

1 State of Arkansas
2 81st General Assembly
3 Regular Session, 1997
4

As Engrossed: H3/21/97

A Bill

HOUSE BILL 2284

5 By: Representative Thicksten
6
7

For An Act To Be Entitled

9 "AN ACT TO AMEND OR REPEAL VARIOUS CODIFIED AND UNCODIFIED
10 SECTIONS OF THE EQUITABLE SCHOOL FINANCE SYSTEM ACT OF
11 1995; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES."
12

Subtitle

13
14 "AN ACT TO AMEND OR REPEAL VARIOUS
15 CODIFIED AND UNCODIFIED SECTIONS OF THE
16 EQUITABLE SCHOOL FINANCE SYSTEM ACT OF
17 1995; TO DECLARE AN EMERGENCY."
18

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

21 SECTION 1. Arkansas Code Annotated § 6-20-302 is amended to read as
22 follows:

23 "6-20-302. Legislative findings.

24 (a) The General Assembly recognizes that intelligence and virtue are
25 the safeguards of liberty and the bulwark of a free and good government and
26 that Article 14, § 1 of the Arkansas Constitution requires the state to ever
27 maintain a general, suitable, and efficient system of free public schools and
28 to adopt all suitable means to secure to the people the advantages and
29 opportunities of education.

30 ~~_____ (b) The General Assembly acknowledges that the present system of school~~
31 ~~district organization, when combined with the constraints imposed by~~
32 ~~Amendments 40 and 59 to the Arkansas Constitution, has resulted in wide~~
33 ~~variances in the burden imposed on taxpayers for the financial support of~~
34 ~~public education, as follows:~~

35 ~~_____ (1) The total tax rates among school districts and respective~~
36 ~~burdens on local taxpayers range from a low of twenty-one and three tenths~~

1 ~~(21.3) mills of assessed value to a high of fifty-eight and four tenths (58.4)~~
2 ~~mills of assessed value and, for taxes used solely for operation and~~
3 ~~maintenance, from a low of four (4) mills of assessed value to a high of~~
4 ~~fifty-six and four tenths (56.4) mills of assessed value;~~

5 ~~_____ (2) Each one (1) mill of tax levied against real and personal~~
6 ~~property provides as little as two thousand two hundred and seventy-three~~
7 ~~dollars (\$2,273) of revenue in the district with the lowest value of assessed~~
8 ~~property and as much as one million six hundred seventeen thousand five~~
9 ~~hundred and sixteen dollars (\$1,617,516) of revenue in the district with the~~
10 ~~highest value of assessed property;~~

11 ~~_____ (3)(A) The total local funding provided to students of the~~
12 ~~various school districts from local millage varies from a low of three hundred~~
13 ~~forty-one dollars (\$341) per student to a high of six thousand six hundred~~
14 ~~eighty-five dollars (\$6,685) per student and total state and local funding~~
15 ~~ranges from a low of one thousand eight hundred ninety one dollars (\$1,891)~~
16 ~~per student to eight thousand six hundred ninety six dollars (\$8,696) per~~
17 ~~student.~~

18 ~~_____ (B)The local funding used solely for maintenance and~~
19 ~~operations varies from a low of seventy seven dollars (\$77.00) per student to~~
20 ~~a high of five thousand one hundred and twenty three (\$5,123) per student;~~

21 ~~_____ (4) The number of students in kindergarten through grade twelve~~
22 ~~ranges from as few as ninety-five (95) students in the smallest district to as~~
23 ~~many as twenty-four thousand one hundred sixty-six (24,166) in the largest~~
24 ~~district;~~

25 ~~_____ (5) The median number of students per district is seven hundred~~
26 ~~forty (740) and the average number of students per district is one thousand~~
27 ~~four hundred (1,400);~~

28 ~~_____ (6) The ratio among the districts of teachers to students ranges~~
29 ~~from one-to-seven (1 - 7) to one-to-eighteen (1 - 18);~~

30 ~~_____ (7) The ratio among the districts of administrators to teachers~~
31 ~~ranges from one-to-seven (1 - 7) to over one-to-twenty-nine (1 - 29);~~

32 ~~_____ (c) The General Assembly finds that:~~

33 ~~_____ (1) The state is presently paying sixty-two percent (62%) of the~~
34 ~~combined state, local and federal expenditures for public schools;~~

35 ~~_____ (2) That the state's expenditure of one billion three hundred~~
36 ~~million dollars (\$1,300,000,000) in funds during the 1994-95 fiscal year for~~

1 ~~the public schools is forty-eight percent (48%) of the total net state general~~
2 ~~revenues; and~~

3 ~~_____ (3) The percentage of state expenditures for public schools will~~
4 ~~continue to rise unless taxpayers at the local level share the burden more~~
5 ~~equally.~~

6 ~~_____ (d) The General Assembly finds that the present formula for disbursing~~
7 ~~state support to public schools punishes the students of a district or the~~
8 ~~taxpayers of the state when local voters refuse to support their local~~
9 ~~schools.~~

10 ~~_____ (e) The General Assembly finds that it has not previously provided a~~
11 ~~legislative interpretation of the constitutional mandate that the state~~
12 ~~maintain a general, suitable and efficient system of free public schools, and~~
13 ~~it is the intent of this act to provide such interpretation of the~~
14 ~~constitutional language.~~

15 ~~_____ (f)(b)~~ The General Assembly finds that the education of the children of
16 this state is best secured by maintaining as much local control over the
17 day-to-day management of school operations as is consistent with state
18 constitutional requirements, and it is the intent of this subchapter to
19 maintain and foster such local control consistent with the state's
20 constitutional mandate to assure suitability and efficiency in the public
21 school system.

22 ~~_____ (g)(c)~~ The General Assembly finds that a suitable and efficient system
23 of public education should:

24 (1) Assure the availability of substantially equal and
25 constitutionally appropriate revenue for the education of each similarly
26 situated child in the public schools, regardless of where that child resides
27 within the state;

28 (2) Assure that each school-age child resides in a school
29 district that offers a competitive minimum salary for classroom teachers;

30 (3) Assure that there is incentive and opportunity for patrons of
31 each school district to provide a greater degree of financial support for
32 students of such district than may be provided in other districts;

33 (4) Assure that:

34 (A) All students graduating from high school are able to
35 demonstrate a defined minimum level of competence in:

36 (i) English communications, oral, reading, and

1 writing;

2 (ii) Mathematics skills; and

3 (iii) Science and social studies disciplines; and

4 (B) Such minimum level of competence evolves over time to
5 higher levels;

6 (5) Assure that students with disabilities have the opportunity
7 to graduate from high school by demonstrating alternative competencies or
8 alternative levels of competency;

9 (6) Assure that students who are not on track for high school
10 graduation are identified at a sufficiently early date that they may be
11 provided an opportunity at reasonable cost to achieve the minimum levels of
12 competence necessary to graduate from high school;

13 (7) Recognize that graduating from high school requires that the
14 student, as well as the parent, parents, or guardian of the student, work hard
15 and assume appropriate responsibility for the student's success or failure;

16 (8) Encourage parental involvement in the public schools and
17 public school activities;

18 (9) Recognize that public schools must provide a safe,
19 disciplined, and drug-free environment for students and teachers;

20 (10) Avoid disproportionate variances among school districts in
21 the financial support burden imposed on taxpayers;

22 (11) Avoid unnecessary duplication of administrative and
23 operational expenses;

24 (12) Avoid disproportionate variances among school districts in
25 the use of classroom teachers and capital resources; and

26 (13) Recognize that early attention to and correction of student
27 deficiencies are substantially less expensive and more effective than remedial
28 efforts in the later school grades.

29 ~~_____ (h)(1) The General Assembly recognizes Arkansas Constitution, Amendment~~
30 ~~40, allows local school boards to propose their own property taxes.~~

31 ~~_____ (2) Since the assessed valuation of property varies across the~~
32 ~~districts, the existing school districts have access to different amounts of~~
33 ~~local money to expend on public education.~~

34 ~~_____ (3) The General Assembly finds that such variations in local~~
35 ~~wealth have contributed to the court's finding that the Arkansas school~~
36 ~~funding is unconstitutional.~~

1 ~~———(i)(1)(d)(1)~~ The General Assembly acknowledges that the Arkansas
2 Constitution requires the State to provide a general, suitable, and efficient
3 system of free public schools.

4 (2) Such obligation has been held by the Arkansas courts to be a
5 paramount duty of the State ~~despite a local school board's ability to propose~~
6 ~~its own property tax rate.~~

7 ~~———(j)(e)~~ The General Assembly recognizes that the supervision of public
8 schools and the execution of the laws regulating the schools shall be vested
9 in such officers as the General Assembly provides.

10 ~~———(k)(f)~~ The State has a limited pool of resources to provide a general,
11 suitable, and efficient system of free public schools.

12 ~~———(l)(g)~~ The State recognizes the importance of local decision-making in
13 the education process.

14 ~~———(m) The State recognizes its obligation to implement a constitutional~~
15 ~~system of school finance by November 1996."~~

16

17 SECTION 2. Arkansas Code Annotated § 6-20-303 is amended to read as
18 follows:

19 "6-20-303. Definitions.

20 As used in this subchapter, unless the context otherwise requires:

21 ~~———(1) Alternative education program means an intervention program, in~~
22 ~~compliance with §§ 6-18-508 and 6-18-509, that seeks to eliminate traditional~~
23 ~~barriers to learning for students and includes a component for the education~~
24 ~~of gifted and talented students;~~

25 (1) 'Additional maintenance and operation millage equalization level'
26 means the millage rate equal to the median state-wide available maintenance
27 and operation millage rounded down to the nearest half mill minus the uniform
28 rate of tax;

29 (2) 'Additional maintenance and operation revenue' means, for any
30 fraction of additional maintenance and operation mills, the result of that
31 fraction of additional maintenance and operation mills times ninety-eight
32 percent (98%) of the previous year's assessment;

33 ~~———(2) At-risk funding means financial aid provided to local school~~
34 ~~districts based upon the number of:~~

35 ~~———(A) Students with low test scores;~~

36 ~~———(B) Children receiving free or reduced price lunches;~~

1 ~~_____ (C) Households below the poverty level; or~~

2 ~~_____ (D) Children with limited English proficiency;~~

3 (3) 'Additional mills for maintenance and operation' means millage
4 levied by the electors of a local school district for maintenance and
5 operation in excess of those allocated to the uniform rate of tax;

6 ~~_____ (3)(4)~~ Average daily membership means the total number of days
7 attended plus the total number of days absent by students in grades
8 kindergarten through twelve (K-12) during the first three (3) quarters of each
9 school year, divided by the number of school days actually taught in the
10 district during that period of time rounded up to the nearest hundredth;

11 ~~_____ (4)(5)~~ Base local revenue per student means: (A) If Category 1 is
12 fully funded, the local revenue per student in the local school district with
13 the highest amount of local revenue per student; or (B) if Category 1 is not
14 fully funded, the revenue per student to which the state equalizes, calculated
15 by taking the sum of:

16 (i) The total available state aid for state equalization funding
17 per student;

18 (ii) Ninety-eight percent (98%) of the ~~base millage~~ uniform rate
19 of tax times the total state assessed valuation; and

20 (iii) Seventy-five percent (75%) of miscellaneous funds
21 collected in the previous year;

22 by dividing the sum by the total state average daily membership for the
23 previous year;

24 (6) Base total state and local revenue per average daily membership
25 means the total state and local revenue per average daily membership minus the
26 result of the additional maintenance and operation mills times ninety-eight
27 percent (98%) of the previous year's assessment;

28 ~~_____ (5)(7) Base millage~~ Uniform rate of tax means ~~Twenty-five (25) mills a~~
29 uniform rate of ad valorem property tax of twenty-five (25) mills to be levied
30 on the assessed value of all taxable real, personal, and utility property in
31 the state to be used solely for maintenance and operation of the schools. In
32 calculating the uniform rate of tax imposed by Article 14, § 3 of the Arkansas
33 Constitution, as amended by Amendment Nos. 11, 40, and 74, the following
34 categories of millage may be utilized to meet the minimum base millage
35 requirement:

36 (A) The local school district's maintenance and operation

1 millage;

2 (B) The dedicated maintenance and operation millage;

3 (C) Excess debt service millage; and

4 (D) The millage derived from the ratio of the debt service

5 funding supplements divided by the total assessment;

6 ~~—— (6)(8)~~ Classroom teacher means: (A) An individual required to hold a
7 teaching license from the Department of Education, and who is engaged directly
8 in instruction with students in a classroom setting for more than seventy
9 percent (70%) of the individual's contracted time;

10 (B) A guidance counselor; or

11 (C) A librarian;

12 ~~(7)(9)~~ Debt service funding supplement means the state financial aid
13 provided to qualifying local school districts for the purpose of reducing
14 existing debt service burdens and increasing the amount of local revenue
15 available for maintenance and operations expenditures, and calculated as
16 follows: for each mill of eligible debt service mills required, ~~to meet the~~
17 ~~annual debt service expenditure obligation,~~ the local school ~~may~~ shall be
18 provided ~~up to~~ fifteen dollars (\$15.00) per average daily membership times ~~the~~
19 ~~difference of one (1) minus the ratio of the district's local revenue per~~
20 ~~student and state equalization funding per student.~~ the state wealth index.
21 Beginning with the 1997-98 school year, the funding per average daily
22 membership ~~may~~ shall be increased by one dollar (\$1.00) each year;

23 (10) Debt service millage means the total number of mills voted by the
24 electors of a school district to be pledged as security for the retirement of
25 bonded indebtedness;

26 (11) Debt service millage required means the calculated millage rate
27 equal to the amount of millage pledged to mandatory callable bonds plus the
28 result of the scheduled calendar year bonded debt payment divided by the total
29 assessed value of real, personal, and utility property in the local school
30 district;

31 (12) 'Effective average revenue per mill per average daily membership'
32 means the result of the state-wide total previous year's assessment times one
33 (1) mill divided by the state-wide previous year's average daily membership;

34 (13) Eligible debt service millage required means, in the computation
35 of the debt service funding supplement, the debt service millage required for
36 bonds issued on or before May 30, or bonds issued to refund bonds issued on or

1 before May 30, provided that such millage was approved in a school election
2 held on or before February 22, 1995;

3 ~~—— (8)(14) Excess debt service millage means the difference between the~~
4 ~~debt service millage levied and the debt service millage required. This~~
5 ~~amount shall be presumed to be available for maintenance and operation, but~~
6 ~~may be used for other school purposes, provided that the district is in~~
7 ~~compliance with the uniform rate of tax; Equalized local revenue per student~~
8 ~~means in each local school district, the amount equal to the sum of local~~
9 ~~revenue per student and state equalization funding per student;~~

10 ~~—— (9)(15) General facility funding means the state financial aid~~
11 ~~provided to each local school district, voting the base millage, from funds~~
12 ~~made available for that purpose based on a facilities needs assessment~~
13 ~~justification approved by the Department of Education, and calculated as~~
14 ~~follows: The local school district may be provided up to thirty-five dollars~~
15 ~~(\$35.00), multiplied by Multiply the local school district's average daily~~
16 ~~membership for the previous year, multiplied by times the difference between~~
17 ~~one (1) minus the ratio of the local revenue per student and state~~
18 ~~equalization funding per student state wealth index, times a rate established~~
19 ~~by the State Board of Education;~~

20 ~~—— (10)(16) Growth facility funding means the state financial aid~~
21 ~~provided to each local school district from funds made available for that~~
22 ~~purpose, based upon a facilities needs assessment justification approved by~~
23 ~~the Department of Education, and calculated as follows: Each local school~~
24 ~~district whose student growth from the previous year to the first quarter of~~
25 ~~the current year exceeds the state average average daily membership growth may~~
26 ~~receive an amount up to such average daily membership growth in the local~~
27 ~~school district times the ratio of the total funds available for allocation,~~
28 ~~divided by the state's gross increase in average daily membership total~~
29 ~~increase in students in those local school districts eligible for growth~~
30 ~~facility funding;~~

31 ~~—— (11) Incentive millage means the millage rate which may be levied by a~~
32 ~~local school district to obtain incentive revenue;~~

33 ~~—— (12) Incentive revenue means the amount of revenue, not to exceed one~~
34 ~~hundred twenty-five percent (125%) multiplied times the base local revenue per~~
35 ~~student;~~

36 ~~—— (13) Isolated funding means the state financial aid provided to~~

1 ~~qualifying local school districts from funds made available for that purpose~~
 2 ~~and calculated as follows:~~

3 ~~_____ (350 - Previous year's ADM) Previous year's ADM times~~
 4 ~~_____ 850~~

5 ~~the Base Local Revenue Per Student:~~

6 (17) Local additional maintenance and operation revenue means the sum
 7 of the additional maintenance and operation millage equalization level times
 8 ninety-eight percent (98%) of the previous year's assessment plus twenty-five
 9 percent (25%) of the previous year's miscellaneous funds;

10 ~~_____ (14) (18)~~ Local revenue per student means in each year, ninety-eight
 11 percent (98%) of the amount of revenue available, whether or not collected, in
 12 a local school district, solely from the levy of the ~~base millage~~ uniform rate
 13 of tax, plus seventy-five percent (75%) of the miscellaneous funds collected
 14 in the previous year divided by the average daily membership of such local
 15 school district for the previous year;

16 ~~_____ (15) (19)~~ Local school district means a ~~class of school districts~~
 17 geographic area with an elected board of directors which qualifies as a taxing
 18 unit for purposes of ad valorem property taxes under Title 26 of the Arkansas
 19 Code Annotated and which conduct conducts the daily affairs of public schools
 20 pursuant to the supervisory authority vested in them by the General Assembly;

21 (20) Mandatory callable bonds means a bond issue in which all net
 22 proceeds from debt service millage used to secure the issuance of that bond
 23 must be applied to payment of the issue and cannot be used for any other
 24 purpose;

25 ~~_____ (18) (21)~~ Miscellaneous funds means those funds received by a local
 26 school district from federal forest reserves, federal grazing rights, federal
 27 mineral rights, federal impact aid, federal flood control, wildlife refuge
 28 funds, severance taxes, ~~and~~ funds received by the district in lieu of taxes,
 29 and local sales and use tax dedicated to education pursuant to § 26-74-201 et
 30 seq., § 26-74-301 et seq., § 26-75-301 et seq., and § 14-164-301 et seq.;

31 (22) Power equalization means, for those local school districts whose
 32 revenue per mill per average daily membership is less than the effective
 33 average revenue per mill per average daily membership, the result of the
 34 effective average revenue per mill per average daily membership minus the
 35 revenue per mill per average daily membership;

36 (23) Previous year means the school year immediately preceding the

1 school year in which funds are allocated;

2 (24) Revenue per mill per average daily membership means the result of
 3 the previous year's assessment times one (1) mill divided by the average daily
 4 membership of any local school district;

5 (25) State additional maintenance and operation revenue equalization
 6 per average daily membership means the state additional maintenance and
 7 operation revenue equalization rate minus the result of the local additional
 8 maintenance and operation revenue divided by the previous year's average daily
 9 membership;

10 (26) State additional maintenance and operation revenue equalization
 11 rate means the result of the state-wide local additional maintenance and
 12 operation revenue plus the state contribution to additional maintenance
 13 operation equalization. This result is divided by the state-wide average
 14 daily membership;

15 ~~———(19)~~ (27) State equalization funding per student means the amount of
 16 state financial aid per average daily membership for the previous year
 17 provided to each local school district, calculated by subtracting the local
 18 revenue per student from the base local revenue per student;

19 (28) State wealth index means the result of one (1) minus the ratio of
 20 local revenue per student divided by state equalization funding per student;

21 ~~———(20)~~ (29) Student Classroom teacher funding means the state financial
 22 aid provided to each local school district, calculated as an amount equal to
 23 one hundred twelve percent (112%), times one thousand six hundred and thirty-
 24 three dollars (\$1,633) per average daily membership;

25 ~~———(21)~~ (30) Student growth funding means the amount of state financial
 26 aid provided to each local school district not later than December 30th of
 27 each year from the funds made available for that purpose, calculated as ~~the~~
 28 ~~sum of:~~

29 ~~—————(A) The~~ the base local revenue per student multiplied by ~~forty~~
 30 eighty hundredths ~~(.40)~~ (.80) times the increase, if any, in such local school
 31 district's average daily membership for the first quarter of the current year
 32 over the local school district's average daily membership for the previous
 33 year; ~~and~~

34 ~~—————(B) The increase, if any, in such local school district's average~~
 35 ~~daily membership for the first quarter of the current year over the local~~
 36 ~~school district's average daily membership for the previous year multiplied by~~

1 ~~one thousand five hundred dollars (\$1,500) per average daily membership;~~

2 ~~—— (22)(31)~~ Student needs funding means the amount of state financial aid
3 provided to each local school district from available special education
4 funding, vocational education funding, at-risk funding, isolated funding, and
5 transportation aid and any other categories of student needs funding which may
6 be subsequently identified pursuant to rules and regulations promulgated by
7 the State Board of Education;

8 ~~—— (23)(32)~~ Student unit funding means the state financial aid provided to
9 each local school district calculated as follows: by dividing the total funds
10 available for textbook aid, alternative education, including gifted and
11 talented education programs, restructuring, and staff development by the total
12 state average daily membership for the previous year and multiplying by such
13 local school district's average daily membership for the previous year; ~~and~~

14 ~~(24)(33)~~ Total state and local revenue per average daily membership
15 means in each local school district, the amount calculated by taking the sum
16 of:

17 (A) The local school district's ~~maintenance and operations~~
18 ~~millage~~ uniform rate of tax times ninety-eight percent (98%) of the
19 district's assessed valuation; and

20 (B) The local school district's ~~debt service mills not required~~
21 ~~to pay off debt~~ additional mills for maintenance and operation times ninety-
22 eight percent (98%) of the district's assessed valuation; and

23 (C) The local school district's ~~current expenditure mills times~~
24 ~~ninety-eight percent (98%) of the district's assessed valuation~~ miscellaneous
25 funds; and

26 (D) State equalization funding, student classroom teacher
27 funding, student unit funding, vocational funding, general facilities funding,
28 and student growth funding available to such local school district; and
29 by dividing by the average daily membership of the local school district.

30 (34) Weighted average millage rate means a millage rate calculated by
31 taking the sum of:

32 (A) The millage levied on real property times the real property
33 assessment base; plus

34 (B) The millage levied on personal property times the personal
35 property assessment base; plus

36 (C) The millage levied on utility property times the utility

1 property assessment base; and
2 by dividing by the total assessed value on taxable real, personal, and utility
3 property."

4
5 SECTION 3. Arkansas Code Annotated § 6-20-306 is amended to read as
6 follows:

7 "6-20-306. School Funding.

8 (a)(1) Beginning with the 1996-97 school year, the Department of
9 Education shall provide from available funds, the following school funding
10 categories, in the priority listed, to local school districts:

11 (A) Category 1. State equalization funding per student;

12 (B) Category 2. Student classroom teacher funding;

13 (C) Category 3. Student unit funding; and

14 (D) Category 4. Student needs funding.

15 (2) ~~However, no~~ No subsequent category of funding shall receive
16 any funding until each prior category is fully funded.

17 (b) If any category of funding, excluding category 1, is only partially
18 funded, each local school district shall receive a pro rata share. However, if
19 the General Assembly determines that any element of categories 3 or 4 needs to
20 be funded before full funding of any preceding category is achieved, then that
21 subset of either category 3 or category 4 shall be funded exclusive of the
22 previously-listed categories."

23

24 SECTION 4. Arkansas Code Annotated § 6-20-307 is amended to read as
25 follows:

26 "6-20-307. Facilities.

27 (a) Beginning with the 1996-97 school year, general facilities funding,
28 growth facilities funding, isolated funding, and student growth shall be
29 provided to local school districts from available funds in a line item
30 appropriation within the Public School Fund.

31 (b)(1)(A) Beginning with the 1996-97 school year, the state shall
32 provide from available funds a debt service funding supplement to qualifying
33 local school districts for the purpose of reducing debt service burdens voted
34 by the September 1994 school election, or a special school election ordered by
35 a federal court and held before February 22, 1995, and increasing the amount
36 of local revenue available for maintenance and operations expenditures.

1 (B) As future money is made available for debt service
2 funding, either through increases in state funding or as existing debt
3 obligations decrease, priority will be given to local school districts which
4 meet need assessment guidelines of the Department of Education and which did
5 not receive the debt service funding supplement during the 1996-97 school
6 year.

7 (2) The legislative intent is to continue providing a debt
8 service funding supplement to qualifying local school districts through
9 available funds in a line item appropriation within the Public School Fund ~~and~~
10 ~~as existing debt obligations decrease to transfer at least the amount of~~
11 ~~funding provided during the 1996-97 school year to line item appropriations~~
12 ~~for general facilities funding and growth facilities funding."~~

13

14 SECTION 5. Arkansas Code Annotated § 6-20-308 is amended to read as
15 follows:

16 "6-20-308. Department of Education to provide funding --Adjustments for
17 overpayments.

18 If the Department of Education shall determine that an overpayment has
19 been made to a local school district in any appropriation authorized by this
20 chapter, the Department of Education is authorized to withhold the overpayment
21 from state equalization funding and is authorized to transfer the amount
22 withheld for the overpayment to the line item appropriation from which the
23 overpayment was initially made."

24

25 SECTION 6. Arkansas Code Annotated § 6-20-309 is amended to read as
26 follows:

27 "6-20-309. Local school districts -- Restrictions on use of specific
28 funding.

29 (a) Local school districts may expend category 1 funds for student
30 classroom teacher funding, student unit funding, and student needs funding.

31 (b) A local school district may only use general facilities funding for
32 purchase of school buses, furniture, equipment, computer software, or
33 renovation or repairs of existing facilities.

34 (c) A local school district may only use growth facilities funding for
35 capital outlay, which means for the acquisition of land or a school site and
36 construction of new school facilities, or the costs associated with major

1 adaptations to a facility due to growth.

2 (d) Local school districts may not use student classroom teacher
3 funding to compensate anyone other than classroom teachers."

4

5 SECTION 7. Arkansas Code Annotated 6-20-310 is amended to read as
6 follows:

7 "6-20-310. Local school districts -- Required expenditures.

8 Local school districts must expend the following amounts of money from
9 funds distributed in § 6-20-306 and from local revenues:

10 (1) Local school districts shall expend at least one thousand five
11 hundred forty-eight dollars and fifty-nine cents (\$1,548.59) per average daily
12 membership for classroom teacher salaries;

13 (2) Local school districts shall expend state and local revenues on
14 students evaluated as special education students in accordance with existing
15 federal and state laws and department regulations, ~~as such laws and~~
16 ~~regulations shall be amended from time to time and based on the following~~
17 ~~criteria:~~

18 ~~_____ (A) Calculate a three-year average percentage not to exceed~~
19 ~~twelve and one-half percent (12.5%), based on the three (3) immediately~~
20 ~~preceding December 1 counts of students in special education; and~~

21 ~~_____ (B) Multiply the three-year average percentage not to exceed~~
22 ~~twelve and one-half percent (12.5%) times the average daily membership and~~
23 ~~multiply the result times sixty-four hundredths (.64) times the base local~~
24 ~~revenue per student;~~

25 ~~_____ (3)(A) Local school districts shall expend from state and local~~
26 ~~revenues not less than the following amounts on vocational education students~~
27 ~~in accordance with rules and regulations promulgated by the State Board of~~
28 ~~Education: the previous year's average daily membership participating in~~
29 ~~vocational education programs multiplied by thirty-four hundredths (.34) times~~
30 ~~the base local revenue per student.~~

31 ~~_____ (B) Participating local school districts shall transfer to~~
32 ~~approved vocational centers all funds that districts have previously~~
33 ~~transferred to such centers on an average daily membership basis;~~

34 ~~_____ (4)(3) Local school districts shall expend from state and local~~
35 ~~revenues not less than the following amounts on alternative education programs~~
36 ~~in accordance with rules and regulations promulgated by the State Board of~~

1 Education: The previous year's average daily membership participating in
2 alternative education, up to two percent (2%) of the previous year's average
3 daily membership, multiplied by fifteen hundredths (.15) times the base local
4 revenue per student; and

5 ~~———(5)~~(4) Local school districts shall expend from state and local
6 revenues not less than the following amounts on gifted and talented programs,
7 in accordance with rules and regulations promulgated by the State Board of
8 Education: the previous year's average daily membership participating in
9 gifted and talented programs, up to five percent (5%) of the previous year's
10 average daily membership, multiplied by fifteen hundredths (.15) times the
11 base local revenue per student."
12

13 SECTION 8. Arkansas Code Annotated § 6-20-311 is amended to read as
14 follows:

15 "6-20-311. Local school districts.

16 (a) Beginning with the 1995-96 school year, each local school district
17 shall prepare an annual certified audit of the financial condition and
18 transactions of the local school district as of June 30 of each year in
19 accordance with generally accepted accounting practices and containing any
20 other data as determined by the State Board of Education.

21 (b) Nothing in this legislation shall be construed to authorize,
22 permit, or require consolidation of any school district.

23 (c) If the enactment of this subchapter creates an unanticipated
24 adverse impact or an unexpected fiscal crisis for any local school district,
25 the local school district may appeal to the State Board of Education and the
26 State Board of Education may award the Local School district financial relief
27 from available funds provided for this purpose."
28

29 SECTION 9. Uncodified Section 7 of Act 917 of 1995 is repealed.

30 ~~SECTION 7. Enforcement Mechanisms Beginning July 1, 1996.~~

31 ~~(a) If the Department of Education determines that a Local School~~
32 ~~District has failed to levy at least the Base Millage, the Director of the~~
33 ~~Department of Education shall so certify to the State Treasurer, the State~~
34 ~~Auditor, and the Chief Fiscal Officer of the State. Upon such certification~~
35 ~~the State Treasurer, the State Auditor, and the Chief Fiscal Officer of the~~
36 ~~State shall transfer on their books and the State Treasurer shall cause to be~~

1 transferred from such sources as are enumerated herein, to the Public School
2 Fund created by Ark. Code Ann. ~~§ 19-5-305~~ an amount which, when combined with
3 the revenues produced by the millage actually levied by the Local School
4 District, provides the same amount of revenues as would have been produced by
5 levying the Base Millage in the Local School District. Such transfer shall be
6 made from and shall not exceed the funded amounts available from the following
7 sources that would otherwise be distributed to the counties and municipalities
8 within which the Local School District is located:

9 (1) The monthly distribution of County Aid provided for under
10 Ark. Code Ann. ~~§ 19-5-602(b)~~ derived from the revenues provided in Ark. Code
11 Ann. ~~§ 19-5-602(a)~~.

12 (2) The monthly distribution of Municipal Aid provided for in
13 Ark. Code Ann. ~~§ 19-5-601(b)~~ derived from the revenues provided in Ark. Code
14 Ann. ~~§ 19-5-601(a)~~.

15 (3) Such funds as may be provided by appropriations of the
16 General Assembly for County Jail/Medical Reimbursements under the provisions
17 of Ark. Code Ann. ~~§ 12-27-114 et seq.~~

18 (b) The Department of Education shall distribute any funds transferred
19 pursuant to subsection (a) of this section to the Local School District that
20 failed to levy the Base Millage in a fashion that, when combined with the
21 revenues produced by the millage available for maintenance and operations
22 actually levied by the Local School District, provides the same amount of
23 revenues as would have been provided by levying the Base Millage in the Local
24 School District.

25 (c) For purposes of this section, a Local School District located in
26 two or more counties shall be considered located within the county,
27 municipality or political subdivision within which resides the greater number
28 of registered voters of the Local School District.

29 (d) If the Department of Education determines that a Local School
30 District has levied a millage in excess of the Incentive Millage, the Director
31 of the Department of Education shall withhold from any available funds
32 otherwise distributable to the Local School District under this act an amount
33 equal to the revenues in excess of the Incentive Revenues. This subsection
34 shall not apply to the extent such application would violate any federal court
35 order or to the extent such application would harm a district in fiscal
36 distress.

1 ~~—— (e) For purposes of determining whether a Local School District has~~
2 ~~levied a millage in excess of the Incentive Millage, millage used to service~~
3 ~~debt shall not be included.~~

4 ~~—— (f) For purposes of determining whether a Local School District has~~
5 ~~voted the Base Millage, millage used to service debt shall not be included.~~
6 ~~However, this section shall not apply to any district which has a Local~~
7 ~~Revenue Per Student in excess of the Base Local Revenue Per Student.~~

8 ~~—— (g) This section shall be effective on or after July 1, 1996, except as~~
9 ~~specifically otherwise provided.~~

10

11 SECTION 10. Arkansas Code Annotated § 6-20-401 is amended to read as
12 follows:

13 "6-20-401. Definitions.

14 As used in this subchapter, unless the context otherwise requires:

15 (1) Current indebtedness means a debt obligation incurred by a school
16 district for the purpose of paying maintenance or general operation expenses
17 for the fiscal year in which the debt is incurred or for a purpose for which a
18 postdated warrant, installment contract, or lease purchase agreement may be
19 issued;

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

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

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

31 (B) The remaining net proceeds of local taxes collected in the
32 calendar year in which the school fiscal year started plus forty percent (40%)
33 of the proceeds of the local taxes which are not pledged to secure bonded
34 indebtedness or forty percent (40%) of the revenue from the uniform rate of
35 tax, whichever is greater, collected in the succeeding calendar year. This
36 forty percent (40%) shall be determined by applying the following formula: The

1 greater of ~~Assessed~~ assessed valuation multiplied by the tax rate which is
2 not pledged to secure bonded indebtedness multiplied by forty percent (40%) or
3 the assessed valuation multiplied by the uniform rate of tax multiplied by
4 forty percent (40%); and

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

8
9 SECTION 11. Title 6, Chapter 20, Subchapter 3 of the Arkansas Code
10 Annotated is amended by adding four new sections to read as follows:

11 "6-20-323. Targeted Categories.

12 (a) Beginning with the 1997-98 school year, the Department of Education
13 shall provide special assistance for targeted categories to local school
14 districts from available revenues within a line item appropriation in the
15 Public school fund.

16 (b) The State Board of Education shall promulgate rules and regulations
17 for the disbursement of available funds for special assistance for the
18 following targeted categories:

- 19 (1) Students with Limited English Proficiency;
20 (2) Catastrophic loss funding;
21 (3) High cost special education students; and
22 (4) At-risk students.

23
24 6-20-324. Computation of power equalization.

25 Each local school district that has additional maintenance and operation
26 millage greater than two (2) mills greater than the additional maintenance and
27 operation millage equalization level and less than five (5) mills greater than
28 the additional maintenance operation equalization level shall receive funding
29 equal to the difference of the effective average revenue per mill per average
30 daily membership minus the local school district's revenue per mill per
31 average daily membership for every fraction of additional maintenance and
32 operation millage between two (2) and five (5) mills above the additional
33 maintenance and operation millage equalization level.

34 6-20-325. Additional maintenance and operation equalization.

35 Any local school district whose local additional maintenance and
36 operation revenue divided by its previous year's average daily membership is

1 less than the state additional maintenance and operation revenue equalization
2 rate shall receive funding equal to the state additional maintenance and
3 operation revenue equalization rate times the local school district's previous
4 year's average daily membership minus its local additional maintenance and
5 operation revenue.

6 6-20-326. Incentive equalization.

7 (a) Any local school district whose additional maintenance and
8 operation millage is between the uniform rate of tax and one-half (1/2) of the
9 additional maintenance and operation millage equalization level shall receive
10 funding equal to:

11 (1) Its base total state and local revenue per average daily
12 membership; plus

13 (2) Its additional maintenance and operation millage times
14 ninety-eight percent (98%) of its previous year's assessment divided by its
15 previous year's average daily membership; minus

16 (3) The amount per average daily membership of the local school
17 district qualifying under this section, which is the second- highest value of
18 the sum of subdivisions (1) and (2) of this subsection for each local school
19 district qualifying under this section, when ranked from highest to lowest.

20 (b) Any local school district whose additional maintenance and
21 operation millage is between one-half (1/2) o f the additional maintenance and
22 operation millage equalization level and the additional maintenance and
23 operation millage equalization level shall receive funding equal to:

24 (1) Its base total state and local revenue per average daily
25 membership; plus

26 (2) Its additional maintenance and operation millage times
27 ninety-eight percent (98%) of its previous year's assessment divided by its
28 previous year's average daily membership; minus

29 (3) The amount per average daily membership of the local school
30 district qualifying under this section, which is the second highest value of
31 the sum of subdivisions (1) and (2) of this subsection for each local school
32 district qualifying under this section, when ranked from highest to lowest."

33

34 SECTION 12. Uncodified subsection (k) of Section 3 of Act 917 of 1995
35 is repealed:

36 ~~—— (k) For the 1995-96 school year, if a Local School District fails to~~

~~levy at the September 1995 annual school election a Base Millage, exclusive of millage used to service debt, the Local School District shall not expend funds for school construction not under contract as of February 22, 1995.~~

SECTION 13. Uncodified Section 10 of Act 917 of 1995 is repealed.

~~SECTION 10. Facilities funding for the 1995-96 school year.~~

~~(a) For the 1995-96 school year, the Department of Education shall provide General Facilities Funding to Local School Districts from available revenues within a line item appropriation in the Public School Fund based upon the following formula:~~

~~An amount up to thirty-five dollars (\$35.00) per ADM times the difference between one (1) minus the ratio of the local resource rate and the table rate.~~

~~(b) For purposes of subsection (a), the local resource rate, the state base equalization rate, and the table rate shall be determined using a charge of eighteen (18) mills.~~

~~(c) A Local School District may only use General Facilities Funding for the purchase of school buses, furniture, equipment, computer software, or renovation or repairs of existing facilities.~~

~~(d) For the 1995-96 school year, the Department of Education shall provide Growth Facilities Funding to Local School Districts from available revenues within a line item appropriation in the Public School Fund.~~

~~(e) A Local School District may only use Growth Facilities funding for capital outlay which means for the acquisition of land or a school site and construction of new school facilities.~~

SECTION 14. Uncodified Section 11 of Act 917 of 1995 is repealed.

~~SECTION 11. At-Risk Funding for the 1995-96 school year.~~

~~(a) For the 1995-96 school year, the Department of Education shall provide At-Risk Funding to Local School Districts from available revenues within a line item appropriation in the Public School fund.~~

~~(b) The State Board of Education shall promulgate rules and regulations for the disbursement of available funds and shall take into account the following types of At-Risk programs:~~

~~(1) Compensatory education;~~

~~(2) Alternative learning programs;~~

- 1 ~~_____ (3) ACT and summer school remediation;~~
2 ~~_____ (4) Programs for students with limited English proficiency; and~~
3 ~~_____ (5) Classroom management training for faculty.~~

4

5 SECTION 15. Uncodified Section 12 of Act 917 of 1995 is repealed.

6 ~~SECTION 12. 1995-96 Growth Funding.~~

7 ~~For the 1995-96 school year, the distribution of growth funding shall~~
8 ~~not raise the charge specified in Ark. Code Ann. § 6-20-306.~~

9

10 SECTION 16. All provisions of this act of a general and permanent
11 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas
12 Code Revision Commission shall incorporate the same in the Code.

13

14 SECTION 17. If any provision of this act or the application thereof to
15 any person or circumstance is held invalid, such invalidity shall not affect
16 other provisions or applications of the act which can be given effect without
17 the invalid provision or application, and to this end the provisions of this
18 act are declared to be severable.

19

20 SECTION 18. All laws and parts of laws in conflict with this act are
21 hereby repealed.

22

23 SECTION 19. EMERGENCY. It is found and determined by the General
24 Assembly of the State of Arkansas that the immediate effectiveness of this act
25 is essential to the operation of the Department of Education and local school
26 districts in the calculation of funding for public education and that any
27 delay could work irreparable harm to the Department and the local districts.
28 Therefore an emergency is declared to exist and this act being immediately
29 necessary for the preservation of the public peace, health and safety shall
30 become effective on the date of its approval by the Governor. If the bill is
31 neither approved nor vetoed by the Governor, it shall become effective on the
32 expiration of the period of time during which the Governor may veto the bill.
33 If the bill is vetoed by the governor and the veto is overridden, it shall
34 become effective on the date the last house overrides the veto.

35

/s/Rep. Thicksten