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**ARIZONA STATE TREASURER**



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**FOR IMMEDIATE RELEASE**

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**Arizona Treasurer Kimberly Yee's Statement on Proposition 123's Extension**

**PHOENIX, AZ** – Today at the State Board of Investment Meeting, Arizona Treasurer Kimberly Yee made the following statement regarding the extension of Proposition 123:

"The Arizona Treasury has the important responsibility of investing the proceeds from the sale of state land which is distributed to 13 beneficiaries, of which K-12 receives 93%. My office has been in communication with stakeholders as they consider any extension of Proposition 123, which expires in July. Without any additional legislation, the Permanent Land Endowment Trust Fund distribution rate of 6.9% will return to 2.5% beginning in July 2025.

I have advised legislators and stakeholders that I am recommending a 4% to 4.5% distribution rate, for whatever length of time the proposition is extended. This recommendation comes from a detailed analysis done by my internal investment team, as they have thoroughly reviewed similar endowment portfolios, monitored 10-year market forecasts and run hypothetical distribution calculations and scenario analysis.

Historically, a 4% annual withdrawal rate on a fund, especially a permanent endowment, has been proven to be financially prudent and is considered an industry norm. As an example, top university endowments across the country distribute an average of 4% to 5% annually. Unlike ten years ago, we are looking at persistently higher inflation for the foreseeable future and increased market volatility. If the Legislature chooses to enact a higher distribution rate than 4.5%, I strongly recommend they enact safeguards, or triggers, to protect the corpus of the fund.

Governor Hobbs has stated that when Proposition 123 was on the ballot 10 years ago, the State Treasurer at that time warned that a 6.9% distribution rate was unfeasible. On the contrary, due to the outstanding work of our investment team at the Arizona Treasury and favorable market conditions in the last decade, especially in the past six years that I have led as Treasurer, we have achieved exceptional performance with our PLETF investments and have been able to meet the proposition's 6.9% distribution rate.

I will continue to emphasize that past performance is not an indicator of future performance. Protecting the principal of the fund is my top priority, as this fund must support Arizona's beneficiaries, including K-12 education, for many generations to come."

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