



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board  
Ben Ysursa, Secretary of State  
Lawrence G. Wasden, Attorney General  
Donna M. Jones, State Controller  
Tom Luna, Superintendent of Public Instruction

George B. Bacon, Secretary to the Board

Final Minutes  
*Special* Land Board Meeting  
February 10, 2010

A *Special Meeting* of the Idaho State Board of Land Commissioners was held on Wednesday, February 10, 2010, in Boise, Idaho. The meeting began at 2:00 p.m. in the second floor courtroom of the Borah Building. The Honorable Governor C. L. "Butch" Otter presided. The following members were present:

Honorable Secretary of State Ben Ysursa  
Honorable Attorney General Lawrence Wasden  
Honorable State Controller Donna Jones  
Honorable Superintendent of Public Instruction Tom Luna

For the record, Governor Otter noted that all members of the Board were present and that the public meeting notice requirements had been met.

• **REGULAR**

1. Discussion Regarding Public School Distribution from the Endowment Fund

Prior to beginning the discussion, Governor Otter stated that the State Board of Land Commissioners has been asked to make a one-time distribution of approximately \$52.8 million from the Public School Earnings Reserve Fund into the Public School Income Fund. This distribution is in addition to the currently scheduled \$31.3 million annual distribution and is a deviation from the distribution policy set forth in the Land Board's asset management plan.

Presentations were given by:

- Tom Luna, Superintendent of Public Instruction
- Larry Johnson, Manager of Investments, Endowment Fund
- George Bacon, Director, Department of Lands

*DISCUSSION:* A verbatim transcript will be available. Please contact Susan Terry by email to [sterry@idl.idaho.gov](mailto:sterry@idl.idaho.gov) or send a written request to Idaho Department of Lands, Attn: Susan Terry, P O Box 83720, Boise ID 83720-0050.

*BOARD ACTION: (see below)*

MOTION

A motion was made by Superintendent Luna that the Board approve a one-time distribution of \$52.8 million from the Public Schools Earnings Reserve Fund to the Public Schools Income Fund for Fiscal Year 2011. This distribution would be in addition to the distribution previously authorized by the Board.

- The motion failed for lack of a second.

SUBSTITUTE MOTION 1

A substitute motion was offered by Secretary of State Yursa that the Board allow a one-time distribution of \$22 million, which represents a 200% coverage ratio in the Public School Earnings Reserve Fund.

- Governor Otter seconded Substitute Motion 1.

SUBSTITUTE MOTION 2

A second substitute motion was offered by Superintendent Luna that the Board approve a one-time distribution of \$42,323,900 from the Public Schools Earnings Reserve Fund to the Public School Income Fund for Fiscal Year 2011. This distribution would be in addition to the distribution previously authorized by the Board.

- Substitute Motion 2 failed for lack of a second.

SUBSTITUTE MOTION 3

Attorney General Wasden moved that the Idaho Board of Land Commissioners defer action on the proposal to make a one-time distribution from the Earnings Reserve Fund and direct that the Endowment Fund Investment Board and the Department of Lands provide a written analysis of the effects of such a distribution on the Board's current investment strategy.

In particular, Attorney General Wasden requested an analysis of the effect of such a distribution: one, on the Board's ability to continue distribution in accordance with its distribution policy; in other words, would there be a sufficient "shock absorber" to sustain the current pay out and, if so, for what period; number two, on whether the current asset allocations would have to be changed to account for the lack of coverage for the volatility associated with the current asset allocation; three, what impact would such a distribution have on a long-term rate of return for the endowment; four, what effect will such a distribution have on the equitable distribution of assets between current and future beneficiaries; five, what effect, if any, will such a distribution have on other endowments; six, will such a distribution require the development of different distribution formulas for each endowment; seven, whether such a distribution is prudent given the general economic conditions; and eight, such other factors the Board is required to consider under Idaho Code Section 68-502, or in other words, the Idaho Prudent Investor Rule.

- Controller Jones seconded Substitute Motion 3.
- *ROLL CALL VOTE:* Governor Otter: nay; Secretary of State Yursa: nay; Attorney General Wasden: aye; Controller Jones: aye; Superintendent Luna: nay. Vote Tally: 2 ayes (Wasden, Jones); 3 nays (Otter, Yursa, Luna)
- Substitute Motion 3 failed.

