

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 85th General Assembly
3 Regular Session, 2005
4

As Engrossed: S3/31/05

A Bill

SENATE BILL 970

5 By: Senators Broadway, Bisbee
6 By: Representatives Mahony, Elliott
7

For An Act To Be Entitled

8
9
10 ARKANSAS PUBLIC SCHOOL ACADEMIC FACILITIES
11 FUNDING ACT.
12

Subtitle

13
14
15 ARKANSAS PUBLIC SCHOOL ACADEMIC
16 FACILITIES FUNDING ACT.
17

18
19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
20

21 SECTION 1. Arkansas Code Title 6, Chapter 20 is amended to add an
22 additional subchapter to read as follows:

23 6-20-2501. Title.

24 This subchapter is known as and may be cited as the "Arkansas Public
25 School Academic Facilities Funding Act".
26

27 6-20-2502. Definitions.

28 As used in this subchapter:

29 (1)(A) "Academic facility" means a building or space, including
30 related areas such as the physical plant and grounds, where students receive
31 instruction that is an integral part of an adequate education as described in
32 § 6-20-2302.

33 (B)(i) A public school building or space, including
34 related areas such as the physical plant and grounds, used for an
35 extracurricular activity or an organized physical activity course as defined
36 in Act 660 of 2005 shall not be considered an academic facility for the



1 purposes of this subchapter to the extent that the building, space, or
2 related area is used for extracurricular activities or organized physical
3 activities courses, except for physical educational training and instruction
4 under § 6-16-132.

5 (ii) The Division of Public School Academic
6 Facilities and Transportation shall determine the extent to which a building,
7 space, or related area is used for extracurricular activities or organized
8 physical activities courses based on information supplied by the school
9 district and, if necessary, on-site inspection.

10 (C) Buildings or spaces, including related areas such as
11 the physical plant and grounds, used for prekindergarten education shall not
12 be considered academic facilities for purposes of this subchapter.

13 (D) District administration buildings and spaces,
14 including related areas such as the physical plant and grounds, shall not be
15 considered academic facilities for the purpose of this subchapter;

16 (2)(A) "Academic facilities wealth index" means a percentage
17 derived from the following computations:

18 (i) Determine the value of one (1) mill per student
19 in each school district as follows:

20 (a) Multiply the value of one (1) mill by the
21 total assessed valuation of taxable real, personal, and utility property in
22 the school district as shown by the applicable county assessment for the most
23 recent year; and

24 (b) Divide the product from subdivision
25 (2)(A)(i)(a) of this section by the greater of the prior year average daily
26 membership of the school district or the prior three-year average of the
27 school district's average daily membership;

28 (ii) Determine student millage rankings by listing
29 the computation under subdivision (2)(A)(i) for each school district from
30 the lowest value of a mill per student to the highest value of a mill per
31 student;

32 (iii) Allocate the student millage rankings into
33 percentiles with the first percentile containing the one percent (1%) of
34 students with the lowest value per mill and the one-hundredth percentile
35 containing the one percent (1%) of students with the highest value per mill;
36 and

1 (iv)(a) Divide the value of one (1) mill per student
2 in each school district as computed under subdivision (2)(A)(i) by the amount
3 corresponding to the ninety-fifth percentile of the student millage rankings
4 under subdivision (2)(A)(iii).

5 (b) If the result of the computation under
6 subdivision (2)(A)(iv)(a) of this section is greater than one, then the
7 percentage shall be set at hundred percent (100%).

8 (B)(i) The percentage derived from the computation under
9 subdivision (2)(A)(iv) is the academic facilities wealth index for a school
10 district, which shall be computed annually and used to determine the amount
11 of the school district's share of financial participation in a local academic
12 facilities project eligible for state financial participation under
13 priorities established by the division.

14 (ii) The state's share of financial participation in
15 a local academic facilities project eligible for state financial
16 participation under priorities established by the division is the percentage
17 derived from subtracting the school district's percentage share of financial
18 participation determined under (2)(B)(i) from one hundred percent (100%).

19 (3)(A) "Average daily membership" means the total number of days
20 of school 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 school district during that period of time rounded up to the nearest
24 hundredth.

25 (B) As applied to this subchapter, students who may be
26 counted for average daily membership are:

27 (i) Students who reside within the boundaries of the
28 school district and who are enrolled in a public school operated by the
29 school district;

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

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

36 (4) "Facility condition index" means a methodology established

1 by the Division of Public School Academic Facilities and Transportation for
2 comparing the cost of repairing the condition of a public school academic
3 facility to the cost of replacing the public school academic facility with a
4 public school academic facility containing the same amount of square footage;

5 (5) "Immediate repair project" means a project involving a
6 public school academic facility necessary to resolve a deficiency that
7 presents an immediate hazard to:

8 (A) The health or safety of students, teachers,
9 administrators, or staff;

10 (B) The integrity of the public school academic facility
11 with regard to meeting minimum health and safety standards; or

12 (C) The extraordinary deterioration of the public school
13 academic facility;

14 (6) "Local enhancements" means the portion of any maintenance,
15 repair, or renovation project or new construction project that is designed to
16 bring an academic facility or related areas, such as the physical plant or
17 grounds, to a state of condition or efficiency that exceeds state academic
18 facilities standards;

19 (7) "Local resources" means any moneys lawfully generated by a
20 school district for the purpose of funding the school district's share of
21 financial participation in any academic facilities project for which a school
22 district is eligible to receive state financial participation under
23 priorities established by the division;

24 (8) "Maintenance, repair, and renovation" means any activity or
25 improvement to an academic facility and, if necessary, related areas such as
26 the physical plant and grounds, that:

27 (A) Maintains, conserves, or protects the state of
28 condition or efficiency of the academic facility; or

29 (B) Brings the state of condition or efficiency of the
30 academic facility up to the facility's original condition of completeness or
31 efficiency;

32 (9) "Millage rate" means the millage rate listed in the most
33 recent tax ordinance approved by the county quorum court under the authority
34 of § 14-14-904;

35 (10)(A) "New construction" means any improvement to an academic
36 facility and, if necessary, related areas such as the physical plant and

1 grounds, that brings the state of condition or efficiency of the academic
2 facility to a state of condition or efficiency better than the academic
3 facility's original condition of completeness or efficiency.

4 (B) "New construction" includes additions to existing
5 academic facilities and new academic facilities;

6 (11) "Project" means an undertaking in which a school district
7 engages in:

8 (A) Maintenance, repair, and renovation activities with
9 regard to an academic facility;

10 (B) New construction of an academic facility; or

11 (C) Any combination of maintenance, repair, and renovation
12 and new construction activities with regard to an academic facility; and

13 (12) "Space utilization" means the number of gross square feet
14 per student in a public school academic facility adjusted for academic
15 program, school enrollment, grade configuration, and type of public school in
16 accordance with rules promulgated by the Commission on Public School Academic
17 Facilities and Transportation.

18
19 6-20-2503. Bonded debt assistance.

20 (a) The state will assist with retiring the outstanding bonded
21 indebtedness issued as of January 1, 2005 of all school districts eligible
22 for state financial participation under this section by providing an annual
23 cash payment to each eligible school district in an amount determined by the
24 Commission on Public School Academic Facilities and Transportation under
25 subsection (b) of this section. The amount of the state's annual cash
26 payment is based on the school district's bonded debt schedule as of January
27 1, 2005 and the academic facilities wealth index for the district as computed
28 on an annual basis.

29 (b)(1) By June 1, 2005, the commission shall determine:

30 (A) The total amount required to satisfy the outstanding
31 bonded indebtedness sold as of January 1, 2005 for each school district;

32 (B) The annual amount due on a fiscal year basis from each
33 school district in accordance with the principal and interest payment
34 schedule in effect on January 1, 2005 for the outstanding bonded
35 indebtedness; and

36 (C) The date each school district is expected to satisfy

1 the outstanding bonded indebtedness.

2 (2) The commission shall determine the amount of the state's
3 annual cash payment by multiplying the annual principal and interest payment
4 for the school district as established under subdivision (b)(1)(B) of this
5 subsection by the district's academic facilities wealth index. The
6 commission shall determine the amount of the state's annual cash payment for
7 each eligible school district no later than July 15 of each year. The
8 commission shall certify the amount to the Department of Education for
9 payment.

10 (c)(1) The state's annual cash payment is payable to each eligible
11 school district in two equal installments. The department shall pay the
12 first installment by August 1 of each year and the second installment by
13 February 1 of each year.

14 (2) For tracking purposes, the school district shall account for
15 the funds received as state financial participation in debt assistance under
16 this section as restricted funds and shall account for the funds in
17 accordance with provisions of law, including without limitation, the Arkansas
18 Educational Financial Accounting and Reporting Act of 2005, § 6-20-2201 et
19 seq. and rules established by the commission.

20 (d)(1) If a school district qualifies for state financial
21 participation under this section, the amount of state financial participation
22 shall not be reduced as a result of debt service savings produced by
23 refunding outstanding bonds if:

24 (A) The annual savings produced by the refunding is
25 deposited into a bond refunding savings fund to be used by the district
26 solely for the new construction of academic facilities or the purchase of
27 academic equipment; and

28 (B) Before the date that the refunding bonds are sold at
29 public sale, the school district certifies to the commission that the yearly
30 debt services saving will be used solely for the purposes described in
31 subdivision (d)(1) of this section.

32 (2) Nothing in this section shall prohibit a school district
33 from issuing second lien bonds. However, the amount of state financial
34 participation under this section shall not be altered or reduced as a result
35 of the issuance of second lien bonds.

36 (3) Nothing in subsection (d) of this section shall prevent the

1 annual adjustment of state financial participation under this section in
2 accordance with annual variations in a school district's academic facilities
3 wealth index and the school district's principal and interest payment
4 schedule in effect on January 1, 2005.

5 (e) The state shall not assume any debt of a school district or incur
6 any obligation with regard to a school district's bonded indebtedness by
7 providing the financial assistance described in this section. The school
8 district receiving cash assistance is and will remain independently liable
9 for all outstanding indebtedness.

10
11 6-20-2504. Academic Facilities Immediate Repair Program.

12 (a) There is established the Academic Facilities Immediate Repair
13 Program under which the Division of Public School Academic Facilities and
14 Transportation shall provide school districts with state financial
15 participation for eligible repair projects based on the school district's
16 academic facilities wealth index.

17 (b) A school district may apply for state financial participation in
18 an immediate repair project if:

19 (1) The school district's application is received by the
20 division no later than July 1, 2005;

21 (2) The condition for which the repair is needed was in
22 existence on January 1, 2005;

23 (3) The facility condition index of the academic facility
24 involved in the proposed repair project is less than a threshold amount
25 determined by the division; and

26 (4) The repair project involves one (1) of more of the
27 following:

28 (A) Heating, ventilation, and air conditioning systems;

29 (B) Floors;

30 (C) Roofs;

31 (D) Sewage systems;

32 (E) Water supplies;

33 (F) Asbestos abatement;

34 (G) Fire alarm systems;

35 (H) Exterior doors;

36 (I) Emergency exit or egress passageway lighting;

1 (J) Academic program or facility accessibility for
2 individuals with disabilities; and

3 (K) Any other repair to a building system necessary to
4 satisfy life-safety code requirements as determined by the division.

5 (c) As part of its application for state financial participation in an
6 immediate repair project, a school district shall provide the division with
7 evidence of:

8 (1) The deficiency in need of correction and how it presents an
9 immediate hazard to:

10 (A) The health or safety of students, teachers,
11 administrators, or staff of a school district;

12 (B) The integrity of the public school academic facility
13 with regard to meeting minimum health and safety standards; or

14 (C) The extraordinary deterioration of the public school
15 academic facility;

16 (2) The estimated cost of the immediate repair project, which
17 shall be a minimum of one hundred dollars (\$100) per student or fifty
18 thousand dollars (\$50,000), whichever is less;

19 (3) The availability of insurance and any other public or
20 private emergency assistance to pay for the immediate repair project; and

21 (4) Whether or not the academic facility is reasonably expected
22 to close or be substantially replaced within three (3) years.

23 (d)(1) The division shall evaluate a school district's immediate
24 repair application and may conduct an on-site inspection prior to making a
25 decision on the application as it deems necessary.

26 (2) The division shall notify the school district of the
27 division's decision on the application and, if applicable, the amount of
28 state financial participation. The division shall base its decision on
29 several factors, including, without limitation:

30 (A) The seriousness of the deficiency that the immediate
31 repair project is intended to correct;

32 (B) Compliance with current academic facility standards,
33 including, without limitation, appropriate space utilization;

34 (C) The amount and availability of insurance and any other
35 public or private emergency assistance;

36 (D) Whether the academic facility is reasonably expected

1 to close or be substantially replaced within three (3) years;

2 (E) The academic facilities wealth index of the school
3 district; and

4 (F) The prudent and resourceful expenditure of state funds
5 with regard to public school academic facilities.

6 (e)(1) If a school district qualifies for state financial
7 participation under this section, the division shall certify the amount of
8 state financial participation to the Commission on Public School Academic
9 Facilities and Transportation for oversight purposes. The commission shall
10 certify the amount to the Department of Education for payment.

11 (2) For tracking purposes, the school district shall account for
12 the funds received as state financial participation under this section as
13 restricted funds and shall account for the funds in accordance with
14 provisions of law, including, without limitation, the Arkansas Educational
15 Financial Accounting and Reporting Act of 2005, § 6-20-2201 et seq. and rules
16 established by the State Board of Education and the commission.

17 (f) Every effort shall be made to conform an immediate repair project
18 to current academic facilities standards, including, without limitation,
19 appropriate space utilization requirements, unless in the judgment of the
20 division it is impractical to conform the immediate repair project to current
21 standards.

22 (g) A school district shall use state financial participation in an
23 immediate repair project to pay the cost of only the portion of an immediate
24 repair project that is not covered by insurance or other public or private
25 emergency assistance received by or payable to the school district.

26
27 6-20-2505. Academic Equipment Program.

28 (a) There is established the Academic Equipment Program under which
29 the Division of Public School Academic Facilities and Transportation shall
30 provide school districts with state financial participation to support the
31 purchase of eligible academic equipment based on the school district's
32 academic facilities wealth index.

33 (b) A school district may apply for state financial participation to
34 support the purchase of academic equipment if:

35 (1) The school district's application is received by the
36 division no later than July 1, 2005; and

1 (2) The need for the academic equipment was in existence on
2 January 1, 2005; and

3 (3) The academic equipment supports an adequate education as
4 described in § 6-20-2302.

5 (c) As part of its application for state financial participation under
6 this section, a school district shall provide the division with evidence of:

7 (1) The need for the academic equipment;

8 (2) The estimated cost of the academic equipment; and

9 (3) Any additional information determined by the division to be
10 necessary to evaluate the school district's application.

11 (d) The division shall evaluate a school district's application and
12 notify the school district of the division's decision on the application and,
13 if applicable, the amount of state financial participation. The division
14 shall base its decision on several factors, including, without limitation:

15 (A) The nature of and need for the academic equipment;

16 (B) Consistency with current academic equipment standards
17 and sound educational practices;

18 (C) The academic facilities wealth index of the school
19 district; and

20 (D) The prudent and resourceful expenditure of state funds
21 with regard to public school academic facilities and equipment.

22 (e)(1) If a school district qualifies for state financial
23 participation under this section, the division shall certify the amount of
24 state financial participation to the Commission on Public School Academic
25 Facilities and Transportation for oversight purposes. The commission shall
26 certify the amount to the Department of Education for payment.

27 (2) For tracking purposes, the school district shall account for
28 the funds received as state financial participation under this section as
29 restricted funds and shall account for the funds in accordance with
30 provisions of law, including, without limitation, the Arkansas Educational
31 Financial Accounting and Reporting Act of 2005, § 6-20-2201 et seq. and rules
32 established by the State Board of Education and the commission.

33 (f) Every effort shall be made to conform the purchase of academic
34 equipment to current academic equipment standards and sound educational
35 practices, unless in the judgment of the division it is impractical to
36 conform the purchase to current standards.

1
2 6-20-2506. Transitional Academic Facilities Program.

3 (a) There is established the Transitional Academic Facilities Program
4 under which the Division of Public School Academic Facilities and
5 Transportation shall provide state financial participation based on a school
6 district's academic facilities wealth index in the form of reimbursement to a
7 school district for eligible new construction projects for which debt is
8 incurred or funds are spent after January 1, 2005, and on or before June 30,
9 2006.

10 (b) Under the transitional academic facilities program, a school
11 district may proceed with new construction of an academic facility through
12 the expenditure of local resources prior to the school district's eligibility
13 for state financial participation and may apply the expenditure of local
14 resources after January 1, 2005, and on or before June 30, 2006, toward
15 meeting the school district's share of financial participation in the cost of
16 the new construction project when, and if, the school district becomes
17 eligible for state financial participation.

18 (c) In order to apply for state financial participation under the
19 transitional academic facilities program, the school district shall provide
20 the division with evidence of:

21 (1) A new construction project for which debt was incurred or
22 funds were spent after January 1, 2005, and on or before June 30, 2006;

23 (2) The total cost of the new construction project;

24 (3) The new construction project's conformance with sound
25 educational practices;

26 (4)(A) The new construction project's compliance with current
27 academic facilities standards, including, without limitation, appropriate
28 space utilization of existing academic facilities in the district as
29 determined by the division.

30 (B) The academic facilities standards in effect on the
31 date the plans are submitted to the Division of Public Academic Facilities
32 and Transportation are the academic facilities standards that will apply to
33 the new construction project;

34 (5) The allocation of project costs between new construction
35 activities and maintenance, repair, and renovation activities if the new
36 construction project includes improvements that could be classified as

1 maintenance, repair, and renovation; and

2 (6) How the new construction project supports the prudent and
3 resourceful expenditure of state funds and improves the school district's
4 ability to deliver an adequate and equitable education to public school
5 students in the district.

6 (d)(1) The division shall evaluate a school district's application for
7 state financial participation under the transitional academic facilities
8 program and shall conduct an on-site inspection prior to making a
9 determination of the new construction project's eligibility for reimbursement
10 from the state.

11 (2) During the on-site inspection, the division shall evaluate
12 all of the following:

13 (A) Student health and safety, including, without
14 limitation, critical health and safety needs;

15 (B) The new construction project's compliance with current
16 academic facilities standards, including, without limitation, appropriate
17 space utilization of existing academic facilities in the district;

18 (C) The new construction project's conformance with sound
19 educational practices;

20 (D) Curriculum improvement and diversification, including,
21 without limitation, the use of instructional technology, distance learning,
22 and access to advanced courses in science, mathematics, language arts, and
23 social studies;

24 (E) Multischool, multidistrict, and regional planning to
25 achieve the most effective and efficient instructional delivery system;

26 (F) Reasonable travel time and practical means of
27 addressing other demographic considerations; and

28 (G) Regularly scheduled maintenance, repair, and
29 renovation.

30 (3) The division shall notify the school district of the
31 division's decision on the application and, if applicable, the amount of
32 reimbursement from the state. The division shall base its decision, on
33 several factors, including, without limitation:

34 (A) The reasonableness and necessity of the features of
35 the academic facility according to criteria developed by the division;

36 (B) Compliance with current academic facility standards,

1 including, without limitation, appropriate space utilization;

2 (C) The academic facilities wealth index of the school
3 district; and

4 (D) The prudent and resourceful expenditure of state funds
5 with regard to public school academic facilities.

6 (e)(1) If a school district qualifies for state financial
7 participation under this section, the division shall certify the amount of
8 state financial participation to the Commission on Public School Academic
9 Facilities and Transportation for oversight purposes. The commission shall
10 certify the amount to the Department of Education for payment.

11 (2) For tracking purposes, the school district shall account for
12 the funds received as state financial participation under this section as
13 restricted funds and shall account for the funds in accordance with
14 provisions of law, including, without limitation, the Arkansas Educational
15 Financial Accounting and Reporting Act of 2005, § 6-20-2201 et seq. and rules
16 established by the State Board of Education and the commission.

17 (f) Every effort shall be made to conform a new construction project
18 to current academic facilities standards, including, without limitation,
19 appropriate space utilization requirements, unless in the judgment of the
20 division it is impractical to conform the new construction project to current
21 standards.

22
23 6-20-2507. Academic Facilities Partnership Program.

24 (a) There is established the Academic Facilities Partnership Program
25 under which the Division of Public School Academic Facilities and
26 Transportation shall provide state financial participation based on a school
27 district's academic facilities wealth index in the form of cash payments to a
28 school district for eligible new construction projects.

29 (b) In order to apply for state financial participation in a new
30 construction project, a school district shall provide the division with a
31 copy of the design plans for the project and evidence of:

32 (1) Preparation for the new construction project as demonstrated
33 by inclusion of the new construction project in the school district's
34 facilities master plan;

35 (2)(A) The adoption of a resolution certifying to the division
36 the school district's dedication of local resources to meet the school

1 district's share of financial participation in the new construction project.

2 (B) The resolution shall specify the approximate date that
3 the board of directors of the school district intends to seek elector
4 approval of any bond or tax measures or to apply other local resources to pay
5 the school district's share of financial participation in the new
6 construction project;

7 (3) The total estimated cost of the new construction project;

8 (4) The new construction project's conformance with sound
9 educational practices;

10 (5) The new construction project's compliance with current
11 academic facilities standards, including, without limitation, appropriate
12 space utilization of existing academic facilities in the district as
13 determined by the division;

14 (6) The allocation of project costs between new construction
15 activities and maintenance, repair, and renovation activities if the new
16 construction project includes improvements that could be classified as
17 maintenance, repair, and renovation; and

18 (7) How the new construction project supports the prudent and
19 resourceful expenditure of state funds and improves the school district's
20 ability to deliver an adequate and equitable education to public school
21 students in the district.

22 (c) The division shall use criteria to evaluate a school district's
23 application for state financial participation in a new construction project,
24 which shall include, without limitation, the following:

25 (1) How the school district's facilities master plan and current
26 academic facilities do not address the following:

27 (A) Student health and safety, including, without
28 limitation, but not limited to, critical health and safety needs;

29 (B) Compliance with current academic facilities standards,
30 including, without limitation, appropriate space utilization of existing
31 academic facilities in the district;

32 (C) Conformance with sound educational practices;

33 (D) Curriculum improvement and diversification, including,
34 without limitation, the use of instructional technology, distance learning,
35 and access to advanced courses in science, mathematics, language arts, and
36 social studies;

1 (E) Multischool, multidistrict, and regional planning to
2 achieve the most effective and efficient instructional delivery system;

3 (F) Reasonable travel time and practical means of
4 addressing other demographic considerations; and

5 (G) Regularly scheduled maintenance, repair, and
6 renovation;

7 (2) How the school district's facilities master plan and any new
8 construction project under the facilities master plan address the following:

9 (A) Student health and safety, including, without
10 limitation, critical health and safety needs;

11 (B) Compliance with current academic facilities standards,
12 including, without limitation, appropriate space utilization of existing
13 academic facilities in the district;

14 (C) Conformance with sound educational practices;

15 (D) Curriculum improvement and diversification, including,
16 without limitation, the use of instructional technology, distance learning,
17 and access to advanced courses in science, mathematics, language arts, and
18 social studies;

19 (E) Multischool, multidistrict, and regional planning to
20 achieve the most effective and efficient instructional delivery system;

21 (F) Reasonable travel time and practical means of
22 addressing other demographic considerations; and

23 (G) Regularly scheduled maintenance, repair, and
24 renovation;

25 (3) How the new construction project supports the prudent and
26 resourceful expenditure of state funds and improves the school district's
27 ability to deliver an adequate and equitable education to public school
28 students in the district;

29 (4) How the new construction project has been prioritized by the
30 school district; and

31 (5) The allocation and expenditure of funds in accordance with
32 this subchapter and the Arkansas Public School Academic Facility Program Act,
33 § 6-21-801 et seq.

34 (d)(1) State financial participation under the academic facilities
35 partnership program is not available until July 1, 2006. The division shall
36 give priority in state financial participation to school district proposals

1 relating to academic facilities with the highest facilities condition index.

2 (2)(A) With regard to an academic facilities project for which a
3 school district intends to apply for state financial participation during
4 fiscal year 2006-2007, the division shall notify the school district of the
5 division's decision on the application and, if applicable, the estimated
6 amount of state financial participation in the new construction project no
7 later than May 1, 2006.

8 (B) Beginning in 2007, the division shall notify the
9 school district of the division's decision on the application and, if
10 applicable, the estimated amount of state financial participation in the new
11 construction project no later than May 1 of each odd-numbered year.

12 (3) The division's notice of its decision on a school district's
13 application for state financial participation in a new construction shall
14 include an explanation of the evaluative factors underlying the decision of
15 the division to provide or not provide state financial participation in
16 support of the new construction project.

17 (e)(1) If the division determines that the new construction project is
18 eligible for state financial participation, the division and the school
19 district shall enter into an agreement specifying the terms of the state's
20 financial participation and the conditions that must be satisfied by the
21 school district.

22 (2) At a minimum, the agreement shall:

23 (A) Identify the estimated amount of local financial
24 participation and state financial participation in the new construction
25 project;

26 (B) Define the method of and schedule for transferring
27 state financial participation funds to the school district;

28 (C) Identify whether the new construction project includes
29 any improvements that are classified as maintenance, repair, and renovation,
30 and how the project costs will be allocated between new construction
31 activities and maintenance, repair, and renovation activities;

32 (D) Provide that changes to the plans for the new
33 construction project shall be made in consultation with the division;

34 (E) Provide that the division or any person acting on
35 behalf of the division may conduct on-site inspections of the new
36 construction project as frequently as the division deems necessary to assure

1 the prudent and resourceful expenditure of state funds with regard to public
2 school academic facilities;

3 (F) Determine how risk will be allocated between the
4 school district and the state if the new construction project is not
5 completed;

6 (G) Describe how changes in the school district's wealth
7 index over the course of the new construction project will be treated; and

8 (H) Specify that the agreement is void and the state will
9 have no further obligation to provide state funds to the school district for
10 the new construction project that is the subject of the agreement if the
11 school district does not raise local resources and apply local resources
12 toward the new construction project as provided under the agreement.

13 (f)(1) If a school district qualifies for state financial
14 participation under this section, the division shall certify the amount of
15 state financial participation to the Commission on Public School Academic
16 Facilities and Transportation for oversight purposes. The commission shall
17 certify the amount to the Department of Education for payment.

18 (2) For tracking purposes, the school district shall account for
19 the funds received as state financial participation under this section as
20 restricted funds and shall account for the funds in accordance with
21 provisions of law, including, without limitation, the Arkansas Educational
22 Financial Accounting and Reporting Act of 2005, § 6-20-2201 et seq. and rules
23 established by the State Board of Education and the commission.

24
25 6-20-2508. Academic Facilities Catastrophic Program.

26 (a) There is established the Academic Facilities Catastrophic Program
27 under which the Division of Public School Academic Facilities and
28 Transportation shall award state financial participation to a school district
29 based on a school district's academic facilities wealth index for eligible
30 catastrophic repair and new construction projects for the purpose of
31 supplementing insurance or other public or private emergency assistance
32 received by or payable to the school district.

33 (b) A school district may apply for state financial participation in a
34 catastrophic project if an academic facility in the district is damaged due
35 to an act of God or violence that could not have been prevented by reasonable
36 maintenance, repair, or renovation of the building.

1 (c) As part of its application for state financial participation in a
2 catastrophic project, the school district shall provide the division with
3 evidence of:

4 (1) The estimated cost of the project;

5 (2) The availability of insurance and any other public or
6 private emergency assistance to pay for the project; and

7 (3) How the catastrophic project supports the prudent and
8 resourceful expenditure of state funds and improves the school district's
9 ability to deliver an adequate and equitable education to public school
10 students in the district.

11 (d)(1) The division shall evaluate a school district's application for
12 catastrophic assistance and may conduct an on-site inspection prior to making
13 a decision on the application as it deems necessary.

14 (2) The division shall notify the school district of the
15 division's decision on the application and, if applicable, the amount of
16 state financial participation. The division shall base its decision, on
17 several factors, including, without limitation:

18 (A) Compliance with appropriate academic facility
19 standards, including, without limitation, appropriate space utilization;

20 (B) The amount and availability of insurance or other
21 public or private emergency assistance;

22 (C) The academic facilities wealth index of the school
23 district; and

24 (D) The prudent and resourceful expenditure of state funds
25 with regard to public school academic facilities.

26 (e)(1) If a school district qualifies for state financial
27 participation under this section, the division shall certify the amount of
28 state financial participation to the Commission on Public School Academic
29 Facilities and Transportation for oversight purposes. The commission shall
30 certify the amount to the Department of Education for payment.

31 (2) For tracking purposes, the school district shall account for
32 the funds received as state financial participation under this section as
33 restricted funds and shall account for the funds in accordance with
34 provisions of law, including without limitation, the Arkansas Educational
35 Financial Accounting and Reporting Act of 2005, § 6-20-2201 et seq. and rules
36 established by the State Board of Education and the commission.

1 (f) Every effort shall be made to conform a catastrophic project to
2 current academic facilities standards, including appropriate space
3 utilization requirements, unless in the judgment of the division it is
4 impractical to conform the catastrophic project to current standards.

5 (g) A school district shall use state financial participation in a
6 catastrophic program to pay the cost of only the portion of a catastrophic
7 project that is not covered by insurance or other public or private emergency
8 assistance received by or payable to the school district.

9
10 6-20-2509. Project cost guidelines.

11 (a)(1) The Division of Public School Academic Facilities and
12 Transportation shall establish formulas that shall be updated annually for
13 determining the basic project cost per student for various types of new
14 construction projects, including, without limitation:

15 (A) New academic facilities;

16 (B) Additions to existing academic facilities; and

17 (C) Major improvements to academic facilities that bring
18 the state of condition or efficiency of the academic facility to a state of
19 condition or efficiency better than the facility's original condition of
20 completeness or efficiency.

21 (2) In establishing the formulas, the division shall take into
22 consideration:

23 (A) The academic programs offered;

24 (B) Current enrollment levels;

25 (C) Enrollment projections;

26 (D) Grade configuration;

27 (E) Type of public school; and

28 (F) Nationally recognized design and construction
29 standards for cost per square foot.

30 (3) The division shall establish a process for determining the
31 cost of local enhancements and shall include a mechanism in the formulas for
32 determining basic project cost that excludes the cost of local enhancements
33 from the adjusted project cost.

34 (b) When a school district applies for state financial participation,
35 the division shall use the appropriate formula to compute an adjusted project
36 cost. The division shall determine the estimated amount of the state's share

1 of financial participation based on the adjusted project cost and the school
2 district's wealth index as determined under § 6-20-2502.

3
4 6-20-2510. Incentives for collaboration.

5 (a) It is the intent of the General Assembly to encourage school
6 districts to explore and consider arrangements with other districts that have
7 the potential to:

8 (1) Improve academic facilities and equipment available to the
9 public school students in the districts;

10 (2) Result in improved transportation arrangements for public
11 school students in the state;

12 (3) Have the potential to create any type of efficiency for
13 school districts or enhanced learning opportunities for public school
14 students in the state; and

15 (4) Facilitate the highest and best use of state funds in
16 support of public school academic facilities.

17 (b) If school districts voluntarily consolidate or if one (1) school
18 district annexes another school district, then the division shall use the
19 lowest wealth index of the participating school districts to determine the
20 amount of state financial participation in the first eligible academic
21 facilities project undertaken by the resulting school district. After the
22 completion of the first academic facilities project, the Division of Public
23 School Academic Facilities and Transportation shall compute a new wealth
24 index for the resulting district that shall be used to determine the amount
25 of state financial participation in future academic facilities projects
26 undertaken by the resulting school district.

27
28 6-20-2511. High-growth school districts.

29 (a) The Division of Public School Academic Facilities and
30 Transportation shall develop a program to provide state financial
31 participation in the form of emergency loans to eligible high-growth school
32 districts for assistance with excess debt service requirements. The amount
33 of an emergency loan shall be based on:

34 (1) Growth trends in the district;

35 (2) The application of space utilization standards in the
36 district;

1 (3) The academic facilities wealth index of the school district;
2 and

3 (4) The prudent and resourceful expenditure of state funds with
4 regard to public school academic facilities.

5 (b) The division shall report to the General Assembly by January 15,
6 2007 on the development of the program and obtain formal legislative approval
7 and funding before implementing the program.

8
9 6-20-2512. Regulatory Authority.

10 The Commission on Public School Academic Facilities and Transportation
11 shall promulgate rules necessary to administer this subchapter, which shall
12 promote the intent and purposes of this subchapter and assure the prudent and
13 resourceful expenditure of state funds with regard to public school academic
14 facilities throughout the state.

15
16 6-20-2513. Appeals.

17 (a) A school district may appeal any determination of the Division of
18 Public School Academic Facilities and Transportation under this subchapter to
19 the Commission on Public School Academic Facilities and Transportation in
20 accordance with procedures developed by the commission.

21 (b) All decisions of the commission resulting from a school district's
22 appeal of a division determination under this subchapter shall be final and
23 shall not be subject to further appeal or request for rehearing to the
24 commission or petition for judicial review under the Arkansas Administrative
25 Procedures Act, § 25-15-201 et seq.

26
27 SECTION 2. Effective July 1, 2005, Arkansas Code Title 6, Chapter 20,
28 Subchapter 24 is repealed.

29 ~~6-20-2401. Title.~~

30 ~~This subchapter shall be known and may be cited as the "Supplemental~~
31 ~~School District Funding Act of 2003".~~

32
33 ~~6-20-2402. Purpose.~~

34 ~~(a) The General Assembly finds that:~~

35 ~~(1) The debt service funding supplement and general~~
36 ~~facilities funding have been an integral part of school financing for a~~

1 ~~number of school districts;~~

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

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

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

13
14 ~~6-20-2403. Definitions.~~

15 ~~As used in this subchapter:~~

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

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

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

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

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

36 ~~(3) "Eligible debt service millage required" means the debt~~

1 ~~service millage required for bonds issued before May 30, 2004, that is~~
2 ~~computed by dividing the scheduled debt payment by the total property~~
3 ~~assessment in the school district and then adding the result to the millage~~
4 ~~for mandatory callable bonds;~~

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

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

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

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

24 ~~(8) "Qualified school district" means a school district that:~~

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

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

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

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

1 ~~be adjusted by the Department of Education as follows:~~

2 ~~(A) In the case of a nonvoted refunding bond issue,~~
3 ~~the payment schedule of the issue being refunded will be compared to the~~
4 ~~payment schedule of the refunding issue. The schedule with the higher annual~~
5 ~~debt payment will be used for the purposes of calculating eligible debt~~
6 ~~service mills required if the district has provided to the Department of~~
7 ~~Education a signed certificate concerning the use of the debt service savings~~
8 ~~in conformity with § 6-20-2404;~~

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

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

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

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

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

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

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

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

4 ~~(14) "Supplemental millage incentive funding" means state~~
5 ~~funding paid to school districts who levy ad valorem taxes in excess of the~~
6 ~~twenty five (25) mills required by Arkansas Constitution, Amendment 74; and~~

7 ~~(15) "Supplemental millage incentive funding base" means the~~
8 ~~state assessment per student less the school district assessment per student~~
9 ~~multiplied by one one thousandth (.001).~~

10
11 ~~6-20-2404. Debt service funding supplement.~~

12 ~~(a)(1) Beginning with school year 2004-2005, the state shall provide~~
13 ~~to qualified school districts from available line item funds a debt service~~
14 ~~funding supplement for the purpose of reducing bonded indebtedness if the~~
15 ~~qualified school district elects to receive the funds in accordance with § 6-~~
16 ~~20-2407.~~

17 ~~(2)(A) A school district's debt service funding supplement is~~
18 ~~calculated by multiplying the district's eligible debt service millage~~
19 ~~required times an amount established annually by the State Board of~~
20 ~~Education, but no less than twelve dollars (\$12.00) per average daily~~
21 ~~membership times the state wealth index.~~

22 ~~(B) The debt service funding supplement shall be~~
23 ~~distributed quarterly.~~

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

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

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

36 ~~(c) If the Department of Education determines that an overpayment has~~

1 been made to a local school district in any appropriation authorized by this
2 subchapter, the department shall withhold the overpayment from state funding
3 and shall transfer the amount withheld for the overpayment to the line item
4 appropriation from which the overpayment was initially made.

5
6 ~~6-20-2405. General facilities funding.~~

7 ~~(a)(1) Beginning with school year 2004-2005, the state shall provide~~
8 ~~from available line item funds general facilities funding to school districts~~
9 ~~that elect to receive the funds in accordance with § 6-20-2407.~~

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

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

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

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

19 ~~(B) The renovation or repair of existing facilities.~~

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

22
23 ~~6-20-2406. Supplemental millage incentive funding.~~

24 ~~(a) Beginning with school year 2004-2005, the state shall provide~~
25 ~~from available line item funds supplemental state funds to qualified school~~
26 ~~districts that increase total school district millage in excess of the~~
27 ~~twenty five (25) mills in accordance with Arkansas Constitution, Amendment~~
28 ~~74, and that elect to receive the funds in lieu of funds available under §§~~
29 ~~6-20-2404 and 6-20-2405.~~

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

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

35 ~~(2) The number of mills, if any, by which the total millage~~
36 ~~rate exceeds the twenty five (25) mills required by Arkansas Constitution,~~

1 ~~Amendment 74.~~

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 times a funding factor to be determined~~
7 ~~by the department.~~

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

12 ~~(3) If a school district is eligible to receive supplemental~~
13 ~~millage incentive funding and is also eligible to receive a debt service~~
14 ~~funding supplement or general facilities funding, or both, then the school~~
15 ~~district shall make its funding election in accordance with § 6-20-2407.~~

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

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

21

22 ~~6-20-2407. Funding election.~~

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

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

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

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

35 ~~(c) The department shall provide necessary data to each school~~
36 ~~district prior to July 15 to enable each school district to make its funding~~

