



Endowment Asset Issues Interim Committee | August 28, 2014

# IDAHO DEPARTMENT OF LANDS

Director Tom Schultz



# VISION

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The Idaho Department of Lands will be the premier organization for trust management, service, and regulatory oversight in the western United States.

We will invest in Idaho's resources to maximize financial returns to the endowment trust beneficiaries and enhance the health and resilience of Idaho's natural resources for the benefit of all Idahoans.

We will deliver programs with professionalism and integrity, providing exemplary service to the citizens of Idaho.

We will invest in our employees and have an organizational culture and framework that equips, entrusts, and expects employees to make decisions.

The Idaho Department of Lands will be a unified and vibrant organization in which all employees participate in constructive communication to fully meet our missions.



# MISSION

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To professionally and prudently manage Idaho's endowment assets to maximize long-term financial returns to public schools and other trust beneficiaries and to provide professional assistance to the citizens of Idaho to use, protect and sustain their natural resources.

# STATE BOARD OF LAND COMMISSIONERS

Governor

Secretary of State

Attorney General

State Controller

Superintendent of Public Instruction

*“State auditor” was added as member in 1910.*

*The “state auditor” was changed to “state controller” in 1994.*



# AUTHORITIES

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- **Idaho Admissions Act**
- **Idaho Constitution**
- **Idaho Code, Title 58 Public Lands**



# AUTHORITIES

## ➤ Idaho Constitution

### ➤ Article IX, Section 7

- *“The governor, superintendent of public instruction, secretary of state, attorney general and state controller shall constitute the state board of land commissioners, who shall have the direction, control and disposition of the public lands of the state, under such regulations as may be prescribed by law.”*

### ➤ Article IX, Section 8

- Lengthy description of authorities
- *“It shall be the charge of the state board of land commissioners to...[manage the endowment lands] in such manner as shall secure the maximum long-term financial return to the institution to which granted...”*
- *“...not to exceed one hundred sections of state lands shall be sold in any one year, and to be sold in subdivisions of not to exceed three hundred and twenty acres of land to any one individual, company or corporation.”*



# OTHER STATES

- **At least 23 other states still have State trust lands, mostly in western United States**
- **Oversight varies**
  - Constitutional officers
  - Elected land commissioner
  - Citizen commission (only Utah)
- **Many State trust land agencies have additional duties in regulatory and assistance functions, similar to IDL**



# ELECTED LAND COMMISSIONER MODEL

- **Five states have an elected land commissioner**
  - Washington, Texas, South Dakota, New Mexico, Arkansas
  - Directly accountable to voters, not Governor or a Land Board
- **Two types of organizational structure**
  - “DNR” structure (Department of Natural Resources) – Multiple functions
  - “Trust Lands” structure – Single focus to manage trust lands



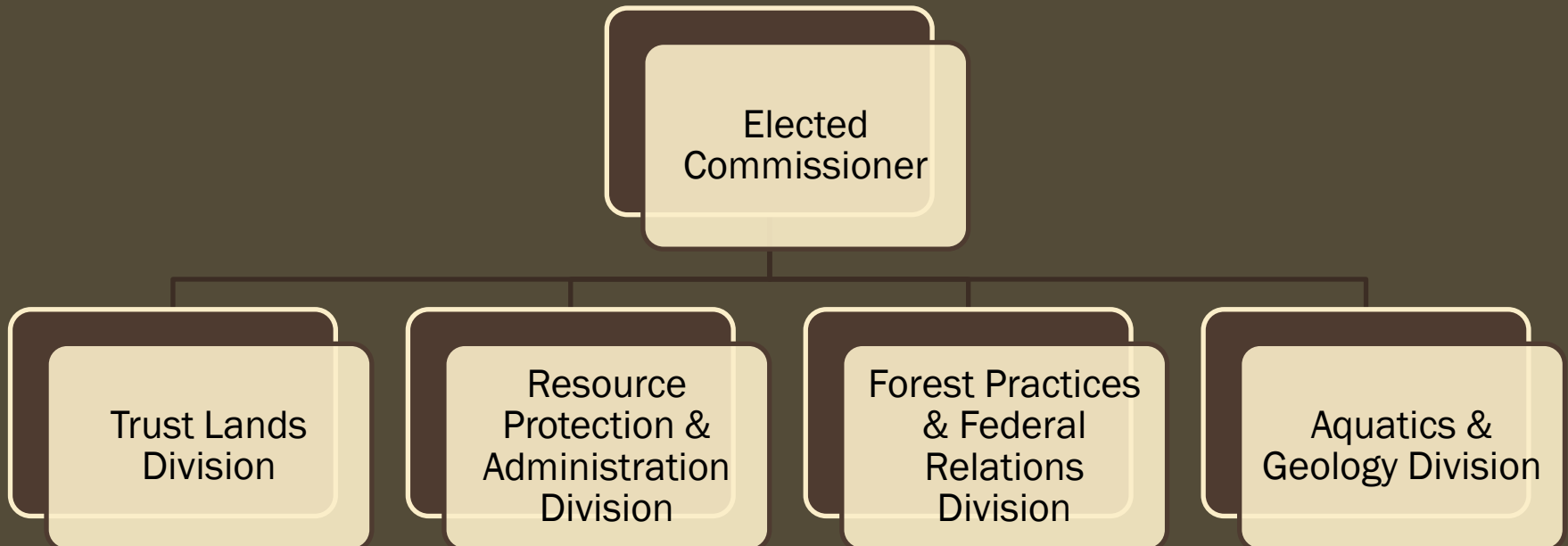
*The Alamo –  
Management  
recently transferred  
to the Texas  
General Land  
Office under Land  
Commissioner Jerry  
Patterson*

# ELECTED LAND COMMISSIONER MODEL

## *DNR Structure – Multiple Functions*



### Elected Land Commissioner DNR Organizational Structure Multiple Functions Washington and Texas



# ELECTED LAND COMMISSIONER MODEL

## *Trust Lands Structure – Single Focus*



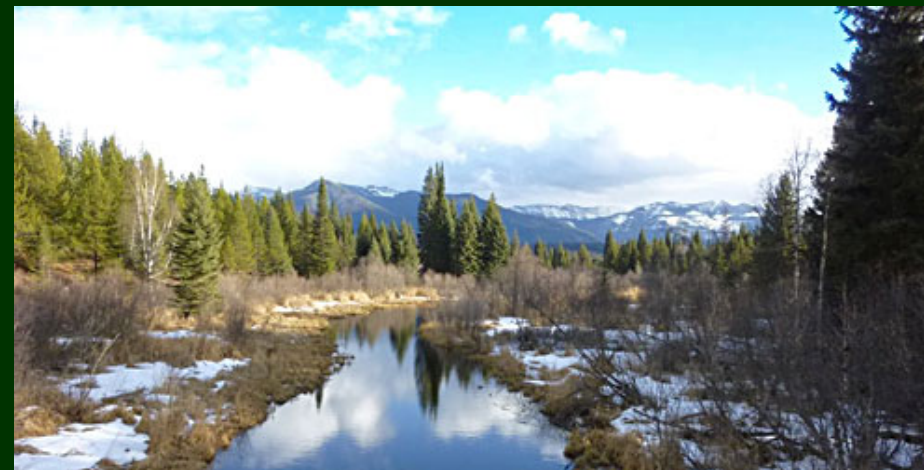
### Elected Land Commissioner Trust Lands Structure Single Focus

South Dakota, New Mexico, Arkansas



# APPOINTED DIRECTOR MODEL

- **13 states have appointed director/commissioner**
  - Idaho, Montana, Colorado, Minnesota, Alaska, Oregon, Utah, Arizona, North Dakota, Oklahoma, Nebraska, Wyoming, Wisconsin, California
  - Reports to a Governor or Land Board
- **Two types of organizational structure**
  - “DNR” structure (Department of Natural Resources) – Multiple functions
  - “Trust Lands” structure – Single focus to manage trust lands



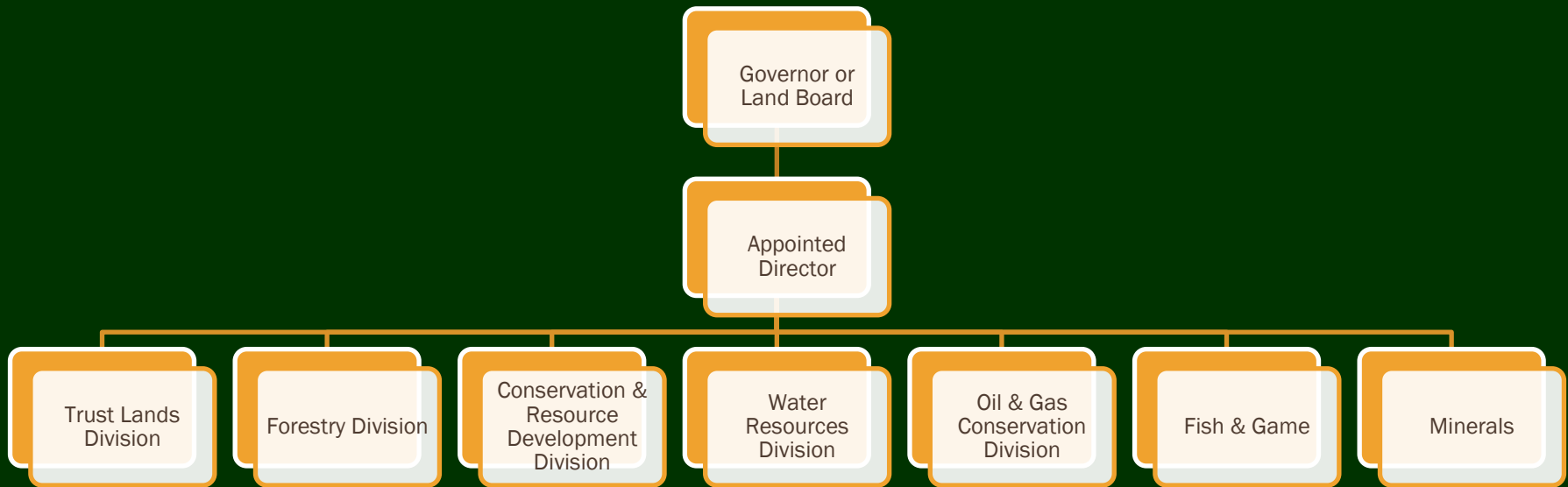
*Swan River State Forest, Montana*

# APPOINTED DIRECTOR MODEL

## *DNR structure – Multiple Functions*



### Appointed Director DNR Organizational Structure Multiple Functions *Idaho, Montana, Colorado, Minnesota, Alaska*



# APPOINTED DIRECTOR MODEL

## *Trust Lands Structure – Single Focus*



### Appointed Director Trust Lands Structure Single Focus

*Oregon, Utah, Arizona, North Dakota, Oklahoma, Nebraska, Wyoming, Wisconsin, California*

- Elected boards in Oregon, North Dakota, Oklahoma, Nebraska, Wyoming, Wisconsin, and California
- Utah is only state with appointed board
- Arizona has no board; Director works for Governor



# SUMMARY

## *Other State Models*



### **Elected Commissioner Model**

- **DNR Structure:**  
Multiple Functions
  - Washington, Texas
- **Trust Lands Structure:**  
Single Focus
  - South Dakota, New Mexico, Arkansas

### **Appointed Director Model**

- **DNR Structure:**  
Multiple Functions
  - Idaho, Montana, Colorado, Minnesota, Alaska
- **Trust Lands Structure:**  
Single Focus
  - Oregon, Utah, Arizona, North Dakota, Oklahoma, Nebraska, Wyoming, Wisconsin, California



# EVOLUTION OF IDL

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- Department of Public Lands created in 1919 as “instrumentality” of Land Board
- Name changed to Idaho Department of Lands in 1974

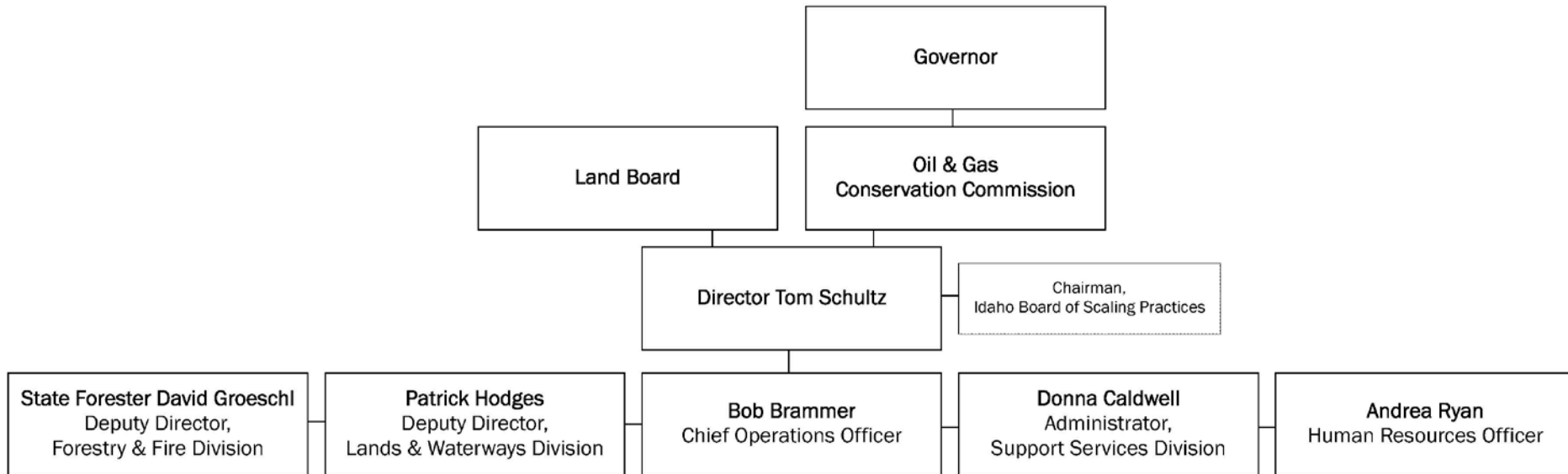


# **IDL – LAND BOARD INTERACTION**

- **Land Board meets once a month**
- **Each member designates one or more staff persons to be focused on Land Board issues**
- **IDL stays engaged with Land Board members and staff throughout the month**
  - **Regular staff briefings**
  - **Weekly e-mail updates**



# LEADERSHIP





# AGENCY STRUCTURE

- 264 permanent employees
- Approximately 325 temporary employees
  - ~50 year-round part time
  - ~75 seasonal foresters
  - ~200 seasonal firefighters
- **Operations** – The work of the agency is carried out by staff in 10 Supervisory Areas including 14 office locations
- **Forestry & Fire Division** – Based in Coeur d’Alene, provides programmatic guidance to field staff in fire management, forest management, forestry assistance, and technical services
- **Lands & Waterways Division** – Based in Boise, provides programmatic guidance to field staff in endowment leasing, oil and gas regulation, public trust land administration, & mining regulation
- **Support Services** – Fiscal, IT, Purchasing, Records Management



# DIVERSITY OF DUTIES

Grazing Leasing Dock Permits  
Grants Farming Leasing Landowner Assistance  
Insects and Disease Wildland Firefighting Timber Sales  
Oil and Gas Leasing Conservation Leasing  
Surface Mining Regulation Riverbeds Oil and Gas Regulation Dredge  
Timber Harvest Regulation Commercial Leasing  
Rangeland Fire Protection Associations  
County Wildfire Protection Plans Placer Mining Regulation  
Conservation Easements Surplus Property  
Community Trees Idaho Forest Action Plan Burn Permits  
Forest Legacy Abandoned Mines Minerals Leasing  
Cottage Sites

# ENDOWMENT FUNCTIONS

*How we make the money*



## FY14 Gross Revenues

\$72,735,914	Forest Land
\$554,046	Agriculture Land
\$2,160,442	Grazing Land
\$5,281,790	Residential Real Estate
\$5,244,441	Commercial Real Estate
\$108,981	Non-Commercial Recreation
\$116,209	Conservation
\$1,154,176	Oil & Gas
\$2,411,223	Minerals
\$11,947,615	Land Sales
<b>\$101,714,836</b>	<b>Total</b>

# REGULATORY & SERVICE FUNCTIONS

- **Fire Management** – 6.2 million acres protected
- **Public Trust Land administration**
  - Lake Protection Act
- **Mining**
  - Surface Mining Act
  - Dredge & Placer Mining Act
  - Abandoned Mine Reclamation Act
- **Forestry**
  - Forest Practices Act
  - Landowner Assistance, Forest Health, Urban & Community Forestry, Forest Legacy

# **OIL AND GAS CONSERVATION COMMISSION**

- **Oil and Gas Conservation Act administration**
- **Five-member citizen commission appointed by Governor and confirmed by Senate**
  - IDL is the administrative arm of the commission
  - Quarterly meetings transitioning to bimonthly



# ACQUISITIONS & DISPOSITIONS

## ➤ **Section 5 of Idaho Admissions Act**

- Authorizes sale of endowment land and exchange of endowment land for other public or private land

## ➤ **Sale auctions authorized by Article IX, § 8 and I.C. § 58-101**

- Sale proceeds can be deposited into land bank fund and used to acquire land for the same endowment within five years of the sale
- “...not to exceed one hundred sections of state lands shall be sold in any one year, and to be sold in subdivisions of not to exceed three hundred and twenty acres of land to any one individual, company or corporation.”



# ACQUISITIONS & DISPOSITIONS

- **Land exchanges authorized by I.C. § 58-105.8, 58-133, 58-138**
  - Review Appraisals: In 2014, House Bill 536 amended I.C. § 58-138 to require review appraisals for properties in land exchanges



# DUE DILIGENCE - ACQUISITIONS

## ➤ Due diligence checklist

- Applies to purchases and land exchanges
  - Sample outlined in Asset Management Plan, pages 67- 71
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- Commitment for Title Insurance
  - Phase One Environmental Site Assessment
  - Access
  - Utilities
  - Production Data
  - Mineral Rights
  - Water Rights
  - Physical Improvements
  - Approvals and Entitlements
  - Personal Property
  - Rights-of-Way (Easement) Impacts
  - Endangered Species
  - Leases affecting the property
  - Appraisals and Appraisal Review
  - Property Boundary Survey
  - Timber Rights & Timber Cruise/Harvest/Road Analysis
  - Conservation Reserve Program
  - Architecture/Engineering Analysis

# DISPOSITIONS

## *Auctions for Ownership*



- **Open, public auction**
- **Anyone can participate if they meet they meet qualifications of auction participation**

# DISPOSITIONS

## *Conflict Lease Auctions*



- Only available to the conflicting applicants
- All expiring leases for endowment trust lands and applications for “new” uses are subject to the public auction requirement if multiple lease applications are received for the same site
  - Includes cottage site leases (Idaho Supreme Court decision, 2012)
- Expiring leases are advertised
- After advertisement period, if more than one person applies to lease the same land, the lease is auctioned to the applicants at a “conflict auction”



# OVERSIGHT

- **Land Board Subcommittee on Endowment Investment Governance**
  - Established by Land Board in December 2013 (see attachment – Land Board memo & Maynard Report)
  - **Purpose:** Review investment decisions and recommend to full Land Board a governance structure for those decisions, especially those that may warrant outside expert review, consistent with the prudent expert approach
  - Hired **Callan Associates** to act as third party independent reviewer and consultant for Comprehensive Strategy Review
  - October 2014 – Subcommittee will present recommendations to Land Board

