
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1474 Session of
2003

INTRODUCED BY PERZEL, ADOLPH, ALLEN, ARGALL, BARRAR,
BENNINGHOFF, BLAUM, BUNT, CAPPELLI, CORRIGAN, CRAHALLA,
CREIGHTON, D. EVANS, J. EVANS, FICHTER, FLICK, FORCIER,
GEIST, GEORGE, GODSHALL, HUTCHINSON, KIRKLAND, LEWIS, MANN,
McILHATTAN, McNAUGHTON, NICKOL, PAYNE, REICHLEY, SCAVELLO,
SCRIMENTI, T. STEVENSON, E. Z. TAYLOR, TIGUE, LEH,
YOUNGBLOOD, HARRIS, DALLY, MELIO, CLYMER, KENNEY AND SEMMEL,
JUNE 4, 2003

REFERRED TO COMMITTEE ON FINANCE, JUNE 4, 2003

AN ACT

1 To improve school districts' stewardship of taxpayer resources
2 by improving fiscal management and identifying potential cost
3 savings.

4 The General Assembly of the Commonwealth of Pennsylvania
5 hereby enacts as follows:

6 Section 1. Short title.

7 This act shall be known and may be cited as the Keystone
8 Educational Accountability Act.

9 Section 2. Purpose.

10 The purpose of this act is to put in place an assessment
11 system aimed at improving school districts management practices
12 and use of resources, as well as to identify potential cost
13 savings, by providing for the establishment of a series of best
14 practices covering a broad range of school district educational
15 and operational programs and services as standards for a

1 periodic financial management practices review of public school
2 districts in this Commonwealth. The reviews are intended to:

3 (1) Increase public confidence in and support for school
4 districts that demonstrate efficient use of taxpayer
5 resources.

6 (2) Encourage cost savings.

7 (3) Link financial planning and budgeting to district
8 priorities, including student performance.

9 (4) Improve school district management and use of
10 resources.

11 Section 3. Definitions.

12 The following words and phrases when used in this act shall
13 have the meanings given to them in this section unless the
14 context clearly indicates otherwise:

15 "Department." The Department of Education of the
16 Commonwealth.

17 "Review." The best financial management practices review
18 established by this act.

19 "School board." A board of school directors of a school
20 district.

21 "School Code." The act of March 10, 1949 (P.L.30, No.14)
22 known as the Public School Code of 1949.

23 "Secretary." The Secretary of Education of the Commonwealth.

24 "Standards." The best financial management practices
25 standards established by the Secretary of Education and
26 promulgated by the State Board of Education pursuant to this
27 act.

28 "State board." The State Board of Education.

29 "Team." The local financial management advisory team
30 established pursuant to section 8.

1 Section 4. Establishment.

2 (a) Review system.--The department, in consultation with the
3 Legislative Budget and Finance Commission, the Auditor General
4 and stakeholders as set forth in subsection (c), shall develop a
5 system for reviewing the financial management practices of
6 school districts in this Commonwealth based on a series of best
7 financial management practices standards adopted for specific
8 areas of district programs and operations.

9 (b) Resources.--In developing this system, the department is
10 encouraged to draw on information garnered through the Your
11 Schools, Your Money initiative and school evaluation services
12 reports prepared by the Standard and Poor's Company.

13 (c) Consultation.--In arriving at its best practices and
14 their indicators, the department shall consult with a wide
15 variety of educational stakeholders, including school district
16 administrators, school business officials, school board members,
17 professional education organizations, taxpayer organizations,
18 legislators and legislative staff and the Office of the Budget.
19 Additionally, the department is to seek advice from corporate
20 and governmental experts in financial best management practices
21 and other states with similar programs.

22 (d) Regulations.--No later than one year from the effective
23 date of this act, the secretary shall promulgate the best
24 management practices standards as regulations. Due to the urgent
25 need for an expedited but public regulatory process, the State
26 Board, in adopting these regulations, shall follow the
27 procedures set forth in the act of July 31, 1968 (P.L.769,
28 No.240), referred to as the Commonwealth Documents Law, and the
29 act of June 25, 1982 (P.L.633, No.181), known as the Regulatory
30 Review Act, for the promulgation and review of final-omitted

1 regulations.

2 Section 5. Best financial management practices standards.

3 (a) General.--The best financial management practices
4 standards must, at a minimum, instill public confidence by
5 addressing school districts' use of resources, identifying ways
6 that the district may save funds and improving the districts'
7 performance and accountability systems, including public
8 accountability.

9 (b) Initial development.--To assure these goals are met,
10 best financial management practices standards shall initially be
11 developed for the following areas:

- 12 (1) Management structures.
- 13 (2) Performance accountability.
- 14 (3) Educational service delivery.
- 15 (4) Administrative and instructional technology.
- 16 (5) Personnel systems and benefits.
- 17 (6) Facilities construction.
- 18 (7) Facilities maintenance.
- 19 (8) Transportation.
- 20 (9) Food service operations.
- 21 (10) Cost control systems.

22 (c) Indicators.--To help assess whether a district is
23 meeting these standards, the department shall also develop
24 specific indicators for each best practice. Indicators will
25 represent the kinds of activities a district would undertake if
26 the district were using a particular best practice.

27 Section 6. Review process.

28 (a) Review cycle.--Every school district shall be subject to
29 a best financial management practices review on a continuing
30 six-year cycle. Once the six-year cycle has been completed,

1 reviews shall continue, beginning again with those districts
2 included in the first year of the cycle unless the district has
3 been deemed entitled to a waiver pursuant to section 7(d).

4 (b) Strategic plan.--Each district's review shall be
5 scheduled one year prior to the date required for filing of the
6 district's strategic plan under 22 Pa. Code § 4.13 (relating to
7 strategic plans) or its successor regulations, except that all
8 districts placed on the education empowerment list pursuant to
9 section 1703-B of the School Code or determined to be distressed
10 pursuant to section 691 of the School Code as of the effective
11 date of this act shall be included in the initial cycle of
12 school districts subject to a review.

13 (c) Private firms.--The department is authorized to contract
14 with a private firm or firms, selected through a formal request
15 for proposal process to perform each review, to the extent that
16 funds are provided for this purpose in the General Appropriation
17 Act each year. Any private firm awarded a contract pursuant to
18 this subsection shall have expertise in school district finance.

19 (d) Self-assessment.--Districts scheduled for review shall
20 initially complete a self-assessment instrument developed by the
21 department which indicates the school district's own evaluation
22 of its performance on each best practice. The self-assessment
23 shall begin no later than 60 days prior to the commencement of
24 the review, with the completed assessment instrument and
25 supporting documentation submitted to the department no later
26 than the date scheduled for commencement of the review of the
27 district.

28 (e) Public meetings during review.--During the review the
29 department and the firm conducting the review shall hold at
30 least one advertised public meeting in order to explain the best

1 financial management practices review process and obtain input
2 from students, parents, the business community and other
3 district residents regarding their observations and
4 recommendations about the operations and management of the
5 district.

6 (f) Information used in review process.--In completing its
7 review and developing the final report, the review team shall
8 use information available through the department's school
9 profiles, Your Schools, Your Money initiative and any of the
10 districts' school evaluation services written reports made by
11 the Standard and Poor's Company.

12 (g) Completion of review.--Reviews are to be completed
13 within six months after commencement. A final report of the
14 review team is to be issued to the secretary, the Governor, the
15 district and its school board, and the chairman and minority
16 chairman of the Appropriations Committee of the Senate and the
17 chairman and minority chairman of the Appropriations Committee
18 of the House of Representatives, the chairman and minority
19 chairman of the Education Committee of the Senate and the
20 chairman and minority chairman of the Education Committee of the
21 House of Representatives within 60 days of completion of the
22 review.

23 (h) Public meeting after review.--Within 30 days of receipt
24 of the final report of the review, the school board shall hold a
25 public meeting to share the results with residents of the
26 district. Such meeting shall comply with the provisions of 65
27 Pa.C.S. Ch. 7 (relating to open meetings).

28 (i) Publication on World Wide Web.--No later than 15 days
29 after the issuance of the final report by the review team, the
30 department shall publish the districts' review on its World Wide

1 Web site. Prior to publication, the department shall issue a
2 press release informing the public of the availability of this
3 information.

4 (j) Findings in final report.--The final report shall
5 include findings related to compliance with the standards based
6 on their established indicators; potential cost savings;
7 suggested recommendations for improvement; and, for those
8 districts found not to be in compliance with the standards, a
9 three-year action plan for achieving compliance. This action
10 plan is to be developed in conjunction with officials from the
11 school district.

12 Section 7. State certification as a Keystone District.

13 (a) General rule.--A district that has been determined by
14 the review to be using the best practices shall be certified by
15 the secretary as a Keystone District. Such designation is
16 effective for six years from the certification date or until the
17 next review is completed, whichever is later.

18 (b) Publication of status.--A district so designated is
19 authorized to publicize its status as a Keystone District on its
20 buildings and in any publications or correspondence it deems
21 appropriate.

22 (c) Annual verification.--Except as provided in section 10,
23 a district that has been certified pursuant to this section
24 shall annually verify to the secretary that it has made no
25 changes in any of its practices and continues to conform to the
26 best financial management practices standards.

27 (d) Waiver.--A school district that has been awarded a
28 certification as a Keystone District and which has made annual
29 reports pursuant to subsection (c) shall be granted a waiver
30 from the requirement of undergoing its next scheduled review.

1 Districts granted a waiver under this subsection are not
2 eligible for waiver of the review to be conducted after the one
3 which was waived.

4 Section 8. Failure to meet best financial management practices
5 standards.

6 (a) Action plan.--If the report provided for in section 6
7 finds that the district does not conform to the standards, the
8 report must contain an action plan detailing how the district
9 may meet the standards within three years.

10 (b) Financial management advisory team.--No less than 60
11 days following receipt of the report, the school board shall
12 establish a local financial management advisory team. The team
13 shall consist of 11 members as follows:

14 (1) One member of the school board who may be the
15 president or a designated board member.

16 (2) The superintendent of the district.

17 (3) The school business manager or the individual
18 responsible for the fiscal management of the district.

19 (4) A principal selected by all the principals in the
20 district.

21 (5) A teacher selected by all the teachers in the
22 district.

23 (6) Two members of the general public, one of whom shall
24 be a representative of a local taxpayer organization if one
25 exists in the district.

26 (7) One parent of a student from the district.

27 (8) Two local representatives of business, at least one
28 of whom must have experience in banking or finance.

29 (9) A local community leader.

30 (c) Procedure.--The school board shall establish procedures

1 for selecting the parent, the business and community leaders and
2 members of the general public in order to ensure public
3 awareness of these openings and solicit input from the
4 community.

5 (d) Chairperson.--The team shall elect a chairperson from
6 among its membership at its first meeting.

7 (e) Time period.--The team shall be responsible for
8 implementation of the action plan contained in the district's
9 report within a three-year time period.

10 (f) Technical advisors.--Upon request, the department shall
11 provide, from a list established pursuant to section 9, such
12 technical advisors as may be necessary to assist the team in
13 implementing the action plan.

14 (g) Second review.--No later than three years after receipt
15 of a report indicating the district is not in compliance with
16 the best financial management practices standards, or earlier
17 upon request of the school board, the department shall conduct a
18 second review to determine if the district is now in compliance.
19 If this second report indicates that the district is now in
20 compliance, it shall be certified as a Keystone District
21 pursuant to section 7 and shall fall under all provisions of
22 that section with the next review of the district to take place
23 six years from the date of certification.

24 Section 9. Duties of department.

25 (a) List of experts.--In order to assist those districts
26 that do not initially meet the best financial management
27 practices standards, the department shall establish a list of
28 experts who possess knowledge and experience in such areas as
29 school or business administration, pupil transportation, food
30 services management, budget development, fiscal management,

1 human resources management, educational technology and labor
2 relations.

3 (b) Technical advisors.--Upon request from a school board,
4 the department shall send into the district technical advisors,
5 chosen from the list established in subsection (a) with
6 expertise in those areas identified in the report as not meeting
7 best financial management practices standards, to work with the
8 team in implementing the district's action plan.

9 Section 10. Revocation of certification.

10 (a) General rule.--The secretary may revoke the Keystone
11 District certification if at any time it determines that a
12 district is no longer complying with the Commonwealth's best
13 financial management practices standards.

14 (b) Immediate revocation.--Any district certified as a
15 Keystone District which, before its next scheduled review, is
16 deemed to be distressed by the secretary under section 691 of
17 the School Code or is placed on the education empowerment list
18 provided pursuant to section 1703-B of the School Code shall
19 immediately have its certification revoked.

20 Section 11. Cost savings.

21 Cost savings resulting from implementation of the best
22 financial practices must be spent at the school and classroom
23 levels for teacher professional development, improving classroom
24 facilities, student supplies, textbooks, classroom technology,
25 school safety or any other instructional activity directly
26 affecting student performance and the learning environment.

27 Section 12. Effective date.

28 This act shall take effect immediately.