

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

State of Arkansas

As Engrossed: S3/13/01 S3/19/01

83rd General Assembly

A Bill

Regular Session, 2001

SENATE BILL 603

By: Senators Mahony, D. Malone

By: Representatives Cook, Bond, Cleveland

For An Act To Be Entitled

AN ACT TO AMEND VARIOUS SECTIONS OF TITLE 6 OF
THE ARKANSAS CODE RELATIVE TO THE FUNDING OF
PUBLIC EDUCATION; TO DECLARE AN EMERGENCY; AND
FOR OTHER PURPOSES.

Subtitle

AN ACT TO AMEND VARIOUS SECTIONS OF
TITLE 6 OF THE ARKANSAS CODE RELATIVE TO
FUNDING OF PUBLIC EDUCATION.

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

SECTION 1. Arkansas Code 6-17-914(a), pertaining to the preparation and submission of school district budgets, is amended to read as follows:

(a)(1) Each school district of the state shall prepare annually a budget of expenditures and receipts which shall be filed with the Department of Education.

(2) Each budget, approved by the board of directors of the district in a legally held meeting and signed by the president of the board and the ex officio financial secretary of the district, shall contain the information and be prepared ~~on the paper forms or in~~ the electronic format as prescribed by the State Board of Education.

~~(3)(A) A school district that utilizes paper forms shall file the budget with the department no later than August 28 of each year.~~

~~(B)~~ (3) A school district that utilizes an electronic format shall file the budget with the department no later than September 15 of each

1 year.

2
3 SECTION 2. Arkansas Code 6-17-1001(p), pertaining to the minimum
4 salaries of teachers, is amended to read as follows:

5 (p)(1) A district which determines that it cannot meet the minimum
6 salary requirements of this section from funds available may petition the
7 Department of Education for a waiver of the requirements of this section for
8 up to three (3) school years, based on regulations promulgated by the state
9 board.

10 (2) The department shall not grant a waiver to any district which is
11 not in compliance with the ~~base millage~~ uniform rate of tax requirements
12 under Arkansas Constitution, Amendment 74.
13

14 SECTION 3. Arkansas Code 6-18-213 is amended to read as follows:

15 6-18-213. Attendance records and reports generally.

16 (a)(1) A record of pupil attendance shall be kept by each school
17 district of the state on forms provided by the Department of Education.

18 (2) This basic record, showing the daily attendance or absence of
19 each student for the school year, shall be kept in ink by a teacher or other
20 officially designated person who visually notes the physical presence or
21 absence of each student on a daily basis.

22 (3) The attendance for resident and nonresident students shall be
23 kept separately.

24 (4) The basic attendance records of each district shall be kept
25 on file in the district for a period of three (3) years and shall be audited
26 by the department at least one (1) time in any given three-year period.

27 (b)(A) The official reporting period for attendance shall be quarterly,
28 with the actual number of days counted in each period to be no fewer than
29 forty (40) nor more than fifty (50).

30 (B) A waiver of this subsection may be granted by the Department
31 of Education upon petition by a school district.

32 ~~(c) Each school district in the state shall file a report on its~~
33 ~~attendance for each quarterly period with the department within fifteen (15)~~
34 ~~days after the end of any quarterly period.~~

35 ~~(d)~~ (c) The attendance in each of the school districts of the state as
36 reflected by the combined reports for the first three (3) quarters of the

1 school year shall be the official data used in computing certain types of
2 state aid for the following year.

3 ~~(e)~~ (d) Any district which fails to file, by April 15 of any given
4 year, reports for the first three (3) quarters of that year, as required by
5 subsection (c) of this section, shall have the remainder of its state
6 equalization aid withheld, beginning with the April allotment, and placed in
7 escrow to be released when the reports are received.

8 ~~(f)~~ (e) The State Board of Education shall develop forms and shall
9 promulgate rules, regulations, and procedures as may be required to implement
10 the intent of this section.

11
12 SECTION 4. Arkansas Code 6-19-118 is repealed:

13 ~~6-19-118. Student passenger excess liability insurance.~~

14 ~~(a) The Department of Education shall purchase a policy of liability~~
15 ~~insurance in addition to that required by § 21-9-303, which when combined~~
16 ~~with the coverage required by § 21-9-303 will provide coverage in an amount~~
17 ~~equal to two hundred fifty thousand dollars (\$250,000) per incident for~~
18 ~~student passengers on school buses who are injured in an accident which is~~
19 ~~the fault of the local school district's designated driver.~~

20 ~~(b) The insurance coverage required by § 21-9-303 shall be the primary~~
21 ~~insurance coverage for each school bus owned or operated on behalf of a~~
22 ~~school district, and the cost of the insurance coverage required by § 21-9-~~
23 ~~303 shall be the responsibility of each school district.~~

24 ~~(c) The doctrine of comparative fault shall not be affected by this~~
25 ~~section.~~

26 ~~(d) The provisions of this section shall be contingent on the~~
27 ~~appropriation and funding necessary to allow the Department of Education to~~
28 ~~carry out the duties assigned to it in this section.~~

29
30 SECTION 5. Arkansas Code 6-20-105 is repealed:

31 ~~6-20-105. Millage rates.~~

32 ~~The Department of Education shall, in computing the millage rates in~~
33 ~~effect in each of the state's school districts, use a combined rate of real,~~
34 ~~personal, and utility millages by taking a weighted average based on~~
35 ~~assessments.~~

SECTION 6. Arkansas Code 6-20-303 is amended to read as follows:

6-20-303. Definitions.

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

(1) "Additional base funding" means the state funding to local school districts to ensure that a local school district's total state and local revenue per average daily membership is no less than the minimum state and local revenue per average daily membership;

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

(3) "Alternative learning environment" means an intervention program, in compliance with §§ 6-18-508 and 6-18-509, that seeks to eliminate traditional barriers to learning for students and includes a component for the education of gifted and talented students;

(4) "Average daily membership" means the total number of days attended plus the total number of days absent by students in grades kindergarten through twelve (K-12) during the first three (3) quarters of each school year, divided by the number of school days actually taught in the district during that period of time rounded up to the nearest hundredth. In those instances in which the average daily membership for less than three (3) quarters is specified, the number of days used in the calculation shall be the days in the specified period of time. As applied to this subchapter, students who may be counted for average daily membership are:

(A) Students who reside within the boundaries of the school district and are enrolled within a public school operated by the district or a private school for special education students, with their attendance resulting from a written tuition agreement approved by the Department of Education;

(B) Legally transferred students living outside the district but attending a public school in the district; and

(C) Students who reside within the boundaries of the school district and who are enrolled in the Arkansas National Guard Youth Challenge Program, so long as the students are participants in the program;

(5) "Base local revenue per student" means:

(A) If Category 1 is fully funded, the local revenue per student in the local school district with the highest amount of local revenue per

1 student; or

2 (B) If Category 1 is not fully funded, the revenue per student to
3 which the state equalizes, which is calculated by taking the sum of:

4 (i) The total available state aid for state equalization
5 funding per student;

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

8 (iii) Seventy-five percent (75%) of the average
9 miscellaneous funds collected in the previous five (5) years or previous year
10 whichever is less;

11 and by dividing the sum by the total state average daily membership for
12 the previous year;

13 (6) "Classroom teacher" means:

14 (A) An individual who is required to hold a teaching license from
15 the Department of Education and who is engaged directly in instruction with
16 students in a classroom setting for more than seventy percent (70%) of the
17 individual's contracted time;

18 (B) A guidance counselor; or

19 (C) A librarian;

20 (7) "Debt service funding supplement" means the state financial aid
21 provided to qualifying local school districts for the purpose of reducing
22 existing debt service burdens and increasing the amount of local revenue
23 available for maintenance and operations expenditures and calculated as
24 follows: For each mill of eligible debt service millage required, the local
25 school shall be provided a dollar amount of no less than fifteen dollars
26 (\$15.00) per average daily membership times the state wealth index;

27 (8) "Debt service millage" means the total number of mills voted by the
28 electors of a school district to be pledged as security for the retirement of
29 bonded indebtedness;

30 (9) "Debt service millage required" means the calculated millage rate
31 equal to the amount of millage pledged to mandatory callable bonds plus the
32 result of the scheduled calendar year bonded debt payment divided by the
33 total assessed value of real, personal, and utility property in the local
34 school district;

35 (10) "Eligible debt service millage required" means, in the computation
36 of the debt service funding supplement, the debt service millage required for

bonds issued before May 30 of each year;

(11) "Excess debt service millage" means the difference between the debt service millage levied and the debt service millage required. This amount shall be presumed to be available for maintenance and operation but may be used for other school purposes provided that the district is in compliance with the uniform rate of tax;

(12) "General facility funding" means the state financial aid provided to each local school district from funds made available for that purpose and based on a facilities needs assessment justification approved by the Department of Education and calculated as follows: Multiply the local school district's average daily membership for the previous year times the state wealth index, times a rate established by the State Board of Education;

(13) "Incentive funding" means the state financial aid provided to local school districts below the ninety-fifth percentile for the purpose of eliminating the incentive a local school district may have to reduce its additional mills available for maintenance and operations and which is calculated by taking one-half (1/2) of the difference between the amount of additional base funding a local school district would have received if it only levied the uniform rate of tax and the additional base funding the district receives in the current school year. For purposes of the calculation of the amount of additional base funding a district would have received if it had only levied the uniform rate of tax, twenty-five percent (25%) of the miscellaneous funds received by any local school district shall be excluded from the calculation;

(14) "Isolated funding" means the state financial aid provided to local school districts with an average daily membership of less than three hundred fifty (350) from funds made available for that purpose and which is calculated as follows:

(A) $(350 - \text{Previous year's average daily membership})$

~~850~~

divided by eight hundred and fifty (850) times previous year's average daily membership times the base local revenue per student;

(B) Local school districts with an average daily membership density of less than one and two tenths (1.2) shall receive additional funds equal to fifty percent (50%) of aid received under subdivision (14)(A) of this section;

1 (C) For the purpose of calculating isolated funding, any local
2 school district that has an average daily membership density greater than 5.0
3 shall be excluded. Provided, however, if a local school district has a local
4 revenue per student less than sixty percent (60%) of the effective average,
5 it shall receive isolated funding; ~~and~~

6 (D) No school district shall receive less isolated funding in
7 future years than the district received during the 1996-1997 school year
8 because of subdivision (14) (C) of this section; and

9 (E) If the statewide amount for isolated funding, calculated
10 pursuant to this section, is less than the amount appropriated for isolated
11 funding, the State Board of Education may include a funding factor to the
12 calculation in § 6-20-303(14)(A) in order to expend up to the appropriated
13 amount;

14 (15) "Local revenue per student" means in each year ninety-eight
15 percent (98%) of the amount of revenue available, whether or not collected,
16 in a local school district solely from the levy of the uniform rate of tax
17 plus seventy-five percent (75%) of the average miscellaneous funds collected
18 in the previous five (5) years or previous year, whichever is less, divided
19 by the average daily membership of the local school district for the previous
20 year;

21 (16) "Local school district" means a geographic area with an elected
22 board of directors which qualifies as a taxing unit for purposes of ad
23 valorem property taxes under ~~§ 26-1-101 et seq.~~ Title 26 of this Code and
24 which board conducts the daily affairs of public schools pursuant to the
25 supervisory authority vested in it by the General Assembly;

26 (17) "Local school district at the ninety-fifth percentile" means, when
27 ranking districts in descending order by the total state and local revenue
28 per average daily membership, a district which falls at the ninety-fifth
29 percentile of the total number of pupils in attendance in the schools of this
30 state, as described by 34 C.F.R. § 222.63 (1994);

31 (18) "Mandatory callable bonds" means a bond issue in which all net
32 proceeds from debt service millage used to secure the issuance of that bond
33 must be applied to payment of the issue and cannot be used for any other
34 purpose;

35 (19) "Millage rate" means the millage rate listed in the most recent
36 tax ordinance approved by the county quorum court under the authority of §

1 14-14-904;

2 ~~(19)~~(20) "Minimum state and local revenue per average daily membership"
3 means an amount no less than eighty percent (80%) of the total state and
4 local revenue per average daily membership of the local school district at
5 the ninety-fifth percentile;

6 ~~(20)~~(21) "Miscellaneous funds" means those funds received by a local
7 school district from federal forest reserves, federal grazing rights, federal
8 mineral rights, federal impact aid, federal flood control, wildlife refuge
9 funds, severance taxes, funds received by the district in lieu of taxes, and
10 local sales and use taxes dedicated to education pursuant to § 26-74-201 et
11 seq., § 26-74-301 et seq., § 26-75-301 et seq., and § 14-164-301 et seq.;

12 ~~(21)~~(22) "Previous year" means the school year immediately preceding
13 the school year in which funds are allocated;

14 ~~(22)~~(23) "State equalization funding per student" means the amount of
15 state financial aid per average daily membership for the previous year
16 provided to each local school district calculated by subtracting the local
17 revenue per student from the base local revenue per student;

18 ~~(23)~~(24) "State wealth index" means the result of one (1) minus the
19 ratio of local revenue per student divided by state equalization funding per
20 student;

21 ~~(24)~~(25) "Student classroom teacher funding" means the state financial
22 aid provided to each local school district calculated as an amount equal to
23 the amount allocated for student classroom teacher funding divided by the
24 total state average daily membership for the previous year times the
25 receiving school district's average daily membership for the previous year;

26 ~~(25)~~(26) "Student growth funding" means the amount of state financial
27 aid provided to each local school district from the funds made available for
28 that purpose calculated as the base local revenue per student multiplied by
29 the increase, if any, in the local school district's two-quarter average of
30 the average daily membership of the current year over the local school
31 district's average daily membership for the previous year;

32 ~~(26)~~(27) "Student needs funding" means the amount of state financial
33 aid provided to each local school district from available special education
34 funding, vocational education funding, at-risk funding, isolated funding,
35 transportation aid, and any other categories of student needs funding which
36 may be subsequently identified pursuant to rules and regulations promulgated

1 by the State Board of Education;

2 ~~(27)~~(28) "Student unit funding" means the state financial aid provided
3 to each local school district, which is calculated as follows: By dividing
4 the total funds available for textbook aid, alternative education, including
5 gifted and talented education programs, restructuring, and staff development
6 by the total state average daily membership for the previous year and
7 multiplying by the local school district's average daily membership for the
8 previous year;

9 ~~(28)~~(29) "Total state and local revenue per average daily membership"
10 means in each local school district, the amount calculated by taking the sum
11 of:

12 (A) The local school district's uniform rate of tax times ninety-
13 eight percent (98%) of the district's assessed valuation;

14 (B) The local school district's additional mills for maintenance
15 and operation times ninety-eight percent (98%) of the district's assessed
16 valuation;

17 (C) The local school district's miscellaneous funds; and

18 (D) State equalization funding, student classroom teacher
19 funding, student unit funding, vocational funding, general facilities
20 funding, and student growth funding available to the local school district
21 and by dividing by the average daily membership of the local school district;
22 and

23 ~~(29)~~(30) "Uniform rate of tax" means a uniform rate of ad valorem
24 property tax of twenty-five (25) mills to be levied on the assessed value of
25 all taxable real, personal, and utility property in the state to be used
26 solely for the maintenance and operation of the schools. In calculating the
27 uniform rate of tax imposed by Arkansas Constitution, Article 14, § 3, as
28 amended by Amendments 11, 40, and 74, the following categories of millage may
29 be utilized to meet the minimum ~~base~~ millage requirement:

30 (A) The local school district's maintenance and operation
31 millage;

32 (B) The dedicated maintenance and operation millage;

33 (C) Excess debt service millage; and

34 (D) The millage derived from the ratio of the debt service
35 funding supplements divided by the total assessment; ~~and~~

36 ~~(30) "Weighted average millage rate" means a millage rate calculated by~~

1 taking the sum of:-

2 ~~(A) The millage levied on real property times the real property~~
3 ~~assessment base;-~~

4 ~~(B) The millage levied on personal property times the personal~~
5 ~~property assessment base; plus~~

6 ~~(C) The millage levied on utility property times the utility~~
7 ~~property assessment base;-~~

8 and by dividing by the total assessed value on taxable real, personal, and
9 utility property.-

10
11 SECTION 7. Arkansas Code 6-20-310 is amended to read as follows:

12 6-20-310. Local school districts - Required expenditures.

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

15 ~~(1) (a) Local school districts shall expend state and local revenues on~~
16 ~~students evaluated as special education students in accordance with existing~~
17 ~~federal and state laws and department regulations;- .~~

18 ~~(2) Local school districts shall expend from state and local revenues~~
19 ~~not less than the following amounts on alternative education programs in~~
20 ~~accordance with rules and regulations promulgated by the State Board of~~
21 ~~Education: The previous year's average daily membership participating in~~
22 ~~alternative education, up to two percent (2%) of the previous year's average~~
23 ~~daily membership, multiplied by fifteen one hundredths (0.15) times the base~~
24 ~~local revenue per student; and~~

25 ~~(3) Local school districts shall expend from state and local revenues~~
26 ~~not less than the following amounts on gifted and talented programs, in~~
27 ~~accordance with rules and regulations promulgated by the board: The previous~~
28 ~~year's average daily membership participating in gifted and talented~~
29 ~~programs, up to five percent (5%) of the previous year's average daily~~
30 ~~membership, multiplied by fifteen one hundredths (0.15) times the base local~~
31 ~~revenue per student.-~~

32 (b) Local school districts shall expend state and local revenues on
33 students in alternative learning environments and in gifted and talented
34 programs in accordance with existing state laws and department regulations.

35
36 SECTION 8. Arkansas Code 6-20-402(a) pertaining to the issuance and

1 repayment of postdated warrants, installment contracts, and lease-purchase
2 agreements is amended to read as follows:

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

7 (2) School districts may issue postdated warrants or enter into
8 installment contracts or lease-purchase agreements for the following
9 purposes:

10 (A) Purchase of school buses;

11 (B) Payment of premiums of insurance policies on school
12 buildings, facilities, and equipment in instances where the insurance
13 coverage extends three (3) years or longer;

14 (C) Purchase of equipment;

15 (D) Repair and renovation of school facilities;

16 (E) Purchase of school sites;

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

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

22 (H) Purchase of energy conservation measures; and

23 (I) The professional development and training of teachers
24 or other programs authorized under the federally recognized Qualified Zone
25 Academy Bond program codified at 26 U.S.C. 1397E.
26

27 SECTION 9. Arkansas Code 6-20-402(b)(1) pertaining to the issuance and
28 repayment of postdated warrants, installment contracts, and lease-purchase
29 agreements is amended to read as follows:

30 (b)(1) ~~(A) Except as provided in subdivision (b)(1)(B) of this section,~~
31 ~~postdated~~ Postdated warrants, lease purchase agreements, and installment
32 contracts must be paid within ~~eight (8)~~ ten (10) years of the date of
33 issuance of the postdated warrant or the execution of the written lease
34 purchase agreement or installment contract, as the case may be. Postdated
35 warrants, lease purchase agreements, and installment contracts must be
36 registered, on forms provided by the State Board of Education, with the

1 treasurer of the district and the board.

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

7
 8 SECTION 10. Arkansas Code 6-20-402(d)(1) pertaining to the issuance
 9 and repayment of postdated warrants, installment contracts, and lease-
 10 purchase agreements is amended to read as follows:

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

19
 20 SECTION 11. Arkansas Code 6-20-601(d) pertaining to the distribution
 21 of isolated aid to school districts is amended to read as follows:

22 (d)(1) State financial aid in the form of isolated funding shall be
 23 provided to local school districts qualifying under this section and shall be
 24 calculated as follows:

25
 26 ~~(350-Previous year's ADM average daily membership) Previous year's ADM~~
 27 ~~times~~

28 ~~850~~
 29 divided by eight hundred and fifty (850) times the previous year's average
 30 daily membership times the base local revenue per student.

31 (2) There shall be two (2) categories of isolated funding:

32 (A) Category I isolated funding shall be provided to all
 33 school districts that qualify under this section; and

34 (B) Category II isolated funding shall be further provided
 35 to those school districts that qualify under this section and have an ADM
 36 density ratio of less than 1.2 students per square mile and shall be

1 calculated at fifty percent (50%) of Category I funding.

2 (3) Those school districts that qualify under this section and
3 whose local revenue per student exceeds the base local revenue per student
4 shall receive isolated funding calculated as follows:

5 ~~(Category I + Category II) = (base local revenue per student — local revenue~~
6 ~~per student) times previous year's average daily membership (Category I plus~~
7 ~~Category II) minus (base local revenue per student minus local revenue per~~
8 ~~student) times the previous year's average daily membership.~~

9 (4) In the event that the statewide amount for isolated funding,
10 calculated pursuant to this section, is less than the amount appropriated for
11 isolated funding, the State Board of Education may include a funding factor
12 to the calculation in § 6-20-303(14)(A) in order to expend up to the
13 appropriated amount.

14
15 SECTION 12. Arkansas Code 6-20-802 shall be amended to read as
16 follows:

17 6-20-802. Purposes of loan.

18 Subject to the conditions and limitations contained in this subchapter,
19 any school district may borrow, and the State Board of Education may lend
20 moneys in the Revolving Loan Fund for any of the following purposes:

21 (1) The funding of its legally issued and outstanding postdated
22 warrants;

23 (2) The purchase of new or used school buses or the refurbishing of
24 school buses;

25 (3) The payment of premiums on insurance policies covering its school
26 buildings, facilities, and equipment in instances where the insurance
27 coverage extends three (3) years or longer and the replacement of or payment
28 of the district's pro rata part of the expense of employing professional
29 appraisers as authorized by ~~§ 26-26-601 et seq.~~ §§ 26-26-601 through 26-26-
30 607 or other laws providing for the appraisal or reappraisal and assessment
31 of property for ad valorem tax purposes;

32 (4) The making of major repairs and the construction of additions to
33 existing school buildings and facilities;

34 (5) The purchase of surplus buildings and equipment;

35 (6) The purchase of sites for and the cost of construction thereon of
36 school buildings and facilities and the purchase of equipment for the

1 buildings;

2 (7) The purchase of its legally issued and outstanding commercial bonds
3 at a discount provided that a substantial savings in gross interest charges
4 can be thus effected;

5 (8) The refunding of all or any part of its legally issued and
6 outstanding debt, both funded and unfunded;

7 (9) The purchase of equipment;

8 (10) The payment on loans secured for settlement resulting from
9 litigation against a school district; ~~and~~

10 (11) The purchase of energy conservation measures as defined in Title
11 6, Chapter 20, Subchapter 4; and

12 ~~(11)~~ (12) (A)(i) The maintenance and operation of the school district
13 in an amount equal to delinquent property taxes resulting from bankruptcies
14 or receiverships of taxpayers; and

15 (ii) Loans to school districts in an amount equal to
16 insured facility loss or damage when the insurance claim is being litigated
17 or arbitrated.

18 (B) For purposes of this subdivision (11), the loans become
19 payable and due when the final settlement is made, and the loan limits
20 prescribed by § 6-20-803 shall not apply.

21
22 SECTION 13. Arkansas Code 6-20-806(a) pertaining to the time in which
23 a school district is to repay a revolving loan is amended to read as follows:

24 (a) Each such loan which is to be amortized or paid in full, both
25 principal and interest, within or at the end of ~~eight (8)~~ ten (10) years from
26 the date of its approval by the State Board of Education shall be evidenced
27 by the school district's obligations which shall be designated and known as
28 revolving loan certificates of indebtedness; and each such loan, the date of
29 the final principal and interest maturity of which extends beyond such ~~eight-~~
30 ~~year~~ ten-year period, shall be evidenced by the school district's obligations
31 which shall be designated and known as revolving loan bonds.

32
33 SECTION 14. Arkansas Code 6-20-818(e) pertaining to loans to
34 educational service cooperatives is amended to read as follows:

35 (e) Each such loan, which is to be paid in full, both principal and
36 interest, ~~within six (6) years~~ within or at the end of ten (10) years from

1 the date of its approval by the board, shall be evidenced by a certificate
2 executed by the Director of the Department of Education. Thereafter, each
3 such certificate shall be a negotiable instrument.

4
5 SECTION 15. Arkansas Code 6-20-1201 is amended to read as follows:

6 6-20-1201. Authority to borrow money and issue negotiable bonds.

7 All school districts are authorized to borrow money and to issue
8 negotiable bonds for the repayment thereof from school funds for the building
9 and equipping of school buildings, for making additions and repairs thereto,
10 for purchasing sites therefor, for purchasing new or used school buses, for
11 refurbishing school buses, the professional development and training of
12 teachers or other programs authorized under the federally recognized
13 Qualified Zone Academy Bond program codified at 26 U.S.C. 1397E, and for
14 paying off outstanding postdated warrants, installment contracts, revolving
15 loans, and lease-purchase agreements, as provided in this act.

16
17 SECTION 16. Arkansas Code 6-20-1202(a) pertaining to the reasons for
18 which bonded indebtedness can be issued is amended to read as follows:

19 (a) For acquiring a building site, building or equipping a new school
20 building, repairing, making additions to, or equipping a present school
21 building, ~~or~~ purchasing new or used school buses or refurbishing school
22 buses, or the professional development and training of teachers or other
23 programs authorized under the federally recognized Qualified Zone Academy
24 Bond program codified at 26 U.S.C. 1397E, any school district of the State of
25 Arkansas is authorized to borrow money and issue negotiable bonds for the
26 repayment thereof from school funds to an amount which, together with the
27 bonded indebtedness of the district outstanding at the time of the issuance,
28 shall not exceed twenty-seven percent (27%) of the sum of the then-assessed
29 valuation of the real and personal property in the district as shown by the
30 last county assessment, and an equivalent assessed value computed as follows:
31 The average of total annual receipts from federal forest reserve, flood
32 control, and mineral leasing turnback received by the district in lieu of
33 taxes for the three (3) immediately preceding years divided by forty (40)
34 mills.

35
36 SECTION 17. Arkansas Code 6-20-1205(d) pertaining to the payment of

1 additional base funding and the issuance of bonded indebtedness is amended to
2 read as follows:

3 (d) The department shall not provide a local school district that
4 issues second-lien bonds more additional base funding for which it would
5 otherwise qualify excluding the issuance of the second-lien bonds, except as
6 authorized under section 18 of this act.

7
8 SECTION 18. Arkansas Code Title 6, Chapter 20, Subchapter 12 is
9 amended by adding the following new section:

10 Issuance of second-lien commercial bonds.

11 (a) For the purposes of this section:

12 (1) "Issue," "issuance," or some variety thereof shall mean the
13 date upon which a second-lien bond is actually sold; and

14 (2) "Second lien bond" shall means a commercial bond issued
15 under the authority set forth in Arkansas Code 26-80-106.

16 (b) All second-lien bonds issued by school districts shall have semi -
17 annual interest payments with the first interest payment due within eight (8)
18 months of the issuance of the second-lien bond. All second-lien bonds shall
19 be repaid on payment schedules that are either:

20 (1) Equalized payments in which the annual payments are
21 substantially equal in amount; or

22 (2) Decelerated payments in which the annual payments decrease
23 over the life of the schedule.

24 (c) A school district, whether or not it is receiving additional base
25 funding, may issue a second-lien bond if the issuance of the second-lien bond
26 will not cause the school district to receive more additional base funding
27 than it would have received before the issuance of the second-lien bond.

28 (d) No school district that is receiving additional base funding or is
29 likely to receive additional base funding shall be authorized to issue
30 second-lien bonds except as allowed under subsections (d)(1) and (d)(2) of
31 this section. For purposes of this section, "likely to receive additional
32 base funding" means a school district whose total state and local revenue per
33 average daily membership will be within ten dollars (\$10.00) of the minimum
34 state and local revenue per average daily membership if the second-lien bond
35 is issued by the school district.

36 (1) A school district that receives additional base funding or

is likely to receive additional base funding may issue second-lien bonds to fund repairs or reconstruction of school facilities damaged or destroyed by natural disasters or criminal activities.

(2) The allowance to issue second-lien bonds contained in subsection (d)(1) shall not occur if the issuance of the second-lien bond would cause the state to be out of compliance with any test concerning the equity of school finance in Arkansas adopted by a court of competent jurisdiction.

(3) School districts which issued second-lien bonds prior to April 30, 2001 shall be allowed to receive additional base funding they are entitled to receive after the issuance of second-lien bonds. Subsections (a), (b), and (c) of this section shall not apply to any second-lien bond issued on or before April 30, 2001.

SECTION 19. Arkansas Code 6-20-1702(5) pertaining to the definitions in the "High Cost Transportation Funding Formula Act" is amended to read as follows:

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

(B) In those instances in which the average daily membership for less than three (3) quarters is specified, the number of days used in the calculation shall be the days in the specified period of time.

(C) As applied to this subchapter, students who may be counted for average daily membership are:

(i) Students who reside within the boundaries of the school district and are enrolled within a public school operated by the district or a private school for special education students, with such attendance resulting from a written tuition agreement approved by the Department of Education;

(ii) Legally transferred students living outside the district but attending a public school in the district; and

(iii) Students who reside within the boundaries of

1 the school district and are enrolled in the Arkansas National Guard Youth
2 Challenge Program, so long as the students are participants in the program;

3
4 SECTION 20. EMERGENCY CLAUSE. It is found and determined by the
5 General Assembly that changes to the distribution of public school funds must
6 take effect at the time that appropriations become effective and that to not
7 do so would create confusion in the state's public school districts.
8 Therefore, an emergency is declared to exist and this act being immediately
9 necessary for the preservation of the public peace, health and safety shall
10 become effective on July 1, 2001.

11
12 */s/ Mahony*
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