



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

FACT SHEET FOR S.C.R. 1040

permanent school fund; distribution; uses

Purpose

Subject to voter approval, statutorily requires, beginning in FY 2026, the State Treasurer and the Arizona State Land Department (ASLD) to annually transfer Permanent State School Fund (Permanent School Fund) monies to provide guaranteed financing for common schools to acquire, construct, refinance or improve capital facilities before transferring Permanent School Fund monies for any other authorized purpose.

Background

The Arizona State Land Trust supports Arizona public schools, universities and other agencies by generating revenues via the sale and use of lands and the investment of proceeds associated with acreage granted to the state. Each beneficiary has a separate permanent fund comprised of expendable and permanent monies ([Ariz. Const. art. 10 § 7; JLBC](#)).

The Permanent School Fund is established as the permanent fund for Arizona common and high schools ([Ariz. Const. art. 11 § 8](#)). If there is outstanding School Facilities Board debt services, the State Treasurer and the ASLD must annually transfer an amount that is necessary to pay that fiscal year's debt service from the Permanent School Fund before transferring an amount for any other authorized use. If Permanent School Fund monies remain after the debt service obligations, Permanent School Fund monies are subject to legislative appropriation to the New School Facilities Fund. If Permanent School Fund monies remain after New School Facilities Fund obligations, the Legislature may annually appropriate an amount toward basic state aid. Any expendable receipts above \$72,300,000 must be deposited into the Classroom Site Fund (CSF) ([A.R.S. § 37-521](#)).

In 2015, Arizona voters approved [Proposition 123](#) to increase, for FYs 2016 through 2025, State Trust Land permanent fund distributions from 2.5 percent to 6.9 percent of the average monthly market valuation of each permanent fund for the previous five calendar years. Proposition 123 requires, for FYs 2016 through 2025, Permanent School Fund expendable earnings that would otherwise go to the CSF to be appropriated to Basic State Aid, including statutorily required inflation adjustments, if those earnings are a result of an increase to the 2.5 percent permanent fund distribution. Beginning in FY 2026, each permanent fund's annual distribution rate reverts to 2.5 percent.

If Permanent School Fund distributions for providing guaranteed financing causes the amount of Permanent School Fund distributions for basic state aid to decrease, there may be a fiscal impact to the state General Fund.

Provisions

1. Adds, as a permissible use for Permanent School Fund monies beginning in FY 2026, the provision of guaranteed financing for common schools, including debt obligations that are issued on behalf of a school district or charter school, to acquire, construct, renovate, equip, refinance or improve capital facilities that are consistent with Arizona laws.
2. Prohibits, beginning in FY 2026, the State Treasurer and the ASLD from transferring any Permanent State School Fund monies for any other authorized use before meeting all the obligations for providing guaranteed financing for common schools as specified.
3. Makes technical and conforming changes.
4. Requires the Secretary of State to submit the proposition to the voters at the next general election.
5. Becomes effective if approved by the voters and on proclamation of the Governor.

Prepared by Senate Research

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