ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

HCR 2031: land trust; distributions; common schools
S/E: common schools; land trust; distributions
Sponsor: Representative Livingston, LD 28
Committee on Appropriations

Summary of the Strike-Everything Amendment to HCR 2031

Overview

Subject to voter approval in the next general election, amends the Arizona Constitution to prohibit the state from reducing the Permanent State School Fund's annual distribution rate below 6.9% until FY 2036, except as otherwise authorized. Directs the 57th Legislature to enact legislation for a statewide classroom teacher compensation program. Requires any increase in the expendable earnings that result from the 4.4% increase to the Permanent State School Fund's annual distribution rate to be appropriated to increase teacher salaries.

History

The Arizona State Land Department (ASLD) manages approximately 9.2 million acres of state trust lands for 13 beneficiaries designated by the Enabling Act (ASLD). A permanent fund is established for each of the 13 beneficiaries, each of which consists of permanent and expendable receipts. Permanent receipts are one-time revenues deposited into the appropriate beneficiary's permanent fund. Expendable receipts are typically generated as recurring revenue by ASLD and are distributed directly to beneficiaries. The Treasurer generates expendable receipts by investing monies in the permanent funds; these monies are distributed monthly according to a distribution formula outlined in the Arizona Constitution (JLBC). The largest beneficiary of state land trust monies is common (K-12) schools, with distributions made from the Permanent State School Fund (Ariz. Const. art. 10, § 7).

Proposition 123 increases, for FYs 2016-2025, the annual distribution rate of the permanent funds from 2.5% to 6.9% of the preceding five-year average monthly market values. The increase in expendable earnings from the Permanent State School Fund that result in the increased distribution rate that would otherwise go to the Classroom Site Fund (CSF) are appropriated for basic state aid (including inflation adjustments). Beginning in FY 2026, each permanent fund's annual distribution rate returns to 2.5%.

Proposition 123 also requires the Governor's Office of Strategic Planning and Budgeting (OSPB) and the Joint Legislative Budget Committee (JLBC) directors to notify the executive and legislative branches, by February 1 annually, that a reduction to the permanent fund's annual distribution rate is necessary to preserve its capital if the preceding five-year average monthly market values have decreased compared to the five-year average monthly market values preceding those five years. After notification, the Legislature may, with the Governor's approval, enact legislation to reduce the annual distribution rate for the next fiscal year to

☐ Prop 105 (45 votes)	☐ Prop 108 (40 votes)	☐ Emergency (40 votes)	☐ Fiscal Note

between 2.5% and 6.9% of the permanent fund's preceding five-year average monthly market values.

Provisions

1. Prohibits, to promote continuity in educational funding and services for current and future students in educational programs, the state or any state officer from reducing below the level on the effective date of this proposition, except with an affirmative vote of at least three-fourths the members of the House of Representatives and Senate, the Permanent State School Fund's annual distribution rate below:
   a) 6.9% of its preceding five-year average monthly market values until FY 2036; or
   b) 2.5% of its preceding five-year average monthly market values.
2. Declares the Permanent State School's distribution rate may be set below the 6.9% annual distribution rate required until FY 2036 in accordance with existing constitutional language that:
   a) allows the Legislature to enact Legislation, with the Governor's approval, to reduce the annual distribution rate for the next fiscal year to between 2.5% and 6.9% of the preceding five-year average monthly market values upon notification from the OSPB and JLBC directors that a reduction is necessary to preserve the Permanent State School Fund's capital if the preceding five-year average monthly market values have decreased compared to the five-year average monthly market values preceding those five years;
   b) specifies any amount reduced is not required to be paid or distributed from any other source of public monies in any subsequent fiscal year; and
   c) details procedures regarding the base level if the Permanent State School Fund's annual distribution rate is reduced.
3. Requires, until FY 2037, any increase in expendable earnings that results from a distribution rate of more than 2.5% of the Permanent State School Fund's immediately preceding five-year average monthly market values and that would otherwise go to the CSF to be appropriated for a statewide classroom teacher compensation program to increase the base salary and base salary schedules of all eligible classroom teachers.
4. Instructs the Legislature to enact legislation for a statewide classroom teacher compensation program that:
   a) ensures that the program distinguishes between performing and underperforming teachers;
   b) establishes reporting and auditing requirements for the program;
   c) requires schools to update teacher salary schedules;
   d) requires each school that receives monies to allocate an equal amount per teacher to all eligible employed teachers;
   e) allocates monies to a classroom teacher only if the teacher:
      i. is full-time;
      ii. spends a majority of their time on nonadministrative activities that provide classroom instruction to students; and
      iii. meets or exceeds performance requirements; and
   f) requires monies to supplement, and not supplant, teacher compensation monies from other sources.
5. Directs the Secretary of State to submit this proposition to the voters at the next general election.