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ARIZONA STATEHOOD AND ENABLING ACT AMENDMENTS OF 1999

JUNE 2, 1999.—Ordered to be printed

Filed under authority of the order of the Senate of May 27, 1999

Mr. MURKOWSKI, from the Committee on Energy and Natural
Resources, submitted the following

REPORT

[To accompany S. 415]

The Committee on Energy and Natural Resources, to which was referred the bill (S. 415) 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, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE OF THE MEASURE

The purpose of S. 415 is to amend the Arizona Statehood and Enabling Act to conform it to the constitutional changes adopted by the Arizona voters in 1998 and to make changes requested by the Governor of Arizona. The Statehood Act required the State to establish a permanent fund into which the proceeds from the sale of State trust lands and the land's mineral and other natural products are to be placed. S. 415 requires the State of Arizona to invest the fund in stocks and to reinvest the earnings to offset inflation in order to enable the State to receive higher earnings on its investments. It also allows the state to spend funds from the Miner's Hospital Endowment Fund to benefit the Arizona Pioneers' Home, the only facility in the State providing the type of care for which the endowment fund was created.

BACKGROUND AND NEED

This bill amends the Arizona Statehood and Enabling Act by making two changes requested by the Governor and the State Legislature. The Statehood and Enabling Act required the State to establish a permanent fund into which the proceeds from the sale of State trust lands and the land's mineral and other natural products are to be placed. While the fund is not expendable for any purpose, interest collected is required to be used to support the financial needs of the beneficiaries. By law, the principal of the fund must be invested in interest bearing securities. This requirement prevents the State from taking advantage of opportunities in the financial markets and from reinvesting some of the earnings of the fund to offset inflation. S. 415 directs the State of Arizona to invest the fund in stocks and to reinvest the earnings to offset inflation. A similar change to the New Mexico Statehood Act was made in 1997.

The bill also allows the State to spend funds from the Miners' Hospital Endowment Fund to benefit the Arizona Pioneers' Home. Insufficient funds exist in the Miners' Endowment Fund to build and operate a separate hospital for disabled miners. Insufficient funding has resulted in disabled miners receiving care at the Arizona Pioneers' Home since 1929.

LEGISLATIVE HISTORY

S. 415 was introduced by Senators Kyl and McCain on February 11, 1999. A hearing on S. 415 was held before the Subcommittee on Forests and Public Land Management on April 28, 1999. At the business meeting on May 19, 1999, the Committee on Energy and Natural Resources ordered S. 415 favorably reported.

COMMITTEE RECOMMENDATIONS AND TABULATION OF VOTES

The Committee on Energy and Natural Resources, in open business session on May 19, 1999, by a voice vote of a quorum present, recommends that the Senate pass S. 415.

SECTION-BY-SECTION ANALYSIS

Section 1 provides the short title.

Section 2 amends sections 25, 27 and 28 of the Arizona Statehood and Enabling Act to direct the State to invest the sale of State trust lands fund in stocks and to reinvest part of the earnings to offset inflation.

Section 3 subsection (a) amends section 28 of the Arizona Statehood and Enabling Act to allow the State to use funds from the Miners' Hospital Endowment Fund to benefit the Arizona Pioneers' Home. Subsection (b) authorizes such use retroactively to June 20, 1910.

COST AND BUDGETARY CONSIDERATIONS

The following estimate of the cost of this measure has been provided by the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 20, 1999.

Hon. FRANK H. MURKOWSKI,
Chairman, Committee on Energy and Natural Resources,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 415, 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

S. 415—Arizona Statehood and Enabling Act Amendments of 1999

S. 415 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 state's constitution is required before they can be implemented by the state government.

CBO estimates that enacting S. 415 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. S. 415 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.

On May 11, 1999, CBO prepared a cost estimate for H.R. 747, the Arizona Statehood and Enabling Act Amendments of 1999, as ordered reported by the House Committee on Resources on May 5, 1999. The two bills are virtually identical, and the cost estimates are the same.

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 Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out S. 415.

The bill is not a regulatory measure in the sense of imposing Government-established standards or significant economic responsibilities on private individuals and businesses.

No personal information would be collected in administering the program. Therefore, there would be no impact on personal privacy.

Little, if any, additional paperwork would result from the enactment of S. 415, as ordered reported.

EXECUTIVE COMMUNICATIONS

On, April 16, 1999, the Committee on Energy and Natural Resources requested legislative reports from the Department of the Interior and the Office of Management and Budget setting forth Executive agency recommendations on S. 415. The Committee received a letter from the Department of the Interior dated April 16, 1999, and is printed as follows:

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, DC, April 16, 1999.

Hon. LARRY E. CRAIG,
*Chairman, Subcommittee on Forests and Public Land Management,
Committee on Energy and Natural Resources, U.S. Senate,
Washington, DC.*

DEAR MR. CHAIRMAN: As requested, we have reviewed S. 415, a bill to amend the Arizona Statehood and Enabling Act in order 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 the funds.

S. 415 relates entirely to Arizona's use of its funds. We have no involvement in that process and, therefore, have no comment on the bill.

The Office of Management and Budget has advised that there is no objection to the submission of this letter from the standpoint of the Administration's program.

Sincerely,

RICHARD T. CARDINALE
(For Jane M. Lyder, *Legislative Counsel*).

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill S. 415, as ordered 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):

ARIZONA STATEHOOD AND ENABLING ACT AMENDMENTS OF 1999

* * * * *
SEC. 25 * * *
* * * * *

Provided, that if there shall remain any of the one million acres of land so granted, or of the proceeds of the sale of lease thereof,

or rents, issues, or other profits therefrom, after the payment of said debt, 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 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 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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