

State of Arkansas
82nd General Assembly
Regular Session, 1999

As Engrossed: S3/11/99

A Bill

SENATE BILL 629

By: Senator Mahony

For An Act To Be Entitled

"AN ACT TO PERMIT SCHOOL DISTRICTS TO ISSUE REFUNDING
BONDS WITHOUT THE APPROVAL OF THE STATE BOARD OF
EDUCATION; TO DECLARE AN EMERGENCY; AND FOR OTHER
PURPOSES. "

Subtitle

"TO PERMIT SCHOOL DISTRICTS TO ISSUE
REFUNDING BONDS WITHOUT THE APPROVAL OF
THE STATE BOARD OF EDUCATION; TO DECLARE
AN EMERGENCY. "

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

SECTION 1. Arkansas Code 6-20-1205 is amended to read as follows:

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

(a) When any school district board of directors desires to ~~borrow money~~
~~or~~ issue bonds for the purposes described in § 6-20-1201, it:

(1) Shall furnish to the Director of the ~~State~~ Department of
Education, ~~General Education Division~~, a statement of the amount proposed to
be borrowed, the maturity of the indebtedness, a financial statement of the
affairs of the district, a certificate from the county clerk showing the then-
assessed valuation of the real, personal, and utility property in the
district; and

(2) Shall not advertise for sale of bonds until the issue is
approved by the State Board of Education or by the Director of the ~~State~~
Department of Education, ~~General Education Division~~, to be evidenced by a

1 writing signed by the State Board of Education or the director, and bearing
2 the seal of the State Board of Education.

3 (b) In addition to other reasons for disapproval of a bond issue
4 provided under law or by regulation, neither the State Board of Education nor
5 the Director of the ~~State Department of Education, General Education Division,~~
6 shall approve the sale of ~~a bond~~ bonds for the purposes described in § 6-20-
7 1201, if that sale:

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

11 (2) Would cause the Department of Education to be out of
12 compliance with any school finance equity test adopted by an appropriate
13 court.

14 (c) In order to maintain the calculated basis for the uniform rate of
15 tax, as specified in § 26-80-201(5), a bond approved by the State Board of
16 Education or the Director of the ~~State Department of Education, General~~
17 ~~Education Division,~~ must be issued by the following May 30. If the bond is not
18 issued by the following May 30, the school district must reapply for approval
19 prior to the issuance of the bonds.

20 (d) The Department of Education shall not provide a local school
21 district that issues second lien bonds more additional base funding for which
22 it would otherwise qualify excluding the issuance of the second lien bonds.

23 (e) The Department of Education is authorized to adopt procedural rules
24 and regulations to enforce the provisions of this section."
25

26 SECTION 2. Arkansas Code 6-20-1215 is amended to read as follows:

27 "6-20-1215. Approval of bond issues.

28 Before any school district shall issue bonds for the purposes described
29 in § 6-20-1201, the issue shall be approved by the State Board of Education,
30 or, if the district has done everything necessary to comply with the law to
31 authorize them to sell bonds except securing the approval of the State Board
32 of Education, if the State Board of Education does not meet for thirty (30)
33 days, in its discretion, the State Board of Education shall have the authority
34 to authorize the Director of ~~General~~ the Department of Education to approve
35 the issue of bonds."
36

SECTION 3. Arkansas Code 6-20-1216(a) is amended to read as follows:

"(a) Any school district of Arkansas shall have the right, subject to ~~the approval of the State Board of Education,~~ procedural rules and regulations adopted by the Department of Education, to refund its bonds outstanding at any time. Any Department of Education rule or regulation that would prevent or delay a school district from refunding outstanding bonds may be waived by the Director of the Department of Education, or designee, provided that the Director, or designee, determines that it is in the best interest of the school district to proceed with the refunding immediately."

SECTION 4. Arkansas Code 6-20-1220 is amended to read as follows:

"6-20-1220. Refunding bonds - Issuance with election - Validation.

Refunding bonds issued by any school district of the State of Arkansas, when authorized at any general or special school election by a vote of the electors of the district by voting for a continuing building fund to retire refunding bonds, shall be the valid, legal, and binding obligations of the district provided that the issuance of the refunding bonds is approved by the State Board of Education or the Director of the Department of Education prior to the issuance of the refunding bonds."

SECTION 5. Arkansas Code 6-20-1223 is amended to read as follows:

"6-20-1223. Refunding bonds - Issuance without election.

(a) School districts of this state may issue refunding bonds, ~~subject to the approval of the State Board of Education,~~ without the necessity of submitting the question of issuing the refunding bonds to a vote of the electors of the district, and without the approval of the State Board of Education provided:

(1) The last maturity date of the refunding bonds is not later *than the last maturity date of the bonds being refunded;* ~~and~~

(2) The total amount required to pay principal and interest of the refunding bonds as they become due and payable, as well as any issuance costs required to be paid by the district, exclusive of issuance costs paid from the proceeds of the refunding bonds, must be less than the total amount required to pay principal and interest of the bonds being refunded as they *become due and payable;* ~~and~~

(3) The issue has been approved by the Director of the Department

1 of Education, or the director's designee, subject to the Department of
2 Education rules and regulations.

3 (b) Any such refunding bonds, when authorized by resolution of the
4 board of directors of the district issuing them ~~and when approved by the State~~
5 ~~Board of Education~~, may enjoy the same security for their payment as was
6 enjoyed by the bonds refunded thereby, including particularly, and without
7 limitation, any continuing annual building fund taxes voted and pledged to the
8 payment of the bonds refunded thereby, except that, in all school districts
9 operating pursuant to federal court desegregation decrees, the refunding bonds
10 may, but shall not be required to, enjoy the same security for payment as was
11 enjoyed by the bonds refunded. Except as to the particulars dealt with in
12 this section, refunding bonds shall be governed insofar as their authorization
13 and security is concerned by provisions of existing law."
14

15 SECTION 6. All provisions of this act of a general and permanent nature
16 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
17 Revision Commission shall incorporate the same in the Code.
18

19 SECTION 7. If any provision of this act or the application thereof to
20 any person or circumstance is held invalid, such invalidity shall not affect
21 other provisions or applications of the act which can be given effect without
22 the invalid provision or application, and to this end the provisions of this
23 act are declared to be severable.
24

25 SECTION 8. All laws and parts of laws in conflict with this act are
26 hereby repealed.
27

28 SECTION 9. EMERGENCY CLAUSE. It is hereby found and determined by the
29 Eighty-second General Assembly that under favorable market conditions school
30 districts can issue refunding bonds for the purpose of refunding outstanding
31 bonds at lower rates of interest producing substantial debt service savings in
32 the district; that under current law, districts may not sell or issue
33 refunding bonds without prior approval of the State Board of Education or the
34 Director of the Department of Education; that by the time approval is obtained
35 the market conditions may have changed; that this act is necessary to give
36 school districts greater flexibility in order to take advantage of the most

1 favorable market conditions and produce the greatest debt service savings.
2 Therefore, an emergency is declared to exist and this act being immediately
3 necessary for the preservation of the public peace, health and safety shall
4 become effective on the date of its approval by the Governor. If the bill is
5 neither approved nor vetoed by the Governor, it shall become effective on the
6 expiration of the period of time during which the Governor may veto the bill.
7 If the bill is vetoed by the Governor and the veto is overridden, it shall
8 become effective on the date the last house overrides the veto.

9 /s/ Mahony