these expenditures recorded in these documents were accompanied by two types of codes. The first, a “Functional” code, indicated the general purpose of the spending, tying it to the corresponding line item of the district’s annual financial report. The expenditure also had an “Object” code, that is either very specific (i.e., cell phone allowances, print shop expenditures, water, sick leave, etc.) or extremely broad (general supplies, contracted services, other operating expense, etc.). Much of this information, in turn, is captured in databases maintained by the TEA.

As noted earlier, the school districts and TEA combined gather an immense amount of financial data but it provides non-experts with little useful information for two reasons. First, the average citizen lacks the time or resources necessary to analyze even a fraction of it. But absent such a forensic accounting exercise, it is impossible to determine relatively simple things such as how much of the district’s funding is used to pay teachers solely to teach vs. what it costs to insure driver’s education vehicles (both of which are classified as “Instruction” expenditures), much less what is the district spending money on that is essential vs. optional.

Second, even if someone had the time and resources to wade through all of this data, the codes currently used in tracking expenditures are on one hand too specific and in other instances are too broad to allow a non-expert to formulate a coherent understanding of the school district’s spending. In other words, one may be able to tell that this school district paid Group Logic $2,695.50 for something that is classified in the district’s annual financial report as “Instruction” and has an object code of “other expense.” However, knowing this tells you very little as to what the district purchased and why.

In fact, we concluded after nearly two years of research that the only way TEAP – even though we invest in companies for a living – would ever be able to figure out exactly how a school district was spending taxpayer money would be to recreate a new general ledger (and from that an annual financial report) by beginning with the thousands of underlying receipts from all of a district’s individual purchases and expenditures. But if someone is going to have to do all of this in order to understand how a district spends money, why even bother to produce the current reports?

**It is impossible for an average citizen to determine what a school district pays its teachers solely to teach.**
Issue III – It can be very difficult for outsiders to access school district financial data

In researching this report we requested financial information from many school districts across the State. As part of this, we filed numerous Texas Open Records requests.

Our experience in collecting this information was that the response that we received from the school districts was somewhat binary. Several school districts were extremely responsive and helpful. At the same time, getting financial data from about half of the school districts that we contacted was quite difficult.

The latter group of school districts typically employed one of two tactics: (i) simply ignore the Open Records request or (ii) make a determination that providing this data (which it likely already has on a hard drive on one of its computers) will take many, many hours to produce. Thus, if the requesting party wants the information it must pay as much as $10,000 to get it.

In either case, the only way to get them to comply with our information requests would have been for TEAP to hire an attorney and formally file a complaint. Fortunately, we never had to resort to doing so because we requested information from so many different school districts that eventually we were able to get a large enough sample of data to write this report.

However, it is somewhat outrageous that some school districts are allowed to make it difficult for outsiders to access their financial information. Imagine if you are an average citizen trying to figure out how your local school district is spending your money and for what purpose. It is unlikely that you would fully understand how the Texas Open Records requests work and even less likely that you could afford to hire an attorney to force the school district to comply with the request.

School districts are spending someone else’s (i.e. the taxpayers’) money. It is their duty to make their financial data as easily accessible as possible to their constituents.
III. Potential solutions

Although the current system of financial reporting for Texas K-12 public education is problematic, fixing it is not a Herculean task. As noted earlier, school districts already regularly collect immense amounts of data. The key challenge is synthesizing this data in a manner so that it is useful information that would allow an average citizen to understand in detail how his or her school district uses taxpayer dollars.

We would recommend that three steps be taken to fix the current system of financial reporting:

A. **The format and data included in the annual financial reports published by each school district must be changed.** School districts should be required to disclose substantially more detailed information on how they spend taxpayer funds. As part of this,

   (i) The line items in the summary pages of their annual financial reports should be altered to reflect the specific type of expenditure involved instead of just a general purpose such as “Instruction”;

   (ii) Accompanying each of these line items should be a schedule with numerous sub-line items that provide much greater detail as to how and why the money was spent;

   (iii) Annual financial reports should also include key school district output metrics in terms of the numbers of students educated by types of classes by grade;

   (iv) An organization chart should also accompany the annual report that would provide an overview of the structure of the school district, a list of teachers by school and the non-teaching professionals (by position) who work in the school district;

   (v) A list of all contracts with school district vendors and non-employees, the amounts paid to each and the specific services and/or products received should be included in a separate schedule of the annual financial report; and

   (vi) For those districts which share services with other school districts and government agencies, their annual report should be accompanied by disclosures which provide similar information as described in (i), (ii), (iii), (iv) and (v) above detailing what was purchased and how the funds provided were used.

We have included in Appendix A detailed recommendations of what should be incorporated into school district annual reports.

B. **The coding currently used by Texas school districts with their general ledgers and check registers should be modified.** In lieu of the current function and object codes should be coding which ties individual expenditures into both the major line items of the school’s annual report but also into its sub line items. Doing so will create a clearer audit trail that, in turn, would allow a parent...
to more easily understand the specific purpose of an individual expenditure if he or she wants to research the school district’s spending in greater detail. It will also make it easier to compare how individual districts use their funding.

C. Texas school districts should be required to post their key financial data (annual reports, general ledgers, check registers, financial source data, contracts with outside vendors and with senior district and school staff, etc.) for the trailing three years on their websites. Virtually every school district already has a website. It should not be controversial that they be required to provide their financial data so that outsiders can easily access it.
IV. Conclusion

We began this study assuming that the financial data currently generated by school districts could be used to help improve education in our State. As we have described, what we found was both surprising and alarming.

Texas currently has a K-12 education system which consumes (according to the Comptroller’s office) in excess 43% of Texas’ general revenues and in aggregate spent nearly $55B in the 2008-2009 school year. But no one who does not work for any individual school district has any real idea of exactly how that district spent its part of this money. Consequently, we have no way to determine whether that money was used intelligently, much less efficiently. It is likewise impossible for someone to determine whether what we currently spend money on are things that are essential to “the diffusion of knowledge” rather than optional or unnecessary.

Fixing the current system of financial reporting so as to create true financial accountability should not be controversial for either the property-rich or property-poor school districts. For the latter, they need to be able to clearly demonstrate and quantify that they are using the funds they currently receive in an efficient manner and that absent additional funding they will never be able to properly educate their students. Otherwise, the only financial metric that they can point to is aggregate dollars spent per student, something that is very limited in describing the quality of education being provided.

More importantly, the Texas Supreme Court has already ruled that the State’s constitution does not include a requirement of “equality of funding.” Instead, “the constitutional standard of efficiency requires substantially equivalent access to revenue only up to a point” and that individual school districts can and must be able to take steps to “enrich” the education of their students. Thus, although disparities between school districts in the money spent per student on education is a factor that the Court will consider when determining the constitutionality of a system for funding public education, it is by far not the only factor.

On the other hand, the primary outcome to date for the property-rich school districts from this decades-long legal battle has been that large amounts of money that they would have received otherwise have been transferred to property-poor districts through Robin Hood and its successors. And there is a real possibility that in some future ruling the Court could accelerate this trend.

Consequently, the wealthier districts likewise have a compelling interest to find a way to address the constitutionality of the system that goes beyond just dollars spent per student. They need to be able to frame the argument from the context of what precisely is needed to be done to educate students in a constitutional manner and what specific funding is required to provide these services. However, the current system of financial accountability for Texas public education does not produce the necessary information to make this case.
More lawsuits ahead

Regardless of whether either the property-rich or property-poor districts are willing to embrace real financial accountability, anyone worried about our State’s system of public education has a compelling interest that these changes be made. Without any useful information of how taxpayer funds are used to educate students, the Legislature will be unable to devise a system that is efficient, suitable and adequate and the courts likewise will be unable to determine if it is constitutional. Thus, if and until the current system of financial reporting is fixed, any future mechanisms for funding public education in our State will remain in constant limbo, subject to repeated legal challenges.

More importantly, our State has finite resources and it must allocate them across a wide set of priorities. Consequently, it will be quite difficult for any elected official to build a consensus that we need to spend more money on public education if there is no way of accurately and clearly demonstrating that we are using the current dollars allocated to K-12 public education in an intelligent manner.

Finally, beyond just the legal and political questions, the future economic vibrancy of our state in no small way depends on having a well-educated populace. In order to do this we have to find a way to get the maximum benefit from the dollars spent on public education. But until we know exactly how the money is being used, we will never be able to determine what needs to be done to improve the system.
Appendix A. Recommended Changes to the Format and Structure of School District Annual Financial Reports

In thinking about how to best redesign the current reporting and disclosure rules which Texas school districts must follow, we at TEAP began with what the Texas Education Agency (TEA) claims should be the standards that any system of financial reporting should meet. More specifically, TEA’s own manual points to “accountability as the paramount objective of financial reporting by state and local governments.” But to be accountable “financial reporting should communicate adequate information to user groups to enable them to assess the performance” of the governmental entity such as a school district. Moreover, the TEA argues that “financial reporting is not an end in itself but is intended to provide information useful for many purposes” that “helps to satisfy the needs of users who have limited authority, ability, or resources to obtain information and who therefore rely on the reports as an important source of information.”

In other words, any rational system of financial reporting for Texas school districts should be designed so that it provides sufficient information to allow its three primary constituencies – namely, the citizens of our State, direct representatives of our citizens such as members of the Legislature and oversight bodies and creditors of the school districts – to fully evaluate the financial performance of these governmental entities.

However, we would propose an even simpler standard: An average citizen should, after reading his or her school district’s annual financial report, have a clear understanding of exactly how it is spending taxpayer dollars.

Six structural changes to school district annual reports

With this in mind, we propose six changes to the school district annual report format. First, the report should include a list of major spending categories with titles tied to the specific type of expenditure (as opposed to its general purpose) such as “Compensation Expenses,” “Teacher, Administrator and Staff Professional Development,” “Costs Associated with Oversight of the School District”, etc. In Exhibit 1 to this Appendix A, we have provided our recommendations as what should be included in the major spending categories.

Second, each these major spending categories should be accompanied by a separate schedule that has numerous sub-line items, each reflecting a specific type of financial expenditure. For example the “Compensation Expenses” line item should be broken into multiple sub-line items ranging from salaries paid to teachers solely for teaching to benefits for school district support staff. Our recommended sub-line items for each major spending category are also shown in Exhibit 1 to this Appendix A.

Third, every annual report should include an organizational chart and narrative that allows outsiders to understand the operating structure of the school district. The narrative should provide an overview of the number of students per school by district, teachers by school, non-teaching professionals by school, non-teaching support staff by school, the number of professional staff at the district level and the number of support staff at...
Annual financial reports should include an organizational chart, lists of classes taught and disclose both agreements with outside contractors and other school districts.

the district level. The organization chart should include a list of teachers and administrators by position by school as well as a list of all of the professional staff by position at the school district level.

Fourth, every school district should have separate disclosure pages in its annual report listing every agreement with non-district employee contractors, the expenditures involved, the specific services and/or products provided to the district, when the contract was most recently awarded or renewed, whether at the time of the most recent award or renewal it was competitively bid and any and all political contributions made by the contractor to the election campaigns of any school board members of the district.

Fifth, the annual financial report should include detailed lists of the core outputs of the district – namely, the courses taught that year by grade; the number of each taught; and the number of students who successfully completed each. These classes should be divided by type, grade, and category (i.e., core curriculum, college preparatory, advanced placement courses, vocational, etc.). Additionally, this set of disclosures should include how many students were tutored either individually or in small groups outside of the normal school curriculum. Finally, the narrative should provide detailed information on the performance of students in the school district on standardized tests.

Lastly, the annual financial reports of those school districts which employ shared services agreements with other school districts or governmental agencies should include an additional set of disclosures. As part of this, the entity providing these services should be required to provide the same information (i.e., general categories of spending, accompanying schedules, organizational chart, detailed description of outputs and all contracts with outsiders, their cost and the services provided) that is included for the district’s other expenditures.
Exhibit 1 to Appendix A

Major Spending Categories

1. Compensation Expenses
2. Teacher, Administrator and Staff Professional Development Expenditures
3. Expenditures for Equipment and Facilities Used Directly in Teaching Students and Associated Maintenance Costs
4. Expenditures for Equipment and Acquisition Not Used Directly in Teaching Students and Associated Maintenance Costs
5. Athletic Facility Acquisition and Maintenance Costs
6. Student Transportation and Healthcare Costs
7. Expenditures on School-Provided Meals
8. Purchases of Supplies and Materials Directly Used for Teaching Students
9. Purchases of Supplies and Materials Not Directly Used for Teaching Students
10. Costs Associated with Oversight of the School District
11. Services Provided By Outside Contractors
12. Expenditures on Athletics and Extracurricular Activities
13. Long-Term Funding Costs
14. Expenditures from Shared Services with Other School Districts and Governmental Agencies
15. Costs Resulting From Other Governmental Agencies
Schedule A – Compensation Expenses

Specific disclosure line items:

1. Salaries paid to teachers for teaching classes. (This line item should exclude any compensation paid to teachers for non-teaching activities — e.g., coaching sports, supervising extracurricular activities, etc. — any compensation for tutoring or examination preparatory classes, as well as any performance bonuses.)

2. Benefits paid to teachers. (This line item should likewise exclude that portion of any benefits paid to teachers for non-teaching activities including as well as any expenditure for professional development.)

3. Salaries paid to teachers for tutoring students.

4. Salaries paid to teachers for examination preparatory classes.

5. Salaries paid to teaching assistants and teachers’ aides.


7. Salaries paid to guidance counselors.

8. Benefits paid to guidance counselors.

9. Salaries paid to coaches of athletic teams.

10. Benefits paid to coaches of athletic teams.

11. Salaries paid to librarians.


13. Salaries paid to school nurses and health staff.

14. Benefits paid to school nurses and health staff.

15. Compensation paid to individuals for their work in student extra-curricular activities, not including coaching athletic teams.


17. Benefits paid to the District Superintendent.

18. Salaries paid to District Assistant Superintendents.


20. Salaries paid to School Principals by individual.


22. Salaries paid to School Assistant Principals.
23. Benefits paid to School Assistant Principals.
24. Salaries paid to District-level administrative staff.
25. Benefits paid to District-level administrative staff.
26. Salaries paid to School-level administrative staff.
27. Benefits paid to School-level administrative staff.
28. Salaries paid to District-level support (e.g., janitorial, security, etc.) staff.
29. Benefits paid to District-level support staff.
30. Salaries paid to School level support staff, not including any compensation to individuals for their work in the preparation and delivery of school-provided meals to students.
31. Benefits paid to School-level support staff, not including any benefits provided to individuals for their work in the preparation and delivery of school-provided meals to students.
32. Performance bonuses paid to teachers by individual.
33. Performance bonuses paid to teaching assistants and teachers’ aides by individual.
34. Performance bonuses paid to guidance counselors by individual.
35. Performance bonuses paid to coaches of athletic teams by individual.
36. Performance bonuses paid to librarians by individual.
37. Performance bonuses paid to school nurses and health staff by individual.
38. Performance bonuses paid to individuals for their work in non-athletic extra-curricular activities by individual.
39. Performance bonuses paid to District Superintendent.
40. Performance bonuses paid to District Assistant Superintendents by individual.
41. Performance bonuses paid to School Principals by individual.
42. Performance bonuses paid to School Assistant Principals by individual.
43. Performance bonuses paid to District-level administrative staff by individual.
44. Performance bonuses paid to District-level support staff by individual.
45. Performance bonuses paid to School-level administrative staff by individual.
46. Performance bonuses paid to School-level support staff by individual.
Schedule B – Teacher, Administrator and Staff Professional Development Expenditures

Specific disclosure line items:

1. Tuition and fees paid for teacher continuing education.
2. Travel costs associated with teacher continuing education.
3. Tuition and fees paid for teacher undergraduate and/or post-graduate education.
4. Travel costs associated with teacher undergraduate and/or post-graduate education.
5. Tuition and fees paid for teacher aide and teaching assistant continuing education.
6. Travel costs associated with teacher aide and teaching assistant continuing education.
7. Tuition and fees paid for teacher aide and teaching assistant undergraduate and/or post-graduate education.
8. Travel costs associated with teacher aide and teaching assistant undergraduate and/or post-graduate education.
9. Tuition and fees paid for guidance counselor continuing education.
10. Travel costs associated with guidance counselor continuing education.
11. Tuition and fees paid for guidance counselor undergraduate and/or post-graduate education.
12. Travel costs associated with guidance counselor undergraduate and/or post-graduate education.
13. Tuition and fees paid for athletic team coach professional development.
14. Travel costs associated with athletic team coach professional development.
15. Tuition and fees paid for librarian continuing education.
16. Travel costs associated with librarian continuing education.
17. Tuition and fees paid for librarian undergraduate and/or post-graduate education.
18. Travel costs associated with librarian undergraduate and/or post-graduate education.
19. Tuition and fees paid for nurse and health staff continuing education.
20. Travel costs associated with nurse and health staff continuing education.
21. Tuition and fees paid for nurse and health staff undergraduate and/or post-graduate education.
22. Travel costs associated with nurse and health staff undergraduate and/or post-graduate education.
23. Tuition and fees paid for staff for professional development related to extracurricular activities.
24. Travel costs associated for professional development related to extracurricular activities.
Schedule B – Teacher, Administrator and Staff Professional Development Expenditures

(Continued)

25. Tuition and fees paid for District Superintendent continuing education.
26. Travel costs associated with District Superintendent continuing education.
27. Tuition and fees paid for District Superintendent undergraduate and/or post-graduate education.
28. Travel costs associated with District Superintendent undergraduate and/or post-graduate education.
29. Tuition and fees paid for Assistant Superintendent continuing education.
30. Travel costs associated with Assistant Superintendent continuing education.
31. Tuition and fees paid for District Assistant Superintendent undergraduate and/or post-graduate education.
32. Travel costs associated with District Assistant Superintendent undergraduate and/or post-graduate education.
33. Tuition and fees paid for School Principal continuing education.
34. Travel costs associated with School Principal continuing education.
35. Tuition and fees paid for School Principal undergraduate and/or post-graduate education.
36. Travel costs associated with School Principal undergraduate and/or post-graduate education.
37. Tuition and fees paid for School Assistant Principal continuing education.
38. Travel costs associated with School Assistant Principal continuing education.
39. Tuition and fees paid for School Assistant Principal undergraduate and/or post-graduate education.
40. Travel costs associated with School Assistant Principal undergraduate and/or post-graduate education.
41. Tuition and fees paid for District-level administrative staff continuing education.
42. Travel costs associated with District-level administrative staff continuing education.
43. Tuition and fees paid for District-level administrative staff undergraduate and/or post-graduate education.
44. Travel costs associated with District-level administrative staff undergraduate and/or post-graduate education.
45. Tuition and fees paid for School-level administrative staff continuing education.
46. Travel costs associated with School-level administrative staff continuing education.
47. Tuition and fees paid for School-level administrative staff undergraduate and/or post-graduate education.
48. Travel costs associated with School-level administrative staff undergraduate and/or post-graduate education.

49. Tuition and fees paid for District-level support staff continuing education.

50. Travel costs associated with District-level support staff continuing education.

51. Tuition and fees paid for District-level support staff undergraduate and/or post-graduate education.

52. Travel costs associated with District-level support staff undergraduate and/or post-graduate education.

53. Tuition and fees paid for School-level support staff continuing education.

54. Travel costs associated with School-level support staff continuing education.

55. Tuition and fees paid for School-level support staff undergraduate and/or post-graduate education.

56. Travel costs associated with School-level support staff undergraduate and/or post-graduate education.
Schedule C – Expenditures for Equipment and Facilities Used Directly in Teaching and Associated
Maintenance Costs

Specific disclosure line items:

1. Purchases, leases, and/or licenses for computers and software used directly in teaching students.

2. Expenditures (other than compensation for district employees) associated with computer hardware and
software maintenance and support used directly in teaching students.

3. Purchases and/or leases of audio visual equipment and software used directly in teaching students.

4. Expenditures (other than compensation for district employees) associated with audio visual equipment
and software maintenance and support used directly in teaching students.

5. Purchases and/or leases of other electronic equipment and software used directly in teaching
students.

6. Expenditures (other than compensation for district employees) associated with the maintenance and
support of other electronic equipment and software used directly in teaching students.

7. Purchases and/or leases of non-electronic classroom equipment.

8. Expenditures (other than compensation for district employees) associated with the maintenance and
support of non-electronic classroom equipment.

9. Purchases and/or leases of vehicles used in driver’s education.

10. Expenditures (other than compensation for district employees) associated with the maintenance and
support of vehicles used in driver’s education.

11. Fuel costs associated with vehicles used in driver’s education.

12. Purchases of band and orchestra instruments.

13. Expenditures (other than compensation for district employees) associated with the maintenance and
support of band and orchestra instruments.

14. Purchases of other band and orchestra equipment including uniforms.

15. Expenditures (other than compensation for district employees) associated with the maintenance and
support of band and orchestra equipment including uniforms.


17. Non-compensation expenditures associated with classroom maintenance and upkeep provided by
district employees.
Schedule D – Expenditures for Equipment and Facilities Not Used Directly in Teaching Students and Associated Maintenance Costs

Specific disclosure line items:

1. Purchases, leases, and/or licenses for computers and software not used directly in teaching students.

2. Expenditures (other than compensation for district employees) associated with computer hardware and software maintenance and support not used directly in teaching students.

3. Purchases and/or leases of audio visual equipment and software not used directly in teaching students.

4. Expenditures (other than compensation for district employees) associated with audio visual equipment and software maintenance and support not used directly in teaching students.

5. Purchases and/or leases of other electronic equipment and software not used directly in teaching students.

6. Expenditures (other than compensation for district employees) associated with the maintenance and support of other electronic equipment and software not used directly in teaching students.

7. Purchases and/or leases of non-electronic equipment not directly used in teaching students.

8. Expenditures (other than compensation for district employees) associated with the maintenance and support of non-electronic equipment not used directly in teaching students.

9. Purchases and/or leases of vehicles other than those used in driver’s education or those used in transporting students to and from school.

10. Expenditures (other than compensation for district employees) associated with the maintenance and support of vehicles other than those used in driver’s education and in transporting students to and from schools.

11. Fuel costs associated with the use of vehicles other than those used in driver’s education and transporting students to and from schools.

12. Capital expenditures on administrative facilities.

13. Capital expenditures on all other non-athletic facilities.

14. Non-compensation expenditures associated with administrative and all other non-athletic facility maintenance and upkeep provided by district employees.
Schedule E – Athletic Facility Acquisition and Maintenance Costs

Specific disclosure line items:

1. Capital expenditures on athletic facilities by sport.

2. Non-compensation expenditures by sport associated with athletic facility maintenance and upkeep provided by district employees.
Schedule F – Student Transportation and Healthcare Costs

Specific disclosure line items:

1. Capital expenditures on vehicles used in transporting students to and from schools.

2. Non-compensation expenditures associated with maintenance of vehicles used in transporting students to and from schools.

3. Fuel costs associated with transporting students to and from school.

4. Non-compensation expenditures associated with healthcare services provided to students.
Schedule G – Expenditures on School-Provided Meals

Specific disclosure line items:

1. Salaries paid to individuals for their work in the preparation and delivery of school-provided meals to students.

2. Benefits paid to individuals for their work in the preparation and delivery of school-provided meals to students.

3. Expenditures on food used in school-provided breakfast programs.

4. Expenditures on food used in school-provided lunch programs.

5. Expenditures on food used in any school-provided meals other than breakfasts or lunches.

6. Costs from the acquisition of equipment used in the preparation of school-provided meals.

7. Expenditures on the maintenance and upkeep of equipment used in school-provided meals.

8. Costs from the acquisition of non-food supplies used in the preparation of school-provided meals.

9. Number of students participating in school-provided breakfast program.

10. Number of meals served in school-provided breakfast program.

11. Number of students participating in school-provided lunch program.

12. Number of meals provided in school-provided lunch program.

13. Number of students participating in school-provided meals excluding lunches and breakfasts.

14. Number of meals served excluding breakfasts and lunches.
Schedule H – Purchases of Supplies and Materials Directly Used for Teaching Students

Specific disclosure line items:

1. Expenditures on consumable classroom supplies and materials.
2. Expenditures on durable classroom supplies and materials.
3. Expenditures on textbooks.
4. Expenditures on electronic education materials used directly in teaching students.
5. Expenditures on other, non-electronic education materials used directly in teaching students.
Schedule I – Purchases of Supplies and Materials Not Directly Used for Teaching Students

Specific disclosure line items:

1. Expenditures on consumable supplies and materials not directly used in teaching students.
2. Expenditures on durable supplies and materials not directly used in teaching students.
3. Expenditures on district-prepared publications.
4. Costs associated with operation, upkeep and maintenance of district website.
Schedule J – Costs Associated with Oversight of the School District

Specific disclosure line items:

1. School Board member travel for attendance at School Board meetings.
2. School Board member stipends for attendance at School Board meetings.
3. Other costs of School Board meetings.
4. School Board member travel for reasons other than attendance at School Board meetings.
5. School Board member stipends for reasons other than attendance at School Board meetings.
6. School Board costs other than those directly occurring from participation in School Board meetings.
7. Expenditures on annual audit.
8. Outside accounting costs not directly tied to annual audit.
9. Expenditures on legal services provided to School Board.
10. Expenditures on legal services provided to District other than legal services provided to School Board.
11. Expenditures associated with lobbying activities.
12. Expenditures associated with applications for grants.
13. Costs associated with liability insurance for School Board members.
14. Costs associated with liability insurance for school district and its employees.
15. Non-compensation costs associated with preparation and submission of required data to the Texas Education Agency.
Schedule K – Services Provided by Outside Contractors

Specific disclosure line items:

1. List of all agreements with outside service providers.

2. Expenditures associated with each contractor by each agreement.

3. Specific services provided by each contractor by each agreement.

4. Date by agreement of most recent award or renewal.

5. Whether each agreement was competitively bid at its most recent award or renewal.

6. List by contractor of all political contributions made to any school board members of the district.
Schedule L – Expenditures on Athletics and Extracurricular Activities

Specific disclosure line items:

1. Expenditures (excluding compensation for district employees and capital expenditures for facilities and maintenance) for athletics, by sport.

2. Expenditures (excluding compensation for district employees and capital expenditures for facilities and maintenance) for non-athletic extracurricular activities, by activity.
Schedule M – Long-Term Funding Costs

Specific disclosure line items:

1. Interest on long-term debt associated with classroom facilities.
2. Interest on long-term debt associated with non-classroom facilities.
3. Interest on long-term debt associated with athletic facilities.
4. Interest on long-term debt associated with facilities for non-athletic extracurricular activities.
Schedule N – Expenditures from Shared Services with Other School Districts and Governmental Agencies

Specific disclosure line items:

1. List of all services provided to the District as part of shared service agreement.

2. Expenditures for each individual shared services agreement.

3. Accompanying annual report for each entity providing shared services. At a minimum each report should include similar disclosure to that of school districts including general categories of spending, accompanying schedules, organizational chart, detailed description of outputs and all contracts with outsiders, their cost and the services provided.
Specific disclosure line items:

1. List all payments made to other governmental agencies by agency.

2. Purpose of each expenditure.
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For additional copies of this paper, please contact us at the addresses listed below.

Texas Education Accountability Project

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