

1 State of Arkansas  
2 84th General Assembly  
3 Second Extraordinary Session, 2003  
4

As Engrossed: S1/13/04  
**A Bill**

Call Item 6

HOUSE BILL 1071

5 By: Representatives Biggs, Mahony, Boyd, Thyer  
6 By: Senator Bryles  
7  
8

9 **For An Act To Be Entitled**

10 AN ACT TO CONTINUE THE PAYMENT OF A DEBT SERVICE  
11 FUNDING SUPPLEMENT TO ELECTING SCHOOL DISTRICTS;  
12 TO CONTINUE THE PAYMENT OF GENERAL FACILITIES  
13 FUNDING TO ELECTING SCHOOL DISTRICTS; TO PROVIDE  
14 FOR PAYMENT OF A SUPPLEMENTAL MILLAGE INCENTIVE  
15 FUNDING FOR SCHOOL DISTRICTS THAT INCREASE SCHOOL  
16 DISTRICT MILLAGE IN EXCESS OF TWENTY-FIVE (25)  
17 MILLS; AND FOR OTHER PURPOSES.  
18

19 **Subtitle**

20 CONTINUES THE PAYMENT OF A DEBT SERVICE  
21 FUNDING SUPPLEMENT AND GENERAL  
22 FACILITIES FUNDING TO SCHOOL DISTRICTS  
23 AND CREATES ALTERNATIVE SUPPLEMENTAL  
24 MILLAGE INCENTIVE FUNDING.  
25  
26

27 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
28

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

31 6-20-2001. Title.

32 This act shall be known and may be cited as the "Supplemental School  
33 District Funding Act of 2003".  
34

35 6-20-2002. Purpose.

36 (a) The General Assembly finds that:



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

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

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

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

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16           6-20-2003. Definitions.

17           As used in this subchapter:

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

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

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

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

34           (2) "Debt service funding supplement" means the state financial  
35 aid provided to qualifying local school districts for the purpose of reducing  
36 existing debt service burdens and increasing the amount of local revenue

1 available for maintenance and operations expenditures;

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

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

10 (5) "Local revenue" means in each school year ninety-eight  
11 percent (98%) of the amount of revenue available, whether or not collected,  
12 in a local school district solely from the levy of the uniform rate of tax  
13 plus seventy-five percent (75%) of the average miscellaneous funds collected  
14 in the previous five (5) years or the previous year, whichever is less;

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

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

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

26 (A) Issued bonds to finance school district projects  
27 before May 30, 2004, and for which outstanding bonds exist as of May 30,  
28 2004;

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

31 (C) Received debt service funding supplements pursuant to  
32 §§ 6-20-303 and 6-20-308 during school year 2003-2004 in accordance with  
33 regulations promulgated by the Department of Education;

34 (9) "Scheduled debt payment" means the scheduled debt payment on  
35 bonded debt issued on or before May 30, 2004, for the following calendar  
36 year, not including mandatory callable bonds on file with the Department of

1 Education as of May 30 of the previous year. The scheduled debt payment  
2 shall be adjusted by the department as follows:

3 (A) In the case of a nonvoted refunding bond issue, the  
4 payment schedule of the issue being refunded will be compared to the payment  
5 schedule of the refunding issue. The schedule with the higher annual debt  
6 payment will be used for the purposes of calculating eligible debt service  
7 mills required if the district has provided to the department a signed  
8 certificate concerning the use of the debt service savings in conformity with  
9 § 6-20-2004;

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

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

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

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

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

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

35 (A) Students who reside in Arkansas and who are enrolled  
36 in a public school operated by a school district or a private school for

1 special education students, with their attendance resulting from a written  
2 tuition agreement approved by the Department of Education; and

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

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

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

13  
14 6-20-2004. Debt service funding supplement.

15 (a)(1) Beginning with school year 2004-2005, the state shall provide  
16 to qualified school districts from available line item funds a debt service  
17 funding supplement for the purpose of reducing bonded indebtedness if the  
18 qualified school district elects to receive the funds in accordance with § 6-  
19 20-2007.

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

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

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

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

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

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

6  
7        6-20-2005. General facilities funding.

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

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

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

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

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

20                (B) The renovation or repair of existing facilities.

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

23  
24        6-20-2006. Supplemental millage incentive funding.

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

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

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

35                (2) The number of mills, if any, by which the rate exceeds  
36 twenty-five (25) mills dedicated for maintenance and operations required by

1 Amendment 74 to the Arkansas Constitution.

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

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

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

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

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

20  
21 6-20-2007. Funding election.

22 (a) By May 15 immediately preceding the school year, a school district  
23 that is eligible for supplemental millage incentive funding shall provide the  
24 Department of Education with a written election indicating whether for the  
25 school year the school district:

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

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

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

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

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

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

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

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

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20   /s/ Biggs  
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