



OFFICE OF THE
Arizona State Treasurer



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**TREASURER OFFERS KEY INSIGHTS AFTER FIRST-EVER ‘STRESS TESTS’
--HOW NEXT DOWNTURN WILL LIKELY IMPACT STATE CASH FLOW AND ENDOWMENT--**

PHOENIX, AZ – Arizona Treasurer Eileen I. Klein today announced results of ‘stress tests’ on operating cash and Permanent Land Endowment Trust Fund (PLETF) payments. This first-ever analysis was conducted to provide an estimate of how long the state’s cash would last during a future economic downturn and determine if there would be a decrease in PLETF distributions.

“The state is now on more solid financial footing but at 10 years since the last fiscal crisis, it’s a good time to reflect. This analysis of cash aims to help policymakers prepare for future economic downturns so state financial responsibilities can continue without interruption,” Treasurer Klein said.

The operating cash flow test results show the state can withstand a mild recession (i.e. 1991 and 2001) but not a repeat of the crisis of 2007-2009 unless steps are taken to reverse extraordinary tools used to balance the budget at that time. Without action steps, in a 36-month crisis repeat, the state would be under severe operating cash flow stress in 17 months and essentially out of cash within 20 months.

Conversely, the PLETF distribution test results show a severe economic downturn would have minimal impact on payments to schools with only one of the six remaining years under the Prop 123 distribution formula experiencing a slight year-over-year decrease.

The Treasury believes these actions can improve the state’s cash position and cash management:

- Reduce and work toward eliminating the annual \$930 Million K-12 rollover payment
- Increase the current balance of the Budget Stabilization Fund (Rainy-Day) to the statutory limit
- Build into the budget automatic spending reductions that activate when revenues decline
- Examine regular Treasury operating cash updates as part of the on-going state budget process

“I encourage policymakers to continue solidifying our much-improved financial position and consider this analysis in future budget decisions. Economic cycles are up and down, by taking these steps lawmakers can ensure Arizona will be well-positioned to weather a future storm,” Klein said.

Treasurer Klein is available to meet with the media to discuss this analysis, contact information is above. The full report including background, definitions, methodology, reasoning, and results is [here](#).

About the Arizona Office of the State Treasurer

The State Treasurer is responsible for the banking and investment management duties for the state, provides investment services to local governments, and manages the Land Endowment (PLETF) which primarily benefits public schools. The Treasury has more than \$15 Billion in assets under management and stewards the cash management of Arizona's \$40 Billion state budget. Eileen I. Klein is the 35th Treasurer of Arizona.