The Arkansas School Board Member: Fiscal Operations

Arkansas School Boards Association
New Board Member Institute
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Presented by
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State Superintendent
Office of Coordinated Support and Service
The Arkansas Department of Education is transforming Arkansas to lead the nation in student-focused education.
The Arkansas Department of Education provides leadership, support, and service to schools, districts, and communities so every student graduates prepared for college, career, and community engagement.
Systems
Topics for Today

- Fiscal duties and responsibilities
- Reinforce basic fiscal knowledge
- What you need to know (and ask)
- Warning Signs
- Fiscal Distress
- Fiscal Support and Services
- Audit
- Questions
Financial Duties and Responsibilities

- **Powers & Duties of Board of Directors**
  - Attend meetings of school board.
  - Determine mission and direction of district.
  - Adhere to state and federal laws.
  - Enact, enforce and obey policies.
  - Employ staff.
  - Understand and oversee school district finances.
  - Manage facilities.
  - Approve curriculum and ensure that it is taught.
  - Visit district schools and classrooms.
  - Obtain training and professional development.
  - Do “all other things necessary and lawful..”

§ 6-13-620 A.C.A.
(6) Understand and oversee school district finances required by law to ensure alignment with the school district’s academic and facility needs and goals, including without limitation:

- **(A)** Reviewing, adopting and publishing the school district’s budget;

- **(B)** Overseeing and monitoring the school district finances, including:
  - Revenues
  - Expenditures
  - Investments
  - Debts
  - Obligations
  - Inventory
  - Real Property

§ 6-13-620 A.C.A
(6) Understand and oversee school district finances ......

- (C) Borrowing money as necessary, but in no case shall the school board of directors permit the school district to end the fiscal year with a negative legal balance;

- (D) Entering into contracts for goods and services necessary to operate the school district;

- (E) Buying, selling, renting, and leasing real property and personal property on behalf of the school district;

- (F) Receiving, reviewing, and approving each annual financial audit report and presenting it to the public.

§ 6-13-620 A.C.A
How are Arkansas Schools Funded?

- Combination of Local, State and Federal Revenues
- All are Important!
Local Revenue

- **Ad Valorem Property Taxes**
  - Current Taxes
  - Homestead Exemption Funds
  - Delinquent Taxes
  - Excess Commissions

- **Other Local Revenue**
  - Payments in Lieu of Taxes
  - Interest
  - Mineral leases
  - Contributions
Property Taxes are Determined by:

- Assessed Valuation
  - Real
  - Personal
  - Utility

- Tax Rate
  - Amendment 74 Uniform Rate of Tax-25 mills
  - Additional Maintenance and Operation mills
  - Debt Service mills

- Collection Rate
Property Tax Issues

- Local Assessment
  - Property classification
  - Homestead exemption
  - Challenges to assessment

- Reassessment of Property
  - Required reappraisals—3 vs. 5 year cycle
  - Assessment growth caps
  - Frozen assessment for those 65 and older
  - Amendment 59 rollbacks
State Funds

- Planned to address adequacy and equity issues relative to the support of Arkansas schools
- Accomplished through a formula to provide a “Foundation” of school support
- Targeted funds based on needs which vary from district-to-district
Adequacy

Definition: Providing sufficient resources to accomplish educational goals as defined by the Arkansas Constitution.

- Defined by consultants
- Adopted by the General Assembly in 2004
- Approved by the Arkansas Supreme Court
- Reviewed biennially by General Assembly
Equity

Definition: Providing substantially the same funding for each student in consideration of needs.

Horizontal and Vertical Equity

- Consistent with legal precedents
- Adopted by the General Assembly
- Approved by the Arkansas Supreme Court
- Accepted by Arkansas schools
Horizontal Equity Through Foundation Aid

Equalization of School Resources

School Districts

Adequacy

State
Local
State Foundation Aid is a combination of:

<table>
<thead>
<tr>
<th>Local Funds per student based on local assessed valuation x URT (25 mills)</th>
<th>State Funds to bring total aid to established adequacy level per student</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,535</td>
<td>$5,178</td>
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$6,713
Rate for 2017-2018

EXAMPLES

$1,535

$5,178
Funds Are Based Primarily On:

STUDENTS

Foundation Aid is defined by the Average Daily Membership (ADM) for the first three quarters of the prior year.

**Growing Districts receive aid based on quarterly comparison of current year with prior year. (PAST)**
Amendment 74- Constitution of Arkansas
Approved in 1996

Uniform Rate of Tax

- 25 Mill Uniform Tax for Maintenance and Operation @ 98% collection

Assessed Valuation X .025 Mills X 98%

Designed to establish a uniform base of statewide support from local property taxation
Vertical Equity is based on certain student characteristics and is targeted to address these needs

- **Alternative Learning Environment (ALE)**
  - $4,640/FTE/ADM in ALE
  - Restricted

- **English Language Learners (ELL)**
  - $338/ELL
  - Restricted

- **National School Lunch Act (NSL)**
  - $526/1,051/1,576
  - Restricted

- **Secondary Vocational Center Aid**
  - $3,250
  - Restricted

Spending is restricted by statute and ADE rules and regulations.
Other State Aid

Professional Development Funding
- 26.05 per student Restricted

Facility Funding-Academic Facilities
- Funds support approved projects consistent with the Facility Plan in accordance with design and cost standards approved by the Division of Academic Facilities and Transportation.
- Partnership funding percentage is based on a wealth index calculated annually.
Federal Funds are Categorical

(Restricted)

- National School Lunch and Breakfast (USDA)
- Elementary and Secondary Education Act (Every Student Succeeds Act)
  - Title I, II, III, IV
  - Others as eligible
- Individuals With Disabilities Act (IDEA) (VI-B)
- Carl Perkins Act
- Assorted School Improvement Initiatives
Federal Funds Require Special Attention

- Funds are restricted to the specific purposes set forth in Federal regulations and ADE guidelines.
- Timelines for fund obligation must be met.
- Records must document funds and program elements required by audit standards.
- Property records and use must conform to Federal standards.
Financial Responsibilities for School Board Members

- Be informed about financial issues—Ask Questions
- Select qualified staff to perform financial tasks
  - Superintendent of Schools
  - Business Manager/Bookkeeper
  - Approve adequate personnel to complete required tasks
- Review Monthly Financial Reports—Ask Questions
- Review Annual Audit Report—Ask Questions
- If financial information is unclear—Ask Questions

TRUST, BUT VERIFY!
Specific Financial Requirements
Beyond our Control

- Spend “Restricted Funds” as mandated.

- Spend an amount equal to 9% of Foundation Aid for facility maintenance and operation annually as outlined in statutes and ADE rules.

- Meet spending requirements for Gifted/Talented programs.

- Meet spending requirements for Special Education programs.
Personnel Requirements

- Educational Excellence Trust Fund increase devoted to salary schedule increases

- Comply with minimum salary schedules
  - Beginning $31,400 in 2017-2018 Certified
  - Beginning $31,800 in 2018-2019 Certified
  - Increments at least $450-500
  - Hourly at least $8.50 Classified

- Comply with all specific salary requirements for certified and classified personnel
Financial Warning Signs

Identified by local school leaders or through the mandated audit process.
Some Warning Signs

- Internal Control Problems
- Salary Schedule Beyond Resources
- Excessive Numbers of Personnel
- Spending Beyond Budgeted Levels
- Expenditures above Revenues
- Cost Overruns on Building Projects
- Changes in Assessed Valuation (Decline)
Some Warning Signs

- Audit Findings
- Declining Legal Fund Balance
- Short-Term Debt
- Bidding, Spending and Inventory Control
- Travel Reimbursements
- Loss of Students—Declines in Average Daily Membership (ADM)—TRENDS
And...One More Big One

The Reluctance to say 

“NO”