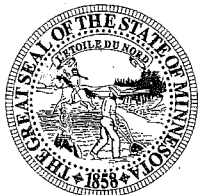


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DATE: January 26, 2012

TO: Members, Permanent School Fund Advisory Committee

FROM: Howard Bicker, State Board of Investment *HB*

SUBJECT: **Impact of Contributions on Permanent School Fund**

You requested that the SBI estimate the increase in earnings that would have been generated by the Permanent School Fund if certain contributions had been made to the Fund.

Using the contribution history provided us, the SBI estimates that the Fund would have generated \$10.2 million more in FY 2011 earnings and would have a market value \$245.6 million larger than it is, based upon the assumptions listed below. The actual spendable income generated for expenditures in FY 2011 was \$22.8 million, and the actual June 30, 2011 market value of the Fund was \$785.1 million.

The SBI made the following assumptions to generate these estimates:

- All contributions occur on July 1 of each year shown.
- All ending balances before deduction are calculated as follows:
(Beginning balance + contribution) X (fiscal year return).
- Assumed Yield of 4% is deducted each year. Assumed yield represents dividend and interest earnings. It is a proxy for spendable income.
- Assumed yield amount is calculated as follows:
(Ending balance before deduction) X (4%).

Please note that the SBI only invests the principal of the Fund. Minnesota Management and Budget manages the Fund and generates the calculation for spendable income each year.

Amount added to corpus	Year added	Corpus with additional sum	Interest
\$1.2 million	1981		
\$5 million	1981		
\$1 million	1981		
\$528,000	1981		
\$197,177	Each year from 1981-1998		
\$1.5 million	1986		
\$1.5 million	1987		
\$1.35 million	1988		
\$1.65 million	1989		
\$1.7 million	1990		
\$9 million	Each year from 1991-1997		
\$3.8 million	1991		
\$1.94 million	1991		
1.98 million	1992		
\$1.94 million	1993		
\$1.4 million	1994		
\$1.47 million	1995		
\$1.7 million	1996		
\$1.94 million	1997		
\$35 million	1997		
\$1.56 million	1998		
\$1.73 million	1999		
\$1.7 million	2000		
\$2.52 million	2001		
\$2.44 million	2002		
\$2.55 million	2003		
\$1.84 million	2004		
\$2.47 million	2005		
\$1.54 million	2006		
\$4.16 million	2007		
\$4.81 million	2008		
\$7.04 million	2009		

County	Estimated Land/Property Value
Aitkin	138,087,300
Anoka	601,335,200
Becker	
Beltrami	263,132,500
Benton	262,115,800
Big Stone	53,052,200
Blue Earth	
Brown	79,379,300
Carlton	60,068,600
Carver	138,952,484
Cass	123,340,200
Chippewa	86,718,300
Chisago	209,000,000
Clay	
Clearwater	
Cook	147,244,900
Cottonwood	
Crow Wing	
Dakota	2,339,308,100
Dodge	87,429,800
Douglas	458,900,000
Faribault	
Fillmore	126,693,700
Freeborn	129,118,600
Goodhue	153,179,900
Grant	44,813,430
Hennepin	6,148,374,700
Houston	110,601,400
Hubbard	
Isanti	
Itasca	
Jackson	
Kanabec	34,786,800
Kandiyohi	
Kittson	30,752,100
Koochiching	
Lac qui Parle	88,326,300
Lake	421,985,400
Lake of the Woods	
Le Sueur	
Lincoln	126,411,000
Lyon	208,351,200
Mahnomen	28,160,600
Marshall	
Martin	140,584,550
McLeod	

Meeker	14,980,100
Mille Lacs	
Morrison	156,077,600
Mower	
Murray	196,463,600
Nicollet	
Nobles	113,023,500
Norman	
Olmsted	741,125,900
Otter Tail	
Pennington	
Pine	170,759,300
Pipestone	55,973,300
Polk	619,943
Pope	
Ramsey	2,994,518,800
Red Lake	
Redwood	
Renville	173,757,300
Rice	
Rock	
Roseau	46,433,900
Scott	820,545,200
Sherburne	270,223,700
Sibley	100,000,000
St. Louis	
Stearns	1,084,486,100
Steele	151,793,300
Stevens	117,141,700
Swift	
Todd	1,552,776,100
Traverse	52,273,348
Wabasha	84,188,700
Wadena	59,172,700
Waseca	81,346,900
Washington	510,636,600
Watonwan	73,349,818
Wilkin	37,898,200
Winona	
Wright	636,534,400
Yellow Medicine	102,877,500
	23,239,181,873

Area of lost revenue	Price in year	2011 Price (adjusting for inflation)	Acres	Annual?	Years of lost revenue	# of years
LAND						
BWCAW	\$35 million in 1997	\$100,000,000 (currently under con.	93,260	One time	1981-2011	30
State parks (not exchanged)			685		1981-2011	30
Hill-Annex Mine State Park	\$3,000 (\$5 per acre in 1997)	\$4,200	633	Annual	1981-2011	30
State parks (1st exchange)	\$1.2 million at time of exchange	\$2,065,000	5,357	One time	1981-1990s	25
State parks (2nd exchange)	\$4-5 million in 1997	\$5,600,000-7,000,000	5,745	One time	1981-2006	25
Nerstrand Big Woods State Park	\$1 million in 1989	\$1,814,000	460	One time	1981-2006	25
Itasca State Park	\$528,000 in 1989	\$957,800	613	One time	1981-2006	25
Lakeshore leases	\$5 million accessed value in 1986	\$10,262,000	546	Annual	1981-1998	17
Peatland	\$3.8 million in 1997	\$5,325,000	50,000	One time	1991-2011	20
Forestry Account	\$54.43 million	\$73,100,000		Over time	1986-2009	23
INVESTMENT						
SBI: Not having 50% stock	\$3-9 million	\$5,000,000-\$15,000,000		Annual	1991-1997	6
		Total: \$167,507,186	Total in 2011: \$288,285,400			

Money lost estimates
 Total possible additional payout to schools: \$150,159,807
 Total possible additional contributions: \$167,507,186
 Possible present value: \$1,030,747,551
 Actual present value: \$785,100,000

If we had kept up with inflation since 1988, schools would be getting almost \$100/pupil this year, from approximately \$33 million distributed in 1988