

State of Arkansas
91st General Assembly
Regular Session, 2017

As Engrossed: S3/16/17
A Bill

SENATE BILL 645

By: Senator J. English

For An Act To Be Entitled

AN ACT TO AMEND PROVISIONS OF THE ARKANSAS CODE
CONCERNING BONDED DEBT ASSISTANCE; TO IMPROVE
EFFICIENCY IN THE PROVISION OF BONDED DEBT ASSISTANCE
TO PUBLIC SCHOOL DISTRICTS; AND FOR OTHER PURPOSES.

Subtitle

TO AMEND PROVISIONS OF THE ARKANSAS CODE
CONCERNING BONDED DEBT ASSISTANCE; TO
IMPROVE EFFICIENCY IN THE PROVISION OF
BONDED DEBT ASSISTANCE TO PUBLIC SCHOOL
DISTRICTS.

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

SECTION 1. DO NOT CODIFY. Legislative findings.

The General Assembly finds that:

(1) Through bonded debt assistance, the state provides school districts financial assistance for the purpose of retiring outstanding bonded indebtedness in existence as of January 1, 2005;

(2) This bonded debt assistance is necessary to maintain good standing with investors, as bonded debt assistance is restricted to bond payments and was considered in coverage and in calculation of required debt service mills;

(3) School district expenditure of savings yielded from refunding these bonds is restricted to the support of academic facilities;

(4) This restriction creates inefficiencies and is time-consuming to implement because refunding and restructuring the bonds multiple times makes it difficult to track and accurately restrict and report bond savings;

(5) Any benefit derived from the restrictions is minimal; and

(6) In the interest of improving efficiency and aligning benefit to cost, the law should be amended to eliminate this restriction by allowing



savings realized from the refunding of bond that were issued and outstanding as of January 1, 2005 bonds to be expended by school districts for any legitimate school or school district purpose.

SECTION 2. Arkansas Code § 6-20-2503(b)-(h), concerning bonded debt assistance, is amended to read as follows:

(b)(1) In accordance with the requirements and limitations of this section, the state shall provide eligible school districts with financial assistance for the purpose of retiring outstanding bonded indebtedness in existence as of January 1, 2005.

(2) The amount of financial assistance under this section is based on:

(A) The total amount required to satisfy a school district's outstanding bonded indebtedness in existence as of January 1, 2005;

(B) The annual amount due on a fiscal year basis from the school district in accordance with the principal and interest payment schedule in effect and on file with the Department of Education on January 1, 2005, for the outstanding bonded indebtedness identified under subdivision (b)(2)(A) of this section; and

(C) The calculation in subdivision (b)(3)(A) ~~or~~ ~~subdivision (b)(3)(B)~~ of this section.

(3)(A) The Commission for Arkansas Public School Academic Facilities and Transportation shall determine the amount of ~~financial~~ bonded debt assistance for each eligible school district as follows:

(i)(a) For the year that financial assistance under this section will be provided, ascertain the scheduled debt payment on a fiscal year basis from the principal and interest payment schedule in effect and on file with the department on January 1, 2005, and reduce the amount of the payment by ten percent (10%) except as provided in subdivision (b)(3)(A)(i)(b) of this section.

(b)(1) If a school district can demonstrate to the satisfaction of the commission that all or a portion of the ten percent (10%) reduction in its scheduled debt payment under subdivision (b)(3)(A)(i)(a) of this section can be attributed to the support of academic facilities, the commission shall reverse all or a portion of the ten percent (10%) reduction by a percentage proportionate to the amount attributable to

academic facilities.

(2) A school district that applied to the commission during the 2006-2007 school year for a reversal of the ten percent (10%) reduction but was denied the reversal by the commission due to the failure of the school district to submit timely appeals shall be entitled to receive bonded debt assistance for the relevant period of the program beginning with the 2007-2008 school year in the amount approved by the Division of Public School Academic Facilities and Transportation;

(ii) For the year that ~~financial~~ bonded debt assistance will be provided, divide the scheduled debt payment as adjusted under subdivision (b)(3)(A)(i) by the total assessed valuation of taxable real, personal, and utility property in the school district as shown by the applicable county assessment for the most recent year with the result multiplied by one thousand (1,000);

(iii)(a) Multiply the calculation under subdivision (b)(3)(A)(ii) of this section by a funding factor per average daily membership that will distribute a total amount of ~~state financial~~ bonded debt assistance no less than the total amount of funds that would have been distributed during fiscal year 2005 if every school district in the state had received an amount of ~~state financial~~ bonded debt assistance equal to an amount calculated by applying the debt service funding supplement formula under the Supplemental School District Funding Act of 2003, § 6-20-2401 et seq. [repealed], during fiscal year 2005 with a funding factor of eighteen dollars and three cents (\$18.03).

(b) The funding factor for each fiscal year after Fiscal Year 2006 shall be equal to the funding factor derived for Fiscal Year 2006 under subdivision (b)(3)(A)(iii)(a) of this section; and

(iv) Multiply the calculation under subdivision (b)(3)(A)(iii) of this section by the state wealth index.

~~*(B)(i) As used in this subdivision (b)(3)(B), "mandatory callable bonds" means a bond issue in which all net proceeds from debt service millage used to secure the issuance of that bond must be applied to payment of the issue and cannot be used for any other purposes.*~~

~~*(ii) School districts having mandatory callable bonds shall receive an amount of state financial assistance with regard to the mandatory callable bonds proportionate to the amount of state financial*~~

~~assistance provided under subdivision (b)(3)(A) of this section to school districts that do not have mandatory callable bonds.~~

~~(G) As the amount of state financial bonded debt assistance under this section decreases to correlate with reductions in principal and interest payments and increases in property assessments, the commission shall distribute any ~~savings~~ remaining funded bonded debt assistance appropriation through the Educational Facilities Partnership Fund Account in accordance with rules promulgated by the commission.~~

(4)(A) The commission shall determine the amount of ~~state financial bonded debt~~ assistance for each eligible school district no later than July 15 of each year.

(B)(i) ~~State financial Bonded debt~~ assistance under this subsection is payable to each eligible school district in two (2) ~~equal~~ installments.

(ii) The commission shall arrange for the payment of the first installment by August 1 of each year and the second installment by February 1 of each year.

(5) For tracking purposes, the school district shall account for the funds received as state ~~financial bonded debt~~ assistance under this section as restricted funds and shall account for the funds in accordance with provisions of law, including, without limitation, the Arkansas Educational Financial Accounting and Reporting Act of 2004, § 6-20-2201 et seq., and rules established by the commission.

(c)(1)(A)~~(i)~~ Nothing in this section shall prohibit a school district from refunding bonds that were issued and outstanding as of January 1, 2005.

~~(ii)(B)~~ If a school district qualifies for ~~state financial bonded debt~~ assistance under this section, the amount of ~~state financial bonded debt~~ assistance under this section shall not be altered or reduced as a result of refunding the bonds that were issued and outstanding as of January 1, 2005, and the ~~financial bonded debt~~ assistance shall continue after the refunding based on the principal and interest payment schedule in effect and on file with the department on January 1, 2005.

~~(B) The school district shall use the debt service savings, if any, produced by refunding the outstanding bonds as follows:~~

~~(i) The annual savings produced by the refunding shall be deposited into a bond refunding savings fund, to be used by the~~

~~school district solely for the:~~

~~(a) New construction of, capital repairs to, or renovation of academic facilities; or~~

~~(b) Purchase of academic equipment; and~~

~~(ii) Before the date on which the refunding bonds are sold at public sale, the school district shall certify to the commission that the yearly debt service savings will be used solely for the purposes described in subdivision (c)(1)(B)(i) of this section.~~

~~(2)(A) Nothing in this section shall prohibit a school district from issuing second lien bonds.~~

~~(B) If a school district qualifies for state financial assistance under this section, the amount of state financial assistance under this section shall not be increased or reduced as a result of the issuance of second lien bonds.~~

~~(3)(2) Nothing in this subsection shall prevent the annual adjustment of state financial bonded debt assistance under this section in accordance with annual variations in the state wealth index and the school district's principal and interest payment schedule in effect and on file with the department on January 1, 2005.~~

(d)(1) The state shall not assume any debt of a school district or incur any obligation with regard to a school district's bonded indebtedness by providing the financial bonded debt assistance described in this section.

(2) The school district receiving financial bonded debt assistance under this section is and will remain independently liable for all outstanding indebtedness.

~~(e)(1) The commission shall compute the amount of general facilities funding that each school district received or would have received under the Supplemental School District Funding Act of 2003, § 6-20-2401 et seq. [repealed], during Fiscal Year 2005.~~

~~(2)(A) In addition to the financial assistance provided under subsection (b) of this section, a school district shall receive in accordance with subdivision (e)(2)(B) of this section state financial assistance equal to all or a portion of the general facilities funding that the school district received or would have received under the Supplemental School District Funding Act of 2003, § 6-20-2401 et seq. [repealed], during Fiscal Year 2005.~~

~~(B) The commission shall phase out state financial assistance under this subsection over a ten-year period by reducing the amount received by a school district under this subsection after Fiscal Year 2006 by one-tenth (1/10) in each year of the ten-year period with the savings. The funded general facilities funding appropriation shall be distributed to the Employee Benefits Division of the Department of Finance and Administration Administration for the exclusive benefit of public school employees participating in the State and Public School Life and Health Insurance Program.~~

~~(3) State financial assistance under this subsection is payable to each eligible school district in two (2) equal installments. The commission shall arrange for the payment of the first installment by August 1 of each year and the second installment by February 1 of each year.~~

~~(f)(1) If a school district elected to receive supplemental millage incentive funding under the Supplemental School District Funding Act of 2003, § 6-20-2401 et seq. [repealed], during Fiscal Year 2005, the commission shall compute the difference between the amount of supplemental millage incentive funding that a school district received in Fiscal Year 2005 and the amount of debt service funding supplement and general facilities funding that the school district would have received under the Supplemental School District Funding Act of 2003, § 6-20-2401 et seq. [repealed], in Fiscal Year 2005.~~

~~(2)(A) In addition to the financial assistance provided under subsection (b) of this section, a school district that elected to receive supplemental millage incentive funding under the Supplemental School District Funding Act of 2003, § 6-20-2401 et seq. [repealed], shall receive in accordance with subdivision (f)(2)(B) of this section state financial assistance equal to all or a portion of the amount of supplemental millage incentive funding that exceeded the amount that the school district would have received under debt service funding supplement and general facilities funding under the Supplemental School District Funding Act of 2003, § 6-20-2401 et seq. [repealed], in Fiscal Year 2005.~~

~~(B) The commission shall phase out the state financial assistance under this subsection over a ten-year period by reducing the amount received by a school district under this subsection after Fiscal Year 2006 by one-tenth (1/10) in each year of the ten-year period with the savings. The funded supplemental millage appropriation shall be distributed to the~~

*Employee Benefits Division of the Department of Finance and ~~administration~~
Administration for the exclusive benefit of public school employees
participating in the State and Public School Life and Health Insurance
Program.*

~~(3) State financial assistance under this subsection is payable
to each eligible school district in two (2) equal installments. The
commission shall arrange for the payment of the first installment by August 1
of each year and the second installment by February 1 of each year.~~

*(g)(1)(A) Within thirty (30) days after the satisfaction of a school
district's outstanding bonded indebtedness in existence as of January 1,
2005, the school district shall notify the department that the school
district's outstanding bonded indebtedness in existence as of January 1,
2005, has been satisfied, which shall include defeasance, but shall exclude
refunding.*

~~(B) If a school district has issued refunding bonds to
refund bonds in existence as of January 1, 2005, the school district shall
notify the department of the date that the school district's outstanding
bonded indebtedness in existence as of January 1, 2005, would have been
satisfied had the bonds not been refunded.~~

~~(2)(A) Within thirty (30) days after receiving notification
under subdivision (g)(1)(A) of this section, the department shall certify to
the commission that all the school district's outstanding bonded indebtedness
in existence as of January 1, 2005, has been satisfied.~~

~~(B) Upon acceptance by the commission of the department's
certification, state financial participation under this section shall expire.~~

~~(h)(1) A school district shall qualify to receive any appropriate
supplemental millage incentive funds otherwise available in the public school
fund if:~~

~~(A) The school district voluntarily raised its maintenance
and operation mills only during the 2004-2005 school year in order to have a
total millage beyond the twenty five (25) mills required by the Arkansas
Constitution, Amendment 74; and~~

~~(B) The school district's property assessment per student
is below the state average per student.~~

~~(2) The supplemental millage incentive funds shall be
available without regard to any other qualifications in law, including~~

~~without limitation any requirement that a school district must have previously received a debt service funding supplement.~~

/s/J. English

APPROVED: 04/05/2017