ISSUE NUMBER 4

(Referred to the people by the Arkansas General Assembly)

Issuing up to $500 Million in Water, Waste Disposal and Pollution Abatement Bonds

POPULAR NAME: Arkansas Water, Waste Disposal, and Pollution Abatement Facilities Financing Act of 2025.

BALLOT QUESTION: Shall the Arkansas Natural Resources Commission be authorized to issue general obligation bonds under the authority of the Arkansas Water, Waste Disposal, and Pollution Abatement Facilities Financing Act of 2025, for the financing and refinancing of the development of water, waste disposal, water pollution control, abatement and prevention, drainage, irrigation, flood control, and wetlands and aquatic resources projects to serve the citizens of the state of Arkansas, in total principal amount not to exceed five hundred million dollars ($500,000,000), with no more than one hundred sixty-five million dollars ($165,000,000) in total principal amount of such bonds to be issued to finance and refinance the development of irrigation facilities, in series from time to time in principal amounts not to exceed, without prior approval of the General Assembly, sixty million dollars ($60,000,000) in any two-year period beginning on July 1 of each odd-numbered year, which bonds shall be secured by a pledge of the full faith and credit of the State of Arkansas?

What is being proposed?
Issue 4 asks voters to approve the state issuing up to $500 million in general obligation bonds to pay for water, waste disposal, water pollution control, abatement and prevention, drainage, irrigation, flood control, and wetlands and aquatic resources projects. Bonds could also be used to refinance previous bond issues.

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QUICK LOOK:
What does your vote mean?

FOR: A FOR vote means you are in favor of allowing the state to issue bonds to finance the development of water, waste disposal and pollution abatement facilities in Arkansas. The amount pledged cannot exceed $500 million or $60 million in any two-year period without legislative approval.

AGAINST: An AGAINST vote means you are not in favor of allowing the state to issue new water, waste disposal and pollution abatement bonds.

Where can I find more information?
The complete wording of this amendment can be found at **uaex.uada.edu/issue4**

You can read the full text of this proposed amendment as passed by legislators at **bit.ly/Issue4-FullText**

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 Division of Agriculture does not endorse or validate these statements.

What do supporters say?

- This money is essential. The last two bond issues have been a tremendous help but the future is going to need more money.
- Over the last four years, every single county has received at least one of these loans.
- It will be absolutely devastating to the tune of up to $500 million worth of water and sewer projects in the state of Arkansas that can't be funded, can't be assisted without funding without this happening.
- We can ultimately attract a better interest rate, so borrow at better interest rate and then turn around and pass that savings on to the communities that come to us.

What do opponents say?

- Because our counties are already struggling to pay their bills, how will we be able to pay that back plus interest?
- The breadth is part of the concern. Issue 4's broad language raises questions about who could benefit from taxpayer-backed bonds. Vague definitions could allow bond money to flow to select projects or organizations while some projects could also generate rent and fees.
- Arkansas cannot borrow its way to prosperity.
- Arkansas has accumulated billions of dollars in reserves. Borrowing allows infrastructure costs to be spread across generations that will use it—but borrowing also means paying interest, particularly when today's rates are considerably higher than they were several years ago.

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The state could not issue more than $60 million of those bonds in a two-year period unless the legislature authorizes it. No more than $165 million of the $500 million in bonds issued could be for irrigation facilities.

The Arkansas Natural Resources Commission, as part of the Department of Agriculture, would be responsible for preparing a plan for the governor, the state's chief fiscal officer and state legislators to review before any bonds could be sold. Pending the issuance of new general bonds, Issue 4 would authorize the Commission to issue temporary notes maturing not more than five years from being issued. These would be exchanged for or paid from proceeds of general bonds when they are issued.

How did this question get on the ballot?

The Arkansas Senate and House of Representatives in April 2025 approved Act 578 of 2025, which authorizes the Arkansas Natural Resources Commission to issue water, waste disposal and pollution abatement financing bonds, subject to the approval of voters. This is now Issue 4.

The Arkansas Constitution requires that Arkansas voters approve most general obligation bonds. The bond issue is pledging the full faith and credit of the state to the repayment of the bonded indebtedness. The state's citizens must vote to assume that debt responsibility.

Who were the main sponsors of this ballot measure?

Sen. Bart Hester of Cave Springs and Rep. Howard Beaty Jr. of Crossett

What are bonds?

Bonds are certificates of debt used by states, cities, counties or other government entities to finance large projects, such as roads, schools, water systems, or sewer systems. Debt is paid off over a long period of time. Similar to a home mortgage, there are debt service costs of bonds which include payment of principal, interest and administrative fees.

Under Issue 4, bond debt would be repaid over 35 years at the longest.

When was the last time Arkansans voted on this issue?

In 2008, voters approved a $300 million general

obligation bond question to finance the development of water, waste disposal and pollution abatement facilities in Arkansas by a vote of 631,767 to 332,507. The last available amount in bonds from the 2008 bond measure was offered up for sale by the state in July.

What are some examples of projects funded by previous voter-approved bond issues?

Some of the funding has gone toward decades-long construction projects meant to reduce the use of ground water in the Mississippi River Valley alluvial aquifer and the Sparta aquifer for watering crops in eastern Arkansas. Funds have gone toward the Grand Prairie Area Demonstration Project, which when fully constructed will use pipes and canals to deliver water from the White River to irrigate farmland, and the Bayou Meto Irrigation Project, which is designed to pump water from the Arkansas River for irrigating crops. Both projects are in areas where groundwater naturally stored below the surface in aquifers is consumed or used by customers faster than it can refill.

Money generated from bond issues are also part of the Department of Agriculture's pool of state and federal funds to offer financial assistance in the form of grants or loans to cities, counties, towns, rural development authorities and improvement districts, water and wastewater treatment districts, public facilities boards, water associations, and regional solid waste authorities and conservation districts. Examples of entities funded include the Northwest Arkansas Conservation Authority, City of Marion, City of Redfield, City of Malvern, Conway County Regional Water Distribution District Tri County Regional Water, Calhoun County Water Association, South Sheridan Water Association, the City of Sherwood Lonoke White Public Water Authority, and others across the state.

The state also uses the bond proceeds to meet required matches for federal grants for the Clean Water Revolving Loan Fund and the Drinking Water State Revolving Fund, which in turn are used for local water and wastewater infrastructure projects.

The agency's Plan of Work for Fiscal Year 2026 and 2027 identified the two irrigation projects, the Clean Water Revolving Loan Fund, the Drinking Water State Revolving Fund, and water or waste water projects in Bearden, Bentonville, Tuckerman and Waldo. If funded, these projects would use the last of the funds approved in the 2008 election.

What entities could receive funding from Issue 4 bond issues?

If approved, entities that could receive funding through bond issues are the Arkansas Natural Resources Commission; local entities; and persons.

Local entities are defined in the bill as:

(1) a nonprofit corporation;

(2) a county, municipality, conservation district, improvement district, drainage district, irrigation district, levee district, regional water distribution district, public facilities board, public water authority, rural development authority, solid waste authority, regional wastewater treatment district, regional solid waste management district, rural water association, or school district in the state;

(3) an agency or instrumentality of these entities; and

(4) an agency or instrumentality of the state.

Person is defined as a local entity or an individual, corporation, trust, limited liability company, or partnership.

During the same legislative session as they considered the bond issue, Arkansas legislators passed Act 736, which changed the definition of qualifying corporations that can apply for Arkansas Natural Resources Commission loans to include "any governmental entity, municipal nonprofit entity, municipal authority, governmental authority, investor-owned water or wastewater utility, improvement districts, or rural development authority that provides, distributes, transmits, treats, pumps, or stores raw or potable water to or for the benefit of members of the general public and commercial, industrial, and other users that proposes to accomplish, develop, or construct" those infrastructure projects.

Why does Arkansas use general obligation bonds for these types of projects?
Most financing for Arkansas' water, waste disposal, and pollution abatement facilities is provided by the federal government, and those programs funds have legal restrictions that state general obligation funds do not. Bond issues can quickly provide millions in funding for long-term projects and matches for federal programs instead of using general revenue funds that support all state agencies.

The 2014 Arkansas Water Plan includes a recommendation to continue using general obligation bonds to pay for water infrastructure projects.

The U.S. Environmental Protection Agency identified the need for more than $13 billion in drinking water, sewer and stormwater infrastructure projects in Arkansas, according to the Arkansas Natural Resource Commission's general obligation bond work plan for Fiscal Years 2026 and 2027.

How would the state pay the costs of bonds?
The initial cost associated with bonds is normally paid from the state's general revenue fund. Debt servicing costs for general obligation bonds have first priority on general revenue funds. State agencies cannot receive any appropriated money until debt service costs on outstanding general revenue bonds are paid. Debt service on the bonds is also paid from loan repayments.

Operationally, the state has an established trust fund for each bond issue where proceeds from the bond sales and funds used to repay the bonds are deposited. Proceeds from the sale of the bonds, revenues received by the commission from any project financed or refinanced using the bonds, and other revenues received by the commission for repayment of the bonds may be invested and reinvested to generate additional revenue. These investments would be made by the State Investing Office.

What happens if this bond issue does not pass?
The state could not sell new bonds to finance water development, waste disposal and pollution abatement projects. Arkansas legislators would need to allocate money from the state's general revenue fund or other sources for the Arkansas Natural Resources Commission to match federal funds, and to continue loan and grant funding.

If passed, when this proposal take effect?
This proposal would take effect July 1, 2027.

The following is the referred question as it will appear on the Arkansas November General Election ballot.

Issue No. 4

Ballot Title
Arkansas Water, Waste Disposal, and Pollution Abatement Facilities Financing Act of 2025.

Ballot Question
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☐ FOR Issuance of State of Arkansas Water, Waste Disposal, and Pollution Abatement Facilities general obligation bonds.

☐ AGAINST Issuance of State of Arkansas Water, Waste Disposal, and Pollution Abatement Facilities general obligation bonds.