

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

# A Bill

Call Item 6  
HOUSE BILL 1005

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

## 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



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

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

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

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

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

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

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

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

SECTION 3. Arkansas Code § 19-12-107(e), concerning the Arkansas Healthy Century Trust Fund and derived from Initiated Act 1 of 2000, is 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

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

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

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

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