

Stricken language would be deleted from the present constitution. Underlined language would be added to present constitution.

1 State of Arkansas  
2 81st General Assembly  
3 Regular Session, 1997

H.J.R. 1011

4  
5 By: Representative Thomas  
6  
7

## 8 HOUSE JOINT RESOLUTION

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

1 BE PAID FROM THE GENERAL REVENUES FOR SUCH FISCAL YEAR;  
 2 PROVIDING THAT THE AUTHORITY CONFERRED BY THIS AMENDMENT  
 3 SHALL BE IN ADDITION TO THE AUTHORITY OF MUNICIPALITIES  
 4 AND COUNTIES TO ISSUE BONDS AND OTHER DEBT OBLIGATIONS  
 5 PURSUANT TO OTHER PROVISIONS OF THE CONSTITUTION AND LAWS  
 6 OF THE STATE; DEFINING OTHER TERMS IN THE AMENDMENT; TO  
 7 AUTHORIZE CITIES AND COUNTIES TO FORM REDEVELOPMENT  
 8 DISTRICTS AND TO ISSUE BONDS FOR THE PURPOSE OF FINANCING  
 9 CAPITAL IMPROVEMENTS FOR REDEVELOPMENT PROJECTS IN THE  
 10 DISTRICTS; TO AUTHORIZE THE DIVISION OF AD VALOREM TAXES  
 11 LEVIED BY ANY TAXING UNIT AGAINST PROPERTY IN THE DISTRICT  
 12 SO THAT THE AD VALOREM TAXES LEVIED AGAINST ANY INCREASE  
 13 IN THE ASSESSED VALUE OF PROPERTY IN THE DISTRICT SHALL BE  
 14 USED TO PAY THE BONDS; TO DEFINE REDEVELOPMENT PROJECTS;  
 15 TO LIMIT THE EFFECT OF ARTICLE XVI, SECTION 14; AND  
 16 PROVIDING THAT THE AMENDMENT SHALL BE SELF-EXECUTING.

17

18

### Subtitle

19

LOCAL GOVERNMENT REFORM AMENDMENT.

20

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

24

25 That the following is hereby proposed as an amendment to the Constitution  
 26 of the state of Arkansas, and upon being submitted to the electors of the  
 27 state for approval or rejection at the next general election for Senators and  
 28 Representatives, if a majority of the electors voting thereon at such  
 29 election, adopt such amendment, the same shall become a part of the  
 30 Constitution of the state of Arkansas, to wit:

31

32 "SECTION 1. Except with respect to the authority to levy taxes, which is  
 33 unchanged by this amendment, a municipality acting through its legislative  
 34 body may exercise local legislative authority not denied by this constitution  
 35 or by law. However, no municipality may declare an act a felony or exercise

1 any authority not relating to its municipal affairs.

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3 SECTION 2. (a) For the purpose of acquiring, constructing, installing or  
4 renting real property or tangible personal property having an expected useful  
5 life of more than one (1) year, municipalities and counties may incur short-  
6 term financing obligations maturing over a period of, or having a term, not to  
7 exceed five (5) years. Such obligations may bear interest at either:

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

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

32 (b) As used here:

33 (1) "Short-term financing obligation" means a debt, a note, an  
34 installment purchase agreement, a lease, a lease-purchase contract, or any  
35 other similar agreement, whether secured or unsecured; provided, that the

1 obligation shall mature over a period of, or have a term, not to exceed five  
2 (5) years;

3           (2) "Formula rate" means that rate of interest which is five  
4 percentage points (5%) above the equivalent bond yield of one year United  
5 States Treasury Bills offered by the United States Treasury at the last  
6 auction during the immediately preceding calendar quarter, calculated by  
7 rounding up to the nearest one-fourth of one percentage point (0.25%) (unless  
8 the equivalent bond yield is already by a multiple of one-fourth of one  
9 percentage point), and announced by the State Bank Commissioner (or such  
10 successor official who may be performing substantially the same duties) from  
11 information available from the Federal Reserve System of the United States.  
12 The calculation of the formula rate shall be made on or before the tenth  
13 (10th) day of each calendar quarter. The formula rate so calculated shall be  
14 effective on the eleventh (11th) day of the calendar quarter and shall  
15 continue in effect until the formula rate for the succeeding calendar quarter  
16 shall have been calculated and becomes effective. If, for any reason, the  
17 United States ceases to issue one year Treasury Bills, such calculation shall  
18 be made using a debt instrument of the United States having substantially the  
19 same general character and maturity. The calculation and announcement of the  
20 formula rate by the State Bank Commissioner shall be final.

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

22           (d) The authority conferred by this section shall be in addition to the  
23 authority of municipalities and counties to issue bonds and other debt  
24 obligations pursuant to Amendments 62, 65, and 72, and other provisions of the  
25 Constitution and laws of the state.

26

27           SECTION 3. Redevelopment Projects.

28           (a) Any city or county may form a redevelopment district for the purpose  
29 of financing one (1) or more redevelopment projects within the district.

30           (b) A city or county which has formed a redevelopment district may issue  
31 bonds for the purpose of financing capital improvements for redevelopment  
32 projects within the district. The bonds may be secured by and be payable from  
33 all or a portion of the division of ad valorem taxes in the district provided  
34 for in (d) below. The bonds shall not be considered in calculating debt limits  
35 for bonds issued pursuant to Article XII, Section 4, of the Arkansas

1 Constitution and shall not be subject to the provisions of Article XVI,  
2 Section 1 of the Arkansas Constitution or Amendments 62 or 65 to the Arkansas  
3 Constitution.

4 (c) For purposes of this section, the term "redevelopment project" means  
5 an undertaking for eliminating, or preventing the development or spread of,  
6 slums or blighted, deteriorated, or deteriorating areas, for discouraging the  
7 loss of commerce, industry, or employment, or for increasing employment, or  
8 any combination thereof, as may be defined by the General Assembly.

9 (d) The General Assembly may provide that the ad valorem taxes levied by  
10 any taxing unit, in which is located all or part of an area included in a  
11 redevelopment district, may be divided so that all or part of the ad valorem  
12 taxes levied against any increase in the assessed value of property in the  
13 area obtaining after the effective date of the ordinance approving the  
14 redevelopment plan for the district shall be used to pay any indebtedness  
15 incurred for the redevelopment project; provided, however, there shall be  
16 excluded from the division all ad valorem taxes for debt service approved by  
17 voters in a taxing unit prior to the effective date of this amendment.

18 (e) Any increase in the assessed value of property in a redevelopment  
19 district obtaining after the effective date of an ordinance approving the  
20 redevelopment plan for the district shall not be taken into account for  
21 purposes of calculating increases in the aggregate value of taxable real and  
22 personal property in a taxing unit pursuant to Article XVI, Section 14 of the  
23 Arkansas Constitution.

24 (f) Any provision of the constitution of the State of Arkansas in  
25 conflict with this section is repealed in so far as it is in conflict with  
26 this amendment.

27 (g) The General Assembly shall provide for the implementation of this  
28 section by law.

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30 SECTION 4. This amendment shall become effective on January 1, 1999."

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