

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. 2 to House Bill No. 1094.

Amend House Bill No. 1094 as engrossed, S1/16/04 (version: 01-16-2004 15:22):

Add Representative Walters as a House cosponsor

AND

Add Senator Bryles, Broadway, and Bisbee as Senate cosponsors

AND

Page 1, delete all sections following the enacting clause and substitute the following:

"SECTION 1. Arkansas Code Title 6, Chapter 20, is amended to add the following subchapter:

6-20-2201. Title.

This subchapter shall be known and may be cited as the "Arkansas Educational Financial Accounting and Reporting Act of 2004".

6-20-2202. Budget and expenditure report.

(a)(1) The board of directors of each school district, local education agency, and education service cooperative shall annually prepare a budget of expenditures and receipts that shall be filed with the Department of Education by September 1 of each year pursuant to the provisions of this subchapter.

(2) Each budget shall be approved by the board of directors of each school district, local education agency, and education service cooperative at a legally held meeting and shall be signed by the president of the board and the ex officio financial secretary of each school district, local education agency, and education service cooperative. The budget shall contain the information and be prepared in an electronic format prescribed by rules of the State Board of Education governing financial accounting for Arkansas school districts, local education agencies, and education service cooperatives.

(b)(1)(A) Warrants or checks of a school district, local education



agency, or education service cooperative issued after the date required by subsection (a) of this section shall be invalid unless a budget has been filed as required by this subchapter and in compliance with appropriate rules.

(B) The ex officio financial secretary of a school district, local education agency, or education service cooperative and his or her surety shall be liable for any warrants or checks countersigned after the date required by subsection (a) of this section if a budget has not been filed.

(2) Distribution of all grants and aids from the state for which the school district, local education agency, or education service cooperative may be eligible shall be suspended until the requirements of this subchapter are met.

(c)(1) School district, local education agency, and education service cooperative budgets filed pursuant to this section shall be reviewed by the auditors of the financial accountability office of the department to determine if the requirements of state law and the rules of the state board regarding the use of school, local education agency, and education service cooperative funds and expenditure requirements are being met.

(2) Upon approval by the auditors, copies of the approved budget shall be filed with the school district, local education agency, education service cooperative, the county treasurer if serving as school treasurer, and the department.

(d)(1) The ex officio financial secretary of each school district, local education agency, and education service cooperative shall keep a record of the daily expenditures and receipts of the school district, local education agency, or education service cooperative in the manner and on the forms as may be specified by rules of the state board. An annual record shall be filed by August 15 of each year with the department.

(2) If the auditors of the financial accountability office of the department determines that the financial records of any school district, local education agency, or education service cooperative are not properly maintained or that the financial affairs of the school district, local education agency, or education service cooperative are not administered in accordance with state law or state board rules, grants and aids from the state to which the school district, local education agency, or education service cooperative may be entitled shall be withheld until it is determined that the fiscal records of the school district, local education agency, or education service cooperative are in order or that the financial affairs are being properly administered as established by statute or by rule promulgated by the board, provided that the department has met all deadlines for providing information to school districts, local education agencies, or education service cooperatives. The Division of Legislative Audit may assist the auditors of the department upon request of the department.

(e)(1) The department may withhold state aid from any school district, local education agency, or education service cooperative that fails to file its budget or any other required report with the department by the deadline established by statute or by rule promulgated by the state board, provided that the department has met all deadlines for providing pertinent information to school districts, local education agencies, or education service cooperatives.

(2) The department shall submit a list of all required financial

accountability reports along with due dates to each school district, local education agency, and education service cooperative by July 1 of each year.

(f) The state board shall promulgate the necessary rules to fully implement the provisions of this section.

(g) The Treasurer of State shall withhold the monthly distribution of county aid provided under § 19-5-602(b) from any county that fails to provide in a timely manner information to the department concerning the annual abstract of assessment for each school district located wholly or in part in the county.

6-20-2203 Uniform budget and accounting system required.

(a) The State Board of Education shall adopt by rule a uniform budget and accounting system consistent with the Handbook IIR2 or future revisions as published by the U.S. Department of Education, Office of Educational Research and Improvements, for school districts, local education agencies, education service cooperatives, and open enrollment charter schools. The rules shall be developed by the Department of Education in cooperation with representatives from the Arkansas Association of School Administrators, the Arkansas Association of School Business Officials, the Arkansas Education Association, and the Legislative Joint Auditing Committee.

(b) The definitions contained in the Federal Handbook IIR2 shall be used for school districts, local education agencies, and education service cooperatives in Arkansas and shall be used to allow for valid comparisons of expenditures among schools, school districts, and education service cooperatives.

(c) In addition the State Board of Education shall adopt by rule "Arkansas Revisions" to the Federal Handbook IIR2. The rules shall be developed by the Department of Education in cooperation with representatives from the Arkansas Association of School Administrators, the Arkansas Association of School Business Officials, The Arkansas Education Association, and the Legislative Joint Auditing Committee, and education service cooperatives. Arkansas Revisions shall include but not be limited to:

(1) Categories to allow for the gathering of data on separate functions and programs;

(2) Categories and descriptions of expenditures that each school or school district shall report on its annual school performance report authorized by the School Performance Report Act, § 6-5-1401 et seq. The reported expenditures shall include, but not be limited to, the following categories:

- (A) Total Expenditures;
- (B) Instructional Expenditures;
- (C) Administrative Expenditures;
- (D) Extracurricular Expenditures;
- (E) Capital Expenditures; and
- (F) Debt Service Expenditures;

(3) Categories and descriptions of school and school district expenditures that allow for the gathering of data on separate functions and programs provided by law; and

(4) Categories and descriptions of expenditures that each education service cooperative shall report on its annual report authorized by law.

(d) A handbook for education service cooperatives shall be developed

by the State Board of Education that contains appropriate format and codes for expenditures for education service cooperatives. Rules shall be developed by the Department of Education.

(e) The department shall have the authority to analyze and inspect the financial records of any school, school district, or education service cooperative, in order to verify that a school, school district, or education service cooperative is correctly and accurately reporting expenditures.

(f) By November 1 of each year, the Department of Education shall submit a report to the State Board of Education, the Governor, and the Senate and House Interim Committees on Education concerning public school and public school district expenditures required by law.

(g) All rules, regulations, and revisions adopted under this subchapter shall be adopted and published prior to the start of any fiscal year for which they are applicable and shall allow for an implementation schedule consistent with the method outlined in § 6-20-2207.

6-20-2204. Required training.

(a)(1) Any person whose job responsibility includes preparing the budget or recording expenditures of a school, school district, local education agency, or education service cooperative shall obtain training and instruction necessary to demonstrate basic proficiency, as determined by the Department of Education, in, including, but not limited to:

(A) School laws of Arkansas;

(B) Laws and rules governing the expenditure of public education funds, fiscal accountability, and school finance;

(C) Ethics; and

(D) Financial accounting and reporting of local education agency and education service cooperative expenditures.

(2) Each year thereafter, any person whose job responsibility includes preparing the budget or recording expenditures of a school, school district, or education service cooperative shall obtain by December 31 of each calendar year, additional hours of training and instruction as required by the department in order to maintain basic proficiency in the topics described in subdivision (a)(1) of this section.

(3)(A) The instruction may be received from an institution of higher education in this state, from instruction sponsored by the Department of Education, or by an in-service training program conducted by the Arkansas Association of School Business Officials, or from another provider.

(B) Any instruction provider other than the department shall request pre-approval as to form and content by the department.

(4)(A) If a person fails to obtain the required training by the end of the calendar year and fails to cure the deficiency by March 1 of the following calendar year without filing a request for extension of time, as determined from the records of the department, the department shall immediately notify the superintendent of the employing school district or the director of the education service cooperative by certified mail, return receipt requested, with a copy to the board president.

(B) The superintendent or education service cooperative director shall notify the person by certified mail, return receipt requested, and the person shall be unable to continue in his or her position from the date of receipt of notification by the superintendent or education service cooperative director.

(5) If the person fails to obtain all required training by December 31, this failure shall constitute one (1) citation against the school district as measured by the Standards for Accreditation of Arkansas Public Schools issued by the department or an admonishment to the education service cooperative by the department.

(6) If the person is unable to obtain the required training because of military service or illness as verified by a written sworn statement of the person's attending physician, the department shall grant an extension permitting the person additional time to obtain the required training. The issuance of an extension shall not constitute a citation against the school district as measured by the Standards for Accreditation of Arkansas Public Schools issued by the department or the education service cooperative and shall not operate to remove the person from his or her job.

(b)(1) A school district, local education agency, or education service cooperative board of directors is authorized to pay per diem and reimburse the expenses of a person required to obtain training under this section.

(2) The expenses must be incurred in attending in-service workshops, conferences, and other courses of training and instruction necessary for completing the hours of instruction required under this section.

(3) Payments may be made from funds belonging to the school district.

(c) The State Board of Education shall modify the Standards for Accreditation of Arkansas Public Schools issued by the department as may be required by this section.

(d) It is the responsibility of the department to receive and maintain records of instructional hours obtained by any individual covered under this section.

(e) The state board is authorized to promulgate rules and regulations consistent with the provisions of this section.

6-20-2205. Penalties.

(a) Any school district or local education agency that does not follow the provisions of this subchapter shall be placed in fiscal distress as provided by law.

(b) Any education service cooperative that does not follow the provisions of this subchapter shall be sanctioned by the State Board of Education.

6-20-2206. Miscellaneous provisions.

(a) If the Department of Education determines that an overpayment has been made to a school district, local education agency, or education service cooperative in any funding category authorized by law, the department is authorized to withhold the overpayment from future funding of the school district, local education agency, or education service cooperative and is authorized to transfer the amount withheld for the overpayment to the line item appropriation from which the overpayment was initially made.

(b) Each school district, local education agency, and education service cooperative shall prepare an annual statement of the financial conditions and transactions of the school district, local education agency, or education service cooperative as of June 30 of each year in accordance with generally accepted accounting principles.

(c) In order for a school district, local education agency, or education service cooperative to be entitled to state aid as provided by law, each school district, local education agency, and education service cooperative shall satisfy the following requirements:

(1) Expenditures for any fiscal year shall not exceed the legal revenues for that year;

(2) The school district, local education agency, and education service cooperative shall maintain such records and make such reports relative to attendance, receipts, and disbursements and other reports as required by the rules and regulations of the State Board of Education;

(3) The school district, local education agency, and education service cooperative shall maintain proper financial records in accordance with the state's school accounting manual and regulations promulgated by the State Board of Education;

(4) The school district, local education agency, and education service cooperative shall file annually with the State Board of Education a salary schedule for its certified employees which recognizes a minimum level of training and experience. This schedule shall reflect the actual pay practices of the school district, local education agency, or education service cooperative, including all fringe benefits and supplemental salary schedules. Salary increments for experience or education, or both, shall be identified on the schedule; and

(5)(A) All pupil attendance records shall be kept in their original form and shall be public records.

(B) Pupil attendance records shall be kept according to law and regulations, on paper or electronic forms either furnished or approved by the department.

(C) Original pupil attendance records shall be kept on file in the office of the superintendent of schools after the school term is ended for a period of three (3) years and these records shall be available for monitoring purposes during any day of the school term by the teachers or other persons designated to keep attendance.

(d) School districts may not include the cost of substitute teachers, extended contracts for extracurricular activities, or supplementary pay for extracurricular activities in meeting the expenditures requirement for student classroom teacher salaries.

(e) Any licensed classroom teacher or administrator of a school, school district, a local education agency, or education service cooperative that provides false expenditure information may have his or her license placed on probation, suspended, or revoked pursuant to rules promulgated by the State Board of Education.

6-20-2207. Rule-making authority.

(a)(1) Before the 2004-2005 school year, the State Board of Education shall promulgate rules governing and providing compliance with an established uniform chart of accounts for budgeting of school, school district, and education service cooperative revenues and expenditures and financial reporting in order for school districts and education service cooperatives to comply with § 6-20-2202.

(2) These rules shall be applied to all school districts, local education agencies, and education service cooperatives on a pilot basis for the 2004-2005 school year.

(b) Beginning with the 2005-2006 school year, the Department of Education shall amend the rules provided for in subsection (a) of this section as necessary and before the beginning of a school year in order for school districts to comply with this subchapter.

(c) Any school district, local education agency, or education service cooperative that fails to comply with state law or rules governing and providing a uniform chart of accounts for budgeting of revenues and expenditures and financial reporting shall be deemed to be in fiscal distress and subject to the applicable enforcement provisions as provided by law.

(d) Any school district, local education agency, or education service cooperative that fails to comply with the expenditure requirements of any public school, public school district, or education service cooperative funding law shall be deemed to be in fiscal distress and subject to the applicable enforcement provisions as provided by law.

6-20-2208. Monitoring of expenditures.

(a) The General Assembly determines that although funds may be distributed to school districts under this subchapter, it is the duty and responsibility of the State of Arkansas to monitor such expenditures to ensure that each public school child in Arkansas is provided with an adequate education.

(b) Each school district shall ensure that funds distributed by the State of Arkansas to the district are utilized in an efficient manner in order to provide an adequate education.

(c) Each school district shall:

(1) Expend sums for teacher salaries in order to meet the requirements of Arkansas law;

(2)(A) Expend the sums allocated to the school district under § 6-20-2005(b) for salaries and other instructional aid components to benefit students in the special needs categories within the school district unless other expenditures are allowed by law or rule of the State Board of Education or Department of Education.

(B) The school district shall further ensure that those sums are used to improve the educational opportunity of those children, with a primary emphasis on improving each student's proficiency;

(3) Expend other sums as may be allocated under this subchapter and as may be required by law in order to provide an equal opportunity for an adequate education;

(4) Ensure that sums appropriated by law and allocated to the school district are used to meet standards for accreditation and to provide the required curriculum for all students in the district;

(5) Ensure that sums allocated for facilities or other capital needs are spent in accordance with law; and

(6) Expend state and local revenues on gifted and talented programs:

(A) In an amount equal to fifteen hundredths (0.15) of the foundation funding amount multiplied times five percent (5%) of the school district's average daily membership for the previous year; and

(B) Only upon gifted and talented programs in accordance with rules promulgated by the State Board of Education.

(d)(1) During the appropriate Arkansas public school computer network reporting cycle each year, each school district shall submit appropriate data

to the Department of Education establishing the school district's compliance with this section.

(2) The data shall be timely, accurate, and in the format required by rules promulgated by the State Board of Education.

(3) The data reported shall reflect the expenditure of each category of additional education categories.

(4) Reports for each school district shall be developed by the department and transmitted to the Governor, the Senate Interim Committee on Education, and the House Interim Committee on Education.

SECTION 2. Arkansas Code § 6-1-101, concerning the audit of publicly funded educational institutions, is amended to add a new subsection to read as follows:

(e) In addition to any other requirements in this section, the Legislative Joint Auditing Committee may establish additional compliance or financial reporting requirements for audits of publicly funded educational institutions performed by the Division of Legislative Audit or by an independent person licensed to practice accounting by the Arkansas State Board of Public Accountancy.

(f) Education service cooperatives shall be subject to the same financial management practices, reviews, and designations as provided for school districts under Arkansas Code § 6-15-2101 as added by Act 35 of the Second Extraordinary Session of 2003."

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

By: Senator Bryles

BBC/VFF - 01-17-2004 09:17

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Secretary