

# House Bill 3331

Sponsored by Representative HANNA; Representatives FREEMAN, GILMAN, KENNEMER, KRIEGER, THATCHER, THOMPSON, WEIDNER, WHISNANT, WINGARD

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Directs State Board of Education to establish system to assess financial management practices of school districts and education service districts. Directs board to establish financial management advisory committee to advise board on administration of system.

Requires review of financial management practices of school districts once every six years. Provides exception for school districts certified to be best business practices districts. Directs school districts to implement action plan if found not to be in compliance with financial management practices standards.

Appropriates moneys from General Fund to Department of Education for review of financial management practices of school districts and education service districts.

Declares emergency, effective July 1, 2009.

## A BILL FOR AN ACT

1  
2 Relating to education; appropriating money; and declaring an emergency.

3 **Be It Enacted by the People of the State of Oregon:**

### SECTION 1. As used in sections 1 to 9 of this 2009 Act:

4  
5 (1) "Financial management advisory committee" means the committee established in  
6 section 3 of this 2009 Act.

7 (2) "Financial management practices standards" means the standards for best financial  
8 management practices adopted by the State Board of Education under section 4 of this 2009  
9 Act.

10 SECTION 2. (1) The State Board of Education, in consultation with the financial man-  
11 agement advisory committee established in section 3 of this 2009 Act, shall establish an as-  
12 sessment system for periodically reviewing the financial management practices of school  
13 districts and education service districts.

14 (2) The purposes of the assessment system are to:

15 (a) Improve the financial management practices of districts;

16 (b) Improve the use of resources by districts;

17 (c) Identify potential cost savings for districts;

18 (d) Increase public confidence in and support of districts that demonstrate efficient use  
19 of tax revenues; and

20 (e) Link financial planning and budgeting to student performance and other district pri-  
21 orities.

22 SECTION 3. (1) The State Board of Education shall establish a financial management  
23 advisory committee. The committee shall consist of:

24 (a) The following members appointed by the board:

25 (A) One member who represents an association representing school administrators;

26 (B) One member who represents an association representing school business officials;

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

- 1 (C) One member from each of the organizations representing public school employees;
- 2 (D) One member who represents an association representing school district boards;
- 3 (E) One member who represents the business community;
- 4 (F) One member who represents a taxpayer organization; and
- 5 (G) One member who represents the general public; and
- 6 (b) One member who represents and is appointed by the Secretary of State.
- 7 (2) The committee shall:
- 8 (a) Advise the board regarding any matter arising under sections 1 to 9 of this 2009 Act;
- 9 (b) Provide to the board a list of technical advisers on best financial management prac-
- 10 tices; and
- 11 (c) Provide to the board a list of indicators of best financial management practices.
- 12 (3) A majority of the members of the committee constitutes a quorum for the transaction
- 13 of business.
- 14 (4) Official action by the committee requires the approval of a majority of the members
- 15 of the committee.
- 16 (5) The committee shall elect one of its members to serve as chairperson.
- 17 (6) The board shall determine the term of office of each committee member, but a com-
- 18 mittee member serves at the pleasure of the board. If there is a vacancy for any cause, the
- 19 board shall make an appointment to become immediately effective.
- 20 (7) The committee shall meet at times and places specified by the call of the chairperson
- 21 or of a majority of the members of the committee.
- 22 (8) The Department of Education shall provide staff support to the committee.
- 23 (9) Members of the committee are not entitled to compensation, but may be reimbursed
- 24 for actual and necessary travel and other expenses incurred by them in the performance of
- 25 their official duties in the manner and amounts provided for in ORS 292.495. Claims for ex-
- 26 penses incurred in performing functions of the committee shall be paid out of funds appro-
- 27 priated to the Department of Education for that purpose.
- 28 (10) All agencies of state government, as defined in ORS 174.111, school districts and ed-
- 29 ucation service districts are directed to assist the committee in the performance of its duties
- 30 and, to the extent permitted by laws relating to confidentiality, to furnish such information
- 31 and advice as the members of the committee consider necessary to perform their duties.
- 32 **SECTION 4.** (1) The State Board of Education shall base the assessment system estab-
- 33 lished under section 2 of this 2009 Act on a series of financial management practices stan-
- 34 dards adopted by the board under this section for specific areas of school district and
- 35 education service district programs and operations.
- 36 (2) The board shall consult with educational stakeholders to determine the financial
- 37 management practices standards. The stakeholders shall include school administrators,
- 38 school business officials, district board members, professional education organizations, tax-
- 39 payer organizations, members of the Legislative Assembly, legislative staff and represen-
- 40 tatives of the Oregon Department of Administrative Services. The board also shall consult
- 41 with corporate and governmental experts on best financial management practices and with
- 42 other states that have similar assessment systems.
- 43 (3) The financial management practices standards adopted under this section must:
- 44 (a) Address the use of resources by districts;
- 45 (b) Identify ways that districts may save funds;

- 1 (c) Improve the financial management of districts; and
- 2 (d) Identify ways that districts may improve public accountability.

3 (4) The board shall adopt financial management practices standards for the following  
4 areas:

- 5 (a) Management structures;
- 6 (b) Budgeting, in relation to student performance;
- 7 (c) Administrative and instructional technology;
- 8 (d) Personnel systems and benefits;
- 9 (e) Facilities construction;
- 10 (f) Facilities maintenance;
- 11 (g) Transportation;
- 12 (h) Food service operations; and
- 13 (i) Cost control systems.

14 (5) The board shall adopt specific indicators for each area specified in subsection (4) of  
15 this section to assess whether districts are meeting the standards for best financial man-  
16 agement practices in that area. The indicators shall set forth the activities undertaken by  
17 districts using the best financial management practices addressed by the standards.

18 **SECTION 5.** (1)(a) Except as provided in paragraph (b) of this subsection, the State Board  
19 of Education shall ensure that each school district and education service district is reviewed  
20 once every six years to determine whether the district is meeting the financial management  
21 practices standards adopted under section 4 of this 2009 Act.

22 (b) If a school district has an average daily membership of 500 or less, as determined by  
23 the State Board of Education, the board may choose to not review the district individually  
24 but instead review the district as part of the review of any education service district in which  
25 the school district is located.

26 (2) The State Board of Education shall establish a team to conduct each review and may  
27 contract with a private entity that has expertise in district finance to perform the review.

28 (3) A district that is scheduled for review shall complete a self-assessment developed by  
29 the State Board of Education through which the district evaluates its performance in each  
30 area specified in section 4 (4) of this 2009 Act. The self-assessment shall begin no later than  
31 60 days prior to the commencement of the review and shall be submitted to the board no  
32 later than the date scheduled for the review of the district.

33 (4) During a review, the State Board of Education and the team conducting the review  
34 shall hold at least one public meeting to explain the review process and to obtain input from  
35 students, parents, the local business community and other district residents regarding the  
36 operation and financial management of the district.

37 (5) To the extent practicable, the team conducting the review shall use information  
38 available through the existing district evaluation reports.

39 (6) The team conducting the review shall complete the review within six months. Within  
40 60 days after completing the review, the team conducting the review shall prepare a final  
41 report that includes:

- 42 (a) The findings of the team related to:

43 (A) District compliance with the financial management practices standards established  
44 under section 4 of this 2009 Act, based on the indicators adopted by the State Board of Ed-  
45 ucation;

1 (B) Potential cost savings available to the district with improved financial management;  
2 and

3 (C) Recommendations for improved financial management.

4 (b) For a district found not to be in compliance with the financial management practices  
5 standards, a three-year action plan through which the district can achieve compliance with  
6 the financial management practices standards. The team conducting the review shall develop  
7 the action plan in conjunction with the district.

8 (7) The team conducting the review shall submit the final report prepared under sub-  
9 section (6) of this section to:

10 (a) The Superintendent of Public Instruction;

11 (b) The Governor;

12 (c) The district;

13 (d) The district board;

14 (e) The Joint Legislative Committee on Ways and Means or the Emergency Board; and

15 (f) The legislative committees on education.

16 (8) Within 15 days after the team conducting the review submits its final report, the  
17 State Board of Education shall publish the final report on the Internet. Prior to publication,  
18 the board shall issue a press release informing the public of the availability of the informa-  
19 tion.

20 (9) Within 30 days after receipt of the final report by a district board, the district board  
21 shall hold a public meeting to address the final report.

22 **SECTION 6.** (1) The State Board of Education shall certify a school district or education  
23 service district as a best business practices district if the district has been determined by  
24 the team conducting a review pursuant to section 5 of this 2009 Act to be in compliance with  
25 the financial management practices standards. The certification shall be effective for six  
26 years from the date of certification or until the next review is completed, whichever is later.

27 (2) A district certified under this section may publicize its status.

28 (3) A district certified under this section shall annually verify to the board that the dis-  
29 trict has not made any changes in its financial management practices and continues to  
30 conform to the financial management practices standards adopted by the board.

31 (4) The board shall grant a waiver of the review required by section 5 of this 2009 Act to  
32 any district certified under this section if the district has made the annual verification re-  
33 quired by subsection (3) of this section. The board may not grant consecutive waivers to a  
34 district.

35 **SECTION 7.** (1) If, after the review required by section 5 of this 2009 Act or the deter-  
36 mination under section 9 of this 2009 Act, a district is found not to be in compliance with the  
37 financial management practices standards, the district board shall establish a financial  
38 management advisory team. The advisory team shall consist of 11 members as follows:

39 (a) Nine members appointed by the district board as follows:

40 (A) One member of the district board;

41 (B) The superintendent of the district;

42 (C) The district business manager or the person responsible for the financial manage-  
43 ment of the district;

44 (D) Two members of the general public;

45 (E) One parent of a student who attends school in the district;

1 (F) Two representatives of local businesses, at least one of whom has experience in  
2 banking or finance; and

3 (G) One local community leader;

4 (b) One principal selected by the principals of the district; and

5 (c) One teacher selected by the teachers of the district.

6 (2) The advisory team shall select a chairperson from among the members of the team.

7 (3) The advisory team shall implement the action plan required by section 5 (6)(b) of this  
8 2009 Act.

9 (4) Upon request of the advisory team, the State Board of Education shall provide, from  
10 the list of technical advisers established in section 8 of this 2009 Act, technical advisers as  
11 may be necessary to assist the advisory team in implementing the action plan.

12 (5) The board shall ensure that a second review is conducted of the financial management  
13 practices of any district that was found not to be in compliance. The second review shall be  
14 conducted within three years after receipt of the final report indicating that the district is  
15 not in compliance, or earlier upon request of the district board. If the second review shows  
16 that the district is in compliance, the board shall certify the district as a best business  
17 practices district.

18 SECTION 8. The State Board of Education shall establish a list of technical advisers to  
19 assist school districts and education service districts that are found not to be in compliance  
20 with the financial management practices standards. The technical advisers may be selected  
21 from the list provided under section 3 (2)(b) of this 2009 Act and shall possess knowledge and  
22 experience in school or business administration, student transportation, food services man-  
23 agement, budget development, financial management, human resources management, edu-  
24 cational technology or labor relations.

25 SECTION 9. The State Board of Education may revoke a certification as a best business  
26 practices district if the board determines that the school district or education service district  
27 is no longer in compliance with the financial management practices standards.

28 SECTION 10. The State Board of Education shall adopt the financial management prac-  
29 tices standards required by section 4 of this 2009 Act no later than one year after the effec-  
30 tive date of this 2009 Act.

31 SECTION 11. There is appropriated to the Department of Education, for the biennium  
32 beginning July 1, 2009, out of the General Fund, the amount of \$4 million for the purpose of  
33 reviewing the financial management practices of school districts and education service dis-  
34 tricts under sections 1 to 9 of this 2009 Act.

35 SECTION 12. This 2009 Act being necessary for the immediate preservation of the public  
36 peace, health and safety, an emergency is declared to exist, and this 2009 Act takes effect  
37 July 1, 2009.