



STATE BOARD OF LAND COMMISSIONERS

Dirk Kempthorne, Governor and President of the Board
 Ben Ysursa, Secretary of State
 Lawrence G. Wasden, Attorney General
 Keith L. Johnson, State Controller
 Marilyn Howard, Superintendent of Public Instruction

Winston A Wiggins, Secretary to the Board

**Final Minutes
 Regular Land Board Meeting
 May 10, 2005**

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, May 10, 2005 in Boise, Idaho. The meeting began at 9:12 a.m. in the second floor courtroom of the Borah Post Office Building. The Honorable Dirk Kempthorne presided. The following members were present:

- Honorable Secretary of State Ben Ysursa
- Honorable Attorney General Lawrence G. Wasden *(via conference phone until 10:40 a.m.)*
- Honorable State Controller Keith L. Johnson
- Honorable Superintendent of Public Instruction Marilyn Howard
- Secretary to the Board Winston A Wiggins

• **CONSENT**

Director Wiggins provided background information on the Consent Agenda items.

A motion was made by Controller Johnson to approve the Consent Agenda in its entirety. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 5-0.

1. Director's Report – approved

- A. Interest Rate on Department Transactions – April 2005
- B. Bureau of Real Estate, Land Sale Section, Official Transactions – March 2005
- C. Bureau of Real Estate, Easement Section, Official Transactions – March 2005
- D. Timber Sale Official Transactions – March 30, 2005 through April 26, 2005
- E. Timber Sale Activity Report
- F. Legal Matter Summary

2. Timber Sales – Staffed by Bob Helmer, Chief, Bureau of Forest Management – approved

A. Pole Trap	CR-10-0345	445	MBF	Bonner
		180,875	LF	Bonner
B. Lakes Tyson	CR-30-0508	4,870	MBF	Benewah
C. Corpline	CR-30-0511	3,605	MBF	Clearwater
D. Upper Poorman	CR-40-0772	4,915	MBF	Clearwater
E. Vinter View	CR-42-5005	1,790	MBF	Idaho
F. Backside Butte	CR-42-5008	1,890	MBF	Idaho
G. Lunch Saddle Seed	CR-42-5010	3,600	MBF	Clearwater
H. Antler Knob	CR-43-4005	5,645	MBF	Idaho
I. Overlook	CR-50-0138	1,836	MBF	Valley/Adams

J. Sheridan	CR-80-0096	2,065	MBF	Clark
K. Reservoir	CR-80-0097	3,990	MBF	Clark

DISCUSSION: Governor Kempthorne asked if State policies and actions allow for quick and equitable responses to insect infestations and the need for clearcuts. Director Wiggins stated on the policy side, the Board has authorized the Department to develop clearcuts up to one hundred acres without pre-approval. The Board then approves each sale as it is brought forward. If a situation arose requiring more than one hundred acres, the Department would bring the matter to the Board for approval. Assuming the Department provided adequate justification, Director Wiggins feels confident the Board would grant the authority.

Director Wiggins stated internally the Department has the ability to respond quickly to unexpected catastrophic events, such as fires, windthrow, blowdown or other events requiring immediate action. Resources can be diverted to address those incidents even to the point of moving resources around the state from one geographic location to another, if necessary.

In a catastrophic insect-related situation, Governor Kempthorne asked how quickly the State can move to a sale and timber removal. Director Wiggins stated it is difficult to set a specific timeframe. One tool the Department can use in catastrophic events is a one-week advertisement. Normally the Department has a four-week advertisement. If a situation arises where the Department needs to act quickly, the ad can be sent to the paper prior to the Board meeting, in anticipation of approval, with a publication date after the meeting. The ad can always be pulled prior to publication. The Timber Management Bureau in Coeur d'Alene moves very quickly to assure that contracts are prepared and ready for signature. There is an element of potential delay on the purchaser's part because of bonding and other issues. Assuming those matters are resolved, the contracts are turned around very quickly.

Governor Kempthorne asked if the State's ability to take quick action differs from the federal. Director Wiggins stated the Department's experience, where the State has adjacent land subject to the same event, is that the federal counterpart has not been able to respond as quickly.

Controller Johnson asked for an update on timber sale extensions. Director Wiggins stated the Department has had several sales that have gone into multiple extensions. In the bulk of those sales the contractors have met their obligations. On Ladd's Creek, completion of the sale is anticipated this summer.

Controller Johnson asked why the May projected revenue is lower than April on sale E. Director Wiggins responded that the May figure reflects volume actually harvested in April. At the end of April the Department bills the purchasers so the revenue for the April harvest is received in May.

3. Easement Request by the Worley Highway District for a Public Road Across Public School Endowment Land – Staffed by Perry Whittaker, Chief, Bureau of Real Estate – approved

DEPARTMENT RECOMMENDATION: Direct the Department to complete the road easement with Worley Highway District.

DISCUSSION: Superintendent Howard observed that a road already exists. She asked what is different about this request. Director Wiggins stated the road itself is in existence and has been for quite a period of time. The road is managed by the Worley Highway District and this item has been brought to the Board at their request. They are seeking a confirmation of their right to have the road on trust land. Superintendent Howard asked if this is a gravel or paved road. Director Wiggins stated he believes it is a gravel road.

BOARD ACTION: Approved.

4. **Request to Enter the Process to Revise Rules for Easements on State-Owned Lands, IDAPA 20.03.08** – Staffed by Perry Whittaker, Chief, Bureau of Real Estate – **approved**

DEPARTMENT RECOMMENDATION: Direct the Department to enter the rulemaking process for modification of IDAPA 20.03.08, Easements on State Owned Lands and to submit the proposed rule revision to the Division of Administration, Office of Administrative Rules, for processing.

BOARD ACTION: Approved.

5. **Minutes – approved**

A. Regular Land Board Meeting – April 12, 2005

• **REGULAR**

6. **Federal Lands Task Force Briefing** – Presented by Robert Maynard, Perkins-Coie

Mr. Maynard is a partner in the Perkins Coie law firm in Boise. He provided an update on implementation of Federal Lands Task Force (FLTF) pilot projects in Idaho. Along with his Washington, D.C. partner, Buzz Fawcett, Mr. Maynard has worked as a consultant to facilitate implementation of proposed projects. He previously worked as a member of the FLTF Working Group.

Mr. Maynard. The Federal Lands Task Force process began in 1996 with the Idaho Legislature and the Land Board chartering the FLTF to look at problems with management of federal lands administered by the Forest Service and Bureau of Land Management. The original FLTF produced a report, *New Approaches for Managing Federally Administered Lands (July 1998)*, identifying problems with federal land management, not only in Idaho, but throughout the west. This problem was described as “gridlock.” The problems involved getting effective and active management on the ground.

The first report recommended testing three different alternative approaches to resolve problems: a trust model, a cooperative model and a collaborative model. The trust model is akin to how the State manages endowment lands. The cooperative model is akin to how the City of Rocks area in Southern Idaho is managed cooperatively between the State and the National Park Service. The collaborative approach involves interested citizen stakeholders working with agencies toward a more responsive management.

A second report, *Breaking the Gridlock (December 2000)*, recommended work toward implementation of five specific pilot projects. The Land Board heard and endorsed the second report in 2001. Since that time, Mr. Maynard and Mr. Fawcett have worked to move those projects forward. In late 2002 Mr. Maynard provided an update to the Board focusing on two projects – the Clearwater Basin Stewardship Collaborative and the Twin Falls/Cassia Resource Enhancement Trust. Referring to the current status, Mr. Maynard stated each project is ready to be implemented and certain components of those projects are in the process of being implemented.

The Clearwater project involves an advisory group working with the Forest Service, the Nez Perce Tribe and others in the Clearwater Basin Area of the Nez Perce and Clearwater National Forests to identify priority projects addressing forest health and other ecosystem issues. It expands the role of the already established North Central Idaho Resource Advisory Committee that operates under what is known as the Craig-Wyden Act. The Twin Falls/Cassia project involves more efficient coordinated management of intermingled Bureau of Land Management and Forest Service administered lands. The central component is the designation of a single manager to coordinate management plans and rules between the Forest Service and the BLM. A Resource Advisory group would also be involved.

The Congressional delegation has viable draft legislation for both projects with public participation and support behind them. It is unknown whether legislation will be enacted this session. He stated that he and Mr. Fawcett have done as much as they can as consultants and facilitators. The delegation has what they need. Local supporters for these projects know that they need to stay active with the Congressional delegation if legislation is to move forward. Beyond that, Mr. Maynard stated a lot can be done without the need for additional legislation. Under existing authority in the Twin Falls-Cassia area the agencies already have a pilot project authority called Service First for Reciprocal Agreements.

In discussing the broader picture of other pilot projects, Mr. Maynard praised the Lakeface-Lamb Stewardship Project in the Priest Lake area. This project has become the model for a successful collaborative work on forest health issues. The area covers several thousand acres and represents a positive step forward. Mr. Maynard stated pilot projects are alive and well. The conditions they are designed to address still exist, but there is also real progress. Implementation will depend on continued local interest and engagement between citizens and federal agencies.

DISCUSSION: Superintendent Howard asked what happens next. What is the timeline and what are the goals ahead? Who will be monitoring or reporting on future activities? Mr. Maynard stated there has been a lot of progress in the last two years. Two years ago a viable Twin Falls-Cassia project did not exist. Today, the federal agencies are on board to get central components of the project implemented, along with specific draft legislation in the hands of the right people. In terms of the next step, the contractor work is done. Mr. Maynard stated he is not recommending that the State further contract money in these projects at this time. He will remain available to the people in both the Clearwater and Twin Falls-Cassia areas, as will Buzz Fawcett. In terms of monitoring and reporting, Mr. Maynard stated there is nothing specific in place from here forward, but he expects people will continue to be engaged, particularly the Resource Advisory Councils.

Superintendent Howard asked if a process is in place for selection of committee members so that the various interested parties would be represented. Mr. Maynard stated yes, they are called Resource Advisory Councils under the BLM and Resource Advisory Committees under the Forest Service. They are both appointed very similarly to assure a diverse range of citizen and community representatives.

Superintendent Howard noted this was a very big effort taking a lot of time and involving a lot of people. She wonders how the communication, or the direction and monitoring, will move forward from here.

Governor Kempthorne asked Mr. Maynard if he sees the day coming when the State would receive management of the federal lands for a ten-year period, or more, where the Land Board could make decisions about the management on those lands. The State has shown the ability to move quickly if there is an insect infestation or catastrophic event. A key part of this effort is to demonstrate that local management is more effective and efficient. Mr. Maynard stated any vision of what could be called state control or active management of federal lands is far in the future and is not part of the current paradigm in terms of a direct mechanism. The mechanism for a stronger local role is through the Resource Advisory Councils. As their work continues, and people become more confident in their abilities, the RACs will have a more influential and empowered role with the federal agencies.

7. Joint Meeting with the Endowment Fund Investment Board – Presented by Bob Maynard, PERSI

- **Mr. Dean Buffington, Chairman, Endowment Fund Investment Board, provided an update for the Land Board on the next audit cycle.**

Members of the Endowment Fund staff and the Endowment Fund Board Audit Committee met with representatives from the auditing firm on April 27. During that meeting the audit plan and other

topics were discussed. The auditing firm will begin its work in mid-June, and the current plan is to have a draft report in August.

DISCUSSION: Governor Kempthorne asked if there is anything that the Land Board should put on its radar screen – any issue or situation that needs to be highlighted. Chairman Buffington stated the one item that carried over from last year is that two of the funds had a deficit balance. However, steps have been taken to correct that problem.

- **Mr. Robert Maynard, PERSI, provided background information on the endowment fund performance.**

DISCUSSION: Governor Kempthorne asked Mr. Maynard if he is aware of any issues that the Land Board ought to be addressing. Mr. Maynard stated the current system has worked very well. In staying with the plan the Fund earned 15% per year over the last couple of years while the bond markets earned four. The current Endowment Fund Board looks at the entire picture and gives the Land Board recommendations as to distributions and liability.

With regard to the details of the particular funds, Mr. Maynard stated that is something that has worked well. Due to the efforts of the previous Manager of Investments, the EFIB and the Land Board, there is now a better handle on the funds, cash flows from Lands, management of monies and focus on liabilities. In general a system has been set up that will bring any issues to the Land Board's attention. We do not see any major issues outstanding with regard to the way that the overall structure is working or any particular issue that should cause concern. Other audit issues were minor. Mr. Maynard stated he is very complimentary of what has been done.

- **EFIB Board Member Bill Deal**

When the study to reform the Endowment Fund began, the particular idea to change it to the format it is today was a good move. One issue that perhaps needed further consideration was how to transition the Fund from where it was in the late 90s to the current process. Over the last three or four years, and with the help of the Land Board, the transition has been made so we operate effectively and the Fund is now in good condition. One exception that has been discussed is the need to find a way to pool and distribute the funds of the miscellaneous endowments, which most likely requires legislative action.

- **Dean Buffington, Chairman, provided an update on the Manager of Investments position vacancy.**

Currently the Manager of Investments position is vacant. The Manager of Investments is the EFIB's chief executive position on the staff side. Mr. John Taylor, EFIB board member, is leading the recruitment effort. The EFIB is working closely with the Division of Human Resources to plan marketing and advertising. The expectation is that the position will require three or four months to fill.

- **Mr. John Taylor, EFIB Board Member**

The search is underway. Ads have been placed on Idaho job web sites and will be placed in major daily newspapers, as well as in the western Wall Street Journal. Ads have also been placed in professional magazines specifically targeted for people with that kind of professional expertise. Mr. Taylor commended DHR for their assistance in this effort.

DISCUSSION: Governor Kempthorne asked Mr. Maynard to identify the role he will play and if he will assist the EFIB until a new manager is selected. Mr. Maynard stated the answer depends on both the EFIB and PERSI board members. Details still need to be determined.

Secretary of State Ysursa asked about the two-year return for the total PERSI fund. Mr. Maynard stated PERSI is ahead of the Endowment Fund, but the reason PERSI is ahead is due to its investments in areas that the EFIB is not in and has difficulty getting into at this point. The fact that PERSI is doing better has a lot to do with the fact that PERSI has been around longer and has a more mature investment program.

Superintendent Howard asked if the current ten-year projection to get back to even still holds. Mr. Maynard believes it may take less than ten years but certainly not more.

Governor Kempthorne asked Chairman Buffington about Marvin and Palmer's watch status. Chairman Buffington responded Marvin and Palmer is a relatively new manager that has been noted as performing under the benchmark. Governor Kempthorne asked how long a manager is on watch before a decision is made. Chairman Buffington stated at least a couple of quarters.

8. Request for Approval of Modifications to the Tamarack Resort, LLC Lease – Presented by Denise Mills, Assistant Director, Lands, Minerals, Range

DEPARTMENT RECOMMENDATION: Direct the Department to modify Lease M-5042 in accordance with the negotiated terms. Modification will be in place until December 31, 2005 unless extended by action of the Board.

DISCUSSION: Governor Kempthorne asked if Tamarack agrees with the provisions and recommendations. Director Wiggins stated his understanding is they do. From the audience, Jean-Pierre Boesflug stated that Tamarack concurs. Director Wiggins expressed his thanks to Deputy Attorney General Kent Nelson, Contracting Division, for his invaluable service.

BOARD ACTION: A motion was made by Secretary of State Ysursa to accept the Department's recommendation. Controller Johnson seconded the motion. The motion carried on a vote of 4-0, with Attorney General Wasden being absent for this vote.

• **EXECUTIVE SESSION – Withdrawn**

Additional Discussion Items

- Director Wiggins added one information item. The deadline for conflict applications on grazing leases was April 30. The Department will work to move toward auctions and will appraise the improvements.

DISCUSSION: Secretary of State Ysursa asked if a discussion has taken place with the Cattle Association regarding improvement values, with an emphasis on setting those values before auctions are scheduled. Director Wiggins met with the Cattle Association recently and that was one of the topics discussed. He will meet in the immediate future with the Woolgrowers Association to discuss the same topic, along with others, to see if a mutually agreeable expectation or accommodation can be reached. In addition, the Department is collecting information from neighboring states to see how they address similar issues.

Superintendent Howard asked if maps will be prepared to show locations of expiring grazing leases. Director Wiggins stated maps can be provided. He pointed out that four IDL field offices are involved. The bulk of the leases are on the Ponderosa district, and that office is

headquartered at Deary. Southwest leases are handled out of the Boise Supervisory Area office; South Central is handled out of the Gooding office, which soon will move to Jerome, and the Eastern Idaho office is located in Idaho falls. Superintendent Howard stated she is more interested in the Ponderosa leases.

- Controller Johnson mentioned he received a copy of a letter, written by John Peavey, regarding trailing sheep through the Sun Valley area. Mr. Peavey expressed concern about the sheep having a place to rest for the night. Director Wiggins stated he also received a copy of the letter. Mr. Peavey's concern is if the Department moves forward on a development proposal for the Buttercup parcel, the sheep will not have a place to rest. That will not be an issue this year because the Request for Proposal on the Buttercup parcel should be out on May 30. The Department will be looking at proposals after that date so this is not an immediate concern. It is, however, one of those issues that is difficult to deal with in the context of trust land.
- As a final comment on the Federal Lands Task Force effort, Superintendent Howard stated she was asking questions today from the standpoint that the State's goal is to have input on use. It is comforting to recognize that people are helping to guide those efforts and that at least some discussions are taking place locally. Those discussions need to be taken into account to give a total Idaho perspective.

There being no further business to come before the Board, the meeting adjourned at 10:52 a.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

/s/ Dirk Kempthorne

President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/ Ben Ysursa

Ben Ysursa
Secretary of State

/s/ Winston A Wiggins

Winston A Wiggins
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the June 21, 2005 regular Land Board meeting.