

1 State of Arkansas
2 91st General Assembly
3 Regular Session, 2017
4

A Bill

HOUSE BILL 1575

5 By: Representative Lowery
6

For An Act To Be Entitled

8 AN ACT TO LIMIT THE AMOUNT OF FUND BALANCES A SCHOOL
9 DISTRICT MAY MAINTAIN; AND FOR OTHER PURPOSES.
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Subtitle

11 TO LIMIT THE AMOUNT OF FUND BALANCES A
12 SCHOOL DISTRICT MAY MAINTAIN.
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17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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19 SECTION 1. Arkansas Code Title 6, Chapter 20, Subchapter 22, is
20 amended to add an additional section to read as follows:

21 6-20-2210. Limitation on fund balances.

22 (a) As used in this section:

23 (1) "Net legal balance" means the:

24 (A) Combined balance for a public school district's
25 teacher's salary fund, operating fund, and debt services fund; minus

26 (B) Combined balance for the following funds for a public
27 school district's categorical funding:

28 (i) National school lunch fund;

29 (ii) Alternative learning environment fund;

30 (iii) English language learner fund; and

31 (iv) Professional development fund; minus

32 (C) Escrow balance restricted for the retirement of
33 federal qualified bonds;

34 (2) "Net legal balance revenues" means:

35 (A) Revenues placed into the teacher's salary fund,
36 operating fund, and debt services fund; minus



1 (B) Revenues placed into the:

- 2 (i) National school lunch fund;
- 3 (ii) Alternative learning environment fund;
- 4 (iii) English language learner fund; or
- 5 (iv) Professional development fund; minus

6 (C) Proceeds derived from federal qualified bonds; and

7 (3)(A) "Revenues" means the same as defined in the latest
 8 version of the Arkansas Financial Accounting Handbook established by the
 9 Department of Education under § 6-20-2203.

10 (B) "Revenues" does not include financing sources such as:

- 11 (i) Bond or other debt proceeds;
- 12 (ii) Loans;
- 13 (iii) Bonded debt refunding savings;
- 14 (iv) Consolidation and annexation funding;
- 15 (v) Audit adjustments;
- 16 (vi) Proceeds from the sale or loss of public school
 17 district real or personal property;
- 18 (vii) Interfund transfers; or
- 19 (viii) Other similar nonrevenue financing sources as

20 defined in:

21 (a) The latest version of the Arkansas
 22 Financial Accounting Handbook established by the department under § 6-20-
 23 2203; or

24 (b) Rules promulgated by the department.

25 (b) If on June 30 a public school district has a net legal balance
 26 that exceeds twenty percent (20%) of the public school district's current
 27 year net legal balance revenues, the public school district shall within five
 28 (5) years reduce its net legal balance to no more than twenty percent (20%)
 29 of the public school district's current year net legal balance revenues.

30 (c) A public school district may reduce its excess net legal balance
 31 under subsection (a) of this section by:

32 (1)(A) Transferring funds into the public school district's
 33 building fund.

34 (B) Any funds transferred into the public school
 35 district's building fund under subdivision (c)(1)(A) of this section shall be
 36 dedicated to a specific new construction project in the public school

1 district's facilities master plan.

2 (C) If the new construction project under subdivision
 3 (c)(1)(B) of this section is cancelled or revised such that the funds are no
 4 longer dedicated to the new construction project, the public school district
 5 may transfer the funds back into the fund from which the transfer was made
 6 under subdivision (c)(1)(A) of this section unless transferring the funds
 7 will result in the net legal fund balance exceeding twenty percent (20%) of
 8 the public school district's current year net legal balance revenues; or

9 (2) Spending funds on, including without limitation:

10 (A) Prekindergarten programs;

11 (B) Remediation programs;

12 (C) Career and technical education or workforce readiness
 13 programs; or

14 (D) Any other program or for any other purpose authorized
 15 by law.

16 (d)(1) The department shall:

17 (A) Monitor on a yearly basis each public school
 18 district's compliance with the requirements of this section; and

19 (B) Withhold subsequent state funding from a public school
 20 district in the amounts under subdivision (d)(2) of this section for each
 21 year the public school district fails to make the required reduction.

22 (2) If a public school district fails to reduce every year
 23 within the five-year period its net legal balance by twenty percent (20%) of
 24 the total required reduction under subsection (b) of this section, the
 25 department shall withhold subsequent state funding from that public school
 26 district in an amount equal to the amount the public school district failed
 27 to reduce its net legal balance for that year.

28 (e)(1) Under an unusual and limited circumstance, including without
 29 limitation an increase in one-time funds, a public school district may
 30 request that the department waive the requirements of this section.

31 (2) A public school district seeking a waiver shall file a
 32 waiver request with the Commissioner of Education, accompanied by a
 33 resolution adopted by the public school district's board of directors,
 34 describing the unusual and limited circumstances.

35 (3) The commissioner may grant a waiver request under this
 36 subsection for up to one (1) year if the commissioner finds that the request

1 is necessary based upon the unusual and limited circumstances.

2 (f) The department shall promulgate rules to implement this section.

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