

1 State of Arkansas
2 85th General Assembly
3 First Extraordinary Session, 2006
4

A Bill

Call Item 16

HOUSE BILL 1018

5 By: Representative Elliott
6 By: Education Committee - Senate
7

For An Act To Be Entitled

10 AN ACT CONCERNING UNIFORM REPORTING REQUIREMENTS
11 FOR SCHOOL DISTRICT FUND BALANCES; AND FOR OTHER
12 PURPOSES.
13

Subtitle

14 AN ACT CONCERNING UNIFORM REPORTING
15 REQUIREMENTS FOR SCHOOL DISTRICT FUND
16 BALANCES.
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20 WHEREAS, the Public School Funding Act of 2003, the Public School
21 Academic Facilities Program of 2005, and Act 108 of the 2nd Extraordinary
22 Session of 2003 have improved and stabilized funding for public school
23 districts; and
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25 WHEREAS, the Public School Funding Act of 2003 ensures that school
26 districts have sufficient state aid to provide every student with an equal
27 opportunity to obtain an adequate education, eliminating the need for school
28 districts to retain large fund balances for maintenance and operation due to
29 uncertainty regarding future funding; and
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31 WHEREAS, Act 108 of the 2nd Extraordinary Session of 2003 ensures that
32 education will be funded first and provides a "doomsday" provision to require
33 transfers from other state agencies if the state experiences an unexpected
34 shortfall, again eliminating a need for school districts to carry large fund
35 balances; and
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1 WHEREAS, the Public School Academic Facilities Program of 2005 provides
2 that public school districts may apply for state aid to assist with
3 construction of academic facilities, minimizing the need for many public
4 school districts to carry forward large balances in their building funds; and
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6 WHEREAS, current financial reporting systems do not provide needed
7 information on the fund balances maintained by public school districts,
8 including, but not limited to, the source of the funds and the reason the
9 public school district elected to preserve the funding in its fund balances
10 as opposed to expending the sums on educational needs,
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12 NOW THEREFORE,

13 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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15 SECTION 1. Arkansas Code § 6-20-2202(d)(1), concerning budget and
16 expenditure reports provided to the Department of Education, is amended to
17 read as follows:

18 (d)(1)(A) The ex officio financial secretary of each school district,
19 open-enrollment charter school, and education service cooperative shall keep
20 a record of the following information ~~daily expenditures and receipts of the~~
21 ~~school district, open enrollment charter school, or education service~~
22 ~~cooperative~~ in a format required by the department-;

23 (i) The daily expenditures and receipts of the
24 school district, open-enrollment charter school, or education service
25 cooperative; and

26 (ii)(a) Information on fund balances maintained by
27 the school district, open-enrollment charter school, or education service
28 cooperative, including, but not limited to, the:

29 (1) Sources of the funds maintained as
30 fund balances, to the extent practicable;

31 (2) Reasons for maintaining, instead of
32 spending, the fund balances;

33 (3)(A) Amount of funds transferred
34 between various funds during the past year.

35 (B) The school district, open-
36 enrollment charter school, and education service cooperative shall identify

1 the funds transferred between and the amount of funds transferred; and

2 (4) Amount of fund balances dedicated
3 for the construction, maintenance, or repair of academic or athletic
4 facilities.

5 (b) The department shall promulgate rules
6 which require reporting of fund balances sufficient to verify whether funds
7 allocated for educational purposes, including, but not limited to, student
8 academic needs and the maintenance and operation of public school district
9 facilities, are used for their intended purpose or retained by the district
10 in its fund balances.

11 (B) An annual ~~record~~ report summarizing the information
12 required in subdivision (d)(1)(A) in a format required by the department
13 shall be filed by September 15 of each year with the department.

14
15 SECTION 2. Arkansas Code Title 6, Chapter 20, Subchapter 22 is amended
16 to add an additional section to read as follows:

17 6-20-2209. Study of improved reporting systems.

18 (a)(1) The General Assembly finds that ensuring the provision of an
19 adequate and equitable education to the children of the State of Arkansas
20 requires prompt and reliable information on school finances, including, but
21 not limited to, reports on school district expenditures and school district
22 fund balances and interfund transfers.

23 (2) The General Assembly further finds that current financial
24 accounting and reporting systems do not promptly provide crucial information
25 necessary to make informed decisions on matters pertaining to public
26 education in this state.

27 (b) On or before November 1, 2006, the House Interim Committee on
28 Education, the Senate Interim Committee on Education, and the Department of
29 Education shall jointly study potential upgrades in public school district
30 financial accounting and reporting systems that would result in prompt
31 availability of crucial information, including, but not limited to:

32 (1) The cost to the state of any potential upgrades;

33 (2) The time necessary to implement any upgrades; and

34 (3)(A) A definition of the term "unallocated balances" which
35 will ensure uniform treatment of fund balances throughout public school
36 districts.

1 (B) In studying possible definitions of the term
 2 “unallocated balances”, the committees shall consider the amount, if any,
 3 appropriate for a public school district to maintain as a fund balance for
 4 future contingencies.

5 (c) In conducting the study, the House Interim Committee on Education
 6 and the Senate Interim Committee on Education shall seek the cooperation of
 7 representatives from the Arkansas Association of Educational Administrators,
 8 the Arkansas Association of School Business Officials, the Arkansas Education
 9 Association, the education service cooperatives, and the Legislative Joint
 10 Auditing Committee.

11 (d) On or before December 1, 2006, the House Interim Committee on
 12 Education and the Senate Interim Committee on Education shall issue a report
 13 to the Speaker of the House and the President Pro Tempore of the Senate
 14 regarding the results of the study and the recommendations of the committees.

15
 16 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
 17 General Assembly of the State of Arkansas that the Arkansas Supreme Court
 18 declared the public school funding system to be inadequate and that the
 19 public schools are operating under a constitutional infirmity which must be
 20 corrected immediately; that to correct the constitutional infirmity and to
 21 ensure adequate funding for public education the General Assembly must have
 22 more accurate and timely information regarding school district expenditures,
 23 fund balances, and interfund transfers; and that this act will result in the
 24 prompt availability of information crucial to ensuring the provision of an
 25 adequate and equitable education. Therefore, an emergency is declared to
 26 exist and this act being necessary for the preservation of the public peace,
 27 health, and safety shall become effective on:

28 (1) The date of its approval by the Governor;

29 (2) If the bill is neither approved nor vetoed by the Governor,
 30 the expiration of the period of time during which the Governor may veto the
 31 bill; or

32 (3) If the bill is vetoed by the Governor and the veto is
 33 overridden, the date the last house overrides the veto.

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 36 APPROVED: 4/11/2006