

REFERENCE TITLE: trust land; distribution; inflation adjustments

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

SCR 1029

Introduced by
Senator Marsh

A CONCURRENT RESOLUTION

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

(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;
8 exception; resolution of litigation;
9 definitions

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

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

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

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

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

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

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

43 E. In making investments under this section, the state
44 treasurer and trustees shall exercise the judgment and care
45 under the prevailing circumstances that an institutional

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

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

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

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

18 2. For fiscal years 2015-2016 through 2024-2025, shall
19 be six and nine-tenths percent of the average monthly market
20 values of the fund for the immediately preceding five calendar
21 years, except that in fiscal year 2015-2016, the distribution
22 made from the permanent state school fund shall be
23 \$259,266,200.

24 3. ~~Beginning with fiscal year~~ FOR FISCAL YEARS
25 2025-2026 THROUGH 2035-2036, shall be ~~two and one-half~~ EIGHT
26 AND NINE-TENTHS percent of the average monthly market values
27 of the fund for the immediately preceding five calendar years.

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

38 I. FOR FISCAL YEARS 2025-2026 THROUGH 2035-2036, ANY
39 INCREASE IN EXPENDABLE EARNINGS UNDER SECTION 37-521,
40 SUBSECTION B, PARAGRAPH 4, ARIZONA REVISED STATUTES, THAT
41 RESULTS FROM A DISTRIBUTION OF MORE THAN TWO AND ONE-HALF
42 PERCENT OF THE AVERAGE MONTHLY MARKET VALUES OF THE FUND FOR
43 THE IMMEDIATELY PRECEDING FIVE CALENDAR YEARS PURSUANT TO
44 SUBSECTION G, PARAGRAPH 3 OF THIS SECTION SHALL BE
45 APPROPRIATED AS FOLLOWS:

1 1. FOUR AND FOUR-TENTHS PERCENT TO SCHOOL DISTRICTS,
2 CHARTER SCHOOLS AND THE ARIZONA STATE SCHOOLS FOR THE DEAF AND
3 THE BLIND TO HIRE AND TO INCREASE COMPENSATION FOR TEACHERS
4 AND CLASSROOM SUPPORT PERSONNEL.

5 2. ONE AND ONE-HALF PERCENT TO SCHOOL DISTRICTS,
6 CHARTER SCHOOLS AND THE ARIZONA STATE SCHOOLS FOR THE DEAF AND
7 THE BLIND TO HIRE AND TO INCREASE COMPENSATION FOR STUDENT
8 SUPPORT SERVICES PERSONNEL.

9 3. ONE-HALF PERCENT TO THE SCHOOL FACILITIES DIVISION
10 WITHIN THE DEPARTMENT OF ADMINISTRATION, OR IT SUCCESSOR, TO
11 AWARD GRANTS TO SUPPORT SCHOOL DISTRICTS, CHARTER SCHOOLS AND
12 THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND TO
13 SUPPORT THE COSTS OF CAPITAL AND TECHNOLOGY EXPENSES,
14 INCLUDING BUILDING IMPROVEMENTS AND CONSTRUCTION COSTS TO
15 ADDRESS SCHOOL FACILITY SECURITY CONCERNS OR OTHER SCHOOL
16 SAFETY NEEDS IDENTIFIED BY THE DIVISION. THE PROCEEDS FOR ANY
17 SALE BY A SCHOOL DISTRICT OR CHARTER SCHOOL OF SCHOOL
18 BUILDINGS OR EQUIPMENT THAT WAS PROCURED OR ENHANCED USING
19 MONIES APPROPRIATED PURSUANT TO THIS PARAGRAPH SHALL BE
20 TRANSFERRED TO THE TREASURER'S OFFICE FOR DEPOSIT IN THE STATE
21 GENERAL FUND.

22 ~~†~~ J. On or before February 1 of each year, if the
23 average monthly market values of the fund for the immediately
24 preceding five calendar years have decreased compared to the
25 average monthly market values of the fund for the
26 five-calendar-year period that immediately precedes the
27 preceding five calendar years, the director of the office of
28 strategic planning and budgeting, or its successor agency, and
29 the director of the joint legislative budget committee, or its
30 successor agency, shall jointly notify the governor, the
31 president of the senate and the speaker of the house of
32 representatives that a reduction to the distribution
33 prescribed in subsection G, paragraph 2 OR 3 of this section
34 is necessary to preserve the safety of the capital in the
35 fund. On receipt of that notification, the legislature may
36 enact legislation, ~~with the approval of the governor,~~ that
37 reduces the distribution in subsection G, paragraph 2 OR 3 of
38 this section for the next fiscal year to at least two and
39 one-half percent but less than six and nine-tenths percent of
40 the average monthly market values of the fund for the
41 immediately preceding five calendar years ONLY ON THE
42 AFFIRMATIVE VOTE OF AT LEAST TWO-THIRDS OF THE MEMBERSHIP OF
43 EACH HOUSE OF THE LEGISLATURE AND APPROVAL BY THE GOVERNOR.

44 ~~†~~ K. Any amount reduced pursuant to subsection ~~†~~ J
45 of this section is not required to be paid or distributed:

- 1 1. From any other source of public monies.
- 2 2. In any subsequent fiscal year.
- 3 ~~K.~~ L. If the legislature enacts legislation, with the
- 4 approval of the governor, that reduces the distribution
- 5 pursuant to subsection ~~I~~ J of this section:
- 6 1. The legislature may reduce the base level for the
- 7 next fiscal year by an amount commensurate with the reduction
- 8 in the distribution from the permanent state school fund for
- 9 the next fiscal year.
- 10 2. The amounts from the base level reduction are not
- 11 required to be paid or distributed in any subsequent fiscal
- 12 year.
- 13 3. The base level reduction is not part of the
- 14 calculation of the base level for subsequent fiscal years.
- 15 ~~I.~~ M. This section preserves the authority vested in
- 16 the legislature pursuant to this constitution.
- 17 ~~M.~~ N. This section and article XI, section 11 of this
- 18 Constitution and the terms and appropriations of house bill
- 19 2001, fifty second legislature, first special session, fully
- 20 satisfy the requirements of section 15-901.01, Arizona Revised
- 21 Statutes.
- 22 0. FOR THE PURPOSES OF THIS SECTION:
- 23 1. "CLASSROOM SUPPORT PERSONNEL" MEANS ANY
- 24 NONADMINISTRATIVE SCHOOL PERSONNEL WHO PROVIDE CLASSROOM
- 25 SUPPORT AND INSTRUCTIONAL SUPPORT SERVICES AS PRESCRIBED BY
- 26 THE SCHOOL DISTRICT GOVERNING BOARD OR CHARTER SCHOOL
- 27 GOVERNING BODY, INCLUDING CERTIFICATED PERSONNEL, LIBRARIANS,
- 28 NURSES, COUNSELORS, SOCIAL WORKERS, SPEECH PATHOLOGISTS,
- 29 BEHAVIORAL COACHES AND PSYCHOLOGISTS.
- 30 2. "STUDENT SUPPORT SERVICES PERSONNEL" MEANS ANY
- 31 CLASSIFIED, NONADMINISTRATIVE SCHOOL PERSONNEL WHO PROVIDE
- 32 STUDENT SUPPORT SERVICES AS PRESCRIBED BY THE SCHOOL DISTRICT
- 33 GOVERNING BOARD OR CHARTER SCHOOL GOVERNING BODY, INCLUDING
- 34 CLASSROOM AIDES, MEDIA SPECIALISTS, HEALTH ASSISTANTS,
- 35 SECURITY PERSONNEL, STUDENT FOOD SERVICE PERSONNEL, CLERICAL
- 36 STAFF, STUDENT TRANSPORTATION PERSONNEL AND SCHOOL SITE PLANT
- 37 OPERATORS.
- 38 3. "TEACHER" MEANS ANY NONADMINISTRATIVE SCHOOL
- 39 PERSONNEL WHO INSTRUCT STUDENTS OR SUPPORT STUDENT ACADEMIC
- 40 ACHIEVEMENT AS PRESCRIBED BY THE SCHOOL DISTRICT GOVERNING
- 41 BOARD OR CHARTER SCHOOL GOVERNING BODY, INCLUDING CERTIFICATED
- 42 AND NONCERTIFICATED TEACHERS, CLASSROOM TEACHERS, EARLY
- 43 CHILDHOOD EDUCATION TEACHERS, MENTOR TEACHERS, INSTRUCTIONAL
- 44 COACHES AND ACADEMIC INTERVENTIONISTS.

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

4 11. Schools; inflation adjustments; exceptions;
5 definitions

6 Section 11. A. On or before February 1 of each year,
7 if the state transaction privilege tax growth rate and the
8 total nonfarm employment growth rate are each at least one
9 percent, but less than two percent, the director of the office
10 of strategic planning and budgeting, or its successor agency,
11 and the director of the joint legislative budget committee, or
12 its successor agency, shall jointly notify the governor, the
13 president of the senate and the speaker of the house of
14 representatives. On receipt of the notification, the
15 legislature ~~is not required to make~~ MAY FORGO the inflation
16 adjustments required by section 15-901.01, Arizona Revised
17 Statutes, for the next fiscal year ONLY ON THE AFFIRMATIVE
18 VOTE OF AT LEAST TWO-THIRDS OF THE MEMBERSHIP OF EACH HOUSE OF
19 THE LEGISLATURE.

20 B. On or before February 1 of each year, if the state
21 transaction privilege tax growth rate and the total nonfarm
22 employment growth rate are each less than one percent, the
23 director of the office of strategic planning and budgeting, or
24 its successor agency, and the director of the joint
25 legislative budget committee, or its successor agency, shall
26 jointly notify the governor, the president of the senate and
27 the speaker of the house of representatives. On receipt of
28 the notification, the legislature ~~shall not~~ MAY make the
29 inflation adjustments required by section 15-901.01, Arizona
30 Revised Statutes, for the next fiscal year ONLY ON THE
31 AFFIRMATIVE VOTE OF AT LEAST TWO-THIRDS OF THE MEMBERSHIP OF
32 EACH HOUSE OF THE LEGISLATURE.

33 C. Beginning in fiscal year 2024-2025, on or before
34 February 1 of each year, if the total amount of general fund
35 appropriations for the Arizona department of education, or its
36 successor agency, is at least forty-nine percent but less than
37 fifty percent of the total general fund appropriation for the
38 current fiscal year, the director of the office of strategic
39 planning and budgeting, or its successor agency, and the
40 director of the joint legislative budget committee, or its
41 successor agency, shall jointly notify the governor, the
42 president of the senate and the speaker of the house of
43 representatives. On receipt of the notification, the
44 legislature:

1 1. ~~Is not required to make~~ MAY FORGO the inflation
2 adjustments required by section 15-901.01, Arizona Revised
3 Statutes, for the next fiscal year ONLY ON THE AFFIRMATIVE
4 VOTE OF AT LEAST TWO-THIRDS OF THE MEMBERSHIP OF EACH HOUSE OF
5 THE LEGISLATURE.

6 2. May reduce the base level for the next fiscal year
7 by the amount of the inflation adjustments required by section
8 15-901.01, Arizona Revised Statutes, made for the current
9 fiscal year ONLY ON THE AFFIRMATIVE VOTE OF AT LEAST
10 TWO-THIRDS OF THE MEMBERSHIP OF EACH HOUSE OF THE LEGISLATURE.

11 D. Beginning in fiscal year 2024-2025, on or before
12 February 1 of each year, if the total amount of general fund
13 appropriations for the Arizona department of education, or its
14 successor agency, is at least fifty percent of the total
15 general fund appropriation for the current fiscal year, the
16 director of the office of strategic planning and budgeting, or
17 its successor agency, and the director of the joint
18 legislative budget committee, or its successor agency, shall
19 jointly notify the governor, the president of the senate and
20 the speaker of the house of representatives. On receipt of
21 the notification, the legislature:

22 1. ~~Is not required to make~~ MAY FORGO the inflation
23 adjustments required by section 15-901.01, Arizona Revised
24 Statutes, for the next fiscal year ONLY ON THE AFFIRMATIVE
25 VOTE OF AT LEAST TWO-THIRDS OF THE MEMBERSHIP OF EACH HOUSE OF
26 THE LEGISLATURE.

27 2. May reduce the base level for the next fiscal year
28 by two times the amount of the inflation adjustments required
29 by section 15-901.01, Arizona Revised Statutes, made for the
30 current fiscal year ONLY ON THE AFFIRMATIVE VOTE OF AT LEAST
31 TWO-THIRDS OF THE MEMBERSHIP OF EACH HOUSE OF THE LEGISLATURE.

32 E. If the inflation adjustments required by section
33 15-901.01, Arizona Revised Statutes, are not required to be
34 made or are prohibited from being made pursuant to this
35 section for a fiscal year, the omitted inflation adjustment
36 amounts:

37 1. Are not required to be paid or distributed in any
38 subsequent fiscal year.

39 2. Become a part of the calculation of the base level
40 for subsequent fiscal years.

41 F. If base level reductions are made pursuant to
42 subsection C or D of this section for a fiscal year, the
43 reduced amounts:

44 1. Are not required to be paid or distributed in any
45 subsequent fiscal year.

1 2. Do not become part of the calculation of the base
2 level for subsequent fiscal years.

3 G. This section preserves the authority vested in the
4 legislature pursuant to this constitution.

5 H. For the purposes of this section:

6 1. "Total nonfarm employment growth rate" means the
7 percentage change in the seasonally adjusted total nonfarm
8 employment in this state from the final month of the most
9 recent calendar year to the final month of the immediately
10 preceding calendar year, as reported by the Arizona department
11 of administration or its successor agency.

12 2. "State transaction privilege tax growth rate" means
13 the percentage change in the revenues derived from the state
14 transaction privilege tax that are distributed to the state
15 general fund from the most recent calendar year to the
16 immediately preceding calendar year, as reported by the
17 Arizona department of revenue or its successor agency.

18 Sec. 3. Nonseverability

19 If any portion of this proposition is finally
20 adjudicated invalid, the entire proposition is void.

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