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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

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A N A C T

RELATING TO EDUCATION - SCHOOL COMMITTEES AND SUPERINTENDENTS -
SCHOOL DISTRICT ACCOUNTING COMPLIANCE

Introduced By: Representatives Brien, and Newberry

Date Introduced: March 28, 2012

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 16-2-9.4 of the General Laws in Chapter 16-2 entitled "School
2 Committees and Superintendents" is hereby amended to read as follows:

3 **16-2-9.4. School district accounting compliance.** -- (a) The office of auditor general
4 and the department of elementary and secondary education shall promulgate a uniform system of
5 accounting, including a chart of accounts based on the recommendations of the advisory council
6 on school finance, and require all accounts of the school districts, regional school districts, state
7 schools and charter schools to be kept in accordance therewith; provided, that in any case in
8 which the uniform system of accounting is not practicable, the office of auditor general in
9 conjunction with the department of elementary and secondary education shall determine the
10 manner in which the accounts shall be kept. The uniform system of accounting shall also include
11 a standardized budget process to ensure districts can annually assess investment priorities and
12 incorporate long range planning.

13 (b) For the purpose of securing a uniform system of accounting and a chart of accounts
14 the advisory council on school finances, as defined in section 16-2-9.2 may make such surveys of
15 the operation of any school districts, regional school district, state school or charter school as they
16 shall deem necessary.

17 (c) Upon completion of the implementation of the uniform chart of accounts, all the
18 school districts, regional school districts, state schools, and/or charter schools, shall implement a

1 regents' approved budget model, and utilize best practices established by the department of
2 education for long range planning, budget development, and budget administration and reporting.

3 ~~(e)~~(d) If any school district, regional school district, state school or charter school fails to
4 install and maintain the uniform system of accounting, including a chart of accounts and
5 approved budget model, or fails to keep its accounts and interdepartmental records, or refuses or
6 neglects to make the reports and to furnish the information in accordance with the method
7 prescribed by the office of auditor general and the department of education or hinders or prevents
8 the examination of accounts and financial records, the auditor general and the commissioner of
9 education and/or their respective designee(s) shall ~~may~~ make a report to the superintendent of
10 schools of the local education agency, the school committee chairperson, the mayor or town
11 manager, and the president of the town council, and/or for a charter school, to the board of
12 trustees or directors, as applicable. ~~the board of regents for elementary and secondary education~~
13 in writing, specifying the nature and extent of the failure, refusal, neglect, hindrance, or
14 prevention, and the board of regents is hereby authorized and directed to review the matter so
15 reported. If the ~~regents~~ commissioner shall find that failure, refusal, neglect, hindrance, or
16 prevention exists and that the school district, regional school district, state school or charter
17 school should properly comply in the matter so reported, the ~~regents~~ commissioner shall direct
18 the school district, regional school district, state school or charter school, in writing, to so comply.
19 If the failure, refusal, neglect, hindrance, or prevention shall continue for a period of ten (10) days
20 following the written direction, the ~~regents~~ commissioner may withhold distribution of state aid to
21 said school district, regional school district, state school or charter school.

22 (e) The department of elementary and secondary education shall conduct periodic
23 reviews and analysis of school revenues and expenses. The department shall also review and
24 monitor compliance with the approved budget model and best practices. The department shall
25 identify those local education agencies considered to be at risk of a year-end deficit or a structural
26 deficit that could impact future years. Such potential deficits shall be identified based on the
27 periodic reviews, which may also include on-site visits and reporting in accordance with the
28 provisions of section 45-12-22.2. Potential deficits shall be reported to the office of municipal
29 finance, office of auditor general, superintendent, chairman of the school committee, mayor or
30 town manager, and the president of the town council, of the applicable school district, regional
31 school district, or state school, and/or for a charter school, to the board of trustees or directors, as
32 applicable.

33 SECTION 2. Section 45-12-22.2 of the General Laws in Chapter 45-12 entitled
34 "Indebtedness of Towns and Cities" is hereby amended to read as follows:

1 **45-12-22.2. Monitoring of financial operations -- Corrective action.** -- (a) The chief
2 financial officer of each municipality and each school district within the state shall continuously
3 monitor their financial operations by tracking actual versus budgeted revenue and expense.

4 (b) The chief financial officer of the municipality shall submit a report on a monthly
5 basis to the municipality's chief executive officer, each member of the city or town council, and
6 school district committee certifying the status of the municipal budget [from all fund sources](#),
7 including the school department budget [from all fund sources](#), or regional school district budget
8 [from all fund sources](#). The chief financial officer of the municipality shall also submit a quarterly
9 report on or before the 25th day of the month succeeding the end of each fiscal quarter to the
10 division of municipal finance, [the commissioner of education](#), and the auditor general certifying
11 the status of the municipal budget, [including the school budget that has been certified by the](#)
12 [school department](#). Each quarterly report submitted must be signed by the chief executive officer,
13 chief financial officer as well as the superintendent of the school district and chief financial
14 officer for the school district. The report has to be submitted to the city/town council president
15 and the school committee chair. It is encouraged, but not required, to have the council
16 president/school committee chair sign the report. The chief financial officer of the school
17 department or school district shall certify the status of the school district's budget and shall assist
18 in the preparation of these reports. The monthly and quarterly reports shall be in a format
19 prescribed by the division of municipal finance, [the commissioner of education](#), and the state
20 auditor general. The reports shall contain a statement as to whether any actual or projected
21 shortfalls in budget line items are expected to result in a year-end deficit, the projected impact on
22 year-end financial results including all accruals and encumbrances, and how the municipality and
23 school district plans to address any such shortfalls. [In the event that the school reporting is not](#)
24 [provided, then state education aid may be withheld pursuant to the provisions of section 16-2-](#)
25 [9.4\(d\)](#).

26 (c) If any of the quarterly reports required under subsection (b) above project a year-end
27 deficit, the chief financial officer of the municipality shall submit to the state division of
28 municipal finance, [the commissioner of education](#), and the auditor general a corrective action
29 plan signed by the chief executive officer and chief financial officer on or before the last day of
30 the month succeeding the close of the fiscal quarter, which provides for the avoidance of a year-
31 end deficit [or structural deficit that could impact future years, and the school superintendent shall](#)
32 [also comply with the provisions of section 16-2-11\(c\) to assist in this effort](#). The plan may
33 include recommendations as to whether an increase in property taxes and/or spending cuts should
34 be adopted to eliminate the deficit. The plan shall include a legal opinion by municipal counsel

1 that the proposed actions under the plan are permissible under federal, state, and local law. The
2 state division of municipal affairs may rely on the written representations made by the
3 municipality in the plan and will not be required to perform an audit.

4 (d) If the division of municipal finance concludes the plan required hereunder is
5 insufficient and/or fails to adequately address the financial condition of the municipality, the
6 division of municipal finance can elect to pursue the remedies identified in section 45-12-22.7.

7 (e) The reports required shall include the financial operations of any departments or
8 funds of municipal government including the school department or the regional school district,
9 notwithstanding the status of the entity as a separate legal body. This provision does not eliminate
10 the additional requirements placed on local and regional school districts by sections 16-2-9(f) and
11 16-3-11(e)(3).

12 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO EDUCATION - SCHOOL COMMITTEES AND SUPERINTENDENTS -
SCHOOL DISTRICT ACCOUNTING COMPLIANCE

1 This act would require all school districts, regional school districts, state schools, and
2 charter schools to implement a budget model approved by the commissioner of education. This
3 act would also provide that state education aid could be withheld for failure to comply with
4 school reporting requirements.

5 This act would take effect upon passage.

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