



Fiscal year ends with strong performances in endowment land and fund management

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(BOISE) - Managers of Idaho's land grant endowment assets closed out Fiscal Year 2017 (FY17) with strong performances, yielding **more money to support Idaho's public school system, higher education, and other State of Idaho institutions.**

The Idaho Department of Lands (IDL) reports that revenue generating activities on endowment lands coupled with proceeds from sales of residential cottage sites and commercial real estate properties during the fiscal year ending June 30, 2017, amounted to approximately \$125.8 million. FY17 gross land revenues were \$74,682,023, up slightly compared to FY16.

The Endowment Fund Investment Board (EFIB) manages the investment of land revenues. The **Endowment Fund earned a 12.8 percent return in FY17**, compared to a loss of 0.2 percent in FY16. Investment earnings are estimated at \$234 million, up from a loss of \$3 million in FY16. The **balance in the Endowment Fund exceeds \$2 billion for the first time ever.** The fund's average annual gross return has been 9.5 percent over the last five years and 6.4 percent over the last 10 years.

Distributions to endowment beneficiaries totaled \$63.2 million in FY17 and will rise 16 percent to \$73.5 million in FY18. The Land Board will begin considering the level of distributions for FY19 later this month.

More than 2.4 million acres of endowment lands in Idaho along with the funds they generate are overseen by the State Board of Land Commissioners (Land Board), comprised of Idaho's governor, secretary of state, attorney general, state controller, and superintendent of public instruction.

ENDOWMENT LAND MANAGEMENT HIGHLIGHTS IN FY17

Forest Management

Timber harvested on endowment lands in FY17 totaled approximately **220.4 million board feet worth more than \$63.3 million.** The FY17 timber harvest volume fell below recent years' totals because very wet fall and spring conditions prevented harvesting activity, but timber harvest receipts were still strong due to higher prices.

IDL foresters and private contractors planted approximately **2.7 million tree seedlings across 9,600 endowment acres** in FY17.

Commercial Property Sales

The Land Board targeted 2016 and 2017 to sell most endowment commercial properties in order to take advantage of the strong local commercial real estate market. The decision was based on the recommendation of the Land Board's commercial real estate advisor, who also identified challenges and limitations IDL faced in efficiently owning and operating some commercial real estate properties.

In FY17, IDL **auctioned seven commercial properties for \$17,265,000, which was \$4,475,000 above the appraised price** of the properties.

An auction of additional commercial properties is slated for fall 2017.

Continued Cottage Site Sales

In FY17, IDL **closed escrow on 75 residential cottage site lots** at Priest Lake in northern Idaho and Payette Lake in west central Idaho. The lands are owned by the State of Idaho as endowment lands, and the cabins and other improvements on the lands are owned by leaseholders as personal property.

Since 2011, IDL has sold 276 cottage sites at Priest Lake and Payette Lake for \$120,183,109, which was \$3,163,696 above the appraised price of the properties. Less than 250 leased lots remain, and the Land Board authorized IDL to continue offering leased and un-leased lots for auction through the end of 2019. For currently leased lots, the leaseholders have the option to nominate the lot they lease for auction.

Strategic Reinvestment

The Land Board will **consider purchases of timberland and farmland using proceeds from the sale of commercial properties and cottage sites**, provided the lands to be acquired meet certain prudent investment criteria.

In FY17, the Land Board approved the **purchase of 1,398 acres in Benewah County.** The lands were owned by the Idaho Department of Fish and Game. Under IDL ownership, the lands will provide sustainable timber harvest and continued access for the public.

The Land Board also approved the **purchase of a 2,374-acre block of timberland in Idaho County** from a private holding company. The lands are adjacent to existing endowment timberlands. The purchase was supported locally and the public will be able to access the lands for recreation.

With input from a third party expert acquisition advisor, IDL continues to evaluate potential land purchases.

OTHER FY17 HIGHLIGHTS

Good Neighbor Authority

The pace and scale of forest and watershed restoration activities on federal lands in Idaho is increasing under Good Neighbor Authority (GNA).

Through GNA, federal land management agencies can take advantage of support from the State of Idaho to execute more land management projects. Increased staff capacity and streamlined processes offered through IDL are supplementing the work of the U.S. Forest Service on national forests in Idaho.

In FY17, **IDL auctioned two GNA timber sales on the Nez Perce-Clearwater National Forests**, resulting in the treatment of hundreds more acres of federal forests. Several more GNA projects are planned on national forests throughout Idaho.

Oil and Gas

The Governor and 2017 Legislature approved the creation of a **new Oil and Gas Division** within IDL to support the Oil and Gas Conservation Commission (OGCC) and oil and gas regulatory program. They approved four new full time positions in Boise - a division administrator, an administrative assistant, an information technology position, and an oil and gas inspector. These four individuals join the oil and gas program manager in staffing the new Oil and Gas Division.

A host of other statutory changes related to the oil and gas regulatory program passed during the 2017 legislative session. One of the biggest legislative changes was the **restructuring of the OGCC itself**. The commission previously was made up of five individuals - two landowners (one with mineral rights and one without), and experts in water, geology, and oil and gas. The new commission now includes the IDL director, a county commissioner from a county where oil and gas production is happening, and three subject matter experts that must have a college degree in geosciences or engineering and at least ten years of experience in the oil and gas industry. The new commission took effect July 1, 2017.

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