

# Financial Oversight & Fiscal Integrity in State Takeover Districts

## Why This Matters:

Districts placed under state takeover are, by definition, experiencing severe dysfunction. Yet, West Virginia currently allows these districts to continue operating with limited financial transparency, long-term contractual obligations, and spending patterns disconnected from student outcomes. Without immediate fiscal controls, state takeover risks becoming an exercise in stabilizing bureaucracy rather than correcting failure.

## Policy Recommendations:

### Mandatory Forensic Financial Review

- Require an independent forensic audit within 30 days of takeover
- Publish findings within 90 days, including an executive summary for the public
- Require state to formally adopt or reject turnaround recommendations in writing

### Spending Controls During Takeover

- Prohibit new multi-year contracts without state approval
- Limit financial commitments to one year unless deemed essential
- Require state approval for large expenditures or new programs

### Align Spending With Outcomes

- Tie budgets to measurable academic indicators, not staffing counts
- Require annual retrospective reviews of prior investments
- Implement performance-based budgeting during takeover

## Core Problems:

1. Chronic deficits masked by short-term fixes
2. Staffing and spending misaligned with enrollment and achievement
3. No standardized forensic review of how public dollars were used prior to takeover
4. Weak enforcement when misuse or fraud is uncovered

### Structural Safeguards

- Require annual 3–5 year financial forecasts that model enrollment decline
- Trigger consolidation review when districts exceed spending norms without improvement
- Prioritize instructional effectiveness over seniority in staffing reductions

### Enforcement and Accountability

- Establish a state-level education fraud unit
- Automatically refer credible fraud findings to prosecutors
- Publish an annual public integrity report on investigations and outcomes