



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board
Ben Yursa, Secretary of State
Lawrence G. Wasden, Attorney General
Donna M. Jones, State Controller
Tom Luna, Superintendent of Public Instruction

George B. Bacon, Secretary to the Board

Final Minutes
Regular Land Board Meeting
March 16, 2010

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, March 16, 2010, in Boise, Idaho. The meeting began at 9:03 a.m. in the second floor courtroom of the Borah Building. The Honorable Governor C. L. "Butch" Otter presided. The following members were present:

Honorable Secretary of State Ben Yursa
Honorable Attorney General Lawrence Wasden
Honorable State Controller Donna Jones
Honorable Superintendent of Public Instruction Tom Luna

For the record, Governor Otter noted that all members of the Board were present.

• **CONSENT**

A motion was made by Controller Jones to approve the Consent Agenda in its entirety. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

1. Director's Report – approved

- A. Interest Rate on Department Transactions – March 2010
- B. Timber Sale Activity Report
- C. Timber Sale Official Transactions – February 2010
- D. Legal Matter Summary
- E. Division of Lands, Minerals, Range Official Transactions – February 2010
- F. Fire Settlement Information

DISCUSSION: Regarding timber sale information, items B and C, Director Bacon stated the Department is pleased to note an uptick in both bidding and harvest for the past month. The anticipation is that this is a temporary situation as sawmills are attempting to fill inventory to get through spring, even though they may not currently have orders for the timber. Director Bacon also noted that the news media is reporting that housing starts are expected to slump slightly. Bad weather on the East Coast is delaying the construction season, and the impact of that delay is being felt nationwide.

2. Endowment Fund Investment Board Manager's Report – Staffed by Larry Johnson, Manager of Investments, EFIB – approved

- A. Monthly Report
- B. Investment Report

DISCUSSION: A verbatim transcript is available by written request to Susan Terry, Idaho Department of Lands, 300 North 6th Street, Suite 103, Boise, Idaho 83720-0050; fax (208) 334-2339; email sterry@idl.idaho.gov.

3. Timber Sales – Staffed by Roger Jansson, Operations Chief-North, and Kurt Houston, Operations Chief-South – approved

<u>NORTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
A. Iditarod OSR	CR-225015	1035	MBF	Kootenai	Mica (Coeur d’Alene)
B. Hodgepodge	CR-300561	6960	MBF	Benewah	St. Joe (St. Maries)
C. Little Baldy OSR	CR-310015	1375	MBF	Kootenai	Cataldo (Kingston)
<u>SOUTH OPERATIONS</u>					
D. West Elk	CR-400977	2990	MBF	Clearwater	Clearwater (Orofino)
E. Caldwell Face	CR-401034	9845	MBF	Clearwater	Clearwater (Orofino)
F. Not So Deep	CR-500158	1305	MBF	Valley	Payette Lake (McCall)

DISCUSSION: For the Board’s edification, Director Bacon stated an overstory removal (OSR) indicates that the Department has completed either a shelterwood or seed-tree type harvest, and natural regeneration has occurred. At this point, seed trees will be removed leaving a fully stocked stand of young trees.

Governor Otter noted that Director Bacon’s opening remarks indicated activity has picked up on timber sales. Director Bacon stated the Department has seen an uptick, but the uptick is relative. Governor Otter asked if the uptick is reflected in the price. Director Bacon stated the Department is seeing better bidding. He explained that appraisals are done based on delivered log prices at mills. The Department calls mills when sales are appraised to find out what the mills are paying for logs brought to their door step. From that price, the Department backs out logging costs and sets a starting price. Those prices are reflected in the Board memos. If the market drops when sales actually come to bid, the Department will see a decreased interest because the appraisals were done a couple of weeks prior and current prices are too high. If markets go up, then the opposite occurs. Director Bacon stated typically a surge is seen at this time of year because mills are running out of inventory, and weather may be keeping them from working in the woods. Mills will be trying to rebuild inventory to get through spring and early summer.

Superintendent Luna stated last January Director Bacon provided projected timber revenues. Then at the February 10, 2010 special meeting, Director Bacon put forth a more pessimistic scenario with timber sales and the price of lumber. He asked if current contracts exceed the January estimates and the February updated projection. Director Bacon stated the overall expectation for income matches the Department’s projection. It is fairly flat. The Department has had one sale that sold at a good price, and the hope is that the sale foreshadows good things to come. Another sale was moderately bid, which is good, but it was not substantially higher. The other sales were pole sales. Cedar pole sales typically bring higher prices because of the high value of cedar. Those have not performed as well as expected. The State’s industrial purchasers have indicated they are cautiously optimistic, and the Department agrees with that assessment. Assistant Director Groeschl stated that revenue projections for timber coming in are around January’s low projection.

4. Timber License Plate Fee Recommendations – Staffed by Betty Munis, Idaho Forest Products Commission and David Stephenson, Forestry Assistance Bureau – approved

DEPARTMENT RECOMMENDATION: That the Board direct the Department, in conjunction with the Idaho Forest Products Commission, to proceed with the recommended educational projects.

DISCUSSION: Governor Otter asked if these funds are for one-time expenditures. Director Bacon stated that is correct. As moneys come in from the license plates, the Department keeps a tally and then asks the Board to approve expenditures. Governor Otter asked how many license plate sales are required to prevent the plate from being discontinued. Director Bacon stated he does not know what that level might be. Governor Otter asked how the 3,006 plates sold or renewed related to prior years. He asked if 3,006 is a stable number representing sales of the timber license plate. Director Bacon stated he believes the number of plates sold or renewed is slightly down but is fairly stable. Governor Otter asked if there are ongoing programs that are put in place with this money or is it used for one-time expenditures every year. Director Bacon stated it is a one-time expenditure every year, but it tends to go to the same programs. Project Learning Tree is a big recipient. PLT helps to educate teachers about the importance of our timber industry and managing forests properly. That effort is then disseminated to students. The Department believes PLT's activities are a highly valuable asset and wishes to continue that support. Governor Otter stated he is aware that there is, by statute, a sunset if the number of plates sold falls below a certain number. He suggested that the Department monitor that number.

BOARD ACTION: Approved.

5. Minutes – approved

- A. Special Land Board Meeting – February 10, 2010
- B. Regular Land Board Meeting – February 16, 2010

• **REGULAR**

6. Request by Willmore Lumber Company for Hardship Termination of the Antelope Valley Timber Sale (TS-80-3532) – Presented by David Groeschl, Assistant Director, Forestry and Fire – approved

DEPARTMENT RECOMMENDATION: That the Board approve the hardship termination of the Antelope Valley Timber Sale (TS-80-3532) and assess damages of \$196,911.79 to Willmore Lumber Company.

DISCUSSION: A verbatim transcript is available by written request to Susan Terry, Idaho Department of Lands, 300 North 6th Street, Suite 103, Boise, Idaho 83720-0050; fax (208) 334-2339; email sterry@idl.idaho.gov.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board approve the hardship termination of the Antelope Valley Timber Sale, Number TS-80-3532, and assess damages of \$196,911.79 to Willmore Lumber Company, which is consistent with the actions taken by the Board in the past. Controller Jones seconded the motion. The motion carried on a roll call vote of 4-1. Roll Call – *Aye:* Otter, Ysursa, Wasden, Jones; *Nay:* Luna; *Absent:* None. Governor Otter noted the motion, having received a majority of the vote, passed, and the Department recommendation was adopted.

7. Endowment Lands Transaction Advisory Committee – Presented by Kathy Opp, Deputy Director – approved

DEPARTMENT RECOMMENDATION: That the Board (1) approve the draft language amending Article 9, §8 and §10 of the Idaho Constitution; and (2) authorize the Department and the Advisory Committee to work with the Legislature to advance the recommended changes as early as possible so the endowments can realize enhanced earning potential.

DISCUSSION: Secretary of State Ysursa asked if the Department believes the Legislature will move quickly on the constitutional changes. Deputy Director Opp stated several legislators have expressed support and are ready to present the changes. However, the Department does not know what the total composition of the vote will be.

Governor Otter stated he met with leadership of both germane resource committees, as well as leadership of the Legislature, bipartisan, bicameral, and the indication has been that there is a path forward with all prospects of success. However, he asked if the Land Board would have the opportunity to review the wording prior to ballot measure pamphlets being printed. Secretary of State Ysursa stated the Legislative Council will solicit comments and information from the Department, the Land Board and others. Governor Otter stated he wants to make sure that the Department asks the Legislative Council for the Board's opportunity to review and suggested that this topic be placed on a future agenda.

Secretary of State Ysursa asked if two separate amendments are being proposed. Deputy Director Opp stated there will be two.

Governor Otter asked if changes in section 8 contemplate a single question. He can almost see a double question. Deputy Director Opp stated while there are two items, both deal with disposition. Governor Otter suggested the Department should review that closely to be sure. The Court has already stated that only a single question can be addressed in a referendum.

At the conclusion of the discussion, Governor Otter presented letters to members of the Endowment Land Transaction Advisory Committee expressing the Board's gratitude and appreciation for the Committee's time and effort on behalf of the endowment beneficiaries. Members of the Advisory Committee include: Bryant Forrester; Kurt Gustavel; Jack Harty; George Kirk; Al Marino; Robert Phillips; Robert Follett.

BOARD ACTION: The following motion was presented by Controller Jones: Recommendation number one, approve the draft language amending Article 9, §§ 8 and 10 of the Idaho Constitution; authorize the Department and the Advisory Committee to work with the Legislature to advance the recommended changes as early as possible so the endowments can realize enhanced earning potential; and also to seek counsel on whether there will be one question or two on the ballot. Attorney General Wasden seconded the motion. The motion carried on a roll call vote of 5-0. Roll Call – *Aye:* Otter, Ysursa, Wasden, Jones, Luna; *Nay:* None; *Absent:* None.

8. Recommendations of the Cottage Site Subcommittee – Presented by Secretary of State Ben Yursa and Superintendent of Public Instruction Tom Luna, Cottage Site Subcommittee – approved

COTTAGE SITE SUBCOMMITTEE RECOMMENDATION: Secretary of State Yursa presented the Cottage Site Subcommittee recommendation:

As presented at the February 16, 2010 Land Board meeting, a target annual lease rent will be calculated at 4.0% of the average appraised or assessed value of each lot over the most recent 10 years (the sum of the 10 prior years appraised or indexed values for each lot divided by 10). Actual rent will increase or decrease annually from the prior year's rent at a constant percentage rate to reach the target rent in year five. Every five years from the effective date of the lease, the target rent will be recalculated using this same methodology and values of the lot for the most recent 10 years. Lot values shall be appraised by the applicable county assessor or determined by an Idaho Certified Appraiser, at the discretion of the Department.

ADDENDUM TO COTTAGE SITE SUBCOMMITTEE REPORT: Following the February 16, 2010 meeting of the Board of Land Commissioners, the Subcommittee met with representatives of the lessees and of the endowment beneficiaries. The Subcommittee revised the recommendation with regard to premium rent. The Subcommittee recommended that premium rent be calculated at ten percent (10%) of the gross leasehold value or fifty percent (50%) of the net leasehold value, whichever is the greater amount for the endowment. Net leasehold value shall be calculated by subtracting the original leasehold value (sales price less the value of tenant improvements) of the lessee who is transferring the lease from the leasehold value (sales price less the value of tenant improvements) when a transfer occurs.

DISCUSSION: A verbatim transcript is available by written request to Susan Terry, Idaho Department of Lands, 300 North 6th Street, Suite 103, Boise, Idaho 83720-0050; fax (208) 334-2339; email sterry@idl.idaho.gov.

BOARD ACTION: A motion was made by Secretary of State Yursa, as Chairman of the Cottage Site Subcommittee, that the rate be set at four percent of the ten-year average value of each lot to be phased in over five years with premium rent set at ten percent of the gross leasehold value or fifty percent of the net leasehold value, whichever is greater for the endowment. Superintendent Luna seconded the motion. The motion carried on a roll call vote of 3-2. ROLL CALL – *Aye:* Otter, Yursa Luna; *Nay:* Wasden, Jones; *Absent:* None.

● **INFORMATION**

Background information was provided by the presenter indicated below. No Land Board action is required on the Information Agenda.

9. Status of Bills Monitored – 2010 Legislative Session – Presented by George Bacon, Director

10. Grazing Fee for Calendar Year 2011 – Presented by George Bacon, Director

DISCUSSION: Governor Otter commented about a recent violation by a federal leaseholder on a Bureau of Land Management grazing allotment. He asked if the Department has a policy in place that when federal laws are violated, and the State is engaged in policing because of state lands within the

