

1 State of Arkansas
2 91st General Assembly
3 First Extraordinary Session, 2017
4

A Bill

Call Item 6
HOUSE BILL 1005

5 By: Representative Gillam
6 By: Senators J. Hendren, J. Dismang
7

For An Act To Be Entitled

9 AN ACT TO AMEND INITIATED ACT 1 OF 2000, ALSO KNOWN
10 AS THE "TOBACCO SETTLEMENT PROCEEDS ACT"; TO
11 AUTHORIZE THE TRANSFER OF FUNDS FROM THE ARKANSAS
12 HEALTHY CENTURY TRUST FUND; TO TRANSFER FUNDS FROM
13 THE ARKANSAS HEALTHY CENTURY TRUST FUND TO THE LONG
14 TERM RESERVE FUND; TO DECLARE AN EMERGENCY; AND FOR
15 OTHER PURPOSES.
16
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Subtitle

19 TO AMEND INITIATED ACT 1 OF 2000; TO
20 AUTHORIZE THE TRANSFER OF FUNDS FROM THE
21 ARKANSAS HEALTHY CENTURY TRUST FUND TO
22 THE LONG TERM RESERVE FUND; AND TO
23 DECLARE AN EMERGENCY.
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26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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28 SECTION 1. DO NOT CODIFY. Legislative findings.

29 The General Assembly finds that:

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

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

35 (3) S&P Global Ratings gives the highest possible score,
36 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.~~

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 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:

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

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

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

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

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

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

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

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

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31 SECTION 5. EMERGENCY CLAUSE. It is found and determined by the
32 General Assembly of the State of Arkansas that the State of Arkansas does not
33 have a dedicated source of budget reserves; that providing funding for the
34 Long Term Reserve Fund could improve the credit rating of the State of
35 Arkansas and increase the fiscal strength and stability of the state; and
36 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.

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