ISSUE NUMBER 3

(Referred to the people by the Arkansas General Assembly)

Allowing the Legislature to Create Programs, Loans and Grants Using Public Money and to Create Economic Development Districts

POPULAR NAME: A constitutional amendment concerning economic development in the state of Arkansas; and authorizing the General Assembly to provide for the creation of economic development districts within cities, counties, or cooperative areas to promote economic development within the economic development district.

BALLOT TITLE: An amendment to the Arkansas Constitution concerning economic development in the state of Arkansas; and authorizing the General Assembly to provide for the creation of economic development districts within cities, counties, or cooperative areas to promote economic development within the economic development district.

What is being proposed?

Issue 3 proposes to change the Arkansas Constitution to authorize the General Assembly to create economic development programs and to pass legislation permitting cities, counties, or cooperative areas to establish economic development districts. It also asks voters to approve transferring taxing authority of certain properties. The amendment itself would not create a district or approve any particular project. Legislators would be responsible for passing laws determining how the programs and districts would operate.

If approved by voters, this amendment would:

1. Allow legislators to pass laws if they choose to that would create programs, loans and grants using public money for the purposes of (1) development and diversification of the state's economy; (2) elimination and prevention of unemployment or underemployment; (3) development or expansion of transportation or commerce; or (4) development or improvement of property that contributes to economic development in the state.
2. Authorize the legislature to pass laws that enable local governments to create economic development districts, which are defined as a "designated area within a city, county, or cooperative area established

(continued on page 14)

QUICK LOOK:

What does your vote mean?

FOR: A FOR vote means you are in favor of changing the Arkansas Constitution regarding to economic development, including allowing the legislature to create programs, loans or grants of public money and establish economic development districts; allowing economic development districts to levy taxes, assessments and fees; allowing counties, municipalities, economic development district, and other political subdivisions to issue bonds to finance economic development projects if approved by voters in that jurisdiction; and to repealing any parts of the Arkansas Constitution and supersede court rulings that may be in conflict with this amendment.

AGAINST: An AGAINST vote means you are not in favor of changing the Arkansas Constitution regarding economic development, including allowing the legislature to create programs, loans or grants of public money and establish economic development districts; allowing economic development districts to levy taxes, assessments and fees; allowing counties, municipalities, economic development district, and other political subdivisions to issue bonds to finance economic development projects if approved by voters in that jurisdiction; and to repealing any parts of the Arkansas Constitution and supersede court rulings that may be in conflict with this amendment

Where can I find more information?

The complete wording of this amendment can be found at **uaex.uada.edu/issue3**

You can read the full text of this proposed amendment as passed by legislators at **bit.ly/Issue3-FullText**

(continued from page 13)

under authority granted by the General Assembly to promote economic development within the designated area."

3. Give economic development districts authority to issue bonds to raise money for economic development projects within the district. Bond debt could be repaid using any funds received by the district. The bond debt would not be subject to limitations for city or county government debt under Article 12, § 4 of the Arkansas Constitution.
4. Exempt economic development districts from all limitations of the state, cities or counties related to lending credit, bond issues and interest-bearing warrants established in Article 16, § 1 of the Arkansas Constitution as well as the provisions of Amendment 62 and Amendment 65 of the Arkansas Constitution. The two amendments involve bond issues and elections.
5. Amend Article 12, § 5 of the Arkansas Constitution to allow cities, counties and other municipal corporations to fund or lend credit to newly created economic development districts as authorized by this amendment.
6. Include economic development districts in the definition of "economic development projects" currently found in the state constitution. Currently, this definition includes manufacturing, production, and industrial facilities; research, technology, and development facilities; recycling facilities; distribution centers; call centers; warehouse facilities; job training facilities; regional or national corporate headquarters facilities; and sports complexes designed to host local, state, regional and national competitions. The constitution allows cities, counties and other municipal corporations to fund or lend credit to certain private entities to finance economic development projects.
7. Exempt all property within an economic development district from property taxes levied by school districts, counties, cities and other taxing entities.
8. Give economic development districts the power to levy taxes, assessments or other charges on properties within the district. Property already exempt from taxation (used for public purposes, churches, cemeteries, schools, and public charities) would continue to be exempt.
9. Require voter approval for any bonds issued by a city, county or other political subdivision to fund economic development programs, loans and grants authorized by this amendment and related legislation that are paid off using property taxes.

10. Repeal or modify any provision of the state Constitution that conflicts with this amendment. This amendment would take precedence over any other laws or court decisions or interpretations that conflict with it.

How did this issue get on the ballot?

The Arkansas Constitution grants the legislature the right to include up to three constitutional amendments on the general election ballot. The Arkansas Senate and House of Representatives voted in April 2025 to place SJR15 (Issue 3) on the November 2026 General Election Ballot.

Constitutional amendments require the approval of a majority of voters in a statewide election. Election Day is Nov. 3, 2026.

Who were the main sponsors of this amendment?

Sen. Jonathan Dismang of Searcy and Rep. Howard Beaty of Crossett

When was the last time Arkansas voted on this issue?

Arkansans have not voted on the creation of economic development districts in the past. However, they have voted on proposed amendments to facilitate other types of economic development policy tools.

Tax Increment Financing (TIF) Districts

2000: Arkansas voters passed Amendment 78, which allowed cities and counties to form redevelopment districts for the purpose of "eliminating, or preventing the development or spread of, slums or blighted, deteriorated, or deteriorating areas, for discouraging the loss of commerce, industry or employment, or for increasing employment."

Amendment 78 allowed the creation of Tax Increment Financing (TIF) Districts in which the growth of tax revenue (i.e., the "increment") resulting from a project could be dedicated to paying off the bond used to finance it.

A 2007 Arkansas Supreme Court[1] decision prevented TIF districts from using personal and real property tax revenue generated by the minimum 25-mill tax collected for maintaining and operating public schools. Amendment 74, approved by voters in 1996, requires every school district to charge a minimum of 25 mills in taxes on personal and real property. That tax revenue is sent to the state, which in turn evenly distributes money to school districts. In its decision, the Court said voters in 2000 were not aware that Amendment 78 would repeal Amendment 74, which was an attempt to address the issue of adequately funding education.

Several TIF districts exist in Arkansas, and the method can still be used as a tool for economic development. However, their popularity declined after the 2007 court decision reduced the amount of tax revenue that could be devoted to support them.

Bonds for Economic Development

2004: Voters approved Amendment 82 of the Arkansas Constitution, allowing the state to issue general obligation bonds to pay for infrastructure or other needs to attract large economic development projects. Bond issues were capped at 5% of the state's most recent year general revenues collected. They were also limited to supporting companies planning to invest at least $500 million in the project and hire at least 500 new employees.

2010: Voters approved Amendment 90 of the Arkansas Constitution, removing the limits on the size of economic development projects originally included in Amendment 82 ($500 million investment, 500 new employees).

2016: Voters approved Amendment 97 of the Arkansas Constitution, removing the limitation in Amendment 82 that general obligation bonds issued for economic development projects could

not exceed 5% of state general revenues. It also clarified the authority of counties and municipalities to issue bonds for economic development projects and allowed the use of other taxes to pay off bond debt. Previously, only special taxes approved for the specific purpose of paying off these bonds could be used. It also removed the constitutional requirement that economic development bonds could only be sold at public sale.

Public Funds for Private Use

In addition to the changes described above, Amendment 97 also changed the Arkansas Constitution to allow local governments to give private entities public funds for economic development projects or services. The change came as a result of a Pulaski County Circuit Court decision[2] that long-time payments to organizations such as chambers of commerce violated the state constitution's ban on providing money to private corporations.

If Issue 3 passes, what programs, loans or grants would it create?

Legislators would be responsible for passing laws in future legislative sessions detailing what programs would be created, who could qualify, and how public money could be used for the public purposes identified in the amendment.

Section 1 of the proposed amendment authorizes legislators to provide for the creation of programs and making of loans and grants of public money for the public purposes of: 1) development and diversification of the state's economy; (2) elimination and prevention of unemployment or underemployment; (3) development or expansion of transportation or commerce; or (4) development or improvement of property that contributes to economic development in the state. Examples of economic development tools used in other states include tax increment financing (TIF), performance-based rebate programs, property tax abatement agreements, sales tax sharing programs, and sales tax and revenue ("STAR") bonds. How they operate depends on state-specific legislation.

Issue 3 sponsors filed Senate Bill 647 in the 2025 legislative session as a form of implementing legislation for Issue 3. The bill was referred to the Senate's City, County and Local Affairs Committee, withdrawn for interim study, and ultimately died without further action when the Senate adjourned. Although the bill did not become law, it provides examples of economic development programs, grants, and loans that some legislators and Issue 3 supporters currently envision.

How does Issue 3 define an "economic development district" and how would districts operate?

"Economic development district" is defined as a designated area (not necessarily connected) within a city, county, or cooperative area established under the authority granted by the General Assembly to promote economic development within the designated area. Any debt taken on by a district would not be included in county or city debt or subject to constitutional debt limitations.

Although economic development districts have been compared to TIF districts, Issue 3 would not establish a TIF system. The state's TIF system left property taxes in place and redirected the revenue generated by the increase in property values. Issue 3 would exempt property within an economic development district from property taxes and would allow the district to impose taxes, assessments or other charges.

Arkansas legislators would be responsible for establishing laws governing how economic development districts could be created and how they would operate, such as who would serve as leadership for a district or what financial incentives would be available for businesses in the district. SJR15, the resolution putting this proposal on the ballot, says economic development districts (1) could issue bonds and use money from any funds received by or allocated to the district and (2) would be able to levy taxes, assessments or other charges on properties within its boundaries.

Note: Although the terms are the same, "economic development districts" proposed under Issue 3 are different than the eight planning and economic development districts ("EDDs") in Arkansas supported by the U.S. Department of Commerce Economic Development Administration.

What does Issue 3 say about taxes in an economic development district?

Real and personal property located within an economic development district would be exempt from taxation but would be subject to tax by the economic development district. The definitions of real and personal property include vacant land; agricultural, residential, commercial and industrial real estate; minerals on and under the surface; cars, boats, and other vehicles; business inventory; and livestock. Property already exempt from taxes, such as churches, would remain exempt.

The proposed amendment would give economic development districts the authority to levy taxes, assessments and other charges on property within its boundaries. Nothing in the amendment limits the taxes collected to property taxes—sales or other taxes could also be included. Issue 3 enables the state legislature to pass laws detailing how economic development districts could collect taxes in the districts and what districts could do with the revenue.

How does Issue 3 address potential conflicts with other parts of the Arkansas Constitution, state law and court decisions?

Issue 3 contains specific language to address potential conflicts. It states that it would repeal or modify any provision of the Constitution that conflicts with this amendment.

For example, this amendment could affect parts of the Arkansas Constitution related to property taxes charged for public schools. Amendment 74 requires every school district to charge at least 25 mills in property tax for maintenance and operation. The revenue is sent to the state, which then distributes the money equally to each school district. It was this revenue that the Arkansas Supreme Court in 2007 said TIF Districts could not use to repay their debt. Under this proposal, the economic development district would determine what taxes and fees to charge property owners within the district's boundaries.

Issue 3 also states that this amendment would take legal precedence over any other laws or court decisions or interpretations that may conflict with it.

If passed, when would the changes proposed by Issue 3 take effect?

If approved, the changes listed in this proposal would take effect Jan. 1, 2027.

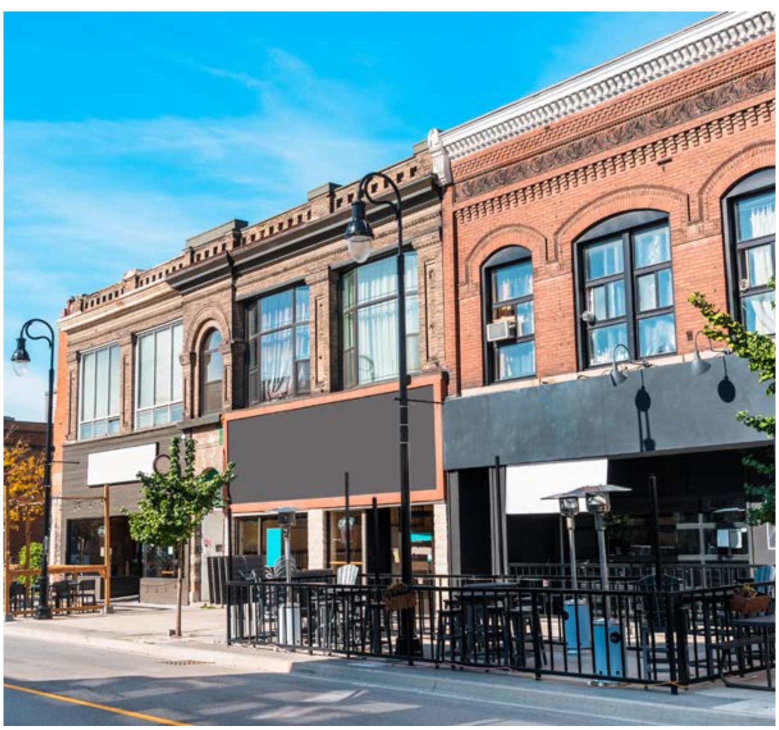
---

[1]City of Fayetteville v. Washington County, 369 Ark. 455, 255 S.W.3d 844 (2007)
[2]Stodola v. Lynch, 2017 Ark. 181

The following statements are examples of what supporters and opponents have made public either in media statements, campaign literature, on websites or in interviews with Public Policy Center staff. The University of Arkansas System Division of Agriculture does not endorse or validate these statements.

What do supporters say?

- Depending on the implementing legislation and the locally adopted economic development plan, the authority could be used to encourage housing, retail, restaurants, hospitality, healthcare, childcare, business incubators, and other development desired by a community. It could also support public infrastructure, demolition, and the redevelopment of abandoned or deteriorated buildings and shopping centers. The proposed implementing legislation also contemplated grants, forgivable loans, transferable credits, abatements, and other assistance that could be made available to existing businesses within a district, rather than limiting assistance to newly recruited or out-of-state companies.
- A city or county might choose to establish a district to concentrate resources on a locally identified development or revitalization need. Depending on the implementing legislation and the district's economic development plan, a district could be used to support housing or retail development, redevelop an abandoned building or shopping center, finance infrastructure needed to make a project feasible, or provide grants or other assistance to existing businesses within the district.
- I think it is healthy for neighboring cities to have competition as they try to recruit people and businesses to come into their area.
- Arkansas is the only state in our region that does not allow these types of Economic Development Districts. That puts our communities — urban and rural — at a disadvantage when competing for retail, tourism, entertainment, and mixed-use projects.
- Issue 3 would give communities across Arkansas more flexibility to invest in infrastructure, support housing, and compete for economic development opportunities, all without raising taxes.
- This ensures local leaders can negotiate quickly with prospects, offering the same cash, infrastructure, or tax rebates that neighboring states use to seal deals.
- Neighboring states dangle robust deals, luring big projects away. SJR15 lets Arkansas meet or beat those offers.
- TIF-like districts can fund public infrastructure, repair blight, and spark private redevelopment —



exactly what's fueling growth in states like Texas and Oklahoma.

- Lets localities respond fast — no drawn-out lawsuits or major constitutional obstacles — so Arkansas can match its neighbors' competitive timelines.

What do opponents say?

- This proposal prioritizes business, developments and investments not already in the state — We need to take care of the businesses that are in Arkansas right now, and the way we do that as a government is by getting out of the way, and not letting governments pick winners and losers.
- Cities already have TIF, bonds, and the ability to fund private projects. The gap is not authority, it is political will. Creating a separate district does not fix that, it just puts the decision somewhere voters cannot reach.
- We are being asked to put this in the constitution before the rules are written. The legislature would fill in how these districts work in a later session, and if a project fails the taxpayer is the one left holding the bag.
- When property goes into one of these districts it comes off the tax rolls for schools, the county and the city. Those services still have to be paid for, so the cost shifts to everyone outside the district. This is not just an incentive for one project, it is a change to who pays for the sheriff, the roads and the schools.
- The finance plans of bonds and ad valorem taxes will lead to the transfer of public funding to private businesses.
- It creates another level of government, one that's unelected, unaccountable and opaque.
- The government picks which businesses receive advantages, usually big, out-of-state corporations. What message does this send to longstanding local companies that have faithfully served their communities for decades?
- The incentives go to businesses the government selects, and the risk stays with the public. If a project does not work out, the company that got the deal is not the one holding the debt. Meanwhile the local companies that have been paying taxes here for decades get nothing, and in some cases end up competing against a subsidized newcomer.
- SJR15 would expand Arkansas's welfare state by creating "corporate welfare districts," funneling your hard-earned money to government-favored corporations through subsidies, tax breaks, and permanent tax-exempt status for handpicked insiders.

The following is the proposed constitutional amendment name and title as they will appear on the state's November General Election ballot.

Issue No. 3
(Popular Name)
A Constitutional Amendment Concerning Economic Development in the State of Arkansas; and Authorizing the General Assembly to Provide for the Creation of Economic Development Districts Within Cities, Counties, or Cooperative Areas to Promote Economic Development Within the Economic Development District.

(Ballot Title)
AN AMENDMENT TO THE ARKANSAS CONSTITUTION CONCERNING ECONOMIC DEVELOPMENT IN THE STATE OF ARKANSAS; AND AUTHORIZING THE GENERAL ASSEMBLY TO PROVIDE FOR THE CREATION OF ECONOMIC DEVELOPMENT DISTRICTS WITHIN CITIES, COUNTIES, OR COOPERATIVE AREAS TO PROMOTE ECONOMIC DEVELOPMENT WITHIN THE ECONOMIC DEVELOPMENT DISTRICT.

☐ FOR ISSUE NO. 3

☐ AGAINST ISSUE NO. 3