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STATE OF IDAHO
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
Mr. Tom Luna

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August 16, 2013

Gov. C.L. "Butch" Otter
Secretary of State Ben Ysursa
Attorney General Lawrence Wasden
State Controller Brandon Woolf

Dear State Board of Land Commissioners:

I am writing regarding the decision we, as the State Board of Land Commissioners, will make next week in setting the FY 2015 endowment beneficiary distribution for Public Schools. Specifically, I am asking you to consider retaining our current policy as it relates to how the Public Schools distribution is calculated. That policy states that each year we will generally distribute 5% of the trailing three-year moving average value of the Public School Permanent Endowment Fund, so long as that calculation does not yield a year-over-year decrease.

Because this formula has yielded a number less than \$31,292,400 for several years, the base distribution has remained flat since FY 2010. However, due to gains in the value of the investments held by the Public School Permanent Endowment Fund, this formula has finally yielded an increase in the amount that can be distributed in FY 2015, from \$31,292,400 to \$36,933,469, or an increase of approximately \$5.6 million. We should all be thankful for the prudent and effective management of our endowment land and financial assets, through some very difficult financial times, which has made such an increase possible.

I understand that the Endowment Fund Investment Board (EFIB) has recommended the Board not follow its 5% formula distribution policy for Public Schools for FY 2015, and that, instead, the Board should leave the base distribution frozen at the FY 2010 level for another year. Doing this would allow the balance in the Public Schools Earnings Reserve Fund to build up faster. Its current balance is \$122 million, and is projected to grow to \$129.5 million by the beginning of FY 2015.

However, I do not believe it is necessary for us to ignore our distribution formula and keep the distribution level frozen for another year in order for the balance in the reserve fund to continue growing. Even with a distribution based on our 5% policy formula, EFIB's projection shows continued slow growth in the balance of the Public Schools Earnings Reserve Fund – and this is using the "low" timber revenue scenario.

It is worth noting that even with our “no distribution cuts” policy failsafe, under which we have effectively been distributing more than 5% of the three-year moving average value of the Public School Permanent Endowment Fund since FY 2010, the balance in the Public Schools Earnings Reserve Fund has continued to grow throughout. And this was accomplished through the worst economic period in our lifetimes.

Our children deserve the best we can give them, and a high-quality education is one of the essential building blocks to a successful life as an American citizen. We all know a quality education costs money to provide. The prudent and effective management of our endowment lands and funds has put us in a position where we can finally begin increasing the base endowment distribution to Public Schools again, for the first time in many years, without diminishing the amount of money we hold in reserve, as a hedge to protect future beneficiaries. I hope you will consider doing this by keeping our 5% distribution formula in place for FY 2015.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Luna", with a long horizontal flourish extending to the right.

Tom Luna
Superintendent of Public Instruction