

1 State of Arkansas
2 84th General Assembly
3 Second Extraordinary Session, 2003
4

Call Item 4

A Bill

HOUSE BILL 1182

5 By: Representatives Gillespie, Stovall
6
7

For An Act To Be Entitled

9 AN ACT PROVIDING EDUCATION REFORM IN ARKANSAS; TO
10 PROVIDE FOR EDUCATION FUNDING; TO ESTABLISH
11 EDUCATIONAL ADEQUACY ACCOUNTING; TO CREATE A
12 SUPPLEMENTAL TEACHER SALARY PLAN FOR DISTRICTS
13 UNABLE TO MEET TEACHER SALARY INCREASE
14 REQUIREMENTS; AND FOR OTHER PURPOSES.
15

Subtitle

16 AN ACT PROVIDING EDUCATION REFORM; TO
17 PROVIDE FOR EDUCATION FUNDING; TO
18 ESTABLISH EDUCATIONAL ADEQUACY
19 ACCOUNTING; AND TO CREATE A SUPPLEMENTAL
20 TEACHER SALARY PLAN FOR DISTRICTS UNABLE
21 TO MEET SALARY INCREASE REQUIREMENTS.
22
23
24

25 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
26

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

29 6-20-2201. Title and purpose.

30 (a) This subchapter shall be known and may be cited as the "Education
31 Funding Reform Act of 2003".

32 (b) The purpose of this subchapter is to establish adequate levels of
33 funding for public schools. This subchapter does not impose staffing
34 requirements or minimum teacher-student ratios upon public schools.
35

36 6-20-2202. Legislative findings and intent.



1 (a) The General Assembly recognizes that intelligence and virtue are
 2 the safeguards of liberty and the bulwark of a free and good government and
 3 that the Arkansas Constitution, Article 14, § 1 requires the state to ever
 4 maintain a general, suitable, and efficient system of free public schools and
 5 to adopt all suitable means to secure to the people the advantages and
 6 opportunities of education.

7 (b) The General Assembly finds that the education of the children of
 8 this state is best secured by maintaining as much local control over the day-
 9 to-day management of school operations as is consistent with state
 10 constitutional requirements. It is the intent of this subchapter to maintain
 11 and foster local control consistent with the state's constitutional mandate
 12 to assure suitability and efficiency in the public school system.

13 (c) The General Assembly finds that a suitable and efficient system of
 14 public education should:

15 (1) Assure the availability of substantially equal and
 16 constitutionally appropriate revenue for the education of each similarly
 17 situated child in the public schools, regardless of where that child resides
 18 within the state;

19 (2) Assure that each school-age child resides in a school
 20 district that offers a competitive minimum salary for classroom teachers;

21 (3) Assure that there is incentive and opportunity for patrons
 22 of each school district to provide a greater degree of financial support for
 23 students of the school district than may be provided in other school
 24 districts;

25 (4) Assure that:

26 (A) All students graduating from high school are able to
 27 demonstrate a defined minimum level of competence in:

28 (i) English, oral communications, reading, and
 29 writing;

30 (ii) Mathematics skills; and

31 (iii) Science and social studies disciplines; and

32 (B) The minimum level of competence evolves over time to
 33 higher levels;

34 (5) Assure that students with disabilities have the opportunity
 35 to graduate from high school by demonstrating alternative competencies or
 36 alternative levels of competency;

1 (6) Assure that students who are not on track for high school
 2 graduation are identified at a sufficiently early date that they may be
 3 provided an opportunity at a reasonable cost to achieve the minimum levels of
 4 competence necessary to graduate from high school;

5 (7) Recognize that graduating from high school requires that the
 6 student, as well as the parent, parents, or guardian of the student work hard
 7 and assume appropriate responsibility for the student’s success or failure;

8 (8) Encourage parental participation in the public schools and
 9 in public school activities;

10 (9) Recognize that public schools must provide a safe,
 11 disciplined, and drug-free environment for students and teachers;

12 (10) Avoid disproportionate variances among school districts in
 13 the financial burden imposed on taxpayers;

14 (11) Avoid unnecessary duplication of administrative and
 15 operational expenses;

16 (12) Avoid disproportionate variances among school districts in
 17 the use of classroom teachers and capital resources; and

18 (13) Recognize that early attention to and correction of student
 19 deficiencies are substantially less expensive and more effective than
 20 remedial efforts in the later school grades.

21 (d)(1) The General Assembly acknowledges that the Arkansas
 22 Constitution requires the state to provide a general, suitable, and efficient
 23 system of free public schools.

24 (2) The obligation has been held by the Arkansas courts to be a
 25 paramount duty of the state.

26 (e) The General Assembly recognizes that the supervision of public
 27 schools and the execution of the laws regulating the schools is vested in
 28 such officers as the General Assembly provides.

29 (f) The General Assembly recognizes the importance of local decision-
 30 making in the education process, however, local decision-making can not be an
 31 excuse for failure.

32
 33 6-20-2203. Definitions.

34 As used in this subchapter:

35 (1) “Alternative learning environment” means an intervention
 36 program in compliance with §§ 6-18-508 and 6-18-509 that seeks to eliminate

1 traditional barriers to learning for students;

2 (2) "Average daily membership" means the total number of days
 3 attended plus the total number of days absent by students in grades
 4 kindergarten through twelve (K-12) during the first three (3) quarters of
 5 each school year, divided by the number of school days actually taught in the
 6 school district during that period of time rounded up to the nearest
 7 hundredth. In those instances in which the average daily membership for less
 8 than three (3) quarters is specified, the number of days used in the
 9 calculation shall be the days in the specified period of time. As applied to
 10 this subchapter, students who may be counted for average daily membership
 11 are:

12 (A) Students who reside within the boundaries of the
 13 school district and are enrolled within a public school operated by the
 14 school district or a private school for special education students, with the
 15 attendance resulting from a written tuition agreement approved by the
 16 Department of Education;

17 (B) Legally transferred students living outside the
 18 district but attending a public school in the school district; and

19 (C) Students who reside within the boundaries of the
 20 school district and are enrolled in the Arkansas National Guard Youth
 21 Challenge Program, so long as the students are participants in the program;

22 (3)(A) "Catastrophic special education" means the state program
 23 that funds the costs of educating students in special education whose costs
 24 exceed the amount of funding provided under the state foundation program.

25 (B) The State Board of Education shall have regulatory
 26 authority to further define those costs that the state will provide under
 27 this program;

28 (4) "Classroom teachers" means those certified personnel who
 29 spend seventy percent (70%) of their time interacting with students in a
 30 classroom setting teaching all grade level or subject matter appropriate
 31 classes with the exception of physical education, art, and music;

32 (5) "English language learning students" means those students
 33 who have been identified as not proficient in the English language based upon
 34 a state-approved English proficiency assessment instrument;

35 (6) "Extra duty pay for teachers" means those amounts paid to
 36 teachers for duties performed outside of the course and scope of their duties

1 covered by their contracts;

2 (7) "Gifted and talented programs" means academic curriculum,
 3 courses, and options designed to improve educational opportunities for gifted
 4 and talented students pursuant to guidelines adopted by the State Board of
 5 Education in accordance with § 6-42-106;

6 (8) "Gifted and talented students" means those students who have
 7 been identified as meeting the criteria of the gifted program approval
 8 standards established by the State Board of Education;

9 (9) "Guidance counselor" means an individual certified by the
 10 State Board of Education to provide counseling services to public school
 11 students;

12 (10) "Instructional facilitators" means the certified personnel
 13 who coordinate the instructional programs, provide ongoing coaching and
 14 mentoring of teachers to change and improve their instructional practices,
 15 and serve as technology coordinators for the school;

16 (11) "Instructional materials" means those materials necessary
 17 to teach a class, including, but not limited to, textbooks, trade books,
 18 workbooks, activity-oriented programs that may include manipulatives, hand-
 19 held calculators, or other hands-on materials, laboratory equipment, and
 20 equipment necessary for vocational-technical education;

21 (12) "Librarians or media specialists" means individuals
 22 certified by the State Board of Education as having the knowledge and skills
 23 for operating a library or media center in a public school;

24 (13) "Miscellaneous revenues" means the lesser of either the
 25 previous year or the average of the five (5) previous years of those funds
 26 received by a school district from federal forest reserves, federal grazing
 27 rights, federal mineral rights, federal impact aid, federal flood control,
 28 wildlife refuge funds, severance taxes, funds received by the school district
 29 in lieu of taxes, and local sales and use taxes dedicated to education under
 30 §§ 26-74-201 et seq., 26-74-301 et seq., 26-75-301 et seq., and 14-164-301 et
 31 seq.;

32 (14)(A) "Noninstructional and support components" means the
 33 total statewide expenditures in the prior school year to support activities
 34 not directly related to classroom learning divided by the previous year's
 35 statewide average daily membership.

36 (B) "Noninstructional and support components" include, but

1 are not limited to, expenditures for general administration, business
 2 support, operation and maintenance services, school plant services, student
 3 transportation services, extracurricular activities, capital expenditures,
 4 and central support services.

5 (C) "Noninstructional and support components" does not
 6 include debt service payments;

7 (15) "Previous year" means the school year immediately preceding
 8 the school year in which funds are allocated;

9 (16) "Principal" means a certified individual employed by a
 10 school district who has administrative responsibility and instructional
 11 leadership for the planning, management, operation, and evaluation of a
 12 public school;

13 (17) "Professional development" means a coordinated set of
 14 planned learning activities for teachers and administrators that are
 15 standards-based and contiguous. It shall result in individual, school-wide,
 16 and system-wide improvement designed to ensure that all students demonstrate
 17 proficiency in the state academic standards;

18 (18) "Pupil support staff" means those individuals employed to
 19 provide health, safety, and social services to the students in a school;

20 (19) "School district" means a geographic area with an elected
 21 board of directors which qualifies as a taxing unit for purposes of ad
 22 valorem property taxes under Title 26 of the Arkansas Code and which conducts
 23 the daily affairs of public schools under the supervisory authority vested in
 24 them by the General Assembly;

25 (20) "School type" means the classification given to each type
 26 of school, whether it be elementary, middle, or high school;

27 (21) "Specialist teachers" means those certified personnel who
 28 spend seventy percent (70%) of their time interacting with students in a
 29 classroom setting teaching the subjects of physical education, art, and
 30 music;

31 (22) "Struggling students" means those students from low socio-
 32 economic background as indicated by eligibility for the free or reduced-price
 33 lunch program under the National School Lunch Act or any other act of
 34 Congress;

35 (23) "Substitute teachers" means those individuals employed in
 36 order to temporarily replace classroom or specialist teachers when the

1 classroom or specialist teachers are absent;

2 (24) "Supervisory aides" means those individuals employed in
 3 order to supervise students when those students are not in class. This may
 4 be either before or after school, during recesses, or lunch breaks;

5 (25) "Teachers for English language learning students" means
 6 those certified personnel who are primarily responsible for teaching English
 7 to English language learning students;

8 (26) "Teachers for special education students" means those
 9 certified personnel who are primarily responsible for teaching students
 10 specified as special education under the Individuals with Disabilities Act,
 11 20 U.S.C. § 1400 et seq., or who are speech pathologists as defined by the
 12 state board;

13 (27) "Teachers for struggling students" means those certified
 14 personnel who are primarily responsible for helping struggling students; and

15 (28) "Technology" means any equipment for instructional purposes
 16 that is electronic in nature, including, but not limited to, computer
 17 hardware, computer software, internet connectivity, and distance learning.

18
 19 6-20-2204. Foundational funding amount.

20 (a) Beginning with the 2004-2005 school year each school district
 21 shall be guaranteed a foundational funding amount equal to the greater of
 22 five thousand two hundred dollars (\$5,200) multiplied by the average daily
 23 membership for the previous school year, or an amount based upon the
 24 allocation of resources generated under this section as follows:

25 (1) Personnel Resources:

26 (A) Principal.

27 (i) For every school, a school district shall be
 28 apportioned funding for one (1) principal for every five hundred (500)
 29 students in average daily membership rounded up to one-tenth (0.1) of a full-
 30 time equivalency.

31 (ii) Each principal shall carry a resource price of
 32 seventy-one thousand eight hundred thirty-seven dollars (\$71,837), or pro-
 33 ration thereof rounded up to one-tenth (0.1) of a full-time equivalency.

34 (iii) Each school will be guaranteed funding for at
 35 least one (1) principal, notwithstanding the calculations under this
 36 subdivision (a)(1)(A);

1 (B) Instructional Facilitators. For every school, a
 2 school district shall be apportioned funding for a number of instructional
 3 facilitators equal to the average daily membership of that school divided by
 4 five hundred (500) times two and one-half (2.5), so long as each school has a
 5 minimum of one (1) instructional facilitator. Each instructional
 6 facilitator, or pro-ration thereof rounded down to the nearest one-tenth
 7 (0.1) of a full-time equivalency, shall carry a resource price of forty-seven
 8 thousand seven hundred fifty dollars (\$47,750);

9 (C) Classroom Teachers.

10 (i) For every school, a school district shall be
 11 apportioned funding for the following number of classroom teachers, based on
 12 the average daily membership of that school:

13 (a) For every twenty (20) students in average
 14 daily membership in kindergarten, one (1) teacher rounded down to one-tenth
 15 (0.1) of a full-time equivalency;

16 (b) For every twenty-three (23) students in
 17 average daily membership in grades one through three (1-3), one (1) teacher
 18 rounded down to one-tenth (0.1) of a full-time equivalency; and

19 (c) For every twenty-five (25) students in
 20 average daily membership in grades four through twelve (4-12), one (1)
 21 teacher rounded down to one-tenth (0.1) of a full-time equivalency.

22 (ii) Each classroom teacher or pro-ration thereof
 23 rounded down to the nearest to one-tenth (0.1) of a full-time equivalency
 24 shall carry a resource price of forty-seven thousand seven hundred fifty
 25 dollars (\$47,750) for each classroom teacher, or pro-ration thereof rounded
 26 down to the nearest to one-tenth (0.1) of a full-time equivalency;

27 (D) Specialist Teachers. For every classroom teacher, a
 28 school will be allocated funding for two-tenths (0.2) of a full-time
 29 equivalency for specialist teachers, which shall carry a resource price of
 30 forty-seven thousand seven hundred fifty dollars (\$47,750) for each
 31 specialist teacher, or pro-ration thereof rounded down to the nearest to one-
 32 tenth (0.1) of a full-time equivalency;

33 (E) Teachers for Special Education. For every school, a
 34 school district shall be apportioned funding for a number of teachers for
 35 special education equal to the average daily membership of that school
 36 divided by five hundred (500) times two and nine-tenths (2.9) rounded down to

1 one-tenth (0.1) of a full-time equivalency, so long as each school has a
 2 minimum of one-half (0.5) teachers for special education, which shall carry a
 3 resource price of forty-seven thousand seven hundred fifty dollars (\$47,750)
 4 for each teacher for special education, or pro-ration thereof rounded down to
 5 the nearest to one-tenth (0.1) of a full-time equivalency;

6 (F) Guidance Counselors.

7 (i) For every school, a school district shall be
 8 apportioned funding for guidance counselors as follows:

9 (a) If the school type is middle school, one
 10 (1) guidance counselor for every five hundred (500) students in average daily
 11 membership rounded down to one-tenth (0.1) of a full-time equivalency; and

12 (b) If the school type is high school, two (2)
 13 guidance counselors for every five hundred (500) students in average daily
 14 membership rounded down to one-tenth (0.1) of a full-time equivalency.

15 (ii) Each guidance counselor shall carry a resource
 16 price of forty-seven thousand seven hundred fifty dollars (\$47,750), or pro-
 17 ration thereof rounded down to the nearest to one-tenth (0.1) of a full-time
 18 equivalency;

19 (G) Librarians or Media Specialists.

20 (i) For every school, a school district shall be
 21 apportioned funding for librarians or media specialists as follows:

22 (a) If the school type is middle school, for
 23 one (1) librarian or media specialist for every five hundred (500) students
 24 in average daily membership rounded down to one-tenth (0.1) of a full-time
 25 equivalency;

26 (b) If the school type is high school, for one
 27 and one-half (1.5) librarians or media specialists for every five hundred
 28 (500) students in average daily membership rounded down to one-tenth (0.1) of
 29 a full-time equivalency; and

30 (c) Each middle school or high school will be
 31 guaranteed funding for at least one-half (0.5) librarian or media specialist,
 32 notwithstanding the calculations under this subdivision (a)(1)(G).

33 (ii) Each librarian or media specialist shall carry
 34 a resource price of forty-seven thousand seven hundred fifty dollars
 35 (\$47,750), or pro-ration thereof rounded down to the nearest to one-tenth
 36 (0.1) of a full-time equivalency;

1 (H) Substitutes. For every classroom or specialist
2 teacher allocated under this section, each school district shall be
3 apportioned funding for ten (10) days for substitutes, which shall carry a
4 resource price of one hundred twenty-one dollars (\$121) per day; and

5 (I) Pupil Support Staff for Struggling Students.

6 (i) For every school, a school district shall be
7 apportioned funding for one (1) struggling student support staff person for
8 every one hundred (100) struggling students rounded down to one-tenth (0.1)
9 of a full-time equivalency.

10 (ii) Each eligible school will be guaranteed funding
11 for at least one (1) pupil support staff for struggling students,
12 notwithstanding the calculations under subdivision (a)(1)(I)(i) of this
13 section.

14 (iii) Struggling student support staff person shall
15 carry a resource price of forty-seven thousand seven hundred fifty dollars
16 (\$47,750), or pro-ration thereof rounded down to the nearest to one-tenth
17 (0.1) of a full-time equivalency; and

18 (2) Per-pupil Resources:

19 (A) Instructional Materials.

20 (i) For every school, a school district shall be
21 apportioned funding for instructional materials in the amount of two hundred
22 fifty dollars (\$250) for each student of average daily membership in that
23 school.

24 (ii) The amount provided for instructional materials
25 under this subdivision (2)(A) includes expenditures for classroom supplies
26 under § 6-21-303;

27 (B) Extra Duty Funds. For every school, a school district
28 shall be apportioned funding for extra duty as follows:

29 (i) If the school type is middle school, then sixty
30 dollars (\$60.00) for each student of average daily membership in that school;
31 and

32 (ii) If the school type is high school, then one
33 hundred twenty dollars (\$120) for each student in average daily membership in
34 that school;

35 (C) Supervisory Aides. For every school, a school
36 district shall be apportioned funding for supervisory aides in the amount of

1 thirty-five dollars (\$35.00) for each student of average daily membership in
 2 that school; and

3 (D) Gifted and talented program. A school district shall
 4 be apportioned an amount equal to eight hundred ten dollars (\$810) times five
 5 percent (5%) of the school district's average daily membership. The funds
 6 shall be expended in accordance with rules promulgated by the State Board of
 7 Education;

8 (3) Noninstructional and Support Components. For every school,
 9 a school district shall be apportioned one thousand one hundred fifty-two
 10 dollars (\$1,152) for each student of average daily membership in that school;

11 (4) Technology.

12 (A) For every school, a school district shall be
 13 apportioned funding for technology in the amount of two hundred fifty dollars
 14 (\$250) for each student of average daily membership in that school.

15 (B) To the extent that a school district receives funds
 16 from sources other than funding under subdivision (a)(4)(A) of this section
 17 and the funds are used for expenditures for technology, the school district
 18 may use an equal amount of funds received pursuant to this section for
 19 expenditures for technology-related expenditures for personnel, instructional
 20 material, internet course delivery, and distance learning courses.

21 (C) If the schools in the school district meet standards
 22 for technology established by the state board, funds for technology under
 23 subdivision (a)(4)(A) of this section may be expended for other categories in
 24 this section or § 6-20-2205; and

25 (5) Professional Development. For every school, a school
 26 district shall be apportioned funding for professional development in the
 27 amount of fifty dollars (\$50.00) for each student of average daily membership
 28 in that school.

29 (b)(1) In order to provide flexibility within the school district and
 30 the schools in the school district, funds received pursuant to this section
 31 may be expended for any category in this section or § 6-20-2205. The use of
 32 funds for technology for other categories shall be subject to the conditions
 33 of subdivision (a)(4) of this section.

34 (2) Funds received under this section may be retained for future
 35 school years.

36

1 6-20-2205. Needs-based funding amount.

2 (a) Each school district shall be guaranteed a needs-based funding
 3 amount based upon the allocation of resources generated under this section as
 4 follows:

5 (1) Teachers for Struggling Students. For every school, a
 6 school district shall be apportioned funding for one (1) teacher for
 7 struggling students for every one hundred (100) struggling students rounded
 8 down to one-tenth (0.1) of a full-time equivalency, with the exception that
 9 each school will be guaranteed funding for at least one (1) teacher for
 10 struggling students, which shall carry a resource price of forty-seven
 11 thousand seven hundred fifty dollars (\$47,750) for each teacher for
 12 struggling students, or pro-ration thereof rounded down to the nearest to
 13 one-tenth (0.1) of a full-time equivalency;

14 (2) Teachers for English Language Learning Students. For every
 15 school, a school district shall be apportioned funding for four-tenths (0.4)
 16 teacher for English language learning students for every one hundred (100)
 17 English language learning students rounded down to one-tenth (0.1) of a full-
 18 time equivalency, which shall carry a resource price of forty-seven thousand
 19 seven hundred fifty dollars (\$47,750) for each teacher for English language
 20 learning students, or pro-ration thereof rounded down to the nearest to one-
 21 tenth (0.1) of a full-time equivalency; and

22 (3) Teachers for Alternative Learning Environments. For every
 23 school, a school district shall be apportioned funding for one (1) teacher
 24 for alternative learning environments for every twenty (20) students in
 25 alternative learning environments rounded down to one-tenth (0.1) of a full-
 26 time equivalency, which shall carry a resource price of forty-seven thousand
 27 seven hundred fifty dollars (\$47,750) for each teacher for alternative
 28 learning environments, or pro-ration thereof rounded down to the nearest to
 29 one-tenth (0.1) of a full-time equivalency.

30 (b)(1)(A) Funds received pursuant to this section may be used for any
 31 category included in this section.

32 (B) To the extent that a school district receives funds
 33 from sources other than funding under this section and the funds are used for
 34 expenditures under a funding category in this section, the school district
 35 may use an equal amount of funds received pursuant to this section for
 36 expenditures for any category included in this section.

1 (2) Funds received under this section may be retained for future
 2 school years.

3
 4 6-20-2206. Catastrophic special education and funding for isolated
 5 school districts.

6 Funding for catastrophic special education and for isolated school
 7 districts shall be allocated and funded to school districts pursuant to law
 8 and rules governing the funding and from available funds in a line item
 9 appropriation within the Public School Fund.

10
 11 6-20-2207. Distribution adjustment for uniform rate of tax.
 12 State funds to school districts under §§ 6-20-2204 and 6-20-2205 will
 13 be an amount equal to the difference between:

14 (1) The total funding under §§ 6-20-2204 and 6-20-2205 for the
 15 school district; and

16 (2) The sum of ninety-eight percent (98%) of uniform rate of
 17 tax, established by Amendment 74, times the property assessment of the school
 18 district plus seventy-five percent (75%) of the miscellaneous revenues of the
 19 school district.

20
 21 6-20-2208. Adjustment of funding for schools with increases in
 22 students.

23 (a) If a school district's enrollment increases based on subsection
 24 (b) of this section, state funding provided under this subchapter shall be
 25 recalculated and additional funds distributed to the school district.

26 (b) A school district's enrollment increases if the school district's
 27 second quarter average of the average daily membership of the current school
 28 year exceeds the school district's average daily membership for the previous
 29 school year.

30 (c) No school district shall lose state funding because of any
 31 adjustments under this section.

32
 33 6-20-2209. Calculation of payments and schedule of payments.

34 (a) The Department of Education shall calculate the amount of funds
 35 authorized by this subchapter on at least three (3) occasions during the year
 36 as follows:

1 (1) The first of these shall be done at the beginning of the
2 year;

3 (2) A second calculation shall occur at some point during the
4 year, making corrections for clerical errors and student growth; and

5 (3) The third of these calculations shall be done at the end of
6 the year and shall settle all funding amounts due to school districts under
7 this subchapter.

8 (b) On or before July 1 of every year, the department shall set a
9 schedule of payments of funds authorized under this subchapter to school
10 districts.

11 (c) If statistical data required in this subchapter are not available
12 at the time they are required for calculations or if the school program is
13 disrupted for any cause not controlled by the local board of education, the
14 State Board of Education shall cause procedures to be developed which will
15 ensure that the provisions of this subchapter are properly enforced.

16
17 6-20-2210. Efficiency requirement.

18 (a)(1) Each school district must operate efficiently.

19 (2) Efficiency is achieved when the school district uses
20 foundational funding in § 6-20-2204 to meet the cost of complying with:

21 (A) The standards for accreditation as provided by rule or
22 as may be provided by law; and

23 (B) The minimum teacher salary requirements of § 6-17-2501
24 et seq.

25 (3) A determination of efficiency under this section shall not
26 include the cost of providing for special needs funded in § 6-20-2205, and
27 shall not include student transportation services or extracurricular
28 activities.

29 (4) By November 1 of each school year, each school district
30 shall file a report which provides the following information as of October 1
31 of the school year:

32 (A) The identity of and salary for each teacher that is
33 assigned to the curriculum and courses required by the Arkansas Standards for
34 Accreditation of Arkansas Public School promulgated by the Department of
35 Education;

36 (B) The student-to-teacher ratio for each class or course

1 offered by each school in the school district; and

2 (C) Other information that may be required by the
3 department in order for each school district to establish that it is
4 efficiently expending foundational funding provided in § 6-20-2204(a) to meet
5 standards for accreditation and minimum teacher salary requirements as of
6 October 1 of each school year. Information related to expenditures for
7 special needs pursuant to § 6-20-2205, student transportation, and
8 extracurricular activities shall not be included in the report.

9 (b) Any school district that does not meet the requirements of
10 subsection (a) of this section shall be subject to sanctions under The
11 Quality Education Act of 2003, § 6-15-201 et. seq.

12
13 6-20-2211. Miscellaneous provisions.

14 (a) All general provisions, terms, phrases, and expressions used in
15 this subchapter or any related provisions of the Arkansas Code shall be
16 liberally construed to effectuate their purpose.

17 (b) The State Board of Education shall have the authority, acting
18 pursuant to its rule-making powers, to adopt regulations for the
19 implementation of the provisions of this subchapter in compliance with the
20 legislative findings and intent found in § 6-20-2202.

21 (c) If the Department of Education determines that an overpayment has
22 been made to a school district in any funding category authorized by this
23 subchapter, the department is authorized to withhold the overpayment from
24 future funding of the school district and is authorized to transfer the
25 amount withheld for the overpayment to the line item appropriation from which
26 the overpayment was initially made.

27 (d) Each school district shall prepare an annual statement of the
28 financial conditions and transactions of the school district as of June 30 of
29 each year in accordance with generally accepted accounting principles.

30 (e) In order for a school district to be entitled to state aid under
31 this subchapter, each school district shall satisfy the following
32 requirements:

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

35 (2) The school district shall maintain such records and make
36 such reports relative to attendance, receipts, and disbursements and other

1 reports as required by the department for the administration of this
 2 subchapter;

3 (3) The school district shall maintain proper financial records
 4 in accordance with the state's school accounting manual and regulations
 5 promulgated by the State Board of Education;

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

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

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

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

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

26 (g) Any licensed classroom teacher or administrator that provides
 27 false expenditure information may have his or her license placed on
 28 probation, suspended, or revoked pursuant to rules promulgated by the State
 29 Board of Education.

30
 31 6-20-2212. Gifted and talented student expenditures.

32 School districts shall expend state and local funds on students in
 33 gifted and talented programs in accordance with existing state law and rules
 34 promulgated by the Department of Education.

35
 36 SECTION 2. Arkansas Code Title 6, Chapter 20, is amended to add the

1 following subchapter:

2 6-20-2301. Title.

3 This subchapter shall be known and may be cited as the "Arkansas
 4 Educational Financial Accounting and Reporting Act of 2003".

6 6-20-2302. School district budget and expenditure report.

7 (a)(1) The board of directors of each school district shall annually
 8 prepare a budget of expenditures and receipts that shall be filed with the
 9 Department of Education by August 15 of each year pursuant to the provisions
 10 of this subchapter.

11 (2) Each budget shall be approved by the school district board
 12 of directors at a legally held meeting and shall be signed by the president
 13 of the board and the ex officio financial secretary of the school district.
 14 The budget shall contain the information and be prepared in an electronic
 15 format prescribed by rules of the State Board of Education governing
 16 financial accounting for Arkansas school districts.

17 (b)(1)(A) Warrants or checks of the school district issued after the
 18 date required by subsection (a) of this section shall be invalid unless a
 19 budget has been filed as required by this subchapter and in compliance with
 20 appropriate rules.

21 (B) The ex officio financial secretary of the school
 22 district and his surety shall be liable for any warrants or checks
 23 countersigned after the date required by subsection (a) of this section if a
 24 budget has not been filed.

25 (2) Distribution of all grants and aids from the state for which
 26 the school district may be eligible shall be suspended until the requirements
 27 of this subchapter are met.

28 (c)(1) School district budgets filed pursuant to this section shall be
 29 reviewed by the auditors of the financial accountability office of the
 30 department to determine if the requirements of state law and the rules of the
 31 state board regarding the use of school funds and expenditure requirements
 32 are being met.

33 (2) Upon approval by the auditors, copies of the approved budget
 34 shall be filed with the school district, the county treasurer if serving as
 35 school treasurer, and the department.

36 (d)(1) The ex officio financial secretary of each school district

1 shall keep a record of the daily expenditures and receipts of the school
2 district in the manner and on the forms as may be specified by rules of the
3 state board and the School Audit Section of the Division of Legislative
4 Audit. An annual record shall be filed by August 15 of each year with the
5 department.

6 (2) If the auditors of the financial accountability office of
7 the department or the School Audit Section of the Division of Legislative
8 Audit determine that the financial records of any school district are not
9 properly maintained or that the financial affairs of the school district are
10 not administered in accordance with state law or state board rules, grants
11 and aids from the state to which the school district may be entitled shall be
12 withheld until it is determined that the fiscal records of the school
13 district are in order or that the financial affairs are being properly
14 administered as established by statute or by rule promulgated by the state
15 board, provided that the department has met all deadlines for providing
16 information to school districts.

17 (e)(1) The department may withhold state aid from any school district
18 that fails to file its budget or any other required report with the
19 department by the deadline established by statute or by rule promulgated by
20 the state board, provided that the department has met all deadlines for
21 providing pertinent information to school districts.

22 (2) The department shall submit a list of all required financial
23 accountability reports along with due dates to each school district by July 1
24 of each year.

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

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

32
33 6-20-2303. Uniform budget and accounting system required.

34 (a) The State Board of Education shall adopt by rule a uniform budget
35 and accounting system consistent with the Handbook IIR2 or future revisions
36 as published by the U.S. Department of Education, Office of Educational

1 Research and Improvements, for school districts, education service
 2 cooperatives, and open enrollment charter schools. The rules shall be
 3 developed by the Department of Education in cooperation with representatives
 4 from the Arkansas Association of School Administrators, the Arkansas
 5 Association of School Business Officials, and the Legislative Joint Auditing
 6 Committee.

7 (b) The definitions contained in the Federal Handbook IIR2 shall be
 8 used for school districts in Arkansas and shall be used to allow for valid
 9 comparisons of expenditures among schools and among school districts.

10 (c) In addition the State Board of Education shall adopt by rule
 11 “Arkansas Revisions” to the Federal Handbook IIR2. The rules shall be
 12 developed by the Department of Education in cooperation with representatives
 13 from the Arkansas Association of School Administrators, the Arkansas
 14 Association of School Business Officials, and the Legislative Joint Auditing
 15 Committee. Arkansas Revisions shall include, but not be limited to:

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

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

- 23 (A) Total expenditures;
- 24 (B) Instructional expenditures;
- 25 (C) Administrative expenditures;
- 26 (D) Extracurricular expenditures;
- 27 (E) Capital expenditures; and
- 28 (F) Debt service expenditures; and

29 (3) Categories and descriptions of school and school district
 30 expenditures that allow for the gathering of data on separate functions and
 31 programs as described in the Education Funding Reform Act of 2003, § 6-20-
 32 2201 et seq.

33 (d) The department shall have the authority to analyze and inspect the
 34 financial records of any school or school district in order to verify that a
 35 school or school district is correctly and accurately reporting expenditures.

36 (e) By November 1 of each year, the Department of Education shall

1 submit a report to the State Board of Education, the Governor, and the Senate
 2 and House Interim Committees on Education concerning public school and public
 3 school district expenditures as described in the Education Funding Reform Act
 4 of 2003, § 6-20-2201 et seq.

5 (f) All rules, regulations, and revisions adopted under this
 6 subchapter shall be adopted and published prior to the start of any fiscal
 7 year for which they are applicable and shall allow for an implementation
 8 schedule consistent with the method outlined in § 6-20-2306.

9
 10 6-20-2304. Required training.

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

15 (A) School laws of Arkansas;

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

18 (C) Ethics; and

19 (D) Financial accounting and reporting of local education
 20 agency expenditures.

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

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

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

33 (4)(A) If a person fails to obtain the required training by the
 34 end of the calendar year and fails to cure the deficiency by March 1 of the
 35 following calendar year without filing a request for extension of time, as
 36 determined from the records of the department, the department shall

1 immediately notify the superintendent of the employing school district by
 2 certified mail, return receipt requested, with a copy to the board president.

3 (B) The superintendent shall notify the person by
 4 certified mail, return receipt requested, and the person shall be unable to
 5 continue in his or her position from the date of receipt of notification by
 6 the superintendent.

7 (5) If the person fails to obtain all required training by
 8 December 31, this failure shall constitute one (1) citation against the
 9 school district as measured by the Standards for Accreditation of Arkansas
 10 Public Schools issued by the department.

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

19 (b)(1) A school district board of directors is authorized to pay per
 20 diem and reimburse the expenses of a person required to obtain training under
 21 this section.

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

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

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

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

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

36

1 6-20-2305. Penalties.

2 Any school district that does not follow the provisions of this
 3 subchapter shall be placed in fiscal distress as provided by law.

4
 5 6-20-2306. Rule-making authority.

6 (a)(1) Before the 2004-2005 school year, the State Board of Education
 7 shall promulgate rules governing and providing compliance with an established
 8 uniform chart of accounts for budgeting of school and school district
 9 revenues and expenditures and financial reporting in order for school
 10 districts to comply with § 6-20-2302.

11 (2) These rules shall be applied to all school districts on a
 12 pilot basis for the 2004-2005 school year.

13 (b) For the 2005-2006 school year and subsequent school years, the
 14 Department of Education shall amend, prior to the beginning of any fiscal
 15 year, as necessary the rules provided for in subsection (a) of this section
 16 in order for school districts to comply with this subchapter.

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

22 (d) Any school district that fails to comply with the expenditure
 23 requirements of the Education Funding Reform Act of 2003, § 6-20-2201 et seq.
 24 shall be deemed to be in fiscal distress and subject to the applicable
 25 enforcement provisions as provided by law.

26
 27 SECTION 3. Arkansas Code § 6-23-501(a)(1), as amended by Act 59 of the
 28 Second Extraordinary Session 2003, concerning open-enrollment charter
 29 schools, is amended to read as follows:

30 (a)(1) An open-enrollment charter school shall receive funds equal to
 31 the amount that a public school would receive under ~~§ 6-20-2005(a) and (b)~~
 32 the Education Funding Reform Act of 2003, § 6-20-2201, et seq., as well as
 33 any other funding that a charter school is entitled to receive under law or
 34 pursuant to rules promulgated by the State Board of Education.

35
 36 SECTION 4. Arkansas Code § 6-15-2101, as added by Section 9 of Act 35

1 of 2003, Second Extraordinary Session, is amended to read as follows:

2 6-15-2101. Best financial management practices for school districts—
 3 ~~Standards—Reviews—Designation of school districts.~~

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

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

- 26 ~~(1) Management structures;~~
- 27 ~~(2) Performance accountability;~~
- 28 ~~(3) Efficient delivery of educational services, including~~
 29 ~~instructional materials;~~
- 30 ~~(4) Administrative and instructional technology;~~
- 31 ~~(5) Personnel systems and benefits management;~~
- 32 ~~(6) Facilities construction;~~
- 33 ~~(7) Facilities maintenance;~~
- 34 ~~(8) Student transportation;~~
- 35 ~~(9) Food service operations;~~
- 36 ~~(10) Cost control systems, including asset management, risk~~

1 management, financial management, purchasing, internal auditing, and
2 financial auditing;

3 (11) Athletics; and

4 (12) Other extra-curricular activities.

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

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

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

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

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

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

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

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

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

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

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

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

13 ~~(i) Districts shall complete a self-assessment instrument provided by~~
14 ~~the department that indicates the school district's evaluation of its~~
15 ~~performance on each best practice. The district shall begin the self-~~
16 ~~assessment no later than sixty (60) days prior to the commencement of the~~
17 ~~review. The completed self-assessment instrument and supporting~~
18 ~~documentation shall be submitted to the department no later than the date of~~
19 ~~commencement of the review as notified by the department. The best practices~~
20 ~~review team will use this self-assessment information during their review of~~
21 ~~the district.~~

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

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

1 ~~the report is available.~~

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

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

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

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

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

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

31 ~~(n) School districts that are determined in their review to be using~~
 32 ~~the best practices and are graded a category "A" pursuant to subsection (e)~~
 33 ~~of this section, shall receive a "Seal of Best Financial Management". The~~
 34 ~~state board designation shall be effective until a district's financial~~
 35 ~~accountability grade decreases. The state board shall revoke the designation~~
 36 ~~of a district school board at any time if it determines that a district is no~~

1 ~~longer complying with the state's best financial management practices.~~

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

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

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

19 (2) In formulating the rules required by this section, the
 20 department shall consult with various stakeholders, including the state
 21 board, educators, educational associations, the House Interim Committee on
 22 Education, the Senate Interim Committee on Education, and experts in each
 23 area for which practices and indicators are being developed under § 6-15-
 24 2102.

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

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

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

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

4
 5 SECTION 5. Arkansas Code Title 6, Chapter 15, Subchapter 21 is amended
 6 to add new sections to read as follows:

7 6-15-2102. Best financial management practices - Content.

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

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

12 (2) Identify ways that the school district or educational
 13 cooperative could save funds; and

14 (3) Improve the school district's performance accountability
 15 systems, including public accountability.

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

18 (1) Management structures;

19 (2) Performance accountability;

20 (3) Efficient delivery of educational services, including
 21 instructional materials;

22 (4) Administrative and instructional technology;

23 (5) Personnel systems and benefits management;

24 (6) Facilities construction;

25 (7) Facilities maintenance;

26 (8) Student transportation;

27 (9) Food service operations;

28 (10) Cost control systems, including asset management, risk
 29 management, financial management, and purchasing;

30 (11) Athletics; and

31 (12) Other extra-curricular activities.

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

1
2 6-15-2103. Implementation of best financial management practices.

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

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

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

11
12 6-15-2104. Pilot review program.

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

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

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

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

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

28 (e)(1) If the review report prepared by the division indicates that a
29 school district has not substantially complied with all the provisions of the
30 financial management best practices rules adopted by the state board, the
31 school district board of directors shall adopt a compliance action plan
32 within ninety (90) days after the report has been presented to the
33 Legislative Joint Auditing Committee.

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

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

6
 7 6-15-2105. Best financial practices review program.

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

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

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

18 (d) The department shall establish an implementation schedule for
 19 educational cooperatives to comply with the rules beginning with the 2005-
 20 2006 school year.

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

24
 25 SECTION 6. Arkansas Code § 6-42-106, concerning gifted and talented
 26 programs, is amended to add a new subsection to read as follows:

27 (c) Each school district shall identify no less than five percent (5%)
 28 of the district's average daily membership for participation in the
 29 district's gifted and talented programs.

30
 31 SECTION 7. (a) As used in this section:

32 (1) "Average daily membership" means the total number of days
 33 attended plus the total number of days absent by students in grades
 34 kindergarten through twelve (K-12) during the first three (3) quarters of
 35 each school year divided by the number of school days actually taught in the
 36 district during that period of time rounded up to the nearest hundredth. In

1 those instances in which the average daily membership for less than three (3)
 2 quarters is specified, the number of days used in the calculation shall be
 3 the days in the specified period of time. As applied to this subchapter,
 4 students who may be counted for average daily membership are:

5 (A) Students who reside within the boundaries of the
 6 school district and who are enrolled in a public school operated by the
 7 district or a private school for special education students, with their
 8 attendance resulting from a written tuition agreement approved by the
 9 Department of Education;

10 (B) Legally transferred students living outside the
 11 district but attending a public school in the district; and

12 (C) Students who reside within the boundaries of the
 13 school district and who are enrolled in the Arkansas National Guard Youth
 14 Challenge Program, so long as the students are participants in the program;
 15 for the previous school year;

16 (2) "District entry salary" means the salary for a teacher with
 17 a bachelor's degree and no experience based upon the school district's salary
 18 schedule for the 2002-2003 school year; and

19 (3) "State entry salary" means the salary for a classroom
 20 teacher with a bachelor's degree and no experience required by state law for
 21 the current school year.

22 (b)(1) Any school district with a district entry salary for the
 23 previous school year that is less than the state entry salary required by
 24 state law shall be entitled to receive a salary supplement calculated as
 25 follows:

26 (A) The district's average daily membership for the
 27 previous school year shall be divided by twelve (12);

28 (B) The quotient of subdivision (b)(1)(A) shall be
 29 multiplied by the positive result of the state entry salary minus the
 30 district entry salary;

31 (C) The product of subdivision (b)(1)(B) shall be
 32 multiplied by one hundred and twenty-five percent (125%); and

33 (D) The product of subdivision (b)(1)(C) shall be the
 34 amount of the district's salary supplement.

35 (2) The following is an example of the formula set forth under
 36 subsection (b) of this section:

1
2 [(ADM +12) X (State entry salary- District entry salary)] X (1.25) =
3 District's Salary Supplement

4
5 (c)(1) Any district with a district entry salary that meets or exceeds
6 the state entry salary shall not receive a salary supplement under this
7 section.

8 (2) Nothing in this section shall be construed to cause a
9 reduction in any funding received by a school district, even if the
10 district's entry salary meets or exceeds the state entry salary.

11
12 SECTION 8. Arkansas Code §§ 6-20-2001 through 6-20-2006, added by Act
13 59 of the Second Extraordinary Session, 2003 are repealed.

14 ~~6-20-2001. Title.~~

15 ~~This subchapter shall be known and may be cited as the "Public School~~
16 ~~Funding Act of 2003".~~

17
18 ~~6-20-2002. Legislative findings.~~

19 ~~(a) The General Assembly recognizes that:~~

20 ~~(1) Intelligence and virtue are the safeguards of liberty and~~
21 ~~the bulwark of a free and good government; and~~

22 ~~(2) The Arkansas Constitution, Article 14, § 1, requires the~~
23 ~~state to ever maintain a general, suitable, and efficient system of free~~
24 ~~public schools and to adopt all suitable means to secure to the people the~~
25 ~~advantages and opportunities of education.~~

26 ~~(b) The General Assembly finds that because of the decision of the~~
27 ~~Arkansas Supreme Court in November 2002 in the case of Lake View v. Huckabee,~~
28 ~~et al., it is the absolute duty of the State of Arkansas to provide all~~
29 ~~public school children with an opportunity for an adequate education.~~

30 ~~(c) The General Assembly finds that a suitable and efficient system of~~
31 ~~public education should:~~

32 ~~(1) Assure the availability of substantially equal and~~
33 ~~constitutionally appropriate expenditures by the state for the education of~~
34 ~~each similarly situated child in the public schools, regardless of where that~~
35 ~~child resides within the state;~~

36 ~~(2) Assure that each school age child resides in a school~~

1 ~~district that offers a competitive minimum salary for classroom teachers;~~

2 ~~(3) Assure:~~

3 ~~(A) That all students graduating from high school are able~~
4 ~~to demonstrate a defined adequate level of competence in:~~

5 ~~(i) English, oral communications, reading, and~~
6 ~~writing;~~

7 ~~(ii) Mathematics skills; and~~

8 ~~(iii) Science and social studies disciplines; and~~

9 ~~(B) That an adequate level of competence evolves over time~~
10 ~~to higher levels;~~

11 ~~(4) Assure that students with disabilities have the opportunity~~
12 ~~to graduate from high school by demonstrating alternative competencies or~~
13 ~~alternative levels of competency;~~

14 ~~(5) Assure that students who are not on track for high school~~
15 ~~graduation are identified at a sufficiently early date so that they may be~~
16 ~~provided an opportunity at a reasonable cost to achieve the minimum levels of~~
17 ~~competence necessary to graduate from high school;~~

18 ~~(6) Recognize that graduating from high school requires that the~~
19 ~~student, as well as the parents or guardian of the student, work hard and~~
20 ~~assume appropriate responsibility for the student's success or failure;~~

21 ~~(7) Encourage parental involvement in the public schools and in~~
22 ~~public school activities; and~~

23 ~~(8) Recognize that early attention to and correction of student~~
24 ~~deficiencies are substantially less expensive and more effective than~~
25 ~~remedial efforts in the later school grades.~~

26 ~~(d) The General Assembly recognizes that the supervision of public~~
27 ~~schools and the execution of the laws regulating the schools shall be vested~~
28 ~~in such officers as the General Assembly provides.~~

29 ~~(e) It is the intent of this subchapter to provide a system of school~~
30 ~~funding that provides to each public school child in the State of Arkansas an~~
31 ~~opportunity for an adequate education.~~

32
33 ~~6-20-2003. Definitions.~~

34 ~~As used in this subchapter:~~

35 ~~(1) "Additional education categories" means state funds~~
36 ~~distributed to school districts for alternative learning environments;~~

1 English language learners, national school lunch students, professional
 2 development and technology;

3 (2) ~~“Alternative learning environment” means a student~~
 4 ~~intervention program in compliance with §§ 6-18-508 and 6-18-509 that seeks~~
 5 ~~to eliminate traditional barriers to learning for students;~~

6 (3)(A) ~~“Average daily membership” means the total number of days~~
 7 ~~of school attended plus the total number of days absent by students in grades~~
 8 ~~kindergarten through twelve (K-12) during the first three (3) quarters of~~
 9 ~~each school year divided by the number of school days actually taught in the~~
 10 ~~school district during that period of time rounded up to the nearest~~
 11 ~~hundredth.~~

12 (B) ~~In those instances in which the average daily~~
 13 ~~membership for less than three (3) quarters is specified, the number of days~~
 14 ~~used in the calculation shall be the days in the specified period of time.~~

15 (C) ~~As applied to this subchapter, students who may be~~
 16 ~~counted for average daily membership are:~~

17 (i) ~~Students who reside within the boundaries of the~~
 18 ~~school district and who are enrolled in a public school operated by the~~
 19 ~~school district or a private school for special education students, with~~
 20 ~~their attendance resulting from a written tuition agreement approved by the~~
 21 ~~Department of Education;~~

22 (ii) ~~Legally transferred students living outside the~~
 23 ~~school district but attending a public school in the school district; and~~

24 (iii) ~~Students who are eligible to attend and reside~~
 25 ~~within the boundaries of a school district and who are enrolled in the~~
 26 ~~Arkansas National Guard Youth Challenge Program, so long as the students are~~
 27 ~~participants in the program;~~

28 (4) ~~“Classroom teacher” means:~~

29 (A) ~~An individual who is required to hold a teaching~~
 30 ~~license from the department and who is engaged directly in instruction with~~
 31 ~~students in a classroom setting for more than seventy percent (70%) of the~~
 32 ~~individual’s contracted time;~~

33 (B) ~~A guidance counselor; or~~

34 (C) ~~A librarian;~~

35 (5) ~~“Debt service funding” means the state financial aid~~
 36 ~~provided to qualifying school districts for the purpose of reducing existing~~

1 ~~debt service burdens.~~

2 ~~(6) "English language learners" means students identified by the~~
 3 ~~State Board of Education as not proficient in the English language based upon~~
 4 ~~approved English proficiency assessment instruments administered annually in~~
 5 ~~the fall of the current school year, which assessments measure oral, reading,~~
 6 ~~and writing proficiency;~~

7 ~~(7) "Foundation funding" means an amount of money specified by~~
 8 ~~the General Assembly for each school year to be expended by school districts~~
 9 ~~for the provision of an adequate education for each student;~~

10 ~~(8) "General facility funding" means the state financial aid~~
 11 ~~provided to each school district from funds made available for that line item~~
 12 ~~purpose;~~

13 ~~(9) "Gifted and talented programs" means academic curriculum,~~
 14 ~~courses, and options designed to improve educational opportunities for gifted~~
 15 ~~and talented students pursuant to guidelines adopted by the State Board of~~
 16 ~~Education in accordance with § 6-42-106;~~

17 ~~(10) "Gifted and talented students" means those students who~~
 18 ~~have been identified as meeting the criteria of the gifted program approval~~
 19 ~~standards established by the State Board of Education;~~

20 ~~(11) "Legal revenues" means the revenues of a school district~~
 21 ~~including current balances, unrestricted state and local funding for the~~
 22 ~~current school year, proceeds from a revolving loan pursuant to § 6-20-801 et~~
 23 ~~seq., proceeds from commercial bonds pursuant to § 6-20-1201 et seq., and~~
 24 ~~proceeds from funds received pursuant to § 6-20-402;~~

25 ~~(12) "Mandatory callable bonds" means a bond issue in which all~~
 26 ~~net proceeds from debt service millage used to secure the issuance of that~~
 27 ~~bond must be applied to payment of the issue and cannot be used for any other~~
 28 ~~purposes;~~

29 ~~(13) "Millage rate" means the millage rate listed in the most~~
 30 ~~recent tax ordinance approved by the county quorum court under the authority~~
 31 ~~of § 14-14-904;~~

32 ~~(14) "Miscellaneous funds" means those average funds collected~~
 33 ~~in the previous five (5) school years or previous school year, whichever is~~
 34 ~~less, from funds received by a school district from federal forest reserves,~~
 35 ~~federal grazing rights, federal mineral rights, federal impact aid, federal~~
 36 ~~flood control, wildlife refuge funds, severance taxes, funds received by the~~

1 school district in lieu of taxes, and local sales and use taxes dedicated to
 2 education pursuant to §§ 26-74-201 et seq., 26-74-301 et seq., 26-75-301 et
 3 seq., and 14-164-301 et seq.;

4 (15) "National school lunch students" means those students from
 5 low socio-economic backgrounds as indicated by eligibility for free or
 6 reduced-priced meals under the National School Lunch Act as calculated on
 7 October 1 of each year and submitted to the department;

8 (16) "Previous year" means the school year immediately preceding
 9 the school year in which funds are allocated;

10 (17)(A) "Professional development" means a coordinated set of
 11 planned learning activities for teachers and administrators that are
 12 standards-based.

13 (B) Professional development shall result in individual,
 14 school-wide, and system-wide improvement designed to ensure that all students
 15 demonstrate proficiency in the state academic standards;

16 (18) "School district" means a geographic area with an elected
 17 board of directors that qualifies as a taxing unit for purposes of ad valorem
 18 property taxes under § 26-1-101 et seq. and which board conducts the daily
 19 affairs of public schools pursuant to the supervisory authority vested in it
 20 by the General Assembly and Title 6 of the Arkansas Code;

21 (19) "Secondary vocational area center" means a public secondary
 22 vocational institution organized for the specific purpose of educating high
 23 school students in specific occupational or vocational areas and serving
 24 students from more than one (1) participating school district;

25 (20) "Special education catastrophic occurrences" means
 26 individual cases where special education and related services required by the
 27 individualized education program of a particular student with disabilities
 28 are unduly expensive, extraordinary, or beyond the routine and normal costs
 29 associated with special education and related services provided by a school
 30 district and funding is pursuant to rules promulgated by the state board;

31 (21) "State foundation funding aid" means the amount of state
 32 financial aid provided to each school district and computed as the difference
 33 between the foundation funding amount established by the General Assembly and
 34 the sum of ninety-eight percent (98%) of the uniform rate of tax times the
 35 property assessment of the school district plus seventy-five percent (75%) of
 36 miscellaneous funds of the school district;

1 ~~(22)(A) "Student growth funding" means the amount of state~~
 2 ~~financial aid provided to each school district from the funds made available~~
 3 ~~for that purpose.~~

4 ~~(B) For school year 2004-2005, student growth funding is~~
 5 ~~calculated as five thousand four hundred dollars (\$5,400) multiplied by the~~
 6 ~~increase, if any, in the school district's two-quarter average of the average~~
 7 ~~daily membership of the current school year over the local school district's~~
 8 ~~average daily membership for the previous school year, excluding any increase~~
 9 ~~resulting solely from consolidation or annexation with another school~~
 10 ~~district;~~

11 ~~(23) "Teachers of the gifted and talented" means individuals~~
 12 ~~certified by the State Board of Education to teach identified gifted and~~
 13 ~~talented students.~~

14 ~~(24) "Technology" means any equipment for instructional purposes~~
 15 ~~that is electronic in nature, including, but not limited to, computer~~
 16 ~~hardware, computer software, internet connectivity, and distance learning;~~
 17 ~~and~~

18 ~~(25) "Uniform rate of tax" means a uniform rate of ad valorem~~
 19 ~~property tax of twenty five (25) mills to be levied on the assessed value of~~
 20 ~~all taxable real, personal, and utility property in the state to be used~~
 21 ~~solely for the maintenance and operation of the schools as required by~~
 22 ~~Amendment 74 of the Arkansas Constitution.~~

23
 24 ~~6-20-2004. Miscellaneous.~~

25 ~~The State Board of Education shall have authority, acting pursuant to~~
 26 ~~its rule-making powers, to adopt regulations for the implementation of the~~
 27 ~~provisions of this subchapter.~~

28
 29 ~~6-20-2005. School funding.~~

30 ~~(a)(1) For each school year, a school district shall receive state~~
 31 ~~foundation funding aid computed as the difference between the foundation~~
 32 ~~funding amount pursuant to subdivision (a)(2) of this section and the sum of~~
 33 ~~ninety eight percent (98%) of the uniform rate of tax times the property~~
 34 ~~assessment of the school district plus seventy five percent (75%) of~~
 35 ~~miscellaneous funds of the school district.~~

36 ~~(2) For the 2004-2005 school year, the foundation funding amount~~

1 is equal to five thousand four hundred dollars (\$5,400) times the average
 2 daily membership of the previous school year.

3 (b)(1) In addition to state foundation funding aid, each school
 4 district shall receive funding for additional education categories as
 5 provided in subdivisions (b)(2) through (b)(6) of this section.

6 (2)(A) For the 2004-2005 school year, alternative learning
 7 environmental funding and secondary vocational area center funding shall be
 8 three thousand two hundred fifty dollars (\$3,250) multiplied times:

9 (i) The number of identified alternative learning
 10 environment students enrolled during the 2003-2004 school year; and

11 (ii) The number of students enrolled in a secondary
 12 vocational area center during the 2003-2004 school year;

13 (B) Funding for students in alternative learning
 14 environments shall be distributed based on rules promulgated by the State
 15 Board of Education.

16 (C) Funding for students in secondary vocational area
 17 centers shall be distributed based on rules promulgated by the State Board of
 18 Workforce Education and Career Opportunities.

19 (3)(A) For the 2004-2005 school year the English language
 20 learners funding shall be one hundred ninety five dollars (\$195) for each
 21 identified English language learner.

22 (B) Funding for English language learner students shall be
 23 distributed to school districts for students who have been identified as not
 24 proficient in the English language based upon a state approved English
 25 proficiency assessment instrument.

26 (C) Funds allocated for English language learners to
 27 school districts under this subchapter shall be expended only for eligible
 28 activities as identified in current rules promulgated by the state board.

29 (4)(A) For the 2004-2005 school year, national school lunch
 30 student funding for each identified national school lunch student shall be as
 31 follows:

32 (i) For school districts in which ninety percent
 33 (90%) or greater of the enrolled students are national school lunch students,
 34 funding shall be one thousand four hundred forty dollars (\$1,440);

35 (ii) For school districts in which at least seventy
 36 percent (70%) but less than ninety percent (90%) of the enrolled students are

1 national school lunch students, funding shall be nine hundred sixty dollars
 2 (\$960); and

3 (iii) For school districts in which less than
 4 seventy percent (70%) of the enrolled students are national school lunch
 5 students, funding shall be four hundred eighty dollars (\$480).

6 (B) Funding for national school lunch students shall be
 7 based on the number of students eligible for free or reduced price lunch
 8 program under the National School Lunch Act identified on the Arkansas public
 9 school computer network cycle two report.

10 (C)(i) By June 1, 2004, the State Board of Education shall
 11 establish by rule a list of approved programs and purposes for which funds
 12 allocated under this subdivision (b)(4) may be expended. School districts
 13 shall expend funds allocated under this subdivision (b)(4) only on the
 14 approved programs or purposes which include, but are not limited to:

- 15 (a) Classroom teachers;
- 16 (b) Before and after school academic programs,
 17 including transportation to and from the programs;
- 18 (c) Pre-kindergarten programs coordinated by
 19 the Department of Human Services;
- 20 (d) Tutors, teacher's aides, counselors,
 21 social workers, nurses, and curriculum specialists;
- 22 (e) Parent education;
- 23 (f) Summer programs;
- 24 (g) Early intervention programs; and
- 25 (h) Materials, supplies, and equipment
 26 including technology used in approved programs or for approved purposes.

27 (ii) However, notwithstanding any other provision of
 28 law, if the Department of Education determines that a school district's
 29 expenditure of funds allocated under this subdivision (b)(4) would result in
 30 the school district losing funding under any federal law, then the funds
 31 allocated to a school district under this subdivision (b)(4) may be expended
 32 for other academic programs or salaries.

33 (iii) The department may direct that a school
 34 district expend available funds on specified programs under subsection
 35 (b)(4)(C)(i) of this section.

36 (D) By the end of each school year, each school district

1 shall submit to the department a report listing each program upon which funds
 2 allocated under this subdivision (b)(4) were expended, the amount expended,
 3 and any other information required by the department. The department shall
 4 develop appropriate reporting forms for use by school districts.

5 (5)(A) Professional development funding for the 2004-2005 school
 6 year shall be equal to fifty dollars (\$50.00) times the school district's
 7 previous school year average daily membership.

8 (B) Funding for professional development for teachers in
 9 Arkansas public schools may be used for professional development training
 10 conferences, materials, and other professional development activities as
 11 outlined in rules promulgated by the state board.

12 (c)(1) General facilities funding, debt service funding, isolated
 13 funding under § 6-20-601, student growth funding and special education-
 14 catastrophic occurrences funding shall be allocated and funded to school
 15 districts in a line item appropriation within the Public School Fund pursuant
 16 to law or rules promulgated by the State Board of Education.

17 (2) A school district shall only use general facilities funding
 18 for:

19 (A) The purchase of school buses, furniture, equipment,
 20 and computer software;

21 (B) The renovation or repairs of existing facilities; or

22 (C) The repayment of commercial bonds or revolving loans.

23 (d) The sum of subsections (a) through (c) of this section shall be the total
 24 state aid allocated and funded to school districts pursuant to this section.

25 (e) Funds distributed to school districts under subsection (b) of this
 26 section shall be expended on:

27 (1) The students within each category of special needs for which
 28 the funds were allocated;

29 (2) Any students within any category of special needs under
 30 subsection (b) of this section as permitted by rules issued by the State
 31 Board of Education; or

32 (3) If the Department of Education determines that a school
 33 district's expenditure of funds allocated under subsection (b) of this
 34 section would result in the school district losing funding under any federal
 35 law, then the funds allocated to a school district under subsection (b) of
 36 this section may be expended for other academic programs or salaries as

1 permitted by the department.

2 (f) ~~In order for a school district to be entitled to state funds under~~
 3 ~~the provisions of this subchapter, each school district shall satisfy the~~
 4 ~~following requirements:~~

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

7 (2) ~~The school district shall maintain records and make reports~~
 8 ~~relative to attendance, receipts, and disbursements and other reports as~~
 9 ~~required by the department for the administration of this subchapter;~~

10 (3) ~~The school district shall maintain proper financial records~~
 11 ~~in accordance with the state's school accounting manual and regulations~~
 12 ~~promulgated by the state board.~~

13 (4)(A) ~~Each year the school district shall file with the state~~
 14 ~~board a salary schedule for its certified employees that recognizes a minimum~~
 15 ~~level of training and experience.~~

16 (B) ~~The schedule shall reflect the actual pay practices of~~
 17 ~~the school district, including all fringe benefits.~~

18 (C) ~~Salary increments for experience or education, or~~
 19 ~~both, shall be identified on the schedule;~~

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

22 (B) ~~The records shall be kept according to law and~~
 23 ~~regulations on paper or electronic forms either furnished or approved by the~~
 24 ~~department.~~

25 (C) ~~Original attendance records shall be kept on file in~~
 26 ~~the office of the superintendent of the school district after the school term~~
 27 ~~has ended for a period of three (3) years and shall be available for~~
 28 ~~monitoring purposes during any day of the school term by the teachers or~~
 29 ~~other persons designated to keep attendance.~~

30
 31 ~~6-20-2006. Department of Education to provide funding — Adjustments~~
 32 ~~for overpayments.~~

33 (a) ~~If the Department of Education determines that an overpayment has~~
 34 ~~been made to a school district under any appropriation authorized by this~~
 35 ~~subchapter, the department is authorized to:~~

36 (1) ~~Withhold the overpayment from subsequent state funding;~~

1 ~~(2) To transfer the amount withheld for the overpayment to the~~
2 ~~line item appropriation from which the overpayment was initially made; and~~

3 ~~(3) To request a refund from the school district in the amount~~
4 ~~of the overpayment.~~

5 ~~(b) The school district shall comply as directed by the department.~~

6
7 SECTION 9. Effective Date.

8 This act shall become effective on July 1, 2004.

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