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Chairman Knodl and members of the Committee,

Thank you for allowing me to speak on AB 378, a financial transparency bill that would make it easier for the public to learn where their tax dollars are being spent at Wisconsin's K-12 public schools. Unfortunately, it is difficult to access information on how taxpayer money is allocated by public schools. AB 378 would help shine a much bigger light onto how K-12 public schools spend taxpayer money – where the funds are allocated, how the funds are spent and how the investments compare to other schools and districts.

**1. Wisconsin's current system does not provide enough transparency on public school spending.**

Wisconsin law does not require much uniformity in how school districts are required to publicly report in their annual budgets. Most Wisconsin school districts' annual budget reports are tens – if not hundreds – of pages long and difficult to navigate to determine how the district is spending taxpayer money. In addition, there are thousands of different codes used by school districts to describe how taxpayer funds are being used. The reports submitted by the district to the Department of Public Instruction This makes the information nearly impossible to determine where districts are spending taxpayer dollars.

Consequently, it is nearly impossible to meaningfully compare one school district's expenditures to another since the Department of Public Instruction (DPI) only reports information on general finance data for school districts. For example, one category of information is "instruction." But that does not provide information about how much money is going to the classroom versus money towards programming costs.

These catch-all categories make it difficult for anyone to determine how each school district is spending local, state, and federal funds, and whether they are doing so efficiently or effectively.

**2. Other states have enacted spending transparency legislation.**

In 2017, the Georgia legislature unanimously passed bipartisan legislation to expand the school finance information that must be reported, and create a financial efficiency rating system. To ensure this system creates fair and meaningful comparisons, the state determined how districts allocate spending down to the school level.

Georgia's website is an example of a gold star website for school transparency. Not only can a user look at data at the district level, but the information can be broken down by each school campus. In contrast, Wisconsin only tracks district-level spending, not individual school campuses. Georgia's system also reports over 30 categories of data for both district and school campuses, compared to Wisconsin's six general categories for districts.

Texas reports the spending by each district and individual school campuses, and categorizes them by student performance indicators, and then cross-indexes them with spending levels. Texas then rates each district and campus with a score, 1-5, indicating its success in combining cost-effective spending with student achievement compared to their fiscal peers.

Wisconsin does not track fiscal efficiency by districts, nor does Wisconsin analyze student achievement and school funding together. Texas' website is visually easy to understand and access by users. Wisconsin's information is difficult to access because it is located in spreadsheets or in several reports on WISEdash.

### **3. Why AB 378 is a step in the right direction for Wisconsin.**

Assembly Bill 378, authored by Representative Magnafici and Senator Felzkowski, requires the Department of Public Instruction to create more transparency in public school spending by requiring the following:

#### **A. Improves the existing requirement for the Superintendent of Public Instruction to create a “uniform financial fund accounting system” for public schools.**

State law requires that the Superintendent of Public Instruction create a uniform financial reporting system for all public schools, including school district and public charters. The existing system requires districts to report school spending data in large buckets, like instruction and administration. However, there is no requirement that the existing system provide transparency of specific expenditures at the school level or across the district.

This proposal improves the existing system by replacing the old accounting reporting requirements and creates a new system that will collect finance spending data based on the school level, rather than the district as a whole. The proposal requires the reporting of all types of funding – state, federal and local – received by the public school.

#### **B. Builds on an existing requirement under federal law.**

The Every Student Succeeds Act (ESSA), the federal law K-12 education law, requires all states to track and report actual per-pupil expenditures of federal, state and local funds, disaggregated by the source of funds and broken down by district and school site.

The Department does report this information from Wisconsin public schools.<sup>1</sup> But the current system does not provide users with the ability to understand how all funds are being spent at the district. For example, school districts are able to decide what topics are exempted from reporting,

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<sup>1</sup> <https://wisedash.dpi.wi.gov/Dashboard/dashboard/22051>

including categories like capital projects, debt service, facilities, food service, among others. The lack of consistency of data makes it difficult to understand the true per pupil expenditures reported by the district and impossible to compare district to district.

**C. Requires the Superintendent to receive feedback from an advisory council.**

The process to create transparency in public school spending includes feedback from an advisory council representing various entities that will be impacted by the proposed changes. The proposal creates a committee that includes members of the state legislature, urban and rural school districts, school associations, and public charter schools.

The committee will provide valuable feedback to DPI regarding how to create expenditure categories and how best to collect the data. DPI must respond to the committee's recommendations in writing, including reasons for declining to follow a committee recommendation.

**D. The Joint Committee on Finance has passive review of DPI's response.**

The committee's advisory report and DPI's response must be provided to the co-chairs of the Joint Committee on Finance. The co-chairs have 14 working days to respond and schedule a meeting to review DPI's response.

The timing of DPI's report and JFC's passive review is updated via the amendment to coordinate with the budget deliberations timeline. This will allow JFC to learn more about the committee's report and any comments by DPI, including anticipated costs.

**E. The new accounting system data must be displayed on a user-friendly website and promote the existence of the information.**

The proposal requires that the new data must be collected at least annually and uploaded to a website that allows members of the public to access, sort, and download the information. Additionally, DPI must "conduct a public information campaign" about the data to help educate members of the public that this new data exists as a resource.

**F. Delays the new system until 2023-2024 school year.**

The new accounting system with transparency measures does not go into effect until the 2023-2024 school year. At the start of the 2023-24 school year, the current accounting system can no longer be instituted by DPI.

Thank you so much for the time. Do not hesitate to reach out if you have any questions.

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