

1 State of Arkansas *As Engrossed: S1/13/04 S1/26/04 S1/27/04* Call Item 6
2 84th General Assembly **A Bill**
3 Second Extraordinary Session, 2003 HOUSE BILL 1071
4

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.*

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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.

15
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 May 30, 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 the
8 twenty-five (25) mills required by Amendment 74 to the Arkansas Constitution;
9 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
23 Education, but no less than twelve dollars (\$12.00) per average daily
24 membership times the state wealth index.

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

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

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

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

1 the purposes described in this subsection (b).

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

7
8 6-20-2005. General facilities funding.

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

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

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

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

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

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

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

24
25 6-20-2006. Supplemental millage incentive funding.

26 (a) Beginning with school year 2004-2005, the state shall provide from
27 available line item funds supplemental state funds to qualified school
28 districts that increase total school district millage in excess of the
29 twenty-five (25) mills in accordance with Amendment 74 to the Arkansas
30 Constitution and that elect to receive the funds in lieu of funds available
31 under §§ 6-20-2004 and 6-20-2005.

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

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

1 (2) The number of mills, if any, by which the total millage rate
2 exceeds the twenty-five (25) mills required by Amendment 74 to the Arkansas
3 Constitution.

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

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

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

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

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

23
24 6-20-2007. Funding election.

25 (a) By July 31 immediately preceding the school year, a school
26 district that is eligible for supplemental millage incentive funding shall
27 provide the Department of Education with a written election indicating
28 whether for the school year the school district:

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

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

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

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

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

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

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

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

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23 /s/ Biggs
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