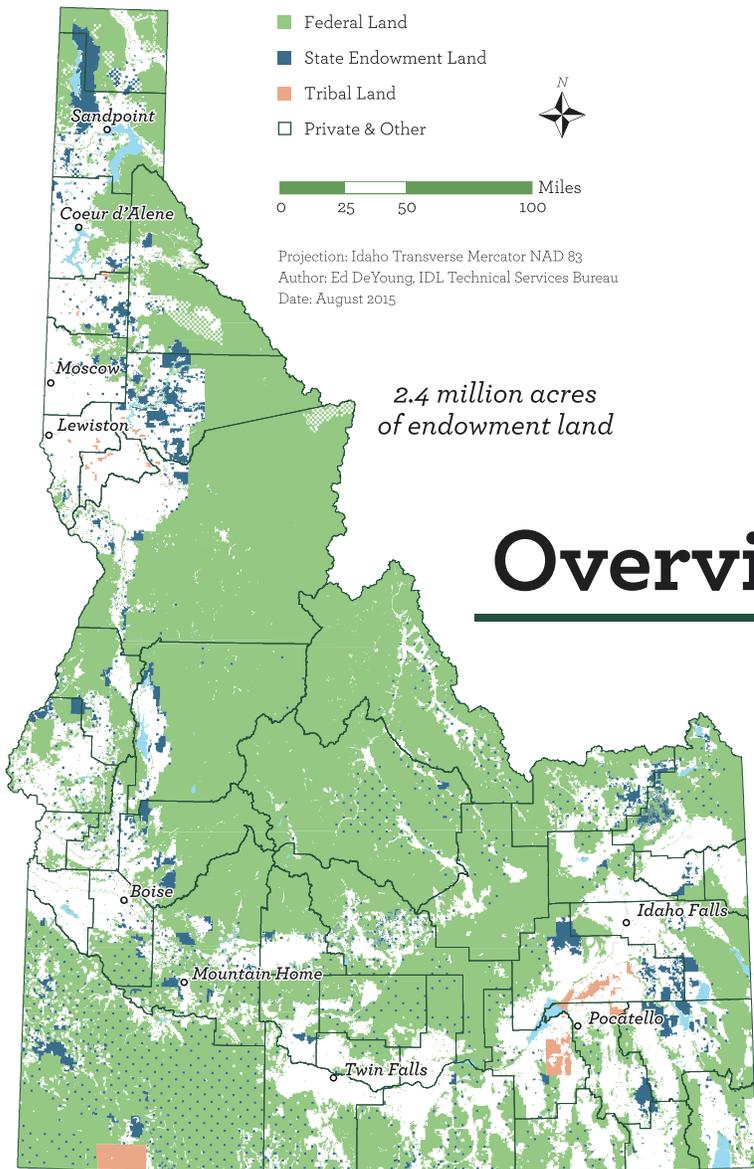


# Idaho Land Grant Endowments

A Report to the Citizens – 2016

## 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; providing relatively stable and predictable distributions; constraining distributions to protect future generations' purchasing power; and maintaining sufficient liquidity for anticipated expenditures.*

## 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 2016.

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



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# 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 2016

\$ in millions

BY ENDOWMENT	ACRES	PERMANENT FUND	EARNING RESERVES	FUND \$ OWNERSHIP
Public School	2,073,118	\$847	\$283	\$1,130
Charitable Institutions	77,242	\$105	\$26	\$131
School of Science	75,497	\$89	\$30	\$119
Normal School	59,644	\$90	\$25	\$115
State Hospital South	31,384	\$82	\$29	\$111
University of Idaho	55,099	\$79	\$26	\$105
Penitentiary	28,915	\$40	\$12	\$52
Agricultural College	33,527	\$27	\$9	\$36
Capitol Permanent	7,283	\$27	\$4	\$31
<b>TOTALS</b>	<b>2,441,709</b>	<b>\$1,386</b>	<b>\$444</b>	<b>\$1,830</b>

## FY 2016 Endowment Trust Highlights

- Annual income from endowment land of \$48.3 million was above average.
- 260 million board feet of timber, valued at \$61.6 million were harvested on endowment lands.
- 102 cottage sites at Priest Lake and Payette Lake, worth \$45.8 million were auctioned for private ownership. Since 2011, a total of \$97.7 million has been generated from these sales.
- The Land Board approved a plan to use property sale proceeds to purchase more timberland and farmland, if attractive investment opportunities arise.
- Relative to both public fund and endowment fund peers, the Fund's investment returns were in the top third over the last 3-, 5-, and 10-year periods.

**HARVESTED**  
**\$61.6 million**  
of **Timber** FY16

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

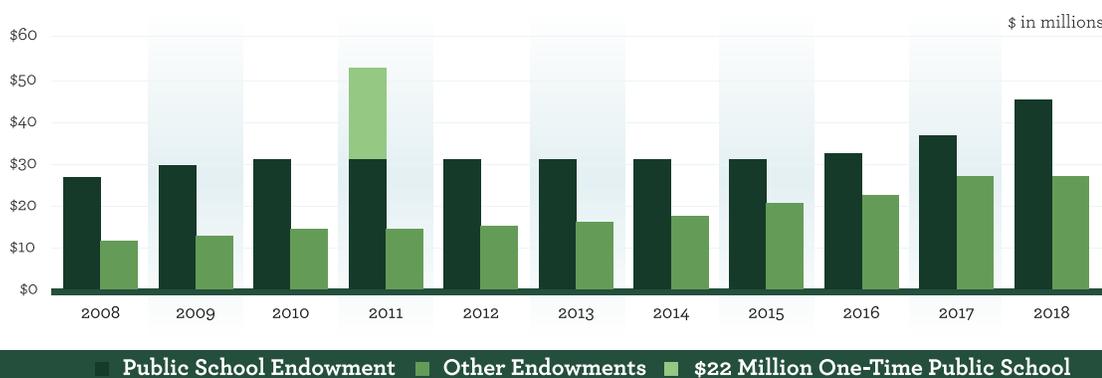
- Capitol Permanent Fund – Capitol building (major maintenance)

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



Total distributions increased 90% in the last ten years.

11 YEAR TOTAL (millions)	
Public School	\$383
Higher Education	\$124
Other	\$75
<b>TOTAL</b>	<b>\$582</b>

# Land Revenues & Expenses

## LAND INCOME BY ASSET CLASS

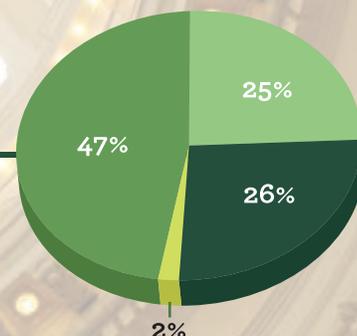
BY ASSET CLASS	ACRES	2016 INCOME*	2015 INCOME*
Rangeland	1,426,593	\$1.2	\$0.8
Forest	994,458	\$42.6	\$48.0
Agriculture	19,177	\$0.3	\$0.4
Commercial	1,010	\$1.2	\$3.4
Residential	471	\$3.3	\$2.4
Other	0	(\$0.3)	\$0.0
<b>TOTAL</b>	<b>2,441,709</b>	<b>\$48.3</b>	<b>\$55.2</b>

\*\$ in millions

Some activity was reclassified in 2016; and amounts may not be directly comparable with 2015.

## USES OF LAND REVENUE

- Land Management Expenses :: 25%
- Land Bank :: 26%
- Permanent Fund :: 2%
- Earnings Reserve :: 47%



**FACT:** Endowment Trust activities are overseen by a staff of 4 employees at the Idaho Endowment Fund Investment Board and a staff of 282 permanent and 233 seasonal/temporary employees at the Department of Lands.

# Endowment Fund

## INVESTMENT BOARD MEMBERS

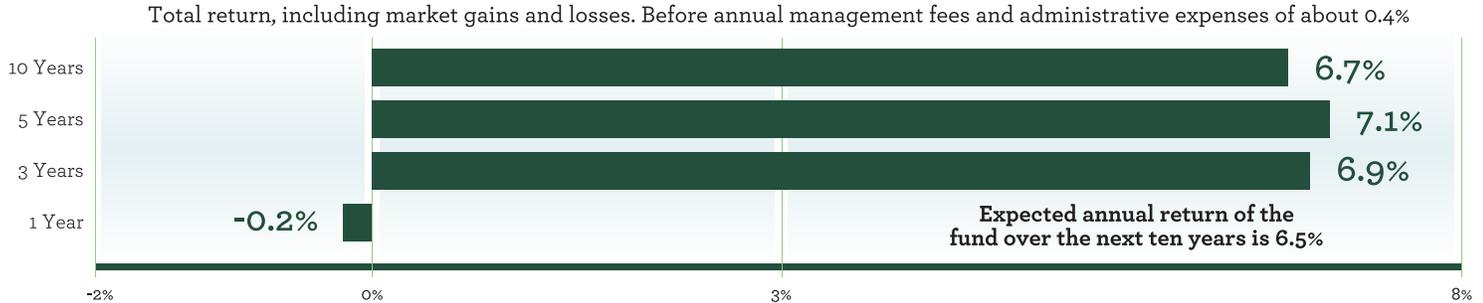
M. DEAN BUFFINGTON :: Chairman

NEIL A. ANDERSON      THOMAS F. KEALEY      SUSAN K. SIMMONS  
 WARREN R. BAKES      GARY L. MAHN      RICHELLE A. SUGIYAMA  
 GAVIN M. GEE      CHUCK WINDER

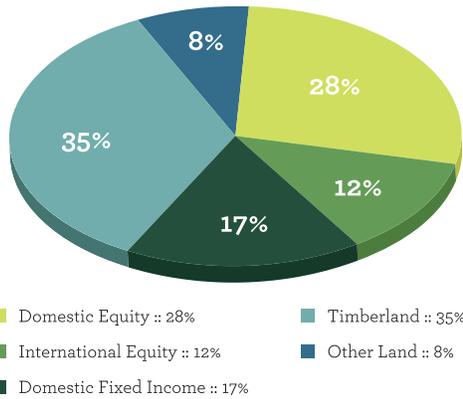
LARRY JOHNSON CFA, CPA :: Manager of Investments

All Fund assets are managed by 18 outside investment managers.

## ANNUALIZED FUND RATE OF RETURN FOR YEARS ENDED JUNE 30, 2016



## 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 1995 Thru June 2016



## IDAHO SCHOOL BOND CREDIT ENHANCEMENT PROGRAM



**75** SCHOOL DISTRICTS  
 HAVE PARTICIPATED  
 IN THE PROGRAM

The EFIB manages this program, which provides a guaranty which reduces interest rates and borrowing costs on general obligation bonds of Idaho school districts and earns a return 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 Public School Endowment Fund provides a non-cancellable commitment to loan funds 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 **\$22 million** in FY 2016. The expected interest that districts will save over the life of the **\$456 million** of bonds issued since 2008 is estimated to be **\$2.7 million**.