

STATE BOARD OF LAND COMMISSIONERS

August 15, 2023

Regular Agenda

Subject

Fiscal Year 2025 Beneficiary Distributions

Question Presented

Shall the Land Board approve FY2025 beneficiary distributions of \$103,221,600?

Discussion

The Endowment Fund generated investment returns of 10.9% (4.6% real return, net of 6.3% inflation) during fiscal year 2023. Idaho Department of Lands generated \$52.3 million in net revenue in fiscal year 2023 and \$167 million of timber was presold as of June 30, 2023. Earnings Reserves exceed target levels with the exceptions of Public School and State Hospital South.

Recommendation

The Endowment Fund Investment Board recommends that the Land Board approve FY2025 beneficiary distributions of \$103,221,600 and transfers to the Permanent Fund of \$28,070,000. The transfers to the Permanent Fund will not be included in the Gain Benchmark.

Board Action

Attachments

1. Proposed FY2025 Distributions

Proposed Fiscal Year 2025 Distributions and Transfers

*Land Board Meeting
August 15, 2023*

Distribution Policy Summary

The Land Board has adopted the following principles:

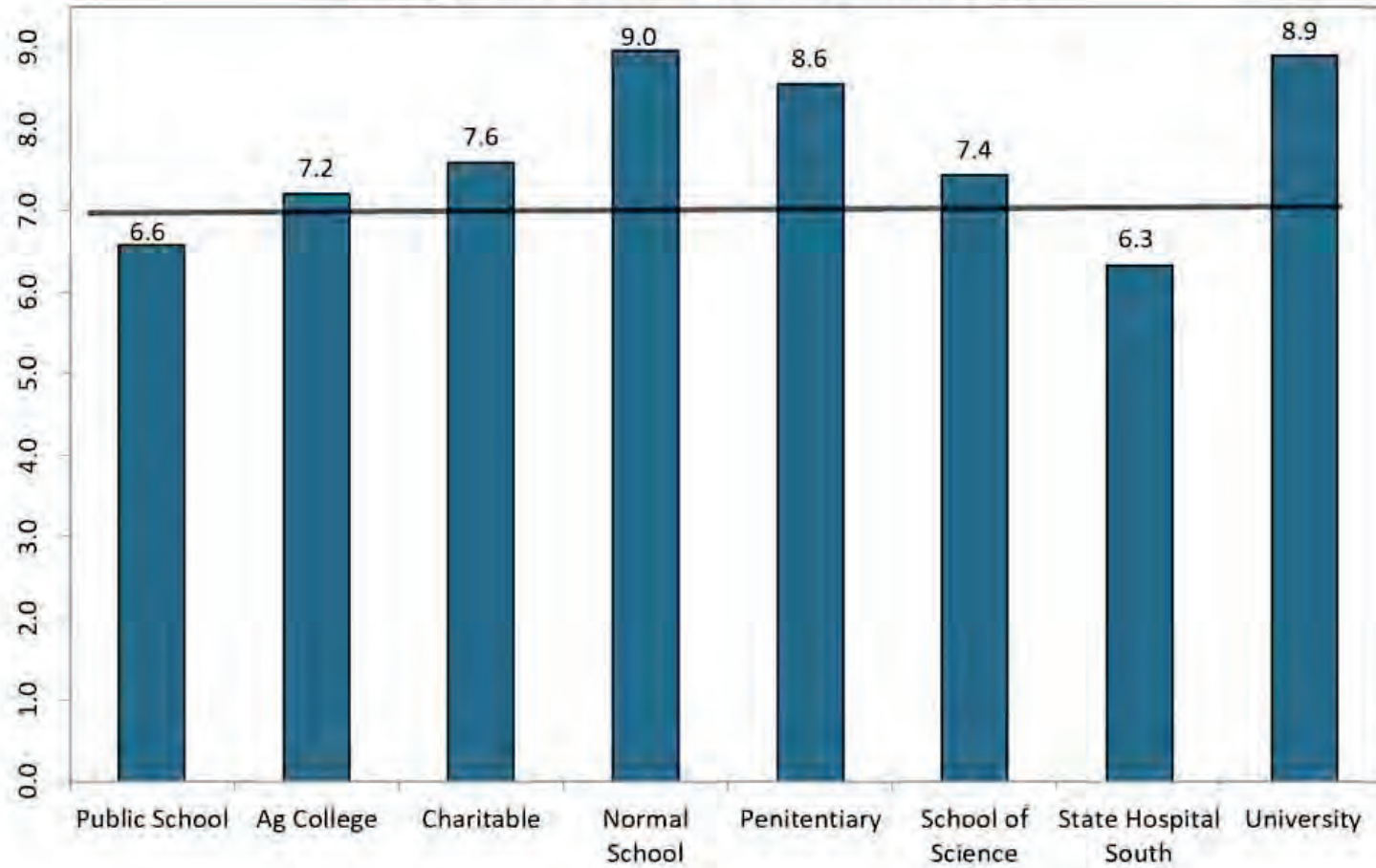
- Distribute 5% of the 3-year average value of each Permanent Fund annually (7% for State Hospital)
 - Adjusted for reserves, transfers and any other relevant factors
- Maintain Earnings Reserves at target levels based on years of beneficiary distributions
- Consider transferring any excess Earnings Reserves back to the Permanent Fund

Source: Land Board Investment Policy

Current Situation

- The Endowment Fund generated a 10.9% return (4.6% real return, net of 6.3% inflation) in FY 2023.
- IDL generated \$52.3 million in net revenue in FY 2023 and \$167 million of timber was presold as of June 30, 2023.
- Earnings reserve levels exceed target levels with the exceptions of Public School and State Hospital South.

Coverage Ratio June 30, 2023
Years of Distributions based on FY2024 Distributions



RECOMMENDED ENDOWMENT DISTRIBUTIONS - FY 2025

(Based On June 30, 2023 Balances - \$ Millions)

	Total	Public School	Ag College	Charitable	Normal Schools	Penitentiary	School of Science	State Hospital South	University
FY 2017 Distribution	\$ 63.2	\$ 36.7	\$ 1.3	\$ 5.5	\$ 4.3	\$ 2.0	\$ 4.7	\$ 4.6	\$ 4.0
FY 2018 Distribution	\$ 73.5	\$ 47.0	\$ 1.3	\$ 5.5	\$ 4.3	\$ 2.0	\$ 4.7	\$ 4.6	\$ 4.0
FY 2019 Distribution	\$ 78.2	\$ 50.3	\$ 1.4	\$ 5.8	\$ 4.4	\$ 2.2	\$ 4.8	\$ 5.0	\$ 4.2
FY 2020 Distribution	\$ 80.9	\$ 51.3	\$ 1.5	\$ 5.8	\$ 4.9	\$ 2.2	\$ 4.9	\$ 6.0	\$ 4.4
FY 2021 Distribution	\$ 84.5	\$ 52.6	\$ 1.6	\$ 6.0	\$ 5.3	\$ 2.5	\$ 5.4	\$ 6.4	\$ 4.8
FY 2022 Distribution	\$ 88.1	\$ 54.8	\$ 1.7	\$ 6.2	\$ 5.5	\$ 2.7	\$ 5.7	\$ 6.4	\$ 5.1
FY 2023 Distribution	\$ 100.3	\$ 61.5	\$ 1.9	\$ 7.0	\$ 6.6	\$ 3.1	\$ 6.7	\$ 7.6	\$ 5.9
FY 2024 Distribution	\$ 100.3	\$ 61.5	\$ 1.9	\$ 7.0	\$ 6.6	\$ 3.1	\$ 6.7	\$ 7.6	\$ 5.9
FY 2025 Distribution	\$ 103.2	\$ 63.0	\$ 2.0	\$ 7.1	\$ 7.3	\$ 3.2	\$ 6.7	\$ 7.8	\$ 6.1

% Change: 2025 vs. 2024 Distribution	2.9%	2.4%	3.4%	1.5%	10.7%	0.5%	0.7%	2.5%	4.5%
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Earnings Reserves status (as of 6/30/23)

Earnings Reserve Policy Target (in years)	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Years of reserves, before transfer	6.9	6.4	7.0	7.5	8.1	8.5	7.4	6.2	8.5
Years of reserves, after transfer	6.6	6.4	7.0	7.0	7.0	7.0	7.0	6.2	7.0

Earnings Reserve Balance (6/30/23)	\$ 708.2	\$ 405.2	\$ 13.9	\$ 53.2	\$ 58.9	\$ 26.9	\$ 49.6	\$ 48.1	\$ 52.3
Recommended Transfer to Perm Fund	\$ 28.1	\$ -	\$ -	\$ 3.4	\$ 8.0	\$ 4.8	\$ 2.6	\$ -	\$ 9.3
Earnings Reserve Balance After Transfer	\$ 680.1	\$ 405.2	\$ 13.9	\$ 49.8	\$ 50.9	\$ 22.1	\$ 40.2	\$ 48.1	\$ 43.0

Land Board Recommendation

- Approve FY2025 beneficiary distributions of \$103,221,600 and transfers to the Permanent Fund of \$28,070,000. The transfers to the Permanent Fund will not be included in the Gain Benchmark.

	<i>Distributions To Beneficiaries</i>				<i>Transfer To Permanent Fund*</i>
	<i>Approved</i>	<i>Proposed</i>	<i>%</i>	<i>\$</i>	
	<i>FY2024</i>	<i>FY2025</i>	<i>Change</i>	<i>Change</i>	
Public School	61,532,200	63,039,600	2.4%	1,507,400	-
Ag College	1,927,500	1,993,200	3.4%	65,700	-
Charitable Institution	7,008,000	7,116,000	1.5%	108,000	3,400,000
Normal School	6,568,700	7,273,200	10.7%	704,500	8,000,000
Penitentiary	3,139,600	3,154,800	0.5%	15,200	4,800,000
School of Science	6,672,700	6,722,400	0.7%	49,700	2,570,000
State Hosp. South	7,586,400	7,776,000	2.5%	189,600	-
University	5,879,900	6,146,400	4.5%	266,500	9,300,000
	100,315,000	103,221,600	2.9%	2,906,600	28,070,000

* Amount of Earnings Reserve in excess of what is deemed adequate relative to the 2025 distribution. The adequate reserve level for all endowments is set at seven years.

** The Transfer is not to be added to the Gain Benchmark.

All calculations subject to adjustment pending final audit of fiscal year 2023 results.