

Arkansas Department of Education
Rules and Regulations
Governing Debt Service Funding Supplements
February 2002

1.00 Legislative Authority

- 1.01 These rules and regulations shall be known as the Arkansas Department of Education Rules and Regulations Governing Debt Service Funding Supplements.
- 1.02 These rules and regulations are enacted pursuant to the State Board of Education's authority under Arkansas Code Annotated §§ 6-11-105 and 6-20-305.

2.00 Purpose

It is the purpose of these rules and regulations to clarify the method for allocation, to school districts, of funds that reduce the debt service burdens voted by school districts and to increase local revenue available for maintenance and operations expenditures. Specifically these rules and regulations will clarify how Ark. Code Ann. §§ 6-20-303 and 6-20-308(b) interact.

3.00 Definitions

- 3.01 The following words and phrases shall have the same definition and meaning as defined in Ark. Code Ann. § 6-20-303: average daily membership; mandatory callable bonds; eligible debt service millage required; state wealth index.
- 3.02 Adjusted eligible debt service mills required shall mean the scheduled debt payment divided by the total property assessment of the school district.
- 3.03 Scheduled Debt Payment shall mean the scheduled debt payment on bonded debt, for the following calendar year, not including mandatory callable bonds on file with the Department of Education as of May 30 of the previous fiscal year.
 - 3.03.1 The scheduled debt payment on file with the Department of education shall be adjusted as follows: In the case of a non-voted refunding bond issue, the payment schedule of the issue being refunded (old issue) will be compared to the payment schedule of the refunding issue. The schedule with the higher annual debt payment will be used for the purposes of calculating adjusted eligible debt service mills required if the district has provided to the Department of Education a signed Certificate as to the use of the debt service savings in conformity with Ark. Code Ann. § 6-20-308(b). In instances where a voted refunding issue is combined with additional debt or extends the term of the original debt, the new payment schedule will be used for the purposes of calculating adjusted eligible debt service mills required.
 - 3.03.2 A payment that a school district makes to a third party for the eventual purpose of retiring indebtedness and that the third party places in escrow until such time in the future at which it will be turned over to the bond holders and that the school district in no way can gain access to those escrowed funds shall be included in the definition of scheduled debt payment for the purposes of these rules and regulations.

4.00 Calculation

- 4.01 Debt Service Funding Supplement shall be calculated as follows: For each mill of *adjusted* eligible debt service millage required as established on May 30, the local school district shall be provided a dollar amount of no less than fifteen dollars (\$15) per average daily membership times its state wealth index.
- 4.02 The State Board of Education shall set the funding factor annually at the same meeting at which it approves the budget for the Public School Fund.

5.00 Schedule of Payments

Debt Service Funding Supplement shall be distributed quarterly.