

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.

1 State of Arkansas
2 85th General Assembly
3 Regular Session, 2005

A Bill

HOUSE BILL 2908

4
5 By: Representative Mahony
6
7

For An Act To Be Entitled

8
9 AN ACT TO AMEND THE SUPPLEMENTAL SCHOOL DISTRICT
10 FUNDING ACT OF 2003; AND FOR OTHER PURPOSES.
11

Subtitle

12
13 AN ACT TO AMEND THE SUPPLEMENTAL SCHOOL
14 DISTRICT FUNDING ACT OF 2003.
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16

17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
18

19 SECTION 1. Arkansas Code Title 6, Chapter 20, Subchapter 24 is amended
20 to read as follows:

21 6-20-2401. Title.

22 This subchapter shall be known and may be cited as the "Supplemental
23 School District Funding Act ~~of 2003~~".
24

25 6-20-2402. Purpose.

26 (a) The General Assembly finds that:

27 (1) The debt service funding supplement and general facilities
28 funding have been an integral part of school financing for a number of school
29 districts;

30 (2) Elimination of these sources of funds could adversely affect
31 the ability of those districts to continue to operate in a fiscally prudent
32 manner; and

33 (3) School districts that voluntarily raise school district
34 millage beyond the twenty-five (25) mills required by Arkansas Constitution,
35 Amendment 74, should receive incentive funding to encourage local financial
36 support of schools.



1 (b) The purpose of this subchapter is to allow eligible school
 2 districts ~~to elect~~ to either continue receiving the debt service funding
 3 supplement and general facilities funding or to receive supplemental millage
 4 incentive funding.

5
 6 6-20-2403. Definitions.

7 As used in this subchapter:

8 (1) "Average daily membership" means the total number of days
 9 attended plus the total number of days absent by students in grades
 10 kindergarten through twelve (K-12) during the first three (3) quarters of
 11 each school year divided by the number of school days actually taught in the
 12 district during that period of time rounded up to the nearest hundredth.
 13 Students who may be counted for average daily membership are:

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

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

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

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

28 (3) "Eligible debt service millage required" means the debt
 29 service millage required for bonds issued before May 30, 2004 or bonds
 30 issued after May 30, 2004 refunding debt outstanding on that date that may
 31 include additional debt, that is computed by dividing the scheduled debt
 32 payment by the total property assessment in the school district and then
 33 adding the result to the millage for mandatory callable bonds;

34 (4) "General facilities funding" means the state financial aid
 35 provided to each school district from line item funds made available for that
 36 purpose;

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

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

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

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

17 (A) Issued bonds to finance school district projects
18 before May 30, 2004, and for which outstanding bonds exist as of May 30,
19 2004;

20 (B) Was approved by the Department of Education to issue
21 bonds on or before December 31, 2003; and

22 (C) Received debt service funding supplements pursuant to
23 §§ 6-20-303 and 6-20-308 during school year 2003-2004 in accordance with
24 regulations promulgated by the Department of Education;

25 (9) "Scheduled debt payment" means the scheduled debt payment on
26 bonded debt issued on or before May 30, 2004, for the following calendar
27 year, not including mandatory callable bonds on file with the Department of
28 Education as of May 30 of the previous year. The scheduled debt payment shall
29 be adjusted by the Department of Education as follows:

30 (A) In the case of a nonvoted refunding bond issue, the
31 payment schedule of the issue being refunded will be compared to the payment
32 schedule of the refunding issue. The schedule with the higher annual debt
33 payment will be used for the purposes of calculating eligible debt service
34 mills required if the district has provided to the Department of Education a
35 signed certificate concerning the use of the debt service savings in
36 conformity with § 6-20-2404;

1 (B) If a voted refunding issue is combined with additional
2 debt or extends the term of the original debt, the new payment schedule will
3 be used for the purpose of calculating eligible debt service mills required;
4 and

5 (C) A payment that a school district makes to a third
6 party for the eventual purpose of retiring indebtedness is deposited into an
7 escrow account pending payment to bond holders and is included as a scheduled
8 debt payment if the school district is unable to recover the deposited funds;

9 (10) "School district assessment per student" means the total
10 assessed valuation of property within a school district divided by the school
11 district's average daily membership;

12 (11) "State assessment per student" means the total assessed
13 valuation of property within the state divided by the statewide average daily
14 membership;

15 (12) "State wealth index" means the result of one (1) minus the
16 ratio of local revenue for a school year divided by the amount of state funds
17 allocated to the school district from the Public School Fund for unrestricted
18 general support of the school district;

19 (13) "Statewide average daily membership" means the total number
20 of days attended plus the total number of days absent by all students in
21 grades kindergarten through twelve (K-12) in all school districts during the
22 first three (3) quarters of each school year divided by the total state
23 average daily membership and rounded up to the nearest hundredth. Students
24 who may be counted for average daily membership are:

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

29 (B) Students who reside in Arkansas and who are enrolled
30 in the Arkansas National Guard Youth Challenge Program, so long as the
31 students are participants in the program;

32 (14) "Supplemental millage incentive funding" means state
33 funding paid to school districts who levy ad valorem taxes in excess of the
34 twenty-five (25) mills required by Arkansas Constitution, Amendment 74; and

35 (15) "Supplemental millage incentive funding base" means the
36 state assessment per student less the school district assessment per student

1 multiplied by one one-thousandth (.001).

2
3 6-20-2404. Debt service funding supplement.

4 (a)(1) Beginning with school year 2004-2005, the state shall provide
5 to qualified school districts from available line item funds a debt service
6 funding supplement for the purpose of reducing bonded indebtedness ~~if the~~
7 ~~qualified school district elects to receive the funds~~ in accordance with § 6-
8 20-2407.

9 (2)(A) A school district's debt service funding supplement is
10 calculated by multiplying the district's eligible debt service millage
11 required times an amount established annually by the State Board of
12 Education, but no less than twelve dollars (\$12.00) per average daily
13 membership times the state wealth index.

14 (B) The debt service funding supplement shall be
15 distributed quarterly.

16 (b) A school district qualifying for a debt service funding supplement
17 under this section shall not lose any debt service funding supplements as a
18 result of debt service savings produced by refunding outstanding bonds if:

19 (1) The yearly savings produced by the refunding is deposited
20 into a refunding savings building fund and is used by the district for the
21 building and equipping of school buildings, for major adaptations to a
22 facility, or for purchasing facility sites; and

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

27 (c) If the Department of Education determines that an overpayment has
28 been made to a local school district in any appropriation authorized by this
29 subchapter, the department shall withhold the overpayment from state funding
30 and shall transfer the amount withheld for the overpayment to the line item
31 appropriation from which the overpayment was initially made.

32
33 6-20-2405. General facilities funding.

34 (a)(1) Beginning with school year 2004-2005, the state shall provide
35 from available line item funds general facilities funding to school districts
36 ~~that elect to receive the funds~~ in accordance with § 6-20-2407.

1 (2) A school district's general facilities funding for a school
2 year is calculated by multiplying the school district's average daily
3 membership for the previous school year by the state wealth index times a
4 rate established annually by the State Board of Education.

5 (3) General facilities funding payments shall be distributed
6 quarterly.

7 (b)(1) General facilities funding shall be used only for:

8 (A) The purchase of school buses, furniture, equipment,
9 and computer software; and

10 (B) The renovation or repair of existing facilities.

11 (2) Unused funds may be carried forward and shall be used
12 exclusively for the purposes stated in subdivision (b)(1) of this section.
13

14 6-20-2406. Supplemental millage incentive funding.

15 (a) Beginning with school year 2004-2005, the state shall provide from
16 available line item funds supplemental state funds to ~~qualified~~ school
17 districts that increase total school district millage in excess of the
18 twenty-five (25) mills in accordance with Arkansas Constitution, Amendment
19 74, ~~and that elect to receive the funds~~ in lieu of funds available under §§
20 6-20-2404 and 6-20-2405.

21 (b) For each school year beginning with school year 2004-2005, the
22 Department of Education shall determine by July 31 immediately preceding the
23 school year:

24 (1) The total millage rate of ad valorem tax levied in each
25 school district as of December 31 immediately preceding the school year; and

26 (2) The number of mills, if any, by which the total millage rate
27 exceeds the twenty-five (25) mills required by Arkansas Constitution,
28 Amendment 74.

29 (c)(1) A school district's supplemental millage incentive funding
30 shall be equal to the result of multiplying the lesser of the number ten (10)
31 or the result of subdivision (b)(2) of this section by the school district's
32 supplemental millage incentive funding base multiplied by the school
33 district's average daily membership times a funding factor to be determined
34 by the department.

35 (2) The supplemental millage incentive funding base shall be
36 computed based upon property values as of December 31 immediately preceding

1 the school year and the average daily membership for the previous school
 2 year.

3 (3) If a school district is eligible to receive supplemental
 4 millage incentive funding and is also eligible to receive a debt service
 5 funding supplement or general facilities funding, or both, then the school
 6 district shall make its funding election in accordance with § 6-20-2407.

7 (4) A school district shall not receive supplemental millage
 8 incentive funding along with a debt service funding supplement or general
 9 facilities funding, or both.

10 (d) Supplemental millage incentive funding shall be distributed
 11 quarterly.

12

13 6-20-2407. Funding election.

14 (a) By July 31 immediately preceding the school year, a school
 15 district that is eligible for supplemental millage incentive funding shall
 16 provide the Department of Education with a written election indicating
 17 whether for the school year the school district:

18 (1) ~~Elects to receive only supplemental~~ Supplemental millage
 19 incentive funding in lieu of a debt service funding supplement or general
 20 facilities funding, or both; or

21 (2) ~~Elects to receive a debt~~ Debt service funding supplement or
 22 general facilities funding, or both, in lieu of supplemental millage
 23 incentive funding.

24 (b) The election of a school district under this section shall be
 25 effective for one (1) school year.

26 (c) The department shall provide necessary data to each school
 27 district prior to July 15 to enable each school district to make its funding
 28 election.

29

30 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
 31 General Assembly of the State of Arkansas that this act is necessary to
 32 assist school districts with certain debt obligation; that the provisions
 33 shall be effect in sufficient time for school district to make decisions to
 34 be submitted to the electors of the district; and that this act is
 35 immediately necessary because to delay its enactment could cause the
 36 difficulty in meeting election deadlines. Therefore, an emergency is declared

1 to exist and this act being immediately necessary for the preservation of the
2 public peace, health, and safety shall become effective on:

3 (1) The date of its approval by the Governor;

4 (2) If the bill is neither approved nor vetoed by the Governor,
5 the expiration of the period of time during which the Governor may veto the
6 bill; or

7 (3) If the bill is vetoed by the Governor and the veto is
8 overridden, the date the last house overrides the veto.

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