

State of Arkansas

Call Item 10

85th General Assembly

A Bill

First Extraordinary Session, 2006

SENATE BILL 2

By: Senators Argue, Broadway

By: Representatives Elliott, Cook, Mahony, Walters

For An Act To Be Entitled

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

Subtitle

TO REMOVE THE STATUTORY LIMITATION ON
BONDED INDEBTEDNESS FOR SCHOOL
DISTRICTS.

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

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

(a)(1)(A) 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 in this section and in §§ 6-20-801
et seq. ~~and 6-20-1201 et seq.~~

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

(3)(A) Except as provided in subdivision (b)(3)(B) of this
section, 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 or her surety liable for



1 exceeding the limitations.

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

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

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

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

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

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

20
21 SECTION 4. Arkansas Code § 6-20-803 is amended to read as follows:
22 6-20-803. Loans to local school districts.

23 ~~(a)~~ The maximum amount of money a local school district may borrow
24 from the Revolving Loan Fund shall be five hundred thousand dollars
25 (\$500,000).

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

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

33 (a) For acquiring a building site, building or equipping a new school
34 building, repairing, making additions to, or equipping a present school
35 building, purchasing new or used school buses or refurbishing school buses,
36 or the professional development and training of teachers or other programs

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

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

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

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

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

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

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

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