SENATE CONCURRENT RESOLUTION 1018

A CONCURRENT RESOLUTION

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

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it resolved by the Senate of the State of Arizona, the House of Representatives concurring:

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

7. Establishment of permanent funds; segregation, investment and distribution of monies

Section 7. A. A separate permanent fund shall be established for each of the several objects for which the said grants are made and confirmed by the enabling act to the state, INCLUDING ADMINISTRATION AND DISPOSITION OF THE LANDS, and whenever any monies shall be in any manner derived from any of said lands, the same shall be deposited by the state treasurer in the TRUST LAND ADMINISTRATION FUND AS PROVIDED BY LAW OR THE permanent fund corresponding to the grant under which the particular land producing such monies was, by the enabling act, conveyed or confirmed.

B. No monies shall ever be taken from one permanent fund for deposit in any other, or for any object other than that for which the land producing the same was granted or confirmed, EXCEPT, TO INCREASE THE VALUE OF STATE TRUST LANDS, NOT MORE THAN TEN PERCENT OF THE ANNUAL PROCEEDS FROM THE LANDS AND THE NATURAL PRODUCTS AND MONEY PROCEEDS OF THE LANDS SHALL BE USED EXCLUSIVELY FOR ADMINISTRATION AND DISPOSITION OF THE LANDS AS PROVIDED BY LAW.

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

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

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

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

3. Not more than five per cent PERCENT of all of the funds combined at cost may be invested in equity securities issued by the same institution, agency or corporation, other than securities issued as direct obligations of and fully guaranteed by the United States government.
E. In making investments under this section the state treasurer and trustees shall exercise the judgment and care under the prevailing circumstances that an institutional investor of ordinary prudence, discretion and intelligence exercises in managing large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of monies, considering the probable safety of capital as well as the probable total rate of return over extended periods of time.

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

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

1. The average of the annual total rate of return for the immediately preceding five complete fiscal years less the average of the annual percentage change in the GDP price deflator, or a successor index, for the immediately preceding five complete fiscal years. For the purposes of this paragraph:
   (a) “Annual total rate of return” means the quotient obtained by dividing the amount credited to a fund pursuant to subsection F for a complete fiscal year, plus unrealized capital gains and losses, by the average monthly market value of the fund for that year.
   (b) “GDP price deflator” means the gross domestic price deflator reported by the United States department of commerce, bureau of economic analysis, or its successor agency.

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

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

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

PASSED BY THE HOUSE MARCH 7, 2015.
S.C.R. 1018

PASSED BY THE SENATE MARCH 7, 2015.