

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

State of Arkansas  
91st General Assembly  
Regular Session, 2017

As Engrossed: H3/17/17  
**A Bill**

HOUSE BILL 1575

By: Representative Lowery

### **For An Act To Be Entitled**

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

### **Subtitle**

TO LIMIT THE AMOUNT OF FUND BALANCES A SCHOOL DISTRICT MAY MAINTAIN.

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

SECTION 1. Arkansas Code Title 6, Chapter 20, Subchapter 22, is amended to add an additional section to read as follows:

6-20-2210. Limitation on fund balances.

(a) As used in this section:

(1) "Facilities master plan" means the same as defined in § 6-21-803;

(2) "Net legal balance" means the:

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

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

(i) National school lunch fund;

(ii) Alternative learning environment fund;

(iii) English language learner fund; and

(iv) Professional development fund; minus

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

(3) "Net legal balance revenues" means:



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

(B) Revenues placed into the:

(i) National school lunch fund;

(ii) Alternative learning environment fund;

(iii) English language learner fund; or

(iv) Professional development fund; minus

(C) Proceeds derived from federal qualified bonds;

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

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

(i) Bond or other debt proceeds;

(ii) Loans;

(iii) Bonded debt refunding savings;

(iv) Consolidation and annexation funding;

(v) Audit adjustments;

(vi) Proceeds from the sale or loss of public school district real or personal property;

(vii) Interfund transfers; or

(viii) Other similar nonrevenue financing sources as defined in:

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

(b) Rules promulgated by the department; and

(5) "School district" means the same as defined in § 6-21-803.

(b) If on at the close of the fiscal year a public school district has a net legal balance that exceeds twenty percent (20%) of the public school district's current year net legal balance revenues, the public school district shall within five (5) years reduce its net legal balance to no more than twenty percent (20%) of the public school district's current year net legal balance revenues.

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

(1)(A) Transferring funds into the public school district's

building fund.

(B) Any funds transferred into the public school district's building fund under subdivision (c)(1)(A) of this section shall be used for construction, renovation, repair, or other planned building fund expenditure or project allowed within building fund coding specifications in the latest version of the annual financial report and budget expenditures fund specification of the Arkansas Public School Computer Network.

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

(2) Spending funds on, including without limitation:

(A) Prekindergarten programs;

(B) Remediation programs;

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

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

(d)(1) The department shall:

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

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

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

(e)(1) Under an unusual and limited circumstance, including without

limitation an increase in one-time funds, a public school district may request that the department waive the requirements of this section.

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

(3) The commissioner may grant a waiver request under this subsection if the commissioner finds that the request is necessary based upon the unusual and limited circumstances.

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

*/s/Lowery*