



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board  
 Ben Ysursa, 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  
 State Board of Land Commissioners' Regular Meeting  
 March 15, 2011

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, March 15, 2011, in Boise, Idaho. The meeting began at 9:08 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 Ysursa  
 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**

**1. Director's Report**

- A. Interest Rate on Department Transactions – March 2011
- B. Timber Sale Activity and Information Report – February 2011
- C. Division of Lands, Minerals, Range Official Transactions – February 2011
- D. Legal Matter Summary – February 2011
- E. Fire Settlement Information – February 2011

*DISCUSSION:* Referring to the Timber Sale Activity and Information Report, Director Bacon noted that harvest volumes are up but prices are slightly down. However, he stated overall the timber program is doing well.

**2. Timber Sales for Approval** – Staffed by Roger Jansson, Operations Chief-North, and Kurt Houston, Operations Chief-South

<u>NORTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
A. Lodgepole Whack & Stack	CR-30-0563	3,925	MBF	Benewah	St. Joe (St. Maries)
<u>SOUTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
B. S. Fork Big Creek	CR-40-1074	5,975	MBF	Clearwater	Clearwater (Orofino)
C. East Dry Buck	CR-60-0179	20,653	TONS	Boise	Southwest (Boise)
D. Pinehurst	CR-60-0189	8,556	TONS	Boise	Southwest (Boise)

**3. Timber License Plate Fee Recommendations – Staffed by Betty Munis, Director, Idaho Forest Products Commission**

*DEPARTMENT RECOMMENDATION:* That the Board direct the Department to proceed with the recommended educational projects as presented and jointly developed with the Idaho Forest Products Commission.

*DISCUSSION:* Governor Otter asked if a report showing where the money was spent last year is available. Director Bacon stated the Idaho Forest Products Commission produces a report detailing expenditures each year. Generally the amount spent is the annual amount allocated by this board. Governor Otter stated it would be beneficial for the Land Board to receive a report of what was spent the previous year along with feedback on what kind of success was achieved. Director Bacon stated that the report will be made available.

**4. Disclaimer of Interest for the Former Bed of the Payette River, Boise County (DR & J Investments LTD) – Staffed by Kurt Houston, Operations Chief-South**

*DEPARTMENT RECOMMENDATION:* That the Board direct the Department to issue a disclaimer of interest for one parcel totaling 1.78 acres of the former bed of the Payette River and to require DR & J Investments LTD to pay the remaining processing fee of \$300 to the Department of Lands for this transaction.

**5. Approval of Minutes – February 15, 2011 Regular Meeting (Boise)**

**CONSENT AGENDA BOARD ACTION:** A motion was made by Controller Jones to approve the Consent Agenda as presented. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

• **REGULAR**

**6. Endowment Fund Investment Board Manager's Report – Presented by Larry Johnson, Manager of Investments, Endowment Fund Investment Board**

A. Manager's Report – Mr. Johnson stated that endowment fund returns have been strong and land revenues have been good. Reserves are currently over five years for all endowments except Public School, which is in excess of three years.

B. Investment Report – Mr. Johnson stated that the fund is in the range of 20% for the fiscal year, and investment managers are performing as expected.

C. Increase the Long-term Distribution Rate for State Hospital South based on the Outlook for Sustainable Land Revenues and Fund Return.

*EFIB RECOMMENDATION:* Modify the Land Board's Distribution Policy to permanently increase the distribution rate for the State Hospital South Endowment to 6.0% of the three-year average of the Permanent Fund and, for Fiscal Year 2012, increase the approved distribution to \$2,301,600 from \$1,917,600.

*DISCUSSION:* Mr. Johnson stated this agenda item seeks Land Board approval to increase the long-term distribution rate for the State Hospital South endowment. The recommendation is based on an outlook for sustainable land revenues and fund returns. The Investment Board's distribution policy has two key metrics: the rate of distribution and the years of reserve. The rate of distribution is currently set at five percent, and the years of reserve is currently set at five years. The five percent rate is based primarily on the expectation of future revenues, both from the land and from the fund. The State Hospital South endowment is the only endowment with a Permanent Fund that has kept up with both inflation and population growth. The Investment Board requested a long-term revenue forecast from the Department of Lands and that forecast was completed and presented to the Land Board in January. The Investment Board reviewed the forecast at its February meeting and, based on that forecast, recommends an increase in the distribution rate.

Mr. Johnson stated that the Department of Lands estimates the endowment will generate land income equivalent to, in a minimum case, 7.7% of its total endowment fund. The Investment Board estimates that the fund, in a low case, would earn at least 3% annually, net of fees. Mr. Johnson stated these are not average forecasts but are considered low or conservative forecasts. When the two numbers are added together, 7.7% and 3%, the total is an annual income of 10.7% a year. If 5% is retained to offset estimated inflation and population growth that leaves 5.7% of real income on a sustainable basis that could be distributed every year. 5.7% of the total fund is equivalent to about 7% of the Permanent Fund, which is what the distribution policy is based on. Therefore 7% would be a two percentage point increase from the 5% used today.

Mr. Johnson stated the only problem with increasing immediately from five to seven percent is insufficient reserves to support a distribution that high. At 7% only 4.3 years would be available in reserves; however at 6%, five years would be available in reserve because currently the State Hospital has some excess reserves. When reserves grow to support a 7% rate, which may occur later this year or by July or August of the next fiscal year, the Investment Board will consider recommending an additional increase in the State Hospital South distribution rate.

With that, Mr. Johnson closed his remarks and asked that the Board modify its distribution policy to permanently increase the distribution rate for the State Hospital South endowment to 6% of the three year average of the Permanent Fund and to increase the approved distribution for fiscal year 2012 to \$2,301,600 from \$1,917,600.

Governor Otter asked Mr. Johnson if the Joint Finance and Appropriations Committee considered this information during budget setting. Mr. Johnson stated it is his understanding JFAC has not considered this information pending the Land Board's action today.

As a side note, Governor Otter informed the Land Board that he has advanced the nomination of Dean Buffington to continue as a member of the Endowment Board, and the nomination has been sent to the State Senate for approval.

*BOARD ACTION:* Secretary of State Yursa moved approval of the Endowment Fund Investment Board's recommendation to increase the distribution from the current 5% to 6% of the three-year average which would increase the distribution from \$1,917,600 to \$2,301,600. Attorney General Wasden seconded the motion. Governor Otter further clarified that the motion is for year 2012 only and that the motion does not include 2013 and beyond at 7%. The motion carried on a vote of 5-0.

**7. Western States Land Commissioners Association (WSLCA) Proposed Federal Legislation to Expand “in-lieu” Land Selections as a Land Tenure Adjustment Tool – Presented by Kathy Opp, Deputy Director**

*DEPARTMENT RECOMMENDATION:* That the Board direct the Department to communicate with the Idaho congressional delegation regarding Land Board support for pursuing the proposed WSLCA-sponsored draft legislation and work to identify additional tools to aid land tenure adjustment between state and federal land management agencies.

*DISCUSSION:* In reading the Western States Land Commissioners’ Resolution 2010-01, Governor Otter commented that there are a couple of other areas that Idaho might encourage the western states to consider. One is a review of the Organic Act. The Organic Act says that Idaho is on an equal footing with all of the original states. Some states were granted up to four sections per township whereas Idaho only received two sections per township. Governor Otter believes this should be brought up for discussion. Two is the fact that up until the current Administration, Idaho was under an agreement no less important than the one being advanced today, and that is as the federal government disposed of federal lands in the west, Idaho would receive 5% of the proceeds. But the current Administration has decided not to sell any additional federal land. Governor Otter believes a request should be made that Idaho go out and select 5% of those federal lands that it would have received money from. This action would help Idaho’s endowments and would also recognize Idaho’s equal footing with not only other states but also with the federal government. Director Bacon stated he remembers that idea being brought forward, and that legislation was drafted at the federal level. Governor Otter stated it was called the APPLE Plan.

Secretary of State Yursa stated he believes this is a good resolution for the Board to support. He commented that this Board reviewed the issue a few years ago when Boise BLM sold some land. At that time the Board and the Department had to remind folks that in the Admissions Act, Idaho receives 5%.

Governor Otter stated he believes the disproportionate assigning of sections per township, citing Utah receiving four sections per township while Idaho received two sections per township, should be reviewed along with the 5% payment to Idaho when federal lands are sold. He suggested that the Department engage WSLCA to take a hard look at those two additional ideas. Director Bacon stated the Department agrees, and the motion before the Board would direct the Department to do that. Those ideas may have already been vetted. Director Bacon noted that Deputy Director Opp, who is absent from today’s meeting, is the Department’s WSLCA point person and is the Chair of an important committee reviewing financial data reporting by states.

Controller Jones commented that while she supports the effort to increase endowment land values, she does not support efforts to create additional wilderness land in Idaho. Governor Otter agreed.

*BOARD ACTION:* A motion was made by Controller Jones to direct the Department to communicate with the Idaho congressional delegation regarding Land Board support for pursuing the proposed WSLCA-sponsored draft legislation and work to identify additional tools to aid land tenure adjustment between state and federal land management agencies. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.



**RESOLUTION 2010-01**  
**SUPPORTING PROPOSED GRANT OF INDEMNITY SELECTIONS FOR STATE TRUST**  
**LANDS IN WILDERNESS STUDY AREAS AND NATIONAL MONUMENTS**

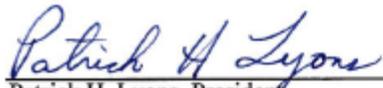
**WHEREAS**, there is proposed federal legislation the purpose of which would grant states the right to select unappropriated federal public lands upon relinquishment of title to state trust lands located within federal wilderness study areas and national monuments; and

**WHEREAS**, the proposed legislation is modeled on existing federal law which permits states to select federal lands as “indemnity” or “in lieu” lands for statehood grant lands for which title did not pass to the states due to pre-existing and future federal reservations; and

**WHEREAS**, the proposed legislation expands the grant of indemnity selections to situations where title to trust lands has previously passed to the states, but where subsequent federal action may deprive a state of full use of the granted land.

**NOW THEREFORE, BE IT RESOLVED THAT** the Western States Land Commissioners Association does hereby support and endorse the passage of the proposed legislation which is intended to provide a fair and efficient means for solving state inholding issues.

Approved this day January 13, 2010.

  
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Patrick H. Lyons, President  
Western States Land Commissioners Association

  
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Dave Hebertson, Secretary  
Western States Land Commissioners Association

8. **Request for Final Approval to Purchase One (1) Acre of Property, Providing All-Purpose Access to 722 Acres of Public School Endowment Forestlands in Kootenai County (James Property) – Presented by Roger Titmus, Strategic Business Analyst, IDL**

*DEPARTMENT RECOMMENDATION:* That the Board approve the acquisition of the referenced property pursuant to the terms and conditions of the Purchase Sale Agreement.

*DISCUSSION:* Secretary of State Ysursa asked for the balance remaining in the land bank. Mr. Titmus stated the balance is above \$200,000.

*BOARD ACTION:* Attorney General Wasden moved that the Board approve the acquisition of the James property pursuant to the terms and conditions of the Purchase Sale Agreement. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 5-0.

- **INFORMATION**

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

**9. Legislative Update – Presented by ~~Kathy Opp, Deputy Director~~ George Bacon, Director**

*DISCUSSION:* Director Bacon noted the Department will be closely monitoring a piece of legislation that was recently sent to print. The legislation regards a moratorium on further wind development in Idaho for up to two years.

Secretary of State Ysursa commented that Senate Bill 1145, the repeal of Idaho Code § 58-310(a), was voted out of the Senate State Affairs committee yesterday. He complimented Clive Strong [Office of the Attorney General], Bonnie Butler [Office of the Governor] and Dan Goicoechea [Office of the Controller] for their testimony. He noted that the bill will be on the Senate floor this week. With the support of the entire State Land Board, he hopes the bill will pass.

**10. Grazing Fee for Calendar Year 2012 – Presented by Neil Crescenti, Grazing, Farming & Conservation Program Manager, IDL**

*DISCUSSION:* Secretary of State Ysursa asked for the current federal rate under the PRIA formula. Mr. Crescenti stated it is approximately \$1.37 this year.

At 9:38 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 67-2345, subsections (c) and (d) for the purpose of deliberating on the acquisition of an interest in real property which is not owned by a public agency and to consider records that are exempt from public inspection. Attorney General Wasden requested that a roll call vote be taken and that the secretary record the vote in the minutes of the meeting. Controller Jones seconded the motion. The motion carried on a roll call vote of 5-0, aye. *Roll Call Vote: Aye:* Ysursa, Wasden, Jones, Luna, Otter; *Nay:* None; *Absent:* None.

- **EXECUTIVE SESSION**

**A. Idaho Code 67-2345(1)(c) – To conduct deliberations concerning labor negotiations or to acquire an interest in real property which is not owned by a public agency [To Acquire an Interest in Real Property]**

**B. Idaho Code 67-2345(1)(d) – To consider records that are exempt from disclosure as provided in chapter 3, title 9, Idaho Code [To Acquire an Interest in Real Property]**

