

ARKANSAS SENATE
84th General Assembly - Second Extraordinary Session, 2003
Amendment Form

Subtitle of House Bill No. 1094

"THE ARKANSAS EDUCATIONAL FINANCIAL ACCOUNTING AND REPORTING ACT
OF 2004."

Amendment No. 1 to House Bill No. 1094.

Amend House Bill No. 1094 as originally introduced:

Add Representative Walters as a House cosponsor

AND

Add Senators Bryles, Broadway, and Bisbee as Senate cosponsors

AND

Page 1, on line 28, delete "August 15" and substitute "September 1"

AND

Page 2, delete lines 22 and 23 and substitute the following:
"state board. An annual record shall be filed by September 1 of each year with the"

AND

Page 2, delete lines 26 and 27 and substitute the following:
"the department determines that the financial records of any school district are not"

AND

Page 2, delete line 35 and substitute the following:
"to school districts. The Division of Legislative Audit may assist the auditors of the department upon request of the department."

AND

Page 3, on line 24, delete "Officials, and" and substitute "Officials, the Arkansas Education Association, and"



AND

Page 3, line 33, delete "Officials, and" and substitute "Officials, the Arkansas Education Association, and"

AND

Page 7, on line 11, delete "fringe benefits." and substitute "fringe benefits and supplemental salary schedules."

AND

Page 8, at line 19, add the following new section:

"SECTION 2. Arkansas Code § 6-15-2101, as added by Section 9 of Act 35 of 2003, Second Extraordinary Session, is amended to read as follows:

6-15-2101. Best financial management practices for school districts—~~Standards—Reviews—Designation of school districts.~~

~~(a) The purpose of best financial management practices reviews are to improve Arkansas school district management's use of resources and to identify cost savings. The Department of Education and the Division of Legislative Audit of the Legislative Joint Auditing Committee of the General Assembly are directed to develop a system for reviewing the financial management practices of school districts. In this system, the division shall assist the department in examining district operations to determine whether they meet "best financial management code practices".~~

~~(b) The best financial management practices adopted by the State Board of Education may be updated periodically after consultation with the Legislative Council, the Governor, the department, school districts, and the division. The department shall submit to the state board for review and possible adoption proposed revisions to the best financial management practices adopted by the state board and reviewed by the Legislative Council. Revised best financial management practices adopted by the state board shall be used in the next scheduled school district reviews conducted according to this section. The best financial management practices, at a minimum, shall be designed to instill public confidence by addressing the school district's use of resources, identifying ways that the district could save funds, and improving districts' performance accountability systems, including public accountability. To achieve these objectives, best practices shall be developed for, but need not be limited to, the following areas:~~

- ~~(1) Management structures;~~
- ~~(2) Performance accountability;~~
- ~~(3) Efficient delivery of educational services, including instructional materials;~~
- ~~(4) Administrative and instructional technology;~~
- ~~(5) Personnel systems and benefits management;~~
- ~~(6) Facilities construction;~~
- ~~(7) Facilities maintenance;~~
- ~~(8) Student transportation;~~
- ~~(9) Food service operations;~~
- ~~(10) Cost control systems, including asset management, risk management, financial management, purchasing, internal auditing, and~~

~~financial auditing;~~

~~(11) Athletics; and~~

~~(12) Other extra curricular activities.~~

~~(c) The department shall conduct the reviews or contract with a private firm selected through a formal request for proposal process to perform the review. At least one (1) member of the private firm review team shall have expertise in school district finance. The scope of the review shall focus on the best practices adopted by the state board pursuant to subsection (b) of this section.~~

~~(d) The state board shall consult with the department throughout the best practices review process to ensure that the technical expertise of the department benefits the review process and supports the school districts before, during, and after the review.~~

~~(e)(1) Each school district shall be subject to a best financial management practices review. The General Assembly also intends that all school districts shall be reviewed biennially by on-site visits and shall be given one of the following designations:~~

~~(A) "A", schools comprehensively complying with best financial practices;~~

~~(B) "B", schools complying with best financial practices at significant levels;~~

~~(C) "C", schools adequately complying with best financial practices;~~

~~(D) "D", schools less than adequately complying with best financial practices; or~~

~~(E) "F", schools failing to comply with best financial practices.~~

~~(2) The department shall prepare annual reports of the results of the best financial management practices reviews and shall post to its website the school and the district financial grades. The report, which shall be part of the overall school and district report card requirement pursuant to § 6-15-1806, shall include both revenue sources and expenditures. The reporting of expenditures shall include breakdowns of administrative, instructional, support, and operations expenditures, as well as any other financial commitments of the school and district.~~

~~(f) The Legislative Council may adjust the schedule of districts to be reviewed when unforeseen circumstances prevent initiation of reviews scheduled.~~

~~(g) The department, subject to funding by the General Assembly, may contract with a private firm to conduct best financial management practices reviews.~~

~~(h) Reviews shall be conducted by the division, the department, or the consultant. Funds may be used for the cost of reviews by the division and private consultants contracted by the state board. Costs may include professional services, travel expenses of the department and of the staff of the division, and any other necessary expenses incurred as part of a best financial management practices review and as preapproved by the department.~~

~~(i) Districts shall complete a self-assessment instrument provided by the department that indicates the school district's evaluation of its performance on each best practice. The district shall begin the self-assessment no later than sixty (60) days prior to the commencement of the review. The completed self-assessment instrument and supporting~~

~~documentation shall be submitted to the department no later than the date of commencement of the review as notified by the department. The best practices review team will use this self assessment information during their review of the district.~~

~~(j) During the review, the department or the consultant conducting the review, if any, shall hold at least one (1) advertised public forum as part of the review in order to explain the best financial management practices review process and obtain input from students, parents or guardians, the business community, and other district residents regarding their concerns about the operations and management of the school district.~~

~~(k) District reviews conducted under this section shall be completed within six (6) months after commencement. The department shall issue a final report to the Legislative Council regarding the district's use of best financial management practices and cost savings recommendations within sixty (60) days after completing the reviews. Copies of the final report shall be provided to the Governor, the state board, the district superintendent, and the districts' school board members. The district superintendent shall notify the press that the final report has been delivered. The notification shall state the department's website address at which an electronic copy of the report is available.~~

~~(1)(1) If the district is found not to conform to best financial management practices, the report shall contain an action plan, taking public input into consideration, detailing how the district could meet the best practices within two (2) years. The district school board shall develop and approve the implementation schedule within sixty (60) days after receipt of the final report. If a district fails to vote on the action plan within sixty (60) days, the district superintendent and school board members shall be required to appear and present testimony before the state board and the Legislative Council.~~

~~(2) Within sixty (60) days after the receipt of the final report, the district school board shall notify the state board and the department in writing of the implementation schedule for the action plan. The department shall contact the school district, assess the situation, and offer technical assistance, if needed.~~

~~(m) After a district school board votes to implement the action plan:~~

~~(1) No later than six (6) months after receipt of the final best financial practices report, the district school board shall submit an initial status report to the Governor, the state board, the division, the department and the Legislative Council on progress made toward implementing the action plan and whether changes have occurred in other areas of operation that would affect compliance with the best practices; and~~

~~(2)(A) A second status report shall be submitted by the school district to the Governor, the state board, the division, the department, and the Legislative Council no later than six (6) months after submission of the initial report, and every six (6) months thereafter, until status reports are not required.~~

~~(B) Status reports are not required once the state board concludes that the district is using best financial management practices and the district is designated a grade category "A" for its financial practices.~~

~~(n) School districts that are determined in their review to be using the best practices and are graded a category "A" pursuant to subsection (c) of this section, shall receive a "Seal of Best Financial Management". The~~

~~state board designation shall be effective until a district's financial accountability grade decreases. The state board shall revoke the designation of a district school board at any time if it determines that a district is no longer complying with the state's best financial management practices.~~

~~(o) District school boards that receive a best financial management practices review shall maintain records that will enable independent verification of the implementation of the action plan and any related fiscal impacts.~~

~~(p) Unrestricted cost savings resulting from implementation of the best financial management practices shall be spent at the school and classroom levels for teacher salaries, teacher professional development, improved classroom and school facilities, student supplies, textbooks, classroom technology, and other direct student instruction activities. Cost savings identified for a program that has restrictive expenditure requirements shall be used for the enhancement of the specific program. If the district is in fiscal distress, the cost savings may be used in accordance with the fiscal distress plan.~~

(a)(1) In order to improve the use of resources by Arkansas school districts, the Department of Education shall formulate rules concerning the best financial management practices and associated indicators for presentation to the State Board of Education for review and adoption.

(2) In formulating the rules required by this section, the department shall consult with various stakeholders, including the state board, educators, educational associations, the House Interim Committee on Education, the Senate Interim Committee on Education, and experts in each area for which practices and indicators are being developed under § 6-15-2102.

(3) The department shall hold advertised public forums throughout Arkansas to obtain input from students, parents or guardians, the business community, and other interested parties.

(4) The department shall periodically report to the House Interim Committee on Education and the Senate Interim Committee on Education on the progress of developing the rules required by this section.

(b) Within nine (9) months after the effective date of this section, and prior to submitting proposed rules to the state board for adoption, the department shall present the proposed rules to the House Interim Committee on Education, the Senate Interim Committee on Education, the Legislative Council, and the Legislative Joint Auditing Committee for review and comments.

(c) Within one (1) year after the effective date of this section, the state board shall adopt rules concerning best financial management practices and associated indicators for school districts.

SECTION 3. Arkansas Code Title 6, Chapter 15, Subchapter 21 is amended to add new sections to read as follows:

6-15-2102. Best financial management practices -- Content.

(a) The best financial management practices, at a minimum, shall be designed to:

(1) Instill public confidence by addressing the school district's use of resources;

(2) Identify ways that the school district could save funds; and

(3) Improve school districts' performance accountability

systems, including public accountability.

(b) Best practices shall be developed for areas which include, but are not limited to:

- (1) Management structures;
- (2) Performance accountability;
- (3) Efficient delivery of educational services, including instructional materials;
- (4) Administrative and instructional technology;
- (5) Personnel systems and benefits management;
- (6) Facilities construction;
- (7) Facilities maintenance;
- (8) Student transportation;
- (9) Food service operations;
- (10) Cost control systems, including asset management, risk management, financial management, and purchasing;
- (11) Athletics; and
- (12) Other extra-curricular activities.

(c) After presentation to the House Interim Committee on Education, the Senate Interim Committee on Education, the Legislative Council, and the Legislative Joint Auditing Committee for review and comment, the Department of Education shall present proposed amendments of the best financial management practices to the State Board of Education for review and adoption.

6-15-2103. Implementation of best financial management practices.

(a) The State Board of Education shall adopt an implementation schedule for all school districts to comply with the rules concerning best financial management practices.

(b) If not required by the state board to be implemented sooner, school districts shall begin implementing the rules in the 2005-2006 school year.

(c) School districts shall implement all rules concerning best financial management practices by the beginning of the 2006-2007 school year.

6-15-2104. Pilot review program.

(a) The Division of Legislative Audit shall develop a pilot plan for reviewing certain school districts' compliance with the rules concerning best financial management practices adopted by the State Board of Education.

(b) The pilot plan shall be approved by the Legislative Joint Auditing Committee, following review by the House Interim Committee on Education, the Senate Interim Committee on Education, and the Legislative Council.

(c)(1) The pilot plan shall include a self-assessment plan document developed by the division.

(2) Within sixty (60) days of receipt of the self-assessment document, a school district subject to review shall complete the self-assessment document and return it to the division.

(d) The financial management best practice review reports shall be prepared by the division and presented to the Legislative Joint Auditing Committee and forwarded to the Department of Education and the House Interim Committee on Education and the Senate Interim Committee on Education.

(e)(1) If the review report prepared by the division indicates that a school district has not substantially complied with all the provisions of the financial management best practices rules adopted by the state board, the

school district board of directors shall adopt a compliance action plan within ninety (90) days after the report has been presented to the Legislative Joint Auditing Committee.

(2) The department may assist a school district in the development and implementation of an action plan. All action plans shall be forwarded to and reviewed by the department.

(3) Within thirty (30) days of receipt of an action plan from a school district, the department shall review the school district's action plan and submit the action plan to the division for presentation to the Legislative Joint Auditing Committee. The division shall submit all action plans to the House Interim Committee on Education and the Senate Interim Committee on Education.

6-15-2105. Best financial practices review program.

(a) The Division of Legislative Audit shall utilize information and knowledge gained through the pilot review program to determine resources and procedures necessary to implement a fully operational system for reviewing school districts for compliance with the adopted best financial management practices rules.

(b) The division's determinations regarding necessary resources and procedures shall be presented for approval to the Legislative Joint Auditing Committee. A copy of the determinations shall also be submitted to the House Interim Committee on Education and the Senate Interim Committee on Education.

6-15-2106. Best financial management practices for educational cooperatives.

(a) In order to improve the use of resources by Arkansas educational cooperatives, the Department of Education shall formulate rules concerning the best financial management practices and associated indicators for presentation to the State Board of Education for review and adoption.

(b) Within one (1) year after the effective date of this section, the state board shall adopt rules concerning best financial management practices and associated indicators for educational cooperatives.

(c) The rules shall be developed for areas listed in § 6-15-2102(b) and shall identify ways in which educational cooperatives could save funds and improve performance accountability systems.

(d) The department shall establish an implementation schedule for educational cooperatives to comply with the rules beginning with the 2005-2006 school year.

(e) The Division of Legislative Audit may establish by rule a pilot review program for educational cooperatives similar to the program established in § 6-15-2104."

The Amendment was read the first time, rules suspended and read the second time and _____

By: Senator Broadway

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Secretary