

House Engrossed

FILED
MICHELE REAGAN
SECRETARY OF STATE

State of Arizona
House of Representatives
Fifty-second Legislature
First Special Session
2015

HOUSE CONCURRENT RESOLUTION 2001

A CONCURRENT RESOLUTION

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF ARIZONA; AMENDING ARTICLE X, SECTION 7, CONSTITUTION OF ARIZONA; AMENDING ARTICLE XI, CONSTITUTION OF ARIZONA, BY ADDING SECTION 11; RELATING TO EDUCATION FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it resolved by the House of Representatives of the State of Arizona, the
2 Senate concurring:

3 1. Article X, section 7, Constitution of Arizona, is proposed to be
4 amended as follows if approved by the voters and on proclamation of the
5 Governor:

6 7. Establishment of permanent funds; segregation,
7 investment and distribution of monies;
8 exception; resolution of litigation

9 Section 7. A. A separate permanent fund shall be
10 established for each of the several objects for which the said
11 grants are made and confirmed by the enabling act to the state,
12 and whenever any monies shall be in any manner derived from any
13 of said lands, the same shall be deposited by the state
14 treasurer in the permanent fund corresponding to the grant under
15 which the particular land producing such monies was, by the
16 enabling act, conveyed or confirmed.

17 B. No monies shall ever be taken from one permanent fund
18 for deposit in any other, or for any object other than that for
19 which the land producing the same was granted or confirmed.

20 C. All such monies shall be invested in safe
21 interest-bearing securities and prudent equity securities
22 consistent with the requirements of this section.

23 D. The legislature shall establish a board of investment
24 to serve as trustees of the permanent funds. The board shall
25 provide for the management of the assets of the funds consistent
26 with the following conditions:

27 1. Not more than sixty ~~per cent~~ PERCENT of a fund at cost
28 may be invested in equities at any time.

29 2. Equities that are eligible for purchase are restricted
30 to stocks listed on any national stock exchange or eligible for
31 trading through the United States national association of
32 securities dealers automated quotation system, or successor
33 institutions, except as may be prohibited by general criteria or
34 by a restriction on investment in a specific security adopted
35 pursuant to this subsection.

36 3. Not more than five ~~per cent~~ PERCENT of all of the
37 funds combined at cost may be invested in equity securities
38 issued by the same institution, agency or corporation, other
39 than securities issued as direct obligations of and fully
40 guaranteed by the United States government.

41 E. In making investments under this section the state
42 treasurer and trustees shall exercise the judgment and care
43 under the prevailing circumstances that an institutional
44 investor of ordinary prudence, discretion and intelligence
45 exercises in managing large investments entrusted to it, not in

1 regard to speculation, but in regard to the permanent
2 disposition of monies, considering the probable safety of
3 capital as well as the probable total rate of return over
4 extended periods of time.

5 F. The earnings, interest, dividends and realized capital
6 gains and losses from investment of a permanent fund, shall be
7 credited to that fund.

8 G. The board of investment shall determine the amount of
9 the annual distributions required by this section and allocate
10 distributions pursuant to law. ~~Beginning July 1, 2000 and~~
11 ~~except as otherwise provided in this section, the amount of the~~
12 ~~annual distribution from a permanent fund established pursuant~~
13 ~~to this section is the amount determined by multiplying the~~
14 ~~following factors:~~

15 ~~1. The average of the annual total rate of return for the~~
16 ~~immediately preceding five complete fiscal years less the~~
17 ~~average of the annual percentage change in the GDP price~~
18 ~~deflator, or a successor index, for the immediately preceding~~
19 ~~five complete fiscal years. For the purposes of this paragraph:~~

20 ~~(a) "Annual total rate of return" means the quotient~~
21 ~~obtained by dividing the amount credited to a fund pursuant to~~
22 ~~subsection F for a complete fiscal year, plus unrealized capital~~
23 ~~gains and losses, by the average monthly market value of the~~
24 ~~fund for that year.~~

25 ~~(b) "GDP price deflator" means the gross domestic price~~
26 ~~deflator reported by the United States department of commerce,~~
27 ~~bureau of economic analysis, or its successor agency.~~

28 ~~2. The average of the monthly market values of the fund~~
29 ~~for the immediately preceding five complete fiscal years.~~

30 H. ~~Notwithstanding any other provision of this section,~~
31 The annual distribution from the permanent funds:

32 1. For fiscal years 2012-2013 through ~~2020-2021~~
33 2014-2015, shall be two and one-half ~~per cent~~ PERCENT of the
34 average monthly market values of the fund for the immediately
35 preceding five calendar years.

36 2. FOR FISCAL YEARS 2015-2016 THROUGH 2024-2025, SHALL BE
37 SIX AND NINE-TENTHS PERCENT OF THE AVERAGE MONTHLY MARKET VALUES
38 OF THE FUND FOR THE IMMEDIATELY PRECEDING FIVE CALENDAR YEARS,
39 EXCEPT THAT IN FISCAL YEAR 2015-2016, THE DISTRIBUTION MADE FROM
40 THE PERMANENT STATE SCHOOL FUND SHALL BE \$259,266,200.

41 3. BEGINNING WITH FISCAL YEAR 2025-2026, SHALL BE TWO AND
42 ONE-HALF PERCENT OF THE AVERAGE MONTHLY MARKET VALUES OF THE
43 FUND FOR THE IMMEDIATELY PRECEDING FIVE CALENDAR YEARS.

44 H. FOR FISCAL YEARS 2015-2016 THROUGH 2024-2025, ANY
45 INCREASE IN EXPENDABLE EARNINGS UNDER SECTION 37-521, SUBSECTION

1 B, PARAGRAPH 4, ARIZONA REVISED STATUTES, THAT RESULTS FROM A
2 DISTRIBUTION OF MORE THAN TWO AND ONE-HALF PERCENT OF THE
3 AVERAGE MONTHLY MARKET VALUES OF THE FUND FOR THE IMMEDIATELY
4 PRECEDING FIVE CALENDAR YEARS PURSUANT TO SUBSECTION G,
5 PARAGRAPH 2 OF THIS SECTION SHALL BE APPROPRIATED FOR BASIC
6 STATE AID, INCLUDING INFLATION ADJUSTMENTS REQUIRED BY SECTION
7 15-901.01, ARIZONA REVISED STATUTES.

8 I. ON OR BEFORE FEBRUARY 1 OF EACH YEAR, IF THE AVERAGE
9 MONTHLY MARKET VALUES OF THE FUND FOR THE IMMEDIATELY PRECEDING
10 FIVE CALENDAR YEARS HAVE DECREASED COMPARED TO THE AVERAGE
11 MONTHLY MARKET VALUES OF THE FUND FOR THE FIVE-CALENDAR-YEAR
12 PERIOD THAT IMMEDIATELY PRECEDES THE PRECEDING FIVE CALENDAR
13 YEARS, THE DIRECTOR OF THE OFFICE OF STRATEGIC PLANNING AND
14 BUDGETING, OR ITS SUCCESSOR AGENCY, AND THE DIRECTOR OF THE
15 JOINT LEGISLATIVE BUDGET COMMITTEE, OR ITS SUCCESSOR AGENCY,
16 SHALL JOINTLY NOTIFY THE GOVERNOR, THE PRESIDENT OF THE SENATE
17 AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES THAT A REDUCTION
18 TO THE DISTRIBUTION PRESCRIBED IN SUBSECTION G, PARAGRAPH 2 OF
19 THIS SECTION IS NECESSARY TO PRESERVE THE SAFETY OF THE CAPITAL
20 IN THE FUND. ON RECEIPT OF THAT NOTIFICATION, THE LEGISLATURE
21 MAY ENACT LEGISLATION, WITH THE APPROVAL OF THE GOVERNOR, THAT
22 REDUCES THE DISTRIBUTION IN SUBSECTION G, PARAGRAPH 2 OF THIS
23 SECTION FOR THE NEXT FISCAL YEAR TO AT LEAST TWO AND ONE-HALF
24 PERCENT BUT LESS THAN SIX AND NINE-TENTHS PERCENT OF THE AVERAGE
25 MONTHLY MARKET VALUES OF THE FUND FOR THE IMMEDIATELY PRECEDING
26 FIVE CALENDAR YEARS.

27 J. ANY AMOUNT REDUCED PURSUANT TO SUBSECTION I OF THIS
28 SECTION IS NOT REQUIRED TO BE PAID OR DISTRIBUTED:

- 29 1. FROM ANY OTHER SOURCE OF PUBLIC MONIES.
- 30 2. IN ANY SUBSEQUENT FISCAL YEAR.

31 K. IF THE LEGISLATURE ENACTS LEGISLATION, WITH THE
32 APPROVAL OF THE GOVERNOR, THAT REDUCES THE DISTRIBUTION PURSUANT
33 TO SUBSECTION I OF THIS SECTION:

34 1. THE LEGISLATURE MAY REDUCE THE BASE LEVEL FOR THE NEXT
35 FISCAL YEAR BY AN AMOUNT COMMENSURATE WITH THE REDUCTION IN THE
36 DISTRIBUTION FROM THE PERMANENT STATE SCHOOL FUND FOR THE NEXT
37 FISCAL YEAR.

38 2. THE AMOUNTS FROM THE BASE LEVEL REDUCTION ARE NOT
39 REQUIRED TO BE PAID OR DISTRIBUTED IN ANY SUBSEQUENT FISCAL
40 YEAR.

41 3. THE BASE LEVEL REDUCTION IS NOT PART OF THE
42 CALCULATION OF THE BASE LEVEL FOR SUBSEQUENT FISCAL YEARS.

43 L. THIS SECTION PRESERVES THE AUTHORITY VESTED IN THE
44 LEGISLATURE PURSUANT TO THIS CONSTITUTION.

1 M. THIS SECTION AND ARTICLE XI, SECTION 11 OF THIS
2 CONSTITUTION AND THE TERMS AND APPROPRIATIONS OF HOUSE BILL
3 2001, FIFTY SECOND LEGISLATURE, FIRST SPECIAL SESSION, FULLY
4 SATISFY THE REQUIREMENTS OF SECTION 15-901.01, ARIZONA REVISED
5 STATUTES:

6 2. Article XI, Constitution of Arizona, is proposed to be amended by
7 adding section 11 as follows if approved by the voters and on proclamation of
8 the Governor:

9 11. Schools; inflation adjustments; exceptions;
10 definitions

11 SECTION 11. A. ON OR BEFORE FEBRUARY 1 OF EACH YEAR, IF
12 THE STATE TRANSACTION PRIVILEGE TAX GROWTH RATE AND THE TOTAL
13 NONFARM EMPLOYMENT GROWTH RATE ARE EACH AT LEAST ONE PERCENT,
14 BUT LESS THAN TWO PERCENT, THE DIRECTOR OF THE OFFICE OF
15 STRATEGIC PLANNING AND BUDGETING, OR ITS SUCCESSOR AGENCY, AND
16 THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE, OR ITS
17 SUCCESSOR AGENCY, SHALL JOINTLY NOTIFY THE GOVERNOR, THE
18 PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
19 REPRESENTATIVES. ON RECEIPT OF THE NOTIFICATION, THE
20 LEGISLATURE IS NOT REQUIRED TO MAKE THE INFLATION ADJUSTMENTS
21 REQUIRED BY SECTION 15-901.01, ARIZONA REVISED STATUTES, FOR THE
22 NEXT FISCAL YEAR.

23 B. ON OR BEFORE FEBRUARY 1 OF EACH YEAR, IF THE STATE
24 TRANSACTION PRIVILEGE TAX GROWTH RATE AND THE TOTAL NONFARM
25 EMPLOYMENT GROWTH RATE ARE EACH LESS THAN ONE PERCENT, THE
26 DIRECTOR OF THE OFFICE OF STRATEGIC PLANNING AND BUDGETING, OR
27 ITS SUCCESSOR AGENCY, AND THE DIRECTOR OF THE JOINT LEGISLATIVE
28 BUDGET COMMITTEE, OR ITS SUCCESSOR AGENCY, SHALL JOINTLY NOTIFY
29 THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
30 HOUSE OF REPRESENTATIVES. ON RECEIPT OF THE NOTIFICATION, THE
31 LEGISLATURE SHALL NOT MAKE THE INFLATION ADJUSTMENTS REQUIRED BY
32 SECTION 15-901.01, ARIZONA REVISED STATUTES, FOR THE NEXT FISCAL
33 YEAR.

34 C. BEGINNING IN FISCAL YEAR 2024-2025, ON OR BEFORE
35 FEBRUARY 1 OF EACH YEAR, IF THE TOTAL AMOUNT OF GENERAL FUND
36 APPROPRIATIONS FOR THE ARIZONA DEPARTMENT OF EDUCATION, OR ITS
37 SUCCESSOR AGENCY, IS AT LEAST FORTY-NINE PERCENT BUT LESS THAN
38 FIFTY PERCENT OF THE TOTAL GENERAL FUND APPROPRIATION FOR THE
39 CURRENT FISCAL YEAR, THE DIRECTOR OF THE OFFICE OF STRATEGIC
40 PLANNING AND BUDGETING, OR ITS SUCCESSOR AGENCY, AND THE
41 DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE, OR ITS
42 SUCCESSOR AGENCY, SHALL JOINTLY NOTIFY THE GOVERNOR, THE
43 PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
44 REPRESENTATIVES. ON RECEIPT OF THE NOTIFICATION, THE
45 LEGISLATURE:

1 1. IS NOT REQUIRED TO MAKE THE INFLATION ADJUSTMENTS
2 REQUIRED BY SECTION 15-901.01, ARIZONA REVISED STATUTES, FOR THE
3 NEXT FISCAL YEAR.
4 2. MAY REDUCE THE BASE LEVEL FOR THE NEXT FISCAL YEAR BY
5 THE AMOUNT OF THE INFLATION ADJUSTMENTS REQUIRED BY SECTION
6 15-901.01, ARIZONA REVISED STATUTES, MADE FOR THE CURRENT FISCAL
7 YEAR.
8 D. BEGINNING IN FISCAL YEAR 2024-2025, ON OR BEFORE
9 FEBRUARY 1 OF EACH YEAR, IF THE TOTAL AMOUNT OF GENERAL FUND
10 APPROPRIATIONS FOR THE ARIZONA DEPARTMENT OF EDUCATION, OR ITS
11 SUCCESSOR AGENCY, IS AT LEAST FIFTY PERCENT OF THE TOTAL GENERAL
12 FUND APPROPRIATION FOR THE CURRENT FISCAL YEAR, THE DIRECTOR OF
13 THE OFFICE OF STRATEGIC PLANNING AND BUDGETING, OR ITS SUCCESSOR
14 AGENCY, AND THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET
15 COMMITTEE, OR ITS SUCCESSOR AGENCY, SHALL JOINTLY NOTIFY THE
16 GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
17 HOUSE OF REPRESENTATIVES. ON RECEIPT OF THE NOTIFICATION, THE
18 LEGISLATURE:
19 1. IS NOT REQUIRED TO MAKE THE INFLATION ADJUSTMENTS
20 REQUIRED BY SECTION 15-901.01, ARIZONA REVISED STATUTES, FOR THE
21 NEXT FISCAL YEAR.
22 2. MAY REDUCE THE BASE LEVEL FOR THE NEXT FISCAL YEAR BY
23 TWO TIMES THE AMOUNT OF THE INFLATION ADJUSTMENTS REQUIRED BY
24 SECTION 15-901.01, ARIZONA REVISED STATUTES, MADE FOR THE
25 CURRENT FISCAL YEAR.
26 E. IF THE INFLATION ADJUSTMENTS REQUIRED BY SECTION
27 15-901.01, ARIZONA REVISED STATUTES, ARE NOT REQUIRED TO BE MADE
28 OR ARE PROHIBITED FROM BEING MADE PURSUANT TO THIS SECTION FOR A
29 FISCAL YEAR, THE OMITTED INFLATION ADJUSTMENT AMOUNTS:
30 1. ARE NOT REQUIRED TO BE PAID OR DISTRIBUTED IN ANY
31 SUBSEQUENT FISCAL YEAR.
32 2. BECOME A PART OF THE CALCULATION OF THE BASE LEVEL FOR
33 SUBSEQUENT FISCAL YEARS.
34 F. IF BASE LEVEL REDUCTIONS ARE MADE PURSUANT TO
35 SUBSECTION C OR D OF THIS SECTION FOR A FISCAL YEAR, THE REDUCED
36 AMOUNTS:
37 1. ARE NOT REQUIRED TO BE PAID OR DISTRIBUTED IN ANY
38 SUBSEQUENT FISCAL YEAR.
39 2. DO NOT BECOME PART OF THE CALCULATION OF THE BASE
40 LEVEL FOR SUBSEQUENT FISCAL YEARS.
41 G. THIS SECTION PRESERVES THE AUTHORITY VESTED IN THE
42 LEGISLATURE PURSUANT TO THIS CONSTITUTION.
43 H. FOR THE PURPOSES OF THIS SECTION:
44 1. "TOTAL NONFARM EMPLOYMENT GROWTH RATE" MEANS THE
45 PERCENTAGE CHANGE IN THE SEASONALLY ADJUSTED TOTAL NONFARM

1 EMPLOYMENT IN THIS STATE FROM THE FINAL MONTH OF THE MOST RECENT
2 CALENDAR YEAR TO THE FINAL MONTH OF THE IMMEDIATELY PRECEDING
3 CALENDAR YEAR, AS REPORTED BY THE ARIZONA DEPARTMENT OF
4 ADMINISTRATION OR ITS SUCCESSOR AGENCY.

5 2. "STATE TRANSACTION PRIVILEGE TAX GROWTH RATE" MEANS
6 THE PERCENTAGE CHANGE IN THE REVENUES DERIVED FROM THE STATE
7 TRANSACTION PRIVILEGE TAX THAT ARE DISTRIBUTED TO THE STATE
8 GENERAL FUND FROM THE MOST RECENT CALENDAR YEAR TO THE
9 IMMEDIATELY PRECEDING CALENDAR YEAR, AS REPORTED BY THE ARIZONA
10 DEPARTMENT OF REVENUE OR ITS SUCCESSOR AGENCY.

11 3. Nonseverability

12 If any portion of this proposition is finally adjudicated invalid, the
13 entire proposition is void.

14 4. The Secretary of State shall submit this proposition to the voters
15 at a special election called to be held for that purpose on May 17, 2016 as
16 provided by article XXI, Constitution of Arizona.

PASSED BY THE HOUSE OCTOBER 29, 2015.

PASSED BY THE SENATE OCTOBER 30, 2015.

FILED IN THE OFFICE OF THE SECRETARY OF STATE OCTOBER 30, 2015.

Passed the House October 29, 2015

Passed the Senate October 30, 2015

by the following vote: 35 Ayes,

by the following vote: 20 Ayes,

23 Nays, 2 Not Voting

7 Nays, 2 Not Voting, 1 Vacant

[Signature]
Speaker of the House

[Signature]
President of the Senate

[Signature]
Chief Clerk of the House

[Signature]
Acting Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Resolution received by the Secretary of State
this 30th day of October, 20 15

at 12:55 o'clock P. M.

H.C.R. 2001
First Special Session

[Signature]
Secretary of State