Beyond the Bottom Line

A New Framework for K-12 Fiscal Accountability

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Bellwether

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Introduction

Money alone does not improve student achievement, but how it is used can.[1] For this reason, it has always been critical that K-12 public schools and districts use their resources effectively. Fiscal accountability mechanisms can help education leaders align state resources, or inputs, with academic goals, or outputs, while also safeguarding the efficient and fair use of funds. But with the Trump administration's recent push to reduce the federal role in education, accountability structures could weaken.[2] Historically, the federal government has provided some degree of oversight, monitoring, and transparency around school spending and outcomes, with a focus on historically marginalized student groups (e.g., economically disadvantaged students, English learners, students with disabilities). As more decision-making power shifts away from the federal government, states must ensure policies are in place to monitor and support the effective use of education funding, especially for those students furthest from opportunity.

To varying degrees, states already do this. Each year, states distribute billions of dollars to more than 13,300 public K-12 school districts across the country.[3] States play a key role in shaping spending decisions, both through funding formulas that determine how funds will flow to districts and through guidance, reporting, support, and improvement structures that help translate those resources into strong practices and student outcomes. Together, these policies and practices compose ***fiscal accountability systems***. While some states have established comprehensive and clear fiscal accountability systems, most have not. This stands in stark contrast to the more well-established ***academic accountability systems*** that have developed over time.

However, momentum is growing. Many states are strengthening their school funding systems, and in exchange for increases in resources or changes to funding structures, many policymakers and advocates are demanding accountability for results. Unfortunately, there is currently limited research and guidance to support state policymakers and education advocates in meeting this demand for stronger fiscal accountability systems. And there is a risk that overly restrictive or poorly designed fiscal accountability practices could create administrative burdens and hinder schools in aligning their resources to student needs. This framework aims to address these gaps and needs.

Through conversations with state policymakers, advocates, and district-level administrators, as well as deep analysis of existing state policies and practices, this report identifies a framework for promoting K-12 fiscal accountability at the state level through four key components:

1. **Strong foundational fiscal policy structures.**
2. **Purposeful local planning and engagement.**
3. **Transparent and comprehensive data reporting.**
4. **Capacity building, tiered support, and interventions.**

The fiscal accountability framework offers tailored solutions across each component, meeting states where they are based on their unique K-12 funding needs, capacity, and goals. Each component is linked to how student funding is used and how it supports academic outcomes.

By adopting these solutions, education stakeholders benefit. State leaders can be responsive to their changing fiscal roles and responsibilities and demonstrate how their funding systems support academic goals. District and school leaders can gain the guidance needed to use resources effectively. Families and local stakeholders can trust that investments will reflect student needs. And the broader public can be confident that tax dollars are used wisely to strengthen education systems for the benefit of students, communities, the economy, and the public good.

Laying the Groundwork for Accountability

In recent decades, efforts to improve fiscal and academic accountability have evolved at both the state and national levels (Sidebar). When it comes to fiscal accountability, legal, advocacy, and legislative efforts have aimed to make school funding more adequate, equitable, and transparent. When it comes to academic accountability, federal policy has significantly shaped how states measure and monitor performance. In particular, the many reauthorizations of the federal Elementary and Secondary Education Act (ESEA) have helped to cement the measurement of academic growth and performance as key mechanisms for determining whether or not schools and districts are succeeding. This focus on standardized testing, benchmarking, and proficiency has often been divorced from a focus on how adequate, equitable funding and strategic spending contribute to student outcomes and school improvement.

A New Framework for Fiscal Accountability

If well designed, fiscal accountability mechanisms can help education leaders align state resources with academic goals and ensure funds are allocated efficiently and fairly. This report presents a framework that state leaders, policymakers, district leaders, educators, community members, and other key stakeholders can use to guide that design process (Figure). The framework's four components include:

1. **Strong foundational fiscal policy structures**: Distribute funding through an adequate and equitable weighted student funding formula and establish clear state academic goals and measures of success through the state's academic accountability system.

SIDEBAR

Past and Present K-12 Fiscal and Academic Accountability Efforts in the United States

Event Key

- Fiscal Accountability
- Academic Accountability

1960s-1970s: Federal Entry Into Education Funding

- (Fiscal) ESEA is signed into law, significantly expanding the federal government's role in K-12 education and establishing the Title I grant program to provide additional resources to schools serving students from low-income families.[4]
- (Fiscal) The "Supplement, not Supplant" requirement is introduced through ESEA to ensure funds are used to enhance educational services rather than replace state and local funding.[5]
- (Fiscal) The Individuals with Disabilities Education Act establishes special education laws and funding.[6]
- (Academic) Minimum competency testing programs emerge in some states, like California, Florida, and New York.[7]

1980s: Emergence of Standards-Based Reform and Equity Lawsuits

- (Academic) The "A Nation at Risk" report sparks a national conversation about educational quality.[8]
- (Academic) Reauthorization of ESEA expands testing and accountability and requires states to develop plans to reduce achievement gaps. Schools with lagging progress are required to develop improvement plans.[9] In response, states increase the development of content standards and assessments for progress monitoring.
- (Fiscal) A school finance litigation wave focuses on equity, with courts finding state funding systems in places like Arkansas, Kentucky, and Texas unconstitutional because they create disparities.[10] These cases followed the earlier success of *Serrano v. Priest* in California in the 1970s.[11]

1990s: Standards-Based Reform Movement and Finance Adequacy Litigation

- (Academic) The standards-based reform movement accelerates at the state level, with states developing more comprehensive assessment and accountability systems that include consequences.
- (Academic) Goals 2000 establishes national education goals intended to be accomplished by the year 2000.[12]
- (Fiscal) School finance litigation continues but shifts its focus from equity to adequacy, with cases in states like New Hampshire, New Jersey, Tennessee, Vermont, and Wyoming.[13]

2. **Purposeful local planning and engagement**: Create an expectation that local budgets and academic goals are tightly connected.

3. **Transparent and comprehensive data reporting**: Track resources and ensure that funding is spent in ways that align with improved performance.

4. **Capacity building, tiered support, and interventions**: Provide ongoing direction and support with increased intensity for underperforming districts/schools.

It is important to acknowledge that some elements of fiscal accountability are excluded from this framework. Reviewing and auditing expenditures and internal controls helps districts ensure fiscal solvency. Disclosures of financial conflicts of interest, collective bargaining agreements, and other financial disclosures strengthen public transparency and accountability. State fiscal oversight ensures that financially struggling districts receive support and interventions that help them get their budgets back on track. This report is not about those critically important fiscal policies, which often sit with district chief business officials and attorneys. Rather, it is about the less-well-understood connection between broader budgeting and student achievement. It aims to thread the needle between how states invest in students and the outcomes they achieve.

The following sections provide a detailed look at the framework's four components. Within each component, the report offers a spectrum of policy and implementation approaches that state leaders, including legislators, leaders, and staff in state education agencies (SEAs) and state boards of education, can pursue. These options are supported by relevant state examples, and cautions and considerations are presented for each approach. The framework can be implemented comprehensively, particularly in states looking to overhaul their funding systems, or piecemeal, which may be appropriate in states with limited capacity or long-standing fiscal policy structures.

Event Key *(repeated)*

- Fiscal Accountability
- Academic Accountability

2000s: Federal Academic Accountability Era

- No Child Left Behind requires annual testing and outlines stricter accountability measures, including the requirement that states impose consequences for schools and districts that fail to meet goals.[14]

- The Race to the Top program is created through the American Recovery and Reinvestment Act stimulus plan to encourage and fund state education efforts that focus on school turnaround, data systems, assessment, and teacher evaluation.[15]

- State-level funding reforms gain in popularity. Between 1990 and 2011, 64 school finance reform events occurred in 26 states, 39% of which are legislative actions.[16]

2010s-Present: Increased Local Control and Fiscal Transparency

- The Common Core State Standards roll out but state adoption is voluntary, and implementation is variable amid political backlash.[17]

- The Every Student Succeeds Act (ESSA), the most recent reauthorization of ESEA, grants states greater autonomy in designing academic accountability systems.[18]

- ESSA offers states more funding flexibility but also increases fiscal transparency requirements. It mandates the reporting of per-pupil expenditures for each local education agency (LEA) and school.[19] LEA improvement plans must now identify resource inequities, while SEAs must review districts' resource allocation to support improvement in underperforming schools.[20]

- State student-based funding reforms continue to gain in popularity, with California, Illinois, Maryland, Massachusetts, Mississippi, Ohio, and Tennessee among the states adopting significant reforms to their funding formulas.[21]

- The COVID-19 pandemic disrupts testing and data collection, leading to broad waivers for ESSA's testing and accountability requirements.[22]

- The Elementary and Secondary School Emergency Relief (ESSER) fund provides billions in federal funds for schools with tracking and reporting requirements to ensure effective use of funds.[23]

- The Trump administration reduces the U.S. Department of Education workforce and signals interest in converting federal funds to block grants and extending more fiscal flexibility to states.[24]

FIGURE: FRAMEWORK FOR STATE FISCAL ACCOUNTABILITY

Component 1: Strong Foundational Fiscal Policy Structures
Spending Requirements; Outcomes-Based Funding
Distribute funding through an adequate and equitable weighted student funding formula and establish clear state academic goals and measures of success through the state's academic accountability system.

Component 2: Purposeful Local Planning and Engagement
Spending Plans; Stakeholder Engagement; Plan Review and Approval
Create an expectation that local budgets and academic goals are tightly connected.

Component 3: Transparent and Comprehensive Data Reporting
Data Reporting; Funding System Transparency
Track resources and ensure that funding is spent in ways that align with improved performance.

Component 4: Capacity Building, Tiered Support, and Interventions
Capacity Building; Progress Monitoring to Inform Targeted Support; Interventions
Provide ongoing direction and support with increased intensity for underperforming districts and schools.

***Note**: Click on each component to navigate to its section in this framework.*

Recommended Approaches

Within each section, the most promising state practices are denoted by a star [✦]. This star highlights practices that may contribute to strong fiscal accountability if replicated in other states. However, the best approach will vary by state and will depend on each state's particular context, including its size, geography, politics, values, and priorities. Advocates and policymakers should consider which option will best meet their needs by answering the questions in the "Which approach is right for your state?" section at the end of each component.

Strong Foundational Fiscal Policy Structures

Strong state K-12 fiscal accountability begins with a well-designed school funding formula. This formula should equip school districts with sufficient resources to provide a high-quality education while accounting for differences in student populations, local fiscal capacity, and other district-specific factors.[25] An adequate, equitable, and transparent funding system lays the groundwork for effective fiscal accountability and can encourage investment in evidence-based practices that improve student outcomes.

A funding formula may be more than just a calculation that determines how much funding each district receives. In some states, it may also include rules that dictate how and where funds can be allocated, with the intent of strengthening requirements that resources will reach the students generating the funds. However, **states should be thoughtful in striking the right balance between flexibility and guidance**. State policymakers must determine whether to grant districts broad discretion in spending or impose restrictions to ensure that resources reach specific student groups or school sites. While there is no "right" answer, policies that tightly constrain local budgets can make it harder for systems and educators to provide services in the most effective and efficient way.

Although rare, some state formulas link funding to performance, distributing a portion of resources only after districts meet certain outcomes. Outcomes-based funding can serve as an incentive, encouraging districts to adopt strategies that enhance student achievement, but it can also risk exacerbating inequities, narrowing instruction, or penalizing schools that serve higher-need students without addressing the root causes of underperformance.

MORE FROM BELLWETHER

Bellwether's Splitting the Bill series offers an overview of how states can structure strong student-based school funding systems.

Read more in the briefs entitled "How Are State Education Funding Formulas Structured?" and "What Should the Future of School Finance Equity Look Like?"

Spending Requirements

States should determine how much flexibility to offer districts related to how they can spend state revenues.

Options

States can take different approaches to spending requirements. This can range from broad **district-level flexibility**, where districts make most spending decisions, to more **targeted funding** that directs some or all resources to specific schools or student populations.

State Examples

District-Level Flexibility

- The **Tennessee** Investment in Student Achievement Act (TISA) has almost no spending restrictions, except for earmarked items like teacher salary increases.[26]

Targeted Funding

- ✦ **California's** Equity Multiplier is a targeted funding initiative established on top of the Local Control Funding Formula (LCFF) to address educational inequities. While the vast majority of LCFF funding flows to the district, the Equity Multiplier allocates additional resources to school sites that meet specific thresholds of need.[27]

- **Maryland's** Concentration of Poverty Per-Pupil Grant provides an additional layer of funding to schools that meet a threshold of 55% of students living in poverty as of fiscal year (FY) 2025.[28] This funding was phased in over multiple years, with the poverty threshold starting at 80% and decreasing to 55%, where it is sustained.[29]

- **Pennsylvania's** Ready to Learn Block Grant Adequacy Supplement permits qualifying school districts to use the funds on a list of almost 30 allowable uses.[30]

- **Florida's** Equity in School Funding Act requires that schools receive at least 80% of the funds generated by the school.[31]

Cautions and Considerations

- **Offer clear guidance on spending restrictions or requirements.** Without this clarity, states risk permitting or even encouraging districts to spend funds in ways that might be less effective or exacerbate inequities.

- **At the same time, balance restrictions with the need for local control.** Overly rigid spending rules can unintentionally limit district flexibility, making it harder to fund essential districtwide services, support educators working across multiple schools, and encourage innovation. About 80% of school spending is on staff salaries and benefits, mostly for educators, and any given educator might serve multiple student populations, classrooms, and schools, making rigid reporting or division of funding purposes especially difficult.[32]

- **Reduce administrative burdens.** Additional targeted funding often comes with increased administrative burdens and may still fall short of meeting the needs of under-resourced schools and historically marginalized student populations. States can find ways to condense planning and reporting requirements related to additional targeted funding to reduce paperwork for district leaders.

Outcomes-Based Funding

It is uncommon for states to distribute funding based on results. However, a few states distribute a small portion of funding based on districts' achievement of certain outcomes.[33]

Options

Few states have embraced outcomes-based funding systems. However, at least two, Arizona and Tennessee, reward districts for **academic achievement** on assessments or graduation rates, and one, Texas, rewards districts when a threshold of students meets certain **postgraduate achievement** goals.

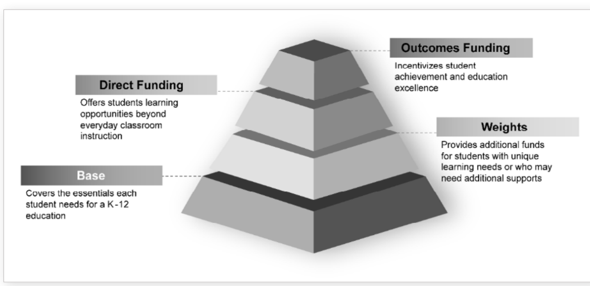
State Examples

Academic Achievement

- **Arizona's** Results-Based Funding model provides financial rewards to schools with the highest percentage of students passing the mathematics or language arts portions of state assessments, with greater funds awarded to those schools with more economically disadvantaged students.[34]

- ✦ **Tennessee's** outcomes-based funding provides bonuses to districts that achieve specific targets in student performance.[35] This system incentivizes achievement and growth for all students, but provides additional bonuses for certain subgroups (e.g., economically disadvantaged, English learners, students with disabilities).[36]

  Example: TISA Public School Funding Formula Overview



Source: Tennessee Department of Education (TDOE), "TISA Formula."

Postgraduate Achievement

- **Texas'** College, Career, or Military Readiness Outcomes Bonus provides districts with additional funds per number of graduates who demonstrate college, career, or military readiness through assessment scores (e.g., SAT, ACT, Texas Success Initiative Assessment, Armed Services Vocational Aptitude Battery) and credential attainment or college enrollment/military enlistment.[37] Districts are rewarded with a larger sum for students from low-income families or students with disabilities who achieve those outcomes.[38]

Cautions and Considerations

- **Outcomes-based funding must be carefully designed to ensure equitable funding distribution.** A key challenge with outcomes-based funding is ensuring the goals and metrics do not unintentionally benefit wealthier, high-performing districts and disadvantage districts serving high-needs students who face additional challenges and may need more resources to succeed. Growth-based targets focused on specific groups of students may help with this challenge.

- **Robust data systems are needed to implement outcomes-based funding policies successfully.** For states that reward post-graduation outcomes, strong longitudinal data systems are needed to track high school graduates' long-term pathways. This is because districts receive outcomes-based funding based on the success of some students who are no longer enrolled.

Which approach is right for your state?

Ask the following questions to help evaluate the best ways to leverage your state's fiscal policy structure to improve accountability:

1. Are there ongoing or upcoming school funding formula reform efforts where spending requirements or outcomes-based policies could be integrated or elevated?
2. What balance should the state strike between spending flexibility and more proscriptive funding requirements? How can the state ensure funds are used equitably and effectively without hampering local control?
3. How can the state design guardrails, such as spending requirements, that drive investments in high-priority or evidence-based areas without creating excessive administrative burdens for districts?
4. How can the state strengthen the link between funding and academic growth, especially for economically disadvantaged students, English learners, and other high-priority student groups? How can the state create incentives for performance without unintentionally penalizing districts serving the highest-need students?
5. Which state example is appealing given your state's context and goals? How can you learn more about its successes or challenges with implementation?

Purposeful Local Planning and Engagement

Once funds are distributed through the state funding formula, districts have to make decisions, with state-determined constraints in mind, about how they distribute funds to schools. No matter a district's budgeting model, it is best practice for districts to develop plans — in collaboration with key education stakeholders — for how they will use funding to meet academic goals and improve outcomes, particularly for students furthest from opportunity. This creates an expectation that local budgets and academic goals should be tightly connected and gives district stakeholders a clear line of sight into how public dollars are being used to support teaching and learning and other district priorities.

Robust spending plans increase the likelihood that resources will be used strategically to address student needs, reduce achievement gaps, and improve student outcomes. Districts should ensure that budget decisions are informed by meaningful stakeholder engagement and reflect shared priorities, helping to build transparency, mutual accountability, and community trust.

Spending Plans

District leaders should develop publicly accessible and digestible plans for how they will use resources, including state formula funds, to meet academic goals and improve educational outcomes.

Options

A **light-touch** version of a state planning requirement would involve requiring every district to complete a regularly updated plan that connects its budget to its academic priorities, while allowing flexibility in the plan's format. The state could choose to outline a few essential elements for these plans or specify particular funding streams for which a plan must be completed. A **comprehensive** version of a state planning requirement would mandate that every district use a state-adopted template to develop a detailed spending plan. This plan would need to align financial resources with state and district goals, describe evidence-based practices, and address equity considerations for key student groups.

State Examples

Light-Touch Spending Plan

- **Minnesota** requires each district to develop a plan to use equity revenue funds, a component of its General Education Program intended to reduce regional per-pupil revenue disparities, maintained in a separate account, and report on its expenditures.[39]

Comprehensive Spending Plan

- **California** requires that each school district create a Local Control and Accountability Plan (LCAP) every three years and annually update the plan. LCAP templates, provided by the California Department of Education (CDE), require detailed information on six key areas.[40] After review and approval, plans are posted on school district, charter school, and county office of education websites and linked from the CDE website.[41]

- **Louisiana's** Super App is a unified planning and budgeting tool developed by the Louisiana Department of Education to streamline how school districts access and manage federal and state education funds. This approach enables districts to create one comprehensive plan and budget that align with both local needs and state priorities.[42]

- **Massachusetts** requires all districts to create Student Opportunity Act (SOA) Plans every three years, with updates required annually.[43] SOA plans include five sections that help districts analyze data and identify student groups for focused support.[44] Districts submit plans through an online portal and post them on district websites. They are also posted on the Massachusetts Department of Elementary and Secondary Education (DESE) website after a review and feedback process.[45]

Cautions and Considerations

- **Set clear timelines for district planning.** States should determine how often districts must complete plans (e.g., annually? Every three years?) and whether and how districts should share plans with the public, the SEA, or other oversight entities. Advocates and policymakers should consider how to align planning timelines with budget cycles so that the plan and the budget can reasonably align and support each other.

- **A clear, consistent plan format can strengthen transparency and help align budgets with academic goals.** Without state guidance on how to develop and share these plans, districts may take very different approaches, making it harder for stakeholders to evaluate whether spending helps supports academic progress and the closure of achievement gaps.

- **Simple, easy-to-use templates help ensure plans are completed accurately and consistently.** The challenge with any state-required plan is that districts may treat it as a compliance exercise rather than as a strategic planning process. This may be worse in places where templates are particularly complex or time-consuming to complete. For instance, California's LCAP, while well-intentioned, has become unwieldy and burdensome, with many LCAPs ballooning to hundreds of pages.[46]

- **SEA resources and capacity influence local planning oversight.** Advocates and policymakers should consider how much capacity the state has to support local planning. If SEAs do not have capacity to review many complex plans, they may not be able to follow up or support districts with weaker practices.

Stakeholder Engagement

To best meet local needs and priorities, spending plans should be developed in collaboration with key education stakeholders, such as families, community members, and school and district staff.

Options

It is important for districts to engage stakeholders as they develop their budgets and incorporate feedback where possible to ensure district plans and spending are responsive to perspectives shared by families, students, educators, and other community partners. The state could encourage districts or local school boards to hold public hearings or use other methods to gather input. The state could choose to go even further by **establishing clear requirements** for which groups must be engaged, how engagement should occur, and by requiring districts to report on this engagement and **incorporate the findings into their plans**.

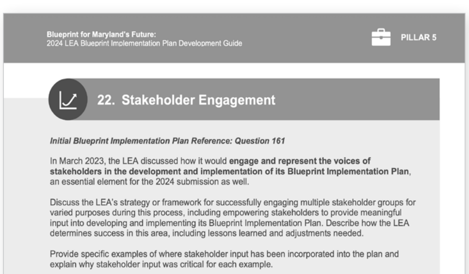
State Examples

- **Tennessee** law requires all LEAs to share a TISA Accountability Report each year for public comment before it is submitted and approved by the district's local board of education.[47] In the report, the LEAs describe their multiyear proficiency goals and provide examples of TISA investments to make progress toward these goals.[48] The plan itself does not include any sections requiring the district to report on how it incorporated stakeholder engagement in the plan's development or how goals and investments target specific student groups.

- In **California**, districts are required to consult with parents, students, teachers, principals, administrators, other school personnel, and local bargaining units when creating their LCAPs, and districts must respond in writing to comments submitted by Parent Advisory or English Learner Committees.[49] Districts must describe how feedback from educational partners influenced goals and spending decisions in their LCAPs.[50]

- In **Maryland**, the state mandates that districts completing a Blueprint Implementation Plan discuss the LEA's strategy or framework for successfully engaging multiple stakeholder groups for varied purposes during this process, including empowering stakeholders to provide meaningful input into developing and implementing its plan.[51] Stakeholder engagement is just one piece of the state's extensive plan template and does not measure or evaluate whether engagement is high quality.

Example: Maryland's Blueprint Implementation Plan Template


Blueprint for Maryland's Future:
2024 LEA Blueprint Implementation Plan Development Guide

PILLAR 5

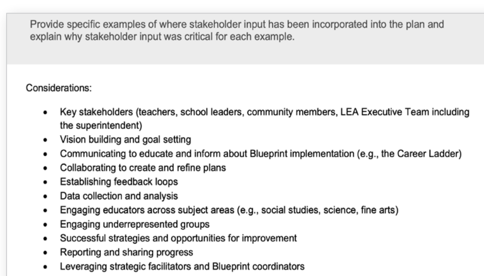
22. Stakeholder Engagement

Initial Blueprint Implementation Plan Reference: Question 161

In March 2023, the LEA discussed how it would **engage and represent the voices of stakeholders in the development and implementation of its Blueprint Implementation Plan**, an essential element for the 2024 submission as well.

Discuss the LEA's strategy or framework for successfully engaging multiple stakeholder groups for varied purposes during this process, including empowering stakeholders to provide meaningful input into developing and implementing its Blueprint Implementation Plan. Describe how the LEA determines success in this area, including lessons learned and adjustments needed.

Provide specific examples of where stakeholder input has been incorporated into the plan and explain why stakeholder input was critical for each example.


Provide specific examples of where stakeholder input has been incorporated into the plan and explain why stakeholder input was critical for each example.

Considerations:

- Key stakeholders (teachers, school leaders, community members, LEA Executive Team including the superintendent)
- Vision building and goal setting
- Communicating to educate and inform about Blueprint implementation (e.g., the Career Ladder)
- Collaborating to create and refine plans
- Establishing feedback loops
- Data collection and analysis
- Engaging educators across subject areas (e.g., social studies, science, fine arts)
- Engaging underrepresented groups
- Successful strategies and opportunities for improvement
- Reporting and sharing progress
- Leveraging strategic facilitators and Blueprint coordinators

Source: Maryland State Department of Education, "2024 LEA Blueprint Implementation Plan Development Guide," December 2023.

Cautions and Considerations

- **Balance goals around inclusion with local flexibility and practicality.** States should encourage districts to meaningfully engage with and consider the input of all stakeholder groups, including historically marginalized and underrepresented voices. At the same time, districts should have the flexibility to tailor their efforts to local needs and conditions. The state should make sure engagement requirements are not so burdensome that they slow down the process or get in the way of effective decision-making.

Plan Review and Approval

The state should establish a process for reviewing and approving spending plans.

Options

States can take different approaches to reviewing and approving spending plans. A lighter-touch approach involves incorporating plan review and approval into the **local district budgeting process**, typically through a vote by the local school board or similar administrative body. A level of additional oversight involves some kind of **state- or regional-level review**. For instance, the SEA could provide feedback after local approval. A heavier-touch approach gives an **established state or regional review body** final approval power over a district's spending plan. This body can be tasked with evaluating the plan against the state's academic goals and the district's identified needs.

State Examples

- **California's** LCAPs are reviewed during a public hearing by the school district governing board, county board of education, or charter school governing board and then adopted by the board by July 1 every three years. Once adopted, the school district's county office of education reviews the LCAP and provides written recommendations if any revisions are needed.[52] Charter schools submit their LCAPs to their authorizing entity for review and approval.[53]

- ✦ **Massachusetts** DESE reviews SOA plans, provides feedback, and requires districts to revise plans as necessary. DESE also requires that local school committees vote on the district's plan prior to plan submission.[54]

- Staff members from **Maryland's** Accountability and Implementation Board (AIB) and Maryland State Department of Education review each district's Implementation Plan submissions to ensure they meet all Criteria for Success.[55] The AIB has the ultimate authority to approve the plans.

Cautions and Considerations

- **Plans can be reviewed and approved at a local or state level, both with benefits and drawbacks.** Local control over budget approval empowers districts to align spending with local needs or priorities. State-appointed bodies may be influenced by political priorities or state priorities rather than district-level educational needs. On the other hand, an established state review body can ensure that district budgets align with state education priorities and goals and comply with federal and state legal requirements. State review can allow another level of oversight related to fair and equitable distribution of funding to support underserved student populations. State review can also enforce more uniformity in budgeting.

- **Plan review and approval processes at the state level require additional SEA resources and capacity.** SEAs may have limited capacity to review all of their districts' plans. When Maryland's Blueprint was implemented, an AIB was established separate from the State Department of Education to take on specific tasks related to Implementation Plans. However, Maryland only has 24 districts, whereas some states have hundreds.

Which approach is right for your state?

Ask the following questions to help evaluate the best local planning and engagement approaches for your state:

1. How much structure should the state provide in local spending plans to balance consistency and strategic alignment, without turning planning into a compliance exercise?
2. What role should stakeholders — families, educators, and communities — play in district spending plans, and how can their input be meaningfully incorporated into district budget decisions?
3. Who should review and approve district spending plans, and what level of state oversight is needed to ensure alignment with state goals, including those for equity and achievement?
4. Does the state have the capacity to support and monitor local planning efforts? If not, what infrastructure or partnerships are needed to scale or delegate that support?
5. How can the state ensure that district spending plans remain dynamic tools that evolve with student needs and fiscal realities?

Transparent and Comprehensive Data Reporting

Once a district's spending plan is in place, stakeholders need ways to track spending and outcomes. Fiscal accountability relies on transparent mechanisms that "hold system actors responsible for performing their roles effectively, achieving goals, and fostering continuous improvement."[56] To monitor progress and ensure funds support improved performance, states can prioritize transparency through clear reporting requirements and public access to fiscal data.

School finance advocates increasingly call for greater transparency, particularly at the school site level, and families and communities have a vested interest in knowing how their local districts and schools are spending funds. States should ensure the public has access to clear revenue and expenditure data at the district level and clear expenditure data at the school level. States aiming to compare spending across schools may also require districts to report expenditures by category and disaggregate data by student group to ensure funds reach the students who generate them. States can strengthen these efforts by investing in user-friendly data platforms and tools.

Transparency should also extend to explaining how funding systems work. States can publish clear, accessible information on how their funding systems are designed, helping district and school personnel, as well as the public, understand the system.[57]

Data Reporting

Systematic collection, analysis, and dissemination of financial information ensures transparency in how public funds are allocated and spent. It enables stakeholders, including policymakers, educators, and the public, to assess budgetary decisions and track revenues and expenditures, sometimes within the context of district enrollment.

Options

States are already required under ESSA to publish certain data and meet reporting requirements (e.g., per-pupil spending by school and district, disaggregated expenditures, actual teacher salaries). Some states have taken this a step further and created publicly accessible, user-friendly, **comprehensive data platforms**. Some of these include analytical tools to demystify school-level expenditures and track dollars by student groups, particularly high-needs students (e.g., students with disabilities).

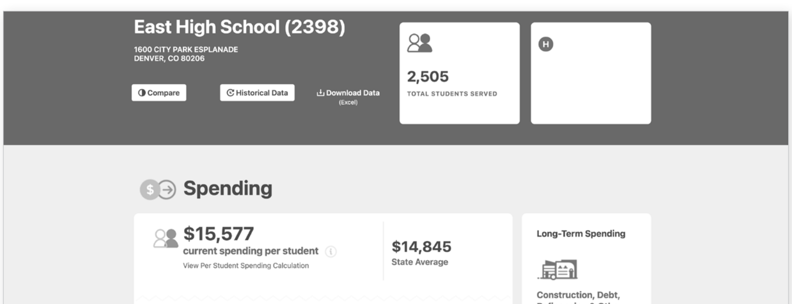
State Examples

- **Arizona's** school spending transparency website — schoolspending.az.gov — offers interactive tools that allow users to explore and compare district and school-level revenue and expenditure data, including budgeted versus actual spending.[58] Tailored views are available for parents, community members, school board members, and legislators, providing customized insights into how education dollars flow through the state's K-12 system.

- **Arkansas'** ADE Data Center, which publishes school-site expenditure data, is accessible through the state report card — meaning fiscal data are located in the same tool as other important data, like graduation rates and achievement scores.[59]

- **Colorado's** Financial Transparency website goes well beyond the minimum ESSA reporting requirements and shows information like expenditures by learning environment.[60]

  Example: Colorado Department of Education's Fiscal Transparency Website



  Source: Colorado Department of Education, "East High School (2398)."

- **Illinois'** Site-Based Expenditure Reports, published by its State Board of Education, are accessible on every school's report card page and include school-level expenditures and a site's share of district centralized expenditures.[61]

Cautions and Considerations

- **Resources and expertise are needed to build a comprehensive data platform.** A comprehensive platform requires dedicated staff and technical professionals at the SEA level, as well as integration with district reporting systems.

- **Uniform accounting practices enable efficient and meaningful comparisons.** Setting and enforcing uniform accounting practices can enable useful comparisons across districts. Consistent and meaningful accounting codes allow SEAs and education partners to monitor how funds are being spent, identify discrepancies or misuse of resources, and assess whether spending aligns with educational goals and legal requirements. States with strong accounting code practices, like **Rhode Island**, make common accounting codes an integral element of their data transparency and strategic planning processes.[62]

Funding System Transparency

Public disclosure of revenue rules and allocations is essential to maintaining transparency in education finance. By having clear access to funding rules and formulas, district and school leaders can budget efficiently, effectively, and in compliance with the law. Transparent funding systems also allow policymakers and advocates to clearly understand whether resources are distributed fairly and in alignment with policy goals and desired outcomes.

Options

Relevant state statutes and regulations are typically available across different state and public sites. In order to make the funding system more transparent, the state can create a **single online resource** that summarizes all key statutes, regulations, and guidance related to the state's school finance system.

State Examples

- The **Texas** Education Agency's Financial Accountability System Resource Guide has a section on Statutory and Regulatory Requirements.[63]

Cautions and Considerations

- **System transparency tools will need recurring updates.** Key decision-makers for a state's or a district's school funding system may find it difficult to track down and comprehend all the relevant information if it is dispersed across many sites and not interpreted into plain language. Combining this information into a single resource will require upkeep with changes to laws and regulations.

Which approach is right for your state?

Ask the following questions to help evaluate the best transparent and comprehensive data reporting approaches for your state:

1. What level of fiscal data transparency is necessary to ensure accountability and public trust, particularly at the school site level?

2. How can the state ensure that funding systems are understandable and accessible to a wide range of stakeholders?

3. Are investments needed in data systems and staffing to enable consistent, actionable insights across all districts in the state?

4. Does the state have uniform accounting codes and practices to make data reporting and analysis easier? To what extent do these codes align with the categories or priorities stakeholders wish to understand and track?

5. How can the state ensure that transparency and monitoring efforts lead to continuous improvement and not just compliance?

Capacity Building, Tiered Support, and Interventions

A strong K-12 district culture of fiscal accountability requires ongoing capacity building and support from the state. States, through a variety of technical assistance strategies, should equip district and school leaders with the skills and tools needed to effectively and equitably allocate resources to improve student outcomes, align budgets with instructional priorities, and plan for long-term fiscal sustainability.

In addition to the universal capacity building that all districts will benefit from, some districts may face unique situational challenges that require targeted support from the state. Through data transparency and progress monitoring, the state can evaluate which districts might need greater technical assistance, what particular topics that assistance should cover, and how a district can show improvement on its identified gap areas.

Although districts are the ones held accountable for their spending, they should not be working to improve their practices alone. Equity-focused state school finance advocates have proposed that states implement a "system of escalating intervention that maximizes flexibility for districts that are meeting their ambitious, time-bound targets for closing gaps, and increases requirements for action in districts that are not meeting those goals on behalf of their students."[64] For districts that do not achieve marked improvements after identification, state intervention or corrective action may be necessary. A well-designed system of tiered assistance will allow states to foster sustainable improvement in district fiscal and academic performance.

Capacity Building

Every district can benefit from universal supports and guidance on aligning budgets with goals for student learning, engagement, and outcomes.

Options

To build the capacity of districts, states can **publish best practices and information online** on a range of topics such as budgeting for outcomes, resource allocation models, data analysis tools, stakeholder engagement strategies, and other fiscal accountability policy and compliance support as a light-touch approach. SEAs with additional capacity can also have content-expert staff **hold webinars or office hours** to provide coaching for district finance teams, assistance with linking spending categories to student success, and support with navigating state and federal reporting requirements. States hoping to implement a heavier-touch approach can dedicate staff to **provide ongoing capacity building support** to district and school finance personnel throughout budgeting, planning, monitoring, and improvement processes.

State Examples

- **Tennessee's** Department of Education has a seven-part professional development series available on the TISA page of its website, including videos, presentations, and quick guides.[65] This series provides an overview of what TISA is and the changes it makes to the state's funding formula. It dives into different components of the new law throughout the remaining six parts.

✦ **Massachusetts'** DESE offers an SOA plan template and examples, webinars, office hours, an outreach email, and consultations for priority districts when completing SOA plans.[66]

✦ **California's** nine geographic lead County Offices of Education (Geo Leads) coordinate services and capacity building across counties within their regions. Geo Leads provide subject-matter trainings and expertise on state priorities and other areas of identified need to districts and schools across the state.[67] This is just one element of the state's broader System of Support, which is coordinated in partnership among the California Collaborative for Educational Excellence, CDE, and the County Offices of Education.[68]

- The **Maryland** AIB's Technical Assistance Grant Program and Strategic Partners provide LEAs with individual and group capacity building opportunities focused on resource allocation and strategic budgeting.[69]

Cautions and Considerations

- **States can take advantage of existing professional development structures.** States can use existing professional development opportunities for district and school leaders to include support for strategic budgeting and outcomes-based planning. For example, SEAs with dedicated and content-expert staff can provide tailored, hands-on coaching that helps districts connect financial decisions to student outcomes. This might involve adapting current training formats — like workshops, communities of practice, or coaching networks — to include budgeting for equity, data use, or resource alignment. While this approach still requires staff with the right expertise, it allows states to pivot existing systems to meet evolving district needs. In contrast, states without such infrastructure may need to invest in new staffing or partnerships to build these functions from the ground up.

- **Universal support of districts requires additional SEA resources and capacity.** SEAs with limited staff capacity may be limited in the professional development they can provide. These SEAs may choose to instead contract with technical assistance providers to offer training and support. The risk of this approach is that the third-party assistance may vary considerably from district to district in terms of quality and focus.

Progress Monitoring to Inform Targeted Support

Ongoing state-level financial tracking helps ensure that funds are used effectively and in alignment with district goals. Monitoring spending patterns, flagging inefficiencies, and verifying compliance with regulations all support more equitable and responsible resource allocation. States can utilize progress monitoring data to identify districts facing budgeting and/or academic challenges and provide tailored support.

Options

To strengthen oversight, **states or regional bodies** can **review district data regularly**, offering analysis and guidance. At the most comprehensive level, state-level review bodies may be established to provide ongoing monitoring and support. This support could include **targeted training modules** or **facilitated partnerships** between the review body and districts to co-develop solutions and address specific needs. In states with strong research and advocacy organizations, **third-party analyses** of public expenditure data can add a valuable additional layer of insight.

State Examples

State Review and Targeted Support

- ✦ In **California**, districts identified for "differentiated assistance" based on low performance on the California School Dashboard overall or for any subgroup must describe their plans for improvement in the LCAP.[70] The California Collaborative for Educational Excellence, established by the State Assembly and governor as part of the LCFF reform, provides more intensive and customized support for eligible LEAs.[71]

- ✦ **Maryland's** AIB's Expert Review Teams of educators and administrators conduct interviews, observe classes, and use other data to analyze Blueprint implementation and collaborate with school-based faculty and staff and local school systems.[72] The Expert Review Teams have produced data and information included in final reports and rubric ratings on domains for schools within each LEA.[73]

- In **Tennessee**, a progress review board, composed of state leaders, annually reviews each district's accountability report. If, at the end of a three-year period, an LEA does not meet a goal set forth in TISA, the board determines if further action is necessary. If so, the commissioner of education may require the LEA to complete training on how to budget to increase student achievement.[74] This three-year period started in July 2023.

Third-Party Analyses

- TXSmartSchools, a third-party initiative administered by **Texas** A&M University, analyzes academic outcomes, financial data, and demographic information to highlight school districts and campuses that achieve strong academic results with efficient spending through their Apples2Apples tool.[75]

Cautions and Considerations

- **Progress-monitoring structures should enable transparency for community members.** While school board meetings provide a good public venue for review and discussion of progress-monitoring data, these meetings may not always be attended by a representative set of stakeholders. States may want to ensure there are other ways for stakeholders to access and review data and updates.

- **A consistent approach to progress monitoring is beneficial.** Regional governing bodies may have a better understanding of the needs of districts within their locale. However, different bodies may use varying monitoring methodologies, leading to inconsistencies in data interpretation and recommendations. States should consider sharing guidance and tools to support effective progress monitoring.

- **Progress monitoring and targeted training requires additional SEA resources and capacity.** State oversight bodies may struggle to provide equal support to all districts, particularly in states with large geographic or population disparities. States should consider how to triage support and how to expand capacity by partnering with local agencies and third-party providers. States without existing technical assistance support structures, like California's Geo Leads, may need additional resources to establish and build out those functions.

Interventions

As an intensive level of support, state departments of education — typically with approval from a state board — may intervene in districts with persistent and severe performance or management challenges. While often prompted by academic concerns, these interventions can include fiscal actions such as revising budgets, redirecting funds, or imposing spending restrictions to help stabilize and improve district operations.

Options

State legislatures can authorize their departments of education or state boards of education to intervene in districts facing persistent performance or management challenges. While such interventions are often triggered by academic outcomes, they frequently carry significant fiscal implications. The state may impose **corrective actions** or assert **authority over district budgeting decisions**, require reallocation of funds, and/or impose restrictions on how certain funds are used. In some cases, this may include **state receivership**, the appointment of external management, or enhanced financial oversight to stabilize operations and improve both fiscal health and student outcomes.

State Examples

Corrective Actions

- ✦ **Tennessee** is establishing a public hearing process to review the progress of LEAs with schools receiving "D" or "F" grades in the state report card.[76] At these hearings, LEAs will be required to report how their spending decisions affected their ability to achieve goals.[77] The Tennessee Department of Education may impose corrective actions pursuant to the meeting, including requiring the LEA to develop and implement a corrective action plan or subjecting the LEA to an audit and investigation.[78]

- The **Texas** School Improvement Division intervenes in districts and schools that receive a "D" or "F" rating under the State Accountability System, as well as those flagged for Comprehensive, Targeted, or Additional Targeted Support under ESSA. This intervention includes improvement planning and progress monitoring.[79]

Imposed Budgetary Authority

- In **Oregon**, education spending accountability bills have been introduced in both the state House and Senate that would give the Oregon Department of Education power to redirect up to 25% of a district's funding formula allocation if districts miss certain academic growth targets two years in a row.[80]

State Receivership

- In **Massachusetts**, school districts classified as chronically underperforming by DESE, based on long-term academic struggles and systemic challenges — such as ineffective leadership, financial mismanagement, and failed attempts at targeted improvement support — may be placed under receivership. The state may also intervene in specific schools.[81]

Cautions and Considerations

- **Intervention should empower, rather than undermine, local leadership and context.** States implementing intervention in districts should be cautious of undermining local control, as statewide receivership can disempower local decision-making and diminish community voice. SEAs can empower local leadership during intervention by partnering with district leaders to collaborate on improvement strategies, engaging families and communities in decision-making, and tailoring support to local contexts rather than enforcing one-size-fits-all solutions.[82]

- **Effective, equitable intervention in struggling districts requires thoughtful community engagement and support.** Additionally, such interventions may disproportionately impact districts serving high percentages of students from low-income households and students of color, often with mixed results in terms of effectiveness.[83] SEAs can account for disproportionate impacts by centering equity in goals and metrics for success, like reducing opportunity gaps, improving student well-being, and increasing access to quality instruction for all students. Any progress monitoring should be disaggregated by race, socioeconomic status, and other key demographics to ensure intervention strategies are working for all students.

Which approach is right for your state?

Ask the following questions to help evaluate the best approach to capacity building, tiered support, and interventions to improve your state's fiscal accountability system:

1. What capacity does the SEA have to implement and sustain a multitiered system of support? What additional resources or partnerships may be needed?

2. How can the state ensure that community stakeholders — such as families, educators, and local leaders — are meaningfully engaged in the design, implementation, and evaluation of support systems, ensuring that local needs and priorities are truly reflected?

3. How can the state use progress-monitoring data to proactively identify districts in need of targeted support and ensure that support is responsive and effective? What criteria and processes will determine when a district moves from universal to targeted support, and how will the state tailor resources to meet specific districts' needs?

4. What mechanisms should be in place to ensure district staff receive consistent, human-centered support when facing complex fiscal or academic challenges?

5. How can the state design an intervention system that balances the need for accountability with recognition and differentiation for local context and community voice?

Conclusion

The four components of the fiscal accountability framework — strong foundational fiscal policy structures, purposeful local planning and engagement, transparent and comprehensive data reporting, and ongoing capacity building, tiered support, and interventions — are distinct and intertwined. Within each component, every state must make choices that best suit its existing needs and future aspirations for fiscal accountability. States should carefully navigate how to adapt components of fiscal accountability to fit their specific context, considering factors like system types (e.g., traditional public schools, charter schools) and other state policy priorities. And state policymakers should be realistic about the expected pace for results: The relationship between school funding investments and student outcomes compounds over time. In most cases, it will take multiple years to see meaningful results.

While states may pursue different approaches, with some embracing more flexibility and others favoring more state control, the overall fiscal accountability structure should be cohesive. A piecemeal approach may be a necessary starting point, especially in states with limited capacity or divergent political perspectives on accountability. But over time, states should work to engage with the entirety of the framework to ensure that fiscal accountability is well implemented and sustained. Building a coherent, functional system of fiscal accountability centered around the framework's four components requires alignment among state education leaders about what the state's goals for academic achievement are, as well as the importance of funding to meet those goals.

With the federal government stepping back from its traditional role in directing the distribution of federal funds and providing oversight, it is important that state policymakers and education leaders take on greater responsibility for ensuring fiscal accountability for state-controlled funds. The fiscal accountability framework offers a starting point as states create, enact, and implement policies designed to ensure the effective and equitable use of their K-12 funds. ✦

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About Bellwether

Bellwether is a national nonprofit that exists to transform education to ensure systemically marginalized young people achieve outcomes that lead to fulfilling lives and flourishing communities. Founded in 2010, we work hand in hand with education leaders and organizations to accelerate their impact, inform and influence policy and program design, and share what we learn along the way. For more, visit **bellwether.org**.

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