

BILL ANALYSIS

C.S.H.B. 2560
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Public Education
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Recently there has been intense debate, discussion, and criticism of financial practices of school districts, particularly when it comes to financial transparency. The media coverage of the recent financial fiasco and extensive fraud associated with school district-issued credit cards in Dallas ISD is a prime example.

Taxpayers have the right to review and examine the budgets for this state and each agency in it, and most taxpayers have no easy access to the budget of the governmental entity closest to their home - their local school district..

Several school districts have already taken steps to provide much needed financial data to the citizens who foot the bill by posting their school district check registers online. However, this information can be difficult to interpret and vague. It can require a great deal of effort to look up all the associated codes and checks written to a credit card company do not provide insight on what the funds actually purchased.

This bill will provide taxpayers and school districts with greater financial transparency by requiring that districts post their check registers and other pertinent financial data online for interested citizens, along with a key to the various codes required for accurate interpretation of the financial data.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

This bill amends the Education Code to require a school district to maintain the transaction register for the district's checking account in a searchable electronic spreadsheet format, as described in more detail in the bill. With certain exceptions specified in the bill, the electronic checking account transaction register (electronic register) must include for each check: the transaction amount; the check number; the name of the payee; a detailed statement of the purpose of the expenditure for which the check was written; if applicable, a detailed explanation of any legal fees for which the check was written; and the function code assigned to the expenditure for the purpose of meeting state reporting requirements. The bill provides a detailed implementation schedule, with compliance deadlines, for the types of financial information specified above.

The bill provides that a school district may not include in the electronic register a check issued to a district employee in payment of salary, wages, or an employment stipend, or certain benefits as detailed in the bill. The provisions of the bill relating to an electronic register do not apply to a checking account maintained solely for a student activity fund.

The bill provides that a school district shall prominently post the electronic register at all times on the district's Internet website for viewing and downloading by interested persons. By a date specified in the bill, the district is also required to post an explanation of each function code relating to a direct instructional expenditure.

The bill provides that the district will share data from the electronic register with any interested person who requests the data.

The bill provides that a school district shall update the electronic register at least once each month as specified in the bill, and maintain each transaction or listing on its website for a period specified in the bill.

The bill provides that a district shall, after taking certain precautionary measures described in the bill, post on its website a copy of each monthly statement for a credit card issued to the district or to a district officer or employee for use in connection with district business. The bill describes the timing of such postings, the length of time the information is required to be maintained on the website, and an implementation deadline for such requirements.

The bill provides that, by a deadline each year as specified in the bill, a district shall post on its website a listing of the total amounts budgeted for district employees' compensation, grouped by categories of employees as specified in the bill, the number of full-time employees per category, the average compensation per category, and, by a deadline specified in the bill, the function codes assigned to each category. Such information is to be maintained until the district posts the information for the following school year.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The original bill was similar in concept, but did not include a number of provisions, nor the amount of detail, included in the substitute. The original provided that a school district shall maintain the transaction register for the district's checking account in an electronic spreadsheet format including each check written from a district checking account, and specific information relating to each check. The original did not specify that the electronic register must be in a searchable electronic spreadsheet format, whereas the substitute requires a searchable electronic spreadsheet format. The substitute added a provision prohibiting the posting of employee salary, wages, stipends, and certain benefits, and specifying that the posting requirement does not apply to a student activity fund.

The substitute provides expanded and, in some cases, different information concerning applicability dates, implementation schedules, posting requirements, and deadlines for various types of financial data, adds provisions relating to the length of time certain data must be maintained on the district's website, adds a new section relating to posting of district credit card statements, and adds a new section relating to posting of aggregated employee compensation information, as described more fully in the ANALYSIS section above.

The original had an effective date of September 1, 2007. The effective date of the substitute is as described above in the EFFECTIVE DATE section.