

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

A Bill

SENATE BILL 750

4
5 By: Senators Malone, Beebe, Harriman, Bell, Edwards, Hopkins, Mahony, and Argue
6

For An Act To Be Entitled

9 "AN ACT TO CLARIFY HOW SCHOOL DISTRICTS CAN BORROW MONEY
10 AND ISSUE BONDS; TO DECLARE AN EMERGENCY; AND FOR OTHER
11 PURPOSES."

Subtitle

14 "AN ACT TO CLARIFY HOW SCHOOL DISTRICTS
15 CAN BORROW MONEY AND ISSUE BONDS."

16
17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

18
19 SECTION 1. Definitions.

20 As used in this act:

21 (1) "Additional mills for maintenance and operation" means millage
22 levied by the electors of a local school district for maintenance and
23 operation in excess of those allocated to the uniform rate of tax.

24 (2) "Available for maintenance and operation millages" means millage
25 levied for maintenance and operation, millage levied as dedicated maintenance
26 and operation millage, excess debt service millage, and the millage derived
27 from the ratio of debt service funding supplements divided by the total
28 assessment, which may be included in the calculation for the uniform rate of
29 tax as specified in § 26-80-201(5), if needed.

30 (3) "Average daily membership (ADM)" means the total number of days
31 attended plus the total number of days absent by students in grades
32 kindergarten through twelve (K-12) during the first three (3) quarters of
33 each school year divided by the number of school days actually taught in the
34 district during that period of time rounded up to the nearest hundredth.

35 (4) "Base local revenue per student (BLRPS)" means: As applied under
36 Act 917 of 1995, as such may be amended from time to time, if Category 1 is

1 fully funded, the local revenue per student in the local school district with
2 the highest amount of local revenue per student. If Category 1 is not fully
3 funded, the revenue per student to which the state equalizes calculated by
4 taking the sum of:

5 (A) The total available state aid for state equalization funding
6 per student;

7 (B) Ninety-eight percent (98%) of the uniform rate of tax times
8 the total state assessed valuation; and

9 (C) Seventy-five percent (75%) of the miscellaneous funds
10 collected in the previous year; and
11 by dividing the sum by the total state ADM for the previous year.

12 (5) "Debt service funding supplements (DSFS)" means the state financial
13 aid 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 operation expenditures and calculated as
16 follows: for each mill of eligible debt service millage required, the local
17 school shall be provided up to fifteen dollars (\$15.00) per ADM times the
18 state wealth index. Beginning with the 1997-98 school year, the funding per
19 ADM may be increased by one dollar (\$1.00) each year.

20 (6) "Debt service millage" means the total number of mills voted by the
21 electors of a school district to be pledged as security for the retirement of
22 bonded indebtedness.

23 (7) "Debt service millage required (DSMR)" means the calculated millage
24 rate equal to the amount of millage pledged to mandatory callable bonds plus
25 the result of the scheduled calendar year bonded debt payment divided by the
26 total assessed value of real, personal, and utility property in the local
27 school district.

28 (8) "Eligible debt service millage required" means, in the computation
29 of the debt service funding supplement, the debt service millage required for
30 bonds issued on or before May 30, 1997, or bonds issued to refund bonds issued
31 on or before May 30, 1997, provided that such millage was approved in a school
32 election held on or before February 22, 1995.

33 (9) "Excess debt service millage" means the difference between the debt
34 service millage levied and the debt service millage required. This amount
35 shall be presumed to be available for maintenance and operation, but may be
36 used for other school purposes, provided that the district is in compliance

1 with the uniform rate of tax.

2 (10) "Local revenue per student (LRPS)" means: As applied under Act 917
3 of 1995, as such may be amended from time to time, in each year ninety-eight
4 percent (98%) of the amount of revenue available, whether or not collected, in
5 a local school district, solely from the levy of the uniform rate of tax plus
6 seventy-five percent (75%) of the miscellaneous funds collected in the
7 previous year divided by the ADM of such local school district for the
8 previous year.

9 (11) "Mandatory callable bonds (MCB)" means a bond issue in which all
10 net proceeds from debt service millage used to secure the issuance of that
11 bond must apply to payment of the issue and cannot be used for any other
12 purpose.

13 (12) "Miscellaneous funds" means those funds received by a local school
14 district from federal forest reserves, federal grazing rights, federal mineral
15 rights, federal impact aid, federal flood control, wildlife refuge funds,
16 severance taxes, and funds received by the district in lieu of taxes.

17 (13) "Net revenues" means actual revenues minus any commission fees
18 authorized by law to be collected or withheld for later distribution by the
19 county offices. No additional fees shall be charged for transmittal or
20 redistribution of funds by any county or state office in carrying out the
21 procedures established to comply with the requirements of Amendment No. 74.

22 (14) "Previous year" means the school year immediately preceding the
23 school year in which funds are allocated.

24 (15) "State equalization funding per student (SEFPS)" means: As applied
25 under Act 917 of 1995, as such may be amended from time to time, the amount of
26 state financial aid per ADM for the previous year provided to each local
27 school district calculated by subtracting the local revenue per student from
28 the base local revenue per student.

29 (16) "State wealth index" means the result of one (1) minus the ratio of
30 local revenue per student divided by state equalization funding per student.

31 (17) "Uniform rate of tax" means a uniform rate of ad valorem property
32 tax of twenty-five (25) mills to be levied on the assessed value of all
33 taxable real, personal, and utility property in the state to be used solely
34 for maintenance and operation of the schools. In calculating the uniform rate
35 of tax imposed by Article 14, § 3 of the Arkansas Constitution, as amended by
36 Amendment Nos. 11, 40, and 74, the following categories of millage may be

- 1 utilized to meet the minimum base millage requirement:
- 2 (A) The local school district's maintenance and operation millage;
- 3 (B) The dedicated maintenance and operation millage;
- 4 (C) Excess debt service millage; and
- 5 (D) The millage derived from the ratio of the debt service funding
- 6 supplements divided by the total assessment.
- 7 (17) "Weighted average millage rate (WAMR)" means a millage rate
- 8 calculated by taking the sum of:
- 9 (A) The millage levied on real property times the real property
- 10 assessment base; plus
- 11 (B) The millage levied on personal property times the personal
- 12 property assessment base; plus
- 13 (C) The millage levied on utility property times the utility
- 14 property assessment base; and
- 15 dividing by the total assessed value on taxable real, personal, and utility
- 16 property.

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18 SECTION 2. Arkansas Code Annotated § 6-20-1205 is amended to read as

19 follows:

20 "6-20-1205. Submission of statement prior to borrowing money or issuing

21 bonds -- Approval.

22 (a) When any school district board of directors desires to borrow money

23 or issue bonds, it:

24 (1) Shall furnish to the Director of the State Department of

25 Education, General Education Division, a statement of the amount proposed to

26 be borrowed, the maturity of the indebtedness, ~~a description of the property~~

27 ~~to be mortgaged as security therefor~~, a financial statement of the affairs of

28 the district, a certificate from the county clerk showing the then-assessed

29 valuation of the real, ~~and~~ personal, and utility property in the district;

30 and-

31 (2) Shall not advertise for sale of bonds until the issue is

32 approved by the State Board of Education or by the Director of the State

33 Department of Education, General Education Division, to be evidenced by a

34 writing signed by the State Board of Education or the ~~Director of General~~

35 ~~Education~~ director, and bearing the seal of the State Board of Education.

36 (b) In addition to other reasons for disapproval of a bond issue

1 provided under law or by regulation, neither the State Board of Education nor
2 the Director of the State Department of Education, General Education Division,
3 shall approve the sale of a bond if that sale:

4 (1) Would cause an increase in the millage levy without a vote of
5 the electors of that school district in order to maintain the uniform rate of
6 tax; or

7 (2) Would cause that school district to receive more additional
8 base funding than it did before the sale of the bond.

9 (c) In order to maintain the calculated basis for the uniform rate of
10 tax, a bond approved by the State Board of Education or the Director the State
11 Department of Education, General Education Division, must be issued by the
12 following May 30. If the bond is not issued by the following May 30, the
13 school district must reapply for approval prior to the issuance of the bonds.

14 (d) However, if the State Board of Education shall determine that the
15 school district is unable to finance needed school facilities, due to
16 unexpected, unforeseen, or extreme hardship, because of the limitation imposed
17 in subsection (b)(2) of this section, the State Board of Education may waive
18 the limitation in subsection (b)(2) for that fiscal year."

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20 SECTION 3. All provisions of this act of a general and permanent nature
21 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
22 Revision Commission shall incorporate the same in the Code.

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24 SECTION 4. If any provision of this act or the application thereof to
25 any person or circumstance is held invalid, such invalidity shall not affect
26 other provisions or application, and to this end the provisions of this act
27 are declared severable.

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29 SECTION 5. General Repealer. All laws and parts of laws in conflict
30 with this Act are hereby repealed.

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32 SECTION 6. EMERGENCY. It is found and determined by the General
33 Assembly that Amendment No. 74 to the Arkansas Constitution was adopted by the
34 electors of this state on November 5, 1996; that Amendment No. 74 became
35 effective on adoption and applies to ad valorem property taxes due in 1997;
36 that the tax books of each county will open for collection of taxes in the

1 near future and that local officials and school districts must have direction
2 on procedures and effects of the various actions required. The General
3 Assembly further finds that Amendment No. 74 requires enactment of legislation
4 to implement the provisions thereof and that this act provides such
5 implementation and should be given effect immediately to accomplish the
6 purposes of Amendment No. 74 in an orderly, effective and efficient manner.
7 Therefore, an emergency is declared to exist and this act being immediately
8 necessary for the preservation of the public peace, health and safety shall
9 become effective on the date of its approval by the Governor. If the bill is
10 neither approved nor vetoed by the Governor, it shall become effective on the
11 expiration of the period of time during which the Governor may veto the bill.
12 If the bill is vetoed by the Governor and the veto is overridden, it shall
13 become effective on the date the last house overrides the veto.

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