REFERENCE TITLE: permanent funds; land trust; distributions.

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HCR 2056

Introduced by
Representatives Gutierrez: Blattman, Connolly, De Los Santos, Simacek, Villegas

A CONCURRENT RESOLUTION

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

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it resolved by the House of Representatives of the State of Arizona, the Senate 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; exception; resolution of litigation

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, 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 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.

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 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 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. The annual distribution from the permanent funds:

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

~~2.~~ 1. For fiscal years ~~2015-2016~~ 2025-2026 through ~~2024-2025~~ 2034-2035, shall be six and nine-tenths percent of the average monthly market values of the fund for the immediately preceding five calendar years~~, except that in fiscal year 2015-2016, the distribution made from the permanent state school fund shall be $259,266,200~~.

~~3.~~ 2. Beginning with fiscal year ~~2025-2026~~ 2035-2036, shall be two and one-half percent of the average monthly market values of the fund for the immediately preceding five calendar years.

H. For fiscal years ~~2015-2016~~ 2025-2026 through ~~2024-2025~~ 2034-2035, any increase in expendable earnings under section 37-521, subsection B, paragraph 4, Arizona Revised Statutes, that results from a distribution of more than two and one-half percent of the average monthly market values of the fund for the immediately preceding five calendar years pursuant to subsection G, paragraph ~~2~~ 1 of this section shall be appropriated for basic state aid, including inflation adjustments required by section 15-901.01, Arizona Revised Statutes.

I. On or before February 1 of each year, if the average monthly market values of the fund for the immediately preceding five calendar years have decreased compared to the average monthly market values of the fund for the five-calendar-year period that immediately precedes the preceding five calendar years, the director of the office of strategic planning and budgeting, or its successor agency, and the director of the joint legislative budget committee, or its successor agency, shall jointly notify the governor, the president of the senate and the speaker of the house of representatives that a reduction to the distribution prescribed in subsection G, paragraph ~~2~~ 1 of this section is necessary to preserve the safety of the capital in the fund. On receipt of that notification, the legislature may enact legislation, with the approval of the governor, that reduces the distribution in subsection G, paragraph ~~2~~ 1 of this section for the next fiscal year to at least two and one-half percent but less than six and nine-tenths percent of the average monthly market values of the fund for the immediately preceding five calendar years.

J. Any amount reduced pursuant to subsection I of this section is not required to be paid or distributed:

1. From any other source of public monies.

2. In any subsequent fiscal year.

K. If the legislature enacts legislation, with the approval of the governor, that reduces the distribution pursuant to subsection I of this section:

1. The legislature may reduce the base level for the next fiscal year by an amount commensurate with the reduction in the distribution from the permanent state school fund for the next fiscal year.

2. The amounts from the base level reduction are not required to be paid or distributed in any subsequent fiscal year.

3. The base level reduction is not part of the calculation of the base level for subsequent fiscal years.

L. This section preserves the authority vested in the legislature pursuant to this constitution.

M. This section and article XI, section 11 of this Constitution and the terms and appropriations of house bill 2001, fifty second legislature, first special session, fully satisfy the requirements of section 15-901.01, Arizona Revised Statutes.

2. Intent

The legislature and the voters intend that all monies appropriated pursuant to article X, section 7, Constitution of Arizona, as amended by this act, both:

1. Supplement and not supplant existing funding for basic state aid.

2. Be used to increase the base level or other components of the revenue control limit above the base level or revenue control limit for fiscal year 2025-2026.

3. The Secretary of State shall submit this proposition to the voters at a special election to be held for that purpose on August 5, 2025, as provided by article XXI, Constitution of Arizona.