

STATE OF OKLAHOMA

1st Session of the 51st Legislature (2007)

COMMITTEE SUBSTITUTE
FOR HOUSE JOINT
RESOLUTION NO. 1039

By: Jones

COMMITTEE SUBSTITUTE

(Joint Resolution - Commissioners of the Land Office
- deposit of earnings, interest, dividends and
capital gains - permanent fund - oil and gas lease
proceeds - Oklahoma Teachers' Retirement Fund -
ballot title -
filing)

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES AND THE SENATE OF THE
1ST SESSION OF THE 51ST OKLAHOMA LEGISLATURE:

SECTION 1. The Secretary of State shall refer to the people for
their approval or rejection, as and in the manner provided by law,
the following proposed amendment to Sections 2, 3, and 5 of Article
XI of the Constitution of the State of Oklahoma to read as follows:

Section 2. A. All proceeds of the sale of public lands that
have heretofore been or may be hereafter given by the United States

1 for the use and benefit of the common schools of this State, all
2 such per centum as may be granted by the United States on the sales
3 of public lands, the sum of five million dollars appropriated to the
4 State for the use and benefit of the common schools in lieu of
5 sections sixteen and thirty-six, and other lands of the Indian
6 Territory, the proceeds of all property that shall fall to the State
7 by escheat, the proceeds of all gifts or donations to the State for
8 common schools not otherwise appropriated by the terms of the gifts,
9 and such other appropriations, gifts, or donations as shall be made
10 by the Legislature for the use and benefit of the common schools,
11 shall constitute the permanent school fund, ~~the income~~ and all
12 earnings, including interest, dividends and capital gains from
13 investment of the fund shall be credited to the principal of the
14 fund.

15 B. All proceeds from oil and gas leases on lands which have
16 been or may be granted by the United States to the State for the use
17 and benefit of the common schools, including royalties, bonuses,
18 rentals, or other monies, shall not be considered a part of the
19 permanent school fund but shall be deposited into the Oklahoma
20 Teachers' Retirement Fund as provided for in Section 8 of this
21 Article.

22 C. Except for distribution of monies of the Teachers'
23 Retirement System pursuant to subsection B of this section,
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1 distributions from which the permanent school fund shall be used for
2 the benefit and maintenance of the common schools in the State.

3 D. The principal of the permanent school fund shall be deemed a
4 trust fund held by the State, ~~and shall forever remain inviolate.~~
5 ~~It may be increased, but shall never be diminished.~~ The State shall
6 reimburse ~~said~~ the permanent school fund for all losses thereof
7 which may in any manner occur, and no portion of ~~said~~ the fund shall
8 be diverted for any other use or purpose.

9 Section 3. A. The ~~interest and income of~~ distributions from
10 the permanent school fund, the net income from the leasing of public
11 lands which have been or may be granted by the United States to the
12 State for the use and benefit of the common schools, with the
13 exception of the proceeds from oil and gas leases as provided by
14 subsection B of Section 2 of Article XI of the Constitution,
15 together with any revenues derived from taxes authorized to be
16 levied for such purposes, and any other sums which may be added
17 thereto by law, shall be used and applied each year for the benefit
18 of the common schools of the State, and shall be, for this purpose,
19 apportioned among and between all the several common school
20 districts of the State in proportion to the school population of the
21 several districts, and, except as provided by subsection B of
22 Section 2 of Article XI of the Constitution, no part of the fund
23 shall ever be diverted from this purpose, or used for any other
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1 purpose than the support and maintenance of common schools for the
2 equal benefit of all the people of the State.

3 B. The amount of the annual distribution shall be no more than
4 four percent (4%) of the average of the year-end market value of the
5 funds for the immediately preceding five (5) fiscal years.

6 C. The frequency of the distributions, percentage of
7 distributions and definition of market value pursuant to subsection
8 B of this section shall be as provided by law; provided, however,
9 that the Commissioners of the Land Office shall have exclusive
10 authority to determine the total amount of monies distributed
11 subject to the limitation imposed pursuant to subsection B of this
12 section.

13 Section 5. A. Section thirteen in every portion of the State,
14 which has been granted to the State, shall be preserved for the use
15 and benefit of the University of Oklahoma and the University
16 Preparatory School, one-third; of the normal schools now
17 established, or hereafter to be established, one-third; and of the
18 Agricultural and Mechanical College and Colored Agricultural and
19 Normal University, one-third. The said lands or the proceeds
20 thereof as above apportioned to be divided between the institutions
21 as the Legislature may prescribe: Provided, That the said lands so
22 reserved, or the proceeds of the sale thereof, or of any indemnity
23 lands granted in lieu of section thirteen shall be safely kept or
24 invested and preserved by the State as a trust, ~~which shall never be~~

1 ~~diminished, but may be added to, and the income thereof, interest,~~
2 ~~rentals, or otherwise, only.~~

3 B. Except as provided by subsection B of Section 2 of Article
4 XI of the Constitution, distributions from the fund shall be
5 determined in accordance with subsection B of Section 3 of Article
6 XI of the Constitution and shall be used exclusively for the benefit
7 of said educational institutions.

8 C. All proceeds from oil and gas leases on section thirteen
9 lands or any lands granted in lieu of section thirteen, including
10 royalties, bonuses, rentals, or other monies, shall not be
11 considered a part of the section thirteen educational funds but
12 shall be deposited into the Oklahoma Teachers' Retirement Fund as
13 provided for in Section 8 of this Article.

14 D. Such educational institutions shall remain under the
15 exclusive control of the State and no part of the proceeds arising
16 from the sale or disposal of any lands granted for educational
17 purposes, or the income or rentals thereof, shall be used for the
18 support of any religious or sectarian school, college, or
19 university, and no portion of the funds arising from the sale of
20 sections thirteen or any indemnity lands selected in lieu thereof,
21 either principal or interest, shall ever be diverted, either
22 temporarily or permanently, from the purpose for which said lands
23 were granted to the State.

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1 SECTION 2. The Secretary of State shall refer to the people for
2 their approval or rejection, as and in the manner provided by law,
3 the following proposed amendment to the Constitution of the State of
4 Oklahoma by adding a new Section 8 to Article XI thereof, to read as
5 follows:

6 Section 8. A. All proceeds from oil and gas leases on lands
7 which have been or may be granted by the United States to the State
8 for the use and benefit of the common schools and the educational
9 institutions specified in Section 5 of Article XI of the Oklahoma
10 Constitution, including royalties, bonuses, rentals, or other
11 monies, shall be deposited in the Oklahoma Teachers' Retirement
12 Fund.

13 B. The funding of the Teachers' Retirement System of Oklahoma
14 is essential to the maintenance of common schools and higher
15 education institutions in the State in that an adequately funded
16 Retirement System increases the opportunities to retain quality
17 teachers to teach in the state. The use of the proceeds from oil
18 and gas leases to fund the Teachers' Retirement System of Oklahoma
19 is a use and benefit for common schools and higher education
20 institutions in the State and is therefore consistent with the
21 intention of Congress as set forth in the Oklahoma Enabling Act.
22 Further, Section 8 of the Oklahoma Enabling Act provides that
23 proceeds for oil and gas leases be covered into the proper fund, but
24 does not specify the particular fund. Section 8 also allows the

1 Oklahoma Legislature to prescribe additional legislation governing
 2 such leases that is not in conflict with the Oklahoma Enabling Act.
 3 As such, it is hereby declared that the Oklahoma Teachers'
 4 Retirement Fund is the fund in which the oil and gas lease proceeds
 5 properly belong.

6 C. When the funded ratio of the Teachers' Retirement System of
 7 Oklahoma equals eighty percent (80%), the proceeds from oil and gas
 8 leases as provided for in subsection A of this section shall be
 9 deposited into either the permanent school fund or section thirteen
 10 educational funds, based on the type of land from which the proceeds
 11 are generated. For purposes of this subsection, "funded ratio"
 12 means the figure derived by dividing the actuarial value of assets
 13 of the retirement system by the actuarial accrued liability of the
 14 retirement system.

15 SECTION 3. The Ballot Title for the proposed Constitutional
 16 amendment as set forth in SECTION 1 and 2 of this resolution shall
 17 be in the following form:

18 BALLOT TITLE

19 Legislative Referendum No. _____ State Question No. _____

20 THE GIST OF THE PROPOSITION IS AS FOLLOWS:

21 This measure amends the Oklahoma Constitution. It would amend
 22 Sections 2, 3 and 5 of Article XI. It would add a new Section 8
 23 to Article XI. These sections deal with a special state fund.

24 It is sometimes called the Permanent Fund. The Commissioners of

1 the Land Office have the duty to manage certain lands the state
 2 owns. The lands are managed to benefit education. This measure
 3 would provide for certain kinds of income to be deposited into
 4 the permanent fund. Earnings, such as interest, dividends from
 5 stocks and the capital gains from sale of assets would be put
 6 back into the fund. This measure would provide a formula to
 7 determine how much income from the permanent fund would be paid
 8 to education entities each year. The Commissioners of the Land
 9 Office would be required to use certain money to deposit into
 10 the Teachers' Retirement System. This money would be from oil
 11 and gas leases. These leases are for certain lands that the
 12 Commissioners manage. Once the Teachers' Retirement System was
 13 funded at a certain level, the money from the oil and gas leases
 14 would be put back into the permanent fund.

15 SHALL THE PROPOSAL BE APPROVED?

16 FOR THE PROPOSAL - YES _____

17 AGAINST THE PROPOSAL - NO _____

18 SECTION 4. The Chief Clerk of the House, immediately after the
 19 passage of this resolution, shall prepare and file one copy thereof,
 20 including the Ballot Title set forth in SECTION 3 hereof, with the
 21 Secretary of State and one copy with the Attorney General.

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23 51-1-7489 MAH 03/05/07
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