

Idaho's Endowment Lands and Other Assets



Presentation to the
**Endowment Assets Issues
Interim Committee**
of the Idaho Legislature

Boise, Idaho
August 28, 2014

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Director of the Policy Analysis Group
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University of Idaho



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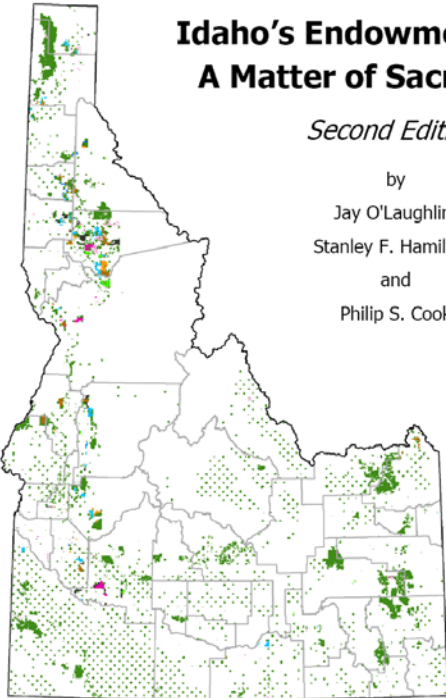
Report No. 1, Second Edition August 2011



Idaho's Endowment Lands: A Matter of Sacred Trust

Second Edition

by
Jay O'Laughlin,
Stanley F. Hamilton,
and
Philip S. Cook



Endowment Institution

- Public Schools
- Agricultural College
- Charitable Institution
- Normal School
- Penitentiary
- Capitol Permanent F
- School of Science
- State Hospital South
- University of Idaho

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HANDOUT



Idaho's Endowment Lands and Other Assets

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About the Policy Analysis Group (PAG)

Role and Mission. The Idaho Legislature created the Policy Analysis Group (or “PAG”) in 1989 as a way for the University of Idaho to provide timely, scientific and objective data and analysis, and analytical and information services, on resource and land use questions of general interest to the people of Idaho (see Idaho Code § 38-714). The PAG is a unit of the College of Natural Resources Experiment Station, administered by Kurt Pregitzer, Director, and Dean, College of Natural Resources.

PAG Reports. This is the second edition of the Policy Analysis Group’s first report, originally published in 1990.* The PAG is required by law to report the findings of all its work, whether tentative or conclusive, and make them freely available. PAG reports are primarily policy education documents, as one would expect from a state university program funded by legislative appropriation. In addition, the PAG publishes series of **Issue Briefs** and **Fact Sheets**; listings can be found on the PAG website at <http://www.uidaho.edu/cnr/pag>

Advisory Committee. The PAG’s enabling legislation created a standing Advisory Committee (members are listed on page *iii*) and assigned it specific functions. The committee’s main charge is to review current issues and suggest topics for analysis.

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Idaho's Endowment Lands: A Matter of Sacred Trust • 1

INTRODUCTION

In 1969, the commissioner of the Idaho Department of Public Lands—a predecessor of today's Idaho Department of Lands—described in a published letter to Idaho's governor a troublesome problem the agency faced in managing the state's endowment lands:

Evidence strongly suggests a lack of public knowledge and understanding of the term "state lands." These lands are, at times, referred to as, "public lands," "grant lands," "school lands," "endowment lands," etc. Irregardless of the term used to describe them, there appears to be a general misconception as to how they were acquired, their purpose and dedication, and their disposition.¹

By providing the people of Idaho with a guide to understanding the land grant endowment trusts administered by the Idaho State Board of Land Commissioners (Land Board) this report, like its first edition in 1990, attempts to overcome that problem. The body of assets (or "corpus") in the endowment trusts consists of three principal assets: 2.5 million acres of land managed by the Idaho Department of Lands (IDL),² a Permanent Fund consisting of financial assets that "shall forever remain inviolate and intact,"³ and an Earnings Reserve Fund from which distributions are made to beneficiary institutions. The financial trust funds are administered by the Endowment Fund Investment Board (EFIB).⁴

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Idaho's Endowment Lands: A Matter of Sacred Trust • 1

INTRODUCTION

Prior to Idaho statehood in 1890 the federal government granted land to the Idaho Territory for the explicit purpose of providing financial support for the state's public schools. The school land grant was confirmed at statehood, at which time other specifically designated public institutions also received land grants.⁵ The financial assets in the endowment trusts today were derived from the sale and leasing of the 3.6 million acres of original land grants. Proceeds from land sales, leases, and sales of severable assets (e.g., timber and minerals) become financial assets in the trust funds. The Land Board plays a key role as it fulfills its constitutional assignment to oversee endowment trust operations on behalf of the endowment trust's beneficiary institutions to ensure they receive "maximum long term financial return" from the trust assets.⁶

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2. What types of lands comprise endowment lands (include mention of cottage sites)?
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4. How did we acquire endowment lands?
5. For what purpose are endowment lands to be used?
6. Who are the beneficiaries of the endowment lands?
7. What restrictions, if any, are tied to the lands?
8. Do all states, and in particular western states, have endowment lands? If not, why?



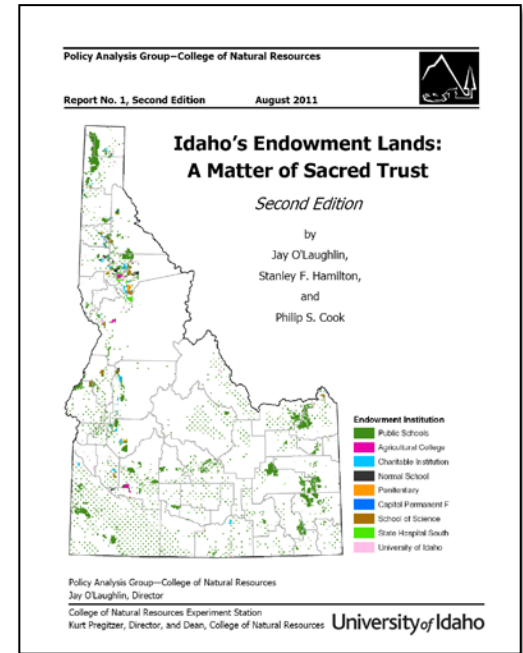
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Table A-1. Endowment trust land asset classifications

Asset Classification	Asset Description
Forest Land	Lands capable of regenerating and growing successive crops of commercial forest products on a sustainable basis
Agriculture Land	Lands used for growing cultivated plants or agricultural produce (grains, vegetables, and/or fruits).
Rangeland	Lands supporting natural vegetation suitable for grazing by domestic livestock & wildlife
Commercial Real Estate	Lands normally recognized as “commercial” in local zoning regulations, including retail and light industrial businesses, public facilities, energy resources (wind, hydro, wave), communication sites, ski resorts, etc.
Residential Real Estate	Sales or Leases of cottage/cabin/home sites
Minerals	Includes the sale of sand and gravel, oil and gas, coal, and other minerals including precious metals, decorative rock, phosphates, etc.
Conservation	Conservation lands are generally lands for which certain real property rights have been removed or otherwise restricted temporarily or permanently to maintain temporary or permanent rights for open space, preservation of habitat, natural areas, parks, or other such purposes.
Recreation (non-commercial)	Includes easements, leases, or licenses for dispersed recreational use (hunting, fishing, trapping, camping, hiking, trails)



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**Endowment Fund Reform and Idaho's State Lands:
Evaluating Financial Performance of
Forest and Rangeland Assets**

by
Jay O'Laughlin

and

Philip S. Cook



**Analysis of Procedures for
Residential Real Estate (Cottage Site) Leases
on Idaho's Endowment Lands**

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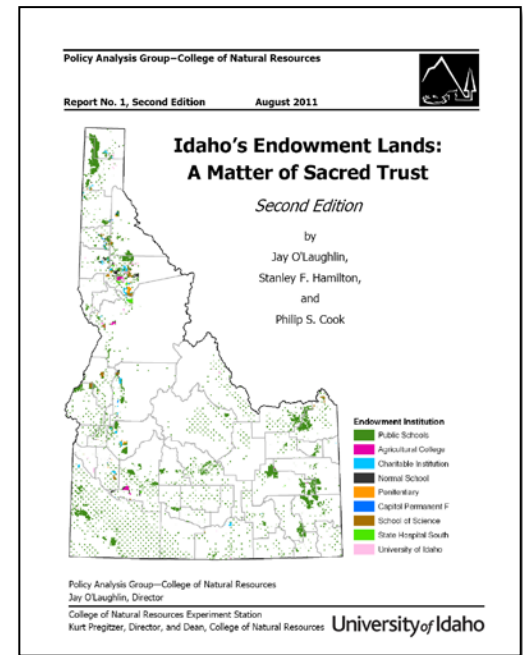
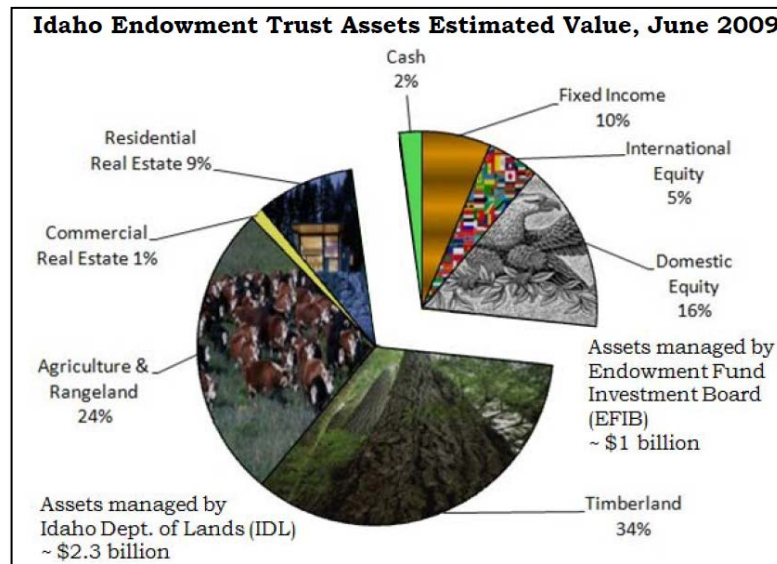


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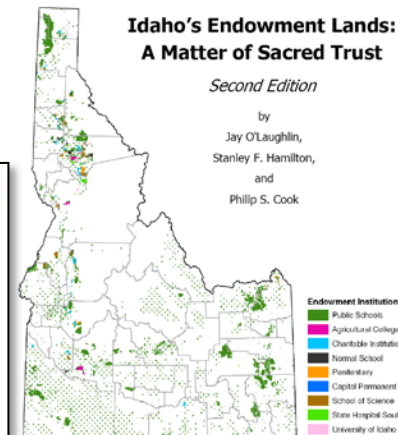
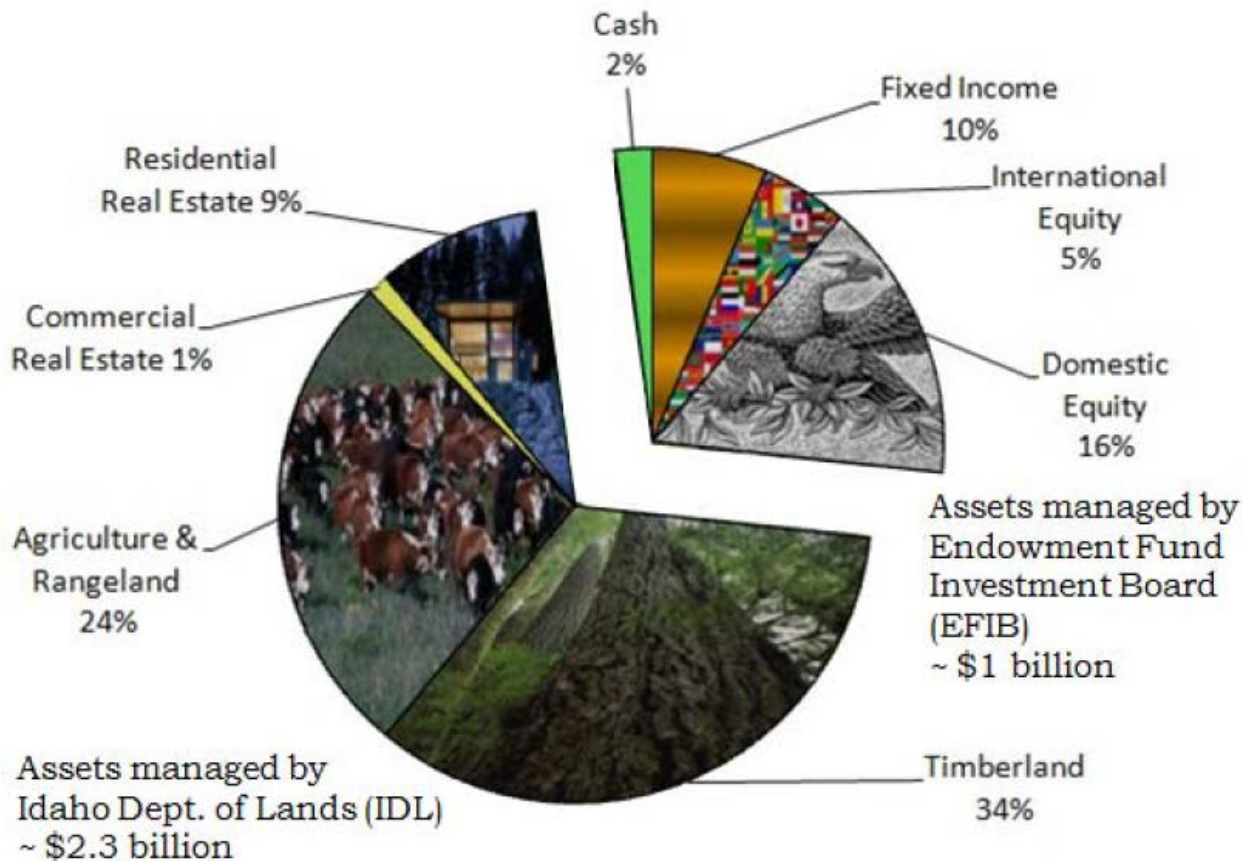


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Idaho's Endowment Lands and Other Assets

Idaho Endowment Trust Assets Estimated Value, June 2009

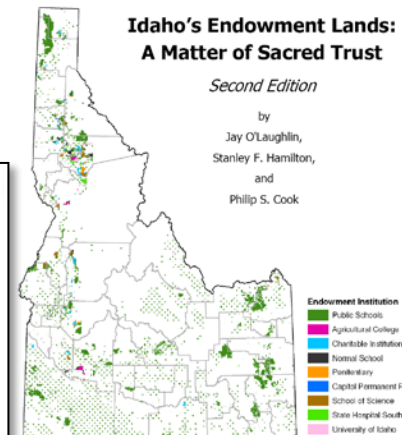
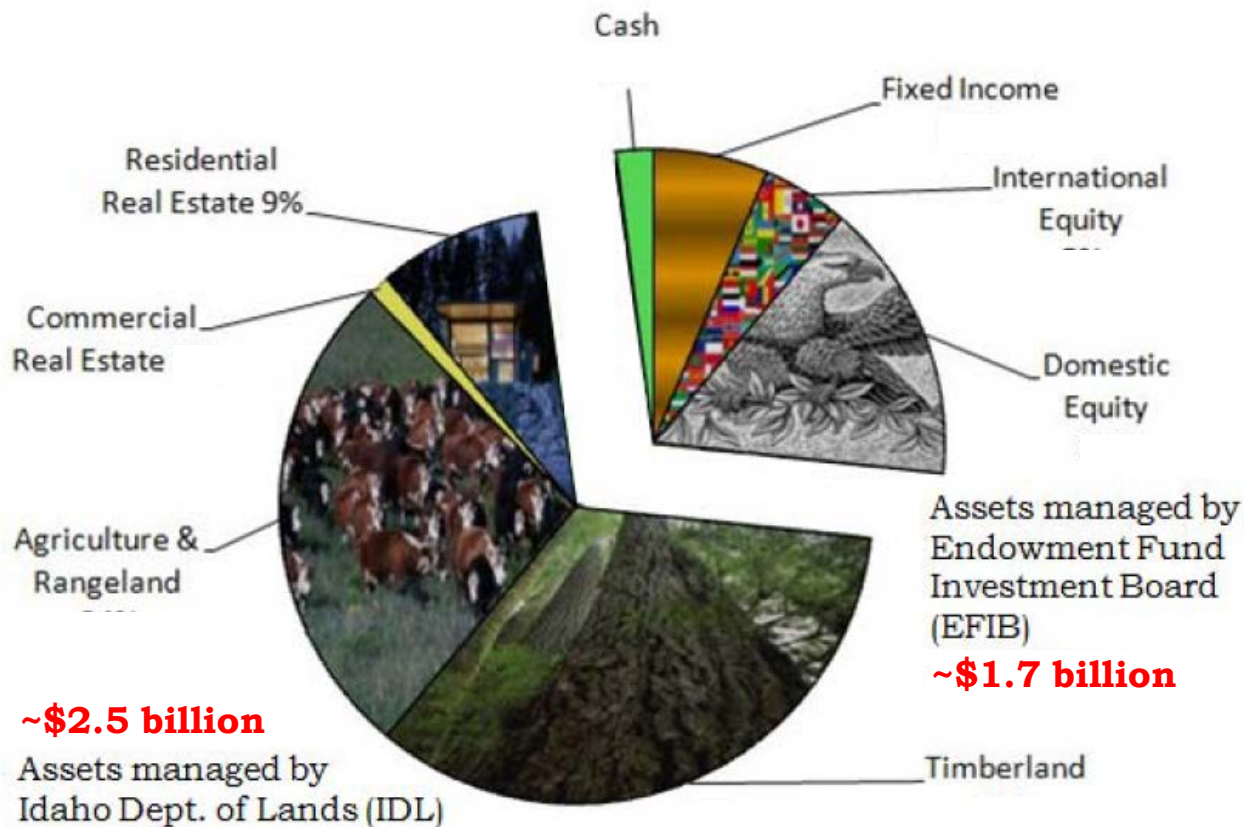


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Idaho's Endowment Lands and Other Assets

Idaho Endowment Trust Assets Estimated Value, Aug. 2014



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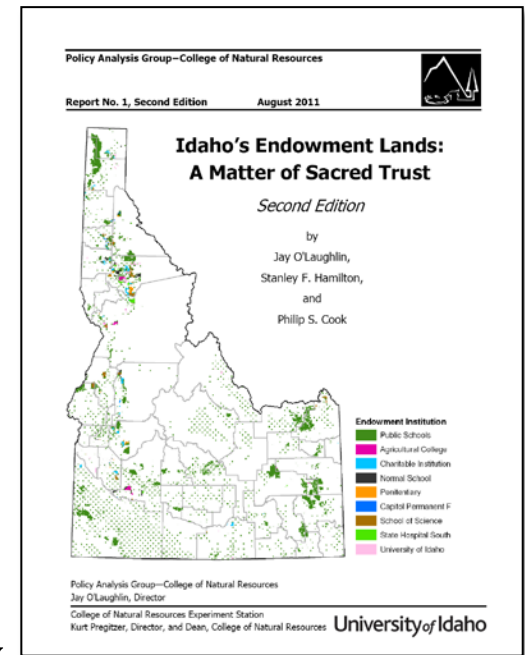
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The school land grant was confirmed at statehood, at which time other specifically designated public institutions also received land grants. [Idaho Admission Act]

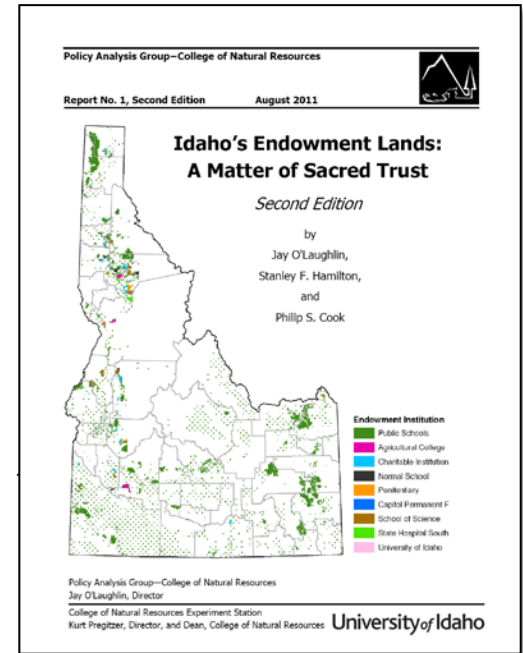


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The mission statement for Idaho's endowment lands as expressed in the *Constitution of the State of Idaho* is quite specific. The mission statement requires the Idaho State Board of Land Commissioners (Land Board) as trustee to manage endowment lands “. . . in such manner as will secure the maximum long term financial return to the institution to which granted . . .”



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Table 2. Idaho endowment land ownership by beneficiary institution, 1890-2010 (acres).

Beneficiary Institution	1890	1940	2010
Public Schools	2,982,683	2,543,962	2,080,249
Agricultural College (U of I)	90,000	42,836	33,526
Charitable Institutions*	150,000	86,085	77,211
Normal School†	100,000	53,389	60,046
Penitentiary	50,000	34,051	29,067
School of Science (U of I)	100,000	74,714	75,875
State Hospital South‡	50,000	30,315	31,414
University of Idaho	96,080	51,316	54,646
Public Building (Capitol)	32,000	14,719	7,222
Total	3,650,763	2,931,387	2,449,255

* Idaho State University, Industrial Training School, State Hospital North, Idaho Veterans Homes, and the School for the Deaf and Blind.

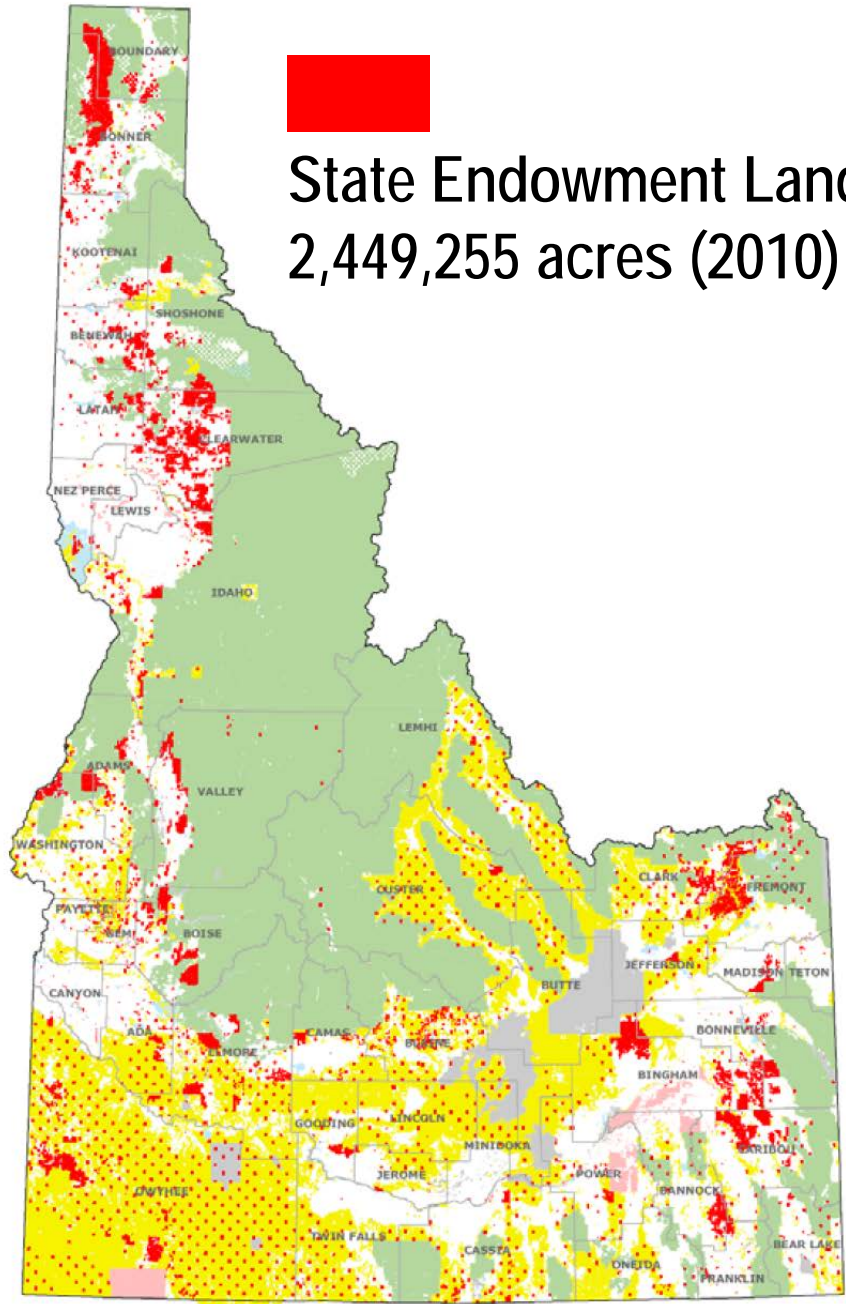
† Idaho State University Department of Education and Lewis-Clark State College.

‡ Grant was to the “Insane Asylum” and later renamed State Hospital South.



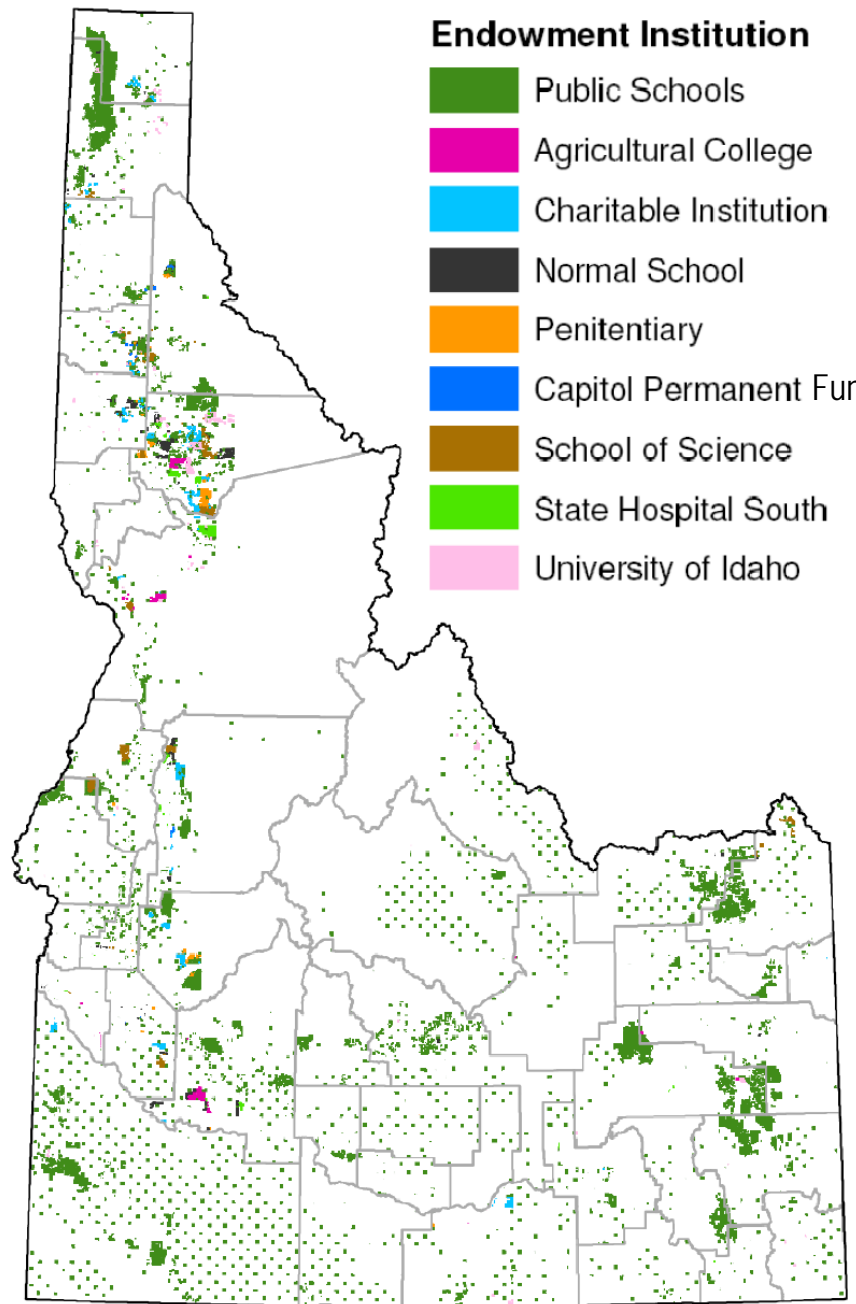


State Endowment Land 2,449,255 acres (2010)



Endowment Institution

- Public Schools
- Agricultural College
- Charitable Institution
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- Capitol Permanent Fund
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What restrictions, if any, are tied to the lands?

... the trust agreement—as statutorily defined in state admission acts and constitutions and reaffirmed by subsequent case law decisions—obliges the state to limit its actions concerning the endowment trust lands and to treat the proceeds from those grant lands with extraordinary care. As the Idaho Supreme Court has repeatedly stated, the Land Board “must find authority in the constitution and statute for its acts.” (p. 7)

... both the Land Board and the Legislature not only have constitutive authority to use the land to produce financial returns for the public institutions designated as beneficiaries, they have an affirmative duty to do so.” (p. 9)



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