



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

David Groeschl, Secretary to the Board

Be it remembered, that the following proceedings were had and done by the State Board of Land Commissioners of the State of Idaho, created by Section Seven (7) of Article Nine (IX) of the Constitution.

Final Minutes
State Board of Land Commissioners Regular Meeting
April 17, 2018

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, April 17, 2018, in the Capitol, Lincoln Auditorium, Lower Level, West Wing, 700 W. Jefferson St., 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. Timber Sale Activity and Information Report – March 2018

DISCUSSION: Governor Otter asked if the Department will always list Good Neighbor Authority (GNA) separately in this report. Director Groeschl replied that the Department plans to keep the numbers separate so the volume and up-bid figures are accurate for GNA sales and endowment timber sales.

B. Division of Lands and Waterways Activity and Information Report – March 2018

C. Land Bank Fund

D. Legislative Update – Final

DISCUSSION: Governor Otter inquired if all the bills that passed have emergency clauses. Director Groeschl stated that to his knowledge House Bill 505 as amended is the only one that has an emergency clause. Governor Otter edified that in the Board memo where a status is listed as law, the bill will not become law until July 1 this year. Director Groeschl concurred.

E. Bi-Annual Resource Protection and Assistance Update

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

A. Manager's Report

B. Investment Report

DISCUSSION: Mr. Halvorson reported that for the month of March the Fund was down about 70 basis points, but for the month of April to date it rebounded 83 basis points, making the fiscal-year-to-date return 9.26%. Mr. Halvorson noted that the Investment Board held a special meeting on March 12th to review the draft Callan study, which today is being presented in final form [agenda item 10]. The Investment Board will attend the May 15th Land Board meeting to recommend adjustments to the years of reserve for some endowments. Staff will also present EFIB's semi-annual report in May.

• **CONSENT (ACTION)**

3. Bogus Basin Master Plan – Staffed by Brad Wilson, General Manager, Bogus Basin Mountain Recreation Area, Adam Little, Director, Bogus Basin Recreational Association, and Ryan Montoya, Bureau Chief-Real Estate Services

RECOMMENDATION: Approve Bogus Basin's Master Plan erosion control and re-vegetation plans.

DISCUSSION: Attorney General Wasden requested assurance from the Department that staff with the appropriate expertise has reviewed the plans and feel that this is a reasonable application of straw wattles, the drainage, the re-vegetation, and all necessary components. Mr. Montoya stated that Real Estate Services Bureau and Southwest Supervisory Area staff reviewed the entire plan and believe that it is satisfactory. Mr. Wilson thanked the Land Board for reviewing the plans. Mr. Little added that although the deed was issued in 2006, the restrictions have existed since the certificate of sale was issued in 1973. Attorney General Wasden noted for the record that he is a long-standing season pass holder at Bogus Basin but that does not disqualify his participation on this agenda item.

4. Hayden Lake Surplus Property (Fish and Game) – Staffed by Neil Crescenti, Program Specialist-Real Estate

RECOMMENDATION: Approve Coeur d'Alene, Kootenai County, as the location for the Hayden Lake Park site surplus property auction.

DISCUSSION: Governor Otter remarked that the property appears to either border or be in the stream bed of the feeder into the lake. Mr. Montoya explained that it is lakefront property, adjacent to a sportsman's access; the arrow on the map is not a precise depiction of the property location. Governor Otter asked about the possibility of a hatchery; Mr. Montoya said no, it is simply lakefront property.

5. Approval of Minutes – March 20, 2018 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 (ACTION)**

For the record, Attorney General Wasden commented that the next several items appear to be very similar in content and wondered if it would be appropriate to act on them all together or if there was a need to handle them separately. Director Groeschl noted that the main emphasis of the three negotiated rulemaking items is associated with bringing them up to date for electronic notification and submittal; however, there are a few nuances and differences among them and the Department would like the respective program managers to present them individually. Board members acknowledged that preference.

6. Negotiated Rulemaking IDAPA 20.03.01, Dredge and Placer Mining Operations in Idaho – Presented by Todd Drage, Program Manager-Minerals

RECOMMENDATION: Direct the Department to initiate negotiated rulemaking for IDAPA 20.03.01, Dredge and Placer Mining Operations in Idaho.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation, that is direct the Department to initiate negotiated rulemaking for IDAPA 20.03.01, Dredge and Placer Mining Operations in Idaho. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

7. Negotiated Rulemaking IDAPA 20.03.02, Rules Governing Exploration, Surface Mining, and Closure of Cyanidation Facilities – Presented by Todd Drage, Program Manager-Minerals

RECOMMENDATION: Direct the Department to initiate negotiated rulemaking for IDAPA 20.03.02.

DISCUSSION: Governor Otter reminded the Board that this item is to allow the Department to move forward with public testimony for the rulemaking; the Board is not adopting the rule. Governor Otter expressed concern that the rulemaking is being advertised as simply a correction or identifying only certain things; there are some significant changes included. Governor Otter pointed out that it is a substantial change [in maximum amount of bond per acre] from \$2,500 to \$15,000. Governor Otter requested that when the Department advertises the rulemaking for public scoping those items that are being changed particularly are called out rather than just general rulemaking. Governor Otter also called attention to the modification concerning gravel pits adjacent to waterways. Mr. Drage noted that the Department will mail a notification to stakeholders and all current permittees, inviting everyone to participate in negotiated rulemaking sessions. Mr. Drage also affirmed that the Department will advertise the rulemaking in a more specific manner.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation and direct the Department to initiate negotiated rulemaking for IDAPA 20.03.02. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

8. Negotiated Rulemaking IDAPA 20.03.04, Rules for the Regulation of Beds, Waters, and Airspace Over Navigable Lakes in the State of Idaho – Presented by Andrew Smyth, Program Manager-Public Trust

RECOMMENDATION: Direct the Department to initiate negotiated rulemaking for IDAPA 20.03.04.

DISCUSSION: Governor Otter asked if people with multiple-family use of a dock use the term 'dock rights' in allowing somebody else to use their dock. Mr. Smyth responded that statute and rule use the term 'littoral rights' or 'riparian rights,' and that is the definition that authorizes the waterfront owner the ability to wharf out and maintain their adjacency to the lake.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation, that is direct the Department to initiate negotiated rulemaking for IDAPA 20.03.04. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

For the record, Controller Woolf broadened the discussion on rulemakings, remarking that one of the main focuses on these three negotiated rulemaking items is to modernize them to allow digital submission of applications. Controller Woolf inquired if there are other Department rules that need to be updated in a similar manner. Director Groeschl replied that as the Department is building out its LIMS [Land Information Management System] for the Lands and Waterways, and Forestry and Fire, divisions, staff has been reviewing statutes and administrative rules for those that need addressed. The Department determined these three need modifications right now. On the forest management side there is nothing that would preclude the Department from allowing electronic submittal. Director Groeschl indicated that the Department will continue to examine statutes and rules as the LIMS implementation continues.

Governor Otter asked how the Department handles surface rights, and riparian rights, for Parks and Recreation and Fish and Game departments. Mr. Smyth answered that the rules have a specific section for government entities. They have their own permitting process, but the Department does issue permits for government-owned encroachments. Governor Otter mused that taking 'dock rights' out would not affect them either. Mr. Smyth said that is correct.

9. FY2019 Timber Sales Plan – Presented by Jim Elbin, Bureau Chief-Forest Management

RECOMMENDATION: Direct the Department to proceed with implementation of the FY19 Timber Sales Plan.

DISCUSSION: Governor Otter asked what the charts shown in attachment 3 represent. Mr. Elbin explained the graphs show what the 2009 FAMP [Forest Asset Management Plan] predicted for stand-based inventory by class size, and the actual 2017 stand-based inventory numbers. The last FAMP estimated average rotation at 80 years but it is closer to 60 years on the best endowment timberland. Good management grows trees faster.

Controller Woolf referred to the first paragraph on page 2 of the memo which mentions dual-entry and single-entry cedar pole sales and inquired if those will furnish sufficient data for the cedar pole

pilot study that the Board approved last year. Mr. Elbin replied he thinks it will be, noting that the Department is still learning a lot. Four sales have been sold to this point with another three currently being prepared for advertisement; between the two years there will be a good mix of the two types of sale methods and will indicate how well they sell. Looking at how the bidding is on other sales, it should be a fair comparison. Controller Woolf asked how far into the future does the Department have predictions of what the harvest yield will be for upcoming years; is it five years, 10 years. Mr. Elbin answered it is based off of current inventory and observed that the Department could probably estimate five years out; the new forest asset management project will set the harvest for the next five years beginning with fiscal year 2021. Controller Woolf wondered what continued growth would be for the next five to 10 years, if the Department could look into a 'crystal ball.' Mr. Elbin said he would bet on it increasing. Mr. Elbin elaborated that growth calculated in 2011 was fairly conservative at 220 MMBF, but considering the 8-12 inch size class now growing, it is 10-15 percent higher than that. As the Department manages growth and works to reduce standing volume, there will be an elevated harvest for at least the next seven years. At that time, the Department will re-evaluate distribution and growth; the intent is to update the FAMP every five years to avoid too many wild swings.

Governor Otter revisited sustainable yield; is the Department catching up from the 2 billion board feet that it was behind in 2007. Mr. Elbin replied that the Department is catching up incrementally; the small diameter trees are growing faster than predicted. Governor Otter asked how many mills in Idaho can take a 28-inch log. Director Groeschl answered there are three mills that can take 24-inch plus logs, one in Grangeville, one in Weippe and one in Lewiston. Governor Otter commented that the Department takes a \$120/MBF hit on those; Mr. Elbin stated it is \$150/MBF. Governor Otter noted that many of the oversized logs go to Oregon. Director Groeschl indicated that some sales, from the Southwest and Payette Lakes supervisory areas in particular, are hauled to a Boise Cascade mill in Oregon.

Attorney General Wasden remarked that the graph is illustrative of what the Board and the Department were trying to accomplish with the sizeable inventory of large diameter trees; the cut rate on those trees was increased because they were reaching a point of lost productivity; they were reaching their age life. Attorney General Wasden commented the surprise here is the increase in growth of the younger trees, but it really proves that the Department's management program is resulting in productive forests, and improved health of the forests, which seems to be reflected in the numbers. Attorney General Wasden asked Mr. Elbin if that is his perception, too. Mr. Elbin corroborated Attorney General Wasden's statement. The results are validating the Department's work on the ground and it is a good benefit for the endowments. Governor Otter observed that thinning the trees will make them grow faster and healthier, and that is being seen.

BOARD ACTION: A motion was made by Controller Woolf that the Board direct the Department to proceed with the implementation of the Fiscal Year 2019 Timber Sales Plan. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

- **INFORMATION**

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

- **10. Asset Spending Study Results** – Presented by Janet Becker-Wold, Callan Senior Vice President and Manager-Fund Sponsor Consulting, Julia Moriarty, Callan Senior Vice President-Capital Markets Research, and Sally Haskins, Callan Senior Vice President and Co-Manager-Real Assets

For the record, during the presentation of agenda item 10, Attorney General Wasden noticed a group of school children standing at the auditorium windows and with consensus from Board members, asked staff to invite them into the room. On behalf of the Board, Attorney General Wasden welcomed the students and teachers and explained that Governor Otter was presiding at a meeting of the Land Board. Attorney General Wasden described that the purpose of the Land Board, per the Idaho Constitution, is to earn the most money possible from management of endowment lands to support public schools and other beneficiaries. Attorney General Wasden asked what school the students attended and they answered Desert Sage Elementary.

- **EXECUTIVE SESSION**

NONE

There being no further business before the Board, at 11:04 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.

IDAHO STATE BOARD OF LAND COMMISSIONERS

/s/ C. L. "Butch" Otter

C. L. "Butch" Otter
President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/ Lawrence E. Denney

Lawrence E. Denney
Secretary of State

/s/ David Groeschl

David Groeschl
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the May 15, 2018 regular Land Board meeting.