

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

*As Engrossed: H1/5/04 S1/13/04*

# A Bill

Call Item 6

HOUSE BILL 1085

5 By: Representatives Thyer, Biggs  
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## 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; AND FOR OTHER  
12 PURPOSES.  
13

## Subtitle

15 CONTINUES THE PAYMENT OF A DEBT SERVICE  
16 FUNDING SUPPLEMENT TO SCHOOL DISTRICTS  
17 CURRENTLY RECEIVING DEBT SERVICE  
18 FUNDING.  
19  
20

21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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23 SECTION 1. Arkansas Code Title 6, Chapter 20, is amended to add a new  
24 subchapter as follows:

25 6-20-2001. Title.

26 This act shall be known and may be cited as the "Debt Service Funding  
27 Supplement Act of 2003".  
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29 6-20-2002. Purpose.

30 (a) The General Assembly finds that:

31 (1) The debt service funding supplement as authorized by the  
32 Equitable School Finance System Act of 1995, § 6-20-301 et seq., has been an  
33 integral part of school financing for a number of school districts;

34 (2) Elimination of the supplement for those school districts  
35 utilizing it as a part of a financing plan for the district could have  
36 serious adverse consequences on the ability of those districts to continue to



1 operate in a fiscally prudent manner; and

2 (3) Elimination of the supplement could cause some school  
3 districts to default on their bonded indebtedness.

4 (b) The purpose of this subchapter is to continue to provide a debt  
5 service funding supplement for those school district projects that are  
6 financed through bonded indebtedness and that are identified by the  
7 Department of Education as within school districts that are receiving a debt  
8 service funding supplement as of December 31, 2003.

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10 6-20-2003. Definitions.

11 As used in this subchapter:

12 (1) "Average daily membership" means the total number of days  
13 attended plus the total number of days absent by students in grades  
14 kindergarten through twelve (K-12) during the first three (3) quarters of  
15 each school year divided by the number of school days actually taught in the  
16 district during that period of time rounded up to the nearest hundredth. In  
17 those instances in which the average daily membership for less than three (3)  
18 quarters is specified, the number of days used in the calculation shall be  
19 the days in the specified period of time. As applied to this subchapter,  
20 students who may be counted for average daily membership are:

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

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

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

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

35 (3) "Debt service millage" means the total number of mills voted  
36 by the electors of a school district to be pledged as security for the

1 retirement of bonded indebtedness;

2 (4) "Debt service millage required" means the calculated millage  
3 rate equal to the amount of millage pledged to mandatory callable bonds plus  
4 the result of the scheduled calendar year bonded debt payment divided by the  
5 total assessed value of real, personal, and utility property in the local  
6 school district;

7 (5) "Eligible debt service millage required" means the debt  
8 service millage required for bonds issued before July 1, 2004;

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

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

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

19 (A) Issued bonds to finance school district projects  
20 before May 30, 2004, and for which outstanding bonds exist as of May 30,  
21 2004;

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

24 (C) Received debt service funding supplements pursuant to  
25 §§ 6-20-303 and 6-20-308 during school year 2003-2004 in accordance with  
26 regulations promulgated by the Department of Education;

27 (9) "State funding" means funds allocated to a school district  
28 for a school year by the General Assembly except for funds targeted for  
29 students eligible for free or reduced price lunches, students requiring  
30 special education, and students who are not proficient in English; and

31 (10) "State wealth index" means the result of one (1) minus the  
32 ratio of local revenue for a school year divided by state funding for a  
33 school year.

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35 6-20-2004. Debt service funding supplement.

36 (a)(1) Beginning with school year 2004-2005, the state shall provide

1 from available line item appropriations a debt service funding supplement  
2 only to qualified school districts for the purpose of reducing bonded  
3 indebtedness.

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

8 (b) A school district qualifying for debt service funding supplements  
9 under this section shall not lose any state funding as a result of debt  
10 service savings produced by refunding outstanding bonds provided that:

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

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

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

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26 SECTION 2. Effective Date. This act shall become effective on July 1,  
27 2004.

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29 /s/ Thyer  
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