

October 1, 2014

Good morning! My name is Teresa McCallum. I am a resident of Elmore County. Chairman Bayer, Chairman Vander Woude and members of the interim committee, I want to thank you for the opportunity to come in front of the committee to testify on state endowment land asset management issues important to me and other landowners.

My husband John and I have grazing and ranching interests in Elmore County. We lease about 15,000+ acres of state endowment lands. Many of these state lands are adjacent or inholding to our private grazing lands. Much or most of those state lands have no all-purpose legal access and/or very poor physical access. This lack of all-purpose legal access is a problem for the State of Idaho across much or most of the 1.5 million acres of state endowment grazing lands.

The Idaho State Board of Land Commissioners, as trustee, and Idaho Department of Lands, as manager, have a constitutional mandate and statutory responsibility to manage the state endowment lands to maximize the long-term, sustainable income to the public schools and other state endowment institutions. Inherent in this mandate or responsibility is the need for the trustee and manager of these state lands to solve the 1.5 million-acre dilemma. Purchasing easements to perfect access to realize other higher and better uses and increased net cash return on asset would seem a simple solution. However, the financial, legal and political costs of this approach would be a tall task and burden on the state and one costing the beneficiaries many years of lost income. The Land Board and Department of Lands have had over 120 years to solve this problem. All the land asset management plans

and revised editions thereof have done little to solve this problem. Asset management plans keep state employees busy, but little has been accomplished for the beneficiaries. The lone exception has been a few successful land exchanges here and there to dispose of scattered, under-performing state lands for acquisition of private lands to consolidate and provide all-purpose legal access to new or existing state lands.

Reports prepared by the Department of Lands and approved by the Land Board recognize the state grazing land program has generated less than one-tenth of one percent net cash return on asset. In recognition of the problem, the Land Board and Department have undertaken a grazing rental study to determine the fair-market rent for grazing. Let's assume the rent triples from its current rate. This rent increase would still amount to a fraction of one percent net cash return on asset to the state beneficiaries. This is hardly worth the time, effort and expense. There is a better and more profitable answer. Land exchanges.

The Land Board recently approved a report revealing the approximately 1.5 million acres of state grazing lands is estimated to have a fair-market value of nearly 1 billion dollars. The acres generating less than one percent net cash return on asset could and should be exchanged and converted to other natural resource lands, including farm, mineral and timber lands. These lands can be more easily managed by the Department of Lands with its core competency in managing natural resource lands. These lands would generate a 4 to 5 percent cash return on asset. And, historically, these lands appreciate at a reasonable rate comparable to other land asset types to give a good total return on asset.

This land exchange strategy has been successful in other public land grant states. Idaho too has a history of having completed many successful equal value land exchanges until the recent folly of acquiring commercial property.

Many ranching interests in Idaho would stand ready, willing and able to capitalize land exchanges to acquire the state grazing lands in exchange for the state receiving other land assets. The exchange of under-performing, scattered state tracts with no all-purpose legal access for acquisition of farm, mineral and timber lands with all-purpose legal access is a simple and straight-forward process to benefit the state beneficiaries.

The exchange conversion and net gain in acres with all-purpose legal access would also have secondary benefits for the public. More or better access to public lands with legal access would help mitigate conflict with private landowners who now control access to the scattered state lands. This exchange process would help preserve public access to state lands versus a public auction process that would reduce public use of state lands. The auction process and putting the dollars in a risky portfolio seems to be the path and intent of the current Land Board. The last crash of the stock market and losses to the state investments was a painful lesson.

Every year there is no action on the part of the Land Board to direct the Department of Lands to develop and complete land exchanges is another year of lost potential income to the public schools. Let's assume a modest 4 percent cash return against a 1 billion dollar grazing land asset. This amounts to a 40 million dollar per year loss to the

beneficiaries . . . our school-kids in Idaho. To me, this would seem a monumental breach of trust duties on the part of our five state-wide elected officials who make up the Land Board. With this in mind, it is imperative that the state legislature, through this interim committee, exercise its constitutional legislative oversight responsibility per Article IX Section 8 of the Idaho Constitution " . . . to authorize the state board of land commissioners to exchange granted or acquired lands of the state on an equal value basis for other lands under agreement with the United States, local units of government, corporations, companies, individuals, or combinations thereof.

Again, thank you for this opportunity to testify on this very important issue.

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