

1 State of Arkansas
2 84th General Assembly
3 Second Extraordinary Session, 2003
4

Call Item 6

A Bill

HOUSE BILL 1085

5 By: Representative Thyer
6
7

For An Act To Be Entitled

9 AN ACT TO CONTINUE THE PAYMENT OF A DEBT SERVICE
10 FUNDING SUPPLEMENT TO SCHOOL DISTRICTS CURRENTLY
11 RECEIVING DEBT SERVICE FUNDING; AND FOR OTHER
12 PURPOSES.
13

Subtitle

15 CONTINUES THE PAYMENT OF A DEBT SERVICE
16 FUNDING SUPPLEMENT TO SCHOOL DISTRICTS
17 CURRENTLY RECEIVING DEBT SERVICE
18 FUNDING.
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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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23 SECTION 1. Arkansas Code Title 6, Chapter 20, is amended to add a new
24 subchapter as follows:

25 6-20-2001. Title.

26 This act shall be known and may be cited as the "Debt Service Funding
27 Supplement Act of 2003".
28

29 6-20-2002. Purpose.

30 (a) The General Assembly finds that:

31 (1) The debt service funding supplement as authorized by the
32 Equitable School Finance System Act of 1995, § 6-20-301 et seq., has been an
33 integral part of school financing for a number of school districts;

34 (2) Elimination of the supplement for those school districts
35 utilizing it as a part of a financing plan for the district could have
36 serious adverse consequences on the ability of those districts to continue to



1 operate in a fiscally prudent manner; and

2 (3) Elimination of the supplement could cause some school
3 districts to default on their bonded indebtedness.

4 (b) The purpose of this subchapter is to continue to provide a debt
5 service funding supplement for those school district projects that are
6 financed through bonded indebtedness and that are identified by the
7 Department of Education as within school districts that are receiving a debt
8 service funding supplement as of December 31, 2003.

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10 6-20-2003. Definitions.

11 As used in this subchapter:

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

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

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

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

31 (2) "Debt service funding supplement" means the state financial
32 aid provided to qualifying local school districts for the purpose of reducing
33 existing debt service burdens and increasing the amount of local revenue
34 available for maintenance and operations expenditures;

35 (3) "Debt service millage" means the total number of mills voted
36 by the electors of a school district to be pledged as security for the

1 retirement of bonded indebtedness;

2 (4) "Debt service millage required" means the calculated millage
3 rate equal to the amount of millage pledged to mandatory callable bonds plus
4 the result of the scheduled calendar year bonded debt payment divided by the
5 total assessed value of real, personal, and utility property in the local
6 school district;

7 (5) "Eligible debt service millage required" means the debt
8 service millage required for bonds issued before May 30, 2002;

9 (6) "Local revenue" means in each school year ninety-eight
10 percent (98%) of the amount of revenue available, whether or not collected,
11 in a local school district solely from the levy of the uniform rate of tax
12 plus seventy-five percent (75%) of the average miscellaneous funds collected
13 in the previous five (5) years or the previous year, whichever is less;

14 (7) "Mandatory callable bonds" means a bond issue in which all
15 net proceeds from debt service millage used to secure the issuance of that
16 bond must be applied to payment of the issue and cannot be used for any other
17 purpose;

18 (8) "Qualified school district" means a school district that:

19 (A) Issued bonds to finance school district projects as of
20 December 31, 2003, and for which outstanding bonds exist as of December 31,
21 2003;

22 (B) Filed a schedule of debt payments on the bonds with
23 the Department of Education on or before December 31, 2003; and

24 (C) Received debt service funding supplements pursuant to
25 §§ 6-20-303 and 6-20-308 during school year 2003-2004 in accordance with
26 regulations promulgated by the Department of Education;

27 (9) "State funding" means funds allocated to a school district
28 for a school year by the General Assembly except for funds targeted for
29 students eligible for free or reduced price lunches, students requiring
30 special education, and students who are not proficient in English;

31 (10) "State wealth index" means the result of one (1) minus the
32 ratio of local revenue for a school year divided by state funding for a
33 school year; and

34 (11) "Uniform rate of tax" means a uniform rate of ad valorem
35 property tax of twenty-five (25) mills to be levied on the assessed value of
36 all taxable real, personal, and utility property in the state to be used

1 solely for the maintenance and operation of the schools. In calculating the
2 uniform rate of tax imposed by Arkansas Constitution, Article 14, § 3, as
3 amended by Amendments 11, 40, and 74, the following categories of millage may
4 be utilized to meet the minimum millage requirement:

5 (A) The local school district’s maintenance and operation
6 millage;

7 (B) The dedicated maintenance and operation millage;

8 (C) Excess debt service millage; and

9 (D) The millage derived from the ratio of the debt service
10 funding supplements divided by the total assessment.

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12 6-20-2004. Debt service funding supplement.

13 (a)(1) Beginning with school year 2004-2005, the state shall provide
14 from available line item appropriations a debt service funding supplement
15 only to qualified school districts for the purpose of reducing bonded
16 indebtedness.

17 (2) A school district’s debt service funding supplement is
18 calculated by multiplying the district’s eligible debt service millage
19 required times no less than fifteen dollars (\$15.00) per average daily
20 membership times the state wealth index.

21 (b) A school district qualifying for debt service funding supplements
22 under this section shall not lose any state funding as a result of debt
23 service savings produced by refunding outstanding bonds provided that:

24 (1) The yearly savings produced by the refunding is deposited
25 into a refunding savings building fund and is used by the district for the
26 building and equipping of school buildings, for major adaptations to a
27 facility, or for purchasing sites therefor; and

28 (2) Before the date that the refunding bonds are sold at public
29 sale, the district submits a certificate to the Director of the Department of
30 Education certifying that the yearly debt service savings will be used for
31 the purposes described in this subsection (b).

32 (c) If the Department of Education determines that an overpayment has
33 been made to a local school district in any appropriation authorized by this
34 subchapter, the department is authorized to withhold the overpayment from
35 state equalization funding and is authorized to transfer the amount withheld
36 for the overpayment to the line item appropriation from which the overpayment

1 was initially made.

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3 SECTION 2. Effective Date. This act shall become effective on July 1,
4 2004.

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