

1 State of Arkansas  
2 85th General Assembly  
3 First Extraordinary Session, 2006  
4

Call Item 10

# A Bill

HOUSE BILL 1007

5 By: Representatives Elliott, Cook, Mahony, Walters  
6 By: Senators Argue, Broadway, J. Jeffress  
7

## For An Act To Be Entitled

10 AN ACT TO REMOVE THE STATUTORY LIMITATION ON  
11 BONDED INDEBTEDNESS FOR SCHOOL DISTRICTS; AND FOR  
12 OTHER PURPOSES.  
13

### Subtitle

14 TO REMOVE THE STATUTORY LIMITATION ON  
15 BONDED INDEBTEDNESS FOR SCHOOL  
16 DISTRICTS.  
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19

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
21

22 SECTION 1. Arkansas Code § 6-20-402(a)(1)(A), pertaining to debt  
23 limitations on school districts, is amended to read as follows:

24 (a)(1)(A) The amount of obligations incurred by a school district for  
25 any school fiscal year shall not be in excess of the revenue receipts of the  
26 district for that year except as provided in this section and in §§ 6-20-801  
27 et seq. ~~and 6-20-1201 et seq.~~  
28

29 SECTION 2. Arkansas Code § 6-20-402(b)(3)(A), pertaining to debt  
30 limitations on school districts, is amended to read as follows:

31 (3)(A) Except as provided in subdivision (b)(3)(B) of this  
32 section, the unpaid principal amount of postdated warrants issued and  
33 installment contracts and lease-purchase agreements entered into shall be a  
34 part of the total debt of the district as limited by §§ 6-20-803 ~~and 6-20-~~  
35 ~~1202~~, with the district fiscal officer and his or her surety liable for  
36 exceeding the limitations.



1  
 2 SECTION 3. Arkansas Code § 6-20-402(d), pertaining to debt limitations  
 3 on school districts, is amended to read as follows:

4 (d)(1) A school district may incur current indebtedness and issue its  
 5 notes or other evidence thereof as provided in this subsection.

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

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

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

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

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 20 SECTION 4. Arkansas Code § 6-20-803 is amended to read as follows:  
 21 6-20-803. Loans to local school districts.

22 ~~(a)~~ The maximum amount of money a local school district may borrow  
 23 from the Revolving Loan Fund shall be five hundred thousand dollars  
 24 (\$500,000).

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

28  
 29 SECTION 5. Arkansas Code § 6-20-1202 is amended to read as follows:  
 30 6-20-1202. Limitations of bonded indebtedness - Conversion of  
 31 authorized bond issues.

32 (a) For acquiring a building site, building or equipping a new school  
 33 building, repairing, making additions to, or equipping a present school  
 34 building, purchasing new or used school buses or refurbishing school buses,  
 35 or the professional development and training of teachers or other programs  
 36 authorized under the federally recognized Qualified Zone Academy Bond program

1 codified at 26 U.S.C. § 1397E, any school district of the State of Arkansas  
 2 is authorized to borrow money and issue negotiable bonds for the repayment  
 3 thereof from school funds ~~to an amount which together with the bonded~~  
 4 ~~indebtedness of the district outstanding at the time of the issuance shall~~  
 5 ~~not exceed twenty seven percent (27%) of the sum of the then assessed~~  
 6 ~~valuation of the real and personal property in the district as shown by the~~  
 7 ~~last county assessment, and an equivalent assessed value computed as follows:~~  
 8 ~~The average of total annual receipts from federal forest reserve, flood~~  
 9 ~~control, and mineral leasing turnback received by the district in lieu of~~  
 10 ~~taxes for the three (3) immediately preceding years, divided by forty (40)~~  
 11 ~~mills.~~

12 (b) ~~The limitation fixed in subsection (a)~~ Subsection (a) of this  
 13 section shall not prohibit the conversion of authorized bond issues to bonds  
 14 bearing a lower rate of interest, subject to the approval of the Commissioner  
 15 of Education, upon such terms that the district shall receive no less and pay  
 16 no more in principal and interest combined than it would receive and pay in  
 17 principal and interest combined if the bonds were not converted.

18 (c) ~~However, if the State Board of Education shall determine that any~~  
 19 ~~school district is unable, due to unexpected, unforeseen, or extreme~~  
 20 ~~hardship, to student growth, or to low local assessment per student, to~~  
 21 ~~finance needed school facilities because of the limitation imposed above on~~  
 22 ~~the borrowing power of the district, the board may permit the district, upon~~  
 23 ~~application therefor, to increase its total indebtedness to such amount as~~  
 24 ~~may be approved by the board, but not to exceed thirty five percent (35%) of~~  
 25 ~~the then assessed valuation of the real and personal property in the district~~  
 26 ~~as shown by the last county assessment, and an equivalent assessed value~~  
 27 ~~computed as follows: The average of total annual receipts from federal forest~~  
 28 ~~reserve, flood control, mineral leasing, and payments in lieu of taxes from~~  
 29 ~~industries or other sources covered by § 14-164-201 et seq. for the three (3)~~  
 30 ~~immediately preceding years divided by forty (40) mills.~~

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32 SECTION 6. EMERGENCY CLAUSE. It is found and determined by the  
 33 General Assembly of the State of Arkansas that the Arkansas Supreme Court  
 34 found that the public school funding system continues to be inadequate and  
 35 the public schools are operating under a constitutional infirmity that must  
 36 be corrected immediately; that statutory limitations on bonded indebtedness

1 for school districts may impair some school districts' ability to raise local  
2 resources necessary for the repair, improvement, and replacement of academic  
3 facilities; that legislative correction is immediately necessary in order to  
4 allow school districts, particularly school districts experiencing rapid  
5 growth, to use all available revenue streams in providing an adequate  
6 opportunity for an adequate education to every public school student in the  
7 state. Therefore, an emergency is declared to exist and this act being  
8 necessary for the public peace, health, and safety shall become effective on:

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

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

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

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