

Chalkboard

By

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Distress is defined in the Merriam-Webster Online Dictionary, <http://www.merriam-webster.com/dictionary>, as “a state of danger or desperate need”. Last week I received a letter from the Arkansas Department of Education notifying me that the ADE had identified Gentry School District as being in “fiscal distress”. The letter in itself was not a surprise as I had been in several back-and-forth conversations with the Department since early February.

To best understand the Department’s perspective, you would need to understand the rules that govern giving a school district such a label. The complete eight pages of rules may be found at http://arkansased.org/rules/pdf/current/ade_158_fiscal_assessment.pdf. Or if you prefer to read the rules in an Arkansas law book then check out Arkansas Code Annotated 6-20-1904 *Indicators of fiscal distress*.

For today’s purposes, I will provide just an excerpt found in Section 4 of the rules. What follows are the reasons that may cause a school district to be identified as being in fiscal distress.

“(1) (A) A declining balance determined to jeopardize the fiscal integrity of a school district, (2) Any act or violation determined to jeopardize the fiscal integrity of a school district, including, but not limited to: A.) Material failure to properly maintain school facilities; B.) Material violation of local, state, or federal fire, health, or safety code provisions or law; C.) Material violation of local, state, or federal construction code provisions or law; D.) Material state or federal audit exceptions or violations; E.) Material failure to provide timely and accurate legally required financial reports to the department, the Division of Legislative Audit, the General Assembly, or the Internal Revenue Service; F.) Insufficient funds to cover payroll, salary, employment benefits, or legal tax obligations; G.) Material failure to meet legally binding minimum teacher salary schedule obligations; H.) Material failure to comply with state law governing purchasing or bid requirements; I.) Material default on any school district debt obligation; J.) Material discrepancies between budgeted and actual school district expenditures; K.) Material failure to comply with audit requirements; or L.) Material failure to comply with any provision of the Arkansas Code that specifically places a school

district in fiscal distress based on noncompliance; or **(3)** Any other fiscal condition of a school district deemed to have a detrimental negative impact on the continuation of educational services by that school district.

Of the twelve indicators in Section (2), Gentry Public Schools has no violations nor has it had any for at least a decade as would be revealed by the Division of Legislative Audit or by any compliance monitoring report of the Arkansas Department of Education.

That leaves reason 1, “declining balances”, and the “catch all” statement in Reason 3. Specifically, here are the reasons the Arkansas Department Of Education provided in the letter I received. “The ADE has the following items of concern: **1.)** District utilized a \$1,000,000 cash flow loan for FY04, **2.)** District utilized a \$1,250,000 cash flow loan for FY07, **3.)** District anticipates a \$1,000,000 cash flow loan for FY09. **4.)** Projected negative ending balance in the operating fund June 30, 2008, of **(\$254,225).”**

For sixteen years I have made a conscious decision not to use the *Chalkboard* as an avenue to vent, to defend decisions I have made, to justify things I have done, or to vilify others. Nor am I a whiner. I will try to hold that course but there is a flip side to the fiscal distress coin.

It’s pretty easy to ascertain that their first 3 items are factual. If you have read the *Courier-Journal* regularly for the past four years then you could have furnished that information yourself as each of those reasons have been part of the public record. While factual as having occurred, I disagree that obtaining a “cash flow” loan in itself falls within the ADE’s posted reasons. Schools sell bonds incurring debt for decades. Schools issue post-dated warrants borrowing off the future. The ADE itself has a Revolving Loan program.

All of the Gentry loans were required for short-term operational purposes and both the FY 04 and FY 07 loans were paid back in advance of their maturity date. Neither of the loans was necessary for the district to end the fiscal year “in the black”.

The fourth reason given, “ending in the red” is also up for debate. The district does not project such to happen. Again, if you are a regular reader and follow school happenings you know that we have been operating with a marginal ending year balance for several years; this year will be no different.

Okay, now I am starting to hear the faint beginning of a whine sound in my prose so I will stop for today. I prefer my prose to be maroon, not purple. I will keep you informed as this process unfolds.