

State of Arkansas  
91st General Assembly  
First Extraordinary Session, 2017

# A Bill

Call Item 6

SENATE BILL 5

By: Senators J. Hendren, J. Dismang  
By: Representative Gillam

## For An Act To Be Entitled

AN ACT TO AMEND INITIATED ACT 1 OF 2000, ALSO KNOWN  
AS THE "TOBACCO SETTLEMENT PROCEEDS ACT"; TO  
AUTHORIZE THE TRANSFER OF FUNDS FROM THE ARKANSAS  
HEALTHY CENTURY TRUST FUND; TO TRANSFER FUNDS FROM  
THE ARKANSAS HEALTHY CENTURY TRUST FUND TO THE LONG  
TERM RESERVE FUND; TO DECLARE AN EMERGENCY; AND FOR  
OTHER PURPOSES.

## Subtitle

TO AMEND INITIATED ACT 1 OF 2000; TO  
AUTHORIZE THE TRANSFER OF FUNDS FROM THE  
ARKANSAS HEALTHY CENTURY TRUST FUND TO  
THE LONG TERM RESERVE FUND; AND TO  
DECLARE AN EMERGENCY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. DO NOT CODIFY. Legislative findings.

The General Assembly finds that:

(1) The level of state financial reserves affects the state's  
credit rating, as a higher level of reserves will result in a better credit  
rating;

(2) Arkansas scores low on financial reserves analyses, with the  
lack of adequate reserves negatively affecting the state's credit rating;

(3) S&P Global Ratings gives the highest possible score,  
consistent with a AAA-rating, for states in which "[t]here is a formal



1 budget-based reserve relative to revenue or spending that is above 8%”;

2 (4) S&P affirmed its ‘AA’ long-term rating to Arkansas’s series  
 3 2016 taxable refunding higher education general obligation bonds and noted,  
 4 “The state lacks a formal reserve and liquidity policy . . .” but also noted  
 5 that the State of Arkansas has formed a funding strategy for the state’s Long  
 6 Term Reserve Fund;

7 (5) A funded reserve fund and a higher credit rating will save  
 8 the state money;

9 (6) Arkansas currently has approximately one billion five  
 10 hundred million dollars (\$1,500,000,000) in outstanding general obligation  
 11 debt;

12 (7) An improvement in the state’s credit rating from AA to AAA  
 13 would allow the state to borrow money at twelve (12) to fifteen (15) basis  
 14 points below the current AA-rate, potentially saving the state one million  
 15 eight hundred thousand dollars (\$1,800,000) per year in interest costs; and

16 (8) In addition to financial benefits from a higher credit  
 17 rating, there are numerous qualitative benefits, including the increased  
 18 appeal of a higher credit rating to potential new industries, which will  
 19 assist the state in pursuing the important goal of recruiting industry to our  
 20 state.

21  
 22 SECTION 2. Arkansas Code § 19-6-486(g), concerning the Long Term  
 23 Reserve Fund, is amended to read as follows:

24 (g) During each fiscal year, after the provisions of § 19-5-1004(b)(2)  
 25 are complied with, the Chief Fiscal Officer of the State may replenish the  
 26 Long Term Reserve Fund by transferring no more than fifty percent (50%) of  
 27 the balance in the General Revenue Allotment Reserve Fund or an amount equal  
 28 to all transfers made under this section during the fiscal year immediately  
 29 preceding the fiscal year in which such replenishment is made under this  
 30 section, whichever is less, to the Long Term Reserve Fund. ~~In no event shall~~  
 31 ~~the balance of the Long Term Reserve Fund exceed one hundred twenty five~~  
 32 ~~million dollars (\$125,000,000) at any time.~~

33  
 34 SECTION 3. Arkansas Code § 19-12-107(e), concerning the Arkansas  
 35 Healthy Century Trust Fund and derived from Initiated Act 1 of 2000, is  
 36 amended to read as follows:

(e) The Arkansas Healthy Century Trust Fund shall be held in trust and used for the following purposes, and no other purposes:

(1) investment earnings on the Arkansas Healthy Century Trust Fund may be used for:

(A) the payment of expenses related to the responsibilities of the State Board of Finance as set forth in § 19-12-103; and

(B) such programs, and other projects related to health care services, health education, and health-related research as shall, from time to time, be designated in legislation adopted by the General Assembly;

(2) the principal amounts in the Arkansas Healthy Century Trust Fund may ~~only~~ be used for such programs, and other projects related to health care services, health education, and health-related research as shall, from time to time, be designated in legislation adopted by the General Assembly, it being the intent of this chapter that the principal amount of the Arkansas Healthy Century Trust Fund should not be appropriated without amendment of this public trust; and

(3) notwithstanding subdivisions (e)(1) and (e)(2) of this section, investment earnings and principal amounts from the Arkansas Healthy Century Trust Fund may be transferred as designated in legislation adopted by the General Assembly.

SECTION 4. DO NOT CODIFY. Transfer from the Arkansas Healthy Century Trust Fund.

Immediately upon the effective date of this act or as soon as is practicable after the effective date of this act, the Chief Fiscal Officer of the State shall transfer on his or her books and the books of the Treasurer of State and the Auditor of State the balance of the Arkansas Healthy Century Trust Fund to the Long Term Reserve Fund.

SECTION 5. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that the State of Arkansas does not have a dedicated source of budget reserves; that providing funding for the Long Term Reserve Fund could improve the credit rating of the State of Arkansas and increase the fiscal strength and stability of the state; and that this act is immediately necessary because the transfer of the balance of

1 the Arkansas Healthy Century Trust Fund to other state purposes would improve  
2 the state's credit rating and save the state a significant amount of money  
3 that could then be used for other important state purposes. Therefore, an  
4 emergency is declared to exist, and this act being immediately necessary for  
5 the preservation of the public peace, health, and safety shall become  
6 effective on:

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

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

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