



COMMONWEALTH of VIRGINIA
Department of Education

DATE: April 6, 2018
TO: Division Superintendents
FROM: Steven M. Constantino, Ed.D., Acting Superintendent of Public Instruction
SUBJECT: **ESSA School-Level Expenditure Reporting Requirement**

As previously announced in the Superintendent's Email dated January 24, 2018 (Attachment A to this memo), the federal *Every Student Succeeds Act* (ESSA), which reauthorizes the *Elementary and Secondary Education Act of 1965*, includes a provision that each state education agency (SEA) must include on its annual state report cards (i.e., School Quality Profiles in Virginia) the following information:

*"The per-pupil expenditures of Federal, State, and local funds, including actual personnel expenditures and actual nonpersonnel expenditures of Federal, State, and local funds, disaggregated by source of funds, for each local educational agency **and each school** in the State for the preceding fiscal year."*

Virginia's School Quality Profiles will display, beginning with fiscal year 2019, expenditure data collected on the Annual School Report, per pupil expenditures for all schools within each school division. These per pupil expenditure calculations will include school-level and division-level costs by federal and state/local funding sources, separately. A preliminary layout of the reporting format anticipated to be incorporated into the School Quality Profiles is contained in the attached Superintendent's Email. The date for the initial public reporting of the per pupil expenditure data is undetermined at this time, but will occur after all data collection and verification of fiscal year 2019 expenditure data is completed.

Due to the ESSA school-level expenditure reporting requirement, the expenditure chart of accounts and data collection process used for the Annual School Report (ASR) must be modified to allow for the separate reporting of expenditures by federal and state/local funds as well as reporting expenditures by the site location (school-level vs. district- or central-level).

In developing the chart of accounts structure to meet the ESSA reporting requirement, the Virginia Department of Education (VDOE) used as a framework the Interstate Financial Reporting (IFR) guidelines, a set of voluntary, minimal reporting criteria developed by states collaborating in the implementation of the ESSA reporting requirement. Information related to the IFR guidelines can be found on the "Interstate Financial Reporting" publication at the link below:

- [Link: http://edunomicslab.org/publications-resources/?topic=financial-transparency](http://edunomicslab.org/publications-resources/?topic=financial-transparency) ➡

The IFR guidelines provide flexibility in how school divisions report expenditures at the school- or division-level, recognizing local variation in budgetary, accounting, staffing/resource deployment practices that can impact where funds actually get spent. To ensure most instructional expenditures typically associated with the operation of individual school buildings, such as classroom teachers, librarians, school counselors, and principals, the VDOE is requiring reporting of expenditures within several subfunctions of ASR Function Code 61000, Cost Centers 2 and 3, at the school-level only. Consistent with the IFR guidelines, other expenditures within and outside of Function Code 61000, Cost Centers 2 and 3, may be reported at the school-

and/or division-level at local discretion based local budgetary, accounting, and staffing/resource practices. Some “central” expenditures will only be reported at the division-level. Attachment B shows the allowable reporting levels for each ASR function.

While division flexibility in determining whether certain expenditures are considered school- vs. division-level expenditures will reduce comparability of school-level per pupil expenditures across schools when reporting practices differ, under the IFR framework, the total per pupil expenditure for a school consisting of both the school-level component and the division- or central-level component allocated to each school in the division is comparable across schools. Both per pupil expenditure components have to be considered together in comparing the per pupil expenditure reported across schools.

Attachment B shows the ASR chart of accounts layout that VDOE will use to collect fiscal year 2019 expenditures to meet the ESSA requirement. Expenditures categorized as “S” will be required to be reported at the school-level; expenditures categorized as “D” will be reported at the division-level as they are now; and expenditures labeled as “S/D” can be reported at the school- or division-level at local option based on local practices.

The IFR framework also recommends certain exclusions to the per pupil expenditure calculations that would be reported on the School Quality Profiles. Among the possible exclusions are adult education, capital outlay expenses, community services, debt service, capital equipment, food services, transfer payments to other LEAs (including payments for a contractual agreement), pupil transportation, and tuition payments. The chart of accounts in Attachment B labels expenditures that would be excluded for the purpose of the per pupil calculation that will be reported with an “E.” Pre-school expenditures will be included. The intent of the ESSA reporting requirement is to base the per pupil reporting on typical operational costs of public schools and exclude non-recurring and non-core program expenditures. For the division- or central-level expenditures in each division not reported at the school-level, but that must be accounted for in the reporting format, VDOE will show a constant per pupil amount reflecting these expenditures for each school in the division as part of each school’s total per pupil expenditure amount. Please note that costs excluded from the ESSA per pupil expenditure calculations will still continue to be collected on the ASR for other required purposes.

Under the IFR guidelines, the student enrollment count used for the per pupil expenditure calculation is the “serving” school division/school reflecting where funds are ultimately spent for services provided to students. The VDOE intends to use end-of-year average daily membership (ADM) of the serving school division/school in its per pupil expenditure calculations. This differs from the per pupil calculations used in Table 15 of the Superintendent’s Annual Report. The VDOE will perform the per pupil expenditure calculations for all schools based on end-of-year ADM upon receipt of all data from school divisions.

The Annual School Report chart of accounts to be used for the collection of fiscal year 2019 expenditures will serve as the basis of the per pupil calculations. School-level expenditures will be identified by coding them with the VDOE-issued numeric school code. Federal vs. state/local expenditures will be differentiated by a new fund source code. There will be occasions when a division will have to split costs in a middle school between the elementary and secondary cost centers. To accommodate such a reporting scenario, the code to differentiate between elementary, secondary, and district-wide costs (currently cost centers 2, 3, and 9 in the ASR) will also be required. The chart of accounts template to be used in collecting fiscal year 2019 expenditure data on the Annual School Report to meet the ESSA school-level expenditure requirement is shown in the Excel Attachment B. The VDOE intends to use this chart of accounts structure in collecting expenditure data on the fiscal year 2019 Annual School Report. School divisions should devise their local chart of accounts and procedures for recording fiscal year 2019 expenditures consistent with the attached chart of accounts structure in order to be able to 1) report expenditures at the school- and division-level according to the school- and division-level designations, 2) report expenditures separately by federal and state/local sources, and 3) continue to report costs in cost centers 2, 3, and 9 for Annual School Report purposes, necessitating an additional code in divisions’ account code structure where certain schools are split between cost centers 2-elementary and 3-secondary.

It is anticipated that the fiscal year 2019 expenditure data for the Annual School Report will be submitted by school divisions to the VDOE via readable data files according to a standardized file layout provided by the Department in May. This communication will include the detailed file layout specifications of the school-level

and division-level expenditure data to be submitted to VDOE. The existing supplemental ASR schedules will likely continue to be submitted as separate spreadsheets in Excel format.

If you have questions regarding this ESSA reporting requirement, please contact the Budget Office at DOEBUDGETOFFICE@doe.virginia.gov or (804)-225-2025.

SMC/eml

Attachments:

- A. [January 24, 2018 Superintendent's Email](#) (Word)
- B. [Chart of Accounts](#) (XLS)

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