

1 State of Arkansas
2 81st General Assembly
3 Regular Session, 1997
4 By: Representative Dawson

As Engrossed: H3/26/97

H.J.R. 1005

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7 **HOUSE JOINT RESOLUTION**

8 A PROPOSED AMENDMENT TO THE ARKANSAS CONSTITUTION,
9 PROVIDING THAT MUNICIPALITIES AND COUNTIES MAY INCUR
10 SHORT-TERM FINANCING OBLIGATIONS HAVING A TERM NOT TO
11 EXCEED FIVE (5) YEARS AND BEARING INTEREST AT EITHER A
12 FIXED OR VARIABLE RATE, FOR THE PURPOSE OF ACQUIRING,
13 CONSTRUCTING, INSTALLING OR RENTING REAL PROPERTY OR
14 TANGIBLE PERSONAL PROPERTY HAVING AN EXPECTED USEFUL LIFE
15 OF MORE THAN ONE (1) YEAR; PROVIDING THAT THE MAXIMUM
16 LAWFUL RATE OF INTEREST FOR FIXED RATE OBLIGATIONS IS THE
17 FORMULA RATE IN EFFECT WHEN THE OBLIGATION IS INCURRED,
18 AND THAT THE MAXIMUM LAWFUL RATE OF INTEREST FOR VARIABLE
19 RATE OBLIGATIONS IS THE FORMULA RATE IN EFFECT WHEN THE
20 INTEREST ACCRUES; DEFINING "FORMULA RATE" AS THAT RATE OF
21 INTEREST WHICH IS FIVE PERCENTAGE POINTS (5%) ABOVE THE
22 EQUIVALENT BOND YIELD OF ONE YEAR U. S. TREASURY BILLS
23 OFFERED BY THE U. S. TREASURY AT THE LAST AUCTION DURING
24 THE IMMEDIATELY PRECEDING CALENDAR QUARTER, CALCULATED BY
25 ROUNDING UP TO THE NEAREST ONE-FOURTH OF ONE PERCENTAGE
26 POINT (0.25%) AND ANNOUNCED BY THE STATE BANK COMMISSIONER
27 FROM TIME TO TIME; PROVIDING THAT THE AGGREGATE PRINCIPAL
28 AMOUNT OF SHORT-TERM FINANCING OBLIGATIONS INCURRED BY A
29 MUNICIPALITY OR A COUNTY PURSUANT TO THIS AMENDMENT SHALL
30 NOT EXCEED *TEN PERCENT (10%)* OF THE ASSESSED VALUE OF
31 TAXABLE PROPERTY LOCATED WITHIN THE MUNICIPALITY OR *FIVE*
32 *PERCENT (5%)* OF THE ASSESSED VALUE OF TAXABLE PROPERTY
33 LOCATED WITHIN THE COUNTY; AND THAT THE TOTAL ANNUAL
34 PRINCIPAL AND INTEREST PAYMENTS IN EACH FISCAL YEAR ON ALL
35 OUTSTANDING OBLIGATIONS PURSUANT TO THIS AMENDMENT SHALL
36 BE PAID FROM THE GENERAL REVENUES FOR SUCH FISCAL YEAR;

1 PROVIDING THAT THE AUTHORITY CONFERRED BY THIS AMENDMENT
2 SHALL BE IN ADDITION TO THE AUTHORITY OF MUNICIPALITIES
3 AND COUNTIES TO ISSUE BONDS AND OTHER DEBT OBLIGATIONS
4 PURSUANT TO OTHER PROVISIONS OF THE CONSTITUTION AND LAWS
5 OF THE STATE; DEFINING OTHER TERMS IN THE AMENDMENT;
6 PROVIDING THAT THE AMENDMENT SHALL BE SELF-EXECUTING.

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Subtitle

9 THE CITY AND COUNTY GOVERNMENT SHORT-
10 TERM FINANCING AMENDMENT.

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14 BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE EIGHTY-FIRST GENERAL
15 ASSEMBLY OF THE STATE OF ARKANSAS AND BY THE SENATE, A MAJORITY OF ALL MEMBERS
16 ELECTED TO EACH HOUSE AGREEING THERETO:

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18 That the following is hereby proposed as an amendment to the
19 Constitution of the State of Arkansas, and upon being submitted to the
20 electors of the state for approval or rejection at the next general election
21 for Representatives and Senators, if a majority of the electors voting thereon
22 at such election, adopt such amendment, the same shall become a part of the
23 Constitution of the State of Arkansas, to wit:

24

25 SECTION 1. (a) For the purpose of acquiring, constructing, installing
26 or renting real property or tangible personal property having an expected
27 useful life of more than one (1) year, municipalities and counties may incur
28 short-term financing obligations maturing over a period of, or having a term,
29 not to exceed five (5) years. Such obligations may bear interest at either:

30 (1) a fixed rate throughout the term thereof, including a fixed
31 interest rate which is to be determined by reference to an index or other
32 formula, but not to exceed the maximum lawful rate of interest for fixed rate
33 obligations, or

34 (2) a rate which may vary at such times and under such
35 circumstances as the parties may agree, whether or not the interest rate in

1 fact varies, but not to exceed the maximum lawful rate of interest for
2 variable rate obligations. The maximum lawful rate of interest for fixed rate
3 obligations is the formula rate in effect on the date the obligation is
4 incurred, regardless of when such interest is to begin to accrue. The maximum
5 lawful rate of interest for variable rate obligations is the formula rate in
6 effect on the date such interest accrues. The aggregate principal amount of
7 short-term financing obligations incurred by a municipality or a county
8 pursuant to this section shall not exceed *ten percent (10%)* of the assessed
9 value of taxable property located within the municipality or *five percent (5%)*
10 of the assessed value of taxable property located within the county, as
11 determined by the last tax assessment completed before the last obligation was
12 incurred by the city or county. The total annual principal and interest
13 payments in each fiscal year on all outstanding obligations of a municipality
14 or a county pursuant to this section shall be charged against and paid from
15 the general revenues for such fiscal year, which may include road fund
16 revenues. Tax revenues earmarked for solid waste disposal purposes may be used
17 to pay printing and other costs associated with bonds issued under this
18 amendment for solid waste disposal purposes.

19 (b) As used here:

20 (1) "Short-term financing obligation" means a debt, a note, an
21 installment purchase agreement, a lease, a lease-purchase contract, or any
22 other similar agreement, whether secured or unsecured; provided, that the
23 obligation shall mature over a period of, or have a term, not to exceed five
24 (5) years;

25 (2) "Formula rate" means that rate of interest which is five
26 percentage points (5%) above the equivalent bond yield of one year United
27 States Treasury Bills offered by the United States Treasury at the last
28 auction during the immediately preceding calendar quarter, calculated by
29 rounding up to the nearest one-fourth of one percentage point (0.25%) (unless
30 the equivalent bond yield is already by a multiple of one-fourth of one
31 percentage point), and announced by the State Bank Commissioner (or such
32 successor official who may be performing substantially the same duties) from
33 information available from the Federal Reserve System of the United States.
34 The calculation of the formula rate shall be made on or before the tenth
35 (10th) day of each calendar quarter. The formula rate so calculated shall be

1 effective on the eleventh (11th) day of the calendar quarter and shall
2 continue in effect until the formula rate for the succeeding calendar quarter
3 shall have been calculated and becomes effective. If, for any reason, the
4 United States ceases to issue one year Treasury Bills, such calculation shall
5 be made using a debt instrument of the United States having substantially the
6 same general character and maturity. The calculation and announcement of the
7 formula rate by the State Bank Commissioner shall be final.

8 (c) The provisions of this section shall be self-executing.

9

10 SECTION 2. The authority conferred by this amendment shall be in
11 addition to the authority of municipalities and counties to issue bonds and
12 other debt obligations pursuant to Amendments 62, 65, and 72, and other
13 provisions of the Constitution and laws of the state.

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15 SECTION 3. This amendment goes into effect on January 1, 1999.

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17 /s/Rep. Dawson

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