
How The Endowment Supports Its Beneficiaries

House Resources and Conservation Committee
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Endowment Fund Investment Board
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Statehood & Endowment Land



“The magnificent dowry promised by Congress far outweighs all the direct loss of revenue from the Federal Treasury and all the reasonable increase of cost of state government.”

George L. Shoup

Territorial Governor

May 11, 1889

The U.S. Congress granted Idaho 3.6 million acres of land to support specific beneficiaries as it was deliberating the Idaho Admissions Act in 1889.

Nine Endowment Beneficiaries

- K-12 Public Schools
- University of Idaho Agricultural College
- Charitable Institutions (Idaho State University, State Juvenile Corrections Center, School for the Deaf and Blind, Idaho Veterans Homes, and State Hospital North)
- Normal School (Idaho State University Department of Education and Lewis-Clark State College)
- Penitentiary
- University of Idaho School of Science
- State Hospital South
- University of Idaho
- Capitol Permanent Fund

Idaho's Admission Bill defines the beneficiaries. Some beneficiary groups are represented by multiple state agencies.

The Land Board Has Fiduciary Oversight of the Land Trust

- Governor
- Secretary of State
- Attorney General
- State Controller
- Superintendent of Public Instruction

“A trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule.”

Idaho Code § 68-501

“A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution.”

Idaho Code § 68-502(1)

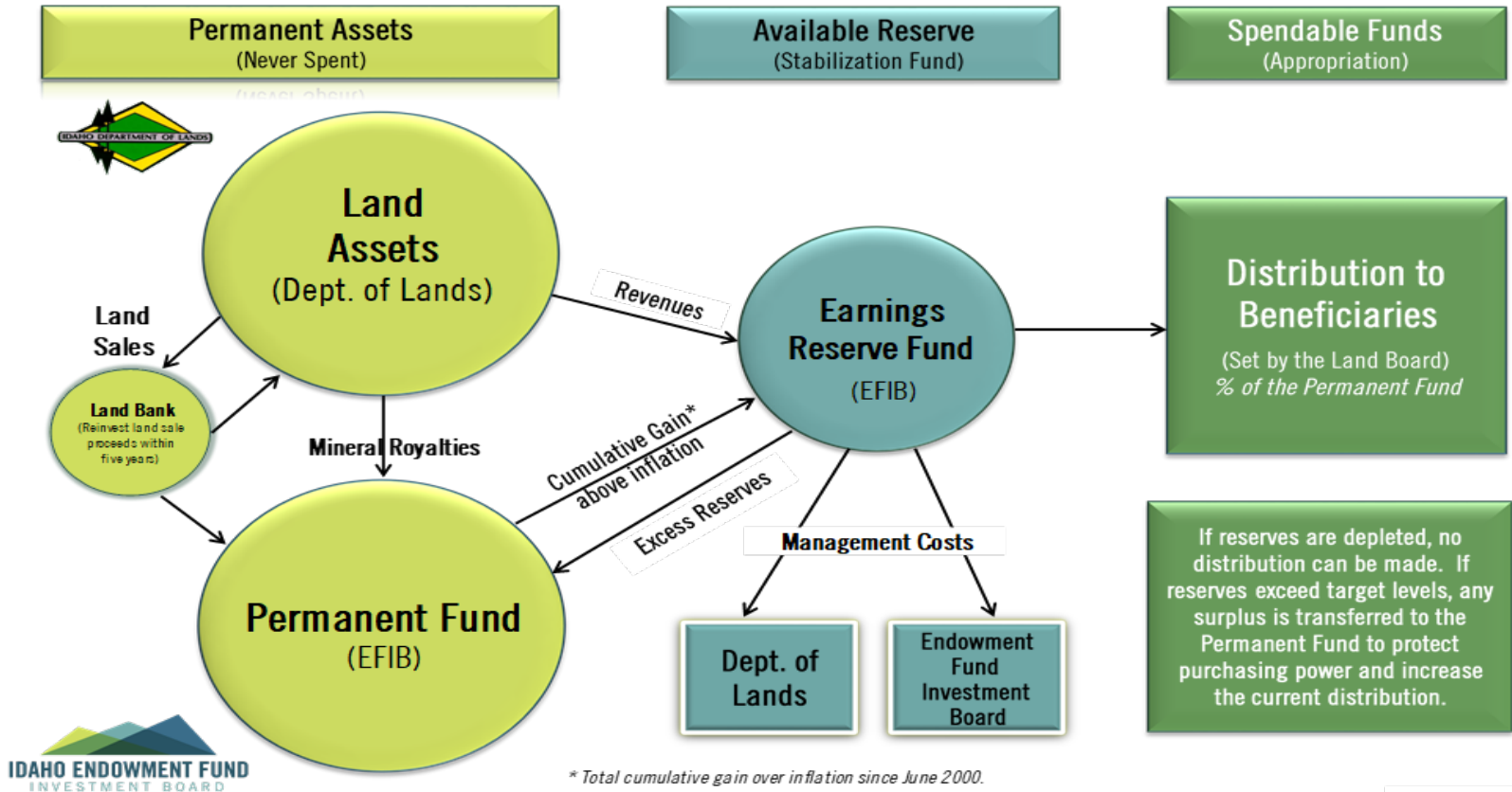
Years of Endowment Reform Have Resulted In An Outstanding Governance Structure

- In 1996, Governor Batt appointed the “Governor’s Committee on Endowment Investment Reform.” The Goal was to have a long-term strategic plan to manage the state’s trust assets, while at the same time providing the highest rate of returns to the state endowment fund. The trust was also to be invested and administered as a whole and provide a mechanism for expressly addressing the division of benefits between present and future generations.
- In 1999, the Land Board established new beneficiary distribution and spending policies and set forth investment policies for the investment and use of the assets and income from the trust.
- Over the years the Land Board has established various task forces to review and recommend refinements of policies and procedures.
- Idaho’s current approach is often held up as a model for other states.

The Permanent Fund Must Be Preserved

- The State Constitution and Section 33-902 of State Code, state that the principal of the permanent fund must be kept forever intact and the state can not violate the endowment trust or dissipate such funds.
- The permanent fund must grow cumulatively at the annual rate of inflation plus permanent fund deposits starting from the market value of the permanent fund as of June 30, 2000, as discussed in Idaho Code 57-724.
- If a cumulative loss exists in the Public School permanent fund for ten consecutive fiscal years, the legislature shall by transfer or appropriation authorize funding during one or both of the next succeeding two regular sessions.

STRUCTURE OF IDAHO'S ENDOWMENT ASSETS



* Total cumulative gain over inflation since June 2000.

Rev 7/31/18

Endowment Ownership as of June 30, 2023

(\$ in millions)

Endowment	Acres	Permanent Fund	Earnings Reserve	Fund \$ Ownership
Public School	2,103,071	\$1,377	\$405	\$1,782
Agricultural College	33,527	\$42	\$14	\$56
Charitable	77,246	\$149	\$53	\$202
Normal School	61,021	\$156	\$59	\$215
Penitentiary	28,915	\$64	\$27	\$91
School of Science	75,493	\$140	\$50	\$190
State Hospital South	35,941	\$130	\$48	\$178
University of Idaho	55,091	\$130	\$52	\$182
Capitol	7,283	\$38	\$12	\$50
Totals	2,477,588	\$2,226	\$720	\$2,946

Land Board's Beneficiary Distribution Policy

Objective:

- Avoid a reduction or gap in beneficiary distributions.
- Maintain adequate Earnings Reserves to protect beneficiary distributions from temporary investment or income shortfalls.
- Grow beneficiary distributions and the Permanent Fund faster than inflation and population growth.

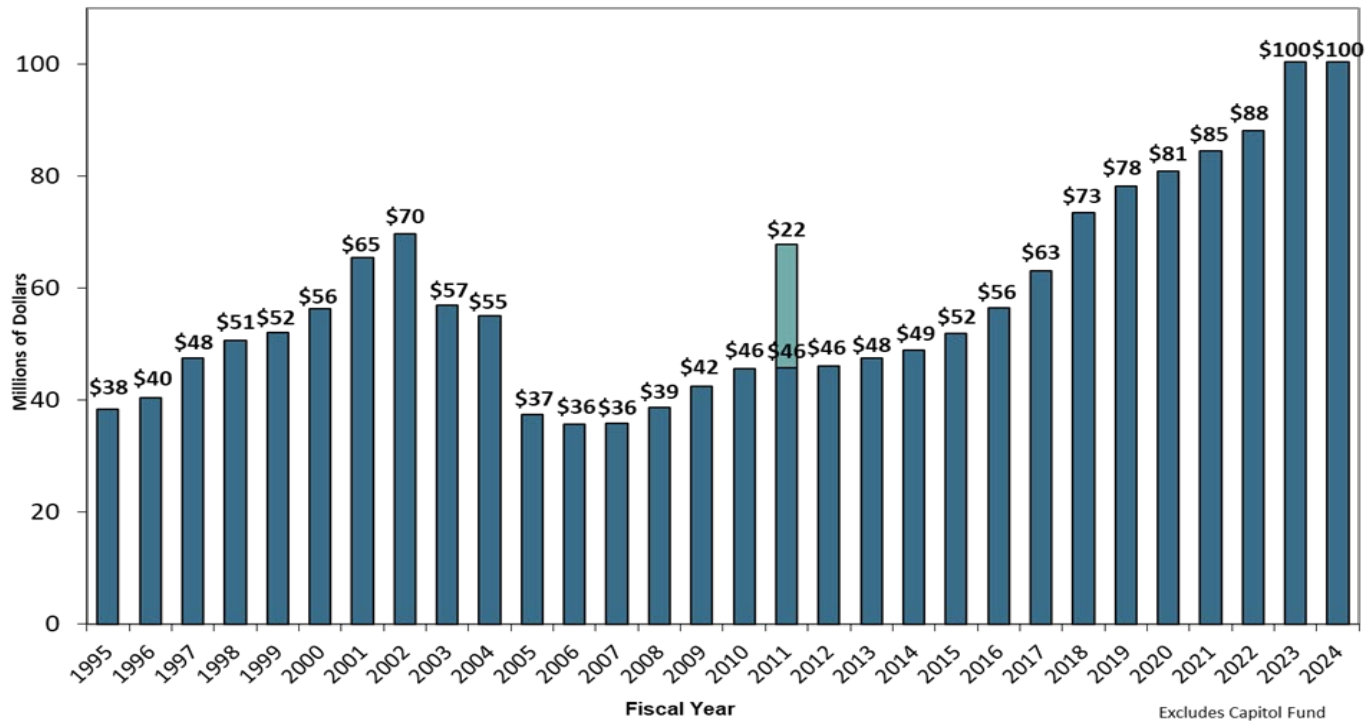
Policy:

- Distribute 5% of a three-year rolling average Permanent Fund balance.
- Beneficiary distributions may be adjusted based on Earnings Reserve balances, expected Land's revenue and other factors.

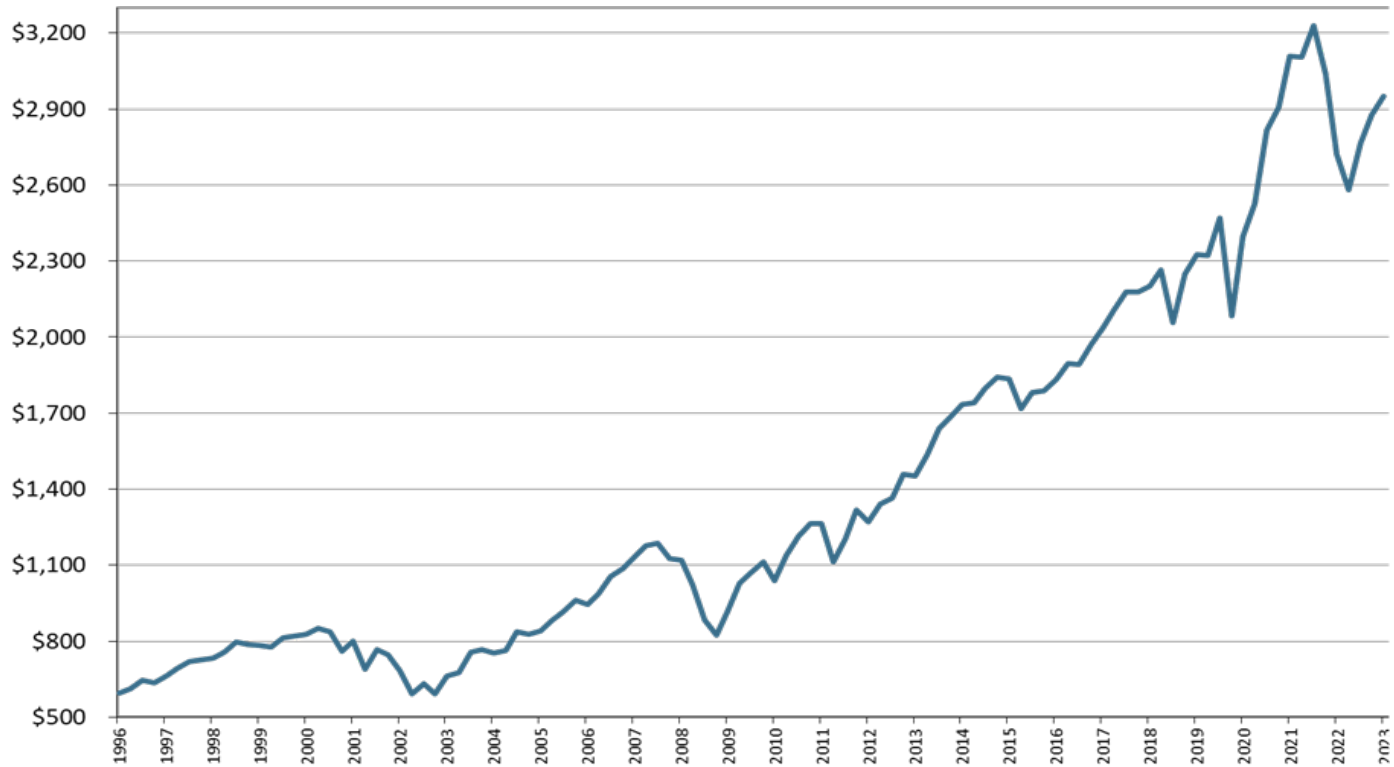
Endowment Distribution History

Beneficiary Distributions 1995-2024

(includes special Public School distribution in 2011 of \$22M)



Total Land Grant Endowment Fund Assets
June 1996 - June 2023
(in millions)



Benefits of the Current Endowment Structure

- An effective form of governance over the whole trust including both the land and financial assets.
- Policies that seek to find balance between the needs of current and future generations of beneficiaries.
- Stable and growing distributions to beneficiaries.
- A permanent fund that is growing faster than the rate of inflation.
- An earnings reserve fund that allows that state to take some risk on its investments and provide solid long-term investment returns to beneficiaries.