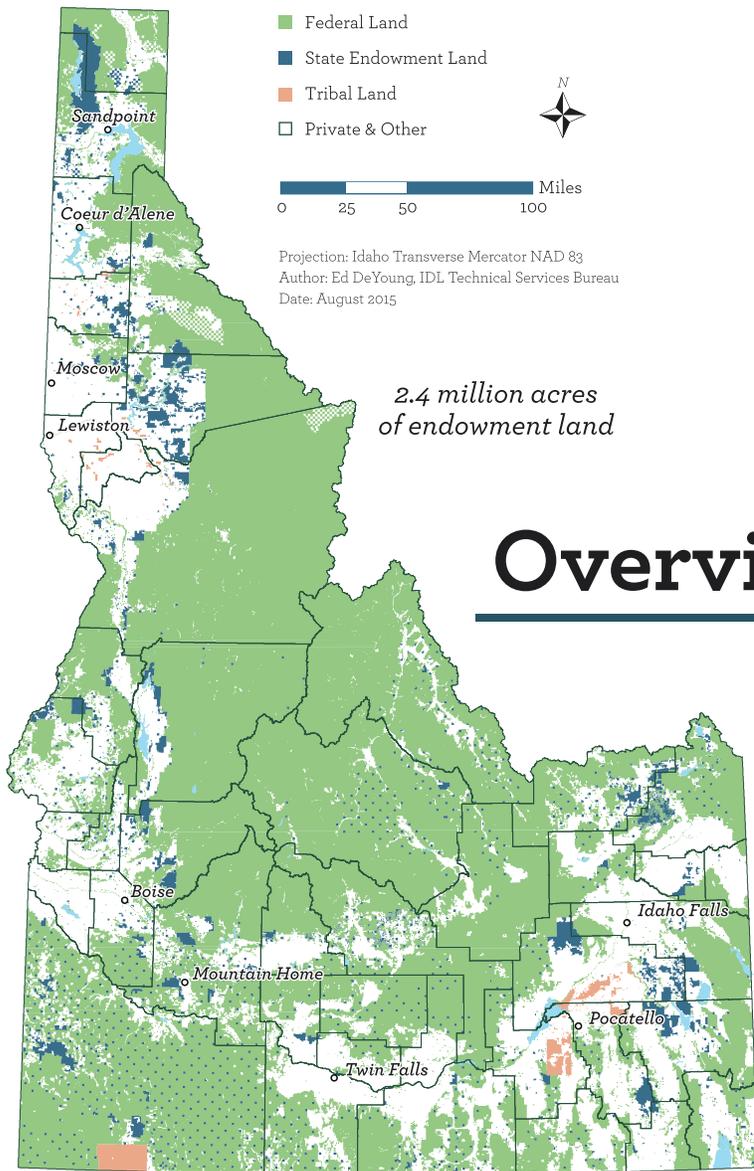


# Idaho Land Grant Endowments

A Report to the Citizens – 2015

## LAND OWNERSHIP & MANAGEMENT



## IDAHO ENDOWMENT TRUST MISSION STATEMENT

*Provide a perpetual stream of income to the beneficiaries by: maximizing long-term financial return at a prudent level of risk; protecting future generations' purchasing power; and providing a relatively stable and predictable payout.*

## Overview of Trust Assets

When Idaho became the 43rd state in 1890, the Congress of the United States endowed certain lands to be used to generate income for education and other purposes. At statehood, 3.6 million acres of land were granted to the state by the federal government and **2.4 million acres** remain. Certain proceeds from the sale of land and reinvested income have been accumulated in the endowment funds, which totaled **\$1.8 billion** as of June 2015.

Per the Idaho Constitution, the State Board of Land Commissioners (**Land Board**) oversees the state's endowment assets. The Land Board is comprised of five elected officials: Idaho's Governor, Secretary of State, Attorney General, Superintendent of Public Instruction and State Controller. Under the direction of the Land Board, endowment lands are managed by the **Idaho Department of Lands** and the funds are managed by the **Endowment Fund Investment Board**, nine members appointed by the Governor and confirmed by the Senate.

## ENDOWMENT GOVERNANCE: IDAHO LAND BOARD



## INSIDE THIS REPORT

- 01 Overview of Trust Assets
- 02 The Beneficiaries Trust Highlights
- 03 Distributions Revenues & Expenses
- 04 Endowment Fund

# The Beneficiaries

Endowment assets are assigned by law to specific beneficiaries and income from those assets can only be spent for the support of those beneficiaries.

## ENDOWMENT OWNERSHIP FY 2015

\*\$ in millions

BY ENDOWMENT	ACRES	PERMANENT FUND*	EARNING RESERVES*	FUND \$ OWNERSHIP*
Public School	2,073,019	\$954	\$184	\$1,138
Agricultural College	33,489	\$26	\$10	\$36
Charitable Institutions	77,254	\$87	\$46	\$133
Normal School	59,646	\$79	\$36	\$115
Penitentiary	28,908	\$38	\$15	\$53
School of Science	75,490	\$81	\$41	\$122
State Hospital South	31,433	\$82	\$24	\$106
University of Idaho	55,170	\$79	\$29	\$108
Capitol	7,283	\$28	\$3	\$31
<b>TOTALS</b>	<b>2,441,692</b>	<b>\$1,454</b>	<b>\$388</b>	<b>\$1,842</b>

## FY 2015 Endowment Fund Trust Highlights

- Annual income from endowment land of \$57.1 million is near a 15-year high.
- The Fund's balance grew by approximately \$100 million.
- More than 277 million board feet of timber, valued at \$68.2 million were harvested on endowment lands.
- Relative to both public fund and endowment fund peers, the Fund's returns were near average in the last year, but in the top 20% over the last 3-, 5-, and 10-year periods.
- Cottage sites worth \$39.5 million were auctioned for private ownership.



- Public School Fund - largest endowment beneficiary
- Agricultural College Fund - University of Idaho
- Charitable Institutions Fund - Idaho State University, State Juvenile Corrections, State Hospital North, Idaho Veterans Homes and the School for the Deaf & Blind
- Normal School Fund - Idaho State University Department of Education and Lewis-Clark State College
- Penitentiary Fund
- School of Science Fund - University of Idaho
- State Hospital South Fund
- University of Idaho Fund

- Capitol Permanent Fund – Capitol building (major maintenance)

All nine endowment funds are pooled together for investment purposes.

Distributions can only be made from earnings and are determined annually by the Land Board based on permanent fund balances, amount in earnings reserves, and expected future income.

Land Board policy calls for distributions to be raised only when the increase is expected to be sustainable in the future.

## HISTORY OF ENDOWMENT DISTRIBUTIONS



11 YEAR TOTAL (millions)	
Public School	\$361
Higher Education	\$116
Other	\$68
<b>TOTAL</b>	<b>\$545</b>

# Land Revenues & Expenses

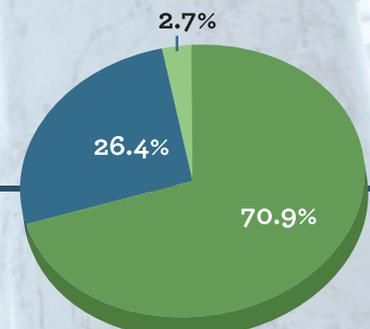
## LAND INCOME BY ACTIVITY

\*\$ in millions

BY ACTIVITY	ACRES	2015 INCOME*	2014 INCOME*
Rangeland	1,411,453	\$0.9	\$0.8
Forest	972,543	\$49.1	\$53.5
Agriculture	16,889	\$0.4	\$0.4
Commercial	15,433	\$2.7	\$3.8
Residential	636	\$2.5	\$4.2
Other	24,738	\$1.5	\$3.2
<b>TOTAL</b>	<b>2,441,692</b>	<b>\$57.1</b>	<b>\$65.9</b>

## USES OF LAND REVENUE

- Permanent Fund :: 2.7%
- Earnings Reserves :: 70.9%
- Land Management Expenses :: 26.4%



**FACT:** The construction of the Capitol in the 1920's was funded in part by the sale of endowment land.

# Endowment Fund

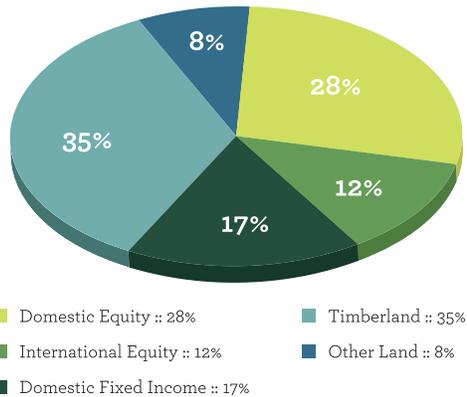
## INVESTMENT BOARD MEMBERS

M. DEAN BUFFINGTON :: Chairman  
 NEIL A. ANDERSON      THOMAS F. KEALEY      SUSAN K. SIMMONS  
 WARREN R. BAKES      GARY L. MAHN      RICHELLE A. SUGIYAMA  
 GAVIN M. GEE      CHUCK WINDER  
 LARRY JOHNSON CFA, CPA :: Manager of Investments

## ANNUALIZED FUND RATE OF RETURN FOR YEARS ENDED JUNE 30, 2015



## TOTAL ENDOWMENT ASSET MIX



**TOTAL VALUE = \$3.3 billion**

The land value is based on discounted cash income and may not reflect market value.

## ENDOWMENT FUND BALANCE

Total Land Grant Endowment Fund Assets - June 1994 Thru June 2015



# IDAHO SCHOOL BOND CREDIT ENHANCEMENT PROGRAM



MURTAUGH ELEMENTARY SCHOOL GYMNASIUM

:: OPENED AUGUST 2015 ::  
 CONSTRUCTION FINANCED WITH SCHOOL BONDS

The EFIB manages a School Bond Credit Enhancement Program. The Program provides a guaranty which reduces interest rates and borrowing costs on general obligation bonds of Idaho school districts and collects a fee for the Public School Endowment Fund in the process. The lower interest rate is achieved by obtaining a higher credit rating on school bonds. In exchange for a fee, the EFIB provides a non-cancellable commitment to provide a loan from the Public School Endowment Fund to make

a bond payment in the unlikely event that the school district or the state, through its School Bond Guaranty Program, is unable to.

Since the beginning of this program, about **75 school districts** have participated, issuing over **\$1.2 billion** in bonds, including **\$80 million** in FY 2015. The expected interest that districts will save over the life of the **\$427 million** of bonds issued since 2008 is estimated to be **\$2.6 million**.