

HOUSE AMENDMENT 1 TO hb2117.

inserting a new Section 2 on line 29 on page 2 to read as follows:

"SECTION 2. Arkansas Code Annotated § 6-20-402 is amended to read as follows:

"6-20-402. Limitation on current indebtedness - Postdated warrants and installment contracts - Liability.

(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 the district for that year except as provided herein and in §§ 6-20-801 et seq. and 6-20-1201 et seq. School districts may issue postdated warrants or enter into installment contracts or lease purchase agreements 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.

(b)(1) Postdated warrants, lease purchase agreements, and installment contracts must be paid within six (6) years of the date of issuance of the postdated warrant or the execution of the written lease purchase agreement or installment contract, as the case may be. Postdated warrants, lease purchase agreements, and installment contracts must be registered, on forms provided by the State Board of Education, with the treasurer of the district and the State Board of Education.

(2)(A) Lease purchase agreements and installment contracts must have attached thereto a schedule of the rent or installments to be paid showing:

- (i) The payee and any assignee;
- (ii) The school district;
- (iii) The purpose of the purchase or payment;
- (iv) The due date of each installment; and
- (v) The amount of principal and interest of each installment and the fiscal year in which such installment is to be paid.

(B) A copy of each such contract and of the schedule of payments thereon shall be filed with the treasurer of the district and with the State Board of Education, and when so filed, each installment may be paid as it becomes due.

(3) The unpaid principal amount of postdated warrants issued and installment contracts and lease purchase agreements entered into shall be a part of the total debt of

the district as limited by §§ 6-20-803 and 6-20-1202, as amended, with the district fiscal officer and his surety liable for exceeding such limitations.

(4) Payments by a school district pursuant to postdated warrants, installment contracts, and lease purchase agreements shall be charged against the budget of the school fiscal year in which they become due and shall be paid out of the revenue receipts for that fiscal year.

(5) All warrants issued or installment contracts and lease purchase agreements entered into in excess of the revenue of a school district for a school fiscal year, except as herein provided, are null and void.

(6) It shall be the duty of the school fiscal officer to indicate on each school district warrant or on the schedule of payments attached to a written installment contract or lease purchase agreement the school year's revenues against which the obligation was incurred and is to be paid, and it shall be unlawful for the school fiscal officer to issue a school district warrant or enter into an installment contract or lease purchase agreement, the installments for which are to be charged against the revenues of a school year, if the obligation thereof was incurred in a different school year, except as otherwise authorized herein.

(7) The school fiscal officer may comply with the provisions hereof by indicating on each warrant or schedule of payments attached to any installment contract or lease purchase agreement the school year's revenues against which each payment is to be charged, or he may use a warrant of a distinct color for a particular year and shall advise the county treasurer, if the county treasurer serves as the school district treasurer, in writing of the color of warrant being used for credit against the revenues of a particular year.

(8) The county treasurer, or the district treasurer if the school district has its own treasurer, and his surety shall be jointly liable with the school fiscal officer and his surety for the payment of any school warrant or payment on a contract or agreement which is charged against the revenues of a school year if the amount thereof is in excess of the revenue receipts of the district for the school year against which the school fiscal officer has indicated the payment is to be charged or if he approved the payment with knowledge that the payment is being charged by the school fiscal officer against the revenues of another school year in violation of this section.

(9) It is the purpose and intent of this section to place primary responsibility on the school fiscal officer and his surety for compliance with the provisions of this section and to make the county treasurer, or district treasurer if the school district has its own treasurer, and his surety liable for any payment on a warrant, contract, or agreement drawn in violation of this section where the amount of the payment exceeds the revenue receipts of the district for the school year against which it is charged, as indicated on the warrant, contract, or agreement or where the county treasurer approves a payment with the knowledge that it is in payment of an obligation of a different

school year as prohibited in this section.

(c) A school district may incur current indebtedness and issue its notes or other evidence thereof as provided in this subsection.

(1) All current indebtedness incurred in a fiscal year shall mature on or before December 31 of the calendar year in which the fiscal year ends.

(2) Current indebtedness is not included in the term "bonded indebtedness" and shall not be considered a part of the total debt of a district as limited by §§ 6-20-803 and 6-20-1202, as amended.

(3) Current indebtedness shall be payable from, and may be secured by a pledge of, all or any part of the revenue receipts of the issuing district for the fiscal year in which the debt is incurred.

(4) The amount of obligations incurred by a school district for any school fiscal year, including current indebtedness, shall not, except as expressly authorized in subsection (a) of this section, be in excess of the revenue receipts of the district for that year.

(d) As additional security for the payment of any postdated warrant or current indebtedness of a school district, the district may authorize the State Board of Education to cure any delinquencies in payment by withholding state aid due the district ~~under § 6-20-301 et seq.~~ Such authorization shall be given at the time the warrant is issued or the current indebtedness is incurred and shall be given in such manner and in such form as the State Board of Education shall prescribe. If the debtor district has authorized withholding of state aid, whenever the payee or the designated paying agent for receipt of the district's payments does not receive a payment when due pursuant to the authorizing documents, the payee or paying agent will be entitled to payment from the withheld state aid in an amount sufficient to cure the payment deficiency upon notifying the Director of the General Education Division and the superintendent of the district by telephone, facsimile, or other similar communication, followed by written verification. Unless the director determines that payment has been made by the district and there is no longer a payment deficiency, the director shall withhold from the next distribution of state aid and remit to the payee or paying agent an amount sufficient to cure the deficiency. In the event the amount next due to be distributed to the delinquent district is not sufficient to cure the delinquency, the director shall continue to withhold state aid as due and remit it to the payee or paying agent until the payment deficiency has been cured. If the director is notified that a district is delinquent on two (2) or more obligations for which a district has authorized withholding of state aid to cure a delinquency, the director shall make payment to payees or paying agents in the order of receipt of notices of the delinquency.

(e) If the State Board of Education withholds state aid from a school district pursuant to subsection (d) of this section, such school district shall be classified as a Phase III school district in distress as described in § 6-20-1609.

~~————(e)(f) Provided, however, that the entitlement created in subsection (d) of this section shall be applicable only to that portion of Minimum Foundation Program Aid that the debtor district would otherwise receive in the absence of any debt created pursuant to this section; and provided further, that any duties required of any officer of the state pursuant to subsection (d) of this section shall be only ministerial in nature and shall in no way transfer any liability of the debtor district to the state, any agency, or any officer thereof. Any duties required of any officer of the state pursuant to subsection (d) shall be only ministerial in nature and shall in no way transfer any liability of the debtor to the state, any agency or any officer thereof.~~

~~————(f)(g) The rate of interest on postdated warrants, installment contracts, lease purchase agreements, and current indebtedness shall not exceed the maximum interest rate for school bonds as determined under § 6-20-1206."~~

AND

appropriately renumbering subsequent sections of the bill.