

State of Arkansas
76th General Assembly
Regular Session, 1987
By: Representative Mahony

HOUSE BILL 1399

"AN ACT TO AUTHORIZE THE BOARD OF EDUCATION TO CONSIDER LOAN REQUESTS FROM THE PUBLIC SCHOOLS DUE TO THE RECENT REVENUE CUTBACK; TO PROVIDE A METHOD OF VERIFICATION OF THE NEED FOR SUCH LOAN; AND FOR OTHER PURPOSES."

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

SECTION 1. PUBLIC SCHOOL EMERGENCY LOAN FUND CREATED. There is hereby created on the books of the State Treasurer and the Chief Fiscal Officer of the State, a fund to be known as the "Public School Emergency Loan Fund" which shall consist of funds as authorized herein. Such fund shall be used to provide loans to school districts under the procedures and restrictions as set out in Section 2 of this Act and shall exist until June 30, 1987.

SECTION 2. On or before April 15, 1987 the Board of Education shall receive applications for loans for operational purposes from school districts in this state from funds available to the Public School Emergency Loan Fund. Such loans are to assist needy districts in completing the 1986-87 school instructional term only and the amount for which an individual district is eligible shall be no more than the difference between the amount of Public School Funds that were certified by the State Department of Education to be distributed to the district based upon the revenue estimate of the Chief Fiscal Officer of the State in August, 1987 and the revised general revenue estimate made on January 8, 1987 by the Chief Fiscal Officer of the State. If the school district determines that it will be unable to complete the 1986-87 school term without additional state assistance, the district shall make that fact known to the Legislative Auditor who shall forthwith proceed to verify that such condition exists. Provided that, any funds budgeted for expenditure by a school district for the remainder of the 1986-87 instructional school

term for which the district was not under an obligation existing on January 1, 1987 to expend, or which was budgeted due to circumstances arising out of unavoidable necessity, shall be excluded by the Legislative Auditor from the total amount of funds the school district is eligible to receive as loan funds under the provisions of this Act. If the Legislative Auditor determines that the district cannot complete the 1986-87 school instructional term without additional state assistance, he shall certify such and the amount of additional state assistance he has determined is required to the applicable school district. The school district shall submit the operational loan request, accompanied by the certification of need by the Legislative Auditor, to the State Board of Education no later than April 15, 1987. Such request shall set forth the need for the loan, and shall include at least the following:

(1) the current total cash balance of all accounts of the requesting school district as attested to by the Division of Legislative Audit;

(2) the reasons why such cash balances are insufficient to meet current obligations and the anticipated consequences of not receiving additional support from the state;

(3) the anticipated duration of the loan which shall not exceed five (5) years; and

(4) a proposed repayment schedule which shall provide for the payment of the principle amount of the loan and interest at a rate of six percent (6%) per annum.

The Director of the General Division of the Department of Education shall review the request for the loan and shall recommend, in writing, the approval or disapproval of the loan and the reasons for such recommendation to the State Board of Education. The State Board of Education shall review the school district's request, the funds available in the Public School Emergency Fund, findings of the Division of Legislative Audit, and the recommendation of the Director of the General Division of the Department of Education. The Board of Education may request such additional information as is deemed necessary to make a determination as to whether the request should be approved. If the Board of Education determines that the request is proper and necessary for the continued operation of the school district and that sufficient funds are available, the Board of Education shall approve said request and establish a repayment schedule of the loan. If the Board of Education determines that the loan is not necessary nor required, or that funds are not

available, the Board of Education shall deny the request and shall communicate in writing to the school district the reasons for disapproval of said requested loan.

SECTION 3. FUNDING PROVIDED. From time to time as loans are approved by the State Board of Education under the provisions of this Act, the Board shall certify the amount of such approved loans to the Chief Fiscal Officer of the State who shall, upon receiving such certification and after determining that sufficient funds are available, cause to be transferred the amount so certified from unobligated funds in the State General Improvement Fund or Fund Accounts thereof. Such repayment of loans from the school districts and the interest thereon as are received shall be deposited as non-revenue receipts to the State General Improvement Fund.

SECTION 4. EMERGENCY CLAUSE. It is hereby found and determined by the Seventy Sixth General Assembly that the current reduction in the general revenue estimate by the Chief Fiscal Officer of the State on January 8 ,1987 has caused some school districts in this state to find themselves in a financial crisis; that without additional state assistance certain districts feel that they might be unable to continue to offer a quality education program to the children in the district; and that a small amount of added state funds would be sufficient to complete the programs this year. Therefore, an emergency is hereby declared to exist and this Act being necessary for the immediate preservation of the public peace, health and safety shall be in full force and effect from and after the date of its passage and approval.

