

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
46 regard to speculation, but in regard to the permanent

1 disposition of monies, considering the probable safety of
2 capital as well as the probable total rate of return over
3 extended periods of time.

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

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

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

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

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

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

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

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

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

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

43 H. FOR FISCAL YEARS 2015-2016 THROUGH 2024-2025, ANY
44 INCREASE IN EXPENDABLE EARNINGS UNDER SECTION 37-521, SUBSECTION
45 B, PARAGRAPH 4, ARIZONA REVISED STATUTES, THAT RESULTS FROM A
46 DISTRIBUTION OF MORE THAN TWO AND ONE-HALF PERCENT OF THE

1 AVERAGE MONTHLY MARKET VALUES OF THE FUND FOR THE IMMEDIATELY
2 PRECEDING FIVE CALENDAR YEARS PURSUANT TO SUBSECTION G,
3 PARAGRAPH 2 OF THIS SECTION SHALL BE APPROPRIATED FOR BASIC
4 STATE AID, INCLUDING INFLATION ADJUSTMENTS REQUIRED BY SECTION
5 15-901.01, ARIZONA REVISED STATUTES.

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

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

- 27 1. FROM ANY OTHER SOURCE OF PUBLIC MONIES.
- 28 2. IN ANY SUBSEQUENT FISCAL YEAR.

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

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

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

39 3. THE BASE LEVEL REDUCTION IS NOT PART OF THE
40 CALCULATION OF THE BASE LEVEL FOR SUBSEQUENT FISCAL YEARS.

41 L. THIS SECTION PRESERVES THE AUTHORITY VESTED IN THE
42 LEGISLATURE PURSUANT TO THIS CONSTITUTION.

43 M. THIS SECTION AND ARTICLE XI, SECTION 11 OF THIS
44 CONSTITUTION AND THE TERMS AND APPROPRIATIONS OF HOUSE BILL
45 2001, FIFTY SECOND LEGISLATURE, FIRST SPECIAL SESSION, FULLY

1 SATISFY THE REQUIREMENTS OF SECTION 15-901.01, ARIZONA REVISED
2 STATUTES.

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

6 11. Schools; inflation adjustments; exceptions;
7 definitions

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

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 LEGISLATIVE
25 BUDGET COMMITTEE, OR ITS SUCCESSOR AGENCY, SHALL JOINTLY NOTIFY
26 THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
27 HOUSE OF REPRESENTATIVES. ON RECEIPT OF THE NOTIFICATION, THE
28 LEGISLATURE SHALL NOT MAKE THE INFLATION ADJUSTMENTS REQUIRED BY
29 SECTION 15-901.01, ARIZONA REVISED STATUTES, FOR THE NEXT FISCAL
30 YEAR.

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

43 1. IS NOT REQUIRED TO MAKE THE INFLATION ADJUSTMENTS
44 REQUIRED BY SECTION 15-901.01, ARIZONA REVISED STATUTES, FOR THE
45 NEXT FISCAL YEAR.

1 2. MAY REDUCE THE BASE LEVEL FOR THE NEXT FISCAL YEAR BY
2 THE AMOUNT OF THE INFLATION ADJUSTMENTS REQUIRED BY SECTION
3 15-901.01, ARIZONA REVISED STATUTES, MADE FOR THE CURRENT FISCAL
4 YEAR.

5 D. BEGINNING IN FISCAL YEAR 2024-2025, ON OR BEFORE
6 FEBRUARY 1 OF EACH YEAR, IF THE TOTAL AMOUNT OF GENERAL FUND
7 APPROPRIATIONS FOR THE ARIZONA DEPARTMENT OF EDUCATION, OR ITS
8 SUCCESSOR AGENCY, IS AT LEAST FIFTY PERCENT OF THE TOTAL GENERAL
9 FUND APPROPRIATION FOR THE CURRENT FISCAL YEAR, THE DIRECTOR OF
10 THE OFFICE OF STRATEGIC PLANNING AND BUDGETING, OR ITS SUCCESSOR
11 AGENCY, AND THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET
12 COMMITTEE, OR ITS SUCCESSOR AGENCY, SHALL JOINTLY NOTIFY THE
13 GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
14 HOUSE OF REPRESENTATIVES. ON RECEIPT OF THE NOTIFICATION, THE
15 LEGISLATURE:

16 1. IS NOT REQUIRED TO MAKE THE INFLATION ADJUSTMENTS
17 REQUIRED BY SECTION 15-901.01, ARIZONA REVISED STATUTES, FOR THE
18 NEXT FISCAL YEAR.

19 2. MAY REDUCE THE BASE LEVEL FOR THE NEXT FISCAL YEAR BY
20 TWO TIMES THE AMOUNT OF THE INFLATION ADJUSTMENTS REQUIRED BY
21 SECTION 15-901.01, ARIZONA REVISED STATUTES, MADE FOR THE
22 CURRENT FISCAL YEAR.

23 E. IF THE INFLATION ADJUSTMENTS REQUIRED BY SECTION
24 15-901.01, ARIZONA REVISED STATUTES, ARE NOT REQUIRED TO BE MADE
25 OR ARE PROHIBITED FROM BEING MADE PURSUANT TO THIS SECTION FOR A
26 FISCAL YEAR, THE OMITTED INFLATION ADJUSTMENT AMOUNTS:

27 1. ARE NOT REQUIRED TO BE PAID OR DISTRIBUTED IN ANY
28 SUBSEQUENT FISCAL YEAR.

29 2. BECOME A PART OF THE CALCULATION OF THE BASE LEVEL FOR
30 SUBSEQUENT FISCAL YEARS.

31 F. IF BASE LEVEL REDUCTIONS ARE MADE PURSUANT TO
32 SUBSECTION C OR D OF THIS SECTION FOR A FISCAL YEAR, THE REDUCED
33 AMOUNTS:

34 1. ARE NOT REQUIRED TO BE PAID OR DISTRIBUTED IN ANY
35 SUBSEQUENT FISCAL YEAR.

36 2. DO NOT BECOME PART OF THE CALCULATION OF THE BASE
37 LEVEL FOR SUBSEQUENT FISCAL YEARS.

38 G. THIS SECTION PRESERVES THE AUTHORITY VESTED IN THE
39 LEGISLATURE PURSUANT TO THIS CONSTITUTION.

40 H. FOR THE PURPOSES OF THIS SECTION:

41 1. "TOTAL NONFARM EMPLOYMENT GROWTH RATE" MEANS THE
42 PERCENTAGE CHANGE IN THE SEASONALLY ADJUSTED TOTAL NONFARM
43 EMPLOYMENT IN THIS STATE FROM THE FINAL MONTH OF THE MOST RECENT
44 CALENDAR YEAR TO THE FINAL MONTH OF THE IMMEDIATELY PRECEDING
45 CALENDAR YEAR, AS REPORTED BY THE ARIZONA DEPARTMENT OF
46 ADMINISTRATION OR ITS SUCCESSOR AGENCY.

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

7 3. Nonseverability
8 If any portion of this proposition is finally adjudicated invalid, the
9 entire proposition is void.

10 4. The Secretary of State shall submit this proposition to the voters
11 at a special election called to be held for that purpose on May 17, 2016 as
12 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.