



OFFICE OF THE  
**ARIZONA STATE TREASURER**

**DOUG DUCEY**  
TREASURER



**FOR IMMEDIATE RELEASE**

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CONTACT: Kevin Donnellan

(602) 604-7880

[kevind@aztreasury.gov](mailto:kevind@aztreasury.gov)

**FIRST-EVER ASSET ALLOCATION STUDY REVEALS FLAWED FORMULA**

*Senate Appropriations Committee Unanimously Approves HCR 2056 to Create More Consistent and Reliable Funding Distributions to Education from the \$3.5 Billion Permanent Land Endowment Trust Fund*

**PHOENIX** – State Treasurer Doug Ducey testified today in support of the striker amendment introduced by State Senator Don Shooter to House Concurrent Resolution (HCR) 2056 sponsored by State Representative Steve Court. The amendment proposes new language to change the Arizona Constitution to simplify the distribution formula to the education beneficiaries from the Permanent Land Endowment Trust Fund.

Earlier this year the Treasurer's Office completed the first-ever asset allocation study for the \$3.5 billion fund. The most glaring take-away from the study was that the current formula is complicated and has resulted in uneven and unpredictable distributions. This formula was never market tested based on varying economic conditions and in FY 2010 resulted in zero dollars going to support education. The Board of Investment, which Treasurer Ducey chairs, voted to introduce a new, simplified formula that will ensure reliable and consistent distributions that will protect the principal of the fund and never result in a zero dollar distribution.

“As a trustee for an endowment this large there is no reason we should have years with a zero dollar distribution,” stated Treasurer Ducey. “We’re now armed with critical knowledge and have a fiduciary responsibility to make certain Arizona’s children and teachers have a consistent and reliable distribution every single year.”

The goal of the current, complicated formula was to smooth out distributions and protect distributions against the volatility of the stock market. After nine years in use, the unpredictable distributions using the current formula have made it difficult for the beneficiaries to budget or plan for. The asset allocation study revealed that if left unchanged, this formula will result in several additional years over the next two decades in zero dollar distributions.

Under the new, simplified formula annual distributions would be based off 2.5 percent of the previous 5-year market value of the fund. This new formula achieves the original goal with no new General Fund spending and no new taxes. If the new formula were in place in FY 2010, K-12 education would have received \$48 million as opposed to the zero distribution the current formula provided.

HCR 2056 passed the Senate Appropriations Committee unanimously. Supporters included the Arizona Department of Education, Americans for Prosperity, Arizona Education Association, Arizona State Land Department, Arizona Association of School Business Officials, Arizona School Boards Association, Arizona Planning Association, East Valley Chambers of Commerce, Greater Phoenix Leadership and the Scottsdale Unified School District.

The resolution will now move to the Senate Rules Committee for further review. If successfully passed by the Legislature, HCR 2056 will be on the 2012 general election ballot this November for Arizona voters to consider.

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1700 W. WASHINGTON, PHOENIX, ARIZONA 85007 ♦ (602) 604-7800 ♦ FAX (602) 542-7176

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