

Act 105 of the 1989 Regular Session.

Act 105

HB1402

By: Representative Turner

"AN ACT TO AMEND TITLE 6, CHAPTER 20, SUBCHAPTER 4, OF THE ARKANSAS CODE OF 1987 TO CLARIFY THAT REVENUE RECEIPTS OF A SCHOOL DISTRICT MAY BE PLEDGED AS COLLATERAL TO SECURE CURRENT INDEBTEDNESS; AND FOR OTHER PURPOSES."

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

SECTION 1. Arkansas Code 6-20-401 is hereby amended to read as follows:

"6-20-401. Definitions. As used in this subchapter, unless the context otherwise requires:

(1) 'Revenue receipts of a school district' means those receipts that do not result in increasing school indebtedness or in depleting school property. Specifically, revenue receipts of a school district for any fiscal year shall consist of the following funds:

(A) Net cash balance on hand at the beginning of the school fiscal year, July 1;

(B) The remaining net proceeds of local taxes collected in the calendar year in which the school fiscal year started plus forty percent (40%) of the proceeds of the local taxes which are not pledged to secure bonded indebtedness collected in the succeeding calendar year. This forty percent (40%) shall be determined by applying the following formula: Assessed valuation multiplied by the tax rate which is not pledged to secure bonded indebtedness multiplied by forty percent (40%);

(C) The net proceeds of all other funds accrued or placed to the credit of the district during the fiscal year from regular revenue sources including, but not limited to, state and federal funding.

(2) 'Nonrevenue receipts of a school district' means those receipts which either incur an obligation which must be met at some future date or which change the form of an asset from property to cash. Specifically, they consist of the proceeds of a bond sale, payment of losses on an insurance policy, the receipts from the sale of property, etc.

(3) 'Current indebtedness' means a debt obligation incurred by a school district for a school fiscal year for maintenance or general operation expenses or for the purposes enumerated in 6-20-402(a) which has a final maturity date and becomes due and payable in full on or before December 31 of the calendar year in which such school fiscal year ends. Current indebtedness is not included in the term 'bonded indebtedness.'"

SECTION 2. Arkansas Code 6-20-402(a) is hereby amended to read as follows:

"(a) The amount of obligations incurred by a school district for any school fiscal year shall not be in excess of the revenue receipts of a school district for that year as determined in 6-20-401, provided that school districts may issue postdated warrants or enter into installment contracts for the following purposes:

(1) Purchase of school buses;

(2) Payment of premiums of insurance policies on school buildings, facilities, and equipment in instances where the insurance coverage extends three (3) years or longer;

(3) Purchase of equipment;
(4) Repair and renovation of school facilities;
(5) Purchase of school sites; and
(6) Payment of the district's pro rata part of employing professional appraisers as authorized by laws providing for the appraisal, or reappraisal, and assessment of property for ad valorem tax purposes."

SECTION 3. Arkansas Code 6-20-402(b) is hereby amended to read as follows:

"(b) School districts may also incur during each school fiscal year, current indebtedness and issue evidence thereof. Revenue receipts of a school district for a fiscal year may be pledged as collateral to secure current indebtedness incurred by such school district for that fiscal year."

SECTION 4. All laws and parts of laws in conflict with this act are hereby repealed.

SECTION 5. All provisions of this act of a general and permanent nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code Revisions Commission shall incorporate the same in the Code.

SECTION 6. EMERGENCY. It is hereby found and determined by the General Assembly that the current method of collecting property taxes which fund school districts severely limits a school district's ability to meet all obligations during the months in which the district must operate prior to the final settlement from the county; that it has been a long established practice that lending institutions make moneys available to school districts to assist during such time; that the law needs clarification to permit this practice to continue; that this act is designed to provide such clarification and should be given effect immediately to insure that such practice is permitted to continue. Therefore, an emergency is hereby declared to exist and this act being necessary for the preservation of the public peace, health and safety shall be in full force and effect from and after its passage and approval.

APPROVED: February 20, 1989
