

ARKANSAS SENATE
84th General Assembly - Second Extraordinary Session, 2003
Amendment Form

Subtitle of House Bill No. 1071

"CONTINUES THE PAYMENT OF A DEBT SERVICE FUNDING SUPPLEMENT AND
GENERAL FACILITIES FUNDING TO SCHOOL DISTRICTS; CREATES SUPPLEMENTAL
MILLAGE INCENTIVE FUNDING."

Amendment No. 1 to House Bill No. 1071.

Amend House Bill No. 1071 as originally introduced:

Add Senator Bryles as a Senate cosponsor of the bill

AND

Add Representatives Boyd and Thyer as House cosponsors of the bill

AND

Page 1, delete lines 9 through 18 and substitute:

"AN ACT TO CONTINUE THE PAYMENT OF A DEBT SERVICE FUNDING SUPPLEMENT TO
ELECTING SCHOOL DISTRICTS; TO CONTINUE THE PAYMENT OF GENERAL FACILITIES
FUNDING TO ELECTING SCHOOL DISTRICTS; TO PROVIDE FOR PAYMENT OF A
SUPPLEMENTAL MILLAGE INCENTIVE FUNDING FOR SCHOOL DISTRICTS THAT INCREASE
SCHOOL DISTRICT MILLAGE IN EXCESS OF TWENTY-FIVE (25) MILLS; AND FOR OTHER
PURPOSES."

AND

Page 1, delete lines 21 through 25 and substitute:

"CONTINUES THE PAYMENT OF A DEBT SERVICE FUNDING SUPPLEMENT AND GENERAL
FACILITIES FUNDING TO SCHOOL DISTRICTS AND CREATES ALTERNATIVE SUPPLEMENTAL
MILLAGE INCENTIVE FUNDING."

AND

Page 1, beginning on line 30, delete the remainder of the bill and
substitute:

"SECTION 1. Arkansas Code Title 6, Chapter 20, is amended to add a new
subchapter as follows:
6-20-2001. Title.



This act shall be known and may be cited as the "Supplemental School District Funding Act of 2003".

6-20-2002. Purpose.

(a) The General Assembly finds that:

(1) The debt service funding supplement and general facilities funding have been an integral part of school financing for a number of school districts;

(2) Elimination of these sources of funds could adversely affect the ability of those districts to continue to operate in a fiscally prudent manner; and

(3) School districts that voluntarily raise school district millage beyond the twenty-five (25) mills required by Amendment 74 to the Arkansas Constitution should receive incentive funding to encourage local financial support of schools.

(b) The purpose of this subchapter is to allow eligible school districts to elect to either continue receiving debt service funding supplement and general facilities funding, or to receive supplemental millage incentive funding.

6-20-2003. Definitions.

As used in this subchapter:

(1) "Average daily membership" means the total number of days attended plus the total number of days absent by students in grades kindergarten through twelve (K-12) during the first three (3) quarters of each school year divided by the number of school days actually taught in the district during that period of time rounded up to the nearest hundredth. Students who may be counted for average daily membership are:

(A) Students who reside within the boundaries of the school district and who are enrolled in a public school operated by the district or a private school for special education students, with their attendance resulting from a written tuition agreement approved by the Department of Education;

(B) Legally transferred students living outside the district but attending a public school in the district; and

(C) Students who reside within the boundaries of the school district and who are enrolled in the Arkansas National Guard Youth Challenge Program, so long as the students are participants in the program;

(2) "Debt service funding supplement" means the state financial aid provided to qualifying local school districts for the purpose of reducing existing debt service burdens and increasing the amount of local revenue available for maintenance and operations expenditures;

(3) "Eligible debt service millage required" means the debt service millage required for bonds issued before July 1, 2004, that is computed by dividing the scheduled debt payment by the total property assessment in the school district and then adding the result to the millage for mandatory callable bonds;

(4) "General facilities funding" means the state financial aid provided to each school district from line item funds made available for that purpose;

(5) "Local revenue" means in each school year ninety-eight percent (98%) of the amount of revenue available, whether or not collected,

in a local school district solely from the levy of the uniform rate of tax plus seventy-five percent (75%) of the average miscellaneous funds collected in the previous five (5) years or the previous year, whichever is less;

(6) "Mandatory callable bonds" means a bond issue in which all net proceeds from debt service millage used to secure the issuance of that bond must be applied to payment of the issue and cannot be used for any other purpose;

(7) "Miscellaneous funds" mean those funds received by a local school district from federal forest reserves, federal grazing rights, federal mineral rights, federal impact aid, federal flood control, wildlife refuge funds, severance taxes, funds received by the district in lieu of taxes, and local sales and use taxes dedicated to education pursuant to §§ 26-74-201 et seq., 26-74-301 et seq., 26-75-301 et seq., and 14-164-301 et seq.;

(8) "Qualified school district" means a school district that:

(A) Issued bonds to finance school district projects before May 30, 2004, and for which outstanding bonds exist as of May 30, 2004;

(B) Was approved by the Department of Education to issue bonds on or before December 31, 2003; and

(C) Received debt service funding supplements pursuant to §§ 6-20-303 and 6-20-308 during school year 2003-2004 in accordance with regulations promulgated by the Department of Education;

(9) "Scheduled debt payment" means the scheduled debt payment on bonded debt issued on or before May 30, 2004, for the following calendar year, not including mandatory callable bonds on file with the Department of Education as of May 30 of the previous year. The scheduled debt payment shall be adjusted by the department as follows:

(A) In the case of a nonvoted refunding bond issue, the payment schedule of the issue being refunded will be compared to the payment schedule of the refunding issue. The schedule with the higher annual debt payment will be used for the purposes of calculating eligible debt service mills required if the district has provided to the department a signed certificate concerning the use of the debt service savings in conformity with § 6-20-2004;

(B) If a voted refunding issue is combined with additional debt or extends the term of the original debt, the new payment schedule will be used for the purposes of calculating eligible debt service mills required; and

(C) A payment that a school district makes to a third party for the eventual purpose of retiring indebtedness, that payment is deposited into an escrow account pending payment to bond holders, and is included as a scheduled debt payment if the school district is unable to recover the deposited funds;

(10) "School district assessment per student" means the total assessed valuation of property within a school district divided by the school district's average daily membership;

(11) "State assessment per student" means the total assessed valuation of property within the state divided by the statewide average daily membership;

(12) "State wealth index" means the result of one (1) minus the ratio of local revenue for a school year divided by the amount of state funds allocated to the school district from the Public School Fund for unrestricted

general support of the school district;

(13) "Statewide average daily membership" means the total number of days attended plus the total number of days absent by all students in grades kindergarten through twelve (K-12) in all school districts during the first three (3) quarters of each school year divided by the total state average daily membership and rounded up to the nearest hundredth. Students who may be counted for average daily membership are:

(A) Students who reside in Arkansas and who are enrolled in a public school operated by a school district or a private school for special education students, with their attendance resulting from a written tuition agreement approved by the Department of Education; and

(B) Students who reside in Arkansas and who are enrolled in the Arkansas National Guard Youth Challenge Program, so long as the students are participants in the program;

(14) "Supplemental millage incentive funding" means state funding paid to school districts who levy ad valorem taxes in excess of twenty-five (25) mills dedicated to maintenance and operations in accordance with Amendment 74 to the Arkansas Constitution; and

(15) "Supplemental millage incentive funding base" means the state assessment per student less the school district assessment per student multiplied by one one-thousandth (.001).

6-20-2004. Debt service funding supplement.

(a)(1) Beginning with school year 2004-2005, the state shall provide to qualified school districts from available line item funds a debt service funding supplement for the purpose of reducing bonded indebtedness if the qualified school district elects to receive the funds in accordance with § 6-20-2007.

(2)(A) A school district's debt service funding supplement is calculated by multiplying the district's eligible debt service millage required times an amount established annually by the State Board of Education per average daily membership times the state wealth index.

(B) Debt service funding supplement shall be distributed quarterly.

(b) A school district qualifying for debt service funding supplement under this section shall not lose any debt service funding supplement as a result of debt service savings produced by refunding outstanding bonds if:

(1) The yearly savings produced by the refunding is deposited into a refunding savings building fund and is used by the district for the building and equipping of school buildings, for major adaptations to a facility, or for purchasing facility sites; and

(2) Before the date that the refunding bonds are sold at public sale, the district submits a certificate to the Director of the Department of Education certifying that the yearly debt service savings will be used for the purposes described in this subsection (b).

(c) If the Department of Education determines that an overpayment has been made to a local school district in any appropriation authorized by this subchapter, the department shall withhold the overpayment from state funding and shall transfer the amount withheld for the overpayment to the line item appropriation from which the overpayment was initially made.

6-20-2005. General facilities funding.

(a)(1) Beginning with school year 2004-2005, the state shall provide from available line item funds general facilities funding to school districts that elect to receive the funds in accordance with § 6-20-2007.

(2) A school district's general facilities funding for a school year is calculated by multiplying the school district's average daily membership for the previous school year by the state wealth index times a rate established annually by the State Board of Education.

(3) General facilities funding payments shall be distributed quarterly.

(b)(1) General facilities funding shall only be used for:

(A) The purchase of school buses, furniture, equipment, and computer software; and

(B) The renovation or repair of existing facilities.

(2) Unused funds may be carried forward and shall be used exclusively for the purposes stated in subdivision (b)(1) of this section.

6-20-2006. Supplemental millage incentive funding.

(a) The purpose of this section is to provide supplemental state funds to school districts that increase school district millage in excess of twenty-five (25) mills dedicated for maintenance and operations in accordance with Amendment 74 to the Arkansas Constitution and that elect to receive the funds in lieu of funds available under §§ 6-20-2004 and 6-20-2005.

(b) For each school year beginning with school year 2004-2005, the Department of Education shall determine by March 31 immediately preceding the school year:

(1) The rate of ad valorem tax levied in each school district as of December 31 immediately preceding the school year; and

(2) The number of mills, if any, by which the rate exceeds twenty-five (25) mills dedicated for maintenance and operations required by Amendment 74 to the Arkansas Constitution.

(c)(1) A school district's supplemental millage incentive funding shall be equal to the result of multiplying the lesser of the number ten (10) or the result of subdivision (b)(2) of this section by the school district's supplemental millage incentive funding base multiplied by the school district's average daily membership.

(2) The supplemental millage incentive funding base shall be computed based upon property values as of December 31 immediately preceding the school year and the average daily membership for the previous school year.

(3) If a school district is eligible to receive supplemental millage incentive funding and is also eligible to receive debt service funding supplement, general facilities funding, or both, then the school district shall make its funding election in accordance with § 6-20-2007.

(4) A school district shall not receive supplemental millage incentive funding along with debt service funding supplement, general facilities funding, or both.

(d) Supplemental millage incentive funding shall be distributed quarterly.

6-20-2007. Funding election.

(a) By May 15 immediately preceding the school year, a school district that is eligible for supplemental millage incentive funding shall provide the

Department of Education with a written election indicating whether for the school year the school district:

(1) Elects to receive only supplemental millage incentive funding in lieu of debt service funding supplement, general facilities funding, or both; or

(2) Elects to receive debt service funding supplement, general facilities funding, or both, in lieu of supplemental millage incentive funding.

(b) The election of a school district under this section shall be effective for one (1) school year.

(c) The department shall provide necessary data to each school district prior to May 15 to enable each school district to make its funding election.

SECTION 2. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that the Arkansas Supreme Court in Lake View School District No. 25 v. Huckabee, 351 Ark. 31 (2002) declared the current system of education to be unconstitutional because it is both inequitable and inadequate; that the Arkansas Supreme Court determined that the state has an absolute duty to provide an equal opportunity to an adequate education; and that providing school districts with additional funding options will enhance learning opportunities for students. Therefore, an emergency is declared to exist and this act being immediately necessary for the preservation of the public peace, health, and safety shall become effective on:

(1) The date of its approval by the Governor;

(2) If the bill is neither approved nor vetoed by the Governor, the expiration of the period of time during which the Governor may veto the bill; or

(3) If the bill is vetoed by the Governor and the veto is overridden, the date the last house overrides the veto."

The Amendment was read the first time, rules suspended and read the second time and _____

By: Senator Bryles
BBC/VFF - 01-13-2004 11:34
VFF069

Secretary