

REFERENCE TITLE: state land trust; permanent funds

State of Arizona
Senate
Fifty-sixth Legislature
Second Regular Session
2024

SCR 1027

Introduced by
Senators Mesnard: Petersen

A CONCURRENT RESOLUTION

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF ARIZONA; AMENDING ARTICLE X,
SECTION 7, CONSTITUTION OF ARIZONA; RELATING TO STATE AND SCHOOL LANDS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it resolved by the Senate of the State of Arizona, the House of
2 Representatives 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; exception;
8 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
12 state, and whenever any monies shall be in any manner derived
13 from any of said lands, the same shall be deposited by the
14 state treasurer in the permanent fund corresponding to the
15 grant under which the particular land producing such monies
16 was, by the enabling act, conveyed or confirmed.

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

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

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

28 1. Not more than sixty percent of a fund at cost may be
29 invested in equities at any time.

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

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

42 E. In making investments under this section the state
43 treasurer and trustees shall exercise the judgment and care
44 under the prevailing circumstances that an institutional
45 investor of ordinary prudence, discretion and intelligence

1 exercises in managing large investments entrusted to it, not
2 in regard to speculation, but in regard to the permanent
3 disposition of monies, considering the probable safety of
4 capital as well as the probable total rate of return over
5 extended periods of time.

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

9 G. The board of investment shall determine the amount
10 of the annual distributions required by this section and
11 allocate distributions pursuant to law. The annual
12 distribution from the permanent funds:

13 1. For fiscal years 2012-2013 through 2014-2015, shall
14 be two and one-half percent of the average monthly market
15 values of the fund for the immediately preceding five calendar
16 years.

17 2. For fiscal years 2015-2016 through 2024-2025, shall
18 be six and nine-tenths percent of the average monthly market
19 values of the fund for the immediately preceding five calendar
20 years, except that in fiscal year 2015-2016, the distribution
21 made from the permanent state school fund shall be
22 \$259,266,200.

23 3. Beginning with fiscal year 2025-2026, shall be two
24 and one-half percent of the average monthly market values of
25 the fund for the immediately preceding five calendar years.

26 H. For fiscal years 2015-2016 through 2024-2025, any
27 increase in expendable earnings under section 37-521,
28 subsection B, paragraph 4, Arizona Revised Statutes, that
29 results from a distribution of more than two and one-half
30 percent of the average monthly market values of the fund for
31 the immediately preceding five calendar years pursuant to
32 subsection G, paragraph 2 of this section shall be
33 appropriated for basic state aid, including inflation
34 adjustments required by section 15-901.01, Arizona Revised
35 Statutes.

36 I. On or before February 1 of each year, if the average
37 monthly market values of the fund for the immediately
38 preceding five calendar years have decreased compared to the
39 average monthly market values of the fund for the
40 five-calendar-year period that immediately precedes the
41 preceding five calendar years, the director of the office of
42 strategic planning and budgeting, or its successor agency, and
43 the director of the joint legislative budget committee, or its
44 successor agency, shall jointly notify the governor, the
45 president of the senate and the speaker of the house of

1 representatives that a reduction to the distribution
2 prescribed in subsection G, paragraph 2 of this section OR IN
3 SUBSECTION N, PARAGRAPH 1 OF THIS SECTION, IF APPLICABLE, is
4 necessary to preserve the safety of the capital in the
5 fund. On receipt of that notification, the legislature may
6 enact legislation, with the approval of the governor, that
7 reduces the distribution ~~in subsection G, paragraph 2 of this~~
8 ~~section~~ for the next fiscal year to at least two and one-half
9 percent but less than six and nine-tenths percent of the
10 average monthly market values of the fund for the immediately
11 preceding five calendar years.

12 J. Any amount reduced pursuant to subsection I of this
13 section is not required to be paid or distributed:

- 14 1. From any other source of public monies.
- 15 2. In any subsequent fiscal year.

16 K. If the legislature enacts legislation, with the
17 approval of the governor, that reduces the distribution
18 pursuant to subsection I of this section:

19 1. The legislature may reduce the base level for the
20 next fiscal year by an amount commensurate with the reduction
21 in the distribution from the permanent state school fund for
22 the next fiscal year.

23 2. The amounts from the base level reduction are not
24 required to be paid or distributed in any subsequent fiscal
25 year.

26 3. The base level reduction is not part of the
27 calculation of the base level for subsequent fiscal years.

28 L. This section preserves the authority vested in the
29 legislature pursuant to this constitution.

30 M. This section and article XI, section 11 of this
31 Constitution and the terms and appropriations of house bill
32 2001, fifty second legislature, first special session, fully
33 satisfy the requirements of section 15-901.01, Arizona Revised
34 Statutes.

35 N. NOTWITHSTANDING SUBSECTION G, PARAGRAPH 3 OF THIS
36 SECTION, IF THE VOTERS APPROVE THE STATUTORY MEASURE REFERRED
37 BY THE FIFTY-SIXTH LEGISLATURE, SECOND REGULAR SESSION, THAT
38 ESTABLISHES A STATEWIDE PROGRAM TO INCREASE THE BASE SALARY OF
39 ALL ELIGIBLE TEACHERS ABOVE THE BASE SALARY OF FISCAL YEAR
40 2024-2025, THE ANNUAL DISTRIBUTION FROM THE PERMANENT FUNDS
41 THAT CORRESPOND TO LAND GRANTED TO THIS STATE BY THE ENABLING
42 ACT FOR THE USE AND BENEFIT OF COMMON SCHOOLS SHALL BE AS
43 FOLLOWS:

44 1. FOR FISCAL YEARS 2025-2026 THROUGH 2034-2035, SIX
45 AND NINE-TENTHS PERCENT OF THE AVERAGE MONTHLY MARKET VALUES

1 OF THE FUND FOR THE IMMEDIATELY PRECEDING FIVE CALENDAR
2 YEARS. ANY INCREASE IN EXPENDABLE EARNINGS UNDER SECTION
3 37-521, SUBSECTION B, PARAGRAPH 4, ARIZONA REVISED STATUTES,
4 THAT RESULTS FROM A DISTRIBUTION OF MORE THAN TWO AND ONE-HALF
5 PERCENT OF THE AVERAGE MONTHLY MARKET VALUES OF THE FUND FOR
6 THE IMMEDIATELY PRECEDING FIVE CALENDAR YEARS PURSUANT TO THIS
7 PARAGRAPH SHALL BE APPROPRIATED FOR THE STATEWIDE PROGRAM TO
8 INCREASE THE BASE SALARY OF ALL ELIGIBLE TEACHERS.

9 2. BEGINNING IN FISCAL YEAR 2035-2036, TWO AND ONE-HALF
10 PERCENT OF THE AVERAGE MONTHLY MARKET VALUES OF THE FUND FOR
11 THE IMMEDIATELY PRECEDING FIVE CALENDAR YEARS.

12 0. IF THE VOTERS APPROVE THE STATUTORY MEASURE REFERRED
13 BY THE FIFTY-SIXTH LEGISLATURE, SECOND REGULAR SESSION, THAT
14 ESTABLISHES A STATEWIDE PROGRAM TO INCREASE THE BASE SALARY OF
15 ALL ELIGIBLE TEACHERS ABOVE THE BASE SALARY OF FISCAL YEAR
16 2024-2025, THE ANNUAL DISTRIBUTION FROM EACH PERMANENT FUND
17 NOT LISTED IN SUBSECTION N OF THIS SECTION IS THE DISTRIBUTION
18 PRESCRIBED BY SUBSECTION G, PARAGRAPH 3 OF THIS SECTION.

19 2. The Secretary of State shall submit this proposition to the
20 voters at the next general election as provided by article XXI,
21 Constitution of Arizona.