

Hall of the House of Representatives

85th General Assembly - Regular Session, 2005

Amendment Form

Subtitle of House Bill No. 1568

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

Amendment No. 1 to House Bill No. 1568.

Amend House Bill No. 1568 as originally introduced:

Add Representative Walters as a cosponsor

AND

Delete everything following the enacting clause and substitute:

"SECTION 1. Arkansas Code Title 6, Chapter 20, Subchapter 22 is
amended to read as follows:

6-20-2201. Title.

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

6-20-2202. Budget and expenditure report.

(a)(1) The board of directors of each school district, ~~local education agency~~ open-enrollment charter school, and education service cooperative shall annually prepare a budget of expenditures and receipts that shall be filed with the Department of Education by ~~September 1~~ September 15 of each year pursuant to the provisions of this subchapter.

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

(3)(A) The electronic format required by the Department of Education shall be available for completion by school districts, open enrollment charter schools and educational service cooperatives not later than August 1 of each year.

(B) The Department of Education shall declare when the



electronic format is accessible to school districts, open-enrollment charter schools, and education service cooperatives via a Director's Memo.

(b)(1)(A) Warrants or checks of a school district, ~~local education agency~~ open-enrollment charter school, or education service cooperative issued after the date required by subsection (a) of this section shall be invalid unless a budget has been filed as required by this subchapter and in compliance with appropriate rules.

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

(2) Distribution After the department has met all deadlines for providing information to school districts, open-enrollment charter schools, or education service cooperatives, distribution of all grants and aids from the state for which the school district, ~~local education agency~~ open-enrollment charter school, or education service cooperative may be eligible shall be suspended until the requirements of this subchapter are met by the school districts, open-enrollment charter schools, or education service cooperatives.

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

(B) The review and the determination shall be completed not later than February 15 of each year. If the auditors of the financial accountability office determine that the financial records are deficient, then the school district, open-enrollment charter school, or education service cooperative shall be notified and shall have thirty (30) days to respond prior to suspension of the grants and aids.

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

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

(2) If the auditors of the financial accountability office of the department determine that the financial records of any school district, ~~local education agency~~ open-enrollment charter school, or education service cooperative are not properly maintained or that the financial affairs of the school district, ~~local education agency~~ open-enrollment charter school, or education service cooperative are not administered in accordance with state law or state board rules, grants and aids from the state to which the school

district, ~~local education agency open-enrollment charter school~~, or education service cooperative may be entitled shall be withheld until it is determined that the fiscal records of the school district, ~~local education agency open-enrollment charter school~~, or education service cooperative are in order or that the financial affairs are being properly administered as established by statute or by rule promulgated by the board, provided that the department has met all deadlines for providing information to school districts, ~~local education agencies open-enrollment charter schools~~, or education service cooperatives. ~~The Division of Legislative Audit may assist the auditors of the department upon request of the department.~~

(e)(1) The department may withhold state aid from any school district, ~~local education agency open-enrollment charter school~~, or education service cooperative that fails to file its budget or any other required report with the department by the deadline established by statute or by rule promulgated by the state board or by the due dates established by the department pursuant to subsection (e)(2) of this section, provided that the department has met all deadlines for providing pertinent information to school districts, ~~local education agencies open-enrollment charter schools~~, or education service cooperatives.

(2) The department shall submit a list of all required financial accountability reports along with due dates to each school district, ~~local education agency open-enrollment charter school~~, and education service cooperative by July 1 of each year.

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

(g)(1) The Treasurer of State shall withhold the monthly distribution of county aid provided under § 19-5-602(b) from any county ~~that~~ whose county clerk fails to provide in a timely manner by March 15 of each calendar year information to the department concerning the annual abstract of assessment for each school district located wholly or in part in the county.

(2) The information transmitted to the department shall include:

(A) The previous calendar year's property assessment that will be used for ad valorem tax collections in the current year; and

(B) The millage rates, which shall be listed by the type of millage, levied against that property assessment.

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

(a)(1) The State Board of Education shall adopt by rule a uniform budget and accounting system ~~consistent with the Handbook IIR2 or future revisions as published by the Office of Educational Research and Improvements of the United States Department of Education, for school districts, local education agencies, education service cooperatives, and open-enrollment charter schools that shall be known as the Arkansas Educational Financial Accounting and Reporting System.~~

(2) This system shall establish and implement the process and procedures for financial reporting as required by § 6-20-2201 et seq. for school districts, education service cooperatives, and open-enrollment charter schools.

(3)(A) The Department of Education shall establish and implement pursuant to § 6-20-2207, a uniform chart of accounts known as the Arkansas Financial Accounting Handbook "Arkansas Handbook".

(B) The Arkansas Financial Accounting Handbook shall be

incorporated by reference into the rules governing the Arkansas Educational Financial Accounting and Reporting System.

(C) However, the Arkansas Financial Accounting Handbook shall be exempt from the rule-making process and procedures required pursuant to the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(4) The rules shall be developed by the State Board of Education ~~Department of Education~~ in cooperation with the Department of Education, representatives from the Arkansas Association of School Administrators, the Arkansas Association of School Business Officials, the Arkansas Education Association, the education service cooperatives, and the Legislative Joint Auditing Committee.

(b) ~~The~~ To the extent necessary to comply with federal law, the terms and definitions contained in the Federal Handbook IIR2 the Arkansas Financial Accounting Handbook shall initially comply with the Financial Accounting for Local and State School System, 2003 Edition (NCES 2004-318), and may thereafter be revised by the Department of Education as necessary to remain consistent and shall be used for school districts, local education agencies, and education service cooperatives in Arkansas and shall be used to allow for valid comparisons of expenditures among of schools, school districts, open-enrollment charter schools, and education service cooperatives.

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

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

(2) Categories and descriptions of expenditures that each school or school district shall report on its annual school performance report authorized by the School Performance Report Act, § 6-15-1401 et seq. The reported expenditures shall include, but not be limited to, the following categories:

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

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

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

(d) ~~A handbook~~ The Arkansas Financial Accounting Handbook for education service cooperatives shall be developed by the state board that contains shall contain appropriate format and codes for expenditures for education service cooperatives. ~~Rules shall be developed by the department.~~

(e) The department shall have the authority to analyze and inspect the

financial records of any school, open-enrollment charter school, school district, or education service cooperative in order to verify that a school, school district, or education service cooperative is correctly and accurately reporting expenditures.

(f) By ~~November 1~~ February 15 of each year, the department shall submit a report to the state board, the Governor, the Senate Interim Committee on Education, and the House Interim Committee on Education concerning public school and public school district expenditures required by law.

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

6-20-2204. Required training.

(a)(1)(A) The Department of Education shall establish two (2) tiers of required training.

(B) Both tiers of required training shall apply to public school districts, open-enrollment charter schools, and educational service cooperatives.

(C)(i) At a minimum, two (2) persons per educational entity are required to attend an Initial and Annual Tier I Training, who shall be:

(a) The district superintendent or the educational service cooperative director or the open-enrollment charter school director; and

(b) A person whose job responsibilities include preparing the budget or overall accounting responsibility. ~~Any person whose job responsibility includes preparing the budget or recording expenditures of a school, school district, local education agency, or education service cooperative;~~

(ii) The two (2) persons per educational entity required to attend the Initial and Annual Tier I Training shall each obtain twelve (12) hours of initial training and instruction necessary to demonstrate basic proficiency as determined by the Department of Education in, including, but not limited to:

~~(A)~~(a) School laws of Arkansas;

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

~~(C)~~(c) Ethics; and

~~(D)~~(d) Financial accounting and reporting of schools, school districts, local education agency open-enrollment charter schools, and education service cooperative expenditures.

(2) Each year thereafter, the district superintendent, the educational service cooperative director, or open-enrollment charter school director, and the person whose job responsibilities include preparing the budget or overall accounting responsibility who have already attended the initial and Tier I training ~~any person whose job responsibility includes preparing the budget or recording expenditures of a school, school district, or education service cooperative~~ shall obtain by December 31 of each calendar year four (4) additional ~~four (4) additional~~ hours of annual training and instruction as required

by the department in order to maintain basic proficiency in the topics described in subdivision (a)(1) of this section.

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

(B) To satisfy the training and requirements under this subsection, any provider other than the department shall apply for and receive pre-approval by the department as to the form and content of the training and instruction before it is offered as training and instruction to comply with the provisions of this subsection.

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

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

(ii) Any person receiving notice that he or she shall be unable to continue in his or her position solely because of his or her failure to obtain the required training may request a hearing before the State Board of Education prior to his or her permanent dismissal.

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

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

(b)(1) Tier II training shall include, but not be limited to, employees who do not make decisions about selecting codes or who have a limited number of codes that they can use shall receive Tier II training.

(2) Tier II training shall be developed by the Department of Education in cooperation with representatives from the Arkansas Association of School Administrators, the Arkansas Association of School Business Officials, the Arkansas Education Association, the Legislative Joint Auditing Committee, and educational service cooperatives.

(3) The training shall be annual and shall be four (4) hours.

(4) Districts shall be responsible for providing the training to these employees.

(5) District trainers are required to attend Tier I training and annual updates as required by the department under § 6-20-2204(a) and (b).

(c)(1) Each district, open-enrollment charter, or education service cooperative shall maintain files and records indicating all employees required to obtain and who have completed Tier II training.

(2) Each district superintendent, open-enrollment charter director or educational service cooperative director shall provide the Department of Education an assurance statement regarding the completion of Tier II training by the required individuals.

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

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

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

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

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

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

6-20-2205. Penalties.

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

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

6-20-2206. Miscellaneous provisions.

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

(b) Each school district, local education agency open-enrollment charter school, and education service cooperative shall prepare an annual statement of the financial conditions and transactions of the school district, ~~local education agency~~ open-enrollment charter school, or education

service cooperative as of June 30 of each year ~~in accordance with generally accepted accounting principles.~~

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

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

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

(3) The school, school district, ~~local education agency open-enrollment charter school~~, and education service cooperative shall maintain proper financial records in accordance with the ~~state's school accounting manual and regulations promulgated by the state board~~ Arkansas Educational Accounting and Reporting System which includes the Arkansas Financial Accounting Handbook, and any reports required pursuant to § 6-20-2202(e)(2);

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

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

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

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

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

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

6-20-2207. Rule-making authority.

(a)(1) ~~Before the 2004-2005 school year, the~~ The State Board of Education shall promulgate rules governing a uniform budget and accounting

system that shall be known as the Arkansas Educational Financial Accounting and Reporting System. This system shall include ~~and providing compliance with an established~~ a uniform chart of accounts known as the Arkansas Financial Accounting Handbook that shall be exempt from the Arkansas Administrative Procedures rule-making process pursuant to § 25-15-201 et seq. for budgeting of school, school district, and education service cooperative revenues and expenditures and financial reporting in order for school districts and education service cooperatives to comply with § 6-20-2202.

(2) These rules shall be applied to all school districts, ~~local education agencies~~ open-enrollment charter schools, and education service cooperatives for purposes of reporting and accounting for revenues and expenditures on a pilot basis for the 2004-2005 school year.

(3) As necessary to comply with federal law, the Arkansas Financial Accounting Handbook shall comply with the Financial Accounting for Local and State School Systems, 2003 Edition (NCES 2004-318). The Arkansas Financial Accounting Handbook shall be exempt from the rule-making process and procedures required pursuant to the Administrative Procedure Act, § 25-15-201 et seq.

(b)(1)(A) ~~Beginning with the 2005-2006 school year, the Department of Education shall amend the rules provided in subsection (a) of this section as necessary~~ The State Board of Education shall amend the rules and the Department of Education shall amend the Arkansas Financial Accounting Handbook provided in subsection (a) of this section as necessary.

(B) The amendments, annual revisions, and financial accounting updates to the Arkansas Financial Accounting Handbook shall be developed with representatives from the Arkansas Association of School Business Officials, the Education Service Cooperatives, and other school district officials as designated by the Department of Education.

(2) Prior to making an amendment to the Arkansas Financial Accounting handbook, the Department of Education shall provide written notice via a Director's Memo to the school district, open-enrollment charter schools, and educational cooperatives. Amendments, annual revisions, and financial accounting updates shall be effective on July 1 of the next fiscal year or 90 days from date of the Director's Memo, whichever is later, unless:

(A) The Director of the Department of Education declares that there is an emergency, at which time the change shall be effective immediately upon the date specified in the Director's Memo; or

(B) A new program or revenue source requires new accounting codes, at which time the change shall be effective immediately upon date specified in the Director's Memo; or

(C) The change affects only a few school districts and the school districts have mutually agreed to make the change. The changes shall be effective immediately upon the date specified in the Director's Memo.

(2) However, prior to making an amendment to the Arkansas Financial Accounting Handbook, the department shall provide written notice via electronic media to school districts, open-enrollment charter schools, and educational cooperatives no less than seven (7) days prior to the change unless:

(A) The Director of the Department of Education declares that there is an emergency, at which time the change shall be effective immediately; or

(B) The change affects only a few school districts, and

the school districts have mutually agreed to make the change effective immediately. ~~and before the beginning of a school year in order for school districts to comply with this subchapter.~~

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

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

6-20-2208. Monitoring of expenditures.

(a)(1) The General Assembly determines that, although funds may be distributed to school districts under this subchapter, it is the duty and responsibility of the State of Arkansas to monitor such expenditures to ensure that each public school child in Arkansas is provided with an adequate education.

(2) The General Assembly further finds that a uniform system of accounting for and reporting expenditures is necessary to allow the state to monitor expenditures.

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

(c) Each school district shall:

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

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

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

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

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

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

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

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

(B) Only upon gifted and talented programs in accordance with rules promulgated by the state board.

(d)(1) During the appropriate Arkansas public school computer network reporting cycle each year, each school district shall submit appropriate data to the department establishing the school district's compliance with this section.

(2) The data shall be timely, accurate, and in the format required by rules promulgated by the state board.

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

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

AND

If appropriate, renumber the remaining sections of the bill

The Amendment was read _____

By: Representative Mahony
KAC/KAC - 02-17-2005 20:12
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Chief Clerk