

**RESOLUTION NO. 2010-08**

**A RESOLUTION SUPPORTING AMENDMENTS TO THE CONSTITUTION OF THE STATE OF ARKANSAS: (1) TO ELIMINATE CONSTITUTIONAL LIMITS ON INTEREST RATES FOR GOVERNMENT BONDS AND LOANS, REVISE INTEREST RATE LIMITS ON OTHER LOANS, AND AUTHORIZE THE FINANCING OF ENERGY SAVINGS PROJECTS – (ISSUE #2 AT NOVEMBER 2010 GENERAL ELECTION); AND (2) TO MODIFY AND IMPROVE THE FINANCING ALTERNATIVES AVAILABLE TO THE STATE IN SUPPORT OF MAJOR ECONOMIC DEVELOPMENT PROJECTS IN ARKANSAS (ISSUE #3 AT NOVEMBER 2010 GENERAL ELECTIONS).**

**WHEREAS**, provisions of the Arkansas Constitution that authorize bond financing by Arkansas municipal governments, such as Amendment 62 for tax secured bonds and Amendment 65 for revenue bonds, have interest rate limits substantially below market requirements that severely restrict and in many cases have halted the financing of essential projects to support the public welfare of citizens of Arkansas cities and towns; and,

**WHEREAS**, the interest rate limits in Amendment 60 of the Arkansas Constitution currently restrict options for consumer financing that may be offered by businesses operating solely or primarily within the State of Arkansas, and that such limits have been preempted by Federal legislation for businesses conducting interstate operations, and that such circumstances produce a significant disadvantage for Arkansas businesses and limit the availability of affordable financing for their consumer customers, which has a significant negative impact on the economic vitality on Arkansas cities and towns where they operate; and

**WHEREAS**, expanded financing options should be available for projects that can provide savings in energy costs for Arkansas municipal governments; and

**WHEREAS**, the financing authority for State support provided by Amendment 82 of the Arkansas Constitution for major economic development projects should be more flexible, while maintaining existing restrictions on the total State support that may be committed, in order to facilitate the financing of more projects over a wider area of the State, thus enhancing the economic benefit for the State and its citizens; and

**WHEREAS**, the effectiveness of current state law on municipal and economic development financing is unduly restrictive and in need of updating in order to promulgate economic growth and to allow municipalities and the State to be better stewards of taxpayer dollars.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHEROKEE VILLAGE**

**SECTION 1:** That the Council does hereby express its support and endorsement for Issues #2 and #3, which were referred by the 2009 Arkansas General Assembly as amendments to the Arkansas Constitution, and strongly encourages voters to approve these proposals at the November 2010 general election. These amendments will help city and town governments in Arkansas secure timely financing for important public improvements in a cost effective manner, improve stewardship and save taxpayer dollars, and stimulate and promote economic development.

**SECTION 2:** Additionally, following approval at the November 2010 general election, the Council also supports expeditious adoption by the Arkansas General Assembly in 2011 of Arkansas statutory revisions required to implement the amendments.

**SECTION 3:** That this Resolution shall be in full force and effect from and after its passage and approval.

**DATE:** 9-1-2010

**APPROVED:** *Lloyd Hefley*  
Lloyd Hefley, Mayor

**ATTEST:** *Phyllis J. Endrihs*  
Phyllis J. Endrihs, Clerk/Treasurer



## ARKANSAS MUNICIPAL LEAGUE ENDORSED PROPOSALS 2 AMENDMENTS THAT WILL HELP CREATE ARKANSAS JOBS

**In order to: (1) restore cost effective financing for important public projects; (2), attract investment and promote job growth in Arkansas; and (3) help Arkansas businesses compete, thrive and expand; two amendments to the Arkansas Constitution will be offered for approval on the ballot in November.**

### **Interest Rate Amendment (Issue No. 2 on the Nov. Ballot)**

Arkansas is at a competitive disadvantage due to out of date usury laws. Our interest rate limits are tied to the Federal Discount rate that was at double digit levels when adopted 30 years ago, but the Discount rate is now almost zero as part of the effort to stimulate the struggling economy. Our laws are the most restrictive in the United States. These laws were aimed at protecting consumers but now, perversely, restrict credit in our state, and impede the ability of local governments to finance important public projects. As a consequence, our laws often increase costs by restricting financing alternatives, rather that protect the public and consumer.

#### **The proposed Amendment would:**

- Remove the existing method of determining the interest rate cap on all governmental bonds and loans, and permit restrictions to be adopted by the Legislature that could be modified as required by changing economic and market conditions,
- Eliminate the current below market interest rate cap on consumer and other loans that effectively prevents local businesses from offering credit to customers, while preserving the existing interest rate cap at 17% and,
- Allow local governmental units to save public funds by providing an effective method of financing energy savings projects.

#### **Why is this important?**

- The current law severely restricts, and in many cases prevents state government and municipalities from raising capital through bond issues for important projects such as police and fire stations, hospitals, streets and roads, recreation facilities, and economic development infrastructure.
- The proposed amendment would offer flexibility for state government and municipalities to actually lower the interest paid on bonds by being better able to take advantage of low interest rate environments.

**THE AMENDMENT WOULD MAKE ARKANSAS MORE COMPETITIVE**

### **Amendment to Revise Amendment 82 (Issue No. 3 on the Nov. Ballot)**

Arkansas voters resoundingly passed Amendment 82 (commonly known as the Super Project Amendment) in 2004, but technical restrictions have kept the Amendment from being of any value in today's rapidly changing economic environment.

#### **The proposed amendment would:**

- Authorize the General Assembly to issue bonds for the benefit of prospective employers and remove the thresholds of \$500 million and 500 jobs for a single project.
- The proposed amendment would offer much greater flexibility for this valuable economic development facility while preserving the existing cap on the annual amount of money that can be dedicated to bond repayment.

#### **Why is this important?**

- Since passage, our state has lost projects to Mississippi, Alabama, South Carolina and Texas, states without our restrictions that were intended to target Super projects. The lost projects didn't satisfy the dollar investment or number of employees required by Amendment 82.
- The proposed amendment would broaden the application of economic development funding, thereby producing a greater statewide impact and benefit.

**THE AMENDMENT WOULD HELP ARKANSAS COMPETE FOR PROJECTS THAT WILL BRING IN HUNDREDS OF NEW JOBS**

## **BOTH VOTES COUNT:**

**The two proposed amendments work together to help Arkansas compete for jobs and long-term investment.**

**VOTE FOR ISSUE NO. 2 AND ISSUE NO. 3 IN THE GENERAL ELECTION**

*The 2<sup>nd</sup> "Whereas" clause is for a local example of the potential consequences of the current interest rate limit and should be deleted if there is not a suitable local example.*

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*WHEREAS, the current Constitutional interest rate limits could have prevented or significantly delayed the funding and construction of the (project or improvements financed), which (is an or are) important (facility or facilities) that contributes to the quality of life of the citizens of (city name), which has (describe local impact), and that funding and construction delays would have dramatically increased the related costs of the project; and*

WHEREAS, the interest rate limits in Amendment 60 of the Arkansas Constitution currently restrict options for consumer financing that may be offered by businesses operating solely or primarily within the State of Arkansas, and that such limits have been preempted by Federal legislation for businesses conducting interstate operations, and that such circumstances produce a significant disadvantage for Arkansas businesses and limit the availability of affordable financing for their consumer customers, which has a significant negative impact on the economic vitality on Arkansas cities and towns where they operate; and,

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PASSED:

APPROVED:

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