

1 State of Arkansas  
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S.J.R. 4

4  
5 By: Senators Harriman, Bell, Malone, *Mahony, Wilson, Hill, Beebe, Scott, and Fitch*  
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## 8 SENATE JOINT RESOLUTION

9 A PROPOSED AMENDMENT TO THE ARKANSAS CONSTITUTION,  
10 PROVIDING THAT MUNICIPALITIES AND COUNTIES MAY INCUR  
11 SHORT-TERM FINANCING OBLIGATIONS HAVING A TERM NOT TO  
12 EXCEED FIVE (5) YEARS AND BEARING INTEREST AT EITHER A  
13 FIXED OR VARIABLE RATE, FOR THE PURPOSE OF ACQUIRING,  
14 CONSTRUCTING, INSTALLING OR RENTING REAL PROPERTY OR  
15 TANGIBLE PERSONAL PROPERTY HAVING AN EXPECTED USEFUL LIFE  
16 OF MORE THAN ONE (1) YEAR; PROVIDING THAT THE MAXIMUM  
17 LAWFUL RATE OF INTEREST FOR FIXED RATE OBLIGATIONS IS THE  
18 FORMULA RATE IN EFFECT WHEN THE OBLIGATION IS INCURRED,  
19 AND THAT THE MAXIMUM LAWFUL RATE OF INTEREST FOR VARIABLE  
20 RATE OBLIGATIONS IS THE FORMULA RATE IN EFFECT WHEN THE  
21 INTEREST ACCRUES; DEFINING "FORMULA RATE" AS THAT RATE OF  
22 INTEREST WHICH IS FIVE PERCENTAGE POINTS (5%) ABOVE THE  
23 EQUIVALENT BOND YIELD OF ONE YEAR U. S. TREASURY BILLS  
24 OFFERED BY THE U. S. TREASURY AT THE LAST AUCTION DURING  
25 THE IMMEDIATELY PRECEDING CALENDAR QUARTER, CALCULATED BY  
26 ROUNDING UP TO THE NEAREST ONE-FOURTH OF ONE PERCENTAGE  
27 POINT (0.25%) AND ANNOUNCED BY THE STATE BANK COMMISSIONER  
28 FROM TIME TO TIME; PROVIDING THAT THE AGGREGATE PRINCIPAL  
29 AMOUNT OF SHORT-TERM FINANCING OBLIGATIONS INCURRED BY A  
30 MUNICIPALITY OR A COUNTY PURSUANT TO THIS AMENDMENT SHALL  
31 NOT EXCEED TWENTY PERCENT (20%) OF THE ASSESSED VALUE OF  
32 TAXABLE PROPERTY LOCATED WITHIN THE MUNICIPALITY OR TEN  
33 PERCENT (10%) OF THE ASSESSED VALUE OF TAXABLE PROPERTY  
34 LOCATED WITHIN THE COUNTY; AND THAT THE TOTAL ANNUAL  
35 PRINCIPAL AND INTEREST PAYMENTS IN EACH FISCAL YEAR ON ALL  
36 OUTSTANDING OBLIGATIONS PURSUANT TO THIS AMENDMENT SHALL  
37 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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8 **Subtitle**

9 THE CITY AND COUNTY GOVERNMENT SHORT-  
 10 TERM FINANCING AMENDMENT.  
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15 BE IT RESOLVED BY THE SENATE OF THE EIGHTY-FIRST GENERAL ASSEMBLY OF THE STATE  
 16 OF ARKANSAS AND BY THE HOUSE OF REPRESENTATIVES, A MAJORITY OF ALL MEMBERS  
 17 ELECTED TO EACH HOUSE AGREEING THERETO:  
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19 That the following is hereby proposed as an amendment to the Constitution  
 20 of the state of Arkansas, and upon being submitted to the electors of the  
 21 state for approval or rejection at the next general election for Senators and  
 22 Representatives, if a majority of the electors voting thereon at such  
 23 election, adopt such amendment, the same shall become a part of the  
 24 Constitution of the state of Arkansas, to wit:  
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26 SECTION 1. (a) For the purpose of acquiring, constructing, installing  
 27 or renting real property or tangible personal property having an expected  
 28 useful life of more than one (1) year, municipalities and counties may incur  
 29 short-term financing obligations maturing over a period of, or having a term,  
 30 not to exceed five (5) years. Such obligations may bear interest at either:

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

35 (2) a rate which may vary at such times and under such

1 circumstances as the parties may agree, whether or not the interest rate in  
2 fact varies, but not to exceed the maximum lawful rate of interest for  
3 variable rate obligations. The maximum lawful rate of interest for fixed rate  
4 obligations is the formula rate in effect on the date the obligation is  
5 incurred, regardless of when such interest is to begin to accrue. The maximum  
6 lawful rate of interest for variable rate obligations is the formula rate in  
7 effect on the date such interest accrues. The aggregate principal amount of  
8 short-term financing obligations incurred by a municipality or a county  
9 pursuant to this section shall not exceed twenty percent (20%) of the assessed  
10 value of taxable property located within the municipality or ten percent (10%)  
11 of the assessed value of taxable property located within the county, as  
12 determined by the last tax assessment completed before the last obligation was  
13 incurred by the city or county. The total annual principal and interest  
14 payments in each fiscal year on all outstanding obligations of a municipality  
15 or a county pursuant to this section shall be charged against and paid from  
16 the general revenues for such fiscal year, which may include road fund  
17 revenues. Tax revenues earmarked for solid waste disposal purposes may be used  
18 to pay printing and other costs associated with bonds issued under this  
19 amendment for solid waste disposal purposes.

20 (b) As used here:

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

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

1 (10th) day of each calendar quarter. The formula rate so calculated shall be  
2 effective on the eleventh (11th) day of the calendar quarter and shall  
3 continue in effect until the formula rate for the succeeding calendar quarter  
4 shall have been calculated and becomes effective. If, for any reason, the  
5 United States ceases to issue one year Treasury Bills, such calculation shall  
6 be made using a debt instrument of the United States having substantially the  
7 same general character and maturity. The calculation and announcement of the  
8 formula rate by the State Bank Commissioner shall be final.

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

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

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

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18 /s/Harriman et al

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