

State of Arkansas

As Engrossed: S3/9/11

88th General Assembly

Regular Session, 2011

SJR 5

By: Senator Files

## SENATE JOINT RESOLUTION

*PROPOSING AN AMENDMENT TO THE ARKANSAS CONSTITUTION CONCERNING FINANCIAL REFORM FOR COUNTIES AND MUNICIPALITIES; PROPOSING AN AMENDMENT TO THE ARKANSAS CONSTITUTION TO AUTHORIZE CITIES AND COUNTIES TO CREATE DISTRICTS WITHIN THE CITY OR COUNTY FOR DEVELOPMENT AND REDEVELOPMENT PROJECTS WITHIN THE DISTRICT AND TO ISSUE BONDS PAYABLE FROM THE INCREASED AMOUNT OF STATE SALES AND USE TAX COLLECTED WITHIN THE DISTRICT FOR FINANCING SUCH PROJECTS; PROPOSING AN AMENDMENT TO THE ARKANSAS CONSTITUTION TO AUTHORIZE GOVERNMENTAL UNITS TO ISSUE BONDS AND LEVY A SALES TAX FOR THE PURPOSE OF RETIRING UNFUNDED LIABILITIES OF CLOSED LOCAL POLICE AND FIRE PENSION PLANS; AMENDING AMENDMENT 78 OF THE ARKANSAS CONSTITUTION TO PROVIDE THAT ANNUAL PRINCIPAL AND INTEREST PAYMENTS ON SHORT-TERM FINANCING OBLIGATIONS SHALL BE CHARGED AGAINST AND PAID FROM GENERAL REVENUES FOR THE FISCAL YEAR OR SPECIAL REVENUES AUTHORIZED TO BE USED FOR THE PROPERTY FINANCED; AMENDING AMENDMENT 78 OF THE ARKANSAS CONSTITUTION TO PROVIDE THAT ROAD REVENUES MAY NOT BE CHARGED AGAINST SHORT-TERM FINANCING OBLIGATIONS UNDER AMENDMENT 78; AND AMENDING AMENDMENT 78 OF THE ARKANSAS CONSTITUTION TO PROVIDE THAT TAX REVENUES EARMARKED FOR SOLID WASTE DISPOSAL PURPOSES MAY NOT BE USED TO PAY PRINTING AND OTHER COSTS ASSOCIATED WITH BONDS UNDER AMENDMENT 78 FOR SOLID WASTE DISPOSAL PURPOSES.*



## Subtitle

PROPOSING AN AMENDMENT TO THE ARKANSAS  
CONSTITUTION CONCERNING FINANCIAL REFORM  
FOR COUNTIES AND MUNICIPALITIES.

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

THAT the following is proposed as an amendment to the Constitution of the State of Arkansas, and upon being submitted to the electors of the state for approval or rejection at the next general election for Representatives and Senators, if a majority of the electors voting thereon at the election adopt the amendment, the amendment shall become a part of the Constitution of the State of Arkansas, to wit:

*SECTION 1. The Arkansas Constitution is amended to read as follows:*  
*Sales Tax Anticipated Revenue Bonds.*

(a) A city or county may form one (1) or more districts for the purpose of financing sales tax anticipated revenue bond projects within the district as provided by this amendment.

(b)(1) A city or county which has formed a district under this amendment may issue bonds for the purpose of financing certain costs related to a sales tax anticipated revenue bond project within the district, as determined by the General Assembly.

(2) The bonds may be secured by and be payable from all or a portion of the division of state sales and use taxes collected within the district under subsection (e) of this amendment.

(3) The bonds shall not be:

(A) Considered in calculating debt limits for bonds issued pursuant to Article XII, § 4, of the Arkansas Constitution; or

(B) Subject to the provisions of Article XVI, § 1, of the  
Arkansas Constitution or Amendments 62 or 65 to the Arkansas Constitution.

(c) For purposes of this amendment, the term “sales tax anticipated

1 revenue bond project" means an undertaking, including without limitation the  
2 acquisition, development, redevelopment, and revitalization of land within  
3 the district, for eliminating or preventing the development or spread of  
4 slums or blighted, deteriorated, or deteriorating areas, for discouraging the  
5 loss of commerce, industry, or employment, for increasing employment, or any  
6 combination thereof, as may be defined by the General Assembly.

7 (d) Prior to a city or county's issuance of bonds for a sales tax  
8 anticipated revenue bond project under subsection (b) of this section, the  
9 sales tax anticipated revenue bond project shall be approved by an  
10 appropriate state agency as may be determined by the General Assembly.

11 (e) The General Assembly may provide that all or a portion of the  
12 state sales and use tax collected within a district may be divided so that  
13 all or part of the increase in state sales and use tax collected by taxpayers  
14 within the district after the date on which the project plan has been  
15 approved by an appropriate state agency shall be used to pay any indebtedness  
16 incurred for the sales tax anticipated revenue bond project.

17 (f) Any provision of the Constitution of the State of Arkansas in  
18 conflict with this section is repealed insofar as it is in conflict with this  
19 amendment.

20 (g) The General Assembly shall provide for the implementation of this  
21 amendment by law."

22  
23 SECTION 2. The purpose of this section is to amend the Arkansas  
24 Constitution to authorize governmental units to issue bonds and levy a sales  
25 tax for the purpose of retiring unfunded liabilities of closed local police  
26 and fire pension plans.

27  
28 SECTION 3. Section 2 of Amendment 78 to the Arkansas Constitution is  
29 amended to read as follows:

30 § 2. [Short-term financing obligations].

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

36 (1) a fixed rate throughout the term thereof, including a fixed

1 interest rate which is to be determined by reference to an index or other  
2 formula, but not to exceed the maximum lawful rate of interest for fixed rate  
3 obligations, or

4 (2) a rate which may vary at such times and under such  
5 circumstances as the parties may agree, whether or not the interest rate in  
6 fact varies, but not to exceed the maximum lawful rate of interest for  
7 variable rate obligations. The maximum lawful rate of interest for fixed rate  
8 obligations is the formula rate in effect on the date the obligation is  
9 incurred, regardless of when such interest is to begin to accrue. The maximum  
10 lawful rate of interest for variable rate obligations is the formula rate in  
11 effect on the date such interest accrues. The aggregate principal amount of  
12 short-term financing obligations incurred by a municipality or a county  
13 pursuant to this section shall not exceed five percent (5%) of the assessed  
14 value of taxable property located within the municipality or two and one half  
15 percent (2.5%) of the assessed value of taxable property located within the  
16 county, as determined by the last tax assessment completed before the last  
17 obligation was incurred by the city or county. The ~~total~~ annual principal and  
18 interest payments in each fiscal year on ~~all~~ outstanding obligations of a  
19 municipality or a county pursuant to this section shall be charged against  
20 and paid from ~~the~~ general revenues for such fiscal year, ~~which may include~~  
21 ~~road fund revenues. Tax revenues earmarked for solid waste disposal purposes~~  
22 ~~may be used to pay printing and other costs associated with bonds issued~~  
23 ~~under this amendment for solid waste disposal purposes~~ or special revenues  
24 authorized to be used for the property financed.

25 (b) As used here:

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

31 (2) "Formula rate" means that rate of interest which is five  
32 percentage points (5%) above the equivalent bond yield of one year United  
33 States Treasury Bills offered by the United States Treasury at the last  
34 auction during the immediately preceding calendar quarter, calculated by  
35 rounding up to the nearest one-fourth of one percentage point (0.25%) (unless  
36 the equivalent bond yield is already by a multiple of one-fourth of one

1 *percentage point), and announced by the State Bank Commissioner (or such*  
2 *successor official who may be performing substantially the same duties) from*  
3 *information available from the Federal Reserve System of the United States.*  
4 *The calculation of the formula rate shall be made on or before the tenth*  
5 *(10th) day of each calendar quarter. The formula rate so calculated shall be*  
6 *effective on the eleventh (11th) day of the calendar quarter and shall*  
7 *continue in effect until the formula rate for the succeeding calendar quarter*  
8 *shall have been calculated and becomes effective. If, for any reason, the*  
9 *United States ceases to issue one year Treasury Bills, such calculation shall*  
10 *be made using a debt instrument of the United States having substantially the*  
11 *same general character and maturity. The calculation and announcement of the*  
12 *formula rate by the State Bank Commissioner shall be final.*

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