

Letting Growth Fund Growth: Why Issue 3 Matters for Arkansas



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In 2024, I joined a group of Arkansas attorneys, economic development professionals, and community leaders who had one goal in mind: creating an economic development proposal that would help Arkansas communities compete for jobs, investment, and growth. Over the next year, I and other Mitchell Williams attorneys helped write the constitutional amendment that would become Issue 3, along with the enabling legislation.

At its core, Issue 3 gives local Arkansas communities the tools they need to attract and retain development.

A real-world example.

Consider Bucc-ee's. A Bucc-ee's can be transformative for a community. After years of failed attempts, we finally convinced Bucc-ee's to move to Arkansas – but there was a catch. Saline County taxpayers (through their tax dollars) made the development possible by providing a below-market purchase price for the land. Taxpayers included existing gas stations, convenience stores, and other local businesses that would ultimately compete with Bucc-ee's.

Issue 3 is designed to create a better alternative. Instead of asking existing taxpayers to shoulder those costs upfront, why not allow the development to pay for itself?

With Issue 3 in place, the City of Benton could have offered to abate half of Bucc-ee's city sales taxes for ten years. During that time, the City would receive the other half of the sales taxes, which did not exist beforehand. At the end of the incentive period, the City would receive 100% of the jump in sales taxes. In other words, Issue 3 uses tax dollars generated by the development to pay for the development.

Given the recent discussion surrounding Issue 3, I wanted to address a few key questions.

Why aren't the details in the amendment itself?

The answer is simple: placing an entire 31-page municipal-finance code in the Arkansas Constitution would make it extremely difficult to improve or correct as communities gain experience using these tools. The drafting group wrote the enabling legislation at the same time it wrote the constitutional amendment, and the enabling legislation (SB647) is online for anyone to review. The amendment establishes the framework and guardrails, and the legislation provides the operational details.

This is how Arkansas government has operated in the past. The Arkansas Constitution has permitted establishment of programs, while implementation was up to the General Assembly. Programs ranging from the scholarship lottery to worker's compensation have followed the same framework.

And realistically, the General Assembly writes state laws every day. If citizens don't trust their legislators or disagree with how legislators exercise that authority, we have elections to address that.

What about corruption?

Some opponents argue that Issue 3 creates opportunities for abuse by local officials.

Issue 3 addresses this concern by creating an oversight mechanism funded through a portion of Economic Development District (EDD) revenues and by maintaining public accountability through elections, public meetings, audits, and transparency requirements.

The question is whether every Arkansas community should be denied access to these tools because someone, somewhere, might misuse them someday. I don't think that's a good reason to tie the hands of every city and county in the state.

Will taxpayers be on the hook?

No. Issue 3 allows cities and counties to create EDDs, which can provide incentives through infrastructure improvements, tax abatements, and other economic-development tools. Importantly, as illustrated in the Bucc-ee's example above, the repayment source comes from taxes generated by the new development itself.

This is not a proposal for EDDs to issue general-obligation debt backed by taxpayers, nor for EDDs to use taxes from existing businesses to bring in new businesses.

Will schools lose existing property tax revenue?

No. Property taxes in place as of the date the EDD is created will not be touched. Instead, the district utilizes revenue on the future growth generated within the district. Once the incentive period ends, schools and other public entities benefit from a larger tax base than they had before. In many cases, that growth would never have occurred without the development incentive in the first place.

Was Issue 3 written for data centers?

No. I participated in all of the early drafting sessions, and I honestly don't remember data centers coming up at all.

The conversations centered primarily on retail development, housing, mixed-use projects, and revitalization efforts. The goal was giving Arkansas communities tools they could use to compete for development opportunities that currently go elsewhere.

What about existing businesses?

This is one of the most exciting parts of Issue 3. EDDs can use excess revenues to support existing businesses and neighborhoods. That could mean helping local businesses improve storefronts, replace roofs, rehabilitate buildings, improve parking lots, enhance streetscapes, and invest in long-term community improvements.

In other words, Issue 3 isn't just about attracting new development. It's also about creating resources that can help existing businesses thrive.

In conclusion, at the end of the day, Issue 3 doesn't guarantee success. It simply gives Arkansas communities another economic development tool that most other states already have. Whether a community uses that tool wisely (or at all) is ultimately up to local leaders and local voters. I trust Arkansas communities to make those decisions for themselves.