

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

As Engrossed: H4/5/06
A Bill

Call Item 5

HOUSE BILL 1038

5 By: Representative Medley
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7

For An Act To Be Entitled

9 AN ACT TO LIMIT SCHOOL DISTRICT CENTRAL OFFICE
10 ADMINISTRATION SALARIES, BENEFITS AND EXPENSES;
11 AND FOR OTHER PURPOSES.
12

Subtitle

13 AN ACT TO AMEND VARIOUS PROVISIONS OF
14 THE ARKANSAS CODE RELATED TO PUBLIC
15 SCHOOL FINANCE.
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 SECTION 1. Arkansas Code Title 6, Chapter 20, Subchapter 22 is amended
22 to add an additional section to read as follows:

23 6-20-2209. Limitation on central office administrative expenditures.

24 (a) As used in this section:

25 (1)(A) "Central Office Administrator" means any person employed
26 by a school district who:

27 (i) Has district-wide administrative responsibility;

28 (ii) Is not a classroom teacher or building level
29 principal; and

30 (iii) Is employed in a position classified by the
31 Arkansas School and Educational Cooperative Financial Accounting Manual under
32 function codes designated by the department, such as central office
33 administrative function codes 2111, 2121, 2131, 2141, 2151, 2211, 2216, 2221,
34 2300-2399, 2500-2599, 2610, 2710, and 2800-2899.

35 (B) A school district may not change the classification
36 code of any position designated before April 3, 2006, as central office



1 administration without first obtaining written permission from the Department
2 of Education;

3 (2)(A) "Classroom teachers" means an individual who is:

4 (i) Required to hold a teaching license from the
5 Department of Education; and

6 (ii) Engaged directly in instruction with students in a
7 classroom setting for more than seventy percent (70%) of the person's
8 contracted time.

9 (B) The portion of contracted time a person is engaged in
10 his or her duties as a guidance counselor, librarian, math and literacy
11 coach, alternative learning environment director and staff, and summer and
12 after-school program staff shall be counted for purposes of subdivision
13 (a)(2)(A);

14 (3) "Building level principal" means any person who has
15 administrative responsibility for student instruction and discipline that is
16 limited to certain schools or buildings within the school district;

17 (4) "Federally-funded salary" means any portion of a school
18 district employee's salary and benefits paid from fund six (6) of the
19 Arkansas School and Educational Service Cooperative Financial Accounting
20 Manual; and

21 (5)(A) "Central office administrative expenses" means school
22 district administrative expenses assigned to any object code in function
23 codes in the Arkansas School and Educational Cooperative Financial Accounting
24 Manual designated by the department, such as those expenses in central office
25 administrative function codes 2111, 2121, 2131, 2141, 2151, 2211, 2216, 2221,
26 2300-2399, 2500-2599, 2610, 2710, and 2800-2899.

27 (B) No school district may change the object, function or
28 other code classification of such expenses which were previously designated
29 as a central office administrative expense, pursuant to this definition, as
30 of April 3, 2006, without first obtaining the written permission of the
31 department.

32 (b)(1)(A) Beginning with the 2006-2007 school year and each school
33 year thereafter, a school district's expenditures for central office
34 administrative expenses, salaries, and benefits for central office
35 administrators and their staff, regardless of the source of funds, shall not
36 exceed a percentage as provided in subdivision (b)(1)(C) of this section of

1 the sum of the district's actual
 2 total expenditures for the school year recorded in:

3 (i) Fund one (1) of the teacher salary fund;

4 (ii) Fund two (2) of the district's operating fund;

5 and

6 (iii) Fund four (4) of the district's debt service

7 fund.

8 (B) The maximum amount shall not be affected by any

9 "transfers among fund codes.

10 (C) The sum of a school district's actual total

11 expenditures for central office administrative expenses, salaries, and

12 benefits for central office administrative expenses, salaries and benefits

13 shall not exceed:

14 (i) For a school district with an average daily
 15 membership of five hundred (500) or fewer in the immediate prior school year,
 16 eight percent (8%);

17 (ii) For a school district with an average daily
 18 membership between five hundred and one (501) and one thousand (1,000) in the
 19 immediate prior school year, seven and one half percent (7.5%);

20 (iii) For a school district with an average daily
 21 membership between one thousand and one (1,001) and one thousand five hundred
 22 (1,500) in the immediate prior school year, seven percent (7%);

23 (iv) For a school district with an average daily
 24 membership of one thousand five hundred and one (1,501) and two thousand
 25 (2,000) in the immediate prior school year, six and one half percent (6.5%);

26 (v) For a school district with an average daily
 27 membership between two thousand and one (2,001) and ten thousand (10,000) in
 28 the immediate prior school year, five and one half percent (5.5%); and

29 (vi) For a district with an average daily membership
 30 greater than ten thousand (10,000) in the immediate prior school year, five
 31 percent (5%)."

32
 33 (2) The following expenditures are exempted from the limitations
 34 of subdivision (b)(1):

35 (A) Any portion of a federally-funded salary; and

36 (B) Any portion of salaries and benefits paid to a

1 classroom teacher or building-level principal.

2 (c) The Commissioner of Education may waive in writing the limitations
3 of subdivision (b)(1) of this section for any school district, provided:

4 (1) The superintendent and chair of the district's board of
5 directors submit a written request for a waiver; and

6 (2) The written request includes evidence of extraordinary
7 circumstances requiring the school district to exceed the limitations of
8 subdivision (b)(1) of this section.

9 (d)(1)(A) On or before December 15 of each school year, the Department
10 of Education and the Division of Legislative Audit shall file with the
11 Legislative Joint Auditing Committee a joint report identifying any school
12 district that violated the provisions of this section in the prior school
13 year.

14 (B)(i) The Division of Legislative Audit shall, before the
15 end of the school year that the report is received, conduct a review of each
16 school district listed in the Department of Education's report and issue a
17 follow-up verification report to the committee on the school districts that
18 violated the provisions of subdivision (b)(1) of this section.

19 (ii) The Division of Legislative Audit shall report
20 to the committee any other school district determined to be in violation of
21 subsection (b)(1) of this section when conducting annual audits of public
22 school districts.

23 (2) The committee shall require the superintendent and chair of
24 the board of directors of any school district identified in the report to
25 appear before the committee and provide an explanation and accounting of its
26 central office administrative expenses for the school year in which the
27 violation occurred.

28 (3) The Department of Education shall designate a school
29 district identified in the report as failing to comply with the best
30 financial management practices for school districts, as provided in § 6-15-
31 2301.

32 SECTION 2. (a) The provisions of this act shall not apply until
33 implemented by the Department of Education.

34 (b)(1) The provisions of this act shall not be implemented before July
35 1, 2007.

36 (2) At least sixty (60) days before implementing the provisions

1 of this act, the department shall submit to the Legislative Council for
2 review a report identifying:

3 (A) The function codes classified by the Arkansas School
4 and Educational Cooperative Financial Accounting Manual as central office
5 administrative function codes;

6 (B) Data reflecting the percentage of actual total
7 expenditures that each public school district expended on the function codes
8 identified in subdivision (b)(2)(A) of this section in the prior school year;
9 and

10 (C) The identity of any school district that would have
11 been found to have violated the provisions of this act in the prior school
12 year.

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15 SECTION 3. EMERGENCY CLAUSE. It is found and determined by the
16 General Assembly of the State of Arkansas that the Arkansas Supreme Court
17 found that the public school funding system continues to be inadequate and
18 the public schools are operating under a constitutional infirmity which must
19 be corrected immediately; and that the current amount of funding expended in
20 some districts on central office administration is unjustified and that a
21 limitation on these expenditures will result in an efficient use of state
22 funds. Therefore, an emergency is declared to exist and this act being
23 necessary for the preservation of the public peace, health, and safety shall
24 become effective on:

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

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

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

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32 /s/ Medley