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April 22, 2014

**1. Outgoing state superintendent Tom Luna has pushed the state Land Board to maintain smaller balances in reserves, in order to boost payments to K-12. Do you support such an idea? Why or why not?**

I would not support reducing reserves to increase payments to K-12 given the current financial condition of the endowment fund. The reserves have fallen from 5 years' payments to 3.9, and committing additional funds to increase yearly payments would jeopardize the stability of the fund. If the endowment were to exchange nonproducing properties for timber properties that would generate substantially more income, payments could be increased without spending down these reserves.

**2. In February, the Land Board voted to suspend the purchase of commercial properties. Do you support this move, and keeping this moratorium intact? Are there any circumstances under which you support adding commercial properties to the state's endowment portfolio?**

I support the suspension of the purchase of commercial properties. I do not support the state Land Board using its trust funds to purchase commercial properties, and don't know of any circumstance that would cause me to change that position. The Land Board should divest itself of these properties as expeditiously as possible. The Land Board should not acquire, hold or manage businesses or other commercial properties in competition with private Idaho businesses. The constitutional directive that the board manage state lands to achieve the maximum long-term financial return for Idaho schools can best be served by the acquisition of other lands more suitable to state management, such as timber lands.

**3. A recent Congressional Research Service report says federal agencies spent \$392 million managing federal lands in Idaho in 2011-12 — and the state would incur much of these costs if federal lands are transferred to the state. Could the transfer of federal lands prove to be a net loss to the state, and to the endowments supporting K-12 and other beneficiaries?**

The transfer of some of our federal lands back to the state of Idaho would not result in a net loss to the state and endowments. In fact, history proves that the state would generate substantial new revenues by accepting transfer of some of our federal lands because it already manages its public lands better than the federal government. As one expert from the Cato Institute noted:

"Three states — Idaho, Oregon, and Washington — manage just 8.5 percent of state forest land yet produce 66 percent of the revenues and 73 percent of the

profits. That is due in part to those states' having valuable timber, but it is also due in part to the strength of the trust arrangements in those states. Because the forests in those states make such a large contribution to education funds, educators and elected officials make more effort to monitor the agencies managing the forests.”  
*Cato Policy Analysis No. 276, 7/3/97*

The state Land Board already manages Idaho lands profitably while the federal government loses money on adjacent federal lands. The federal government does not generate revenue to offset its management costs because it is incapable of properly managing timber and mineral lands. Our federal forests add 1.5 billion board feet of new growth to the fuel load every year, while we currently harvest only 200 million board feet. The remainder is harvested by fire. The loss of potential revenue to the state from that timber exceeds \$1 billion per year. Even the Idaho Department of Lands' February 2013 study concluded that Idaho could net \$51 million to \$75 million annually if the federal government turned over half of the federal lands within our state.

**4. The state is beginning the process of auctioning off lakeside cabin parcels. How do you think the state should balance the interests of leaseholders against the short- and long-term interests of endowment beneficiaries?**

The state should not be involved in the business of leasing residential properties, including lake cottage sites, in part because of the difficulty of fixing long-term lease rates that are predictable, reasonable and fair to the lessee and at the same time meet the requirements of the land trust. History has demonstrated that this investment does not produce a reasonable return for the state land trust. This practice also generates inequities and uncertainties for cottage site owners. The Land Board should use all available means to divest itself of these properties, including the exchange process, to accomplish that end, and to acquire lands more suitable to state management and generation of ongoing profits for Idaho schools.

For the interim period, until the Land Board completely divests itself of all lake cottage sites, the board must adopt policies and practices that honor its lease agreements in the same manner as if it were a private lessor, to provide fair and predictable fixed lease rates over the term of existing leases, not subject to arbitrary adjustment by re-appraisal during the lease term.

Exchanging lake lots for timber properties would generate substantial additional revenue for the trust fund, which has languished at the same level for a number of years. It would provide much needed additional revenue to Idaho schools, and relief to Idaho taxpayers who otherwise would have to fund that gap. Allowing the lake lots to be owned privately would also provide a substantial benefit to the Idaho counties in which these properties are located. Those counties already provide needed services to the properties and desperately need the property taxes that would be generated by private ownership of the lots to cover the cost of those

services. This would be a win-win-win for everyone involved, including all of Idaho's citizens.