As new states entered the union, Congress made land grants to those states to provide support for a variety of public institutions, principally public schools. These lands were accepted through ratification of state constitutions that contained provisions guiding the state’s management of these lands. Unlike public lands, state trust lands, or endowment lands as they are referred to in Idaho, are held in trust by the state for designated beneficiaries. As trustees, state land managers have a fiduciary duty to manage the lands for the benefit of the beneficiaries of the trust grant. They lease and sell these lands for a diverse range of uses to meet that responsibility – generating revenue for the designated beneficiaries, today and for future generations.

There are almost 2.5 million surface acres and approximately 3 million mineral acres of endowment land in Idaho. Surface acres include land that is managed for timber, cottage sites, grazing, and residential and commercial real estate leasing uses. The mineral acres include underground areas that are managed for the extraction of minerals and other materials like sand, gravel and rock. While most of these lands are distributed in a checkerboard pattern in the central and southern parts of the state, there are also a number of large, consolidated parcels of endowment land.

**How are endowment lands in Idaho managed?**

Endowment lands in Idaho are managed by the State Board of Land Commissioners that determines the policies, rules, and strategic plans for the agency, the Idaho Department of Lands (IDL). The Land Board is comprised of five statewide elected officials: the Governor, Secretary of State, Attorney General, State Controller, and the Superintendent of Public Instruction. The Land Board hires the Director of the Idaho Department of Lands. The Idaho Constitution requires the Land Board to manage the land “in such a manner as will secure the maximum long-term financial return to the institution to which granted.” The Land Board is also responsible for oversight of the Endowment Fund Investment Board. The IDL has many other responsibilities relating to the many other lands held by the state in addition to the endowment lands.

The IDL is responsible for the management, lease and sale of Idaho’s endowment land. Revenue generated from the management of endowment land is deposited into either an Earnings Reserve Account or a Permanent Endowment Fund, both of which are invested by the Endowment Fund Investment Board. Earnings are also used to pay the trust expenses of the agency which is not dependent on tax dollars for its trusts operations. The IDL’s mission is to “manage endowment trust lands to maximize long-term financial returns to the beneficiary institutions and provide protection to Idaho's natural resources.”
Who are the beneficiaries of endowment lands in Idaho?

Revenues generated from Idaho’s endowment lands are deposited into nine different trust funds that support 14 beneficiary groups. Trust funds that benefit multiple beneficiaries are split, with a certain proportion of distributed revenue going to each beneficiary for that trust fund. Those amounts are noted in the chart below.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Beneficiary</th>
<th>Surfaces Acres in Fund</th>
<th>% Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural College</td>
<td>University of Idaho</td>
<td>33,464</td>
<td>1.3%</td>
</tr>
</tbody>
</table>
| Charitable Institutions | Idaho State University (4/15)  
Industrial Training School (4/15)  
State Hospital North (4/15)  
Soldiers’ Home (5/30)  
School for the Deaf and Blind (1/30) | 77,807                 | 3.2%    |
| Public Schools    | Public Schools (K-12)                             | 2,090,904              | 85.0%   |
| Normal School     | Idaho State University (1/2)  
Lewis-Clark State College (1/2) | 59,693                 | 2.4%    |
| Penitentiary      | Penitentiary                                      | 28,904                 | 1.2%    |
| Capitol           | Capitol Building Improvements                      | 7,222                  | 0.3%    |
| School of Science | University of Idaho                                | 75,397                 | 3.0%    |
| State Hospital South | State Hospital South                              | 31,009                 | 1.3%    |
| University        | University of Idaho                                | 55,861                 | 2.3%    |
| **Total**         |                                                   | **2,460,261**          | **100%**|

Public schools are the designee of 85% of the endowment land in Idaho and receive the majority of the revenue generated by endowment lands in the state.
How are revenues generated from endowment lands?

Idaho endowment land managers generate revenue from these lands in a number of ways including timber sales, cottage site leases, and grazing, mineral and real estate leases. The three largest sources of revenue for the trusts from endowment lands in fiscal year 2005 were timber sales, cottage site leases (for residential cabins), and commercial leases.

The biggest source of income for the beneficiaries comes from timber sales. Rather than leasing timberlands outright, the IDL sells timber at auction to the highest bidder at a thousand-board-foot rate which varies depending on the timber type harvested. The auction grants the highest bidder the right to harvest the designated trees, and the winner of the auction is mailed a monthly invoice for the value of the thousand-board-feet that were attained and harvested.

How does the revenue get to the beneficiaries?

Each year, revenues generated from endowment land uses are deposited into the given beneficiary group’s Permanent Endowment Fund or Earnings Reserve Account. Permanent Endowment Funds receive revenues from non-renewable resources like mineral royalties, excepting land sale revenue. Revenues from renewable sources such as timber, grazing, cottage site leases, other lease revenues and lease bid premiums are deposited into the Earnings Reserve Account. Revenue from the sale of endowment land is deposited in the Land Bank Account where it can be used to purchase replacement endowment lands to continue generating revenue for the trust. However, if the revenue from a land sale in the Land Bank Account is not used to purchase replacement lands within five years, it is transferred to the Permanent Endowment Fund. In fiscal year 2006, Idaho endowment lands generated $66 million for all beneficiaries. After management expenses, approximately $35 million was deposited into the public schools’ Endowment Funds.

The Endowment Fund Investment Board (EFIB) manages and invests the Permanent Fund and the Earnings Reserve Fund as a single pool of assets for each of the beneficiaries, and is required to show prudence, diversification, loyalty and impartiality in their investments. Only the interest and dividend income from the Permanent Fund is distributed to beneficiaries, while the corpus of the Permanent Fund remains untouched. Permanent Fund interest and dividends in excess of inflation are deposited into the Earning Reserve Fund for the given trust, which is available for legislative appropriation and distribution to beneficiaries. The EFIB uses the Permanent Endowment Funds to generate investment income for the trusts. The Earnings Reserve fund serves as a buffer and stabilizer, muting the volatility of the financial investments and earnings from endowment lands in order to make the distributions to the beneficiaries more stable and predictable.

The State Board of Land Commissioners sets an annual distribution rate for each of the beneficiaries based on a three-year moving average of the market value of the Permanent Fund and proportion of the Permanent Fund attributed to each beneficiary. This allows the Board to respond to changing returns from the land and
Public schools in Idaho receive funding from a combination of federal, state and local funds. State funding provides 53% of total education funding, and of the state’s portion, endowment land revenues make up nearly 4%.

**Public School Trust Funding Flow Chart**

Public schools in Idaho receive funding from a combination of federal, state and local funds. State funding provides 53% of total education funding, and of the state’s portion, endowment land revenues make up nearly 4%.

**FY 2003 Public School Funding Source Diagram**

Local and Intermediate Funds

- **Federal Funds**
  - 9%
  - $166,625,999

- **Local Funds**
  - 28%
  - $528,369,466

**Total Revenue for Public Schools**

- **State Funds**
  - 53%
  - $1,003,507,945

- **Other Sources**
  - 10%
  - $204,827,662

**Endowment Distributions**

- 3.7% of State Funds
  - $37,056,500
Trust land revenues and endowment fund earnings play a consistent role in the funding of public schools in Idaho. In FY2006, revenues to public schools from land and investment activities were $53.5 million dollars.27

Sources:

3 Telephone interview with Winston Wiggins, Director of the Idaho Department of Lands, September 29, 2005.
5 Idaho Code § 58-104.
6 Idaho Constitution Article IX § 8.
7 Idaho Code § 58-104.
8 Idaho Department of Lands webpage http://www.idl.idaho.gov/overview.htm.
9 Ibid.
11 Idaho Department of Lands webpage http://www.idl.idaho.gov/overview.htm.
15 Kathy Opp, Support Services Division Administrator, Personal Communication, November 4, 2005.
16 Ibid.
17 Idaho Department of Lands Annual Reports FY 1999- FY 2006.
20 Ibid.
21 Idaho Code § 58-104.
23 Telephone interview with Winston Wiggins, Director, Idaho Department of Lands, September 29, 2005.
24 Ibid.
25 Information generated from Idaho Codes and Endowment Fund Investment Board Financial Statements.
26 FY 2003 data from National Center for Education Statistics (NCES) with the exception of the Trust Land Revenue data which comes from the Idaho EFIB Financial Statement 2003. “Other Sources” is defined as “Revenue from bond principal and premiums, sale of school property, or compensation from loss of fixed assets.” NCES Database, Glossary, http://nces.ed.gov/ccd/bat/Glossary_Asp?letter=O.

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