

1 State of Arkansas
2 95th General Assembly
3 Regular Session, 2025
4

As Engrossed: S3/31/25

A Bill

SENATE BILL 448

5 By: Senators J. Petty, G. Leding
6 By: Representative Lundstrum
7

For An Act To Be Entitled

9 AN ACT TO CREATE JOBS, RETAIN WEALTH, AND GROW
10 ARKANSAS'S ECONOMY BY ENABLING PROPERTY ASSESSED
11 CAPITAL EXPENDITURE FINANCING; TO AMEND THE PROPERTY
12 ASSESSED CLEAN ENERGY ACT; TO AUTHORIZE THE FINANCING
13 OF ENERGY EFFICIENCY IMPROVEMENTS, ALTERNATIVE ENERGY
14 IMPROVEMENTS, BUILDING RESILIENCY IMPROVEMENTS, AND
15 WATER CONSERVATION IMPROVEMENTS; AND FOR OTHER
16 PURPOSES.

Subtitle

17
18
19 TO AUTHORIZE THE FINANCING OF ENERGY
20 EFFICIENCY IMPROVEMENTS, ALTERNATIVE
21 ENERGY IMPROVEMENTS, BUILDING RESILIENCY
22 IMPROVEMENTS, AND WATER CONSERVATION
23 IMPROVEMENTS.
24
25

26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
27

28 SECTION 1. Arkansas Code §§ 8-15-101 – 8-15-105 are amended to read as
29 follows:

30 8-15-101. Title.

31 This chapter shall be known and may be cited as the "Property Assessed
32 ~~Clean Energy~~ Capital Expenditure Act".

33
34 8-15-102. Definitions.

35 As used in this chapter:

36 (1)~~(A)~~ "Bond" means a revenue bond or note issued under this



1 chapter;

2 ~~(B) “Bond” includes any other financial obligation~~
3 ~~authorized by this chapter, the laws of this state, or the Arkansas~~
4 ~~Constitution;~~

5 (2) “Capital provider” means an entity or entities, including
6 without limitation a designee, a successor, or an assignee of the entity or
7 entities, that is authorized to finance or refinance any qualifying
8 improvements under this chapter;

9 ~~(2)(3) “District” means a property assessed energy capital~~
10 ~~expenditure improvement district established in this state by law for the~~
11 ~~express purpose of managing the to facilitate PACE program financing under~~
12 ~~this chapter;~~

13 (4) “Eligible property” means privately owned commercial,
14 industrial, agricultural, nonprofit, mixed use, or multifamily residential
15 real property with five (5) or more dwelling units, including without
16 limitation real property owned by an entity formally recognized as tax exempt
17 under 26 U.S.C. § 501(c), as it existed on January 1, 2025;

18 (5) “Financing agreement” means the contract between a property
19 owner and a capital provider under which a property owner agrees to repay a
20 capital provider for the qualifying improvement’s *financing or refinancing,*
21 including without limitation:

22 (A) Details of finance charges, fees, debt servicing,
23 accrual of interest, and penalties; and

24 (B) Terms relating to treatment of prepayment and partial
25 payment, billing, collection, and enforcement of the repayment of the
26 financing;

27 ~~(3)(6) “Governmental entity” means a ~~municipality,~~ city, county,~~
28 ~~combination of cities or counties or both, or statewide district;~~

29 ~~(4)(7) “Owner” means an individual, partnership, association,~~
30 ~~corporation, or other legal entity that is recognized by law and has title or~~
31 ~~interest in any real property;~~

32 ~~(5)(8) “PACE program” means a property assessed ~~clean-energy~~~~
33 ~~capital expenditure program under which a ~~real property owner~~ an owner of~~
34 ~~eligible property can finance ~~an a qualifying energy efficiency~~ improvement,~~
35 ~~a ~~renewable energy project,~~ and a ~~water conservation improvement~~ on the ~~real~~~~
36 ~~eligible property; ~~and~~~~

1 ~~(6)~~(9) "Person" means an individual, partnership, association,
2 corporation, or other legal entity recognized by law as having the power to
3 contract;

4 (10) "Program administrator" means:

5 (A) The department or individual within a governmental
6 entity or district designated by the governmental entity or district to
7 administer the PACE program; or

8 (B) A private independent third party designated by the
9 governmental entity or district to administer the PACE program, provided that
10 the administration procedures conform to this chapter;

11 (11) "Program guidebook" means a comprehensive document or
12 collection of documents that:

13 (A) Illustrates the applicable PACE program; and

14 (B) Establishes appropriate guidelines, specifications,
15 approval criteria, standard forms, and uniform documents consistent with the
16 administration of a PACE program and not detailed in this chapter;

17 (12) "Special assessment" means a voluntary lien imposed by a
18 governmental entity on real eligible property located within the boundaries
19 of a PACE program; and

20 (13) "Qualifying improvement" means a permanently affixed energy
21 efficiency improvement, alternative energy improvement, building resiliency
22 improvement, or water conservation improvement installed on an eligible
23 property as part of the construction or renovation of the eligible property.

24
25 8-15-103. Legislative findings.

26 The General Assembly finds that:

27 (1) It is in the best ~~interests~~ interest of the state to
28 authorize ~~property assessed energy improvement~~ districts or capital providers
29 that make available to citizens one (1) or more financing programs, including
30 without limitation a PACE program, to fund qualifying energy efficiency
31 improvements, renewable energy projects, and water conservation improvements
32 on residential, commercial, industrial, and other real to eligible properties
33 at the request of the owner;

34 (2) The programs described in subdivision (1) of this section
35 will benefit the citizens of this state by:

36 (A) Decreasing the cost of providing funds to

1 participating citizens and lowering the aggregate issuance and servicing
2 costs of ~~loans~~ financing; and

3 (B) Making funds available to rural communities throughout
4 the state that might not otherwise create and finance the programs described
5 in subdivision (1) of this section; and

6 (3) The programs described in subdivision (1) of this section
7 will further the public purpose of:

8 (A) Creating jobs and stimulating the state's economy;

9 (B) Generating significant economic development through
10 the investment of the proceeds of ~~loans~~ financing in local communities,
11 including without limitation increased sales tax revenue;

12 (C) Protecting participating citizens from the financial
13 impact of the rising cost of ~~electricity produced from nonrenewable fuels~~
14 utilities and property insurance;

15 ~~(D) Providing positive cash flow in which the costs of the~~
16 ~~improvements are lower than the energy savings on an average monthly basis;~~

17 ~~(E)~~(D) Providing the citizens of this state with informed
18 choices and additional options for financing improvements that may not
19 otherwise be available;

20 ~~(F)~~(E) Increasing the value of the improved ~~real~~ eligible
21 property for participating citizens;

22 ~~(G)~~(F) Improving the state's air quality and conserving
23 natural resources, including water;

24 ~~(H)~~(G) Attracting manufacturing facilities and related
25 jobs to the state; and

26 ~~(I)~~(H) Promoting energy independence and security for the
27 state and the nation.

28
29 8-15-104. Immunity.

30 (a) The powers and duties of a ~~property-assessed energy improvement~~
31 district or governmental entity conferred by this chapter are public and
32 governmental functions exercised for a public purpose and for matters of
33 public necessity.

34 (b) The district or governmental entity and its personnel are immune
35 from suit in tort for the performance of its duties under this chapter
36 unless:

1 (1) ~~immunity~~ Immunity from tort is expressly waived in writing;
2 or

3 (2) The district or governmental entity acts with gross
4 negligence.

5
6
7 8-15-105. Authority to create PACE program districts.

8 (a) A governmental entity legally authorized to issue general revenue
9 bonds may create a ~~property assessed energy improvement~~ district by adoption
10 of an ordinance.

11 (b) A combination of governmental entities may create a district by
12 each governmental entity:

13 (1) Adopting an ordinance that provides for the governmental
14 entity's participation in the district; and

15 (2) Entering into a joint agreement with one (1) or more other
16 participating governmental entities.

17 (c) This section shall not limit additional governmental entities from
18 becoming members of the district under § 8-15-106.

19
20 *SECTION 2. Arkansas Code § 8-15-106 is amended to read as follows:*

21 *8-15-106. Membership in an existing district.*

22 (a) *To become a member of an existing ~~property assessed energy~~*
23 *~~improvement~~ district, the governing body of a governmental entity shall:*

24 (1) Adopt an ordinance that provides for the participation of
25 the governmental entity in the district; and

26 (2) Enter into an agreement with the other participating members
27 *of the district.*

28 (b) *The agreement between members of a district shall establish the*
29 *terms and conditions of the operation of the district with the limitations*
30 *provided in this chapter.*

31 (c) (1) Notwithstanding §§ 8-15-108 and 8-15-109, the method of
32 appointment and terms of office for each member of the district board of
33 directors may be altered by agreement of participating governmental entities.

34 (2) In no event shall the district board of directors be
35 composed of fewer than seven (7) members.

36

1 SECTION 3. Arkansas Code § 8-15-107(a), concerning the board of
2 directors of a district, is amended to read as follows:

3 (a) A ~~property assessed energy improvement~~ district created under this
4 chapter shall be operated and controlled by a board of directors.

5
6 SECTION 4. Arkansas Code §§ 8-15-108 – 8-15-113 are amended to read as
7 follows:

8 8-15-108. Membership on the district board of directors.

9 (a) The board of directors of a ~~property assessed energy improvement~~
10 district shall consist of at least seven (7) directors.

11 (b) The board of directors shall include:

12 (1) For a statewide district, the members specified in the
13 agreement establishing the district;

14 (2) For a district composed of a combination of one (1) or more
15 counties and one (1) or more cities:

16 (A) The county judge or his or her designated
17 representative of each county that is a member of the district;

18 (B) The mayor or his or her designated representative of
19 each city that is a member of the district; and

20 (C) If the number of directors is fewer than seven (7)
21 after fulfilling the requirements of subdivisions (b)(2)(A) and (B) of this
22 section, additional members shall be appointed as specified in the agreement
23 establishing the district until a total of seven (7) directors has been
24 appointed;

25 (3) For a district composed of one (1) or more counties:

26 (A) The county judge or his or her designated
27 representative of each county that is a member of the district; and

28 (B) If the number of directors is fewer than seven (7)
29 after fulfilling the requirements of subdivision (b)(3)(A) of this section,
30 additional members shall be appointed as specified in the agreement
31 establishing the district until a total of seven (7) directors has been
32 appointed; and

33 (4) For a district composed of one (1) or more cities:

34 (A) The mayor or his or her designated representative of
35 each city that is a member of the district; and

36 (B) If the number of directors is fewer than seven (7)

1 after fulfilling the requirements of subdivision (b)(4)(A) of this section,
2 additional members shall be appointed as specified in the agreement
3 establishing the district until a total of seven (7) directors has been
4 appointed.

5 (c) The designated representative of a county judge or mayor under
6 subsection (b) of this section shall be a qualified elector of the
7 jurisdiction that the designated representative is appointed to represent.

8

9 8-15-109. Terms of district directors.

10 (a) A director who is a public official may serve on the board of
11 directors of a ~~property-assessed-energy-improvement~~ district during his or
12 her term of office as the county judge or mayor of a member of the district.

13 (b) A director who is the designated representative of the mayor or
14 county judge ~~of a member~~ of the city or county that is a member of a the
15 district serves at the pleasure of the mayor of the city or the county judge
16 of the county that is a member of the district.

17

18 8-15-110. District boards of directors – Meetings.

19 (a) The board of directors of a ~~property-assessed-energy-improvement~~
20 district shall hold quarterly meetings and special meetings, as needed, in a
21 courthouse or other location within the district.

22 (b) The time and place of the quarterly meetings shall be on file in
23 the office of the district board of directors.

24

25 8-15-111. District boards of directors – Powers and duties.

26 (a) The board of directors of a ~~property-assessed-energy-improvement~~
27 district may:

28 (1) Issue revenue bonds on behalf of the district;

29 (2) Make and adopt all necessary bylaws for its organization and
30 operation;

31 (3) Elect officers and employ personnel necessary for its
32 operation;

33 (4) Operate, maintain, expand, and fund a PACE ~~project~~ program;

34 (5) Apply for, receive, and spend grants for any purpose under
35 this chapter;

36 (6) Enter into agreements and contracts on behalf of the

1 district;

2 (7) Receive property or funds by gift or donation for the
3 finance and support of the district;

4 (8) Reimburse a governmental entity for expenses incurred in
5 performing a service for the district;

6 (9) Assign assessments to a private lending institution; and

7 (10) Do all things necessary or appropriate to carry out the
8 powers expressly granted or duties expressly imposed under this chapter.

9 (b) ~~The~~ To offset the actual and reasonable costs of tax billing and
10 collection, the board of directors shall establish and the county officer may
11 accept or reject a reasonable annual fee or one-time-per-project commission
12 to be paid to the county assessor, the county collector, and the county
13 treasurer.

14 ~~(2)(c) Adopt~~ The board of directors shall adopt rules consistent
15 with this chapter or with other legislation that in its judgment may be
16 necessary for the proper enforcement of this chapter.

17
18 8-15-112. ~~Reporting~~ District reporting requirement – Collection of
19 assessments.

20 (a)(1)(A) By March 1 of each year or upon the creation of a ~~property~~
21 ~~assessed-energy-improvement~~ district that uses or intends to use the county
22 collector for collection of district assessments, the board of directors of a
23 district shall file an annual report with the county clerk in any county in
24 which a portion of the district is located.

25 (B) The annual report required under this section shall be
26 available for inspection and copying by assessed landowners in the district.

27 (C) The county clerk shall not charge any costs or fees
28 for filing the annual report required under this section.

29 (D) The district shall deliver a filed copy of the annual
30 report required under this section to the county collector within five (5)
31 days of filing.

32 (2) The annual report required under this section shall contain
33 the following information as of December 31 of the current calendar year:

34 (A) A list of contracts, identity of the parties to the
35 contracts, and obligations of the district;

36 (B) Any indebtedness, including bonded indebtedness, and

1 the reason for the indebtedness, including the following:

2 (i) The stated payout or maturity date of the
3 indebtedness, if any; and

4 (ii) The total existing delinquent assessments and
5 the party responsible for the collection;

6 (C) Identification of each member of the board of
7 directors of the district and each member's contact information;

8 (D) The date, time, and location for any scheduled meeting
9 of the board of directors of the district for the following year;

10 (E) The contact information for the district assessor;

11 (F) Information concerning to whom the county treasurer is
12 to pay district assessments;

13 (G) An explanation of the applicable statutory penalties,
14 interest, and costs;

15 (H) The method used to compute district assessments; ~~and~~

16 (I) A statement itemizing the income and expenditures of
17 the district, including a statement of fund and account activity for the
18 district; and

19 (J) A statement as to whether assessments of the district
20 are collected publicly or privately.

21 (b)(1) A The board of directors of a district that does not comply
22 with subsection (a) of this section commits a violation punishable by a fine
23 of not less than one hundred dollars (\$100) nor more than one thousand
24 dollars (\$1,000) for each offense.

25 (2) A fine recovered under subdivision (b)(1) of this section
26 shall be deposited into the county clerk's cost fund.

27 (c)(1) On or before December 31, the board of directors of a district
28 shall file its list of special assessments for the following calendar year
29 with the county clerk.

30 (2)(A) After filing the list of special assessments under
31 subdivision (c)(1) of this section, the board of directors of a district
32 shall deliver a copy of the filed list of special assessments to the preparer
33 of the tax books.

34 (B) If the county collector is not the designated preparer
35 of the tax books, the board of directors of the district shall deliver a copy
36 of the filed list of special assessments to the county collector.

1 (3) The list of special assessments required under subdivision
2 (c)(1) of this section shall contain:

3 (A) A list of each parcel with an assessment levied
4 against it within the district; and

5 (B) The contact information for the district assessor.

6 (4) The list of special assessments required under subdivision
7 (c)(1) of this section shall not include assessments on parcels that
8 otherwise would not appear on the tax books for the following year.

9 (5) After the December 31 deadline to file the list of special
10 assessments required under subdivision (c)(1) of this section, the county
11 collector may reject an assessment submitted by the board of directors of the
12 district for inclusion in the list of special assessments.

13 (d)(1) After the board of directors of the district files the list of
14 special assessments required under subsection (c) of this section, the county
15 collector shall collect the assessments at the same time the county collector
16 collects the other taxes on the property.

17 (2) The county collector shall pay the funds collected under
18 subdivision (d)(1) of this section to the county treasurer at the same time
19 that the county collector pays all other taxes to the county treasurer.

20 (3) The county treasurer shall distribute the funds received
21 under subdivision (d)(2) of this section to the district in the same manner
22 as he or she distributes funds to other tax entities.

23
24 8-15-113. Financing projects in PACE program districts.

25 (a) ~~A property assessed energy improvement~~ The board of directors of a
26 district may establish a PACE program to ~~provide loans~~ facilitate financing
27 for the initial acquisition and ~~installation or permanent financing of energy~~
28 ~~efficiency improvements, renewable energy projects, and water conservation~~
29 ~~improvements~~ a qualifying improvement with a consenting ~~real property owner~~
30 or owners of existing ~~real~~ eligible property ~~and~~ or new construction.

31 (b)(1) The board of directors of the district may authorize by
32 resolution the issuance of bonds or the execution of a contract with a
33 governmental entity or a private entity to provide the ~~loans~~ financing under
34 subsection (a) of this section.

35 (2) The resolution shall include without limitation the
36 following:

1 (A) The type of ~~renewable energy project, water~~
2 ~~conservation improvement, or energy efficiency~~ qualifying improvement for
3 which the ~~loan~~ financing may be offered;

4 (B) The proposed arrangement for the ~~loan~~ financing
5 program, including without limitation:

6 (i) A statement concerning the source of funding
7 that will be used to pay for ~~work performed~~ qualifying improvements under the
8 ~~loan contract~~ financing agreement;

9 (ii) The interest rate and time period during which a
10 ~~contracting real~~ consenting eligible property owner or owners would repay the
11 ~~loan~~ financing; and

12 (iii) The method of apportioning all or any portion
13 of the costs incidental to the financing, administration, and collection of
14 the arrangement among the consenting ~~real~~ eligible property owner or owners
15 and the governmental entity;

16 (C) A minimum and maximum aggregate dollar amount that may
17 be financed per property;

18 (D)(i) A method for prioritizing requests from real
19 property owners for financing if the requests appear likely to exceed the
20 authorization amount of the ~~loan~~ financing program.

21 (ii) Priority shall be given to those requests from
22 real property owners that meet the eligibility requirements on a first-come,
23 first-served basis;

24 (E) Identification of a local official authorized to enter
25 into ~~loan~~ financing contracts on behalf of the district; and

26 (F) A draft contract specifying the terms and conditions
27 proposed by the board of directors of the district.

28 ~~(c)(1) The district may combine the loan payment required by the loan~~
29 ~~contract with the billing for the real property tax assessment for the real~~
30 ~~property where the renewable energy project, water conservation improvement,~~
31 ~~or the energy efficiency improvement is installed.~~

32 ~~(2) The district may establish the order in which a loan payment~~
33 ~~will be applied to the different charges.~~

34 ~~(3) The district may not combine the billing for a loan payment~~
35 ~~required by a contract authorized under this section with a billing of~~
36 ~~another county or political subdivision unless the county or political~~

1 ~~subdivision has given its consent by a resolution or ordinance.~~

2 ~~(d)(c)~~ The district shall offer private lending institutions the
3 opportunity to participate in local loan programs established under this
4 section.

5 ~~(e)(1)(A)~~—In order to secure a loan authorized under this section, the
6 district may place a lien equal in value to the loan against any real
7 property where the renewable energy project, water conservation improvement,
8 or the energy efficiency improvement is installed.

9 ~~(B)~~—The lien shall attach to the real property when it is
10 filed in the county recorder's office for record.

11 ~~(2)(A)(i)~~—The priority of the lien created under this chapter is
12 determined based on the date of filing of the lien.

13 ~~(ii)~~ Except as provided in subdivision (e)(2)(A)(iii)
14 of this section, the priority of the lien shall be determined in the same
15 manner as the priority for other real property tax and assessment liens.

16 ~~(iii)~~ A lien created under this chapter shall be
17 subordinate to any real or personal property tax liens.

18 ~~(iv)~~ A district shall discharge the lien created
19 under this chapter upon full payment of the lien.

20 ~~(B)~~—If the real property is sold, the lien shall stay
21 attached to the real property, and the loan created under this chapter will
22 be owed by the new real property owner.

23 ~~(C)~~—If the real property enters into default or
24 foreclosure;

25 ~~(i)~~—Payment of the assessment shall not be sought
26 from a member of the district who does not own the real property that entered
27 into default or foreclosure;

28 ~~(ii)~~ Repayment of the assessment shall not be
29 accelerated automatically; and

30 ~~(iii)~~ The balance of the assessment shall be repaid
31 according to the terms of the agreed-upon schedule.

32 ~~(3)~~—The district may bundle or package the loans for transfer to
33 private lenders in a manner that would allow the liens to remain in full
34 force to secure the loans.

35 ~~(f)(1)~~—Before the enactment of an ordinance under this section, a
36 public hearing shall be held at which interested persons may object to or

1 ~~inquire about the proposed loan program or any of its particulars.~~

2 ~~(2) The public hearing shall be advertised one (1) time per week~~
3 ~~for two (2) consecutive weeks in a newspaper of general circulation in the~~
4 ~~district.~~

5
6 SECTION 5. Arkansas Code Title 8, Chapter 15, is amended to add
7 additional sections to read as follows:

8 8-15-114. Authority to establish direct PACE financing program.

9 (a) A governing body of a governmental entity may:

10 (1) By ordinance establish a PACE program within a designated
11 area to make available property assessed capital expenditure *financing or*
12 *refinancing* for qualifying improvements to the owner or owners of the
13 eligible property from capital providers; and

14 (2) Exercise all powers granted under this chapter.

15 (b) To establish a direct financing PACE program under this section,
16 the governing body of the governmental entity shall adopt an ordinance which
17 includes:

18 (1) A finding that *financing or refinancing* of qualified
19 improvements, repaid through special assessments on the eligible property
20 benefitted by the qualifying improvement, is a valid public purpose;

21 (2) A statement that the governmental entity acting as a
22 district intends to make special assessments to repay *financing or*
23 *refinancing* from capital providers for qualifying improvement projects to
24 voluntary and willing owners of eligible real property;

25 (3) A legal description of the boundaries of the designated area
26 of the program;

27 (4) The incorporation by reference of the program guidebook;

28 (5) A description of the types of qualifying improvements
29 eligible for the PACE program;

30 (6) Authorization of direct financing between an eligible
31 property owner and a capital provider to *finance or refinance* qualifying
32 improvements;

33 (7) Authorization and direction for a governmental entity
34 official to enter into a special assessment agreement with the owner of
35 eligible property and a capital provider, impose special assessments, and
36 assign the rights to the special assessment liens and payments for special

1 assessments authorized under this chapter to capital providers;

2 (8)(A) Designation of a program administrator.

3 (B) If applicable, the governing body of the governmental
4 entity shall describe any method of procurement that will be used to select
5 and designate a third-party program administrator;

6 (9) A requirement that the interest rate, delinquent interest,
7 penalties, terms of prepayment, and other terms of a PACE program special
8 assessment shall be established by a capital provider in the related special
9 assessment financing agreement for the assessment; and

10 (10) Direction to the preparer of tax books of the county in
11 which the eligible property is located to include a special assessment
12 imposed under this section on the property tax bill for the eligible property
13 subject to the special assessment financing agreement and to collect the
14 special assessment with real property taxes.

15 (c) A governmental entity may:

16 (1) Administer a program;

17 (2) Delegate administration of a program to a third party under
18 § 8-15-116 or a governmental entity acting as a district; or

19 (3) Authorize the private collection of PACE program assessments
20 by the third-party program administrator or capital provider under the terms,
21 at times, and through methods described in the financing agreement.

22 (d)(1) If the program provides for third-party administration, the
23 local government official authorized to enter into a written contract with a
24 property owner under § 8-15-114(b)(7) shall also enter into a written
25 contract with the party that administers the program.

26 (2) The contract shall require the third party to reimburse the
27 local government for costs associated with:

28 (A) Monitoring the program;

29 (B) Imposing the assessment; and

30 (C) Billing and collecting payments.

31 (e) The financing for special assessments imposed under the PACE
32 program may include without limitation:

33 (1) The cost of materials and labor necessary for the
34 installation or modification of a qualified improvement;

35 (2) Permit fees;

36 (3) Inspection fees;

1 (4) Lender fees;

2 (5) Program application and administrative fees;

3 (6) Project development and engineering fees;

4 (7) Interest reserves;

5 (8) Capitalized interest, in an amount determined by the owner
6 of the commercial property and the third-party providing financing under this
7 chapter; and

8 (9) Other fees or costs incurred by the property owner
9 incidental or ancillary to the installation, modification, or improvement on
10 a specific or pro rata basis, as determined by the local government.

11 (f)(1) Notes and other financial instruments issued under this section
12 are:

13 (A) Not general obligations of the governmental entity;

14 and

15 (B) Solely payable from special assessments on eligible
16 property benefitted by the qualifying improvements.

17 (2)(A) The State of Arkansas or a governmental entity shall not
18 use public tax revenue to fund or repay a PACE program assessment.

19 (B) This section does not authorize a governmental entity
20 to pledge, offer, or encumber its full faith and credit, and a governmental
21 entity shall not pledge, offer, or encumber its full faith and credit under
22 this section.

23 (g)(1) A program administrator or governmental entity may impose a
24 one-time administration fee for approved applications.

25 (2) Fees under subdivision (d)(1) of this section shall be
26 limited to the lessor of:

27 (A) One percent (1%) of the principal amount financed; or

28 (B) Fifty thousand dollars (\$50,000).

29 (h) The governmental entity shall assign the right to payments from a
30 special assessment from the owner of eligible property with a qualifying
31 improvement to the capital provider who finances the qualifying improvement.

32 (i) Before entering into a special assessment financing agreement
33 under this section, an owner of eligible property shall submit a PACE project
34 application to the program administrator in a form consistent with the
35 program guidebook, which shall include:

36 (1) Certification that the proposed qualifying improvement meets

1 the guidelines established in the program guidebook;

2 (2) Certification that the owner requesting the proposed
3 qualifying improvement is the owner of record of the property on which the
4 special assessment will be imposed and that there are no delinquent taxes or
5 special assessments on the property; and

6 (3) The name of the capital provider providing the special
7 assessment financing and the proposed terms of the special assessment
8 financing agreement, including:

9 (A) The special assessment financing amount;

10 (B) The interest rate;

11 (C) Any administrative fees paid to the governmental
12 entity or program administrator;

13 (D) A schedule of the installments of the special
14 assessment;

15 (E) The number of years the special assessment shall be
16 imposed on the eligible property;

17 (F) Delinquent interest and penalties; and

18 (G) The conditions by which the owner may prepay and
19 permanently satisfy the debt owed under the special assessment financing
20 agreement and remove the special assessment lien from the property.

21 (j) Before entering into a special assessment agreement or imposing a
22 special assessment lien upon an eligible property, the governmental entity
23 shall receive from the program administrator certification that the proposed
24 qualifying improvement, eligible property, and owner qualify for financing
25 under the PACE program.

26
27 8-15-115. Collection of PACE program assessments.

28 (a)(1) A PACE program special assessment payment shall be collected in
29 a manner specified in the financing agreement.

30 (2) Assessments privately collected by a third-party program
31 administrator under § 8-15-114(c)(3) may be collected at times specified by
32 the financing agreement.

33 (3) Money derived from the imposition and collection of a PACE
34 program special assessment payment shall be accounted for separate from other
35 county funds.

36 (4) Each PACE program special assessment payment received by the

1 county shall be promptly remitted to the capital provider financing the
2 qualifying improvement on the eligible property upon which the special
3 assessment lien has been levied.

4 (b)(1) In order to secure PACE program financing authorized under this
5 chapter, a governmental entity or district shall enter into a special
6 assessment agreement with an owner of eligible property, and a capital
7 provider in the case of direct PACE program financing, and shall subsequently
8 record a special assessment lien equal in value to the total PACE financing
9 amount against the eligible property where a qualifying improvement is
10 installed.

11 (2) The special assessment lien shall attach to the eligible
12 property when it is filed of record in the county recorder's office in the
13 county in which the eligible property is located.

14 (3) The recording of the special assessment lien shall include:

15 (A) The legal description of the eligible property;

16 (B) The county assessor's parcel number of the eligible
17 property;

18 (C) The grantor's name, which shall be the same as the
19 owner on the special assessment agreement;

20 (D) The grantee's name, which shall be the governmental
21 entity or district on whose authority the qualifying improvement is approved;

22 (E) The date on which the special assessment lien was
23 created;

24 (F) The principal amount of the special assessment lien;

25 (G) The terms and length of the special assessment lien;

26 and

27 (H) A copy of the special assessment financing agreement.

28 (c) The priority of a special assessment lien created under this
29 chapter shall be superior to all other liens, claims, and titles except for a
30 lien for general ad valorem property taxes or a district lien that is coequal
31 to property taxes.

32 (d) A governmental entity or district shall remove the special
33 assessment lien from the property and record a discharge of the special
34 assessment lien created under this chapter upon full payment of the special
35 assessment lien.

36 (e) If the eligible property is sold, the:

1 (1) Special assessment lien runs with the land and shall stay
2 attached to the eligible property; and

3 (2) Remaining special assessment financing created under this
4 chapter is owed according to the term of the financing agreement by the new
5 eligible property owner.

6 (f) If the eligible property enters into default or foreclosure:

7 (1) Payment of the special assessment shall not be sought from
8 the governmental entity or a member of the district who does not own the
9 eligible property that entered into default or foreclosure;

10 (2) The special assessment lien runs with the land, and that
11 portion of the special assessment lien that has not yet become due is not
12 accelerated or eliminated by the foreclosure or default of the special
13 assessment lien or any lien for taxes or assessments imposed by the state, a
14 local government, or district against the eligible property on which the
15 special assessment lien is imposed; and

16 (3) The balance of the special assessment shall be repaid
17 according to the terms of the agreed-upon schedule in the financing
18 agreement.

19 (i) Delinquent payments due on a special assessment incur interest and
20 penalties as specified in the financing agreement.

21 (j) Delinquent payments due on special assessments shall be enforced
22 in the event of nonpayment of the special assessment or an installment of a
23 special assessment.

24 (k) Delinquent payments due on special assessments have the effect of
25 a delinquent mortgage payment and shall be foreclosed and sold in the manner
26 provided by law for the foreclosure of mortgages on eligible property.

27 (l) The governmental entity or district on whose authority the
28 qualifying improvement was authorized shall institute proceedings to
29 foreclose the special assessment lien against the eligible property for which
30 payment of the special assessment or installment of the special assessment is
31 delinquent.

32 (m) In an action seeking the foreclosure of a special assessment lien
33 against an eligible property, if there is no other purchaser for the eligible
34 property having a delinquent special assessment lien, the governmental entity
35 or district on whose authority the qualifying improvement was authorized may:

36 (1) Offer the eligible property to the capital provider if all

1 outstanding taxes are paid by the capital provider;

2 (2) Purchase the property sold at a foreclosure sale; or

3 (3) Bid, in lieu of cash, the full amount of the assessment,
 4 interest, penalties, attorney's fees and costs found by the court to be due
 5 and payable under the special assessment lien, and any costs taxed by the
 6 court in the foreclosure proceedings against the eligible property ordered
 7 sold.

8 (n) If a governmental entity or district fails or refuses to foreclose
 9 and sell an eligible property for the delinquent installments due on a
 10 special assessment following delinquency of a special assessment payment, the
 11 capital provider who financed the qualifying improvement for the eligible
 12 property may initiate foreclosure of the special assessment lien for the
 13 delinquent special assessment installments in the manner provided by law for
 14 the foreclosure of mortgages on real estate.

15 (o) Whenever a county is delinquent in the remittance of a special
 16 assessment payment received from an owner of eligible property to a capital
 17 provider who financed the qualifying improvement for the eligible property,
 18 the capital provider who financed the qualifying improvement for the eligible
 19 property has the rights and remedies for the collection and remittance of the
 20 special assessment as are given by law for the collection of judgments or
 21 other matters of local concern against cities, counties, and school
 22 districts.

23
 24 SECTION 6. Arkansas Code §§ 8-15-114 – 8-15-119 are amended to read as
 25 follows:

26 8-15-~~114~~ 116. Program guidelines.

27 The governmental entity or the board of directors of a ~~property~~
 28 ~~assessed energy improvement~~ a district, together with any third-party
 29 administrator it may select, shall determine+

30 ~~(1) The~~ the guidelines of the PACE program as outlined in the
 31 program guidebook, including without limitation ~~that~~:

32 ~~(A)(1) The base energy performance evaluation~~ A statement
 33 outlining what constitutes a qualifying improvement and that any
 34 certification requirements for the improvements shall be completed by a
 35 certified and qualified ~~energy evaluation~~ professional ~~to determine existing~~
 36 ~~energy use and options for improved energy efficiency;~~

1 ~~(B) The approved improvements create a positive cash flow;~~

2 ~~(C)(2) Work A requirement that the installation of a qualifying~~
3 improvement shall be performed by qualified and certified contractors ~~in the~~
4 field of energy efficiency and methods of renewable energy installation;

5 ~~(D)(3) Performance testing and verification A requirement that~~
6 certification of qualifying improvement installation shall be performed by a
7 ~~qualified professional~~ submitted to the program administrator after the work
8 is completed;

9 ~~(E) Adequate consumer protections are in place; and~~

10 ~~(F)(4) The applicable underwriting standards for the~~
11 participants in the PACE program ~~are established;~~

12 ~~(2) The qualifications of the vendors performing installations~~
13 ~~under this chapter;~~

14 ~~(3)(5) The mechanisms by which the governmental entity or~~
15 district will remit the received special assessment payments and any cost
16 reimbursement; ~~and~~

17 (6) Forms for the uniform PACE program documents, including
18 without limitation:

19 (A) A form for an assessment contract between the
20 governmental entity and the property owner specifying:

21 (i) The terms of assessment under the program
22 financing provided by a third party; and

23 (ii) Remedies for default or foreclosure;

24 (B) A form for a governmental entity notice of assessment
25 and PACE program special assessment lien;

26 (C) A form for a notice of assignment of assessment and
27 PACE program special assessment lien between a local government and a capital
28 provider;

29 (D) A form of consent to a PACE program special assessment
30 by the holder of a mortgage or deed of trust; and

31 (E) A form of project application with checklist
32 requirements and corresponding documentation that will be required by the
33 program administrator to approve a project application;

34 (7) A statement that the term of the special assessment
35 financing agreement will not exceed the average useful life of the longest-
36 lived qualifying improvement;

1 (8) A requirement that the debt service coverage ratio of the
 2 secured property participating in a PACE program, including without
 3 limitation PACE program special assessments from the PACE program, shall have
 4 a minimum average ratio over the term of the PACE program financing of
 5 1.20:1, with the debt coverage ratio formula calculated by taking the net
 6 operating income of the property participating in the PACE program and
 7 dividing it by total debt service plus PACE program special assessments;

8 (9) A requirement that the aggregate of any mortgages and
 9 assessments taken under a PACE program shall not exceed the supervisory loan-
 10 to-value guidelines established in 12 C.F.R Part 34, Subpart D, as it existed
 11 on January 1, 2025;

12 (10) A statement explaining the mortgage lien holder consent
 13 requirement under § 8-15-121; and

14 ~~(4)~~(11) Any other matters necessary to implement and administer
 15 the PACE program.

16
 17 8-15-~~115~~ 117. Payment by special assessments.

18 The credit and taxing power of the State of *Arkansas* and cities and
 19 counties of this state shall not be pledged for the debt evidenced by the
 20 PACE program liens or bonds, which are payable solely from the revenues
 21 received from the special assessments on the ~~participants' real property~~
 22 eligible property receiving financing for a qualifying improvement under
 23 this chapter.

24
 25 8-15-~~116~~ 118. Bonds.

26 (a) A ~~property assessed energy improvement~~ district may:

27 (1) Issue bonds to provide the PACE program ~~loans~~ financing
 28 authorized by this *chapter* or obtain any other financing obligation
 29 authorized by this chapter, the laws of the State of Arkansas, or the
 30 Arkansas Constitution; and

31 (2) Create a debt reserve fund of legally available moneys from
 32 nonstate sources as partial security for the bonds.

33 (b) Bonds issued under this chapter and income from the bonds,
 34 including any profit made on the sale or transfer of the bonds, are exempt
 35 from taxation in this state.

36 (c) Bonds issued under this chapter shall:

1 (1)(A) Be authorized by a resolution of the board of directors
2 of a district.

3 (B) The authorizing bond resolution may contain any terms,
4 covenants, and conditions that the board of directors deems to be reasonable
5 and desirable; and

6 (2) Have all of the qualities of and shall be deemed to be
7 negotiable instruments under the laws of the State of Arkansas.

8
9 8-15-117 119. Sale of bonds by districts.

10 The bonds may be sold in such a manner, either at public or private
11 sale, and upon such terms as the board of directors of a ~~property assessed~~
12 ~~energy improvement~~ district shall determine to be reasonable and expedient
13 for effectuating the purposes of this chapter.

14
15 8-15-118 120. Revolving fund for districts.

16 (a) A ~~property assessed energy improvement district~~ or a nonprofit
17 corporation acting in concert with a district may maintain a revolving fund
18 to be held in trust by a banking institution chosen by the board of directors
19 of the ~~district~~ or the board of directors of a nonprofit corporation acting
20 in concert with a district separate from any other funds and administered by
21 the board of directors.

22 (b) A district may transfer into its revolving fund money from any
23 permissible source, including without limitation:

- 24 (1) Bond revenues;
- 25 (2) Contributions; and
- 26 (3) ~~Loans~~ Financings.

27
28 8-15-119 121. Notice to mortgage lender Consent from mortgage lien
29 holders.

30 ~~At least thirty (30) days before~~ Before the execution of ~~an agreement~~
31 ~~with a property assessed energy improvement district~~ a PACE program
32 assessment contract, an the owner of eligible property shall provide written
33 ~~notice to each mortgage lender holding a lien on the owner's property of the~~
34 ~~owner's application to participate in a PACE program~~ obtain and furnish to
35 the governmental entity or program administrator a written statement executed
36 and acknowledged by an authorized officer of each holder of a mortgage or

1 deed of trust securing indebtedness on the property, in the authorized
2 officer's sole and absolute discretion:

- 3 (1) Consenting to the PACE special assessment; and
4 (2) Indicating that the special assessment does not constitute
5 an event of default under the mortgage or deed of trust.

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/s/J. Petty