

1 State of Arkansas
2 84th General Assembly
3 Second Extraordinary Session, 2003
4
5 By: Representatives Biggs, Mahony
6
7

Call Item 6

A Bill

HOUSE BILL 1071

For An Act To Be Entitled

9 AN ACT TO CONTINUE THE PAYMENT OF A DEBT SERVICE
10 FUNDING SUPPLEMENT TO SCHOOL DISTRICTS CURRENTLY
11 RECEIVING DEBT SERVICE FUNDING FOR UP TO THREE
12 (3) YEARS; TO CONTINUE THE PAYMENT OF GENERAL
13 FACILITIES FUNDING TO SCHOOL DISTRICTS FOR UP TO
14 THREE (3) YEARS; TO PROVIDE FOR PAYMENT OF A
15 SUPPLEMENTAL MILLAGE INCENTIVE FUNDING FOR SCHOOL
16 DISTRICTS THAT INCREASE SCHOOL DISTRICT MILLAGE
17 IN EXCESS OF TWENTY-FIVE (25) MILLS; AND FOR
18 OTHER PURPOSES.

Subtitle

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

26
27
28 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
29

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

32 6-20-2001. Title.

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

35
36 6-20-2002. Purpose.



1 (a) The General Assembly finds that:

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

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

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

12 (b) The purpose of this subchapter is to continue to provide a portion
 13 of debt service funding supplement and general facilities funding for no more
 14 than three (3) school years while providing supplemental millage incentive
 15 funding to school districts that increase district millage rates.

16
 17 6-20-2003. Definitions.

18 As used in this subchapter:

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

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

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

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

35 (2) "Debt service funding supplement" means the state financial
 36 aid provided to qualifying local school districts for the purpose of reducing

1 existing debt service burdens and increasing the amount of local revenue
 2 available for maintenance and operations expenditures;

3 (3) "Eligible debt service millage required" means the debt
 4 service millage required for bonds issued before May 30, 2002 that is
 5 computed by dividing the scheduled debt payment by the total property
 6 assessment in the school district;

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 and based on a facilities needs assessment justification approved by
 10 the Department of Education;

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

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

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

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

27 (A) Issued bonds to finance school district projects prior
 28 to May 30, 2002, and for which outstanding bonds exist as of December 31,
 29 2003;

30 (B) Filed a schedule of debt payments on the bonds with
 31 the Department of Education by May 30, 2002; and

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

35 (9) "Scheduled debt payment" means the scheduled debt payment on
 36 bonded debt issued on or before May 30, 2002, for the following calendar

1 year, not including mandatory callable bonds on file with the Department of
 2 Education as of May 30 of the previous fiscal year. The scheduled debt
 3 payment shall be adjusted by the department as follows:

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

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

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

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

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

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

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

36 (B) Students who reside in Arkansas and who are enrolled

1 in the Arkansas National Guard Youth Challenge Program, so long as the
 2 students are participants in the program;

3 (13) "State funding" means funds allocated to a school district
 4 for a school year by the General Assembly except for funds targeted for
 5 students eligible for free or reduced-price lunches, students requiring
 6 special education, and students who are not proficient in English;

7 (14) "State wealth index" means the result of one (1) minus the
 8 ratio of local revenue for a school year divided by state funding for a
 9 school year;

10 (15) "Supplemental millage incentive funding" means state
 11 funding paid to school districts who levy ad valorem taxes in excess of
 12 twenty-five (25) mills; and

13 (16) "Supplemental millage incentive funding base" means the
 14 state assessment per student less the school district assessment per student
 15 multiplied by one thousandth of one percent (.001%).

16
 17 6-20-2004. Debt service funding supplement.

18 (a)(1) Beginning with school year 2004-2005, the state shall provide
 19 from available line item funds a debt service funding supplement only to
 20 qualified school districts for the purpose of reducing bonded indebtedness.

21 (2)(A) A school district's maximum debt service funding
 22 supplement is calculated by multiplying the district's eligible debt service
 23 millage required times an amount established annually by the State Board of
 24 Education, but no less than fifteen dollars (\$15.00) per average daily
 25 membership times the state wealth index.

26 (B) Debt service funding supplement shall be distributed
 27 quarterly subject to the reductions required by § 6-20-2006.

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

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

35 (2) Before the date that the refunding bonds are sold at public
 36 sale, the district submits a certificate to the Director of the Department of

1 Education certifying that the yearly debt service savings will be used for
 2 the purposes described in this subsection (b).

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

8 (d) Debt service funding supplement shall not be available for school
 9 years beginning 2007-2008.

10
 11 6-20-2005. General facilities funding.

12 (a)(1) For school years 2004-2005 through 2006-2007, the state shall
 13 provide from available line item funds general facilities funding.

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

18 (3) General facilities funding payments shall be distributed
 19 quarterly subject to the reductions required by § 6-20-2006.

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

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

23 (B) The renovation or repair of existing facilities;

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

26 (c) General facilities funding shall not be available for school year
 27 2007-2008 or subsequent years.

28
 29 6-20-2006. Supplemental millage incentive funding.

30 (a) The purpose of this section is to provide supplemental state funds
 31 to school districts that increase school district millage in excess of
 32 twenty-five (25) mills while phasing out state payments for general
 33 facilities and debt service funding supplement.

34 (b) For the 2004-2005 school year:

35 (1) By March 31, 2004, the Department of Education shall
 36 determine:

1 (A) The rate of ad valorem tax levied in each school
 2 district as of December 31, 2003; and

3 (B) The number of mills, if any, by which the rate exceeds
 4 twenty-five (25) mills;

5 (2) A school district's supplemental millage incentive funding
 6 shall be equal to the result of multiplying the lesser of the number three
 7 (3) or the result of subdivision (b)(1)(B) of this section by the school
 8 district's supplemental millage incentive funding base. The supplemental
 9 millage incentive funding base shall be computed based upon property values
 10 as of December 31, 2003 and average daily membership for school year 2003-
 11 2004; and

12 (3) If a school district is eligible to receive supplemental
 13 millage incentive funding and is also eligible to receive debt service
 14 funding supplement, general facilities funding, or both, then:

15 (A) The school district's maximum debt service funding
 16 supplement calculated pursuant to § 6-20-2004 shall be reduced by thirty
 17 percent (30%); and

18 (B) The school district's maximum general facilities
 19 funding calculated pursuant to § 6-20-2005 shall be reduced by thirty percent
 20 (30%).

21 (c) For the 2005-2006 school year:

22 (1) By March 31, 2005, the department shall determine:

23 (A) The rate of ad valorem tax levied in each school
 24 district as of December 31, 2004; and

25 (B) The number of mills, if any, by which the rate exceeds
 26 twenty-five (25) mills;

27 (2) A school district's supplemental millage incentive funding
 28 shall be equal to the result of multiplying the lesser of the number six (6)
 29 or the result of subdivision (c)(1)(B) of this section by the school
 30 district's supplemental millage incentive funding base. The supplemental
 31 millage incentive funding base shall be computed based upon property values
 32 as of December 31, 2004 and average daily membership for school year 2004-
 33 2005; and

34 (3) If a school district is eligible to receive supplemental
 35 millage incentive funding and is also eligible to receive debt service
 36 funding supplement, general facilities funding, or both, then:

1 (A) The school district's maximum debt service funding
 2 supplement calculated pursuant to § 6-20-2004 shall be reduced by thirty
 3 percent (30%); and

4 (B) The school district's maximum general facilities
 5 funding calculated pursuant to § 6-20-2005 shall be reduced by thirty percent
 6 (30%).

7 (d) For the 2006-2007 school year:

8 (1) By March 31, 2006, the department shall determine:

9 (A) The rate of ad valorem tax levied in each school
 10 district as of December 31, 2005; and

11 (B) The number of mills, if any, by which the rate exceeds
 12 twenty-five (25) mills;

13 (2) A school district's supplemental millage incentive funding
 14 shall be equal to the result of multiplying the lesser of the number ten (10)
 15 or the result of subdivision (d)(1)(B) of this section by the school
 16 district's supplemental millage incentive funding base. The supplemental
 17 millage incentive funding base shall be computed based upon property values
 18 as of December 31, 2005 and average daily membership for school year 2005-
 19 2006;

20 (3) If a school district is eligible to receive supplemental
 21 millage incentive funding and is also eligible to receive debt service
 22 funding supplement, general facilities funding, or both, then:

23 (A) The school district's maximum debt service funding
 24 supplement calculated pursuant to § 6-20-2004 shall be reduced by forty
 25 percent (40%); and

26 (B) The school district's maximum general facilities
 27 funding calculated pursuant to § 6-20-2005 shall be reduced by forty percent
 28 (40%).

29 (e) For school year 2007-2008 and later years:

30 (1) By March 31 preceding the beginning of the school year for
 31 which funding is calculated, the department shall determine:

32 (A) The rate of ad valorem tax levied in each school
 33 district as of December 31 of the previous calendar year; and

34 (B) The number of mills, if any, by which the rate exceeds
 35 twenty-five (25) mills;

36 (2) A school district's supplemental millage incentive funding

1 shall be equal to the result of multiplying the lesser of the number ten (10)
2 or the result of subdivision (e)(1)(B) of this section by the school
3 district's supplemental millage incentive funding base. The supplemental
4 millage incentive funding base shall be computed based upon property values
5 as of December 31 of the previous school year and average daily membership
6 for the previous school year.

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