

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 84th General Assembly
3 Regular Session, 2003

A Bill

HOUSE BILL 1520

4
5 By: Representative Childers
6
7

For An Act To Be Entitled

9 AN ACT TO AUTHORIZE MUNICIPALITIES TO ENTER INTO
10 CONTRACTS FOR ACHIEVING EFFECTIVE INTEREST RATES
11 IN CONNECTION WITH REVENUE BONDS ISSUED BY THE
12 MUNICIPALITIES;DECLARING AN EMERGENCY; AND FOR
13 OTHER PURPOSES.
14

Subtitle

15 TO AUTHORIZE A MUNICIPALITY TO ENTER
16 INTO CONTRACTS FOR EFFECTIVE INTEREST
17 RATES IN CONNECTION WITH REVENUE BONDS
18 ISSUED BY THE MUNICIPALITY.
19
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22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
23

24 SECTION 1. Arkansas Code Title 14, Chapter 72, is amended to add an
25 additional subchapter to read as follows:

26 Subchapter 8. Contracts for Effective Bond Interest Rates.

27
28 14-72-801. Definitions.

29 As used in this subchapter:

30 (1) "Bond" mean a revenue bond;

31 (2) "Contract for effective interest rates" means any contract to
32 achieve a desirable effective interest rate, including, but not limited to,
33 an investment contract, a funding agreement, an interest rate swap agreement,
34 a currency swap agreement, a forward payment conversion agreement, a futures
35 contract, a contract providing for payments based on levels of or changes in
36 interest rates, a contract to exchange cash flows or a series of payments, or



1 a contract, including options, puts or calls, issued to hedge payment, rate,
2 spread, or similar interest rate exposure;

3 (3) "Municipality" means a city of the first class, a city of the
4 second class, or an incorporated town, and an agency, board, commission, or
5 instrumentality of a city or town; and

6 (4) "Revenue bond" means a revenue bond issued by, or on behalf of, a
7 municipality under the Arkansas Constitution and under an act of the Arkansas
8 General Assembly, including all bonds, notes, certificates, or other
9 instruments or evidences of indebtedness which constitute a revenue bond as
10 defined in Amendment 65 to the Arkansas Constitution.

11
12 14-72-802. Contracts authorized.

13 (a) In connection with revenue bonds issued by a municipality, the
14 municipality may enter into a contract for effective interest rates.

15 (b) A contract for effective interest rates may be entered into at the
16 time the bonds are issued or at any time while the bonds are outstanding.

17 (c) A contract for effective interest rates may also be entered into
18 by municipalities in connection with an agreement that secures bonds or
19 provides liquidity for the bonds.

20 (d)(1) A contract for effective interest rates shall be made upon the
21 terms and conditions established by the governing body of the municipality.

22 (2) The contract may include terms permitting the municipality
23 to pay to, or receive from, a person or entity any loss of benefits under the
24 contract upon an early termination or a default under the contract.

25
26 14-72-803. Payments and revenues.

27 (a) Payments required to be made by a municipality under a contract
28 for effective interest rates under this subchapter shall be payable from the
29 same revenue source or sources from which the related bonds are payable.

30 (b) Revenues derived by a municipality from a contract for effective
31 interest rates shall be used for one (1) or more of the following purposes:

32 (1) The payment of the bond principal, bond premium, interest on
33 the related bonds, or for amounts held in reserve for the bond payment;

34 (2) The payment of the municipality's obligations under the
35 contract; or

36 (3) Any purpose for which the related bonds were or could have

1 been issued if the contract is authorized by the governing body of the
2 municipality in the same manner as the issuance of bonds.

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4 14-72-804. Supplemental.

5 This subchapter is supplemental to all other provisions of state law
6 governing the issuance of bonds by municipalities and the investment of the
7 bond proceeds.

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9 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
10 General Assembly of the State of Arkansas that there is an immediate need to
11 facilitate the issuance of revenue bonds by municipalities, including the
12 ability of municipalities to enter into contracts to achieve a desirable
13 interest rate on the bonds. Therefore, an emergency is declared to exist and
14 this act being immediately necessary for the preservation of the public
15 peace, health and safety shall become effective on:

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

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

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