

Editors: Attached is a graph showing total endowment fund assets since endowment reform of the early 2000s.



State Board of Land Commissioners

OPINION

FOR IMMEDIATE RELEASE:

July 22, 2014

CONTACT: Emily Callihan

Idaho Department of Lands

(208) 334-0236 or ecallihan@idl.idaho.gov

RECORD PERFORMANCE DEMONSTRATES ENDOWMENT LANDS AND FUNDS BENEFIT US ALL

By the State Board of Land Commissioners

Governor C.L. "Butch" Otter, Secretary of State Ben Ysursa, Attorney General Lawrence Wasden,

State Controller Brandon Woolf, and Superintendent of Public Instruction Tom Luna

(BOISE) – The earnings from Idaho’s endowment trust lands and funds – which we oversee as the Land Board – totaled \$330 million in fiscal year 2014, a record achievement that is relieving citizens of part of the cost of funding important functions of State government and putting Idahoans to work.

Millions of acres of State endowment trust lands and the funds created from the revenues they generate support Idaho’s public school system, higher education and a number of other Idaho institutions. This fiscal year we will distribute \$52 million to public schools and other beneficiaries from our earnings. Another benefit is the economic activity that comes from Idahoans working on the lands, along with the indirect jobs that are created when the lands are put into production.

The Idaho Department of Lands (IDL) boosted gross land revenues to a 14-year high of \$102 million while the Endowment Fund earned a huge 18.8-percent return – the second-highest return in the fund’s history – adding \$267 million in investment earnings. That brought the total balance of the Endowment Fund to \$1.7 billion in fiscal year 2014, which ended June 30.

We hit the mark through efficient management of our natural resources. A record 347 million board feet of timber was harvested, due in part to IDL foresters’ swift action to enable logging of trees damaged or killed by wildfire and insects. Millions of trees were replanted to perpetuate the long-term health of Idaho State forests. The Land Board also auctioned hundreds of State oil and gas leases in western Idaho, a sign there is continued interest from industry in developing Idaho’s natural gas resources. The record revenues even included close to \$1 million in a single bonus bid in a unique lease auction for use of State lands to recreate Evel Knievel’s 1974 attempt to jump the Snake River Canyon near Twin Falls.

Also, while it had no immediate impact on earnings or revenues, dozens of cottage site lots worth \$12 million at Payette Lake were auctioned for ownership, the first wave in accomplishing our plan to sell most of the 350-plus State endowment-owned lake lots over time. We are reviewing our investment strategy to determine where to reinvest the proceeds from the disposition of these lots.

These working lands not only improve Idaho through the distributions they provide to public schools and other beneficiaries. Endowment lands also are putting Idahoans to work. The economic activity brought about by the forest products professionals, ranchers, farmers, miners, oil and gas companies and others who pay Idaho to use these lands gives a boost to communities across the state.

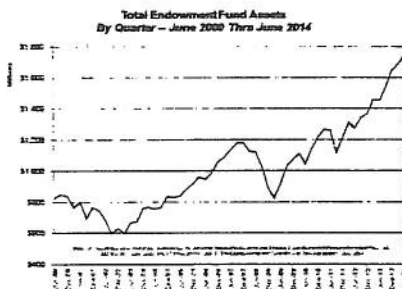
We have been entrusted to manage endowment lands for the maximum long-term financial return. A significant investment in stocks and strong performance of fund managers brought Idaho into the top 10 percent of its public fund and endowment fund peers over the past three years. The 18.8-percent return in FY14 brought the fund's annual average return to 14.7 percent over the past five years and 8.5 percent over the past ten years.

Together with our State land managers and the fund managers who invest the revenues they work hard to generate, we're showing Idahoans that active management of State endowment trust lands and prudent investment of financial assets benefit us all.

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Word count: 541

1 Attached Images



**STATE OF IDAHO ENDOWMENT FUNDS
STATEMENT OF ACTIVITIES
JUNE 30, 2014**

	Public School	Agricultural College*	Charitable Institutions	Normal School
Permanent Net Position, beginning of year	\$ 792,921,747	\$ 20,644,643	\$ 78,201,933	\$ 69,461,116
Program Revenues:				
Receipts from Dept. of Lands	2,134,448	(1,734)	8,176	123,691
Income from Investments	127,321,836	322,457	13,154,076	11,143,446
Total Program Revenue	129,456,284	320,723	13,162,252	11,267,137
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	-	1,871,000	3,930,000	-
Increase (Decrease) in Net Position	129,456,284	2,191,723	17,092,252	11,267,137
Permanent Net Position, end of year	922,378,031	22,836,366	95,294,185	80,728,253
Earnings Reserve Net Position, beginning of year	122,017,927	9,713,331	23,186,096	15,719,512
Program Revenues:				
Receipts from Dept. of Lands	5,587,400	689,735	8,432,664	6,923,802
Income from Investments	4,227,020	5,191,845	6,259,573	5,106,908
Total Program Revenues	93,807,422	5,881,580	14,692,237	12,030,710
Program Expenses:				
Distribution for Expenses-Lands	16,200,165	353,912	1,306,952	1,615,270
Distribution for Expenses-EFIB	4,538,697	147,843	503,222	423,974
Distributions to Beneficiaries	31,292,400	967,200	3,348,000	2,670,000
Total Program Expenses	52,031,262	1,468,955	5,158,174	4,709,244
Net Program Revenue	41,776,160	4,412,625	9,534,063	7,321,466
Transfer to Permanent Fund	-	(1,871,000)	(3,930,000)	-
Transfer from Permanent Fund	-	-	-	-
Increase (Decrease) in Net Position	41,776,160	2,541,625	5,604,063	7,321,466
Earnings Reserve Net Position, end of year	163,794,087	12,254,956	28,790,159	23,040,978
TOTAL NET POSITION	\$ 1,086,172,118	\$ 35,091,322	\$ 124,084,344	\$ 103,769,231

* Income for the Agricultural College, Penitentiary, State Hospital South and University Funds are allocated using a different methodology (see Note 4).

**STATE OF IDAHO ENDOWMENT FUNDS
STATEMENT OF ACTIVITIES
JUNE 30, 2014**

Penitentiary*	School of Science	State Hospital South*	University of Idaho*	Capitol	Total
\$ 30,210,332	\$ 78,312,101	\$ 48,415,077	\$ 67,000,934	\$ 25,916,208	\$ 1,211,084,091
718	9,551	7,360	4,141	80,102	2,366,453
471,867	13,207,330	756,214	929,204	4,476,793	171,783,223
472,585	13,216,881	763,574	933,345	4,556,895	174,149,676
-	-	-	(7,510,523)	(2,019,000)	(9,529,523)
4,214,000	4,151,000	6,001,000	3,940,000	-	24,107,000
4,686,585	17,367,881	6,764,574	(2,637,178)	2,537,895	188,727,153
34,896,917	95,679,982	55,179,651	64,363,756	28,454,103	1,399,811,244
12,754,466	23,484,258	22,139,310	20,513,946	-	249,588,846
2,255,154	3,650,341	8,710,228	6,559,631	62,960	87,868,817
7,542,676	5,482,741	3,705,185	15,737,807	318,645	101,968,100
9,797,830	9,132,832	11,815,213	22,297,438	381,605	189,836,917
547,818	1,291,852	1,108,607	1,141,857	154,991	23,721,424
213,201	498,476	355,421	436,832	157,228	7,274,894
1,422,000	3,338,400	2,946,000	2,860,800	50,000	48,894,800
2,183,019	5,128,728	4,410,028	4,439,489	362,219	79,891,118
7,614,811	4,004,154	17,405,185	17,857,949	19,386	109,945,799
(4,214,000)	(4,151,000)	(6,001,000)	(3,940,000)	-	(24,107,000)
-	-	-	7,510,523	2,019,000	9,529,523
3,400,811	(146,846)	11,404,185	21,428,472	2,038,386	95,368,322
16,155,277	23,337,412	33,543,495	42,002,418	2,038,386	344,957,168
\$ 51,052,194	\$ 119,017,394	\$ 88,723,146	\$ 106,366,174	\$ 30,492,489	\$ 1,744,768,412

- Evaluate the impact of proposed or accepted asset mix changes

1 IDL will enhance their revenue forecasting process based on Callan recommendations

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Board Action Requested

- 1 Recommend the Land Board increase the target for reserves to 6 years for Normal School and 7 years for Ag College, Penitentiary, School of Science and University
- 1 Recommend the Land Board approve the distributions, the transfers, and the classification with regard to the Gain Benchmark as shown below

	<i>Distributions To Beneficiaries</i>				<i>Transfer To Permanent Fund</i>	<i>Added to Gain Bench- mark</i>
	<i>Approved FY2015</i>	<i>Proposed FY2016</i>	<i>% Change</i>	<i>\$ Change</i>		
Public School	31,292,400	32,758,800	4.7%	1,466,400	-	-
Ag College	1,164,000	1,288,800	10.7%	124,800	3,238,000	3,238,000
Charitable Instit.	3,852,000	4,500,000	16.8%	648,000	6,267,000	6,267,000
Normal School	3,144,000	3,608,400	14.8%	464,400	1,388,000	1,388,000
Penitentiary	1,707,600	1,872,000	9.6%	164,400	3,050,000	3,050,000
School of Science	3,866,400	3,866,400	0.0%	-	-	-
State Hosp. South	3,625,400	4,562,400	25.8%	937,000	10,733,000	10,733,000
University	3,326,400	4,016,400	20.7%	690,000	13,892,000	13,892,000
	<u>51,978,200</u>	<u>58,473,200</u>	<u>8.6%</u>	<u>4,495,000</u>	<u>38,568,000</u>	<u>38,568,000</u>

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□ Therefore, a reduction in distributions in FY 2017 or FY2018 is not likely, but may be necessary if, for example:

- Future returns on the fund are materially negative
- Hardship extensions are offered on existing timber contracts
- A material number of existing timber contracts are abrogated by purchaser bankruptcies
- Timber prices fall below the level assumed in the "low" revenue scenario
- Unforeseen environmental issues limit timber harvesting

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Summary

Transfers and the Gain Benchmark

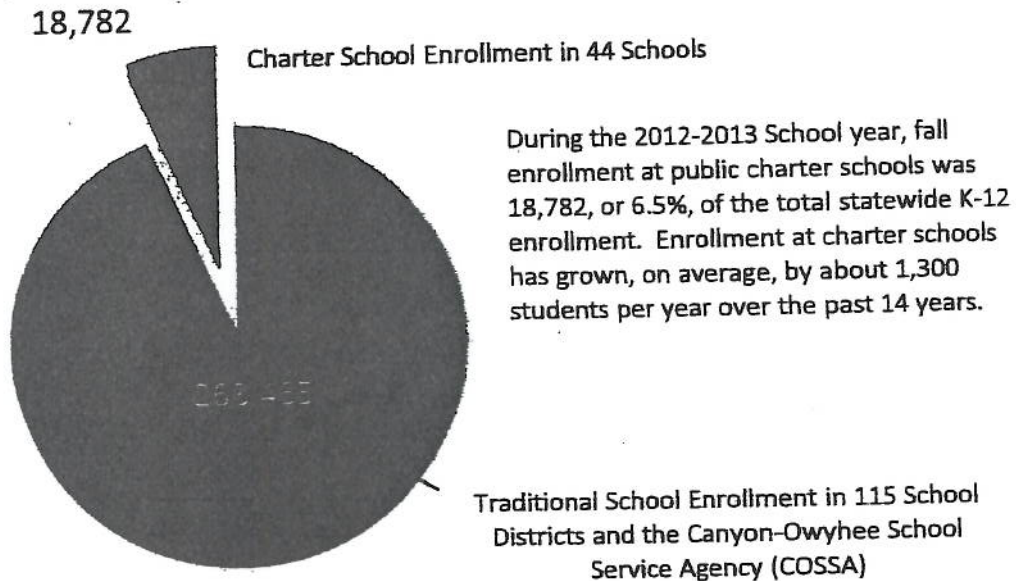
- Six endowments have more than targeted years of reserves, so recommend the excess be transferred to the Permanent Fund*
 - Transfers offset Perm Fund losses and make up for inflation, population while boosting distributions
- The Land Board must indicate whether a transfer:
 - Increases permanent corpus (the Gain Benchmark) or,
 - Makes up past losses in purchasing power
- Recommendation: There are no losses to make up, so add all \$38 million of the transfers to the Gain Benchmark as principal

* Assuming the recommended increase in reserves for five endowments

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Public School Support Agency Profile

Public Schools: Traditional and Charter
Fall 2012 Enrollment was 287,247 Students in the 2012-2013 School Year



K-12 Metrics, Six Year History

School Year	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Students						
Fall Enrollment	275,075	278,522	281,593	281,772	287,247	NA
Avg. Daily Atten. (mid-term)	262,192	264,684	266,455	268,324	266,483	NA
Mid-Term Support Units	13,934.8	14,093.6	14,216.5	14,277.8	14,356.9	NA
Full-Term Support Units	13,864.1	14,049.3	14,146.5	14,200.4	14,278.5	NA

2014-2015
 290,000(?)

Source: http://www.sds.idaho.gov/site/statistics/fall_enrollment.htm

Original Appropriation (in millions)

General Fund	\$1,418.5	\$1,231.4	\$1,214.3	\$1,223.6	\$1,279.8	\$1,308.4
Dedicated Funds	\$62.4	\$64.1	\$91.1	\$68.5	\$66.9	\$74.6
Federal Funds	\$215.0	\$415.3	\$277.0	\$268.9	\$220.1	\$215.2
Total	\$1,695.9	\$1,710.8	\$1,582.4	\$1,561.0	\$1,566.8	\$1,598.2
General Fund Percentage Increase from Previous Year	3.7%	-13.2%	-1.4%	0.8%	4.6%	2.2%
Total Funds Percentage Increase from Previous Year	3.1%	0.9%	-7.5%	-1.4%	0.4%	2.0%
Discretionary Funds per Full-Term Support Unit, Original Appropriation	\$25,696	\$25,459	\$21,795	\$19,626	\$19,706	\$20,000

1,374,598,400

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The information

Ashley Brewer

You forwarded this message on 3/20/2014 9:52 AM.

Sent: Thursday, March 20, 2014 8:12 AM

To: Representative John L. Gannon

Representative Gannon,

I am assuming you were given the information I gathered regarding health insurance premiums in the Meridian and Boise school districts. Eric called me back today, he said the magic number as far as percentage growth on cost of health insurance premiums for the Meridian school district is 23.5%.

Thank you,

Ashley

**STATE OF IDAHO ENDOWMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

FOREIGN CURRENCY RISKS – The EFIB’s Investment Policy Statement permits investing approximately 21% of total investments in international equities. No foreign fixed income securities are permitted except currency. The Endowment Funds’ exposure to foreign currency risk is as follows:

Investment and Country	Currency	Fair Value
Equities and Cash		
Australia	AUD	\$ 2,601,910
Brazil	BRL	121,737
Canada	CAD	6,472,059
Denmark	DKK	10,461,743
European Monetary Union	EUR	32,577,456
Great Britain	GBP	43,835,057
Hong Kong	HKD	26,958,435
Israel	ILS	936,779
Japan	JPY	32,506,419
Mexico	MXN	2,558,968
Norway	NOK	3,801,352
Singapore	SGD	6,353,813
South Africa	ZAR	3,307,342
South Korea	KRW	2,057,561
Sweden	SEK	8,884,715
Switzerland	CHF	25,205,745
Taiwan	TWD	2
Total Fund Investments		\$ 208,641,093

NOTE 4 – INCOME FROM INVESTMENTS

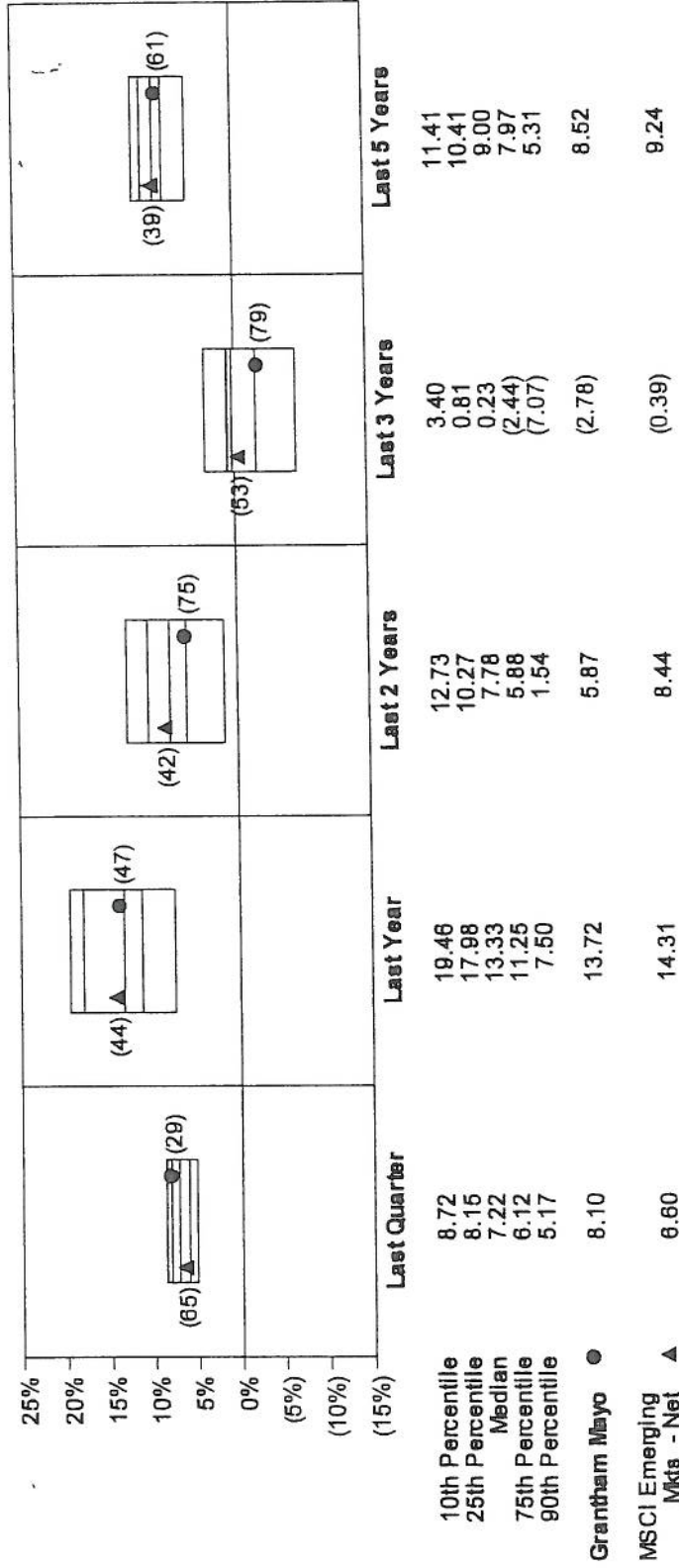
Per *Idaho Code* Section 57-724A, once the balance of an endowment’s Permanent Fund exceeds the statutory Gain Benchmark at the end of a fiscal year, then, beginning two fiscal years later, income distributed to the endowment’s Earnings Reserve would include the Permanent Fund’s total cumulative income (interest, dividends and market appreciation/depreciation) above its Gain Benchmark.

State Hospital South, Agricultural College, Penitentiary, and University of Idaho’s Permanent Funds have passed their Gain Benchmark and allocate the total cumulative gain or loss of their Permanent Funds according to this alternative methodology. Charitable Institutions, Normal School, and School of Science passed their Gain Benchmarks in FY 2013 and will utilize the alternative methodology in FY 2015. Public School passed its Gain Benchmark in FY 2014 and will utilize the alternative methodology in FY 2016.

The components of income from investments for FY 2014 and their allocation are shown below.

GMO – Emerging Markets (\$14.4M, 0.8%)

Performance vs CAI MF - Emerging Markets Style (Net)



- GMO rebounded strongly after poor first quarter
- The following region/sectors outperformed: Brazil Utilities; Turkey Financials; Taiwan IT; Russia IT; India Financials
- The portfolio exhibits value characteristics with lower price/book, price/cash flow and z-score relative to the MSCI Emerging Markets Index
- Portfolio is overweight Energy, Telecommunications and Utilities and underweight Financials, Information Technology and Consumer Staples.

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RE: Follow up on state leases
Representative John L. Gannon

Sent: Thursday, June 13, 2013 2:40 PM
To: Jennifer Pike [Jennifer.Pike@adm.idaho.gov]

Thank you. - John Gannon

From: Jennifer Pike [Jennifer.Pike@adm.idaho.gov]
Sent: Thursday, June 13, 2013 1:44 PM
To: Representative John L. Gannon
Subject: Follow up on state leases

Good afternoon Rep. Gannon,

The Division of Public Works is charged with negotiating and managing all leases for state entities; this does not include the political subdivisions such as CWI or the public health districts.

The State leases a total of 817,650 sq ft. in Boise at an annual cost of \$11,590,948. These numbers include office space, retail space and warehouse space. If you wanted to concentrate on just office space, the State leases 698,901 sq ft. of office space at an annual cost of \$10,474,548. The office space sizes range from 292 sq ft. up to 111,381 sq ft. Attached is a spreadsheet that breaks those numbers down even further.

You also mentioned the Knudsen house on Franklin. I did get a little more info on that as well in case you haven't had a chance to walk thru it. The house is 2,200 sq ft., and the only bathroom is located on the 2nd floor. Our State Leasing Manager, Linda Miller, is hosting the 3rd open house at that property on Saturday if you are interested in taking a look inside the home.

If you have any further questions, please let me know. Otherwise, we will look forward to seeing you on the 25th for the RMAC meeting.

Thanks,

*Jennifer Pike, CPM
Management Assistant to the Director
Department of Administration
(208) 332-1826 Phone
(208) 334-2307 Fax*

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