



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board
Lawrence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D. Woolf, State Controller
Sherri Ybarra, Superintendent of Public Instruction

Tom Schultz, Secretary to the Board

Final Minutes
State Board of Land Commissioners Regular Meeting
April 21, 2015

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, April 21, 2015 in the State Capitol, Hearing Room WW55, at 700 West Jefferson Street, Boise, Idaho. The meeting began at 9:00 a.m. The Honorable Governor C. L. "Butch" Otter presided. The following members were present:

Honorable Secretary of State Lawrence Denney
Honorable Attorney General Lawrence Wasden
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Sherri Ybarra

For the record, Governor Otter recognized the presence of all Board members.

1. Director's Report

A. Interest Rate on Department Transactions – April 2015

B. Timber Sale Activity and Information Report – March 2015

DISCUSSION: Director Schultz commented that there are some late-breaking issues with access and road use on the Selway salvage sale; pending investigation by the Department, the auction date for that sale may be deferred. It is scheduled for auction on Friday, April 24. Governor Otter asked about the issues. Director Schultz replied that the Department has access across land from the Forest Service; a private landowner is contesting the access, suggesting the access was granted unlawfully to the Forest Service by a prior owner. Governor Otter inquired when the Selway Fire occurred and if there is potential problem of bluing on the timber. Director Schultz responded the fire happened last season but the species are not in immediate risk of devaluation.

Following the Director's report of current stumpage value, Governor Otter voiced a concern by private forest owners that the state may be cannibalizing and depressing stumpage price once the state enters into a \$1.8 million agreement with the Forest Service. Governor Otter asked how much lumber is still being imported. Director Schultz indicated the Department

has reviewed the number recently and it is about 100 MMBF. Director Schultz remarked that there is ability to increase capacity at mills if more volume is available; there is significant interest in additional harvest from federal lands from some of the mills. Governor Otter commented it would be an interesting figure for the Department to track. State Forester David Groeschl stated currently the state of Idaho is a net importer of 100-200 MMBF. Idaho imports from Canada, eastern Washington, and Montana. Mr. Groeschl noted that mills overall are running at about 75% of capacity. There is ability for existing milling infrastructure to absorb additional volume without having to invest more in that infrastructure; if there was additional harvest off of federal lands it would offset some of the import that is coming from other locations and the mills can absorb additional volume without impacting stumpage prices whether it is endowment or private lands.

C. Division of Lands and Waterways Activity and Information Report – March 2015

DISCUSSION: Director Schultz referred to the land sale certificate; historically when the Department sold land in many cases it would loan money, and those notes were typically for 30 years. This is an example of a deed that was sold in 1974 and now has been paid in full. Controller Woolf asked how many more mortgages are on record. Director Schultz estimated less than 20, but offered to confirm the number and forward that information following the meeting.

D. Legal Matter Summary – March 2015

E. Final Legislative Update

DISCUSSION: Regarding SCR107 that encourages the Land Board to consider land exchanges when in the state's best interest, Governor Otter asked if the intent was exchanging state school lands that are locked up for federal lands. Director Schultz noted his understating the resolution refers to any endowment land exchanges whether they are blocked up or not. Governor Otter remarked on the Canyonlands agreement that has been in process for over eight years, since he first took office. Governor Otter stated the Department of Interior claims to not have funds to conduct appraisals; Governor Otter inquired if the Department is able to get appraisals done. Director Schultz commented the Department is working closely with the BLM and recently negotiated an agreement under which the Department would pay for appraisals. Director Schultz added that the expectation is the deal will be closed within the next 12 months.

Governor Otter asked if the Department requested H291. Director Schultz replied it was not the Department. Governor Otter asked where the bill originated. Attorney General Wasden noted that the contact for H291 was Representative Steve Miller. Director Schultz clarified that the bill was introduced by the Farm Bureau.

Controller Woolf commented that a budget-related bill, S1190, was passed and signed. That bill included \$27 million set aside for fire suppression in FY16. Director Schultz noted that the money is a placeholder and as long as the fire bills are \$27 million or less the Department will not need an additional supplemental request next legislative session.

2. Endowment Fund Investment Board Manager's Report – Presented by Chris Halvorson, EFIB Investment Manager

A. Manager's Report

DISCUSSION: Mr. Halvorson stated reserves are in great shape; there are no compliance or legal issues to report. Mr. Halvorson mentioned upcoming events; the Investment Board will give its semi-annual report at the May 19th Land Board meeting, including a financial summary. Also on May 19th the Investment Board will have a regular meeting to discuss Fiscal Year 2017 distributions, distribution policy, and consideration of an implementation plan for investing up to \$150 million into a real estate fund.

Governor Otter asked for clarification that the \$150 million will be in a diversified investment fund and the Investment Board will not be investing directly in commercial real estate. Mr. Halvorson replied that is correct.

Attorney General Wasden asked EFIB to report a 10-year history of the Fund for next month's meeting. Mr. Halvorson agreed.

B. Investment Report

DISCUSSION: Mr. Halvorson reported the Fund was down 0.7% for the month of March and thus far into April the Fund is up 1.7%; fiscal year to date is approximately 5%. Mr. Halvorson commented all investment managers are reporting in line with expectations.

• **CONSENT**

3. Conservation Easement: Bonner Lake North – Staffed by David Groeschl, State Forester and Deputy Director-Forestry and Fire

RECOMMENDATION: Authorize the Idaho Department of Lands to acquire the Bonner Lake North conservation easement, comprising 91 acres.

4. Disclaimer of Interest Application DI500269, Payette Lake – Staffed by Andrew Smyth, Program Manager-Public Trust

RECOMMENDATION: Direct the Department to issue a disclaimer of interest for the property above the OHWM and to require Mr. Dahl to pay the remaining processing fee of \$300 or actual cost, whichever is greater, to IDL for this transaction.

DISCUSSION: Attorney General Wasden noted his understanding that the North American Vertical Datum of 1988 elevation 4992.49 feet was a judicial determination and there is not an issue as to what the state owns above or below; that line is correct. Director Schultz stated that is correct.

5. Approval of Minutes – March 17, 2015 Regular Meeting (Boise)

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

- **REGULAR**

6. FY2016 Timber Sales Plan – *Presented by Bob Helmer, Bureau Chief-Forest Management*

RECOMMENDATION: Direct the Department to proceed with implementation of the FY16 Timber Sales Plan.

DISCUSSION: None.

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.

7. Sage-Grouse Conservation Plan – *Presented by Patrick Seymour, Program Manager-Endangered Species*

RECOMMENDATION: The Department recommends the Board approve the proposed Plan.

Upon approval, implementation of the Plan will be contingent on the federal agencies (USFSW and BLM) acceptance and incorporation of the Governor's Plan into the Final Idaho and Southwest Montana Sub-regional Sage-grouse LUPA and EIS. Implementation will begin within 60 days of the Record of Decision (ROD) for the Final Idaho and Southwest Montana Sub-regional Sage-grouse LUPA and EIS.

If the ROD does not include the foundational elements of the Governor's Plan, IDL will reevaluate, revise the Plan if necessary and inform the Board or seek approval as needed.

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 Controller Woolf that the Board adopt the Department recommendation, including the language of the second and third paragraphs in the Department's recommendation, and approve the proposed Plan. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

8. Final Order Mineral Lease E500017 (Smith) – Presented by Andrew Smyth, Program Manager-Public Trust

RECOMMENDATION: Reject the Hearing Officer’s Recommended Order, and deny Riverbed Mineral Lease E500017.

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 which is that the Board reject the Hearing Officer’s Recommended Order and deny the riverbed mineral lease. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

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

- **INFORMATION**

9. Update on Implementation of 2014 Farm Bill – Presented by Christine Dawe, Director Renewable Resource Management, U.S. Forest Service, Region One

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.

- **EXECUTIVE SESSION**

NONE

There being no further business before the Board, at 10:33 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 5-0. Meeting adjourned.

