ARIZONA HOUSE OF REPRESENTATIVES

Fifty-sixth Legislature
Second Regular Session
House: APPROP 9-7-1-0

HCR 2047: state land trust; permanent funds.
Sponsor: Representative Gress, LD 4
Caucus & COW

Overview

Continues the 6.9% annual distribution rate from the Permanent State School Fund in FYs 2026-2035 if approved by the voters and if the voters approve the statutory measure that establishes a statewide program to increase the base salary of all eligible teachers above the FY 2025 base salary.

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 State 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 to the Permanent State School Fund (Ariz. Const. art. 10, sec. 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, reduce the annual distribution rate for the next fiscal year to between 2.5% and 6.9% of the permanent fund's preceding five-year average monthly market values.

Provisions

1. Declares the provisions below are effective if the voters approve the statutory measure that establishes a statewide program to increase the base salary of all eligible teachers above the FY 2025 base salary.

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

2. Adjusts, for FYs 2026-2035, the annual distribution rate for the Permanent State School Fund from 2.5% to 6.9% of its average monthly market values for the preceding five years.

3. Mandates any increase in expendable earnings that results from a distribution rate of more than 2.5% of the Permanent State School Fund's preceding five-year average monthly market values and that would otherwise go to the CSF to be appropriated for the statewide program to increase the base salary of all eligible teachers.

4. Decreases, beginning in FY 2036, the Permanent State School Fund's annual distribution rate to 2.5% of its preceding five-year average monthly values.

5. Sets, beginning in FY 2026, each other permanent fund's annual distribution rate to 2.5% of its preceding five-year average monthly market values.

6. Subjects the Permanent State School Fund's annual distribution rate for FYs 2026-2035 to the existing constitutional language that:
    a) requires the OSPB and JLBC directors to jointly notify the executive and legislative branches that a reduction to the Permanent State School 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; and
    b) allows the Legislature, 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.

7. Directs the Secretary of State to submit this proposition to the voters at the next general election.

8. Makes conforming changes.

Amendments

Committee on Appropriations

1. Reduces the Permanent State School Fund's distribution rate in FYs 2026-2035 from 6.9% to 5.5%.