

## Treasurer: State has put its 'financial house in order'

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By Mara Knaub

In Yuma, to give city and county officials a financial report, State Treasurer Doug Ducey applauded the state's financial turnaround.

“When I was running for office (three years ago), the state was near ruin,” he said.

At \$730 million, Arizona had the largest deficit in the country in 2009. Today, the state has put its “financial house in order” and has a \$1.75 billion operating fund with \$2.2 billion in total cash available, Ducey noted.



State Treasurer Doug Ducey

He attributed the turnaround in large part to the government “tightening its belt” and making cuts.

The state had been spending more than it had on hand, outpacing population and inflation growth, he said.

The state treasurer is “especially proud” of the passage of Proposition 118, the Permanent Funds Amendment approved by Arizona voters in 2012.

The proposition amended the formula used to distribute earnings to the 14 beneficiaries of the Permanent Land Endowment Trust Fund managed by the Treasurer's Office.

With K-12 education being the largest beneficiary, receiving more than 90 percent of all proceeds, the new formula should result in an \$8.4 million additional distribution to Arizona's public schools.

Prop 118 was put on the ballot after the Treasurer's Office discovered a flaw in the formula used to distribute earnings. It introduced a simplified formula to ensure “more consistent and reliable distributions of earnings,” Ducey said.

The flaw resulted in zero distributions in certain years, as was the case in 2010. The formula also didn't allow for more money for classrooms in “boom years,” he explained.

And for the first time in state history, the fund topped \$4 billion last month.

“If Arizona's endowment were a college endowment it would be the 21st largest in the country,” Ducey noted.

The estimated market value of the remaining 9 million acres of unsold state trust land exceeds \$70 billion – twice the size of Harvard's endowment, he said.

Through an Act of Congress in 1863 that established the Territory of Arizona and the State Enabling Act of 1910, the federal government granted more than 10 million acres of land to Arizona public institutions.

Every time the state sells a piece of state land, the proceeds are deposited into the State Treasurer's Office to be managed into perpetuity.

In addition, Ducey said, the Treasurer's Office is focusing on “better investments, more broad and safer investments.”

The Endowment Fund's asset allocation was changed from 50/50 percent stocks and bonds to 60 percent stocks and 40 percent fixed income products such as high grade corporate bonds and United States Treasury securities.

With a broader base, the returns should be “much greater over time,” Ducey said.

He noted that his office also manages some of the city and county's money. “We don't collect taxes and we don't decide how to spend, but it is our job to safeguard and properly invest.”

In an effort to be “held accountable,” Ducey said that the state's daily cash balance is displayed on its website at [www.aztreasury.gov](http://www.aztreasury.gov) .

The Legislature has been “good to work with” this year, he said, noting that he hasn't seen “a lot of political will for frivolous spending.”

Funds swept in previous years, such as the Highway User Revenue Fund (HURF), are now being reinstated. Ducey said he doesn't want to see those funds swept again and he doesn't want to see the state go back to the habits that led to the deficit, such a political “pet projects.”

“We should be very careful in terms of spending ... so we're not in the same pickle,” Ducey said.

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