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ARIZONA STATE TREASURER

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Arizona Treasurer Kimberly Yee's Statement on Governor Hobbs' Introduced Prop 123 Legislation

"The Governor's proposal to increase Prop 123 distributions to a whopping 8.9% is dangerous and unsustainable. Now that she has released her study, it is apparent that she doesn't understand the simple math.

"Her own numbers show that the value of the Fund will be $1 billion less than it would have with her projected $2 billion in state land sales. This means the Governor's office is admitting they will be distributing half of the proceeds of land sales over the next 10 years, which is a clear violation of the Enabling Act that made Arizona a state and the Arizona Constitution.

"Further, Wall Street forecasters predict a 5.45% return for the next decade on a 60/40 portfolio like the state land trust compared to the Governor's projections of a return of 7.24% for the next 10 years. By comparison, our office only hit that 10-year average return 60% of the time. Further, the Governor's recommendation of an 8.9% payout is completely unrealistic as we have not reported a 10-year return above 8.9% in two years.

"This land trust was put in place for our state's future. The purpose of the state land trust is to provide an ongoing revenue stream to the beneficiaries from the proceeds of any of the land entitled to the beneficiaries. That land is to provide an income stream to the beneficiaries and the Endowment was created in perpetuity to replace that revenue stream from the land holdings. These funds should be used with a long-term vision for the future of Arizona, not to fix short-term budget problems.

"It is important to note that there is no fiscal cliff for K-12 education when Prop 123 expires next year. The state General Fund would cover the amount that the extra 4.4% distribution that Prop 123 has been providing. When Prop 123 was enacted in 2016, it shifted additional funding for K-12 education from the General Fund to the state land trust. It was never extra money for K-12.

"My office will continue to make the financial recommendation of a 4-5% distribution, as it is prudent and consistent with what most Endowments around the globe distribute annually and is consistent with guidelines by the Internal Revenue Service."

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