

ARIZONA STATEHOOD AND ENABLING ACT
AMENDMENTS OF 1999

MAY 13, 1999.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. YOUNG of Alaska, from the Committee on Resources,
submitted the following

REPORT

[To accompany H.R. 747]

[Including cost estimate of the Congressional Budget Office]

The Committee on Resources, to whom was referred the bill (H.R. 747) to protect the permanent trust funds of the State of Arizona from erosion due to inflation and modify the basis on which distributions are made from those funds, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The purpose of H.R. 747 is to protect the permanent trust funds of the State of Arizona from erosion due to inflation and modify the basis on which distributions are made from those funds.

BACKGROUND AND NEED FOR LEGISLATION

Under the Enabling Act of 1910, the State of Arizona receives revenues generated from lands that were granted to the State upon admission to the Union. After deposit in several existing trust Funds, these revenues contribute funding for public schools, state colleges and universities, and other public institutions.

As currently provided for in the original Enabling Act, the Funds must pay out all of their income, with “income” interpreted as all interest and dividends received. This creates a problem because it does not account for and adjust to rates of inflation. Inflation has averaged approximately 4.5% over the past 50 years and the income generated from the Funds has grown at less than the rate of

inflation. To account for inflation, a portion of the interest should be retained and reinvested to fuel future income growth.

Further, the current Enabling Act has a number of stringent investment restrictions. While these restrictions may have been appropriate at one time, they are outdated and are no longer advisable. The restrictions have severely limited the potential of the Funds to earn high returns and have also limited their ability to reduce risk through investment diversification.

To make the necessary changes to allow the State trust Funds to be managed differently, it is necessary for Congress to approve of the changes as well as amend the Arizona Enabling Act.

COMMITTEE ACTION

H.R. 747 was introduced on February 11, 1999, by Congressman Bob Stump (R-AZ). The bill was referred to the Committee on Resources, and within the Committee to the Subcommittee on National Parks and Public Lands. On April 29, 1999, the Subcommittee met to mark up the bill. No amendments were offered. The bill was then ordered favorably reported to the Full Committee by voice vote. On May 5, 1999, the Full Resources Committee met to consider the bill. No amendments were offered and the bill was then ordered favorably reported to the House of Representatives by voice vote.

COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

Regarding clause 2(b)(1) of rule X and clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee on Resources' oversight findings and recommendations are reflected in the body of this report.

CONSTITUTIONAL AUTHORITY STATEMENT

Article I, section 8 and Article IV, section 3 of the Constitution of the United States grant Congress the authority to enact this bill.

COMPLIANCE WITH HOUSE RULE XIII

1. Cost of Legislation.—Clause 3(d)(2) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs which would be incurred in carrying out this bill. However, clause 3(d)(3)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974.

2. Congressional Budget Act.—As required by clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974, this bill does not contain any new budget authority, spending authority, credit authority, or an increase or decrease in revenues or tax expenditures.

3. Government Reform Oversight Findings.—Under clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee has received no report of oversight findings and rec-

ommendations from the Committee on Government Reform on this bill.

4. *Congressional Budget Office Cost Estimate.*—Under clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for this bill from the Director of the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 11, 1999.

Hon. DON YOUNG,
*Chairman, Committee on Resources,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 747, the Arizona Statehood and Enabling Act Amendments of 1999.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Marjorie A. Miller (for the state and local impact) and Victoria Heid Hall (for federal costs).

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

H.R. 747—Arizona Statehood and Enabling Act Amendments of 1999

H.R. 747 would amend the Arizona Statehood and Enabling Act of 1910 and would consent to amendments to the constitution of the state of Arizona approved by the voters on November 3, 1998. These amendments generally concern the administration of the state's permanent trust funds. Congressional consent to the amendments to the constitution of the state of Arizona is required before they can be implemented by the state government.

CBO estimates that enacting H.R. 747 would have no effect on the federal budget. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply. H.R. 747 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments. Enactment of this bill would give Arizona state officials greater flexibility in investing and distributing the assets of the state's permanent funds.

The estimate was prepared by Marjorie A. Miller (for the state and local impact) and Victoria Heid Hall (for federal costs). This estimate was approved by Paul N. Van de Water, Assistant Director for Budget Analysis.

COMPLIANCE WITH PUBLIC LAW 104-4

This bill contains no unfunded mandates.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

ACT OF JUNE 20, 1910

CHAP. 310.—An Act To enable the people of New Mexico to form a constitution and state government and be admitted into the Union on an equal footing with the original States; and to enable the people of Arizona to form a constitution and state government and be admitted into the Union on an equal footing with the original States.

* * * * *

SEC. 25. That in lieu of the grant of land for purposes of internal improvements made to new States by the eighth section of the Act of September fourth, eighteen hundred and forty-one, and in lieu of the swamp-land grant made by the Act of September twenty-eighth, eighteen hundred and fifty, and section twenty-four hundred and seventy-nine of the Revised Statutes, and in lieu of the grant of thirty thousand acres for each Senator and Representative in Congress, made by the Act of July second, eighteen hundred and three, which grants are hereby declared not to extend to the said State, the following grants are hereby made, to wit:

For university purposes, two hundred thousand acres; for legislative, executive, and judicial public buildings heretofore erected in said Territory or to be hereafter erected in the proposed State, and for the payment of the bonds heretofore or hereafter issued therefor, one hundred thousand acres; for penitentiaries, one hundred thousand acres; for insane asylums, one hundred thousand acres; for school and asylums for the deaf, dumb, and the blind, one hundred thousand acres; for miners' hospitals for disabled miners, fifty thousand acres; for normal schools, two hundred thousand acres; for state charitable, penal, and reformatory institutions, one hundred thousand acres; for agricultural and mechanical colleges, one hundred and fifty thousand acres; and the national appropriation heretofore annually paid for the agricultural and mechanical college to said Territory shall, until further order of Congress, continue to be paid to said State for the use of said institution; for school of mines, one hundred and fifty thousand acres; for military institutes, one hundred thousand acres; and for the payment of the bonds and accrued interest thereon issued by Maricopia, Pima, Yavapai, and Coconino counties, Arizona, which said bonds were validated, approved, and confirmed by the Act of Congress of June sixth, eighteen hundred and ninety-six (Twenty-ninth Statutes, page two hundred and sixty-two), one million acres: *Provided*, That if there shall remain any of the one million acres of land so granted, or of the proceeds of the sale or lease thereof, or rents, issues, or other profits therefrom, after the payment of said debts, such remainder of lands and the proceeds of sales thereof shall be added to and become a part of the permanent school fund of said State, [the income therefrom only to be used] *distributions from which shall be made in accordance with the first paragraph of section 28*

and shall be used for the maintenance of the common schools of said State.

* * * * *

SEC. 27. That five per centum of the proceeds of sales of public lands lying within said State which shall be sold by the United States subsequent to the admission of said State into the Union, after deducting all the expenses incident to such sales, shall be paid to the said State to be used as a permanent inviolable fund, [the interest of which only shall be expended] *distributions from which shall be made in accordance with the first paragraph of section 28 and shall be expended* for the support of the common schools within said State.

SEC. 28. That it is hereby declared that all lands hereby granted, including those which, having been heretofore granted to the said Territory, are hereby expressly transferred and confirmed to the said State, shall be by the said State held in trust, to be disposed of in whole or in part only in manner as herein provided and for the several objects specified in the respective granting and confirmatory provisions, and that the natural products and money proceeds of any of said lands shall be subject to the same trusts as the lands producing the same. *The trust funds (including all interest, dividends, other income, and appreciation in the market value of assets of the funds) shall be prudently invested on a total rate of return basis. Distributions from the trust funds shall be made as provided in Article 10, Section 7 of the Constitution of the State of Arizona.*

Disposition of any of said lands, or of any money or thing of value directly or indirectly derived therefrom, for any object other than for which such particular lands, or the lands from which such money or thing of value shall have been derived, were granted or confirmed, or in any manner contrary to the provisions of this Act, shall be deemed a breach of trust, *except that amounts in the Miners' Hospital Endowment Fund may be used for the benefit of the Arizona Pioneers' Home.*

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