

# Idaho's politically incorrect Constitution prevails Top of Form

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If you still harbor doubts that fanaticism is close to gaining the upper hand in Idaho's government, look no further than the current dust-up on the Idaho Land Board.

Made up of Idaho's top state officials - Gov. C. L. (Butch) Otter, Attorney General Lawrence Wasden, Secretary of State Ben Ysursa, schools Superintendent Tom Luna and Controller Donna Jones - the board manages the state endowment trust. Ever since that group purchased Affordable Self Storage of Boise as an endowment investment, it's been under fire. How dare the board put government in competition with private businesses, complained conservatives led by Boise activist David Frazier and the conservative Idaho Freedom Foundation.

They got Otter and Luna to back down.

Jones, Wasden and Ysursa are standing their ground. As they should. However uncomfortable the politics of the situation, the facts and the law support their stance:

- It is incorrect to claim state government bought a storage business. This is the state endowment, a trust fund established for the benefit Idaho's public schools, higher education and medical facilities. At statehood in 1890, Congress allocated 3.7 million acres of lands to this endowment. Idaho sold off about 1.6 million acres, converting proceeds into a \$1.28 billion investment fund.

Congress issued one condition: The state would manage those endowed lands for the maximum benefit of people who depend on the endowment. Idaho's Constitution agreed. It made no exception for political convenience.

- Idaho's endowment relies too much on timber lands. Timber sales provide 72 percent of the public school endowment dollars. During the last five years, timber has been responsible for 65 percent of Lewis-Clark State College and Idaho State University endowment income. At the University of Idaho, it's closer to 99 percent.

When timber sells, times are good. Two years ago, the endowment generated \$42.45 million, including \$23.5 million for schools. With the housing slump, timber sales are

down. Overall endowment income slumped to \$25.6 million last year. Schools got \$13.7 million.

Hence the land board's strategy - resting on a voter-approved 2000 constitutional amendment - to expand into office buildings, parking lots and a storage business. Affordable Storage's return on investment is running three times higher than any other endowment portfolio asset.

- As a privately owned business, Affordable Storage paid \$30,833 annually in property taxes. True, as an endowment asset, the business is tax exempt. On the other hand, it's generating \$19,000 a month in net profit to the endowment. In other words, that's more than a seven-fold increase.
- Land board members didn't create new competition for private storage operators in the Treasure Valley. The endowment acquired an existing business.
- The board didn't use its tax-exempt status to as a competitive advantage to low-ball rents. Just the opposite. The endowment's own documents showed the previous owners charging "below market" rates. When the endowment took over, rents were raised - in keeping with the land board's constitutional mandate to get the maximum return.
- Affordable Storage may be an endowment asset. But the facility is privately managed. Thornton Oliver Keller, a Boise real estate firm, has the contract. In turn, it hires the people who run the business.

If, as critics say, getting into the storage business crosses some ethical threshold, they'll have to spell out just where that line runs. From the beginning, the endowment has operated within the private sector.

Does this new standard mean the endowment can't own cabin sites at Payette and Priest lakes because that would compete with other tourist outlets?

Does it demand the endowment dispose of the seven Boise office buildings it owns because those enterprises compete with private landlords? How about the six parking lots and undeveloped parcels the endowment now owns?

While they're at it, have them answer this: An endowment tied too heavily to timber lands will produce less money for schools, colleges and hospitals. If urban properties and businesses now are off-limits to the endowment, do they propose to cut these services further - or make up the difference with tax increases? - M.T.