

Stricken language would be deleted from and underlined language would be added to law as it existed prior to the 82nd General Assembly.

1 State of Arkansas
2 82nd General Assembly
3 Regular Session, 1999

As Engrossed: H3/17/99

A Bill

HOUSE BILL 1973

4
5 By: Representatives Davis, Simmons
6
7

For An Act To Be Entitled

8
9 "AN ACT TO AMEND AND CLARIFY THE ISSUANCE OF POSTDATED
10 WARRANTS AND THE ENTERING INTO INSTALLMENT AGREEMENTS
11 BY SCHOOL DISTRICTS; AND FOR OTHER PURPOSES. "

Subtitle

12
13
14 "AN ACT TO AMEND AND CLARIFY THE ISSUANCE
15 OF POSTDATED WARRANTS AND THE ENTERING
16 INTO INSTALLMENT AGREEMENTS BY SCHOOL
17 DISTRICTS. "

18
19
20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
21

22 SECTION 1. Arkansas Code 6-20-402 is amended to read as follows:

23 "6-20-402. Limitation on current indebtedness - postdated warrants, ~~and~~
24 ~~installment contracts, and lease purchase agreements~~ - liability.

25 (a) The amount of obligations incurred by a school district for any
26 school fiscal year shall not be in excess of the revenue receipts of the
27 district for that year except as provided herein and in §§ 6-20-801 et seq.
28 and 6-20-1201 et seq.

29 (b) School districts may issue postdated warrants or enter into
30 ~~installment contracts or lease purchase agreements for~~ to provide funds for
31 the following purposes:

32 (1) Purchase of school buses;

33 (2) ~~Payment of premiums of insurance policies on school~~
34 ~~buildings, facilities, and equipment in instances where the insurance coverage~~
35 ~~extends three (3) years or longer~~ Construction of new school facilities;

36 (3) Purchase of equipment;

- 1 (4) Repair and renovation of school facilities;
- 2 (5) Purchase of school sites;
- 3 (6) Payment on loans secured for settlement resulting from
- 4 litigation against a school district; ~~and~~
- 5 (7) ~~[As enacted by Acts 1997, No. 1265.]~~ Payment of the
- 6 district's pro rata part of employing professional appraisers as authorized by
- 7 laws providing for the appraisal, or reappraisal, and assessment of property
- 8 for ad valorem tax purposes; ~~;~~
- 9 ~~(7)~~ (8) ~~[As enacted by Acts 1997, No. 962.]~~ Purchase of energy
- 10 conservation measures; ~~;~~ and
- 11 (9) Refund of revolving loans, post dated warrants and installment
- 12 contracts provided that:
- 13 (A) The last maturity date of the postdated warrants is
- 14 not later than the last maturity date of the revolving loan, postdated warrant
- 15 or installment contract being refunded; and
- 16 (B) The total amount required to pay principal and interest
- 17 of the postdated warrants as they become due and payable, as well as any
- 18 issuance costs required to be paid by the district, exclusive of the issuance
- 19 costs paid from the proceeds of the post dated warrants, must be less than the
- 20 total amount required to pay principal and interest of the revolving loan,
- 21 postdated warrant or installment contract being refunded as they become due
- 22 and payable.
- 23 (c) School districts may enter into a lease purchase agreement to
- 24 provide funds for the following purposes:
- 25 (1) Purchase of school buses;
- 26 (2) Purchase of equipment; and
- 27 (3) Purchase of energy conservation measures.
- 28 (d) School districts may issue postdated warrants or enter into
- 29 installment contracts or lease purchase agreements in an amount sufficient to
- 30 accomplish the purposes listed in subsections (b) and (c) above and to pay the
- 31 costs of issuing the postdated warrants, or entering into the installment
- 32 contracts or lease agreements.
- 33 ~~(b)(1)(A)~~ (e)(1)(B) Except as provided in subdivision (b)(1)(B) of this
- 34 section, postdated warrants, lease purchase agreements, and installment
- 35 contracts must be paid within eight (8) years of the date of issuance of the
- 36 postdated warrant or the execution of the written lease purchase agreement or

1 installment contract, as the case may be. Postdated warrants, lease purchase
2 agreements, and installment contracts must be registered, on forms provided by
3 the State Board of Education, with the treasurer of the district and the State
4 Board of Education.

5 (B) Postdated warrants, lease purchase agreements, and
6 installment contracts for the purchase and installation of energy conservation
7 measures must be paid within ten (10) years after the date of issuance of the
8 postdated warrant or the execution of the written lease purchase agreement or
9 installment contract, as the case may be.

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

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

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

23 (3) The unpaid principal amount of postdated warrants issued and
24 installment contracts and lease-purchase agreements entered into shall be a
25 part of the total debt of the district as limited by §§ 6-20-803 and 6-20-
26 1202, as amended, with the district fiscal officer and his surety liable for
27 exceeding such limitations.

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

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

35 (6) It shall be the duty of the school fiscal officer to indicate
36 on each school district warrant or on the schedule of payments attached to a

1 written installment contract or lease-purchase agreement the school year's
2 revenues against which the obligation was incurred and is to be paid, and it
3 shall be unlawful for the school fiscal officer to issue a school district
4 warrant or enter into an installment contract or lease-purchase agreement, the
5 installments for which are to be charged against the revenues of a school
6 year, if the obligation thereof was incurred in a different school year,
7 except as otherwise authorized herein.

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

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

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

35 ~~(e)~~(f) A school district may incur current indebtedness and issue its
36 notes or other evidence thereof as provided in this subsection.

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

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

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

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

14 ~~(d)~~(g) As additional security for the payment of any postdated warrant
15 or current indebtedness of a school district, the district may authorize the
16 State Board of Education to cure any delinquencies in payment by withholding
17 state aid due the district. ~~[sic]~~ Such authorization shall be given at the
18 time the warrant is issued or the current indebtedness is incurred and shall
19 be given in such manner and in such form as the State Board of Education shall
20 prescribe. If the debtor district has authorized withholding of state aid,
21 whenever the payee or the designated paying agent for receipt of the
22 district's payments does not receive a payment when due pursuant to the
23 authorizing documents, the payee or paying agent will be entitled to payment
24 from the withheld state aid in an amount sufficient to cure the payment
25 deficiency upon notifying the Director of the General Education Division and
26 the superintendent of the district by telephone, facsimile, or other similar
27 communication, followed by written verification. Unless the director
28 determines that payment has been made by the district and there is no longer a
29 payment deficiency, the director shall withhold from the next distribution of
30 state aid and remit to the payee or paying agent an amount sufficient to cure
31 the deficiency. In the event the amount next due to be distributed to the
32 delinquent district is not sufficient to cure the delinquency, the director
33 shall continue to withhold state aid as due and remit it to the payee or
34 paying agent until the payment deficiency has been cured. If the director is
35 notified that a district is delinquent on two (2) or more obligations for
36 which a district has authorized withholding of state aid to cure a

1 delinquency, the director shall make payment to payees or paying agents in the
2 order of receipt of notices of the delinquency.

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

7 ~~(f)~~(i) Any duties required of any officer of the state pursuant to
8 subsection ~~(d)~~(g) of this section shall be only ministerial in nature and
9 shall in no way transfer any liability of the debtor to the state, any agency
10 or any officer thereof.

11 ~~(g)~~(j) The rate of interest on postdated warrants, installment
12 contracts, lease-purchase agreements, and current indebtedness shall not
13 exceed the maximum interest rate for school bonds as determined under § 6-20-
14 1206."

15
16 SECTION 2. All provisions of this act of a general and permanent nature
17 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
18 Revision Commission shall incorporate the same in the Code.

19
20 SECTION 3. If any provision of this act or the application thereof to
21 any person or circumstance is held invalid, such invalidity shall not affect
22 other provisions or applications of the act which can be given effect without
23 the invalid provision or application, and to this end the provisions of this
24 act are declared to be severable.

25
26 SECTION 4. All laws and parts of laws in conflict with this act are
27 hereby repealed.

28 */s/ Davis, et al*

29
30
31
32
33
34
35
36