

ENDOWMENT LANDS

On July 3, 1890, Idaho became the forty-third state of the Union. As a condition of statehood, Congress granted a total of 3,650,763 acres to the new State of Idaho to generate income for developing important state government functions and to support education. The acres were distributed to nine endowments:

- *Public Schools*
- *Agricultural College Fund (University of Idaho)*
- *Charitable Institutions Fund (Idaho State University, Industrial Training School, State Hospital North, Idaho Veterans Homes and the School for the Deaf and Blind)*
- *Normal School Fund (Idaho State University Department of Education, Lewis-Clark State College)*
- *Penitentiary Fund*
- *School of Science Fund (University of Idaho)*
- *State Hospital South Fund*
- *University Fund (University of Idaho)*
- *Capitol Commission*

Some of the land was sold to finance the original construction of these institutions. However, 2,460,261 total acres remain in state ownership to provide long-term financial support to these beneficiaries. The basic idea is that the income from these lands—historically mainly timber sales—would be invested to provide a perpetual income for educational and other important purposes.

The state therefore established three entities to manage these assets:

- The Idaho Department of Lands manages and produces revenue from these properties.
- An Endowment Fund was established where these revenues are invested.
- The Endowment Investment Board was established to manage the Endowment Fund.

Each acre of endowment land is dedicated to a particular beneficiary. Interestingly, the 14 acres where the Field Campus is located was not originally part of the UI endowment, but rather was part of the “Normal School” Endowment. The Normal Schools were the state teacher colleges, and included The Albion Normal School, which was closed in 1951 and merged with Idaho State University, and the Lewis-Clark Normal School, which became Lewis-Clark State University.

FIELD CAMPUS HISTORY

The University has occupied the McCall Field Campus property since in 1938. The dining hall was build by the Civilian Conservation Corps (CCC). As part of the President Franklin D. Roosevelt New Deal legislation, the CCC was designed first to aid relief of unemployment stemming from the Great Depression, to carry out a broad natural resource conservation program on national, state and municipal lands.

History of the University of Idaho McCall Field Campus.

Year	Event
1938	UI secures access to property
1939	Dining Hall built by the Civilian Conservation Corps (CCC)
1940	Forestry "Summer Camp" begins
1970s	Cabins and bunkhouses built
1990s	Summer Camp ends, programs and facilities decline, maintenance backlog grows
2001	McCall Outdoor Science School (MOSS) begins with thirty-five K-12 students from Idaho school districts.
2003	MOSS Graduate student residency program begins
2006	Ponderosa Institute Vision and Business Plan adopted \$150K winterization improvements allow year-round operation to begin
2007	MOSS grows to serve > three thousand Idaho K-12 students/year
2008	MOSS becomes part of UI National Science Foundation EPSCoR program

University of Idaho activities were originally permitted by an easement with an annual fee of \$250. During its early history the campus was used as the forestry "Summer Camp" for students in the College of Natural Resources (CNR). The facility was open from late May through early September, and closed for the rest of the year.

In 1986, the Land Board approved a land exchange whereby UI endowment land was exchanged for the Field Campus property. Land Board meeting notes indicate *the exchange was completed to allow the University of Idaho to conduct educational and outreach programs and to make lease payments to their own trust and remain on the property without the pressure to maximize the financial return for another endowment beneficiary.* In 1989, the Land Board determined the lease rate should be based on market value for such property.

The Summer Camp program was eliminated from the forestry curriculum in the 1990's. For several years thereafter, CNR used the Field Campus as a location for agencies and non-profit groups to deliver educational programs, workshops, professional retreats, and small conferences.

In 2001, and in partnership with the Palouse-Clearwater Environmental Institute and with the support of the Idaho Department of Parks and Recreation, the University embarked on an ambitious plan to convert the Field Campus into a residential learning center for K-12 students and graduate education. The purpose of the new McCall Outdoor Science School (MOSS) was: 1) to use the outdoors as an integrating context to teach K-12 students math and science, and; 2) to prepare graduate students as master math and science educators. MOSS has become part of the University's land grant mission to provide outreach to Idaho communities while enhancing the relevance and excellence of the University's academic enterprise.

The MOSS program grew quickly. A graduate residency program was initiated in 2003 with a \$750,000 AmeriCorps grant. In 2006 the facility was winterized and by 2007 was opened for year-round programming. By 2007, MOSS programs were serving over 3,000 K-12 students annually, and 15 graduate students were living on site while taking classes and working in the MOSS K-12 program. In 2008, MOSS partnered with the UI NSF EPSCoR to deliver the outreach components of the program. As the facility for these programs, the McCall Field Campus has become integral to UI

graduate education, outreach, and research functions.

In the early 2000s, the University began consultation with Governor Kempthorne and his staff, the Idaho Department of Parks and Recreation, the City of McCall, and other stakeholders in order to identify preferred future development of the Field Campus that would help the University of Idaho achieve its education and outreach mission and vision, be compatible with Field Campus's location inside of Ponderosa State Park, and provide the greatest benefit to the City of McCall and surrounding area. The resulting vision was for an education and policy institute serving a diverse array of Idaho residents and citizens.

The mission of the proposed **Ponderosa Institute** will be to promote nonpartisan inquiry and understanding of the natural resource and environmental issues and challenges facing Idaho and the American West. The program is highly dependent upon the location attributes of the Field Campus. When fully realized, the Ponderosa Institute will have five primary program components:

- Youth education (MOSS K-12)
- Graduate education and residency program
- Professional capacity building and leadership development
- Community education (public seminars and continuing education)
- Engaged applied research

THE LEASE RATE ISSUE

In the fall of 2007, the Idaho Department of Lands notified the University of Idaho that the lease payments for the McCall Field Campus property would be increased from \$55,535 to \$274,500. In response, the University requested that because the U of I is the sole beneficiary of the Field Campus property, that the "direct use" financial value of the Field Campus programs be considered by IDL in lieu of the increased lease payment.

At the February 21, 2008 meeting of the Land Board, the Idaho Department of Lands staff made the following recommendation to the Land Board:

Until an analysis of the U of I's "direct use" request can be completed, the Idaho Department of Lands should do the following:

- Complete a financial analysis of the highest and best use or uses for this property versus direct use by the U of I.
- Request a legal opinion from the Attorney General's office on whether it is appropriate for the Board to allow direct use by the U of I on University Endowment property.
- Bill the U of I the 2007 lease rate of \$55,535 on Lease M-5016 payable within 30 days.
- Defer the 2008 rent increase until legal and financial reviews are complete.
- Waive the current late fees for 2008.
- Upon completion of the financial analysis and Attorney General's review, bring further recommendations to the Board as to what might be in the best interests of the University Endowment trust as soon as reasonably practicable.

The Land Board responded with the following action:

BOARD ACTION: A motion was made by Attorney General Wasden to move the Department's recommendation with the exception of waiving the current late fees for 2008. The motion is that a financial analysis will be completed to determine the highest and best use or uses for this property versus direct use by the University of Idaho, that a legal opinion will be requested from the Attorney General's office on whether it is appropriate for the Board to allow direct use by the University of Idaho on University Endowment property, that the University of Idaho will be billed for the 2007 lease rate of \$55,535 on lease M-5016 payable within thirty days and that the 2008 rent increase will be deferred until the legal and financial reviews are completed. Controller Jones seconded the motion. Superintendent Luna asked if the motion includes the comment at the end of the recommendation directing the Department, upon completion of the financial analysis and Attorney General's review, to bring further recommendations to the Board. Attorney General Wasden stated that would be assumed in the motion. The motion carried on a vote of 5-0.

On May 23rd, 2008, the Attorney General opinion was released. The summary conclusion was not supportive of the UI position. The summary conclusion reads:

While principles from the law of private Trusts permit, in some circumstances, a lease of land held in trust to a trust beneficiary for no rent or below market rent, those principles do not apply here because the Land Board, by statute, is under a mandatory duty to lease trust land at a rate based on the fair market value of the land, regardless of whether the lessee is a beneficiary of the trust.

A full transcript of the August 19th Land Board decision on the lease issue is available from the Department of Lands. In summary, Director Bacon began the discussion by making the following recommendation:

DEPARTMENT RECOMMENDATION: That the Board direct the Department to (1) bill the University the balance of the 2008 rent (\$254,425) payable within thirty days; (2) advise the University that the Department will continue to set rental rates for this property based on fair market values as determined by the Department; and (3) work with the University to find an alternate location for their programs or to see if other options exist that might allow the University to acquire this site, including land exchanged for property that would achieve a rate of return within peer returns for the asset type acquired as established in the Asset Management Plan.

A motion was made by Attorney General Wasden that (1) the Department move to a transition phase on this property over a three-year period; (2) a reduced rental rate of \$55,535.00 per year be granted to the University of Idaho for this property; and (3) that an ultimate transition solution be sought. Controller Jones seconded the motion.

Superintendent Luna asked for a clarification on the rate to be charged to the University of Idaho.

With the consent of Controller Jones, Attorney General Wasden amended his motion to clarify that the current lease ends December 31, 2008. The proposed three-year period would commence beginning January 1, 2009 and would end December 31, 2011. During the proposed three-year period the University of Idaho will be charged a total rate of \$55,535 per year. The motion passed unanimously, with positive comment from several board members regarding UI's continued use of the property.