



The
LAND
Where
MIRACLES
Grow

Annual Report 2011

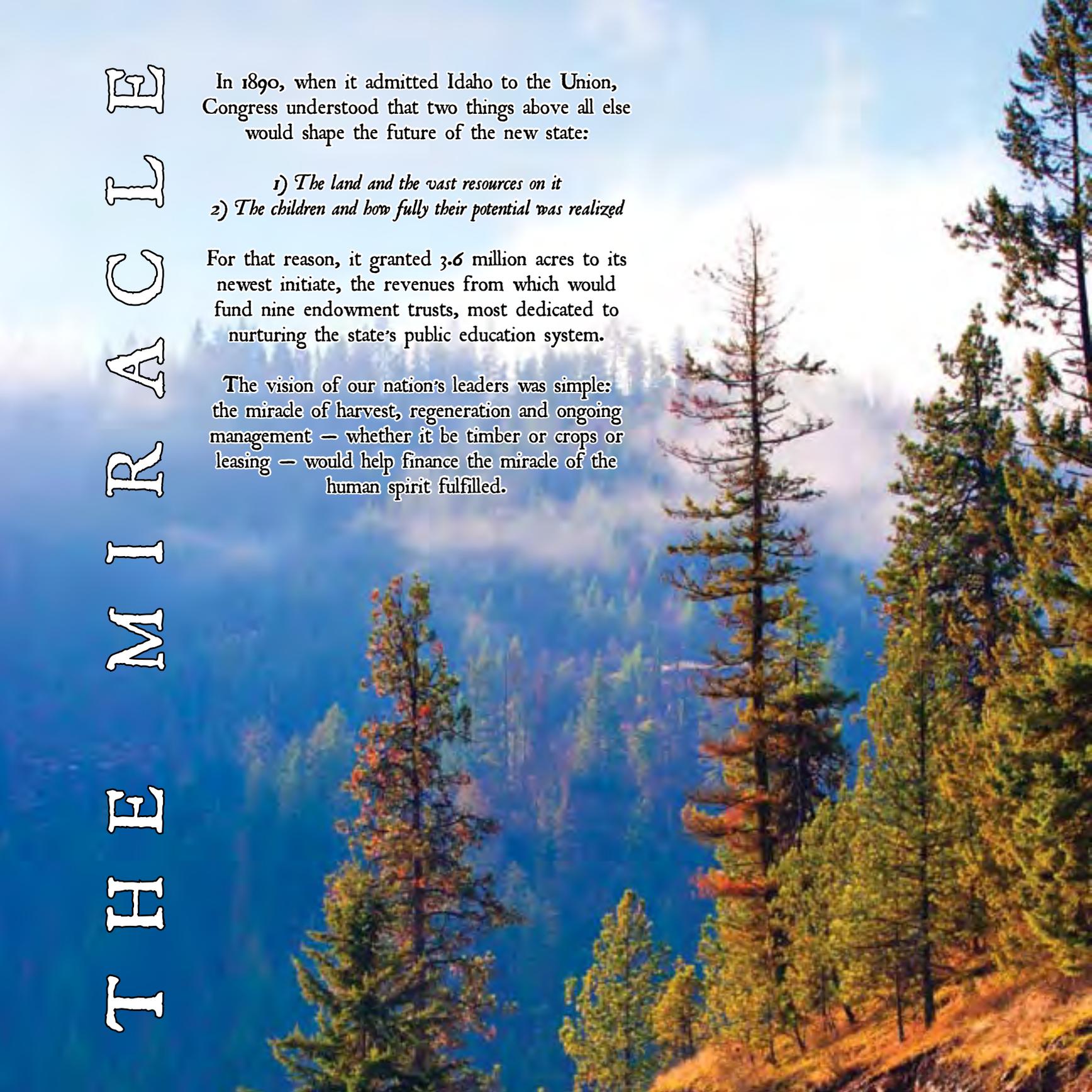
THE MIRACLES

In 1890, when it admitted Idaho to the Union, Congress understood that two things above all else would shape the future of the new state:

- 1) *The land and the vast resources on it*
- 2) *The children and how fully their potential was realized*

For that reason, it granted 3.6 million acres to its newest initiate, the revenues from which would fund nine endowment trusts, most dedicated to nurturing the state's public education system.

The vision of our nation's leaders was simple: the miracle of harvest, regeneration and ongoing management — whether it be timber or crops or leasing — would help finance the miracle of the human spirit fulfilled.



Idaho Department of Lands

EXECUTIVE LEADERSHIP

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Kathy Opp

Deputy Director

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Lands, Minerals, Range

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Kurt Houston

Operations Chief - South

khouston@idl.idaho.gov

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Division Administrator, Support Services

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State Forester

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Letter from Tom Schultz, Director

IDAHO DEPARTMENT OF LANDS



In the pages of this annual report you will find facts and numbers, descriptions of programs and management practices, all reflecting one single pursuit: the Idaho Department of Lands aims to become the premier organization in the western United States for trust management, service, and regulatory oversight.

As a newcomer to Idaho and this department, I see that becoming the premier organization also means the Idaho Department of Lands will continue to support the Idaho way of life. We are doing this by managing the land and our resources while promoting economic activity and coming up with even more ways to increase financial returns to public schools and the other beneficiaries for whom we work.

Idahoans identify strongly with the land. The Idaho Department of Lands is a team of expert foresters, fire fighting professionals, range specialists, and business professionals. We support the Idaho way of life by managing Idaho's forests and other resources to maintain healthy lands. We are educating and informing Idahoans about responsible management of natural resources and trust assets, and enforcing the policies and laws to protect them.

In the slowed economy of recent years, the Idaho Department of Lands also is perpetuating opportunities for jobs and economic activity in the private sector.

Idaho forest products companies have been able to depend on the Idaho Department of Lands as we continue to make timber steadily available for harvest. We made investments in our commercial assets when few other property owners were doing so. Lessees are utilizing the endowment trust assets through traditional uses such as grazing, farming and mining opportunities and as we look to the future, the Idaho Department of Lands is making more endowment trust assets available for economic opportunities such as wind and geothermal energy uses, and retail, office, and other commercial business uses. Additionally, the Idaho Department of Lands regularly engages private third party professionals to carry out certain management responsibilities.

Our work as a trust management agency adds value to Idaho's economy, relieves the burden on taxpayers, and gives public schools and other beneficiary institutions a steady and ever-increasing payout to rely upon each year. In fact, financial returns to the beneficiaries in FY11 were 70 percent greater than FY10 because of these prudent management practices, including increased timber harvests.

Additionally, as the administrative arm of the Oil and Gas Conservation Commission the Idaho Department of Lands also is preparing the state for growth in a new energy sector. The department is committed to continuing to develop the regulatory infrastructure that is needed to grow Idaho's budding natural gas industry.

The Idaho Department of Lands wears many hats. We are endowment trust managers, fire managers, regulators, and we are an agency that provides services to Idaho citizens, businesses, and other levels of government. In these roles, we will continue to pursue our goal of becoming the West's premier organization and at the same time do our part to support the Idaho way of life.

Sincerely,

A handwritten signature in blue ink that reads "Tom M. Schultz". The signature is written in a cursive style and is positioned below the word "Sincerely,".

The Idaho State Board of LAND COMMISSIONERS

The Idaho State Board of Land Commissioners consists of Idaho's governor, secretary of state, attorney general, superintendent of public instruction, and state controller. They are the stewards of the nearly 2.5 million acres of Idaho's endowment lands and the tens of millions of dollars in revenues generated for the state's designated beneficiaries.

Primary among the fund's beneficiaries are Idaho's elementary and secondary public schools, which receive 95 percent of endowment's annual revenues. Other constitutionally designated beneficiaries are:

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

Because of the board's responsibility to protect the lands of the state, it also serves as the host agency for the Idaho Board of Scaling Practices, the Clearwater-Potlatch Timber Protective Association, and the Southern Idaho Timber Protective Association.

A variety of regulatory programs protect Idaho's water quality and other public values.



C.L. "Butch" Otter
Governor of Idaho



Ben Yursa
Secretary of State



Lawrence Wasden
Attorney General



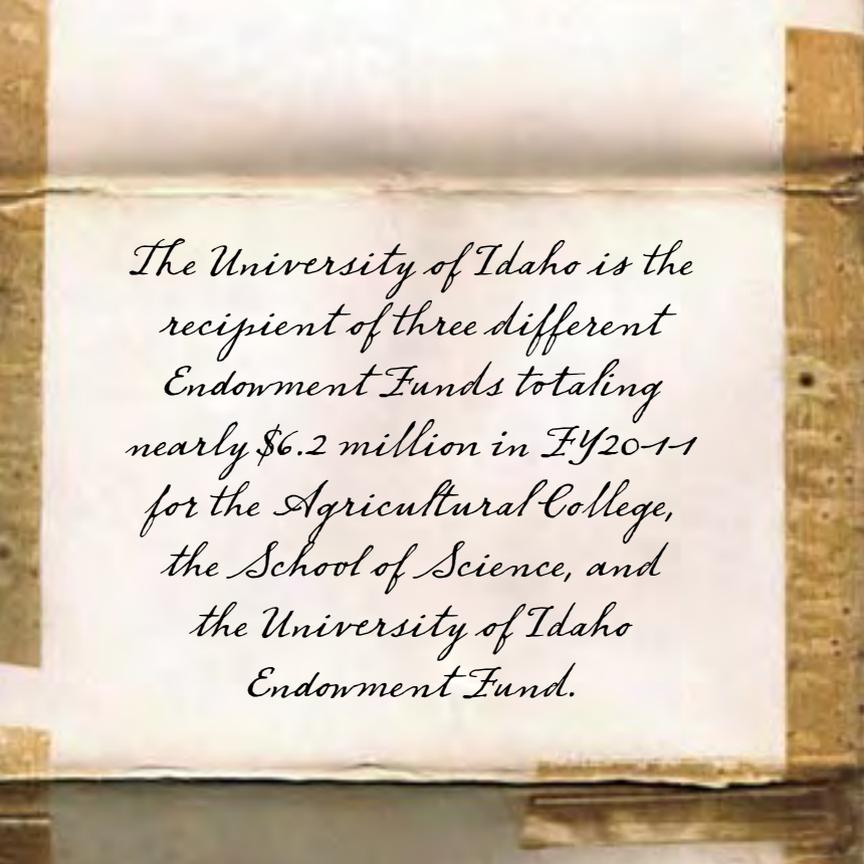
Donna Jones
State Controller



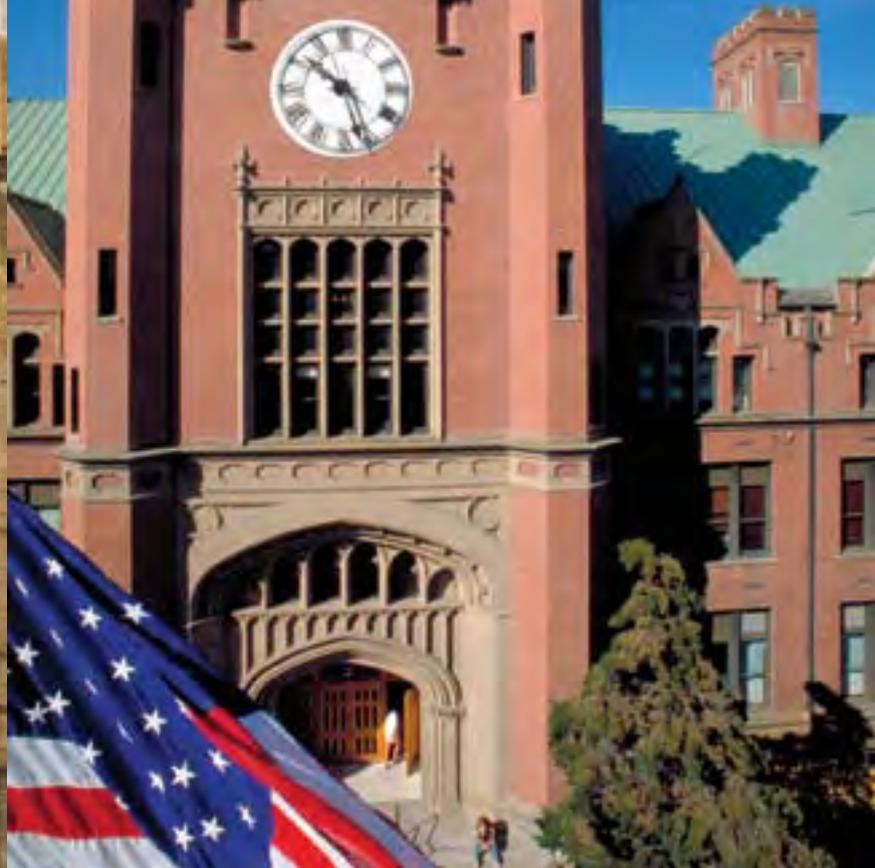
Tom Luna
Superintendent of Public Instruction



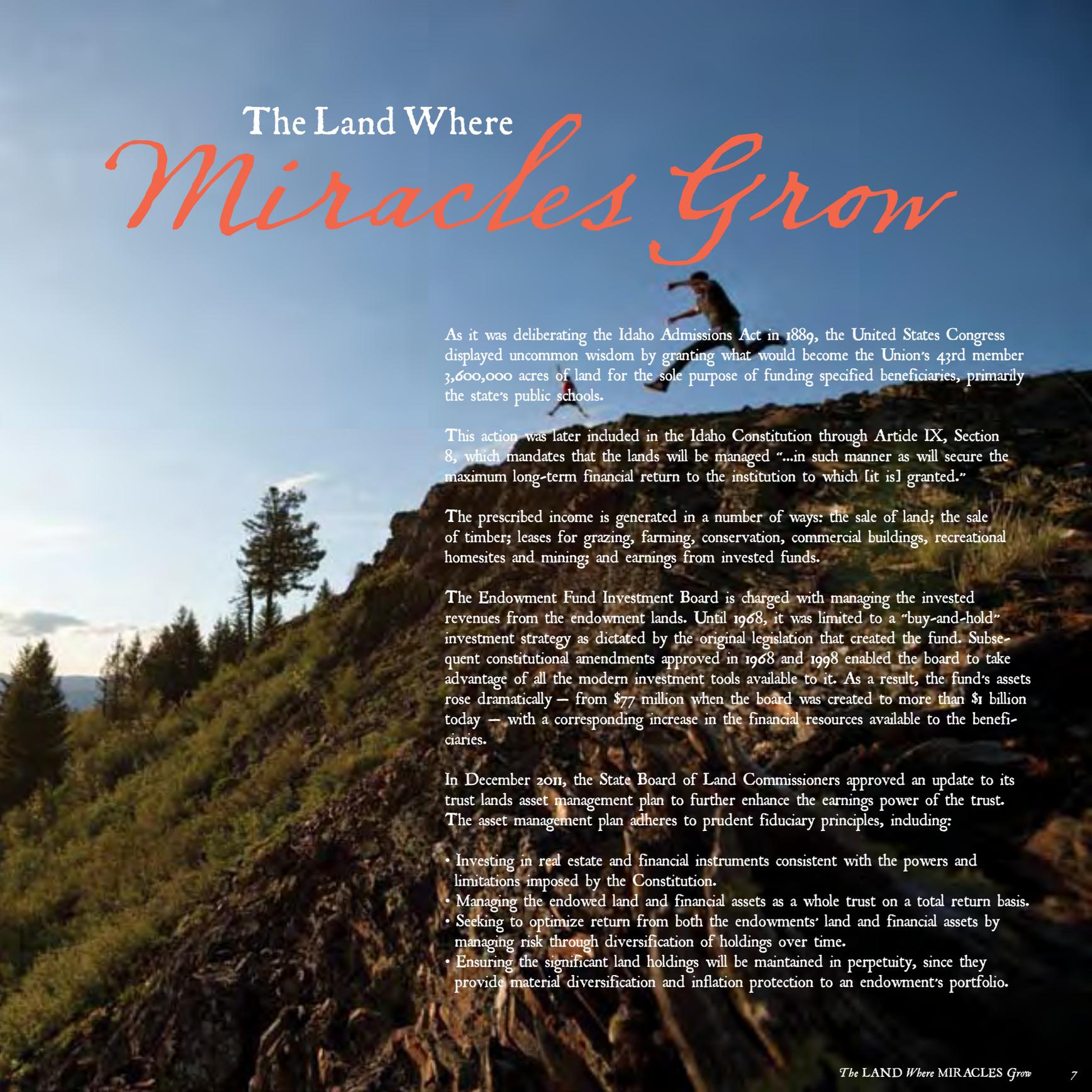
Tom Schultz
Secretary of the Board



The University of Idaho is the recipient of three different Endowment Funds totaling nearly \$6.2 million in FY2011 for the Agricultural College, the School of Science, and the University of Idaho Endowment Fund.



Idaho State Veterans Homes received nearly a half a million dollars in Fiscal Year 2011. Over the past five years, annual distributions have totaled almost \$2.3 million dollars.



The Land Where *Miracles Grow*

As it was deliberating the Idaho Admissions Act in 1889, the United States Congress displayed uncommon wisdom by granting what would become the Union's 43rd member 3,600,000 acres of land for the sole purpose of funding specified beneficiaries, primarily the state's public schools.

This action was later included in the Idaho Constitution through Article IX, Section 8, which mandates that the lands will be managed "...in such manner as will secure the maximum long-term financial return to the institution to which [it is] granted."

The prescribed income is generated in a number of ways: the sale of land; the sale of timber; leases for grazing, farming, conservation, commercial buildings, recreational homesites and mining; and earnings from invested funds.

The Endowment Fund Investment Board is charged with managing the invested revenues from the endowment lands. Until 1968, it was limited to a "buy-and-hold" investment strategy as dictated by the original legislation that created the fund. Subsequent constitutional amendments approved in 1968 and 1998 enabled the board to take advantage of all the modern investment tools available to it. As a result, the fund's assets rose dramatically — from \$77 million when the board was created to more than \$1 billion today — with a corresponding increase in the financial resources available to the beneficiaries.

In December 2011, the State Board of Land Commissioners approved an update to its trust lands asset management plan to further enhance the earnings power of the trust. The asset management plan adheres to prudent fiduciary principles, including:

- Investing in real estate and financial instruments consistent with the powers and limitations imposed by the Constitution.
- Managing the endowed land and financial assets as a whole trust on a total return basis.
- Seeking to optimize return from both the endowments' land and financial assets by managing risk through diversification of holdings over time.
- Ensuring the significant land holdings will be maintained in perpetuity, since they provide material diversification and inflation protection to an endowment's portfolio.

Supervisory Areas

MAP



Northern and Southern OPERATIONS

Northern Operations

Field offices	7
Permanent personnel	89
Seasonal employees	100+
Endowment lands (acres)	525,226
Annual timber sales	152*
Leased grazing acres	72,254.53
Mineral leases	44
Exploration locations	1
Conservation leases	2
Cottage site leases	352
Residential leases	3
Commercial leases	32
Forest protective districts (fire)	7
Forest practices notifications	1,324
Waterway encroachment permits	10,343 ³

Southern Operations

Field offices	7
Permanent personnel	74
Seasonal employees	75
Endowment lands (acres)	1,924,029
Annual timber sales	136*
Leased grazing acres	1,700,995.03
Mineral leases	373
Exploration locations	47
Conservation leases	18
Cottage site leases	165
Residential leases	3
Commercial leases	125
Forest protective districts (fire)	3
Forest practices notifications	168
Waterway encroachment permits	1,024 ³

* Million Board Feet

³ Information provided by operations

Administration

Roger Jansson Chief
Northern Operations
Coeur d'Alene, Idaho

Mick Schanilec Area Manager
Priest Lake Supervisory Area
Coolin, Idaho

Eric Besaw Area Manager
Kootenai Valley Supervisory Area
Bonners Ferry, Idaho

Ed Robinson Area Manager
Pend Oreille Supervisory Area
Sandpoint, Idaho

Administration

Kurt Houston Chief
Southern Operations
Boise, Idaho

Bob McKnight Area Manager
Clearwater Supervisory Area
Orofino, Idaho

Jim Clapperton Area Manager
Maggie Creek Supervisory Area
Kamiah, Idaho

Jay Sila Area Manager
Craigmont Supervisory Area
Craigmont, Idaho

Mike Denney Area Manager
Mica Supervisory Area
Coeur d'Alene, Idaho

Bob Burke Area Manager
Cataldo Supervisory Area
Kingston, Idaho

Ken Ockfen Area Manager
St. Joe Supervisory Area
St. Maries, Idaho

Mark Lesko Area Manager
Ponderosa Supervisory Area
Deary, Idaho

Sheldon Keafer Area Manager
Payette Lakes Supervisory Area
McCall, Idaho

Steve Douglas Area Manager
Southwest Supervisory Area
Boise, Idaho

Tim Duffner Area Manager
South Central Supervisory Area
Jerome, Idaho

Pat Brown Area Manager
Eastern Supervisory Area
Idaho Falls, Idaho

Preserving our *Assets*

As noted, much of the Land Board's annual income is derived from the sale of the timber that grows on the endowment lands. Trees are unaffected by fluctuations in the stock market; but insects, disease, and fire can have catastrophic effects on our ability to generate revenues.

A prudent investment strategy includes a team of expert foresters and fire fighting professionals. Headquartered in Coeur d'Alene, the Forestry and Fire Division consists of three independent bureaus: Forest Management, Forestry Assistance, and Fire Management. The Forest Management Bureau provides overall statewide policy direction, technical guidance and general oversight of the management of the endowment trust's lands. It is also responsible for monitoring the timber harvest and the accounting for the associated receivables.

The Forestry Assistance Bureau provides technical assistance to the other Department of Lands programs and state and federal officials. It advises and assists private landowners in the responsible management of forest resources and enforces the policies set forth by the Idaho Forest Practices Act, which regulates commercial forest operations within Idaho. It is staffed by specialists in forest management, entomology, pathology, fisheries biology, hydrology, and geotechnical engineering.

The Fire Management Bureau is probably the most visible of the department's divisions. On a day-to-day basis it establishes and implements policies to prevent, prepare for, and fight wildland fires over six million acres of Idaho's public and private forest and rangelands. These responsibilities include regulating the elimination of fire hazards caused by timber harvesting on state and private lands within Idaho. Fourteen supervisory area offices statewide also play a large role in promoting and carrying out the Department's overall goals to preserve our assets through effective forest and fire management.

Forestry and Fire Bureau Administration

David Groeschl - State Forester and Division Administrator -
Forestry and Fire

Bob Helmer - Bureau Chief - Forest Management

Craig Foss - Bureau Chief - Forestry Assistance

Ken Ockfen - Bureau Chief - Fire Management



National Fire Plan in Idaho

PROGRESS in 2011

In 2011, the 11th year of the National Fire Plan in Idaho, great strides have been made in preparing for wildland fire in Idaho's communities by aligning agencies, treating hazardous fuels, equipping fire districts, restoring landscapes, and educating property owners and citizens.

There is continuous effort among fire districts and agencies to strengthen their coordination and communication. The IDL Volunteer Fire Assistance grant program funded 65 fire departments and districts in 2011, awarding \$195,354 for firefighting equipment, training, and other resources.

All 44 counties have active County Wildfire Protection Plans, and most have active county working groups that are designing and implementing projects on the ground. The State is supporting development of the West Wide Wildfire Risk Assessment that will be useful to both state and county working groups in understanding risk and prioritizing projects. Since 2001, 25,684 acres of hazardous fuels reduction has been completed on private land in Idaho utilizing funding from the US Forest Service and the Bureau of Land Management awarded through competitive grant programs.

Outstanding active wildfire education and protection programs exist throughout Idaho. Local fire cooperatives are strong, and many counties host workshops and events and have developed websites and prevention materials. This work is brought together and enhanced with the statewide Idaho Firewise program (visit www.idaho-firewise.org). The Idaho wildland fire community works together through state and county working groups, interagency after-action reviews, mock fire exercises, and extensive networking and dialogue. Idaho now has 28 nationally recognized Firewise Communities, with four more in the process of obtaining their Firewise status.

The National Cohesive Wildland Fire Management Strategy (Cohesive Strategy) builds on the success of the National Fire Plan, including the 10-Year Comprehensive Strategy and Implementation Plan, and other foundational documents: Quadrennial Fire Review 2009; A Call to Action; Wildland Fire Protection and Response in the United States; the Responsibilities, Authorities and Roles of Federal, State, Local and Tribal Government (Missions Report); and Mutual Expectations for Preparedness and Suppression in the Interface. It has developed in three phases, allowing stakeholders to systematically engage in a dynamic approach to planning for, responding to, and recovering from wildland fire. The three phases include:

- Phase I: National Cohesive Wildland Fire Management Strategy (completed)
- Phase II: Development of Regional Strategies and Assessments (in progress)
- Phase III: National Trade-Off Analysis and Execution (2012)

The Cohesive Strategy seeks to provide clear guidance on roles and responsibilities for all wildland fire management entities and emphasizes how effective public-private partnerships and the sharing of responsibility among stakeholders are essential to achieving the identified three national goals. The goals of the Cohesive Strategy are:

1. Restoring and maintaining resilient landscapes - Landscapes across all jurisdictions are resilient to fire-related disturbances in accordance with management objectives.
2. Creating fire-adapted communities - Human populations and infrastructure can withstand a wildfire without loss of life and property.
3. Responding to wildfires - All jurisdictions participate in making and implementing safe, effective, efficient, risk-based wildfire management decisions.

Idaho has been a leader in implementing the National Fire Plan, and we will continue in this leadership role as the Cohesive Strategy evolves and grows.

Clearwater-Potlatch Timber Protective Association

Howard Weeks
Chief Warden

Rich McMillan
President of the
Board of Directors

Roger Fanson
Board Member

Greg Danley
Board Member

Don Konkol
Board Member

Mike Reggear
Board Member

Corby Finke
Board Member

South Idaho Timber Protective Association

Mark Woods
Chief Warden

Alvin Hall
President of the
Board of Directors

Kurt Houston
Board Member

John Kwader
Board Member

Bob Wagner
Board Member

Elt Hansbrouck
Board Member

Living off THE LAND

The Lands, Minerals and Range Division includes the Surface and Mineral Resources Bureau which manages six leasing programs, three regulatory programs and one assistance program.

Cottage Site Lease Program

More than 500 cottage site leases located at Priest Lake and Payette Lake are managed by the Department. Lessees are allowed to build private residences on some of the most beautiful waterfront and secondary lake properties in the State of Idaho.

Commercial Lease Program

The Commercial Lease Program involves a broad range of leasing scenarios including energy resources (e.g. wind energy and geothermal); communication sites; retail/office; recreation; industrial facilities; and military facilities. Energy resource leases, especially alternative energy facility leases, and retail/office leases are expected growth areas for the Department.

Mineral Lease Program

The Mineral Lease program manages almost 200 leases across the state which cover more than 40,000 acres. Minerals extracted from state endowment trust lands include phosphate, sand and gravel, decorative stone, garnets, clay, and cinders.

Grazing Lease Program

The Department manages more than 1,200 grazing leases that cover almost 300,000 acres of timberland and 1.5 million acres of rangeland located primarily across the southern two-thirds of Idaho. These leases contribute approximately 260,000 AUMs of forage to livestock operations each year.

Farming Lease Program

Most of the original farming land owned by the endowments was sold during the early portion of the 1900's. What remains is a small portfolio of farming leases that total approximately 20,000 acres. Crops currently grown by lessees on state endowment trust lands include sugar beets, corn, onions, potatoes, barley, hops, dry beans, and wheat.

Conservation Lease Program

Until the adoption of the State Board of Land Commissioners Asset Management in 2007, the "conservation" asset type was not formally recognized by the Department. Since that time and based on recent administrative rule changes, the Department does accept applications for conservation use and continues to manage a small portfolio of conservation leases.

Lands, Minerals and Range Administration

Bob Brammer - Division Administrator
Mike Murphy - Bureau Chief - Surface
and Mineral Resources

Navigable Waters Regulatory Program

The Navigable Waters program regulates encroachments and activities on, in, or above the navigable lakes in the State of Idaho. Additionally, this program manages the beds and banks lying below the ordinary high water mark of the state's navigable rivers and streams. In total these lands are managed for the public's benefit as public trust lands.

Mining Regulatory Program

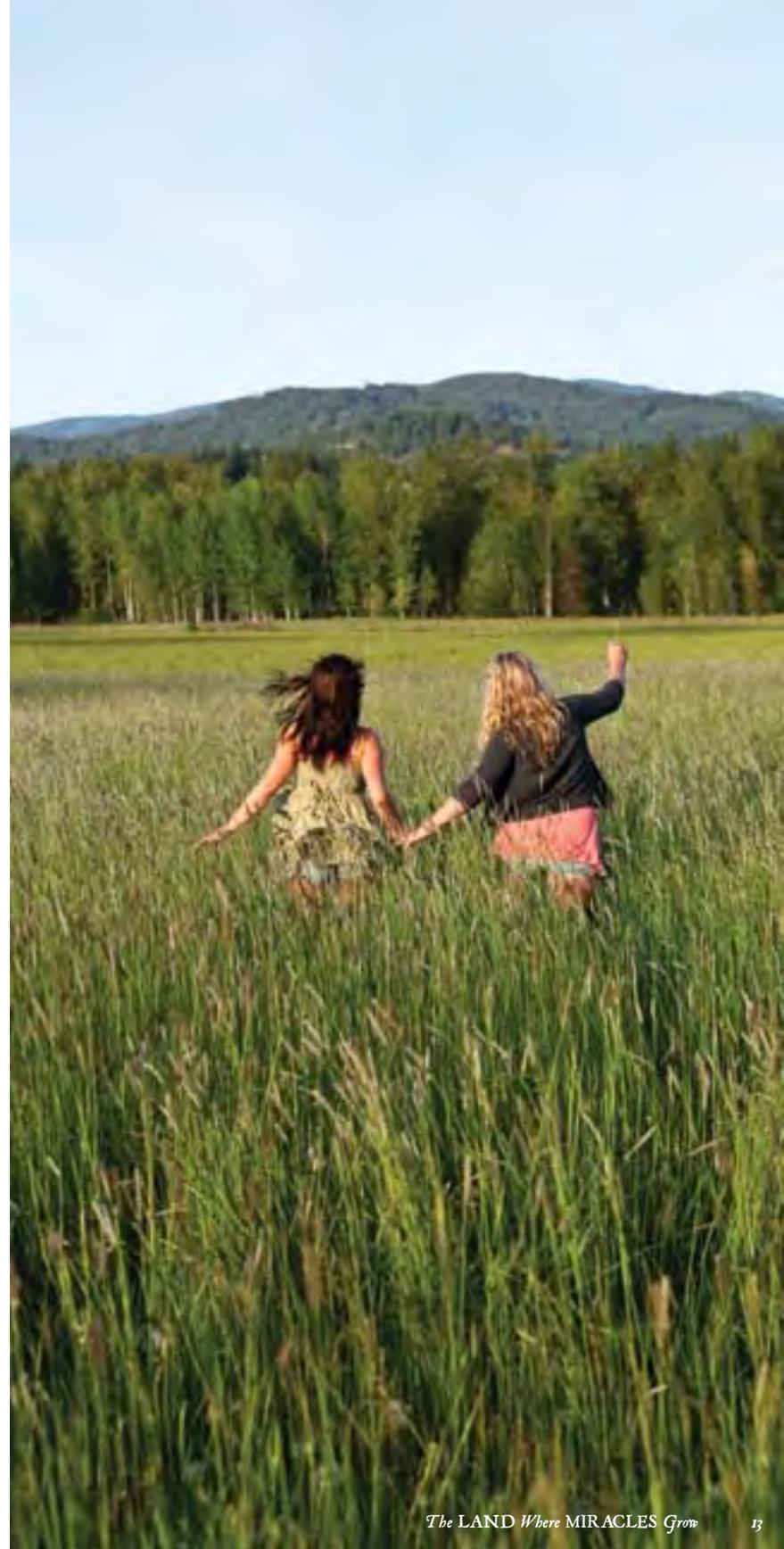
The Mining Regulatory program regulates surface mining and dredge/placer mining on all state, private, and federal lands in the State of Idaho. Mining plans and reclamation bonds are required prior to the start of mining. Plans are reviewed and approved in coordination with other state and federal agencies.

Oil and Gas Regulatory Program

The State Board of Land Commissioners acts as the Oil and Gas Commission which regulates the exploration, drilling and production of oil and gas resources to ensure the conservation of oil and gas and the protection of surface and groundwater. Although oil and gas drilling permits have been issued by the Department, no commercial oil and gas wells are currently in production on state endowment trust lands or private lands in the State of Idaho.

Abandoned Mine Lands Program

The Abandoned Mine Lands Program provides financial and technical assistance to land owners across the State of Idaho with abandoned mine issues. Public safety and environmental protection are the focus of this program which is funded by a portion of the Mine License Tax.





The Mining Regulatory Program regulates surface mining and dredge/placer mining on all state, private, and federal lands in the State of Idaho.

The Grazing Lease Program manages more than 1,200 grazing leases that cover almost 300,000 acres of timberland and 1.5 million acres of rangeland.



Board of Scaling PRACTICES

The Idaho Board of Scaling Practices enforces log scaling (measurement) standards prescribed by statute and regulation, to ensure professional quality log scaling for the benefit of Idaho timber interests. The Board tests and licenses log scaling practitioners and subjects them to routine, unannounced check scales to assure proficiency. The Board also administers log brand registrations and the disposition of prize (abandoned) logs.

Appointed by the governor, Board members represent industry, logging, and private landowner interests.

Current board members are:

- Tom Schultz, Chairman
- Jack Buell, Vice Chairman
- H. Larry Stewart, Secretary
- Robert E. Boeh, Gerry Ikola and Lynn House

An executive director and check scaler, headquartered in the Idaho Department of Lands Coeur d'Alene office, carry out the Board's directives. Funding for the board is derived from assessment fees levied on the scale of forest products harvested within the state and from licensing and registration fees.



Idaho Department of Lands

SUPPORT SERVICES

Invisible to most but vital to the smooth operation of the entire department — including the Land Board — the dedicated people in the support services division of the Idaho Department of Lands perform legal, fiscal management, information systems, and personnel functions from their offices in the department's headquarters in Boise and Coeur d'Alene.

Legal Oversight

Legal counsel is provided to the Department by the Idaho Attorney General. Three deputy attorneys general are assigned specifically to the Idaho Department of Lands.

They provide legal advice to the department, initiate legal action on the department's behalf, and, when necessary, defend the department in court. Supplementary assistance may be provided by additional deputies in the attorney general's office if case loads, other duties, or the specific nature of the action require it.

Fiscal Management

Under the supervision of the financial officer, the Fiscal Section provides oversight and policy direction for all accounting functions within the department, including purchasing, accounts payable and receivable, payroll and internal auditing.

Human Resources

The department's human resource officer works closely with the state's division of human resources to deliver all personnel responsibilities, including recruiting, and record keeping.

Management Information Systems

Information system needs critical to the department's operation are the responsibility of the Information Technology and Geographic Information System sections.

The Information Technology section manages the department's entire network infrastructure, including hardware, software, remote backup and storage, and help desk duties.

The Geographic Information System (GIS) section maintains the property ownership databases and records that are vital to the department as it formulates management strategies for the lands under its control.

It also administers the department's GIS website which provides access to land records, published maps, aerial photography sources and digital maps of the entire state.

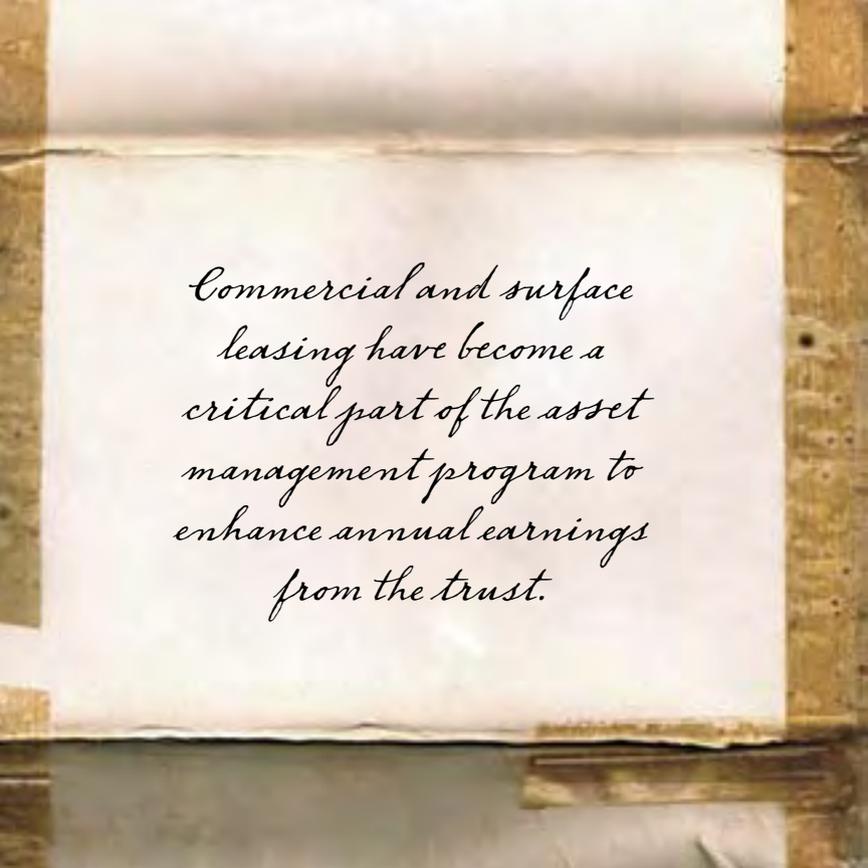
Support Services Administration

Patrick Hodges - Division Administrator

Lisa Johnson - Financial Officer

Dan Raiba - IT Resource Manager

Chris Clay - GIS/Cartography Manager



*Commercial and surface
leasing have become a
critical part of the asset
management program to
enhance annual earnings
from the trust.*



*"When we look at our personal
financial portfolios, we are always
advised to diversify our assets to
protect us from the highs and lows
of various markets. We are asking,
and expecting, the Idaho Land
Board to do the same on our behalf."*

Karen Echeverria, Executive Director
Idaho School Boards Association

F i n a n c i a l
a n d

D e p a r t m e n t

D a t a

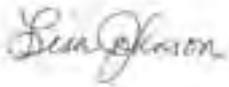
For Fiscal Year 2011

July 1, 2010 to June 30, 2011

Accountants' STATEMENT

We have examined and prepared the data presented in this annual report in accordance with generally accepted accounting standards and affirm it is true and accurate and reflects the activity of the Idaho Department of Lands and the State Board of Land Commissioners during fiscal year 2011.

Signed,



Lisa Johnson
Financial Officer

Accounts and Funding Revenue and Expenditures

	Revenue	Expenditures
General Fund	621,953	4,055,964
Misc. Pass Through Funds	232,687	0
Dedicated Land Funds		
Forest Resources	637,703	348,736
Lands, Minerals, Range	178,384	95,633
Fire Management	6,473,726	4,018,480
Board of Scaling	192,892	178,137
Support Services	17,321	724,239
Indirect Cost Recovery	433,800	458,070
Community Forestry Trust	10,935	10,648
Land Bank	147,917	2,841,741
Total Dedicated Funds	\$ 8,092,677	\$ 8,675,685
Fire Suppression	2,237,264	6,330,619
Federal Funds	9,844,106	9,491,471
Endowment Funds		
Earnings Reserve	63,347,685	23,854,935
Permanent	4,178,406	0
Total Endowment Funds	\$ 67,526,091	\$ 23,854,935
Revenue & Expenditures	\$ 88,554,778	\$ 52,408,674

Income Statement (for the year ended June 30, 2011)

ENDOWMENT TRUST LANDS

	Public School	Ag College	Charitable Institutions	Normal School	Penitentiary
Direct Program Revenue*					
Forest Land	31,390,352	2,019,931	4,630,579	2,771,114	4,630,093
Agriculture Land	251,549	1,200	528	-	21,102
Grazing Land	1,734,329	16,596	27,689	22,122	6,340
Residential Real Estate	2,753,988	-	-	554,859	-
Commercial Real Estate ¹	1,086,591	3,201	39,008	1,016,435	1,751
Recreation	241,322	496	3,484	2,326	3,185
Conservation	140,029	-	-	77	-
Oil and Gas	58,424	2,229	405	7,888	234
Minerals	3,399,807	703	8,962	144,328	1,382
Total Revenue	\$ 41,056,391	\$ 2,044,357	\$ 4,710,656	\$ 4,519,148	\$ 4,664,088
Direct Program Expense					
Forest Land	9,357,563	227,089	903,065	638,658	362,489
Agriculture Land	92,679	442	195	-	7,775
Grazing Land	577,363	5,343	9,400	7,364	2,111
Residential Real Estate	149,615	-	-	23,601	-
Commercial Real Estate ¹	538,587	570	15,508	2,682,043	647
Recreation	10,137	21	146	98	134
Conservation	16,645	-	-	9	-
Oil and Gas	1,447	55	10	195	6
Minerals	275,104	57	725	11,679	112
Total Program Expense	\$ 11,019,140	\$ 233,577	\$ 929,049	\$ 3,363,647	\$ 373,272
Program Margin	\$ 30,037,251	\$ 1,810,779	\$ 3,781,607	\$ 1,155,501	\$ 4,290,816
Less: Managerial Overhead					
Forest Land	2,738,633	60,323	251,009	173,860	107,887
Agriculture Land	39,347	188	83	-	3,301
Grazing Land	307,892	2,849	5,013	3,927	1,125
Residential Real Estate	63,812	-	-	10,066	-
Commercial Real Estate ¹	72,542	87	2,376	73,864	99
Recreation	7,062	15	102	68	93
Conservation	11,995	-	-	7	-
Oil and Gas	2,272	87	16	307	9
Minerals	133,260	28	351	5,657	54
Total Managerial Overhead	\$ 3,376,814	\$ 63,576	\$ 258,950	\$ 267,755	\$ 112,569
Net Income by Program					
Forest Land	19,294,156	1,732,519	3,476,505	1,958,596	4,159,718
Agriculture Land	119,523	570	251	-	10,027
Grazing Land	849,075	8,404	13,277	10,830	3,104
Residential Real Estate	2,540,560	-	-	521,191	-
Commercial Real Estate ¹	475,462	2,544	21,124	(1,739,472)	1,005
Recreation	224,124	461	3,236	2,160	2,958
Conservation	111,389	-	-	61	-
Oil and Gas	54,705	2,087	379	7,386	219
Minerals	2,991,444	619	7,886	126,992	1,216
Total Net Income	\$ 26,660,437	\$ 1,747,203	\$ 3,522,657	\$ 887,745	\$ 4,178,247
Net Income/Total Revenue	65%	85%	75%	20%	90%

¹ Commercial Real Estate activities include office/retail and light industrial, public facilities, energy resources, communication sites, etc.
* Direct Program Revenue includes contributions to permanent funds and earnings reserve funds.

• Revenue Source: IBIS Query/Access Query • Direct Expenditure Source: STARS DAFR 8290 • Admin Ovhd Source: STARS DAFR 8290

	School of Science	State Hospital South	University	Capitol	Total
Direct Program Revenue*					
Forest Land	2,550,895	1,598,753	3,843,857	670,508	54,106,083
Agriculture Land	-	-	3,410	-	277,790
Grazing Land	45,060	6,393	20,134	200	1,878,863
Residential Real Estate	-	1,070,600	-	-	4,379,447
Commercial Real Estate ¹	4,849	305,073	58,898	4,362	2,520,168
Recreation	3,996	290,927	161	-	545,898
Conservation	-	3,238	5,844	-	149,187
Oil and Gas	3,297	3,143	6,544	-	82,164
Minerals	7,835	8,746	14,608	119	3,586,491
Total Revenue	\$ 2,615,932	\$ 3,286,874	\$ 3,953,456	\$ 675,190	\$ 67,526,091
Direct Program Expense					
Forest Land	907,794	368,067	607,820	83,891	13,456,436
Agriculture Land	-	-	1,256	-	102,347
Grazing Land	15,000	2,128	6,703	67	625,478
Residential Real Estate	-	45,517	-	-	218,734
Commercial Real Estate ¹	1,651	1,142,292	27,936	2,069	4,411,302
Recreation	168	12,220	7	-	22,931
Conservation	-	385	695	-	17,734
Oil and Gas	82	78	162	-	2,035
Minerals	634	708	1,182	10	290,210
Total Program Expense	\$ 925,329	\$ 1,571,395	\$ 645,761	\$ 86,036	\$ 19,147,207
Program Margin	\$ 1,690,603	\$ 1,715,478	\$ 3,307,695	\$ 589,154	\$ 48,378,884
Less: Managerial Overhead					
Forest Land	254,652	103,514	171,108	28,521	3,889,507
Agriculture Land	-	-	533	-	43,451
Grazing Land	7,999	1,135	3,574	36	333,551
Residential Real Estate	-	19,413	-	-	93,292
Commercial Real Estate ¹	253	21,583	4,281	317	175,402
Recreation	117	8,513	5	-	15,975
Conservation	-	277	501	-	12,780
Oil and Gas	128	122	254	-	3,195
Minerals	307	343	573	5	140,577
Total Managerial Overhead	\$ 263,457	\$ 154,901	\$ 180,829	\$ 28,878	\$ 4,707,728
Net Income by Program					
Forest Land	1,388,448	1,127,171	3,064,930	558,096	36,760,140
Agriculture Land	-	-	1,620	-	131,991
Grazing Land	22,060	3,130	9,857	98	919,834
Residential Real Estate	-	1,005,670	-	-	4,067,421
Commercial Real Estate ¹	2,945	(858,801)	26,681	1,976	(2,066,535) ²
Recreation	3,711	270,194	149	-	506,993
Conservation	-	2,575	4,649	-	118,674
Oil and Gas	3,087	2,943	6,127	-	76,934
Minerals	6,894	7,695	12,853	105	3,155,704
Total Net Income	\$ 1,427,146	\$ 1,560,577	\$ 3,126,867	\$ 560,276	\$ 43,671,156
Net Income/Total Revenue	55%	47%	79%	83%	65%

¹ Commercial Real Estate activities include office/retail and light industrial, public facilities, energy resources, communication sites, etc.,

²The accrual method of accounting for developed commercial office/retail property results in a positive net income of \$203,844 and \$241,392 for fiscal years 2010 and 2011 respectively. Additional detail on page 22.

• Revenue Source: IBIS Query/Access Query • Direct Expenditure Source: STARS DAFR 8290 • Admin Ovhd Source: STARS DAFR 8290

Endowment Land (by asset type and number of acres)

STATUS

Endowment	Agriculture	Commercial RE	Conservation	Forest Lands	Minerals	Range Lands	Residential RE	Total
Agricultural College	-	290	-	15,152	7	18,026	-	33,475
Capitol Permanent	-	19	-	7,164	-	39	-	7,222
Charitable Inst.	10	103	-	63,090	6	14,000	-	77,209
Normal School	38	306	-	43,671	63	15,680	50	59,808
Penitentiary Inc.	480	20	-	27,099	-	1,307	-	28,906
Public Schools	15,169	13,020	22,825	687,885	1,944	1,337,934	550	2,079,327
School of Science	-	344	-	63,964	78	11,487	-	75,873
State Hospital South	-	1,540	-	26,001	10	3,642	97	31,290
University of Idaho	100	111	-	42,979	24	12,101	-	55,315
Total	15,797	15,753	22,825	977,005	2,132	1,414,216	697	2,448,425

Balances as of June 30, 2011

As a government entity, the Idaho Department of Lands is required to use cash basis accounting methods in reporting asset performance. Using the more commonly employed accrual method of accounting, the performance of commercial assets is represented as follows:

	FY10	FY11
<i>(From page 21 footnote)</i>		
Commercial Real Estate (Cash Basis)	(682,610)	(2,066,535)
Program Margin from other Commercial Activities	272,716	334,486
Developed Commercial Office/Retail		
Gross Revenue	1,348,419	1,555,138
Direct Costs	<u>2,303,745</u>	<u>3,956,159</u>
Program Margin (Cash Basis)	(955,326)	(2,401,021)
Accrual Entries:		
Add Back Current Year Capitalized Expenses	1,672,536	3,174,220
Deduct Current Year Useful Life Amortization	<u>105,916</u>	<u>142,712</u>
Program Margin (Accrual Basis)	611,295	630,486
Program Expense	305,378	280,858
Managerial Overhead	<u>102,073</u>	<u>108,236</u>
Net Income (Accrual Basis)	203,844	241,392
Return on Asset (ROA)		
Beginning Value	14,602,228	16,232,961
Ending Value	16,232,961	16,294,211
Cash on Cash	1.26%	1.48%
Value Appreciation	<u>10.05%</u>	<u>0.38%</u>
Total ROA	11.30%	1.86%

Lands, Minerals, and Range STATISTICS

Endowment Land Programs

Grazing Program

- 1,175 grazing leases with a total of 1,773,249.56 leased acres and 259,159 animal unit months

Farming Program

- 71 farming leases with a total of 18,329.39 leased acres and 599 animal unit months

Conservation Program

- 20 conservation leases

Commercial Program

- 192,156 square feet of commercial property under management with 78% occupancy¹
- 23 industrial leases
- 8 military leases
- 43 recreation leases (commercial and noncommercial)
- 76 communication leases
- 5 commercial and office/retail leases
- 2 energy resources

Residential Program

- 352 Priest Lake cottage site leases
- 157 Payette Lakes cottage site leases
- 6 other residential leases

Minerals Program

- 172 mineral leases with a total of 37,428.55 leased acres
- 57 geothermal resource leases with a total of 25,035.05 leased acres
- 188 oil and gas leases with a total of 54,346.10 leased acres
- 48 exploration locations

Land Use Permits

- 105 land use permits issued
- 378 land use permits administered

Real Estate Transactions

- 86 easements²
- 5 disclaimers of interest

Regulatory Programs

Navigable Waters Public Trust

- 145 submerged land leases (marinas, etc.)
- 450 encroachment permits issued³
- 11,367 encroachment permits administered³

Minerals Regulatory Program

- 1,474 surface mining reclamation plans
- 24 placer mining permits

¹ From Property Management Reports - includes office/retail and self-storage

² Includes Acquired and Granted Easements (FY11)

³ Information provided by operations

Forest

MANAGEMENT

Timber Harvested

Average Harvest Prices	FY 2009	FY 2010	FY 2011
Sawlogs \$/MBF ¹	\$ 252.36	\$ 182.60	\$ 200.83
Sawlogs \$/Ton	\$ 42.29	\$ 18.51	\$ 22.23
Cedar Poles \$/LF ²	\$ 4.79	\$ 3.65	\$ 3.63

	Sawlogs (MBF)	Sawlogs (TON)	Cedar Poles (LF)	Cedar Products (MBF)	Pulp (MBF)
North Operations	11,416	2,403	47,295	56	1,166
Priest Lake	8,175	867	143,085	491	627
Pend Oreille	12,569	0	0	22	1,640
Kootenai Valley	3,890	844	32,720	133	91
Mica	52,124	0	323,325	2,066	3,216
St. Joe	13,339	0	0	51	1,401
Cataldo	40,887	0	0	217	4,688
Ponderosa	142,400	4,114	546,425	3,036	12,829
Subtotal					
South Operations					
Clearwater	44,979	24,346	190,850	614	6,691
Maggie Creek	27,049	0	154,640	910	7,996
Craig Mountain	4,906	0	0	0	1,296
Payette Lakes	15,458	55,965	0	0	504
Southwest	3,415	23,166	0	0	25
South Central	0	0	0	0	0
Eastern Idaho	475	0	0	0	2
Subtotal	96,262	103,477	345,490	1,524	16,514
Total	238,682	107,591	891,915	4,560	29,343

Total Harvest Volume - All product types - 299,456 MBF

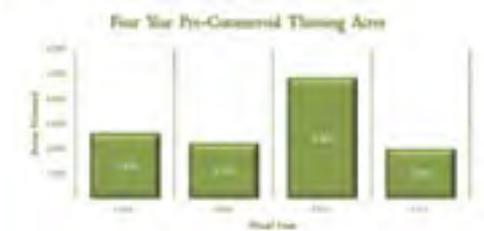
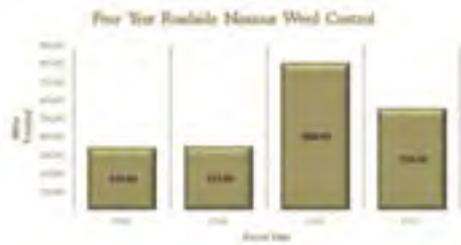
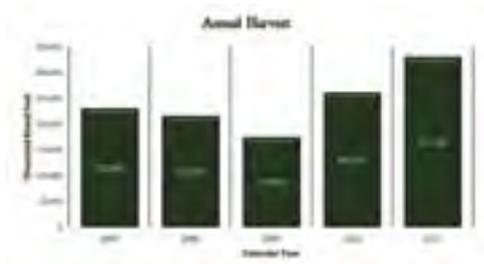
Timber Sold

Average Sale Prices	FY 2009	FY 2010	FY 2011
Sawlogs \$/MBF ¹	\$ 188.41	\$ 166.11	\$ 196.07
Sawlogs \$/Ton	\$ 15.84	\$ 19.92	\$ 26.66
Cedar Poles \$/LF ²	\$ 4.81	\$ 3.56	\$ 3.82

	Sawlogs (MBF)	Sawlogs (TON)	Cedar Poles (LF)	Cedar Products (MBF)	Pulp (MBF)
North Operations	21,438	0	0	0	26
Priest Lake	8,509	25,300	200,575	221	14
Pend Oreille	5,434	0	0	16	113
Kootenai Valley	1,756	844	0	0	10
Mica	58,412	0	146,610	986	413
St. Joe	1,511	0	0	2	114
Cataldo	40,622	0	429,930	1,090	131
Ponderosa	137,682	26,144	777,115	2,315	821
Subtotal					
South Operations					
Clearwater	34,794	0	429,325	820	464
Maggie Creek	37,409	0	156,720	956	8,203
Craig Mountain	13,478	0	0	0	22
Payette Lakes	1	96,359	0	0	0
Southwest	0	36,134	0	0	0
South Central	0	0	0	0	0
Eastern Idaho	475	0	0	0	2
Subtotal	86,158	132,493	586,045	1,776	8,691
Total	223,839	158,637	1,363,160	4,091	9,512

Total Sale Volume - All product types - 292,156 MBF

¹Thousand Board Feet ² Lineal Feet



Forestry

ASSISTANCE

Forest Stewardship Program (Includes Forest Legacy & Conservation Education)

- 1,410 forest landowners received technical assistance.
- Stewardship funds were used to facilitate 22 UI Extension education sessions, offering 565 people education on subjects such as forest mensuration, forest health issues, and the benefits of conservation easements.
- 62 new or revised Landowner Forest Stewardship Plans (LFSPs), covering over 8,500 acres of private forestlands; 143 Landowner Forest Stewardship Plans re-inspected
- Partnered with Natural Resources Conservation Service (NRCS) to assist 40 landowners with EQIP management plans and practices.
- Three Forest Legacy Program (FLP) project applications, covering 9,600 acres, were recently submitted for 2013 federal funding consideration. One 2012 FLP project, protecting 1,700 acres of private forestland in Boundary County, is currently ranked #9 in the nation and anticipates funding. One 2011 application was recently awarded funding and anticipates closing in 2012. Both 2010 FLP projects closed, covering four different conservation easements protecting nearly 4,500 acres in Boundary and Bonner counties.
- Stewardship grant awards were used to educate 180 participants at the Shoshone County Woods Day, to provide succession planning training at 5 Ties to the Land workshops, and to facilitate targeted forestry education to dozens of K-12 teachers at Project Learning Tree training sessions.
- Partnered with 120 forestry professionals from multiple entities to fund and facilitate the Idaho State Forestry Contest, providing field education and forestry skills competition to 400 elementary, middle and high-school students.
- Provided funding to UI Extension Forestry to continue the Master Forest Steward volunteer program; the 2009- and 2010-trained members logged over 1000 hours of volunteer time, reaching 3,500 people. The program accepted a cohort of 14 trainees in 2011.

Forest Health Protection

- 3 pest detection surveys covering 10,948,723 acres (Aerial Detection Survey: 9,858,789 acres, Gypsy Moth survey: 850,884 acres, Douglas-fir Tussock Moth survey: 239,050 acres)
- 64 insect and disease identification and management training sessions, with 2,197 participants
- 362 responses to requests for forest health information
- Provided technical assistance to allow Clearwater and Nez Perce Counties to apply for and receive Emergency Forest Restoration

Program funding from the USDA Farm Services Agency after a severe November 2010 wind storm. Assistance was provided to 70 landowners for slash clean up and bark beetle mitigation.

- Assisted the USDA Forest Service Region 4 with a Douglas-fir beetle suppression project at the Bald Mountain ski area in the Sun Valley-Ketchum area. IDL also administered cost share to 6 private landowners and one homeowner's association adjacent to the project area. Approximately 200 private forested acres were protected from Douglas-fir beetle.
- Provided stimulus and other federal grant funds to the Shoshone County Forest Health Collaborative, which will improve forest health and reduce hazardous fuels within the Silver Valley's Wildland Urban Interface. Competitive grant awards were used to educate 147 forest landowners at the Shoshone County Forest Owner Field Day and 64 individuals at the Small Scale Energy from Biomass workshop; 500 acres were treated.

Community & Urban Forestry

- Completed the first part of a canopy analysis project in the Treasure Valley to determine the contribution of tree canopy to air quality, energy conservation and storm-water mitigation. Modeling potential future benefits of increased canopy to help meet Federal requirements for ozone is a special emphasis of the project. Partners include Idaho DEQ, Idaho Power, storm-water managers, county and city planners, transportation districts and more. Within study area, this \$2.95 billion forest resource removes 523 tons of air pollutants annually, a value of nearly \$4 million /year. The tree canopy contribution to ozone removal (142 tons) is valued at \$1.3 million/year.
- Completed ~\$1 million in stimulus projects in eleven cities in Ada, Bonner, Canyon and Kootenai Counties. More than 4,500 park and street trees were treated to mitigate critical urban forest safety issues and improve the health, value, function and longevity of this public asset.
- 71 Tree City USA designations with 7 Tree Cities also receiving a Tree City USA Growth Award for significant improvement to their tree management programs.
- 10 cities completed Community Transportation Enhancement grant projects through a partnership with the Idaho Transportation Department. Recipients matched \$172,000 in grant funds on projects utilizing landscaping to reduce storm-water runoff, encourage non-motorized transportation, for education and to enhance downtown business districts.

Forest Practices Act (FPA) Administration

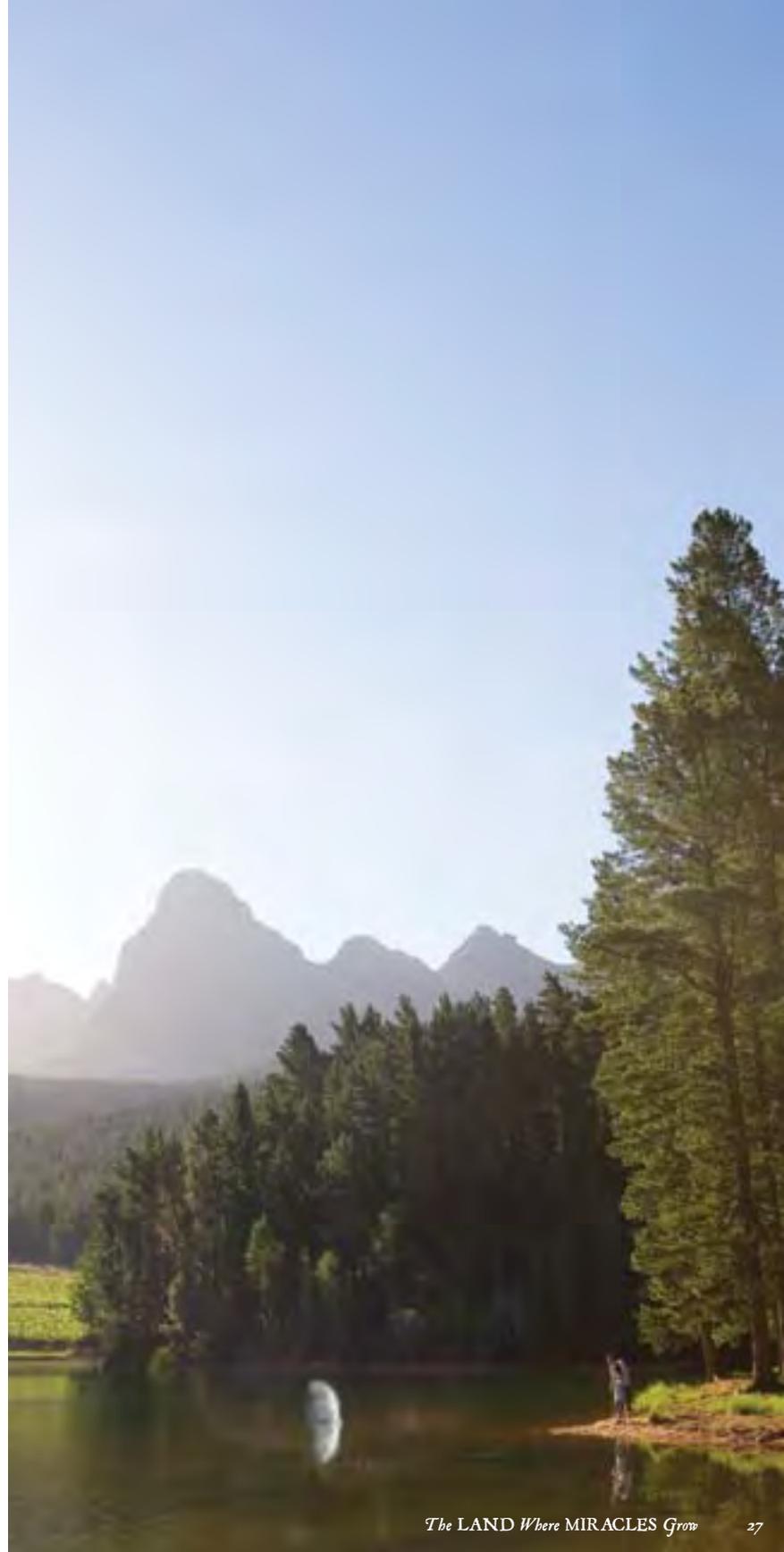
- Conducted 1,369 forest-practices inspections on 1,006 different harvesting operations on Idaho's private forestlands and found a 97% rate of compliance. The complete year-end report summarizing inspection activities is posted at: <http://www.idl.idaho.gov/bureau/forasst.htm#fpa>
- Provided forest-practices, forest policy and water-quality presentations to forest managers, loggers, IDL resource managers and university natural-resources students at the Foresters Forum Conference, the Inland Empire Forest Engineering Conference, the annual IDL Fire Management Bureau and Resource Supervisor meetings, and a University of Idaho natural resources policy class.
- Participated in rulemaking public hearings for three proposed IDEQ water-quality administrative rules, and in developing guidance for IDEQ's new antidegradation-process rule.
- Initiated conversations with EPA Region 10 regarding potential NPDES permitting issues and developed ongoing updates for the agency regarding Decker v. NEDC progress and Pesticide General Permit (PGP) processes. Also participated in meetings with the US Army Corps of Engineers and EPA regarding a proposed federal rule change defining "waters of the US."
- Carried out an internal survey, addressing needs of both the FPA and Idaho Forestry Programs, collecting riparian-area data on over 40 Class I SPZs throughout the state.

Cumulative Watershed Effects (CWE)

CWE assessments were conducted in 20 watersheds located throughout Idaho that contain a large portion of state endowment lands. The results of the assessments provide baseline information regarding the impacts of forest practices to water resources, and will be used to develop implementation plans designed to alleviate adverse conditions, and monitor progress toward achieving CWE objectives.

Interdisciplinary Team Field Visits

The Interdisciplinary (ID) Team members conducted 174 field visits on individual projects throughout the IDL Supervisory Areas. 33 follow-up reports were provided including recommendations for stream crossing installations, bridge/road installation and repair, stream classification, landslide repair, rock pit development, road rocking, interpretation of various FPA rules, project implementation oversight, stream channel restoration, etc.



Fire Season IN REVIEW

The 2011 fire season was below the twenty-nine-year average in terms of fire occurrence and acres burned.

Firefighters responded to 249 fires (66 percent of average) on lands protected by the Idaho Department of Lands (IDL), Clearwater-Potlatch Timber Protective Association (CPTPA), and Southern Idaho Timber Protective Association (SITPA). These fires burned 1,016 acres, which is 10 percent of the average acreage burned.

Favorable weather and the quick response by dedicated teams of firefighters kept 94 percent of these fires to less than 10 acres.

Human activity ignited 136 fires (55 percent of the year's total) that burned 727 acres. Human caused fires accounted for 72 percent of the burned area. The miscellaneous category accounted for the most human-caused fires and burned the largest area. It was also the most expensive human-caused category.

Lightning started 113 fires (45 percent of the year's total) and burned 289 acres, or 28 percent of the total area. The average fire size was 4.1 acres, which is 15 percent of the twenty-nine year average. The median fire size was 0.1 acres, which is the usual. The average fire cost was \$7,099, and the cost per acre was \$1,740.

Fire response in Idaho is organized by 16 forest protection districts. The Idaho Department of Lands and timber protective associations have lead fire response duties on 12 forest protection districts in the state.



Number of Fires, by Cause, by District

District	# of Fires	Lightning	Misc.	Debris	Campfire	Equip. Use	Arson	Smoking	Children	Railroad
GPTPA	42	29	1	4	2	5	-	-	1	-
SITPA	37	22	7	2	6	-	-	-	-	-
Pend Oreille FPD	32	8	9	9	4	2	-	-	-	-
Southwest Idaho FPD	22	13	-	2	3	1	1	2	-	-
West St. Joe FPD	17	7	1	1	4	1	3	-	-	-
Ponderosa FPD	17	12	2	3	-	-	-	-	-	-
Kootenai Valley FPD	16	2	4	3	3	2	1	-	-	1
Mica FPD	16	2	1	6	2	2	-	2	1	-
Craig Mountain FPD	15	6	2	1	1	3	1	1	-	-
Maggie Creek FPD	13	6	4	1	-	-	1	-	1	-
Priest Lake FPD	12	6	2	-	2	-	1	1	-	-
Cataldo FPD	10	-	1	1	5	1	-	1	1	-
Total	249	113	34	33	32	17	8	7	4	1

The fire season begins in late spring so does not coincide with the fiscal year. As a result, figures on this page may not agree with fiscal-year statistics elsewhere in this report.



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