

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas
90th General Assembly
Regular Session, 2015

As Engrossed: H2/13/15
A Bill

HOUSE BILL 1354

By: Representative Johnson

For An Act To Be Entitled

AN ACT TO MODIFY THE REQUIREMENTS FOR SCHOOL DISTRICT
DETACHMENT; TO DECLARE AN EMERGENCY; AND FOR OTHER
PURPOSES.

Subtitle

TO MODIFY THE REQUIREMENTS FOR SCHOOL
DISTRICT DETACHMENT; AND TO DECLARE AN
EMERGENCY.

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

SECTION 1. Arkansas Code § 6-13-1505(c)-(f), concerning the creation of school districts, is amended to read as follows:

(c)(1)(A) ~~Any A~~ A new school district created under this subchapter shall ~~take be allocated~~ the property assets of the school district from which the territory was taken, as the state board shall deem proper, ~~and~~ or as agreed by the original school district and the new school district.

(B) The transfer or conveyance of the title of the assets from the original school district to the new school district shall be documented through deeds, assignments, or bills of sale as necessary to produce evidence of the transfer of ownership and the resulting rights and liabilities.

(2)(A) The new school district shall be liable for that part of all indebtedness of the school district from which the territory was taken as shall be assigned or allocated to the new school district by the state board.

(B) In determining the amount of the indebtedness that the new school district is responsible for, the new school district and the



original school district shall either:

(i) Agree upon an amount; or

(ii) Allow the state board to determine the amount if the new school district and the original school district cannot agree.

(3) The allocation or assignment of indebtedness shall be structured in a manner that does not cause the original school district to default in the documents authorizing the indebtedness, and shall not violate any tax covenants contained in the documents authorizing the indebtedness by the original districts.

(4) In determining the division of indebtedness between the new school district and the original school district, reasonable and fair methods of allocation shall be considered, including without limitation:

(A) A third-party appraisal of the real property of the new school district;

(B) A ratio generated by comparing the number of students currently residing in the boundaries of the new school district to the total number of students in the original school district;

(C) A ratio generated by comparing the assessed value of property within the boundaries of the new school district to the assessed value of property within the original school district; and

(D) Other reasonable and fair methods of allocation.

(5) The new school district is entitled to all the constitutional and statutory protections afforded school districts immediately upon the state board's ordering:

(A) The transfer of the real and personal property from the original school district to the new school district; and

(B) The amount of indebtedness assigned to the new school district.

(6) The new school district shall be considered a body corporate and may sue and be sued in the new school district's corporate name, shall have the power of eminent domain, and may borrow money and issue bonds for the purpose permitted under § 6-20-1201.

(d)(1) The millage rate of ~~the electors~~ of the detached territory constituting the new school district shall remain the same as that of the original school district until an election may be held to change the rate of taxation for the detached area.

(2) The millage rate of a new school district shall not be lower than the millage rate of the original school district.

(3) The revenue generated by a millage in a new school district shall be allocated in the same manner as the revenue was allocated by the original school district.

(4) The new school district may use debt service millage inherited from the original school district as a source of revenue to pay all or part of the indebtedness assigned or allocated to the new school district.

(e)(1) One (1) or more of the following methods may be used to pay indebtedness of the new school district to the original school district:

(A) The new school district may borrow funds from the original school district as mutually agreed by both school districts;

(B) The new school district and the original school district may enter into capitol lease with purchase agreements;

(C) The new school district may borrow funds from a private, governmental, or commercial lender; or

(D) The new school district may *issue bonds*.

(2) Indebtedness or a lease assigned or authorized under this section is entitled to the rights under § 6-20-1204(d)-(g).

(f) The state board shall have the following duties regarding creation of a school district by detachment:

(1) To form local school districts, change boundary lines of school districts, create new school districts, and perform all other functions regarding changes in school districts in accordance with the law;

(2) To transfer funds and attach territory that is in one (1) school district to other school districts as may seem best for the educational welfare of the children, including the loaning of funds to the new school district for the purpose of satisfying, in whole or in part, the inherited debt under terms and conditions acceptable to the state board; and

(3) To enact rules and regulations regarding the creation of school districts by detachment under this subchapter.

~~(f)~~(g) In its order creating the new school district under this section, the state board may allow a transition period of up to two (2) consecutive years to allow the new school district to become fully operational.

(h)(1) The new school district shall publish a projected budget for

the first anticipated operational school year at least sixty (60) days before the next annual school election.

(2)(A) The new school district may present a proposed millage increase to the voters of the new school district at the same time the projected budget is published.

(B) The new school district shall present to the qualified electors of the new school district a sufficient ad valorem tax for the maintenance and operation of schools and the retirement of indebtedness.

(3) If a new millage is proposed and approved by the voters of the new school district, the new millage is effective on January 1 following the election.

SECTION 2. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that there are a number of Arkansas school districts that are losing students; that the laws concerning detachment are not clear in assigning assets and indebtedness between old and new school districts; and that this act is immediately necessary to ensure that a newly created school district is able to secure property and debt. Therefore, an emergency is declared to exist, and this act being immediately necessary for the preservation of the public peace, health, and safety shall become effective on:

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

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

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

/s/Johnson