Stricken language would be deleted from and underlined language would be added to present law. Act 28 of the 1st Extraordinary Session

1	State of Arkansas	As Engrossed: S4/4/06	Call Item 16
2	85th General Assembly	A Bill	
3	First Extraordinary Session, 2006	6	SENATE BILL 7
4			
5	By: Education Committee - Senate		
6	By: Representatives Elliott, Pickett		
7			
8			
9	For An Act To Be Entitled		
10	AN ACT CONCERNING UNIFORM REPORTING REQUIREMENTS		
11	FOR SCHOOL	L DISTRICT FUND BALANCES; AND FOR	OTHER
12	PURPOSES.		
13			
14	Subtitle		
15		CONCERNING UNIFORM REPORTING	
16	•	EMENTS FOR SCHOOL DISTRICT FUND	
17	BALANCE	IS.	
18			
19			
20	WHEREAS, the Public School Funding Act of 2003, the Public School		
21	Academic Facilities Program of 2005, and Act 108 of the 2 <sup>nd</sup> Extraordinary		
22	-	roved and stabilized funding for p	public school
23	districts; and		
24			
25		c School Funding Act of 2003 ensur	
26		t state aid to provide every stude	-
27		adequate education, eliminating t	
28	-	e fund balances for maintenance ar	nd operation due to
29	uncertainty regarding fu	ture funding; and	
30			0000 .1 .
31		f the 2 <sup>nd</sup> Extraordinary Session of	
32	education will be funded first and provides a "doomsday" provision to require		
33 24		te agencies if the state experience	-
34 25		ting a need for school districts t	to carry large fund
35	balances; and		
36			



## As Engrossed: S4/4/06

**SB7** 

1 WHEREAS, the Public School Academic Facilities Program of 2005 provides 2 that public school districts may apply for state aid to assist with construction of academic facilities, minimizing the need for many public 3 4 school districts to carry forward large balances in their building funds; and 5 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, 11 12 NOW THEREFORE, 13 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS: 14 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: (d)(1)(A) The ex officio financial secretary of each school district, 18 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 school district, open-enrollment charter school, or education service 24 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, openenrollment charter school, and education service cooperative shall identify 36

2

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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 <del>record</del> report summarizing the information
12	required in subdivision (d)(l)(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 pubic 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	<u>districts.</u>

3

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.		
34			
35	/s/ Argue		
36	APPROVED: 4/11/2006		

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