

Constitutional Amendment B

BENEFICIARY PRESENTATION TO THE SITLA BOARD OF TRUSTEES

SEPTEMBER 2016



45 (2) (a) The permanent State School Fund [~~principal~~] shall be [~~safely~~] prudently
46 invested by the state and shall be held by the state in perpetuity.

47 (b) Only [~~the interest and dividends~~] earnings received from investment of the
48 permanent State School Fund may be [~~expended~~] distributed from the fund, and any
49 distribution from the fund shall be for the support of the public education system as defined in
50 Article X, Section 2 of this constitution.

51 (c) Annual distributions from the permanent State School Fund under Subsection
52 (2)(b) may not exceed 4% of the fund, calculated as provided by statute.

SJR12 Proposal to Amend Utah Constitution – Changes to School Funds

58 (i) 4% of the average market value of the permanent State School Fund based on an
59 annual review each July of the past 12 consecutive quarters; and
60 (ii) the prior year's distribution from the Trust Distribution Account as described in
61 Section [53A-16-101.5](#), increased by prior year changes in the percentage of student enrollment
62 growth and in the consumer price index.
63 (3) Notwithstanding Subsection (2)(b), the distribution may not exceed 4% of the
64 average market value of the permanent State School Fund over the past 12 consecutive
65 quarters.

SB109 School and Institutional Trust Lands Amendments

FY 16 DISTRIBUTION

INFLATION

% ENROLLMENT GROWTH

$$45,783,571 \times 1 + \left(\frac{.011 + .019}{2} \right)$$

$$\frac{1}{2} 46,470,324.57$$

$$\begin{array}{l} \text{FY 13} \\ \text{FY 14} \\ \text{FY 15} \end{array} \begin{array}{l} 1,525,513,573 \\ + 1,903,752,565 \\ + 2,057,850,205 \end{array}$$

$$\left(\frac{5,487,116,343}{3} \right) \times 0.04$$

$$\frac{1}{2} 73,161,551.24$$

\$59,815,937.90

If we had used the formula
this year...

CALCULATED
FY 17 DISTRIBUTION

ESTIMATED
INFLATION

ESTIMATED
% ENROLLMENT
GROWTH

$$59,815,938 \times 1 + \left(\frac{.011 + .019}{2} \right)$$

$$\frac{1}{2} 60,713,177.07$$

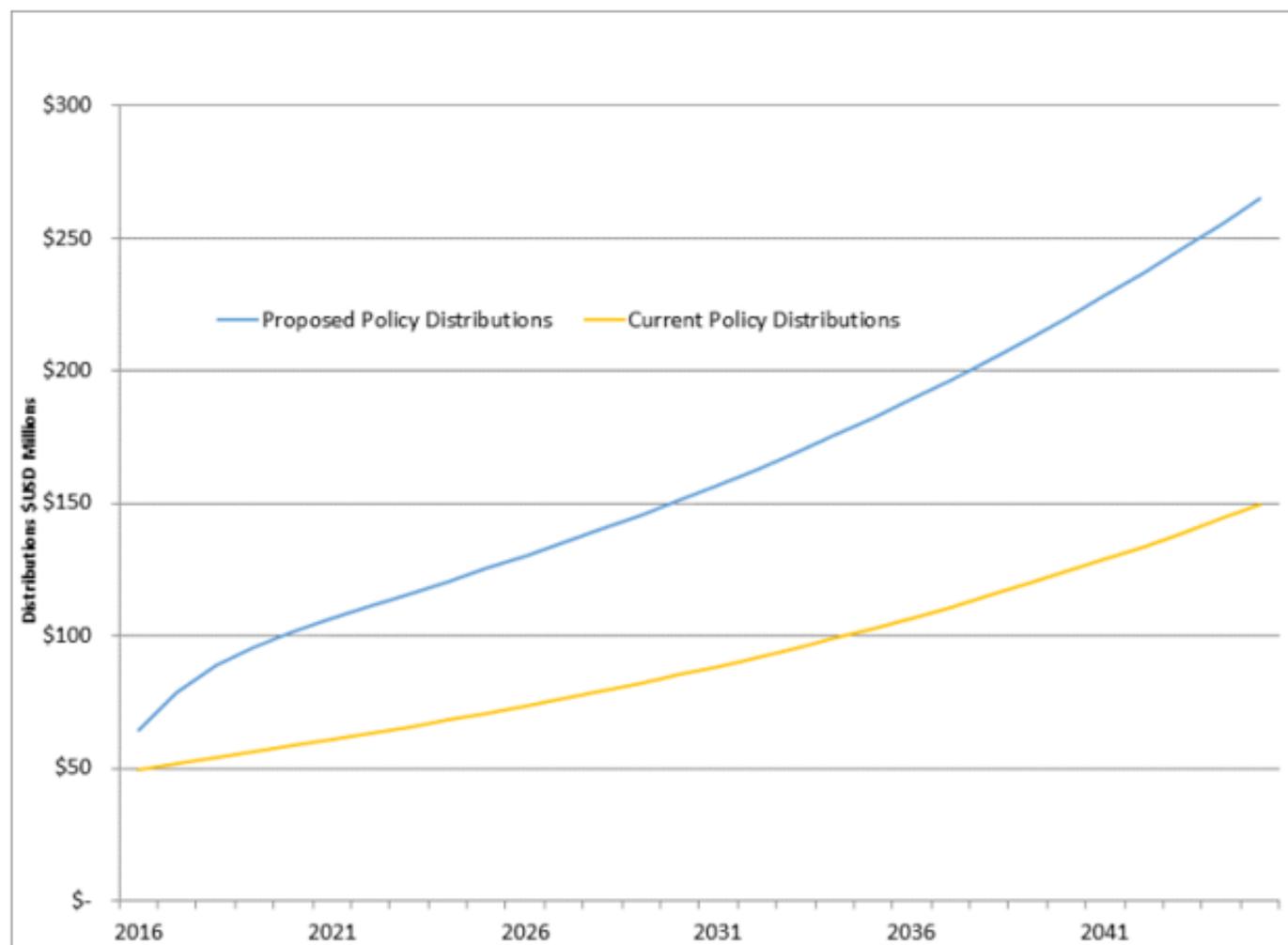
$$\begin{array}{r} \text{FY 14} \quad 1,903,752,565 \\ \text{FY 15} \quad + 2,057,850,205 \\ \text{FY 16} \quad + 2,078,730,889 \end{array}$$

$$\left(\frac{6,040,333,659}{3} \right) \times 0.04$$

$$\frac{1}{2} 80,537,782.12$$

$$\boxed{\$70,625,479.60}$$

And this is year two.
You can see that, because of
the nature of the formula, the
increase will be phased in.



Estimated distribution

With and without amendment passage

Utah PTA

Press release

“Vote YES on B” Facebook group



Vote Yes On Amendment B



Use BEST practices to invest the permanent State School Fund.

Continue to BUILD the fund while providing an increased distribution to every public school for academic improvement.

BALANCE the state’s responsibility to current and future students.

Amendment B is a small change to the Utah Constitution updating the way school trust funds are invested and distributed. The fund will be better managed and local schools will receive more money through the School LAND Trust program both now and in the future. For more information, join the **“Vote YES on B” Facebook group** or visit amendmentb.com.

Utah PTA Supports Amendment B.



Utah voters could change the way schools receive funds

Nichole Osinski, nosinski@thespectrum.com 6:15 p.m. MDT September 3, 2016



Buy Photo

(Photo: Jud Burkett / The Spectrum & Daily News)



A change to the Utah Constitution could potentially bring in more funds for schools throughout the state if approved in the Nov. 8 general election.

Constitutional Amendment B, proposed during the 2016 legislative session, would allocate money to individual schools by a distribution of the permanent State School Fund through the School LAND Trust program.

The amendment, which came as a result of an investment task force study in 2013, is expected to update the management of trust lands to allow an increase of funds going to schools. This would change the current dividends and interest formula that distributes money to schools in Utah by looking at growth, inflation and the percentage of earnings as well.

"And the problem with an interest in dividends approach is it's really volatile," Utah State Office of Education School Children's Trust Director Tim Donaldson said. "When interest rates are super low, like they are right now, you don't send out enough so interest rates get really high."



THE SPECTRUM

UPSTART program receives \$2 million grant

The new distribution formula would use inflation and enrollment growth to determine how funding is distributed and include a fund growth averaging three years.

Donaldson said this type of change took place with most university endowments or nonprofit foundations in the 1950s and '60s. He added there are about 20 western U.S. states, such as Oregon, that have a similar structure to Amendment B that was put in place after the Great Depression.

Utah's amendment would allow for a cap of 4 percent in educational endowment funds distributed for schools to use. Rep. Lowry Snow, House District 74, said the amendment would free the fund that has a \$2 billion accumulation and allow for distributions closer to 3.5 percent rather than the annual 2.5 percent that has been seen in the past.

TOP VIDEOS



Dixie State University Trailblazers

1:41



Could you survive 'The Walking Dead' Experience?
5:46



Salt Lake Comic Con FanX "Doctor Who" Experience highlights
18:10

Media Coverage

St George Spectrum Editorial Board

Op-eds

Deseret News/KSL

Salt Lake Tribune



Amendment B website

Sponsored by Prosperity 2020

amendmentb.com

A small change that makes a big difference.

Amendment B

If you approve this amendment, the state will be allowed to implement best practices in investment management to continue building the School Trust Fund while still balancing our responsibilities to support current and future students. The state will be able to prudently increase the distribution from the School Trust Lands program by up to 50% over the next few years while adding millions of dollars to our educational system.

Result:

- The fund will be better managed
- Distributions will be grounded in economic principles
- Local schools will receive more money, both now and in the future

Fiscal Impact:

The State School Fund has approximately \$2.1 billion in assets. Under Constitutional Amendment B, the amount of cash the State School Fund will receive as "earnings" from the investment of the Fund *during the first year the Amendment is implemented is estimated to be \$79,000,000. That amount is \$22,000,000 more than the \$57,000,000 that the Fund is estimated to receive from "interest and dividends" alone.* The fiscal impact of Constitutional Amendment B will depend on how much of the additional "earnings" that exceed "interest and dividends" is distributed for the support of public schools and how much is retained in the Fund to increase the total dollar value of the Fund. The greater the amount of "earnings" that are distributed, the less the Fund increases in dollar value, and the less money there is to generate future "earnings."

Downloadable Materials:

1. [Explanation of Amendment B](#)
2. [Ballot Language](#)
3. [Support for Amendment B](#)

Help Education

Learn more about how you can help education, visit prosperity2020.com.