

State of Arkansas

83rd General Assembly

Regular Session, 2001

# A Bill

HOUSE BILL 2200

By: Representative Seawel

## For An Act To Be Entitled

AN ACT TO AMEND THE LIMITATIONS ON CURRENT INDEBTEDNESS FOR SCHOOL DISTRICT; TO INCREASE THE MAXIMUM AMOUNT OF MONEY A LOCAL SCHOOL DISTRICT MAY BORROW FROM THE REVOLVING LOANS FUND; AND FOR OTHER PURPOSES.

## Subtitle

AN ACT TO AMEND THE LIMITATIONS ON CURRENT INDEBTEDNESS FOR SCHOOL DISTRICT; TO INCREASE THE MAXIMUM AMOUNT OF MONEY A LOCAL SCHOOL DISTRICT MAY BORROW FROM THE REVOLVING LOANS FUND.

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

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

6-20-402. Limitation on current indebtedness - Postdated warrants, ~~and~~ installment contracts, and lease purchase agreements - Liability.

(a)(1) The amount of obligations incurred by a school district for any school fiscal year shall not be in excess of the revenue receipts of the district for that year except as provided herein and in §§ 6-20-801 et seq. and 6-20-1201 et seq.

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

(A) Purchase of school buses;

(B) ~~Payment of premiums of insurance policies on school~~

~~buildings, facilities, and equipment in instances where the insurance coverage extends three (3) years or longer~~ Construction of new facilities;

(C) Purchase of equipment;

(D) Repair and renovation of school facilities;

(E) Purchase of school sites;

(F) Payment on loans secured for settlement resulting from litigation against a school district;

(G) Payment of the district's pro rata part of employing professional appraisers as authorized by laws providing for the appraisal or reappraisal and assessment of property for ad valorem tax purposes; ~~and~~

(H) Purchase of energy conservation measures; and

(I) Refund of revolving loans, postdated warrants, installment contracts, and lease purchase agreements, if:

(i) The last maturity date of the postdated warrants or installment contracts is not later than the last maturity date of the revolving loans, postdated warrants, installment contracts, or lease purchase agreements being refunded; and

(ii) The total amount required to pay principal and interest of the postdated warrants or installment contracts, as they become due and payable, as well as any issuance costs required to be paid by the district, exclusive of the issuance costs paid from the proceeds of the postdated warrants or installment contracts, must be less than the total amount required to pay principal and interest of the revolving loan, postdated warrant, installment contract, or lease purchase agreement being refunded as they become due and payable.

(b) School districts may enter into lease purchase agreements to provide funds for the following purposes:

(1) Purchase of school buses;

(2) Purchase of equipment; or

(3) Purchase of energy conservation measures.

(c) School districts may issue postdated warrants or enter into installment contracts or lease purchase agreements in an amount sufficient to accomplish the purposes listed in subsections (a) and (b) of this section and to pay the costs of issuing the postdated warrants, or entering into the installment contracts or lease purchase agreements.

~~(b)(1)(A)(d)(1)(A)~~ Except as provided in subdivision ~~(b)(1)(B)~~

(d)(1)(B) of this section, postdated warrants, lease-purchase agreements, and installment contracts must be paid within eight (8) years of the date of issuance of the postdated warrant or the execution of the written lease-purchase agreement or installment contract, as the case may be. Postdated warrants, lease-purchase agreements, and installment contracts must be registered, on forms provided by the State Board of Education, with the treasurer of the district and the board.

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

(C) Postdated warrants and installment contracts used to fund new construction shall be subject to the standards and approval guidelines established in §§ 6-20-1406 and 6-20-1407, and shall be subject to the borrowing limit of revolving loans as established in § 6-20-803(a).

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

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

(B) A copy of each contract and of the schedule of payments shall be filed with the treasurer of the district and with the board, and when so filed, each installment may be paid as it becomes due.

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

(4) Payments by a school district pursuant to postdated warrants, installment contracts, and lease-purchase agreements shall be charged against the budget of the school fiscal year in which they become due and shall be

1 paid out of the revenue receipts for that fiscal year.

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

5 (6) It shall be the duty of the school fiscal officer to indicate  
6 on each school district warrant or on the schedule of payments attached to a  
7 written installment contract or lease-purchase agreement the school year's  
8 revenues against which the obligation was incurred and is to be paid, and it  
9 shall be unlawful for the school fiscal officer to issue a school district  
10 warrant or to enter into an installment contract or lease-purchase agreement  
11 the installments for which are to be charged against the revenues of a school  
12 year if the obligation thereof was incurred in a different school year except  
13 as otherwise authorized herein.

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

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

31 (9) It is the purpose and intent of this section to place primary  
32 responsibility on the school fiscal officer and his surety for compliance with  
33 the provisions of this section and to make the county treasurer, or district  
34 treasurer if the school district has its own treasurer, and his surety liable  
35 for any payment on a warrant, contract, or agreement drawn in violation of  
36 this section where the amount of the payment exceeds the revenue receipts of

the district for the school year against which it is charged as indicated on the warrant, contract, or agreement or where the county treasurer approves a payment with the knowledge that it is in payment of an obligation of a different school year as prohibited in this section.

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

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

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

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

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

~~(d)(1)~~(f)(1) As additional security for the payment of any postdated warrant, ~~or~~ installment contract, lease purchase agreement, or other current indebtedness of a school district, the district ~~may~~ shall authorize the board to cure any delinquencies in payment by withholding state aid due the district. Authorization shall be given at the time the warrant is issued or the current indebtedness is incurred and shall be given in the manner and in the form that the board shall prescribe.

(2)(A) If the ~~debtor district has authorized withholding of state aid, then whenever the~~ payee or the designated paying agent for receipt of the district's payments does not receive a payment when due pursuant to the authorizing documents, the payee or paying agent will be entitled to payment from the withheld state aid in an amount sufficient to cure the payment deficiency upon notifying the Director of the Department of Education and the superintendent of the district by telephone, facsimile, or other similar communication followed by written verification.

(B) Unless the director determines that payment has been made by the district and there is no longer a payment deficiency, the director

shall withhold from the next distribution of state aid and remit to the payee or paying agent an amount sufficient to cure the deficiency.

(3) In the event that the amount next due to be distributed to the delinquent district is not sufficient to cure the delinquency, the director shall continue to withhold state aid as due and remit it to the payee or paying agent until the payment deficiency has been cured.

(4) If the director is notified that a district is delinquent on two (2) or more obligations for which a district has authorized withholding of state aid to cure a delinquency, the director shall make payment to payees or paying agents in the order of receipt of notices of the delinquencies.

~~(e)(g)~~ If the board withholds state aid from a school district pursuant to subsection ~~(d)(f)~~ of this section, the school district shall be classified as a Phase III school district in distress as described in § 6-20-1609.

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

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

SECTION 2. Arkansas Code 6-20-803 is amended to read as follows:

6-20-803. Loans to local school districts.

(a) The maximum amount of money a local school district may borrow from the Revolving Loan Fund shall be ~~five hundred thousand dollars (\$500,000)~~ one million dollars (\$1,000,000).

(b) The maximum amount of money a local school district may borrow from the Revolving Loan Fund shall also be subject to the limitation on bonded indebtedness provided in § 6-20-1202.