

**REGULAR MEETING
STATE BOARD OF LAND COMMISSIONERS
December 11, 1990**

The regular meeting of the State Board of Land Commissioners was held Tuesday, December 11, 1990, at 9:00 a.m. in Room B-3, State Insurance Fund Building at 1215 W. State Street, Boise, Idaho. Governor Cecil D. Andrus presided. Those members present were:

Honorable Cecil D. Andrus, President, and Governor of the State of Idaho
Honorable Pete T. Cenarrusa, Secretary of State
Honorable Jim Jones, Attorney General
Honorable J. D. Williams, State Auditor
Honorable Jerry L. Evans, Superintendent of Public Instruction

Stanley F. Hamilton, Secretary to the Board

Consent Agenda

- A. Official Transactions for October 1990
- B. Proposed Timber Sales:
 - 1. CR-5-0061, Box Creek
 - 2. CR-3-0330, Deadman's Sale
- C. Riverbed Lease Renewals:
 - 1. American Materials, Inc.
 - 2. Seubert Excavators, Inc.
- D. Supplemental Agreement Requests:
 - 1. Geraldine Wright
 - 2. Karl and Nellie Brown
- E. Wool Growers Grazing Fee Discount for 1990 -- Credit or Refund

Mr. Hamilton explained that Item B-1, Box Creek timber sale, is an export market sale. It is one of the two sales each year comprising less than 5% of the total volume that can be purchased by any purchaser and is eligible to be exported outside the state. At the time the statute passed, it also could be exported out of the country, but Mr. Hamilton thinks that has been closed off now.

Governor Andrus reminded all that the reason that provision is in the law, in order to get around the interstate commerce clause, was to make that law constitutional and meet the test of the law. He is adamantly opposed to any export of sawlogs outside of this state off of state land. He would hope that the timber producers in Idaho will bid adequately in order to see that this one remains in the state also.

The board members agreed to take action on Items A through D separately from Item E.

Pete Cenarrusa moved to approve Items A through D. J. D. Williams seconded. The motion passed unanimously.

On Item E, Wool Growers Grazing Fee Discount for 1990, Mr. Hamilton explained that the department is recommending that the discount be reflected as a credit against the 1991 grazing fee for wool growers. Mr. Cenarrusa asked whether the wool grower would need to apply for the credit. Mr. Hamilton said that the lessee would be required to apply for it, and the deadline for that is December 31, 1990. All but two or three of the lessees have already applied.

Jerry Evans asked that where there are both cattle and sheep operations within a lease, what is the mechanism to make sure that the credit or the refund goes to the wool grower within an association. Mr. Hamilton said the refund is made to the association, and it would then be its responsibility to distribute it.

Jerry Evans moved that the credit or the refund (which he presumes will be "credit") go to the grazing association only upon the representation that the reduced lease rate for wool growers goes specifically to those who are in that industry within that grazing association. Jim Jones seconded.

J. D. Williams thinks a refund would create a lot more work for the department, and if it makes no difference to the industry, he would be in favor of a credit.

Because Mr. John Faulkner, a spokesman for wool growers, was in the audience, Governor Andrus asked him to confirm whether a credit would be adequate. Mr. Faulkner said yes.

The motion passed unanimously.

Supplemental Agenda

Governor Andrus announced that since there are so many people present for this item, he would recommend this be handled before the regular agenda.

Chipmunk Grazing Association Opposition to Lease Conflict Auction

Mr. Hamilton said that this is a conflict of a grazing lease located in southwestern Owyhee County. All of the applications that led to this conflict were filed in a timely manner which now places the conflict before the board. Mr. Hamilton explained that what happens on these conflicts is that the department places the leases up for conflict auction between the parties of conflict as determined by statute, determines what the final bids are, and the difference in these leases is through bonus bids. The only thing that is biddable is the premium bid and the highest premium bid takes the leases. After that, the lessee also pays the normal grazing rate for that year as set by the board over the ten-year term of the lease. Mr. Hamilton read from the statute and stated that the implication is that the department shall hold the auction, and then the board has an opportunity if it so chooses, and on appeal, to determine whether or not any or all bids should be rejected.

Mr. Hamilton reported that the department has set up a conflict auction now scheduled for December 19. About a week ago, the Chipmunk Grazing Association asked to have this placed on the agenda. Mr. Hamilton stated that the department's intention was to hold the auction and then bring the issue to the board for its review. The department established that the grazing fee for the coming lease period, for purposes of the auction, would be at the cattle grazing rate for next year (\$4.99).

Mr. Cenarrusa said that he had asked for this to be placed on the agenda as this particular method of bidding concerned him. He thinks there should be a premium bid, a bonus bid, and it goes to the highest bidder whether it goes for sheep, cattle, or turkeys. Then the grazing rate should depend on whether they graze cattle or sheep.

Mr. Kisabeth pointed out that there is no formal, written management plan in place that would meet the department rule requirements.

Dave Tidwell, representing the Chipmunk Grazing Association, addressed the board. Mr. Tidwell said that the Chipmunk Grazing Association is made up of 15 family members, with only five having more than 100 head of cattle. The association is currently assessing their members \$10 per AUM. If they were to lose this lease on the competitive bid, they would lose the opportunity to run 200 head of cattle and would have to assess their members another \$2 per AUM to make up for the difference. Mr. Tidwell used a map to explain the land patterns involved. There is state land, private land held by the association, BLM land, and additional private lands affected. They have been good stewards of the land. The department has appraised improvements on the conflicted land at \$24,675. The lands are all intermingled and there are no fences to speak of. The association holds 12,516.84 acres of state land. There are two allotments on which the conflicted lands are located. Should the conflictor become the lessee it would create many problems and interfere with their management programs. Chipmunk's assessments could be increased \$5 an AUM or more in addition to the \$10 assessment just to pay the bonus bid. The financial future of the association, at least for some of the smaller members, could be devastated and some could go out of business. It is also possible the conflictor may bid the lease high and walk away leaving the lessees with a formidable financial burden. If the conflictor was the successful bidder, his costs would be prohibitive. There are also many potential trespass problems. Mr. Tidwell, in answer to Governor Andrus, said there are 1,759 AUMs on the state land being conflicted.

Jerry Evans asked about the land exchange that is in progress. Mr. Tidwell said the department has been working for years to put together an exchange with the BLM primarily and affected private parties to try to block up the ownership. Because of the differential between state and federal lease rates, there is considerable opposition to that.

Bob Snapp, Idaho Department of Lands, further clarified that there are some long-range plans that have been agreed to with the BLM. Two of those, which includes parts of these areas, are on the five-year plan.

Mark and Duncan MacKenzie are the conflictors. Mark MacKenzie said he has been leasing land from Smokey McLeod for three years. He needs the state land to continue his operation in sheep. He said he has no history of trespass, and he feels he has a very viable operation in mind for the state land. He said they do own federal AUMs in Idaho adjacent to the allotment.

Jim Jones commented that it appears the board is being asked to put off the auction or disqualify a bidder, and as he reads the statute, the board has no alternative but to move forward with an auction. After the auction has taken place, the board as the prerogative of disqualifying bidders. He said that in his estimation, there is only one grazing rate--the cattle rate of \$4.99, with a discount allowed to people who run sheep. He thinks it would have to be run at sheep rates whether or not there is a conflict. Mr. Jones pointed out that last year there was a conflict presented to the board on two recreation leases. It caused people a great deal of consternation. The board at that time went ahead and set the conflict auction but set the time after the legislature had a chance to address the issue. The legislature did away with conflict auctions on recreational property; however, they did apply a requirement to get the full market rate. Mr. Jones does not believe there is rationale for treating grazing property any differently.

Jerry Evans said he agrees with Mr. Cenarrusa concerning premium bids and that one user should be treated no differently than any other. He thinks it is clear that the board should readvertise and then hold the auction. Following that auction, if the board feels there is some reason to award it to the other party, it has the ability to do so.

After further discussion, Jim Jones made a motion to set the matter for conflict auction on or about the 15th of March and that it be at the regular rate if the successful bidder at that point happens to be a sheep operator. Pete Cenarrusa seconded. It was clarified that the motion implies the notice that went out for December 19 would be rescinded. It was further clarified that it is implicit in the motion that the legislature could address the conflict bid issue.

Jerry Evans commented that he is interested in maintaining as much of the element of competition for the use of these lands as possible. The fair market rate is determined when you find what someone is willing to pay. If this proposal would include something that does not hinder the element of competition, he would support it; but if this is just going to the legislature to find a way so these things can't be competed for at a public auction, then he isn't interested.

Jim Jones stated that he would not mind having the legislature treat this the same as they did with the cabin leases; that there would be no conflicts but with a provision stating that the board shall get the market rate for the property.

The motion passed 4-1; Jerry Evans opposed.

Regular Agenda

Request for Disclaimer--William and Jennie Shipley

Mr. Kisabeth reported that this is a request from Mr. and Mrs. Shipley for a disclaimer on some former riverbed land on the outskirts of Caldwell. The river has moved considerably away from that area, and it is recommended that the disclaimer be issued on .44 acres for the consideration of the cost of processing which is estimated to be \$300.

J. D. Williams moved to approve the department recommendation. Jim Jones seconded. The motion passed unanimously.

Plantation Parcel--Transfer to Garden City

Mr. Kisabeth reported this is being brought to the board because Mr. Jones has been familiar with the process of resolving it, and this is the last item of unfinished business. In the process of exchanging quitclaim deeds with Plantation Development, the state ended up with clear title to 4.48 acre parcel at the northeast corner of Glenwood. Garden City has requested this parcel be conveyed to Garden City upon the condition that it be used for recreational purposes for the general public. This will enable them to properly administer the parcel.

Jim Jones moved to quitclaim the property to Garden City under the express condition that the property be used for recreational use by the general public. Jerry Evans seconded. The motion passed unanimously.

Kootenai County Recreation Leases--Appeal of Rent Increase

Kootenai County Commissioner Evalyn Adams addressed the board in appeal of the recommended lease rate increases on Windy Bay and Mica Bay stating that they could use some of the "sheep relief" talked about earlier today by the board. Ms. Adams stated that the county can't afford continued lease rate increases and mentioned that they had recently suffered \$7,000 damage done to a breakwater and some docks after a severe thunderstorm. She said the land exchange work is progressing, but that does take time.

Governor Andrus asked if Ms. Adams is requesting the standard "agricultural exemption" in Idaho that says you can't increase more than 25% in any given year. Ms. Adams said that would not be too bad.

Ms. Adams said that their funds are limited; they are comprised of fees paid by boaters. Their resources are spread very thin, and it would be very difficult to pay the increased rate.

Governor Andrus asked Director Hamilton to explain what justifies the request for an additional \$2,000. Mr. Hamilton answered that these are extremely valuable pieces of property which are worth about \$1.3 million. The rental for the two parcels at the 2-1/2% standard return that the board has talked about from time to time would run somewhere in the neighborhood of \$33,000. Department staff is attempting to come up with recommendations that will move this down the road and staff is working hard on the exchange as well.

Governor Andrus asked if any consideration had been given to applying the standard "agricultural exemption" limit of 25% -- making that \$500, \$625 instead of \$2,500. Mr. Hamilton said they had not.

J. D. Williams made a motion to leave Windy Bay (Mica Bay) at what it is and at Mica Bay (Windy Bay) increase it to \$625. Pete Cenarrusa seconded.

Jerry Evans requested this be for just this one year and if the exchange is not consummated in this year that the issue be brought back before this board. Mr. Williams said that would be automatic. Mr. Hamilton clarified that last year the board approved the rental increases for 1990 to \$1,000 on Mica Bay and then \$500 for two leases at Windy Bay making the total rental \$1,500 for 1990. The proposal for 1991 was to increase to \$2,500 on Mica Bay and from \$500 on Windy Bay to \$1,000, which would make the recommended total \$3,500.

It was clarified that the net effect of the motion would raise the rental rate to \$1,625 for both leases for 1991.

The motion passed unanimously.

Faulkner Land Exchange

Mr. Faulkner explained his proposal for a land exchange with the state in the Lime Creek area which had been turned down by the department. Contrary to Mr. Evans' opinion, Mr. Faulkner stated that the land exchange of five years ago was shoved down his throat. He stated he signed off on it after seven years of negotiating. Part of the reason he signed off was a verbal agreement to exchange some private land for some state land in the Saylor Creek area. It couldn't be done at that time. The state appraisal came up short as far as he was concerned. The two sections of state land in the desert carries over 300 AUMs. His (private) land carries about 150 AUMs with the difference being that there is timber, water, and steeper slopes and wildlife habitat with a recreational value. He does not feel the staff has the direction from the board or the ability to let them go ahead and exchange 300 AUMs in this area for 150. He doesn't feel the recreational value is being taken into account.

Mr. Hamilton said that the department would like to acquire that property but does not feel the values are there to be able to recommend the exchange at this time. There is a large difference in the AUM carrying capacity, and the appraisers do not recognize the recreational potential in there.

Mr. Biladeau stated that regardless of which appraisal is used, there is the problem of exchanging more AUMs than what would be acquired. That would result in a loss to the endowment. The department wants to proceed with some exchange to acquire Mr. Faulkner's ownership, but it will not work with these particular state sections.

Jim Jones commented that he thinks regardless of the recreational value in the Faulkner property, he is concerned with saying the state land has a greater carrying

capacity than the proposed exchange property, which is saying to keep all our eggs in the grazing basket. It seems to him that if there is some genuine recreational potential in the property that in the future that property could be significantly higher in value than the state land. He thinks perhaps this should be explored further.

Jerry Evans said that the board has spent considerable time talking about land exchanges and whether or not timber should be exchanged for land, and the general conclusion was that like/kind ought to be exchanged for like/kind--timberland for timberland, and like values. In this instance, both circumstances are wound in there that may not be favorable to the endowment funds. Even though there may be some recreational value there, until some way is found to generate income from that value, it still turns out to be less. At least for now, he thinks the department recommendation outlines the course the board should pursue.

Jerry Evans then moved to adopt the department recommendation to not proceed with the exchange package. J. D. Williams seconded. The motion passed 3-2; Pete Cenarrusa and Jim Jones opposed.

Sale of SITPA Site--McCall

Jay Biladeau said this concept was before the board and approved September 20, 1988. Receipts from the sale of the SITPA property are intended to supplement the \$200,000 appropriated from the Permanent Building Fund by the 1990 Centennial Legislature for the new joint offices of the Payette Lakes Area and Southern Idaho Timber Protection Association (SITPA). There has been an interest in using the SITPA property for a museum site, but to date, efforts have been unsuccessful to gain legislative appropriations from the general fund to substitute for the anticipated receipts from the sale of this property.

The department proposes to offer the SITPA site for sale this coming spring which would enable the 1991 legislature to revisit the funding issue if it chooses to do so. The property has been appraised at \$328,000. A down payment of 10 percent of purchase price, cash, on day of sale would be required as the money received from this sale will be necessary for construction of a new office. The department is recommending the contract balance be due sixty days from date of sale. Purchaser to take possession upon full payment with the exception of the office, shop, and warehouse facilities--SITPA would have right of occupancy until March 31 or whenever they are relocated. The current schedule for the new office calls for final design plan approval and awarding of the construction contract by July 1991. The department recommends sale of the property with the listed conditions.

Mr. Hamilton pointed out that this is not endowment land -- it is what was called "forestry purpose land" which was given to the state many years ago. There was originally a reverter clause that stated if the property was not used for forestry purposes, that it would revert to the owner, who was the predecessor to Boise Cascade. Two years ago, Boise Cascade agreed to remove the reverter clause in that deed so that the state could pursue this avenue of action.

Governor Andrus stated his concern that this property is on the National Register; it is the last piece of property along Highway 55. The University of Idaho has expressed interest in maintaining that as an information center. He questions whether in the concern and haste to sell this, whether it is simply to get money to build the department a new building. Mr. Hamilton said that is true. The department does not care where the money comes from. The department has asked the permanent building fund people for the full amount and this is what they came up with. Governor Andrus stated that he will vote against this motion because he believes it would be a terrible mistake to give up that building.

Jim Jones suggested it might be appropriate to give the legislature another chance at this. He thinks a good case could be made that they need to attend to it, or it will have to be sold.

Mr. Jones then moved to postpone this matter until after the legislature has met and inform them that it will have to be sold if they don't take action to protect it or provide funds for the department for its building. Jerry Evans seconded the motion. Motion carried.

Bennett Land Exchanges

Mr. Hamilton explained that this item relates to the in-progress Lindstrom Peak exchange and other exchanges with Bennett Tree Farms that have been under discussion for some time. He said that John Bennett and Mike Kerttu are present and may have observations to offer.

Jay Biladeau explained that the original package with Bennett Tree Farms included the Lindstrom Peak area. At the time this received conceptual approval, Bennett was in the process of acquiring that acreage from the Fish and Game Department. State land involved included some in the Elk City township area and lands in the Moscow-Potlatch area. The department had also been working on an additional package with Bennett at that time that involved about 850 acres. Those additional Bennett lands are located just north of St. Maries and the state has about 160-200 acres just out of Bovill-Deary. The department had no objection to combining this into one package. Parcels the state would like to acquire have been identified, and this particular Lindstrom Peak package is being cruised now. These additional lands could be added into that cruise. The department recommendation is to proceed.

John Bennett reported that they feel it would be beneficial for both parties to combine this exchange into one package. At the time they entered into the Lindstrom Peak exchange, it was their intent that the Lindstrom Peak property eventually become state-owned property, and this is just additional land. Mike Kerttu presented some maps to illustrate the state and Bennett ownership areas.

Stan Hamilton commented that there are a couple of parcels up there that may have some special significance -- one of them has the University of Idaho experimental forest surrounding it; and there is a parcel adjacent to the Moscow Mountain area, and that parcel has been considered a sensitive area. Also, Mr. Hamilton pointed out that the county commissioners have basically zoned the Lindstrom Peak parcel as a no-harvest area under their land use plan. The department will have to deal with that and will lay out the alternatives when this proposal is brought back to the board.

J. D. Williams expressed his concerns with the 640 acres near Moscow Mountain, and wonders if there are some other lands that could be substituted.

Mr. Bennett stated that there are a lot of parcels they could be interested in, but they feel that is a piece of land that would work in very well with their management plan.

Jerry Evans would like to make sure that the board has an opportunity to discuss the section that involves Moscow Mountain and the area adjacent to the university forest. He thinks those are particularly unique pieces of property that may need some extra consideration, and as long as that is recognized, he does not object to combining the exchange.

Jim Jones commented that he does not mind combining these, but he would like it stated on the record that he thinks the department should take a close look at the controversy with regard to the (county) ordinance and that it be taken into account in determining values to avoid buying into an expensive lawsuit. The board ought to get things worked out with the county and see whether there are some binding restrictions on the property which would limit its value to the state.

Jerry Evans moved to approve the department recommendation. J.D. Williams seconded. The motion passed unanimously.

Timber Sale Contract Modification Policy

Governor Andrus noted that the department recommendation is to give the director the authority to authorize the modification as long as it does not exceed \$100,000. Mr. Hamilton said he is not sure what the current policy is, but currently he brings to the board the major ones of concern. Currently the director has the authority to deal with salvage sales in their entirety representing values up to \$50,000 in stumpage and a million board feet. The department frequently sees contract modifications anywhere from \$10,000 to \$100,000 and on up. He wants clear authority from the board as to what his limits are in that area, always reserving the right to come to the board if there is a question.

Pete Cenarrusa moved to approve the department recommendation to authorize the director to modify timber sale contracts up to \$100,000. Jim Jones seconded. The motion passed unanimously.

Phosphate Lease Revision

The department presented to the board amendments to the State of Idaho phosphate lease to increase the royalty and bond rates and to change the lease language to parallel the state metalliferous mineral lease, where applicable, as well as the federal phosphate lease. Mr. Hamilton said that the department has been working on these and negotiating with the industry for over three years.

Mr. Hamilton reported that there are still three or four sticking points one of which concerns the alternative language on associated and related minerals. Associated and related materials are byproducts from the process of refining the ore. The Indian tribes have worked with industry to try to come up with some kind of a revenue from it. The federal government is also looking at the issue but has not reached any conclusions. The department has struggled with the issue because there is more than one side to it, and has offered three alternatives for board consideration and requests some feedback from the board on this issue. The department has approached it from the standpoint that these are endowment assets and has tried to develop a lease that would produce as much revenue as possible from what is a unique and valuable resource.

Mr. Hamilton said that another sticking point is establishing a minimum annual royalty; the disagreement is on how some of that would be credited back as far as the loss of surface values is concerned. Again, the department is seeking board guidance.

Fred Kisabeth reported that there are 26 state phosphate leases on 8,000 acres; about 112 federal phosphate leases on over 50,000 acres; and there are several Indian leases on about 7,000 acres. The states leases are more interspersed, however, with all the federal leases. There are no state phosphate leases in close proximity to where the Indian leases are.

Mr. Kisabeth explained the three major objectives of the state are 1) to assure a fair compensation for the impact on the state-owned surface; 2) to key into the federal rental and royalty; and 3) to update the general lease language to comport with the standard mineral lease terms.

Governor Andrus expressed his views on subsurface differences from having been involved on the federal side, the co-leasing program, and everything else. Mixed ownership was involved and he said that if you own the subsurface rights and the surface then you're in a position to choose what is the most valuable. If the subsurface is owned by the feds and there is private ownership on the surface, the person who want to mine has to make peace with the surface owner. If we own the surface and the subsurface, a decision must be made as to what will be the most beneficial to the school endowment fund. He feels it would be ludicrous to also charge for the grazing fees.

Governor Andrus left the meeting, turning the chair over to Secretary of State Pete Cenarrusa.

Mr. Hamilton explained that the associated and related minerals issue has not been included in the federal royalty package. The Indian tribes do include it. He also understands that the BLM is taking a look at it. He said that the companies are not supportive of the associated and related mineral concept at all. They would prefer to wait and see what the feds intend to do with their situation. The reason the department put this issue into the review is that there is a potential of a valuable product there, and felt it was appropriate to take a look at that.

Mr. Evans commented that there are cases where there may be a commodity that has some value and there may be a case where all those associated and related minerals do is add to the cost. Maybe the state ought to let the federal system generate the answer and then after that is done, try to follow along.

Mr. Jones said he agreed. After years of not charging for it, the same kind of problems might be raised that the cable TV taxation issue posed for the Tax Commission. He would be inclined to put a clause in the lease that said should the federal government impose a condition in their lease to charge additional royalty on associated and related minerals, the state reserves the right to do likewise.

Mr. Williams said that until the federal people come up with some language, it doesn't make sense to him to charge for them. It is a byproduct that costs them something to get; it's not the main purpose of the lease. He suggests deleting it for now, and in the meantime, if the feds do anything, that leaves the state very competitive.

Mr. Cenarrusa invited the industry people to speak.

Richard Mellon, with the law office of Elam, Burke, and Boyd, representing the phosphate industry, spoke to the board. Mr. Mellon said he thinks the suggestion from the State Auditor is basically the soundest one. Industry has said they would be willing to treat the state on the same terms as the federal government. The issue will come up again in eight years. It's a very difficult problem, particularly under state law, to begin with, but the more bedeviling issue would be how would you arrive at a fair value.

Mr. Hamilton said that at this point he would propose to redraft, circulate a copy of the department's recommendation along with a cover memo, and then bring this back in January for final action.

Mr. Mellon stated that industry would like to have these issues resolved, and he can't see that it would serve any purpose not to deal head-on with it. They have developed a lease that they think is more than fair to the state.

Mr. Evans said he would like to get this settled today, but would like for everyone to have the opportunity for input. He thinks the director has some feeling for the board's views; it would be on the January agenda, and if it is not resolved in some harmony, then the board will choose which version to go with.

After further discussion, it was decided to set up a special meeting to finally resolve this issue.

Repeal of Grandfather Rules

Mr. Hamilton reported that the department had a series of rules for practice and procedure which were generally accepted under the grandfather provisions of the Administrative Procedures Act. Over the years, all but a few programs have been replaced with other rules or are in the process. These five sets are truly outdated and

outmoded, but they do continue to exist in the administrative rule system. In keeping with the legislature's mandate to get our administrative rules into order, it is proposed to enter into the APA procedure to repeal these obsolete rules.

Jim Jones moved to approve entering the rule-making process to repeal and abolish those old rules. Jerry Evans seconded. The motion passed unanimously. (Governor Andrus absent.)

Department Budget Request

Mr. Hamilton recalled that at the earlier board meeting in August to consider the budget, the board authorized the department to move ahead, submit the budget as requested with a couple of minor changes, and then to bring it back to the board for subsequent final approval.

Jim Jones moved to approve the budget subject to the Governor's approval. Jerry Evans seconded. Motion carried. (Governor Andrus absent.)

Damian Sedney -- Cedar Pole Policy

J. D. Williams announced that he had been contacted a few days ago by an employee of the department who is leaving the department to go back to get his Ph.D. from the University of Idaho, Mr. Damian Sedney. He requested to speak to the board today regarding cedar pole practices.

Mr. Sedney provided handouts to the board members stating his six main concerns regarding the cedar pole policy. He said he asked Mr. Hamilton to place him on the agenda last week, but he is not sure what happened.

Mr. Sedney spoke at length about his views on the cedar pole policy, saying that he has come to the conclusion that there are serious professional questions about the long-term forest productivity implications of the existing cedar pole policy, and he believes that most state foresters in northern Idaho would agree. He is not sure why the policy got through and why it's been able to stay on the books. Before this pole policy was in existence, they (pole companies) had to compete and bid sales up if they wanted the poles badly enough. He thinks they need to go back to where they were prior to 1984 and compete on the open market for their product just like Idaho Veneer, Potlatch, and many other specialty product manufacturers do.

Mr. Sedney said he had talked to Kevin Boling at Potlatch, and Frank Bennett and Richard Hitchcock from Gem State Lumber, and he thinks they would all like to participate in an independent economic evaluation; possibly have the board select a consultant or the university's policy group, to do an independent, economic evaluation, and a resource management evaluation of the existing cedar pole policy to decide whether it's something we all want for the endowment lands.

Mr. Hamilton provided background on how the policy was established in 1984, stating that it was a compromise which ultimately was adopted in rule form. It allowed a pole sale to be offered up as either poles or sawlogs depending upon who purchased the sale and provided for a relatively complicated bidding system which determined who got the bid. Then the successful bidder had to declare whether they were going to take them as poles or sawlogs. Those rules were adopted by this board, ultimately, on February 11, 1986, with the blessing of the germane committees.

After further discussion, Mr. Evans stated that the board ought to thank Mr. Sedney for bringing this issue up again. It is not only a question of management, it is a political question. The board has been through it again and again, but he thinks it needs to be readdressed and would ask Mr. Hamilton to devote some thought and consideration to how this discussion might be continued at a subsequent meeting.

There being no further issues brought before the board, the meeting was adjourned.

STATE BOARD OF LAND COMMISSIONERS

Leila D. Anderson

President, and Governor of the State of Idaho

COUNTERSIGNED:

R. M. Casper

Secretary of State

Stanley F. Hamilton

Director, and Secretary to the Board

