



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

---

*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  
September 19, 2017

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, September 19, 2017, in the Capitol, Lincoln Auditorium, Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho. The meeting began at 9:03 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 (*via teleconference*)  
Honorable State Controller Brandon Woolf  
Honorable Superintendent of Public Instruction Sherri Ybarra

For the record, Governor Otter recognized the presence of all Board members, including Attorney General Wasden via conference call.

**1. Director's Report**

A. Interest Rate on Department Transactions – September 2017

B. Timber Sale Activity and Information Report – August 2017

*DISCUSSION:* Governor Otter commented that mills are being shut down in western Canada due to the number of fires that are occurring and asked if the mill closures in Canada will affect the U.S. market. Director Schultz responded that there is potential for the U.S. market to be impacted. Director Schultz noted that stumpage price has not necessarily kept pace with the lumber price, it averages \$100-150-dollar difference, but it is good to have that margin of difference because the mills need to make money as well. Director Schultz anticipates that the mill closures will result in a greater need for processing, so some stumpage may be stacked up in the yards, but the precise impact on the market is unknown. Governor Otter inquired if Director Schultz knows the salvage policy in Canada. Director Schultz stated that the Canadians are pretty aggressive; the lands are Crown lands. Governor Otter remarked the Canadian salvage policy is better than the salvage policy in Idaho. Director Schultz replied yes and explained that lands owned by the provincial governments are leased to the timber

companies, and within that leased period of time the companies can harvest under certain guidelines. Director Schultz said that those operators can move more quickly to salvage that material than the Forest Service can in Idaho. Governor Otter stated that stumpage price is lower on salvage which then makes the margin a little bit better for processing. His concern is what is going to happen to the market when Canada starts harvesting for salvage. Director Schultz recounted a beetle outbreak that occurred in Canada and stated that a large volume of salvage has already been on the market from forests that were impacted by the outbreak. Director Schultz continued to say that although the fires will bring more salvage, the bulk of the impacts to the market have probably already been borne through the salvage that has been on the market for the last five years.

C. Division of Lands and Waterways Activity and Information Report – August 2017

*DISCUSSION:* Controller Woolf asked about the two new commercial instruments for Department of Lands, in Boise and Jerome. Director Schultz responded that the first one, MC600127, is the building that the Department of Lands occupies - the Director's office. The lease was due to expire in 2017, but it has been renewed for five years. Director Schultz noted that the second instrument is an office building leased by the Department - the Jerome field office. The Department shares the building with Fish and Game.

D. Cottage Site Update

E. Fire Season Update

*DISCUSSION:* Governor Otter recalled that multiple initial attack crews and approximately 10 engines were dispatched to assist with the Eagle Creek Fire in Oregon and asked if those had been returned. Mr. Groeschl responded that he was unsure of the status of those resources. Governor Otter said that he had seen a report that suggested the Eagle Creek Fire had been reduced from over 1,000 people to 100. Mr. Groeschl assured Governor Otter that he will verify that the assets have been given back. Mr. Groeschl explained that the amount of moisture that has been occurring is prompting a demobilization of the large project fires across the West and resources are being returned.

- **CONSENT**

**2. Results of July-August, 2017 Grazing Conflict Auctions** – Staffed by Jason Laney, Program Manager-Grazing, Ag, Conservation

*RECOMMENDATION:* Direct the Department to award the grazing leases to David Owen, Jr. (G700271), D. Little Livestock (G800377), 3 String Cattle Co. (G800362), Burmah Triangle (G700279) and Ron Goicoechea (G700276).

*DISCUSSION:* None.

**3. Driggs Armory Surplus** – Staffed by Josh Purkiss, Program Manager-Real Estate Services

*RECOMMENDATION:* Direct the Department to complete the surplus land sale as proposed.

*DISCUSSION:* Governor Otter asked if there would be joint occupancy or if the buildings are separate. Director Schultz stated that the armory is a single building that is not being used anymore and that it will likely be solely owned, though he is not sure what the intended use by the County is. Director Schultz went on to say that he does not anticipate seeing the Guard in the building anymore. Governor Otter commented that the military was going to close down the armory. Director Schultz confirmed this. Governor Otter inquired that if the County occupies the entire space, is the other half going to be leased to them. Director Schultz explained that the County currently owns half the property and they will be acquiring the other half through this process. The County will then own the property outright; the Guard will be completely out of the process and receive \$302,500 for their interest in the property.

**4. Approval of Minutes** – August 15, 2017 Regular Meeting (Boise)

*CONSENT AGENDA BOARD ACTION:* A motion was made by Attorney General Wasden to adopt and approve the consent agenda. Controller Woolf seconded the motion. The motion passed on a vote of 5-0.

- **INFORMATION**

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

**5. Good Neighbor Authority Update** – Presented by David Groeschl, IDL Deputy Director and State Forester; Nora Rasure, USFS Regional Forester-Intermountain; and Jane Darnell, USFS Deputy Regional Forester-Northern

*DISCUSSION:* An audio recording 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.

- **REGULAR**

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

- A. Manager's Report
- B. Investment Report

*DISCUSSION:* Mr. Johnson reported that distributions continue to be very well secured and noted that the next Investment Board meeting is going to occur on October 2 rather than September 27. The month of August had average returns and the Fund was up 0.4%. Mr. Johnson stated that the fiscal year-to-date return was 2.2% through the end of August, though as of the day prior, it was up nearly a full percentage point at 3.3%.

C. Designation of Reserve Transfers

*RECOMMENDATION:* Designate all \$129.5 million of the approved transfers from Earnings Reserve to Permanent Fund as an increase in the Gain Benchmarks.

*DISCUSSION:* Mr. Johnson said there is one item that requires Board action and explained that each year the Board has the authority to designate whether transfers from Earnings Reserve to the Permanent Fund are an increase in the Gains Benchmarks. Mr. Johnson stated that at the end of the fiscal year reserves for all endowments exceeded their targeted levels, so in August the Land Board authorized \$129.5 million of retained earnings to be reinvested in the Permanent Fund. Mr. Johnson noted that normally the Land Board would have also indicated whether a transfer would offset past losses or increase the Permanent Corpus. However, an error was discovered in the EFIB's recommendation and the Land Board was asked to defer that decision to the September Land Board meeting so the EFIB could examine its numbers. Mr. Johnson said that the original recommendation called for \$4 million dollars of the transfer to offset the shortfall versus inflation carried over from 2016; however, all past shortfalls were made up by the market gains in 2017. As such, the Investment Board recommends that all \$129.5 million increase the Gain Benchmarks of each of the Funds.

*BOARD ACTION:* A motion was made by Attorney General Wasden to direct the Investment Board to designate all \$129.5 million of the approved transfers from Earnings Reserve to Permanent Fund as an increase in the Gain Benchmarks. Controller Woolf seconded the motion. The motion passed on a vote of 5-0.

**7. Proposed Legislation** – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

*RECOMMENDATION:* The Department recommends the Land Board approve the legislative initiatives and direct the Department to continue with the 2018 legislative process.

*DISCUSSION:* An audio recording 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 legislative initiatives and direct the Department to continue with the 2018 legislative process for attachments 1 and 3 [320-01 and 320-03]; moreover, the Department will work further on proposal 2 [320-02] and return next month with a proposal on that item. Controller Woolf seconded the motion. The motion passed on a vote of 5-0.

**8. FY2019 Department of Lands Budget** – Presented by Debbie Buck, Financial Officer

*RECOMMENDATION:* Approve the Agency FY 2019 Budget Request as submitted to the Division of Financial Management and the Legislative Services Office on August 31, 2017.

*DISCUSSION:* Director Schultz reiterated that being actively engaged as cooperators in federal forest management is a new mission for the Department. Good Neighbor Authority extends beyond just forest lands and incorporates rangelands management with the Bureau of Land Management as well. Director Schultz continued to say that receiving approval to move forward with this initiative is the Department's number one priority in this budget.

*BOARD ACTION:* For the record, Governor Otter stated the Chair will not vote on this item.

A motion was made by Controller Woolf that the Board Approve the Agency FY 2019 Budget Request as submitted to the Division of Financial Management and the Legislative Services Office on August 31, 2017. Attorney General Wasden seconded the motion. The motion passed on a vote of 4-0. Governor Otter recused himself from voting on this item.

At 10:50 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 74-206(1)(f) to communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. 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 Woolf seconded the motion. Roll Call Vote: *Aye:* Denney, Wasden, Woolf, Ybarra; *Abstain:* Otter; *Nay:* None; *Absent:* None.

- **EXECUTIVE SESSION**

- A. Idaho Code § 74-206(1)(f) - to communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. The mere presence of legal counsel at an executive session does not satisfy this requirement. [TOPIC: Grazing Rate Methodology]

At 11:44 a.m. the Board resolved out of Executive Session by unanimous consent. No action was taken by the Board during the Executive Session.

There being no further business before the Board, at 11:45 a.m. a motion to adjourn was made by Controller Woolf. Secretary of State Denney 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

