

Department of Planning and Budget 2002 Fiscal Impact Statement

1. Bill Number SB585

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Barry

3. Committee Education and Health

4. Title Data-based management system required in school divisions.

5. **Summary/Purpose:** This bill requires Board of Education, in conjunction with the Department of Information Technology, to select and require each school division to utilize an existing data-based management system that provides accurate accounting of sub-classifications of expenditures of school funds for any expenditure categories identified by the Board as appropriate for activity-based budgeting analyses. The Board is already required to establish a modern system of accounting and to designate classifications of expenditures for budgeting. For the purposes of this provision, the Board's sub-classifications may include, but need not be limited to, special education, English for speakers of other languages (ESOL), food services, maintenance, and transportation. The data-based management system must be utilized statewide in order to (i) ensure accountability for school funds, (ii) provide the General Assembly and the taxpayers with accurate comparison of how state funds are being used in the Commonwealth's school divisions, and (iii) allow evaluation of cost effective mechanisms for containing such expenditures.

6. **Fiscal Impact:** (See 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:** This bill would require the Board of Education, in conjunction with the Department of Information Technology, to select and require each school division to utilize an existing data-based management system (DBMS) that provides accurate accounting of sub-classifications of school funds for any expenditure categories identified by the Board as appropriate for activity-based budgeting analyses. The DBMS would be utilized statewide in order to: (1) ensure accountability for school funds; (2) provide the General Assembly and the taxpayers with accurate comparison of how state funds are being used in the Commonwealth's school divisions; and (3) allow evaluation of cost effective mechanisms for containing such expenditures.

Currently, the law states that the Board, in conjunction with the Auditor of Public Accounts, shall establish and require of each school division a modern system of accounting for all school funds, state and local. The system must account for programs such as: (1) instruction; (2) administration; (3) attendance and health; (4) pupil transportation; (5) operation and maintenance; (6) school food services; (7) facilities; (8) debt and fund transfers; and (9) other

non-instructional operations. Furthermore, each school division must provide a statement of funds to the school board every month.

In addition to the provisions cited above, the bill would now require the Board to establish and require each division to utilize a DBMS to provide accurate accounting. This bill would impact the Board of Education since it would now be required to select an appropriate accounting system and ensure that this system is used by each school division. The amount of Board effort devoted to this task could be significant since the needs of all school divisions would have to be taken into account when evaluating system requirements. The requirements of the proposed accounting system would also have to be measured against the current chart of accounts and expenditure structure for local school divisions to assure consistency. In addition, this bill would result in double-entry accounting at the local level in order to comply with existing functional reporting requirements as well as new activity-based requirements.

This bill would have a fiscal impact. In addition to the impact on the Board of Education, school divisions would be required to procure accounting systems to conform to Board requirements. System acquisition costs could be significant and cannot be quantified. The fiscal impact of system acquisition could affect both state and local government.

9. Specific agency or political subdivisions affected: School divisions, Board of Education, Department of Education

10. Technical amendment necessary: No.

11. Other comments: None.

Date: 2/05/02/acd

Document: H: \BOS\K12 Legislation \2002 Session \Completed Bills \SB585.doc.

cc: Secretary of Education
Secretary of Finance