

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 85th General Assembly  
3 Regular Session, 2005  
4

As Engrossed: H2/21/05

# A Bill

HOUSE BILL 1568

5 By: Representatives Mahony, Walters  
6  
7

## For An Act To Be Entitled

9 AN ACT TO AMEND THE ARKANSAS EDUCATIONAL  
10 FINANCIAL ACCOUNTING AND REPORTING ACT OF 2004;  
11 AND FOR OTHER PURPOSES.  
12

## Subtitle

13 AN ACT TO AMEND THE ARKANSAS EDUCATIONAL  
14 FINANCIAL ACCOUNTING AND REPORTING ACT  
15 OF 2004.  
16  
17  
18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
20

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

23 *6-20-2201. Title.*

24 *This subchapter shall be known ~~and may be cited~~ as the "Arkansas*  
25 *Educational Financial Accounting and Reporting Act of 2004".*  
26

27 *6-20-2202. Budget and expenditure report.*

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

33 *(2) Each budget shall be approved by the board of directors of*  
34 *each school district, ~~local education agency~~ open-enrollment charter school,*  
35 *and education service cooperative at a legally held meeting and shall be*  
36 *signed by the president of the board and the ex officio financial secretary*



1 of each school district, ~~local education agency~~ open-enrollment charter  
2 school, and education service cooperative. The budget shall contain the  
3 information and be prepared in an electronic format prescribed by ~~rules of~~  
4 ~~the State Board of Education~~ the Department of Education governing financial  
5 accounting for Arkansas school districts, ~~local education agencies~~ open-  
6 enrollment charter school, and education service cooperatives.

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

11 (B) The Department of Education shall declare when the  
12 electronic format is accessible to school districts, open-enrollment charter  
13 schools, and education service cooperatives via a Director's Memo.

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

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

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

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

1 ~~education agency~~ open-enrollment charter school, and education service  
2 cooperative funds and expenditure requirements are being met.

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

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

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

21 (2) If the auditors of the financial accountability office of  
22 the department determine that the financial records of any school district,  
23 ~~local education agency~~ open-enrollment charter school, or education service  
24 cooperative are not properly maintained or that the financial affairs of the  
25 school district, ~~local education agency~~ open-enrollment charter school, or  
26 education service cooperative are not administered in accordance with state  
27 law or state board rules, grants and aids from the state to which the school  
28 district, ~~local education agency~~ open-enrollment charter school, or education  
29 service cooperative may be entitled shall be withheld until it is determined  
30 that the fiscal records of the school district, ~~local education agency~~ open-  
31 enrollment charter school, or education service cooperative are in order or  
32 that the financial affairs are being properly administered as established by  
33 statute or by rule promulgated by the board, provided that the department has  
34 met all deadlines for providing information to school districts, ~~local~~  
35 ~~education agencies~~ open-enrollment charter schools, or education service  
36 cooperatives. ~~The Division of Legislative Audit may assist the auditors of~~

1 ~~the department upon request of the department.~~

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

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

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

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

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

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

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

27  
28 6-20-2203. Uniform budget and accounting system required.

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

36 (2) This system shall establish and implement the process and

1 procedures for financial reporting as required by § 6-20-2201 et seq. for  
2 school districts, education service cooperatives, and open-enrollment charter  
3 schools.

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

7 (B) The Arkansas Financial Accounting Handbook shall be  
8 incorporated by reference into the rules governing the Arkansas Educational  
9 Financial Accounting and Reporting System.

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

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

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

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

36 (1) Categories to allow for the gathering of data on separate

1 functions and programs;

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

- 7 (A) Total expenditures;
- 8 (B) Instructional expenditures;
- 9 (C) Administrative expenditures;
- 10 (D) Extracurricular expenditures;
- 11 (E) Capital expenditures; and
- 12 (F) Debt service expenditures;

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

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

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

23 (e) The department shall have the authority to analyze and inspect the  
24 financial records of any school, open-enrollment charter school, school  
25 district, or education service cooperative in order to verify that a school,  
26 school district, or education service cooperative is correctly and accurately  
27 reporting expenditures.

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

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

1  
2 6-20-2204. Required training.

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

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

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

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

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

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

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

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

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

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

32 (2) Each year thereafter, the district superintendent, the  
33 educational service cooperative director, or open-enrollment charter school  
34 director, and the person whose job responsibilities include preparing the  
35 budget or overall accounting responsibility who have already attended the  
36 initial and Tier I training any person whose job responsibility includes

1 ~~preparing the budget or recording expenditures of a school, school district,~~  
2 ~~or education service cooperative~~ shall obtain by December 31 of each calendar  
3 year four (4) additional hours of annual training and instruction as required  
4 by the department in order to maintain basic proficiency in the topics  
5 described in subdivision (a)(1) of this section.

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

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

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

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

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

34 (5) If the person fails to obtain all required training by  
35 December 31, this failure shall constitute one (1) citation against the  
36 school district or the open-enrollment charter school as measured by the



1 Standards for Accreditation of Arkansas Public Schools issued by the  
2 department or an admonishment to the education service cooperative by the  
3 department.

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

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

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

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

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

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

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

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

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

35 ~~(2) The expenses must be incurred in attending in-service~~  
36 ~~workshops, conferences, and other courses of training and instruction~~

1 ~~necessary for completing the hours of instruction required under this~~  
2 ~~section.~~

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

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

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

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

14  
15 6-20-2205. Penalties.

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

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

22  
23 6-20-2206. Miscellaneous provisions.

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

32 (b) Each school district, local education agency open-enrollment  
33 charter school, and education service cooperative shall prepare an annual  
34 statement of the financial conditions and transactions of the school  
35 district, ~~local education agency~~ open-enrollment charter school, or education  
36 service cooperative as of June 30 of each year ~~in accordance with generally~~

1 ~~accepted accounting principles.~~

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

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

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

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

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

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

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

34 (C) Original pupil attendance records shall be kept on  
35 file in the office of the superintendent of schools after the school term is  
36 ended for a period of three (3) years, and these records shall be available

1 for monitoring purposes during any day of the school term by the teachers or  
2 other persons designated to keep attendance.

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

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

12  
13 6-20-2207. Rule-making authority.

14 (a)(1) ~~Before the 2004-2005 school year, the~~ The State Board of  
15 Education shall promulgate rules governing a uniform budget and accounting  
16 system that shall be known as the Arkansas Educational Financial Accounting  
17 and Reporting System. This system shall include and providing compliancee  
18 with an established a uniform chart of accounts known as the Arkansas  
19 Financial Accounting Handbook that shall be exempt from the Arkansas  
20 Administrative Procedures rule-making process pursuant to § 25-15-201 et seq.  
21 ~~for budgeting of school, school district, and education service cooperative~~  
22 ~~revenues and expenditures and financial reporting in order for school~~  
23 ~~districts and education service cooperatives to comply with § 6-20-2202.~~

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

28 (3) As necessary to comply with federal law, the Arkansas  
29 Financial Accounting Handbook shall comply with the Financial Accounting for  
30 Local and State School Systems, 2003 Edition (NCES 2004-318). The Arkansas  
31 Financial Accounting Handbook shall be exempt from the rule-making process  
32 and procedures required pursuant to the Administrative Procedure Act, § 25-  
33 15-201 et seq.

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

1 Department of Education shall amend the Arkansas Financial Accounting  
2 Handbook provided in subsection (a) of this section as necessary.

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

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

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

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

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

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

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

31 (B) The change affects only a few school districts, and  
32 the school districts have mutually agreed to make the change effective  
33 immediately. ~~and before the beginning of a school year in order for school~~  
34 ~~districts to comply with this subchapter.~~

35 (c) Any school district, ~~local education agency~~ open-enrollment  
36 charter school, or education service cooperative that fails to comply with

1 state law or rules governing and providing a uniform chart of accounts for  
2 budgeting of revenues, expenditures, and financial reporting shall be deemed  
3 to be in fiscal distress and subject to the applicable enforcement provisions  
4 as provided by law.

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

11  
12 6-20-2208. Monitoring of expenditures.

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

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

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

24 (c) Each school district shall:

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

27 (2)(A) Expend the sums allocated to the school district under §  
28 6-20-2005(b) for salaries and other instructional aid components to benefit  
29 students in the special needs categories within the school district unless  
30 other expenditures are allowed by law or rule of the State Board of Education  
31 or Department of Education.

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

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

1 adequate education;

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

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

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

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

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

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

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

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

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

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26 /s/ Mahony, et al

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