

Senate Engrossed House Bill

FILED
KEN BENNETT
SECRETARY OF STATE

State of Arizona
House of Representatives
Fiftieth Legislature
Second Regular Session
2012

HOUSE CONCURRENT RESOLUTION 2056

A CONCURRENT RESOLUTION

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF ARIZONA; AMENDING ARTICLE X, SECTION 7, CONSTITUTION OF ARIZONA; RELATING TO THE ESTABLISHMENT OF PERMANENT FUNDS.

(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 Section 7. A. A separate permanent fund shall be
9 established for each of the several objects for which the said
10 grants are made and confirmed by the enabling act to the state,
11 and whenever any monies shall be in any manner derived from any
12 of said lands, the same shall be deposited by the state
13 treasurer in the permanent fund corresponding to the grant under
14 which the particular land producing such monies was, by the
15 enabling act, conveyed or confirmed.

16 B. No monies shall ever be taken from one permanent fund
17 for deposit in any other, or for any object other than that for
18 which the land producing the same was granted or confirmed.

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

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

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

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

35 3. Not more than five per cent of all of the funds
36 combined at cost may be invested in equity securities issued by
37 the same institution, agency or corporation, other than
38 securities issued as direct obligations of and fully guaranteed
39 by the United States government.

40 E. In making investments under this section the state
41 treasurer and trustees shall exercise the judgment and care
42 under the prevailing circumstances that an institutional
43 investor of ordinary prudence, discretion and intelligence
44 exercises in managing large investments entrusted to it, not in
45 regard to speculation, but in regard to the permanent
46 disposition of monies, considering the probable safety of

1 capital as well as the probable total rate of return over
2 extended periods of time.

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

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

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

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

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

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

28 H. Notwithstanding any other provision of this section,
29 the annual distribution from the permanent funds for fiscal
30 years ~~1999-2000 through 2002-2003~~ 2012-2013 THROUGH 2020-2021
31 shall be ~~as follows:~~ TWO AND ONE-HALF PER CENT OF THE AVERAGE
32 MONTHLY MARKET VALUES OF THE FUND FOR THE IMMEDIATELY PRECEDING
33 FIVE CALENDAR YEARS.

34 ~~1. For fiscal year 1999-2000, the greater of five per~~
35 ~~cent of the average of the monthly market values of the funds~~
36 ~~for fiscal years 1994-1995 through 1998-1999 or the average of~~
37 ~~actual annual distributions for fiscal years 1994-1995 through~~
38 ~~1998-1999.~~

39 ~~2. For fiscal years 2000-2001 through 2002-2003, the~~
40 ~~greater of the average of the actual annual distributions for~~
41 ~~the immediately preceding five complete fiscal years or the~~
42 ~~amount of the distribution required by subsection G.~~

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

HOUSE CONCURS IN SENATE AMENDMENTS AND FINAL PASSAGE APRIL 30, 2012.

- 2 -

PASSED BY THE SENATE APRIL 24, 2012.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 30, 2012.

Passed the House March 6, 2012

by the following vote: 39 Ayes,

18 Nays, 3 Not Voting


Speaker of the House

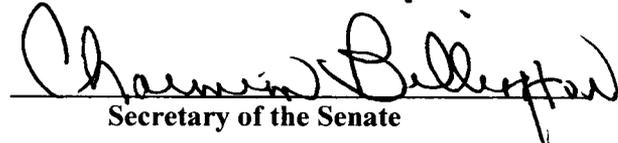

Chief Clerk of the House

Passed the Senate April 24, 2012

by the following vote: 28 Ayes,

0 Nays, 2 Not Voting


President of the Senate


Secretary of the Senate

~~EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE~~

~~This Resolution received by the Secretary of State~~

~~this _____ day of _____, 20_____~~

~~at _____ o'clock _____ M.~~

~~_____
Secretary of State~~

H.C.R. 2056

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

April 30, 2012,

by the following vote: 45 Ayes,

15 Nays, 0 Not Voting


Speaker of the House

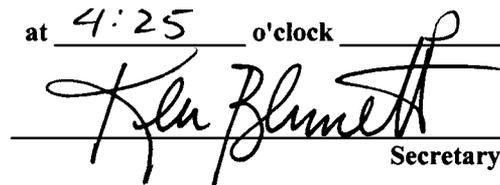
Cheryl Laube
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Resolution was received by the Secretary of State

this 30th day of April, 2012,

at 4:25 o'clock M.


Secretary of State

H.C.R. 2056