

Russ Fulcher  
Republican candidate, governor  
April 25, 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?**

If you're talking about the Earnings Reserve Fund, remember that interest and dividends from capital gains that exceed the rate of inflation flow out of the Permanent Fund and into the Earnings Reserve Fund. Because the Permanent Fund investments include "equities," this makes them more risky of getting a capital loss. That would mean less money to the Earnings Reserve Fund for managing costs of the investments. While other monies come from fixed income assets, the bulk of the investments are in equities according to the Department of Lands' Asset Management Plan. That means we're accepting a higher risk. The bottom line is that we cannot cut down that reserve too far because we don't have consistent gains from those equity investments.

**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 believe the Land Board should stay away from purchasing or investing in commercial properties and businesses (such as the storage unit business). First, this is unfair to private individuals who invest their own money to start a business. The state can rely upon taxpayer money. Second, there are the tax advantages the state gets (vs. private owners) when it buys commercial property and develops it. Third, it is not necessary for the state to be buying commercial properties when the lumber industry is improving. The Idaho Forest Industry reports that since 2009, sales are up in lumber, paper and other primary wood products, and secondary wood products. This is due to better housing starts, more demand from overseas, and smaller supplies coming out of Canada (especially British Columbia and Quebec).

Idaho can make a better return by focusing on the core intentions of endowment lands, instead of taking unnecessary risks with future generations' money by putting it into commercial property, businesses, and other non-land investments. That said, I do wish to clarify one point: One of the means of disposal of state land provided for in our Constitution is via a land exchange. I can support an exchange of state property for commercial property, if the use of such property is government use (i.e.: government use property exchanged for other government use property).

**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 potential positive economic impact of the state and private enterprise wisely managing the lands within our borders dwarfs any cost expended through our debt-laden federal government. Please note the following:

In 2013, sales revenue was \$2.46 billion in 2013. Of the total timber harvested, 10 percent was on federal land, 34 percent was on state land, and 56 percent was on private land. Sales from the federal land alone were \$246 mi. If we had access to 100% of that federal land, we could realize sales revenue of at least \$2.2 billion. That would address the cost of managing the entire forestland under federal control (the \$392 million). I believe access to all of the land, along with relying on Idaho's superior management of our forests, would result in lower management costs.

Second, the University of Idaho's College of Natural Resources and the Idaho Forest Products Association reports that each million of board feet of timber harvested and processed creates 18 jobs (10 direct and 8 support). The average wage for the direct jobs is \$53,000 per year. That compares to \$41,600 average per year in all sectors. The high-wage jobs created generates more revenue through consumer spending.

Third, taxpayers spent \$211 million fighting the two million acres that burned in 2012. If we had access to what is now federally controlled land, we could get rid of some of the excess density, underbrush, and disease that make these fires worse, more dangerous to firefighters, and costly to our people and our environment. If we were able to manage and harvest more timber, we would generate more revenue and reduce the cost of fighting fires.

### **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?**

First, we must ensure we have thorough and comprehensive appraisals. Appraisals are vital, but they are estimates. Second, we need to make sure leases are subject to means of disposal that are provided for in the state Constitution, such as public auction or land exchange. Third, there is some concern on how the Land Board does its accounting. Although government uses cash accounting, the accrual accounting may give us a better understanding on the value and impact to the different short-term and long-term interests involved. Lastly, exchanges for real property need to be government use for government use.