**Act 703 Bonding Q & A with Pope County Judge Ben Cross –**

**Q.** What is ACT 703?

**A.** Act 703 was passed by the state legislature in 2019 specifically for the benefit of the four counties identified in Amendment 100 as potential casino gaming locations in Arkansas. Act 703 allows governmental entities to pledge net casino gaming taxes levied pursuant to Amendment 100 to retire bonds issued for capital improvement or economic development projects.

**Q.** What is a bond issue?

**A.** A bond issue is a debt investment in which an investor loans money to an entity that borrows the funds for a defined period at a fixed interest rate. Bonds are commonly referred to as fixed-income securities.

**Q.** How is Act 703 bonding different from typical governmental bonding?

**A.**  In typical municipal bonding, where a governmental entity issues bonds to secure funding for infrastructure such as roads, water, sewer, etc., the local taxpayers have to provide the funding source to repay the bonds. Under the provisions of Act 703, the casino taxes are used to repay the bonds, instead of the local taxpayer.

**Q.** What are the casino taxes projected to bring in pursuant to Amendment 100?

**A.** Amendment 100 establishes the tax rates for gaming receipts at 13% of the first 150 million dollars and 20% of anything exceeding 150 million dollars. Of the 13%, 55% goes to the state general revenue fund, 17.5% to the Arkansas Racing Commission to be redistributed to horse and greyhound racing franchise owners, 8% to the county in which a casino is located, and 19.5% to the city in which a casino is located, or 27.5% if the location is in an unincorporated area of the county. Based on these calculations and revenue projections, a casino in Pope county is projected to bring in approximately 4.5 million dollars in gaming tax receipts annually.

**Q.** Why does the county want to bond this revenue?

**A.** Bond issuance is the financially safest and most economical way for governmental entities to build infrastructure to meet its’ citizens needs. Act 703 just created a mechanism by which the burden of such debt is bore by the casino instead of the local taxpayers. From a fiduciary standpoint, I do not want the county to become dependent upon casino revenues to operate.

**Q.**  What is a timeline for the actual issuance of improvement bonds?

**A.** Realistically, a minimum of three to four years from now. The bonding company will not allow the issuance of bonds to commence until the revenue stream is established. In simple terms, a casino has to be constructed and be in operation for at least a year to achieve a basis for tax revenue. If all litigation surrounding the issue were adjudicated and construction commenced, you’re still at that three to four year mark, before actual bond issuance.

**Q.** Then why have an election now?

**A.** An election now, is a proactive approach to an age old problem, aging infrastructure. If you take into account the timeline for actual bond issuance, and then address the most critical need, a new jail, you are realistically looking at a new justice complex not actually being opened to service Pope county for at least five years from now, because of actual construction timelines. When you take into account our jail problems have been brewing since at least 2009, you can see we will still be 16 years behind in addressing that one piece of infrastructure, so critical to public safety.

**Q.** What are the bond proposals?

**A.** A new justice complex containing two circuit court centers, a 400 person jail, sheriff’s office, 911 center, emergency operations center, and coroner’s office with a projected 50 year service life.

A new Russellville Fire Department sub-station with service equipment, and five police cars for the Russellville Police Department.

A wellness center annex to the Senior Activity Center

A new Russellville Central Library

A new Expo Event Center

**Q.** What will the voters actually be voting to do?

**A.** We are asking the voters of Pope county to grant permission to take casino tax money and build new infrastructure. Voters will be able to vote on each individual project. Citizen input led to the various projects listed, along with county and city leaders. Some I would classify as needs, like a jail, and some are wants, like an Expo Center, but all are to the benefit of Pope county residents.

**Q.** How does the bonding actually take place?

**A.** The Quorum Court puts forth the projects to be bonded. The most critical have been categorized as primary, such as the jail and fire department. The actual bond issuance is by the project, and will only be completed by the project. The sum total of the entire bond initiative will not be bonded up, only the amount needed for that given project. No other bonding will take place until that project is completed and the bonds remitted.

**Q.** What happens if an issue doesn’t pass?

**A.** Depending on if it has been characterized as a “need” or a “want,” will ultimately decide the progression forward. Those issues deemed “wants” will be have to be sidelined and reevaluated, while issues classified as needs, will require continued revenue allocation by another means. Realistically, there are few mechanisms out there for governments to operate on, other than taxes. Act 703 is the only resource that doesn’t impact the local taxpayer, yet achieves the funding necessary. I would much rather have the casino pay these costs than seek a sales tax increase upon ourselves.

**Q.** What happens if a casino never comes?

**A.** No casino, no bond issuance, it’s that simple. The entire issue of bonding would be mute and the election results nullified.

**Q.** Do you have anything to add?

**A.** Certainly there will be those in opposition to this initiative, and if someone has a better solution that doesn’t increase taxes on our local residents, I would love to have that discussion, but I have diligently searched for financial resources other than millage or sales tax increases, and Act 703 bonding is the only resource that I have found that achieves that goal of no new taxes.

My easiest explanation is this: if you are anti-casino, you should desire the casino to have to pay for your needed infrastructure, if you’re pro-casino, you should want the casino to be a good corporate partner and invest in your community needs, and if you’re indifferent to the whole issue, you should want the casino to pay and not have a local tax increase.

Many people have reached out concerning what the county intends to do with its’ portion of the economic development money provided by the casino upon initial licensure, and the answer is easily defined. The county’s base infrastructure was all completed in the early 1980’s when the entire county population was under 39,000. Now in 2020, with an estimated population over 70,000, we are still operating out of structures designed to service the lower population, and based on past growth, we know in the next 25 years, Pope county will exceed 100,000 residents. The $27.6 million dollars slated for disbursement to Pope county will fill in the gaps the bond initiative does not address, most notably: a new central ambulance service, two additional ambulance sub-station’s, a public works facility, a new health department, a new Cooperative Extension Service building, and new downtown parking, all highlight the anticipated expenses to be addressed by those monies.