



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  
Brandon D. Woolf, State Controller  
Tom Luna, Superintendent of Public Instruction

Tom Schultz, Secretary to the Board

Final Minutes  
State Board of Land Commissioners' Regular Meeting  
April 15, 2014

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, April 15, 2014 in the State Capitol Lincoln Auditorium (Room WW02) at 700 West Jefferson, Boise, Idaho. The meeting began at 9:01 a.m. 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 Brandon Woolf  
Honorable Superintendent of Public Instruction Tom Luna (*via teleconference*)

For the record, Governor Otter recognized the presence of all Board members, with Superintendent Luna joining the meeting via conference phone at 9:02 a.m.

**1. Director's Report**

A. Interest Rate on Department Transactions – April 2014

B. Timber Sale Activity and Information Report – March 2014

*DISCUSSION:* Following the Timber Activity Report update, State Forester Groeschl provided a briefing on the recent Farm Bill that passed Congress and was signed February 7th. In the 2014 Farm Bill, Section 8204 amended the Hazardous Forest Reduction Act and within that amendment it allowed the governors of every state to designate proposed treatment areas that were in danger or threat of high insect and disease mortality. Governors were given 60 days to submit those proposed treatment areas to the Secretary of Agriculture. The treatment areas could range in size from anywhere from 2-3,000 acres up to 273,000 acres. In Idaho, the Department took the lead on coordinating with the Forest Service and the collaboratives to identify proposed treatment areas.

Idaho has over 20 million acres of Federal forest land. Wilderness areas and certain designated roadless areas were eliminated in the Department's analysis, reducing the number to slightly more than 12 million acres. The Department found that about 8.8 million acres or 70% of those 12 million acres are at high risk of either insect and disease mortality, or meet certain fire condition classes. On that 8.8 million then, the Department worked with the collaboratives and

the Forest Service to identify an initial effort where the collaboratives already had agreement with the Forest Service in treating certain areas that met those conditions. Across the entire state from north to south the Forest Service in cooperation with the collaboratives submitted 50 proposed treatment areas that totaled about 1.8 million acres.

That was an initial effort to look at where these projects could occur within the proposed treatment areas. For example if one of those proposed treatment areas was 100,000 acres, under the Farm Bill there are provisions that if certain criteria are met, where the insect and disease mortality is either current or expected over the next 15 years to exceed 25% and it is within a Wildland Urban Interface (WUI), threatening the community, there are provisions to apply a categorical exclusion for a project up to 3,000 acres. In the proposed treatment areas they could have several projects that could meet the criteria of applying this categorical exclusion. Governor Otter asked Mr. Groeschl to explain categorical exclusion. Mr. Groeschl explained a categorical exclusion would simply allow the Forest Service to expedite their National Environmental Policy Act (NEPA) analysis. According to the Forest Service, categorical exclusion takes 6 to 8 months. An Environmental Assessment (EA) takes 18 months or longer, and an Environmental Impact Statement (EIS) takes 3 to 5 years.

Governor Otter inquired if it is a requirement that all parties be involved in the negotiations from the beginning otherwise the categorical exclusion could be rejected in court. Mr. Groeschl responded that because these areas were already identified with the collaboratives, they have local support and the categorical exclusion, if challenged, would have to be challenged at a national level.

Governor Otter informed the Board that Mr. Groeschl is preparing an executive brief on the plan submitted by the Governor's office on March 31st. The plans were due on April 9th but because the collaboratives were already in place, Idaho was able to submit its proposal first and in fact the Idaho plan is now being used by many other western states as a pro forma for their plans.

C. Division of Lands and Waterways Activity and Information Report – March 2014

*DISCUSSION:* Director Schultz provided a final update on the status of the lease extensions at Payette Lake and Priest Lake. The Department had 151 leases at Payette Lake: 31 have now been sold under a voluntary sale auction process; 114 have executed leases; 1 assignment is in process; and 5 were non-renewals. Of those five, three removed personal property; one was the Burke lease on which the cabin was gifted to the state; and the last one, the Department is working with the Attorney General's office and the previous lessee for resolution. At Priest Lake, the Department had 354 leased lots: 348 have executed the 2014 lease; 1 assignment is in process; 1 involves a power of attorney – the Department is pending receipt of the signed lease; 1 default; and 3 non-renewals. Of those three, one has already removed the personal property and we are working with the other two previous lessees on their improvement issues; these are actually issues from 2013 that have carried over. When this process began there were as many as 20± potential defaults; as it happens, there is one default at Priest Lake and no defaults at Payette Lake. The Department did sell 21 Payette Lake lots at auction recently and is moving forward with the auctions at Priest Lake.

D. Legal Matter Summary – March 2014

E. Final Legislative Update

**2. Endowment Fund Investment Board Manager’s Report – Presented by Larry Johnson, EFIB Manager of Investments**

**A. Manager’s Report**

*DISCUSSION:* Mr. Johnson reported that reserves are strong. There are no compliance or legal issues. Mr. Johnson advised that at the May 22nd Land Board meeting EFIB will have responses from its consultant RFP and the Board will have the opportunity to interview finalists at that meeting. Also, EFIB hopes to be far enough along to request Land Board permission to manage an endowment for the Department of Environmental Quality related to the Bunker Hill water treatment system. At its May meeting, the Investment Board will revisit Endowment Fund distribution policy and then bring recommendations for Land Board consideration at its June meeting. Mr. Johnson recalled that preliminary work done by EFIB showed that there are four endowments that have some concern with regard to their levels of reserve.

**B. Investment Report**

*DISCUSSION:* Mr. Johnson stated the month of March was basically break even for the Fund with a 0.1% return. April has been tougher; the Fund has lost almost 2% and fiscal year to date as of yesterday was 12.7%. The down draft in the equity markets has hurt the Fund somewhat. In the upper right hand corner of the Investment report, Mr. Johnson pointed out several cash flow statistics. EFIB started the fiscal year with \$1.45 billion in the Fund. EFIB expects to distribute almost \$49 million for the year but through March had distributed \$36.6 million. Land revenue as presented earlier is strong – \$57 million through March. This is net revenue from all sources. Mr. Johnson noted even without further revenues and expenses, as of the end of March earnings would be enough to cover the \$49 million distribution from the year, just from land revenue which is a good indication of how strong land revenues have been this year. Investment changes through the end of March were \$212 million so at that point the Fund was almost \$1.7 billion.

• **CONSENT**

**3. Timber Sales for Approval – Staffed by Eric Besaw, Regional Operations Chief-North, and Kurt Houston, Regional Operations Chief-South**

<u>NORTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
A. PL Pole 14	CR-10-0419	350	MBF	Bonner	Priest Lake (Coolin)
		3,260	Poles		
B. Lee Ranch Pulp	CR-10-0429	1,820	MBF	Bonner	Priest Lake (Coolin)
C. Roothaan Lowdown	CR-10-0405	1,300	MBF	Boundary	Priest Lake (Coolin)
D. Supper Sawlog	CR-22-5032	5,415	MBF	Kootenai	Mica (Coeur d’Alene)
E. Cold Hole Pole	CR-30-0605	640	MBF	Benewah	St. Joe (St. Maries)
		4,890	Poles		
F. St. Joe Divide	CR-30-0619	3,920	MBF	Shoshone	St. Joe (St. Maries)
G. Spring Creek Bugs	CR-30-0623	1,180	MBF	Shoshone	St. Joe (St. Maries)
<u>SOUTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
H. Round Again	CR-50-0160	37,732	Tons	Valley	Payette Lakes (McCall)

**4. Approval of Minutes** – March 18, 2014 Regular Meeting (Boise)

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

- **REGULAR**

**5. FY2015 Timber Sales Plan** – Presented by Bob Helmer, Bureau Chief-Forest Management

*DEPARTMENT RECOMMENDATION:* Direct the Department to proceed with implementation of the FY15 Timber Sales Plan.

*DISCUSSION:* A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recording Secretary, PO Box 83720, Boise, Idaho 83720-0050 or by email to public\_records\_request@idl.idaho.gov.

*BOARD ACTION:* A motion was made by Attorney General Wasden that the Board adopt the Department recommendation. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

**6. Cottage Site Voluntary Auction Fee Adjustments** – Presented by Kate Langford, Bureau Chief-Strategic Business

*DEPARTMENT RECOMMENDATION:* The Department recommends that the Land Board approve the adjustments to the voluntary auction fees as outlined herein and set an effective date of the fee adjustments for new VAFO cycles beginning May 1, 2014.

*DISCUSSION:* A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recording Secretary, PO Box 83720, Boise, Idaho 83720-0050 or by email to public\_records\_request@idl.idaho.gov.

*BOARD ACTION:* A motion was made by Attorney General Wasden that the Board approve the Department recommendation. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 5-0.

**7. 2015-2016 Cottage Site Voluntary Auction Goals** – Presented by Kate Langford, Bureau Chief-Strategic Business

*DEPARTMENT RECOMMENDATION:* The Department recommends the Land Board approve the auction goals for 2015-2016, subject to market conditions and Board approval of each auction cycle, as follows:

1. Offer one to two voluntary auction cycles annually at Payette and Priest Lakes
2. Accept 15-30 applications at Payette Lake for the Fall 2014 auction cycle

3. Annual number of applications offered for lots to participate in an auction to be determined by:
  - a. Number of leased lots
  - b. Experience from 2014 auctions
  - c. The degree of interest at each lake
4. A mixture of lot types (i.e. leased, vacant/unleased, under short term land use permit) considered for each cycle as determined by the Land Board

*DISCUSSION:* A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recording Secretary, PO Box 83720, Boise, Idaho 83720-0050 or by email to public\_records\_request@idl.idaho.gov.

*BOARD ACTION:* A motion was made by Attorney General Wasden that the Board approve the Department recommendation. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

**8. Cottage Site Land Use Permit – Presented by Mike Murphy, Bureau Chief-Endowment Leasing**

*DEPARTMENT RECOMMENDATION:* Direct the Department to offer a two (2) year LUP to those cottage site lessees with an expiring 2014 lease extension that do not wish to sign a long-term lease beginning January 1, 2015.

*DISCUSSION:* A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recording Secretary, PO Box 83720, Boise, Idaho 83720-0050 or by email to public\_records\_request@idl.idaho.gov.

*BOARD ACTION:* A motion was made by Attorney General Wasden that the Board adopt the Department recommendation. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

• **INFORMATION**

NONE

• **EXECUTIVE SESSION**

NONE

There being no further business before the Board, at 10:28 a.m. a motion was made by Attorney General Wasden to adjourn. Controller Woolf seconded the motion. The motion carried on a vote of 5-0. Meeting adjourned.

