

REFERENCE TITLE: trust land management; budget reconciliation

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

HCR 2038

Introduced by
Representative Olson (with permission of Committee on Rules)

A CONCURRENT RESOLUTION

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF ARIZONA; AMENDING ARTICLE X, SECTIONS 1, 2 AND 7, CONSTITUTION OF ARIZONA; RELATING TO MANAGEMENT OF STATE TRUST LANDS.

(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 1, Constitution of Arizona, is proposed to be
4 amended as follows if approved by the voters and on proclamation of the
5 Governor:

6 1. Acceptance and holding of lands by state in trust
7 Section 1. All lands expressly transferred and confirmed
8 to the state by the provisions of the Enabling Act approved June
9 20, 1910, including all lands granted to the state and all lands
10 heretofore granted to the Territory of Arizona, and all lands
11 otherwise acquired by the state, shall be by the state accepted
12 and held in trust to be disposed of in whole or in part, only in
13 manner as in the said Enabling Act and in this Constitution
14 provided, and for the several objects specified in the
15 respective granting and confirmatory provisions, **INCLUDING**
16 **MANAGEMENT OF THE LANDS**. The natural products and money
17 proceeds of any of said lands shall be subject to the same
18 trusts as the lands producing the same.

19 2. Article X, section 2, Constitution of Arizona, is proposed to be
20 amended as follows if approved by the voters and on proclamation of the
21 Governor:

22 2. Unauthorized disposition of land or proceeds as
23 breach of trust
24 Section 2. Disposition of any of said lands, or of any
25 money or thing of value directly or indirectly derived
26 therefrom, for any object other than that for which such
27 particular lands (or the lands from which such money or thing of
28 value shall have been derived) were granted or confirmed,
29 **INCLUDING MANAGEMENT OF THE LANDS**, or in any manner contrary to
30 the provisions of the said Enabling Act, shall be deemed a
31 breach of trust.

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

35 7. Establishment of permanent funds; segregation,
36 investment and distribution of monies
37 Section 7. A. A separate permanent fund shall be
38 established for each of the several objects for which the said
39 grants are made and confirmed by the enabling act to the state,
40 **INCLUDING MANAGEMENT OF THE LANDS**, and whenever any monies shall
41 be in any manner derived from any of said lands, the same shall
42 be deposited by the state treasurer in the **TRUST LAND MANAGEMENT**
43 **FUND AS PROVIDED BY LAW OR THE** permanent fund corresponding to
44 the grant under which the particular land producing such monies
45 was, by the enabling act, conveyed or confirmed.

1 B. No monies shall ever be taken from one permanent fund
2 for deposit in any other, or for any object other than that for
3 which the land producing the same was granted or confirmed,
4 EXCEPT THAT NOT MORE THAN TEN PERCENT OF THE ANNUAL PROCEEDS
5 FROM THE LANDS AND THE NATURAL PRODUCTS AND MONEY PROCEEDS OF
6 THE LANDS SHALL BE USED EXCLUSIVELY TO MANAGE THE LANDS AS
7 PROVIDED BY LAW.

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

11 D. The legislature shall establish a board of investment
12 to serve as trustees of the permanent funds. The board shall
13 provide for the management of the assets of the funds consistent
14 with the following conditions:

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

17 2. Equities that are eligible for purchase are restricted
18 to stocks listed on any national stock exchange or eligible for
19 trading through the United States national association of
20 securities dealers automated quotation system, or successor
21 institutions, except as may be prohibited by general criteria or
22 by a restriction on investment in a specific security adopted
23 pursuant to this subsection.

24 3. Not more than five ~~per-cent~~ PERCENT of all of the
25 funds combined at cost may be invested in equity securities
26 issued by the same institution, agency or corporation, other
27 than securities issued as direct obligations of and fully
28 guaranteed by the United States government.

29 E. In making investments under this section the state
30 treasurer and trustees shall exercise the judgment and care
31 under the prevailing circumstances that an institutional
32 investor of ordinary prudence, discretion and intelligence
33 exercises in managing large investments entrusted to it, not in
34 regard to speculation, but in regard to the permanent
35 disposition of monies, considering the probable safety of
36 capital as well as the probable total rate of return over
37 extended periods of time.

38 F. The earnings, interest, dividends and realized capital
39 gains and losses from investment of a permanent fund, shall be
40 credited to that fund.

41 G. The board of investment shall determine the amount of
42 the annual distributions required by this section and allocate
43 distributions pursuant to law. Beginning July 1, 2000 and
44 except as otherwise provided in this section, the amount of the
45 annual distribution from a permanent fund established pursuant

1 to this section is the amount determined by multiplying the
2 following factors:

3 1. The average of the annual total rate of return for the
4 immediately preceding five complete fiscal years less the
5 average of the annual percentage change in the GDP price
6 deflator, or a successor index, for the immediately preceding
7 five complete fiscal years. For the purposes of this paragraph:

8 (a) "Annual total rate of return" means the quotient
9 obtained by dividing the amount credited to a fund pursuant to
10 subsection F for a complete fiscal year, plus unrealized capital
11 gains and losses, by the average monthly market value of the
12 fund for that year.

13 (b) "GDP price deflator" means the gross domestic price
14 deflator reported by the United States department of commerce,
15 bureau of economic analysis, or its successor agency.

16 2. The average of the monthly market values of the fund
17 for the immediately preceding five complete fiscal years.

18 H. Notwithstanding any other provision of this section,
19 the annual distribution from the permanent funds for fiscal
20 years 2012-2013 through 2020-2021 shall be two and one-half ~~per~~
21 ~~cent~~ PERCENT of the average monthly market values of the fund
22 for the immediately preceding five calendar years.

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