We reaffirm our opposition to the proposed SLFS data collection.

We call again on NCES to come together with others working on education finance datasets (like ourselves) to develop a plan that does not erode the existing, reliable, already-in-use school-by-school financial data collection under the Every Student Succeeds Act (ESSA). We continue to oppose the SLFS collection because none of our concerns have been alleviated in this revised proposal. Most remain unaddressed in the response to comments.

Those concerns are clearly outlined from our first-round comments in the public record (posted Nov. 23, 2022, under ED-2022-SCC-0121-0009) and are attached below.

The revised proposal is hardly different than the original plan. Sure, NCES acknowledges that its data collection poses a greater financial and time burden than initially stated. The new estimates are still too low for states like CA and IL that need to overhaul their chart of accounts and train thousands of district leaders and vendors on new accounting codes. To our knowledge NCES has not consulted with the true burden that this will impose on states that are unable to comply with SLFS.

And, yes, NCES does now commit to producing data more quickly—within two years. But that commitment rings hollow. NCES has no record to back up that commitment as **NCES regularly misses its own deadlines for data release**. NCES's 2019-2020 district financial dataset was released in February 2023, some 32 months after the close of the school year, 8 months after NCES pledged to release it (documented on its website). And NCES still has yet to release any SLFS pilot data beyond 2016-17.
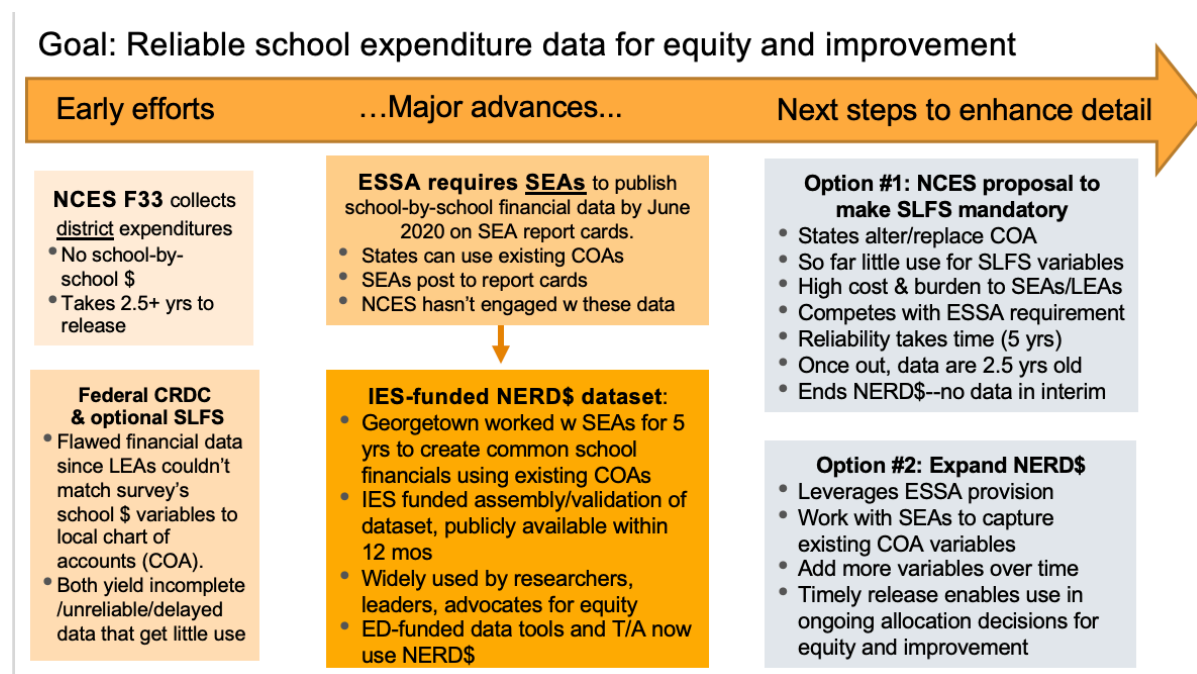
And even if NCES could meet its own pledge, **two years is still far too long a lag for the data to be of practical use for district and state leaders** or even for research that isn't limited to longitudinal scope.

Apart from responding to the above, **NCES has summarily dismissed all other comments** from the multitude of responders in the first round of comments. **NCES inexplicably hasn't engaged with other data providers over the concerns that this NCES collection will harm other widely used financial datasets,** such as ESSA. This is particularly confusing given that the ESSA data are federally funded. And the ESSA data are required by law and used in federally-funded data visualizations including the School Spending and Outcomes Snapshot (SSOS) at compcenternetwork.org/ssos. So, we now have a proposed federally funded data collection that will prompt unintended damage to an existing, reliable, widely used federally funded data collection. **The response from NCES to this claim is simply to deny there will be any impacts.**

Also problematic, where the NCES proposal could be modified to reduce unintended damage and still produce a valid federal school-by-school financial collection (per Option #2 in the below graphic), **NCES leaders have not engaged to hear how.** To be clear, we agree with the goal of getting more detailed data on school-by-school financials. This could be achieved by a simple workaround that lifts much of the burden of the proposed SLFS collection: Permitting different states to submit the chart of accounts variables they already use.

The refusal on the part of NCES to engage on such modifications is a disservice to the field. The existing datasets are already widely used, including in efforts to investigate or advance equity , including as part of equity campaigns like EdTrust's State of Equity Tool. Why jeopardize all this activity at a time when the Department of Education is committed to advancing equity?

At Edunomics Lab, we talk a lot about maximizing return on investment with limited public resources. To date, NCES has not made a compelling case for what that return would be. We **strongly advise not going forward with the proposal to make SLFS mandatory at this time.**

Goal: Reliable school expenditure data for equity and improvement

Early efforts	…Major advances...	Next steps to enhance detail

NCES F33 collects <u>district</u> expenditures
- No school-by-school $
- Takes 2.5+ yrs to release

ESSA requires <u>SEAs</u> to publish school-by-school financial data by June 2020 on SEA report cards.
- States can use existing COAs
- SEAs post to report cards
- NCES hasn't engaged w these data

Option #1: NCES proposal to make SLFS mandatory
- States alter/replace COA
- So far little use for SLFS variables
- High cost & burden to SEAs/LEAs
- Competes with ESSA requirement
- Reliability takes time (5 yrs)
- Once out, data are 2.5 yrs old
- Ends NERD$--no data in interim

Federal CRDC & optional SLFS
- Flawed financial data since LEAs couldn't match survey's school $ variables to local chart of accounts (COA).
- Both yield incomplete /unreliable/delayed data that get little use

IES-funded NERD$ dataset:
- Georgetown worked w SEAs for 5 yrs to create common school financials using existing COAs
- IES funded assembly/validation of dataset, publicly available within 12 mos
- Widely used by researchers, leaders, advocates for equity
- ED-funded data tools and T/A now use NERD$

Option #2: Expand NERD$
- Leverages ESSA provision
- Work with SEAs to capture existing COA variables
- Add more variables over time
- Timely release enables use in ongoing allocation decisions for equity and improvement

Edunomics Lab, March 8, 2023

SUMMARY: IES requested comments *on the NCES proposal to mandate the School-Level Finance Survey (SLFS) for all schools in all districts and states starting 2022. We strongly recommend IES not proceed with the proposal at this time and instead focus on improving and expanding ESSA's existing school-by-school financial data. To date,* **NCES has ignored existing Congressionally mandated ESSA data** *by not capturing or assembling the publicly reported figures that are higher quality than what SLFS would produce anytime soon. The ESSA data (currently assembled by Edunomics Lab in NERD$, the National Education Resource Database on Schools) can be produced at a lower cost and a faster pace than SLFS and has a proven track record of relevance for research and practice. Making SLFS mandatory will require some states and districts to abandon ESSA data and instead spend millions for lower-quality data produced on a time frame that renders it essentially useless for most applications. In essence, if mandated, SLFS will do more harm than good.*

First and foremost, NCES is ignoring the <u>already reliable school-by-school financials</u>, as mandated by ESSA. NCES mistakenly claims[26] that "SLFS is the only national annual collection of school- level finance data." It's true that until recently, there existed no standardized school- by-school financial data, since the NCES F-33 collected finances only at the unit of the district. But in 2015 Congress passed ESSA, which required states to report expenditures school by school on their report cards. Since each state and many districts have different accounting structures, establishing a uniform school-by-school collection posed an immense challenge. For four years, states worked together to establish interstate financial reporting (IFR) criteria and map the IFR on to their different accounting systems. As part of this work, 46 state agencies met monthly via the federally funded FiTWiG (Financial Transparency Working Group) to create uniform expenditure reports. Rather than replace accounting structures, each state mapped its own existing accounting structure on to the IFR to deliver the standardized school-by-school financial metrics.

Since 2019, all 50 states now publish school-by-school expenditures. NCES does not acknowledge these data (not even capturing the figures before they disappear each year). Instead, the university-based Edunomics Lab cleans, validates, norms and makes public these data via the IES-funded NERD$ database. SLFS would require many states to essentially abandon the ESSA-mandated work already done to establish common school-by-school financials and create a duplicate collection that would take years to achieve similar reliability.

Mandating SLFS would interfere with ESSA's requirement to post school-by-school financials on state report cards, in that it would require a different (conflicting) calculation of financial data on a different timeline.

NCES is greatly miscalculating the burden that SLFS would impose on many states and districts. The difference between the ESSA data and SLFS is that SLFS requires a specific set of accounting categories that must be separated out school by school. The accounting categories are designed to deliver more detailed data (for example, parsing expenses by "instruction" versus "instructional support" and "salaries" versus "benefits"). In states like Illinois and California and many others, the SLFS data cannot be extracted from the current accounting structures. **SLFS would require those states and districts to replace the accounting structures that are deeply rooted in their systems.** That's because many accounting systems don't currently slice expenses both by school and function/object categories or they do it for some expenses but not others. (In contrast, the ESSA financial collection was built on top of existing accounting systems instead of replacing them. ESSA data delivers only a few total expenditure figures by school, allowing for instance the aggregating of all labor expenses by school.) While NCES has done a pilot SLFS collection, the only states that participated were ones where elements of their accounting systems already matched the SLFS categories. Note that states where the chart of accounts did not match the F-33 categories did not participate in the SLFS pilot.

The SLFS pilot proves that the data would not be reliable for years. Even among participating pilot states, much of the data produced is incomplete, where states leave off categories of expenses in cases where there is misalignment between the accounting systems. The result is that the total expenses submitted are missing some of the money, and thus don't produce a dataset that can be used for research or policy. **For example, NCES's most recent SLFS publication[27] indicates that 15 states participated in the pilot, but 13 of them were missing data for one or more elements across the entire state.[28] At the school level, the participating states could report all data elements for only 15% of schools.[29]**

This lack of comprehensiveness shows up in NCES's supporting statements. As shown in Table C-3 of their materials, the pilot states reported less than half of total personnel expenditures through the SLFS survey, and less than 40% of all current expenditures were captured.

Financial data that is missing some of the money is essentially useless for exploring equity and productivity.

NCES has greatly underestimated the costs to SEAs of complying with SLFS, assuming it will cost $196,054 (or under $4000 per state). For states unable to extract data from their current systems, a partial or wholesale replacement of a state's chart of accounts would require new financial software (often embedded in vendor contracts) and training for thousands of financial staff in every single school district in the state. Such an effort would be enormously expensive (likely millions of dollars per state) and take years to accomplish.

Even Maine—a state that participated in the SLFS pilot and already had an aligned data collection system—had to write a separate contract to an external vendor to produce the SLFS report. Those costs are not captured in any of NCES's estimates.

Mandating SLFS would shift the focus away from ESSA school-by-school financials at a time those data are getting widespread use in research and practice. Last year, the Association for Education Finance and Policy (AEFP) reported that some 10% of all research papers submitted had used the NERD$ ESSA school-by-school financial data. In this year alone, NERD$ data fueled research papers published by the Urban Institute, Brookings, Peabody Journal, and Annenberg Ed Working Papers. The data are also embedded in mandated report cards and now incorporated in federally funded data displays that are being used by hundreds of districts. Forcing states to focus on SLFS could compromise these existing efforts. Because the financial collections are different, in some states SEAs could not continue to collect ESSA data (built on their existing accounting systems) and produce SLFS data (which would mean adopting a new accounting system).

NCES has not provided a compelling use case for the SLFS data. While the pilot has produced some data for years, we know of no meaningful research study that has used the data on those states where it is available and no applications of states' data for practice. It may sound appealing to have detailed school-by-school expenditure data, but the categories are still quite broad. For example, function codes like "instruction" could not pick up the difference between a schoolwide class-size reduction versus a high-dosage tutoring program targeted to the students who are furthest behind. Similarly, the object category of "salaries" would not distinguish between extra pay for new hires, pay for a longer school year, or a cost-of-living raise. In other words, researchers could still not conduct meaningful program explorations with SLFS data.

NCES's Stephen Cornman recently told FutureEd[30] that the new collection will allow us to "look at schools with high poverty levels and those low-poverty levels and see the difference in spending, and what money is actually spent on, including who's getting the most experienced teachers." **That's an overstatement**. SLFS would provide a total for instructional salaries at a given school, but currently there is no FTE count (in any collection) with the same definition that can be used to compute an average salary. **So while advocates may anticipate that SLFS data will enhance equity analyses, in practice, mandating SLFS will jeopardize the quality of school-by-school financials and derail the equity analyses that have already been made possible with ESSA data.**

NCES has proven that it is unable to produce financial data in a timely manner. NCES's long release timelines would render these data useless for all but the most arcane applications. That's in part because of the process NCES is using to gather data. Schools/districts submit data to states, states compile and submit them to NCES, and then NCES takes time to verify the data before releasing it to the public. **Currently NCES takes well over 2 years to release the district-level financials – a collection it's been doing for decades.** In contrast, the ESSA data is publicly available within 6-15 months.

There is a better path forward. The goal behind the proposal is an admirable one: To improve the collection of detailed spending information on a school-by-school basis. However, we believe this proposal will do more harm than good.

We agree that expanding the school-by-school financial categories will likely be useful at some point in the future. A better path forward would be to build on the school-by-school expenditure data required under ESSA, working with states to assemble and expand on that dataset. The first step however is to encourage states to release what financial data they do have and invite research and use of that data to learn about how to proceed. NCES could continue a pilot, reaching more states or helping more states collect more data elements, releasing the data publicly to see whether there emerges any utility in the data.

If there are categories that prove especially helpful in some states, before ED commits to making them mandatory, we'd like to see an expanded pilot to assess feasibility.

While we are proud of the work the Edunomics Lab team has done to collect and share the ESSA data, we believe that the dataset needs a more permanent home (perhaps NCES) and are committed to transferring the collection process to ensure its survival going forward.

In summary, we believe the proposed regulation to expand the SLFS data collection is not necessary or useful at this time. The supporting materials understate the challenges of implementing the proposed changes, which would likely have a much higher cost burden on states and school districts. Moreover, we have concerns about the ability of NCES to compile and release the results in a timely manner. As such, we advise IES to not go forward with the proposal to make SLFS mandatory at this time.