

## State Board of Land Commissioners Open Meeting Checklist

Meeting Date: September 18, 2018

### Regular Meetings

8/29/18	Notice of Meeting posted in prominent place in IDL's Boise Headquarters office five (5) calendar days before meeting.
8/29/18	Notice of Meeting posted in prominent place in IDL's Coeur d'Alene Headquarters office five (5) calendar days before meeting.
8/29/18	Notice of Meeting posted in prominent place at meeting location five (5) calendar days before meeting.
8/29/18	Notice of Meeting emailed/faxed to list of media and interested citizens who have requested such notice five (5) calendar days before meeting.
8/29/18	Notice of Meeting posted electronically on IDL's public website <a href="http://www.idl.idaho.gov">www.idl.idaho.gov</a> five (5) calendar days before meeting.
9/12/18	Agenda posted in prominent place in IDL's Boise Headquarters office forty-eight (48) hours before meeting.
9/12/18	Agenda posted in prominent place in IDL's Coeur d'Alene Headquarters office forty-eight (48) hours before meeting.
9/12/18	Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
9/12/18	Agenda emailed/faxed to list of media and interested citizens who have requested such notice forty-eight (48) hours before meeting.
9/12/18	Agenda posted electronically on IDL's public website <a href="http://www.idl.idaho.gov">www.idl.idaho.gov</a> forty-eight (48) hours before meeting.
12/22/17	Annual meeting schedule posted – Director's Office, Boise and Staff Office, CDA

### Special Meetings

	Notice of Meeting and Agenda posted in a prominent place in IDL's Boise Headquarters office twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda posted in a prominent place in IDL's Coeur d'Alene Headquarters office twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda posted at meeting location twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda emailed/faxed to list of media and interested citizens who have requested such notice twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda posted electronically on IDL's public website <a href="http://www.idl.idaho.gov">www.idl.idaho.gov</a> twenty-four (24) hours before meeting.
	Emergency situation exists – no advance Notice of Meeting or Agenda needed. "Emergency" defined in Idaho Code § 74-204(2).

### Executive Sessions *(If only an Executive Session will be held)*

	Notice of Meeting and Agenda posted in IDL's Boise Headquarters office twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda posted in IDL's Coeur d'Alene Headquarters office twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda emailed/faxed to list of media and interested citizens who have requested such notice twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda posted electronically on IDL's public website <a href="http://www.idl.idaho.gov">www.idl.idaho.gov</a> twenty-four (24) hours before meeting.
	Notice contains reason for the executive session and the applicable provision of Idaho Code § 74-206 that authorizes the executive session.

*Renee Miller*

Recording Secretary

September 12, 2018

Date



## **Idaho 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

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# **NOTICE OF PUBLIC MEETING SEPTEMBER 2018**

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, September 18, 2018 in the **State Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W Jefferson St., Boise**. The meeting is scheduled to begin at 9:00 AM (Mountain).

*Please note meeting location.*

This meeting will be streamed live via audio at this website address <http://idahoptv.org/insession/other.cfm>

First Notice Posted: 8/29/2018-IDL Boise; 8/29/2018-IDL CDA

This notice is published pursuant to § 74-204 Idaho Code. For additional information regarding Idaho's Open Meeting law, please see Idaho Code §§ 74-201 through 74-208.

Idaho Department of Lands, 300 N 6th Street, Suite 103, Boise ID 83702, 208.334.0242



## **Idaho State Board of Land Commissioners**

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### **State Board of Land Commissioners Regular Meeting**

September 18, 2018 – 9:00 AM (MT)

#### **Final Agenda**

Capitol, Lincoln Auditorium (WW02), 700 W. Jefferson St., Boise, Idaho

#### **1. Director's Report**

##### **Endowment Transactions**

A. Timber Sales – August 2018

B. Leases and Permits – August 2018

##### **Status Updates**

C. Cottage Site

D. Fire Season

E. Resource Protection and Assistance

#### **2. Endowment Fund Investment Board Manager's Report – Presented by Chris Anton, EFIB Manager of Investments**

A. Manager's Report

B. Investment Report

#### **Consent—Action Item(s)**

#### **3. Results of July-August, 2018 Grazing Conflict Auctions – Staffed by Jason Laney, Program Manager-Grazing, Ag, Conservation**

#### **4. Approval of Minutes – August 17, 2018 Special Meeting (Boise)**

#### **5. Approval of Minutes – August 21, 2018 Regular Meeting (Boise)**

#### **Regular—Action Item(s)**

#### **6. FY2020 Department of Lands Budget – Presented by Debbie Buck, Financial Officer**

#### **7. Proposed Legislation – Presented by Bill Haagenson, Deputy Director**

#### **Information**

None

State Board of Land Commissioners

Final Agenda

Regular Meeting (Boise) – September 18, 2018

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## **Executive Session**

- A. Idaho Code § 74-206(1)(c)(d) – to conduct deliberations concerning labor negotiations or to acquire an interest in real property which is not owned by a public agency; and to consider records that are exempt from disclosure as provided in chapter 1, title 74, Idaho Code. [TOPIC: Acquisition(s)]

## **Regular—Action Item(s)**

### **8. Property Acquisition**



# Idaho Statutes

## TITLE 74 TRANSPARENT AND ETHICAL GOVERNMENT

### CHAPTER 2 OPEN MEETINGS LAW

74-206. EXECUTIVE SESSIONS -- WHEN AUTHORIZED.[EFFECTIVE UNTIL JULY 1, 2020] (1) An executive session at which members of the public are excluded may be held, but only for the purposes and only in the manner set forth in this section. The motion to go into executive session shall identify the specific subsections of this section that authorize the executive session. There shall be a roll call vote on the motion and the vote shall be recorded in the minutes. An executive session shall be authorized by a two-thirds (2/3) vote of the governing body. An executive session may be held:

(a) To consider hiring a public officer, employee, staff member or individual agent, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need. This paragraph does not apply to filling a vacancy in an elective office or deliberations about staffing needs in general;

(b) To consider the evaluation, dismissal or disciplining of, or to hear complaints or charges brought against, a public officer, employee, staff member or individual agent, or public school student;

(c) To acquire an interest in real property which is not owned by a public agency;

(d) To consider records that are exempt from disclosure as provided in [chapter 1, title 74](#), Idaho Code;

(e) To consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations;

(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;

(g) By the commission of pardons and parole, as provided by law;

(h) By the custody review board of the Idaho department of juvenile corrections, as provided by law;

(i) To engage in communications with a representative of the public agency's risk manager or insurance provider to discuss the adjustment of a pending claim or prevention of a claim imminently likely to be filed. The mere presence of a representative of the public agency's risk manager or insurance provider at an executive session does not satisfy this requirement; or

(j) To consider labor contract matters authorized under section 67-2345A [[74-206A](#)](1)(a) and (b), Idaho Code.

(2) The exceptions to the general policy in favor of open meetings stated in this section shall be narrowly construed. It shall be a violation of this act to change the subject within the executive session to one not identified within the motion to enter the executive session or to any topic for which an executive session is not provided.

(3) No executive session may be held for the purpose of taking any final action or making any final decision.

#### History:

[74-206, added 2015, ch. 140, sec. 5, p. 371; am. 2015, ch. 271, sec. 1, p. 1125.]

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IDAHO DEPARTMENT OF LANDS

# STATE BOARD OF LAND COMMISSIONERS

September 18, 2018  
Endowment Transactions

## Timber Sales

During August 2018, the Department of Lands sold eight endowment timber sales at auction. The endowment net sale value represents a 16% up bid over the advertised value. The Department of Lands also sold one Good Neighbor Authority (GNA) timber sale at auction (TS044326). The GNA net sale value represents a 67% up bid over the advertised value.

TIMBER SALE AUCTIONS								
SALE NUMBER	SAWLOGS MBF	POLES LF	POLES MBF	CEDAR PROD MBF	PULP MBF	APPRAISED NET VALUE	SALE NET VALUE	NET \$/MBF
TS414320	6,325		4,963	993		\$ 2,078,974.50	\$ 2,443,096.05	\$198.93
TS414321	2,670					\$ 520,010.00	\$ 988,168.00	\$370.10
TS304322	12,095			700		\$ 5,151,473.50	\$ 5,366,456.00	\$419.42
TS504323	3,840					\$ 661,756.56	\$ 673,647.60	\$175.43
TS224324	6,470					\$ 1,811,545.50	\$ 2,430,028.00	\$375.58
TS204325	1,128		187			\$ 521,195.00	\$ 625,143.00	\$475.39
TS104327	3,200					\$ 551,078.50	\$ 575,768.00	\$179.93
TS104328	3,235					\$ 437,102.50	\$ 536,178.80	\$165.74
	<b>38,963</b>	<b>0</b>	<b>5,150</b>	<b>1,693</b>	<b>0</b>	<b>\$ 11,733,136.06</b>	<b>\$ 13,638,485.45</b>	<b>\$297.74</b>
TS044326*	8,660				30	\$ 1,394,274.50	\$ 2,332,546.00	\$268.42

\*GNA

PROPOSED TIMBER SALES FOR AUCTION				
North Operations				
Sale Name	Volume MBF	Advertised Net Value	Area	Estimated Auction Date
Peterson Face	2,505	\$ 2,798	POL	10/16/2018
Sand Castle	2,120	\$ 471,429	POL	10/1/2018
Beavertail (IDFG/IDPR)	905	\$ 31,065	MICA	9/25/2018
South Operations				
Anchor Nine Cedar	7,390	\$ 3,915,222	CLW	9/27/2018
East Calhoun	3,700	\$ 1,183,188	CLW	9/27/2018
Guard Point Ton	1,580	\$ 328,178	PAY	10/10/2018
Poor Cruick Ton	4,400	\$ 723,239	PAY	10/10/2018

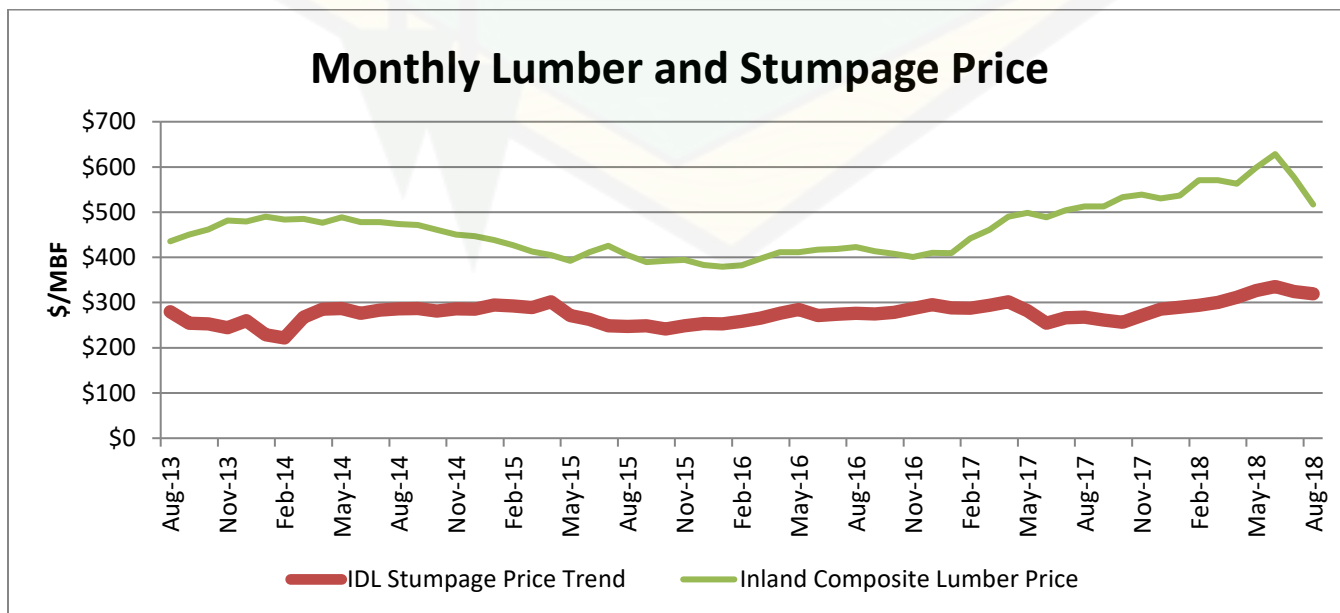
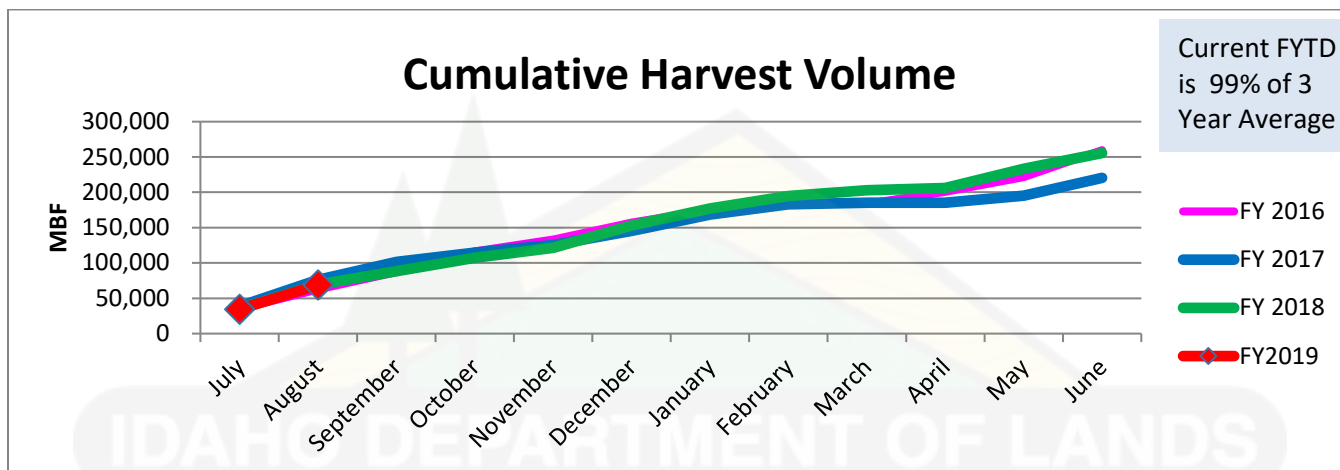
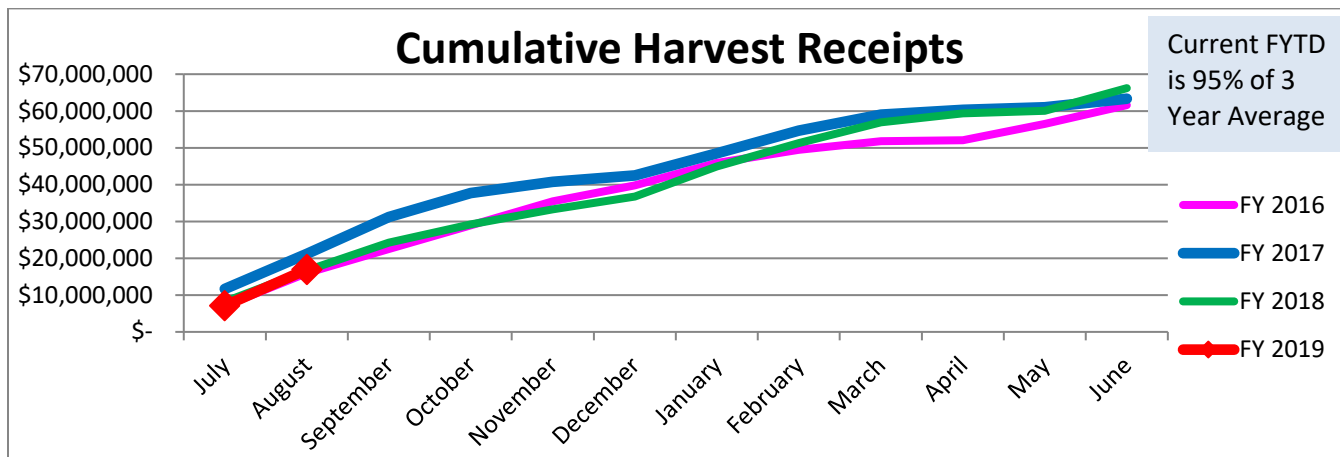
<b>VOLUME UNDER CONTRACT as of AUGUST 31, 2018</b>			
	Total	Public School	Pooled
Active Contracts	188		
Estimated residual volume (MBF)	452,069	279,514	172,555
Estimated residual length (LF)	379,215	279,947	99,268
Estimated residual weight (Ton)	561,786	365,366	196,420
Total Residual MBF Equivalent	556,270	347,431	208,839
Estimated residual value	\$ 171,222,618	\$ 106,959,089	\$ 64,263,529
Residual Unit Value (\$/MBF)	\$ 307.80	\$ 307.86	\$ 307.72

<b>TIMBER HARVEST RECEIPTS</b>					
	August		FY to date	September Projected	
	Stumpage	Interest	Harvest Receipts	Stumpage	Interest
<b>Public School</b>	\$ 4,991,775.44	\$ 761,744.61	\$ 10,097,312.00	\$ 4,076,436.14	\$ 603,427.69
<b>Pooled</b>	\$ 3,682,676.09	\$ 450,715.74	\$ 6,872,034.23	\$ 3,503,110.89	\$ 376,834.85
<b>General Fund</b>	\$ 1.65	\$ 0.00	\$ 685.28	\$ 1.65	\$ 0.00
<b>TOTALS</b>	\$ 8,674,453.18	\$ 1,212,460.35	\$ 16,970,031.51	\$ 7,579,548.68	\$ 980,262.54

## IDAHO DEPARTMENT OF LANDS

STATUS of FY 2019 TIMBER SALE PROGRAM							
	MBF Sawlog				Number Poles		
	Public School	Pooled	All Endowments		Public School	Pooled	All Endowments
Sold as of August 31, 2018	57,190	26,158	83,348		3,474	1,489	4,963
Currently Advertised	6,591	12,144	18,735		1,717	6,458	8,175
In Review	12,895	0	12,895		0	0	0
Did Not Sell	0	0	0		0	0	0
TOTALS	76,675	38,302	114,978		5,191	7,947	13,138
FY-2019 Sales Plan			256,000				20,000
Percent to Date			45%				66%





IDL Stumpage Price Line is a 6-month rolling average of the net sale price.

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IDAHO DEPARTMENT OF LANDS

# STATE BOARD OF LAND COMMISSIONERS

September 18, 2018  
Endowment Transactions

## Leases and Permits

Grazing leases executed during August 2018 represent 10 of the 138 grazing leases statewide set to expire on December 31, 2018. New leases will begin January 1, 2019.

Six of the 138 grazing leases received conflict applications and were resolved through a conflict auction process, during the months of July and August.

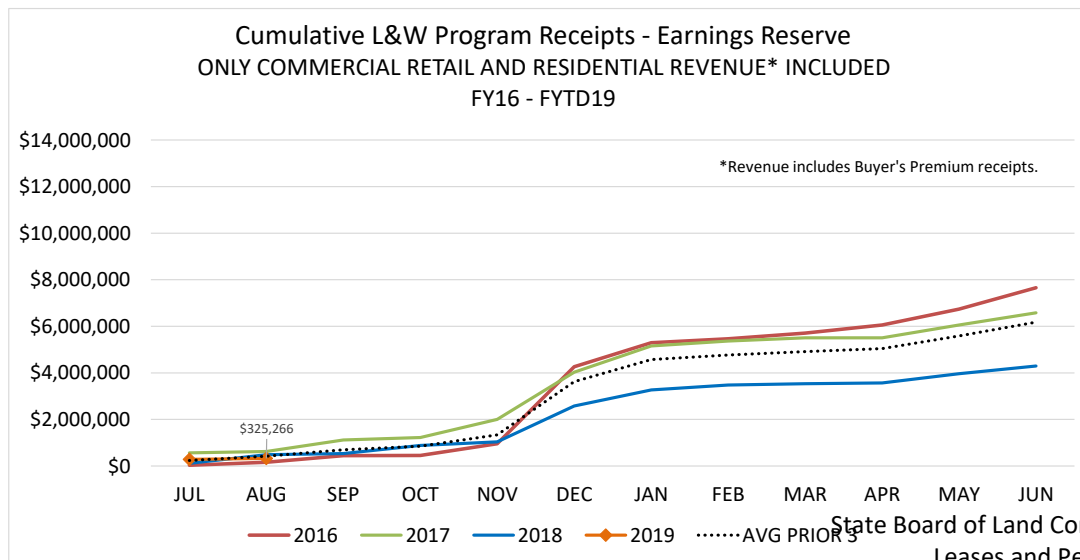
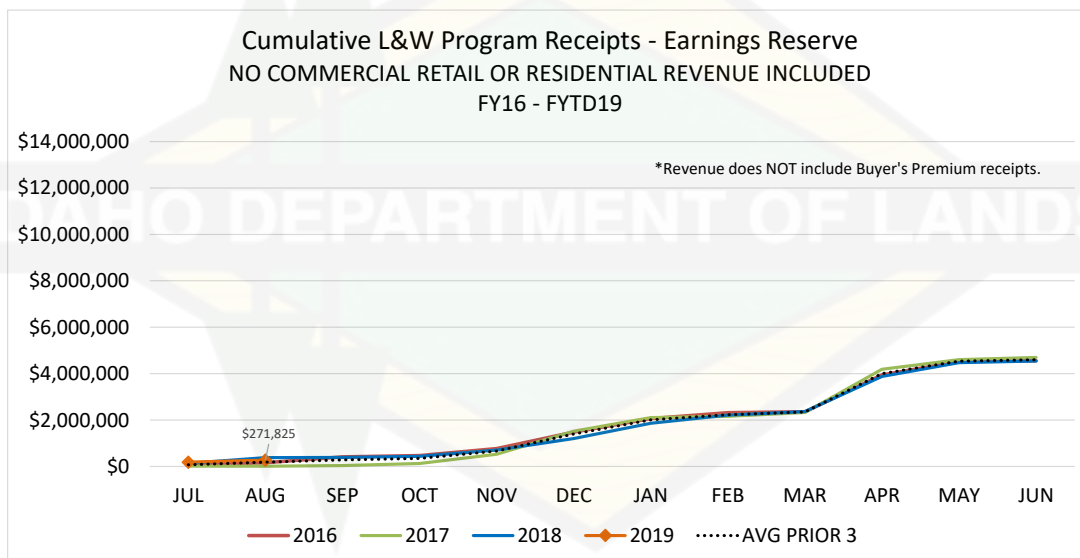
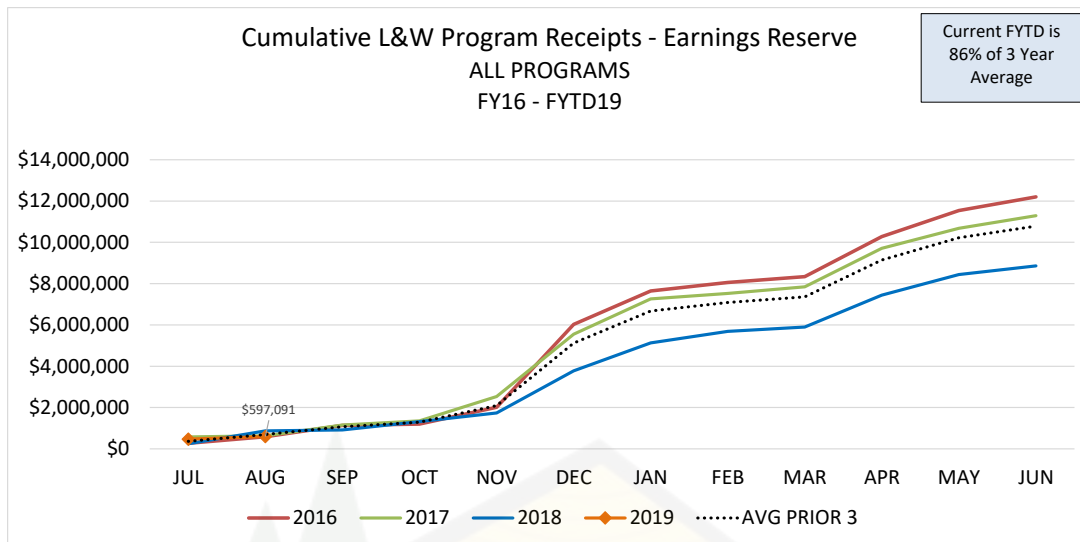
FISCAL YEAR 2019 – LEASING & PERMITTING TRANSACTIONS BY MONTH – through August 31, 2018													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
<b>SURFACE</b>													
Agriculture	-	-											0
• Assignments	-	-											0
Communication Sites	1	1											2
• Assignments	-	1											1
Grazing	2	10											12
• Assignments	-	2											2
Residential	-	1											1
• Assignments	1	1											2
Alternative Energy	-	-											0
Industrial	-	-											0
Military	2	-											2
Office/Retail	-	-											0
• Assignments	1	-											1
Recreation	-	-											0
Conservation	1	-											1
Geothermal	-	-											0
Minerals	-	-											0
• Assignments	-	-											0
• Exploration	5	-											5
Non-Commercial Recreation	-	-											0
Oil & Gas	-	-											0
Land Use Permits	6	8											14
<b>TOTAL INSTRUMENTS</b>	<b>19</b>	<b>24</b>											<b>43</b>

## Real Estate

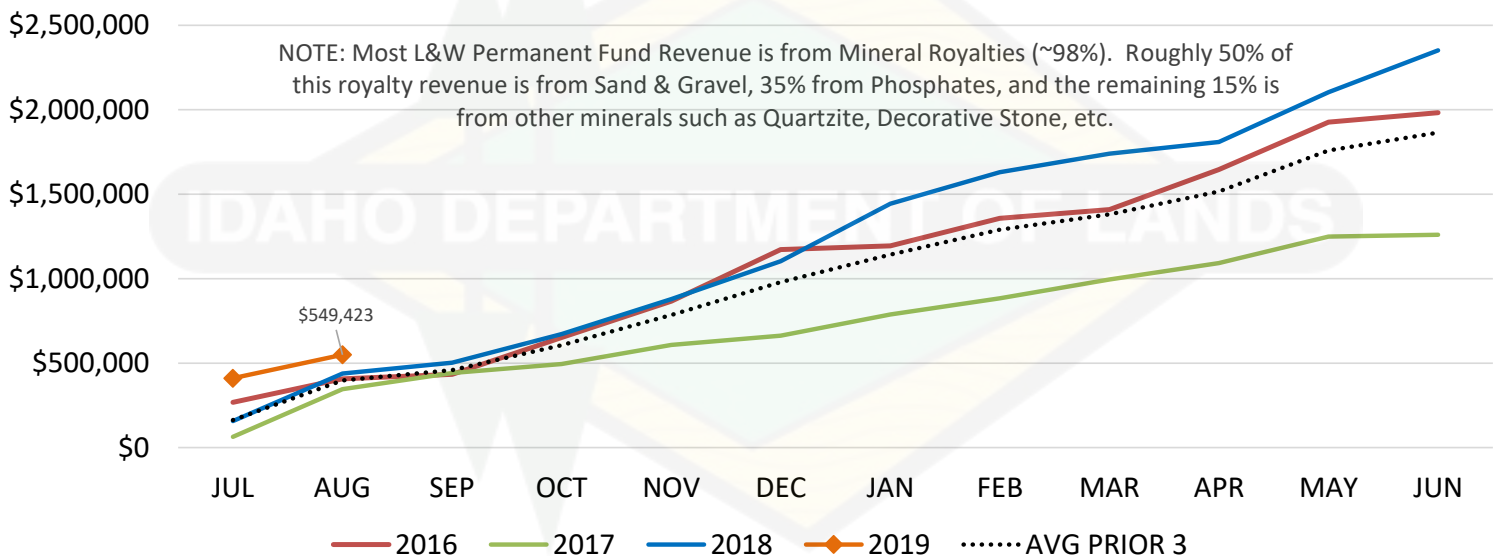
The deed granted during August is the last remaining deed issued for cottage sites sold during the Payette Lakes auction on June 15, 2018. Easement ES600101 is a 30-year term easement for ingress and egress purposes, and traverses along a preexisting easement. Consideration in the amount of \$4,549 was received for the easement.

FISCAL YEAR 2019 – REAL ESTATE TRANSACTIONS BY MONTH – through August 31, 2018													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
Deeds Acquired	1	-											1
Deeds Granted	8	1											9
Deeds Granted - Surplus	-	-											0
Easements Acquired	-	-											0
Easements Granted	1	1											2

LANDS AND WATERWAYS DIVISION 2019 FYTD GROSS REVENUE through August 31, 2018	
ACTIVITY	REVENUE
<b>SURFACE</b>	
Agriculture	\$2,612
Communication Sites	\$41,945
Grazing	\$141,575
Residential	-\$50,428
<b>COMMERCIAL</b>	
Alternative Energy	\$0
Industrial	\$2,700
Military	\$57,520
Office/Retail	\$127,768
Recreation	\$9,172
<b>OTHER</b>	
Conservation	\$0
Geothermal	\$1,280
Minerals	\$11,421
Non-Commercial Recreation	\$3,600
Oil & Gas	\$0
RE/Buyer's Premium	\$247,926
<b>TOTAL FYTD REVENUE</b>	<b>\$597,091</b>



# Cumulative L&W Permanent Fund Revenue/Royalties (Does NOT include Land Bank Revenue) FY16 - FYTD19



## 2018 PRIEST LAKE VAFO/ULA RESULTS AUGUST 24-25

Voluntary Auction for Ownership (VAFO) Results								
CS Address	Subdivision	Lot	Block	Acres	Appraised Land Value	Winning Bid	Up bid	Bid Winner
1432 Rocky Point Road	Tanglewood Poi	26	1	0.44	\$ 473,000	\$ 473,000	\$ -	lessee
2935 Cape Horn Road	Powerline	3	2	1.47	\$ 382,000	\$ 382,000	\$ -	lessee
4340 Eastshore Road	Hunt Creek	43	1	1.26	\$ 494,000	\$ 494,000	\$ -	lessee
122 Hidden Cove Road	Hidden Cove	2	1	1.30	\$ 605,000	\$ 605,000	\$ -	lessee
102 S Rocky Point Road	Tanglewood Poi	14	1	0.67	\$ 472,000	\$ 472,000	\$ -	lessee
58 N Mackinaw Road	Hunt Creek	30	1	0.89	\$ 424,000	\$ 424,000	\$ -	lessee
158 N Hunt Creek Road	Hunt Creek	50	1	0.82	\$ 611,000	\$ 611,000	\$ -	lessee
125 Pinto Point Road	Pinto Point	37	1	0.39	\$ 546,604	\$ 546,604	\$ -	lessee
678 Cape Horn Road	Pinto Point	49	1	1.04	\$ 637,604	\$ 637,604	\$ -	lessee
382 Pinto Point Road	Pinto Point	9	1	0.41	\$ 425,604	\$ 425,604	\$ -	lessee
198 S Mackinaw Road	Hunt Creek	40	1	0.60	\$ 393,000	\$ 393,000	\$ -	lessee
118 Cutthroat Road	Hunt Creek	26	1	1.52	\$ 413,000	\$ 413,000	\$ -	lessee
80 Two Creeks Road	Horton Creek	5	1	0.86	\$ 421,000	\$ 421,000	\$ -	lessee
278 State Cabin Road	Two Mouth Cre	10	1	0.88	\$ 586,000	\$ 586,000	\$ -	lessee
44 W Horton Creek Road	Horton Creek	25	1	1.11	\$ 492,000	\$ 492,000	\$ -	lessee
740 Cape Horn Road	Pinto Point	46	1	0.84	\$ 619,604	\$ 619,604	\$ -	non-lessee
566 State Cabin Road	Two Mouth Cre	1	1	0.68	\$ 629,000	\$ 665,000	\$ 36,000	lessee
124 Hidden Cove Road	Hidden Cove	1	1	0.89	\$ 475,000	\$ 475,000	\$ -	lessee
414 Upper Bear Creek	Bear Creek	7	1	0.58	\$ 416,000	\$ 416,000	\$ -	lessee
152 S Mackinaw Road	Hunt Creek	38	1	0.83	\$ 415,000	\$ 415,000	\$ -	lessee
412 Upper Bear Creek	Bear Creek	8	1	0.40	\$ 360,000	\$ 360,000	\$ -	lessee
138 N Hunt Creek Road	Hunt Creek	48	1	1.05	\$ 561,000	\$ 561,000	\$ -	lessee
820 Sherwood Beach Road	Kokanee Point	1	1	0.33	\$ 349,000	\$ 349,000	\$ -	lessee
162 S Hunt Creek Road	Hunt Creek	59	1	0.51	\$ 352,000	\$ 352,000	\$ -	lessee
6 S Mackinaw Road	Hunt Creek	33	1	0.92	\$ 395,000	\$ 395,000	\$ -	lessee
1370 Rocky Point Road	Tanglewood Poi	24	1	0.65	\$ 513,000	\$ 513,000	\$ -	lessee
78 Janet Lane	Powerline	9	3	0.81	\$ 521,000	\$ 521,000	\$ -	lessee
44 S Rocky Point Road	Tanglewood Poi	17	1	0.92	\$ 491,000	\$ 491,000	\$ -	lessee
1159 N Camp Cudge Road	Camp Cudge La	7	1	0.70	\$ 458,000	\$ 595,000	\$ 137,000	non-lessee
124 Bull Trout Road	Hunt Creek	19	1	0.46	\$ 377,000	\$ 377,000	\$ -	lessee
248 Powerline Road	Woody's Point	8	1	1.51	\$ 539,000	\$ 539,000	\$ -	lessee
28 Ripple Way	Hunt Creek	1	1	0.90	\$ 630,000	\$ 630,000	\$ -	lessee
22 S Rocky Point Road	Tanglewood Poi	18	1	0.80	\$ 446,000	\$ 446,000	\$ -	lessee
272 Pinto Point Road	Pinto Point	4	1	0.39	\$ 542,604	\$ 542,604	\$ -	lessee
323 Pinto Point Road	Pinto Point	30	1	0.52	\$ 419,604	\$ 419,604	\$ -	lessee
134 E Cavanaugh Bay Road	Cougar Creek	14	1	2.00	\$ 444,000	\$ 444,000	\$ -	lessee
1176 Cape Horn Road	Woody's Point	50	1	1.25	\$ 554,000	\$ 554,000	\$ -	lessee

<b>422 E Cavanaugh Bay</b>	Cougar Creek	5	1	1.84	\$ 495,000	\$ 495,000	\$ -	lessee
<b>520 E Cavanaugh Bay</b>	Cougar Creek	1	1	1.83	\$ 476,000	\$ 502,500	\$ 26,500	lessee
<b>217 Eight Mile Road</b>	Horton Creek	33	1	0.93	\$ 585,000	\$ 585,000	\$ -	lessee
<b>338 Eight Mile Road</b>	Horton Creek	43	1	1.07	\$ 551,000	\$ 551,000	\$ -	lessee
<b>151 Eight Mile Road</b>	Horton Creek	30	1	1.09	\$ 580,000	\$ 580,000	\$ -	lessee
<b>126 Bull Trout Road</b>	Hunt Creek	18	1	0.98	\$ 469,000	\$ 469,000	\$ -	non-lessee
<b>144 Char Lane</b>	Woody's Point	21	1	0.97	\$ 429,000	\$ 440,000	\$ 11,000	lessee
<b>198 E Cavanaugh Bay</b>	Cougar Creek	12	1	1.41	\$ 456,000	\$ 456,000	\$ -	lessee
<b>3156 Cape Horn Road</b>	Powerline	2	5	1.61	\$ 610,000	\$ 1,025,000	\$ 415,000	non-lessee
<b>138 E Cavanaugh Bay</b>	Cougar Creek	16	1	1.43	\$ 537,000	\$ 537,000	\$ -	lessee
<b>72 Powerline Road</b>	Woody's Point	13	1	1.45	\$ 515,000	\$ 515,000	\$ -	lessee
<b>168 S Rosalia Bay Road</b>	Hunt Creek	13	1	1.45	\$ 530,000	\$ 530,000	\$ -	lessee
<b>1825 N Camp Cudge Rd</b>	Camp Cudge La	3	1	1.00	\$ 497,000	\$ 497,000	\$ -	lessee
<b>TOTAL VAFO SALES</b>				<b>48.66</b>	<b>\$ 24,612,624</b>	<b>\$ 25,238,124</b>	<b>\$ 625,500</b>	

<b>Unleased Land Auction (ULA) Results</b>							
<b>CS Address</b>	<b>Subdivision</b>	<b>Lot</b>	<b>Block</b>	<b>Acres</b>	<b>Appraised Land Value</b>	<b>Winning Bid</b>	<b>Up bid</b>
<b>484 Upper Bear Creek Rd</b>	Bear Creek	5	1	0.37	\$ 342,000	\$ 342,000	\$ -

<b>Total VAFO &amp; ULA Auction Results</b>	<b>Acres</b>	<b>Appraised Land Value</b>	<b>Winning Bid</b>	<b>Up bid</b>
	<b>49.03</b>	<b>\$ 24,954,624</b>	<b>\$ 25,580,124</b>	<b>\$ 625,500</b>



## Cottage Sites Sold at Auction

2011 - 8/25/18

Auction	Lake	Type	# Lots Offered	# Lots Sold	Reserve Bid	Bid Amount	Up Bid	Sites Up Bid	Total by FY		Total by CY	
2011 Aug. 10	Payette	ULA	2	1	\$ 40,500	\$ 44,550	\$ 4,050	1	12	\$ 528,850	11	\$ 528,850
2011 Nov. 11	Payette	ULA	1	1	\$ 484,300	\$ 484,300	\$ -	0				
2013 Oct. 18	Payette	VAFO	10	10	\$ 3,149,000	\$ 3,160,000	\$ 11,000	1	14	\$ 11,947,615	13	\$ 5,880,000
2013 Oct. 18	Payette	ULA	3	3	\$ 2,313,450	\$ 2,720,000	\$ 406,550	3				
2014 Apr. 5	Payette	VAFO	21	21	\$ 6,034,415	\$ 6,067,615	\$ 33,200	3			14	\$ 32,971,427
2014 Aug. 28	Priest	VAFO	60	59	\$ 26,771,416	\$ 26,903,812	\$ 132,396	2	15	\$ 39,493,812		
2015 Jan. 31	Payette	VAFO	30	28	\$ 10,481,000	\$ 10,489,000	\$ 8,000	1				
2015 Jan. 31	Payette	ULA	6	3	\$ 2,028,000	\$ 2,101,000	\$ 73,000	3				
2015 Aug. 28	Priest	VAFO	38	35	\$ 15,652,500	\$ 15,652,500	\$ -	0	16	\$ 45,792,228	15	\$ 39,464,000
2015 Sep. 26	Priest	ULA	9	8	\$ 3,950,000	\$ 4,239,000	\$ 289,000	2				
2015 Nov. 13	Payette	VAFO	18	17	\$ 3,845,000	\$ 3,887,000	\$ 42,000	2				
2015 Nov. 13	Payette	ULA	4	3	\$ 2,314,000	\$ 3,095,500	\$ 781,500	3	17	\$ 22,420,604	16	\$ 33,443,332
2016 June 25	Priest	VAFO	41	39	\$ 18,551,228	\$ 18,918,228	\$ 367,000	1				
2016 Aug. 19	Payette	VAFO	25	25	\$ 7,260,000	\$ 7,301,500	\$ 41,500	2				
2016 Aug. 19	Payette	ULA	5	5	\$ 4,384,000	\$ 5,304,000	\$ 920,000	3				
2016 Sep. 23	Priest	ULA	4	4	\$ 1,919,604	\$ 1,919,604	\$ -	0	18	\$ 31,739,832	17	\$ 35,765,332
2017 June 23	Payette	VAFO	14	14	\$ 7,841,000	\$ 7,895,500	\$ 54,500	2				
2017 Aug. 18-19	Priest	VAFO	57	56	\$ 27,331,228	\$ 27,331,228	\$ -	0				
2017 Aug. 18-19	Priest	ULA	4	1	\$ 538,604	\$ 538,604	\$ -	0	19	\$ 25,580,124	18	\$ 29,450,124
2018 June 15	Payette	VAFO	9	9	\$ 3,487,500	\$ 3,870,000	\$ 382,500	4				
2018 Aug 24-25	Priest*	VAFO	50	50	\$ 24,612,624	\$ 25,238,124	\$ 625,500	5				
2018 Aug 24-25	Priest*	ULA	1	1	\$ 342,000	\$ 342,000	\$ -	0				
*Pending Close			<b>Totals</b>	<b>393</b>	<b>\$ 173,331,369</b>	<b>\$ 177,503,065</b>	<b>\$4,171,696</b>	<b>38</b>	<b>\$ 177,503,065</b>		<b>\$177,503,065</b>	

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IDAHO DEPARTMENT OF LANDS

## STATE BOARD OF LAND COMMISSIONERS

September 18, 2018

Director's Update

### Subject

Fire Season Update

### Background

As of September 11, 2018, Emergency Fire Suppression expenditures are estimated to be \$21,670,000. The Suppression Account will recover an estimated \$4,620,000 of reimbursable costs, for a net obligation of \$17,050,000. The total obligation above includes the 2018 contracted aircraft costs.

### Discussion

The Fleming Fire started on August 24, near Bonners Ferry. The fire grew to 91 acres and was managed by an IDL Type 3 team. The fire is 100% contained.

On July 23, the Trestle Fire started on private land south of Cascade, within the Southern Idaho Timber Protective Association jurisdiction. This fire was managed by an IDL Type 3 team and grew to 129 acres. The fire is currently 100% contained and in patrol status.

The Mile Marker 73 Highway 55 Fire started July 25, on private land south of Banks, within the Southwest Forest Protective District. This fire grew to 4,634 acres and was managed by a Type 1 team. The fire is currently 100% contained and in patrol status.

As shown in the table below, fire occurrence to date for 2018 is 78% of the 20-year average, while the acres burned is 63% of the 20-year average.

**Fire Season Comparison to Date**

# of Fires Under IDL Protection				
Year	Lightning	Human	Total	Acres
2015	146	135	281	75,711
2016	44	111	155	1,475
2017	59	132	191	52,765
2018	53	183	236	7,582
20 Yr. Average			303	11,987

July and August had below normal precipitation and above normal temperatures. Over the last two weeks, however, conditions have returned to near normal temperatures and near normal precipitation. Fuels have begun to return to normal conditions and fire behavior has moderated. September is predicted to have above normal temperatures and near normal precipitation. Most fire restrictions are rescinded due to moderating fire danger.

## Significant Fires Outside of IDL Protection

### Indian Butte

The Indian Butte Fire started September 12 and is burning eight miles northwest of Dubois. The fire is currently 11,250 and is 20% contained. There is a Type 3 team managing the fire. Residences and sage grouse habitat are threatened.

### Wapiti

The Wapiti Fire began on August 25 and is burning near Stanley. The fire was managed by a Type 2 team and is currently 4,571 acres and 85% contained.

### Sharps

The Sharps Fire started on IDL Endowment land on July 29 near Bellevue. This fire is currently 64,853 acres and 98% contained. The fire was managed by a Type 1 team.

### Grassy Ridge

The Grassy Ridge Fire started on July 26 near Dubois. This fire is currently at 99,502 acres and is 100% contained. This fire threatened the city of Dubois; at this time, all evacuation orders have been lifted.

### Total Acres Burned by Ownership

9/14/2018

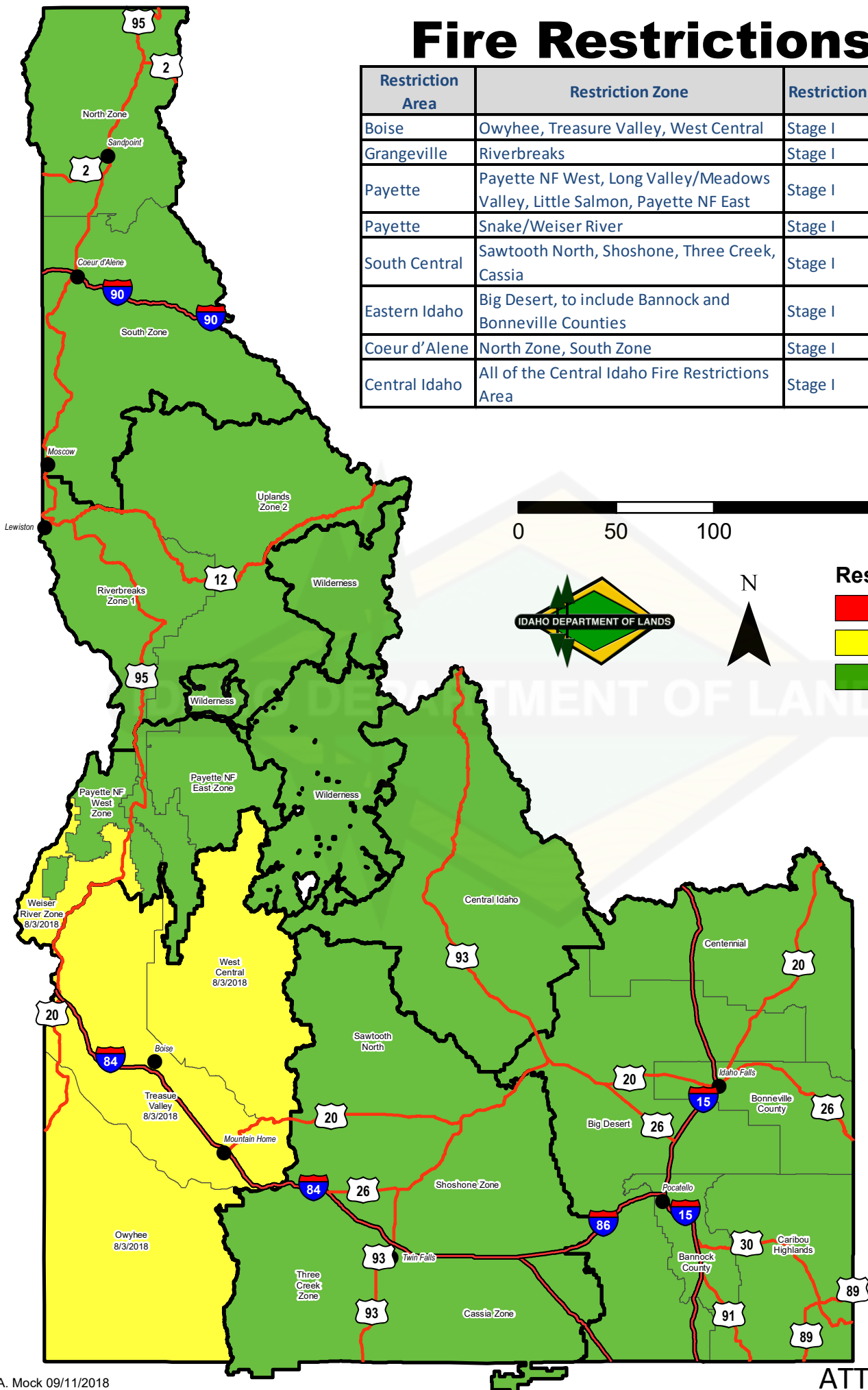
Surface Owner	Acres
Idaho Department of Lands	53,919
Idaho Fish and Game	250
Private	88,766
Bureau of Land Management	247,700
Other Federal	13,703
US Forest Service	116,908
<b>Total Acres</b>	<b>521,246</b>

## Attachments

1. Idaho Fire Restrictions Map
2. Significant Fires Throughout Idaho

# Fire Restrictions 2018

Restriction Area	Restriction Zone	Restriction	Date Enacted	Date Rescinded
Boise	Owyhee, Treasure Valley, West Central	Stage I	3-Aug-18	
Grangeville	Riverbreaks	Stage I	3-Aug-18	31-Aug-18
Payette	Payette NF West, Long Valley/Meadows Valley, Little Salmon, Payette NF East	Stage I	3-Aug-18	31-Aug-18
Payette	SNAKE/WEISER RIVER	Stage I	3-Aug-18	
South Central	Sawtooth North, Shoshone, Three Creek, Cassia	Stage I	3-Aug-18	15-Sep-18
Eastern Idaho	Big Desert, to include Bannock and Bonneville Counties	Stage I	6-Aug-18	31-Aug-18
Coeur d'Alene	North Zone, South Zone	Stage I	10-Aug-18	31-Aug-18
Central Idaho	All of the Central Idaho Fire Restrictions Area	Stage I	11-Aug-18	31-Aug-18



0 50 100 200 Miles



## Restriction Stage

- Stage II
- Stage I
- No Restrictions

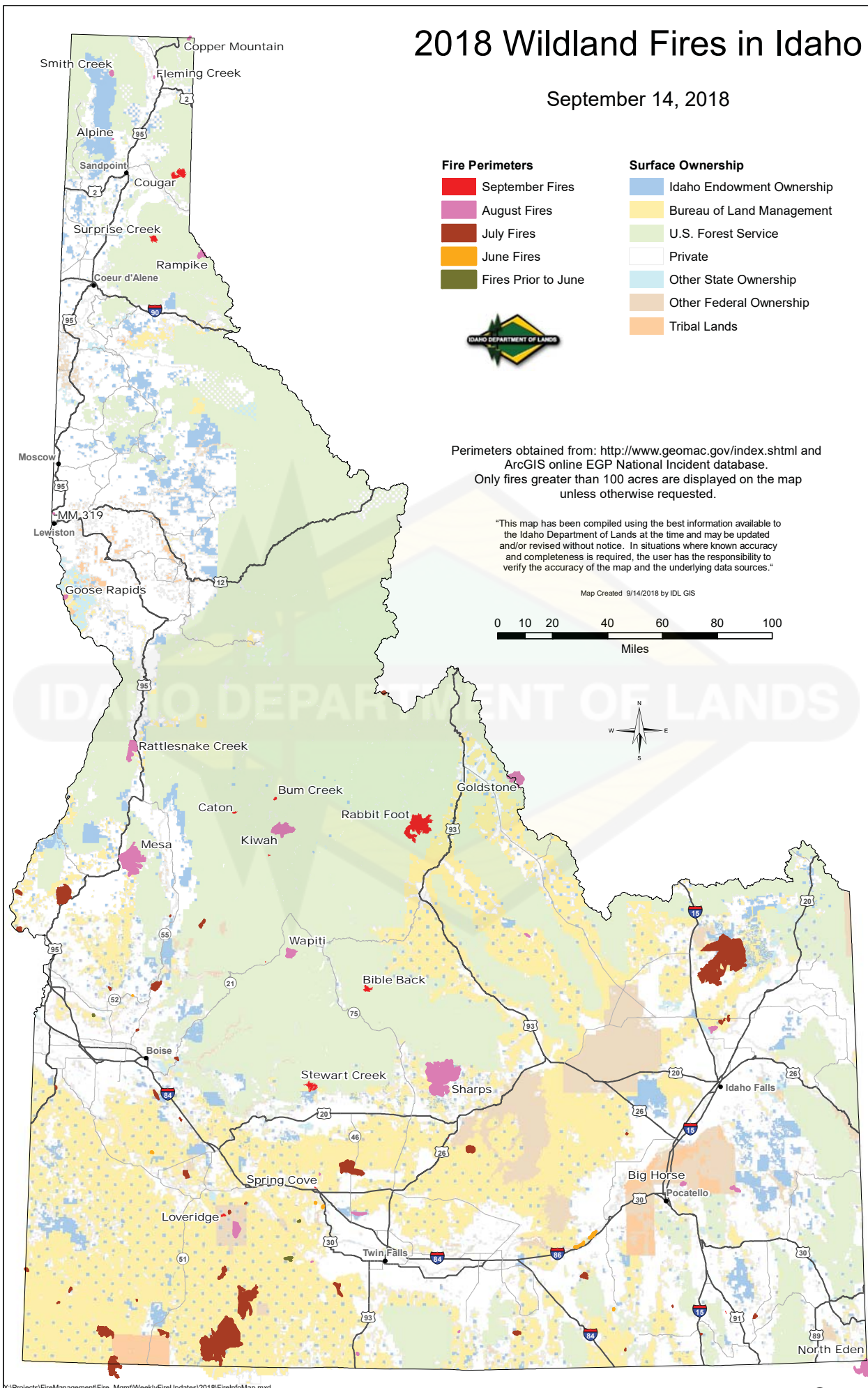
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IDAHO DEPARTMENT OF LANDS



# 2018 Wildland Fires in Idaho

September 14, 2018



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IDAHO DEPARTMENT OF LANDS



# STATE BOARD OF LAND COMMISSIONERS

September 18, 2018

## Resource Protection and Assistance Bureau Biannual Report

The Resource Protection and Assistance (RPA) Bureau houses the non-endowment regulatory functions within the Division of Lands and Waterways. This includes the Public Trust Program that administers mostly lake encroachment permits and submerged lands leases, and the Minerals Program that administers the surface mining reclamation plans, dredge and placer permits, and abandoned mine land projects. The Public Trust Program is self-supported through a dedicated account, and the Minerals Program is supported through a mixture of general fund and dedicated fund sources.

### Public Trust Program

#### PAST 6-MONTH HIGHLIGHTS

- **Submerged Lands Revenue.** Total FY2018 income totaled \$799,394, an 11% increase over FY2017.
- **Instrument Activity.** Instruments issued FY2013 through FY18:

Table 1: Public Trust Historical Instrument Numbers						
Instrument Type	2013	2014	2015	2016	2017	2018
Encroachment Permits Issued	181	208	282	327	289	338
Active Submerged Land Leases	165	182	179	185	192	180
New Submerged Land Leases	18	12	26	11	8	36
Active Riverbed Mineral Leases	5	4	3	2	2	2
New Riverbed Mineral Leases	1	0	0	1	0	0
Active Exploration Locations	18	14	10	2	3	4
New Exploration Locations	8	0	2	0	1	2
New Submerged Land Easements	13	13	11	27	6	2
New Disclaimers of Interest	3	9	2	2	1	3

- **Public Hearing for BNSF Railway Co. Encroachment Permit Application.** On February 22, 2018, IDL received an application for an encroachment permit from BNSF Railway Co. to construct a second railroad bridge across Lake Pend Oreille. Over 1,100 public comments were received on this application. IDL held a public hearing on May 23, 2018 in Sandpoint, Idaho. Testimony from 40 people was taken at a morning and an afternoon hearing session. The Director signed a Final Order

approving the bridge application on June 22, 2018. Wild Idaho Rising Tide filed an appeal of that decision on September 4, 2018.

- **Negotiated Rulemaking.** Four negotiated rulemaking sessions were held in June and July. IDL received several comments regarding the proposed deletion of "dock rights." As a result, that change will not be carried forward into the Proposed Rule. In addition, the Office of Administrative Rules (OAR) identified some changes needed for the existing Incorporation by Reference section. IDL is working with OAR on those changes.
- **Statute Change.** IDL has engaged with stakeholders to discuss modifying the permit recordation requirement. Additional outreach will be conducted prior to proposing this change for the 2020 legislative session.
- **Buoys on the Spokane River.** IDL mailed out 662 postcards to residents along the Spokane River regarding buoys and other unpermitted encroachments. A joint press release with Kootenai County was also distributed. Late runoff delayed inspections until July and during the July inspection, 17 noncompliance issues were identified. IDL is following up with those landowners.

#### NEXT SIX MONTHS

- **Proposed Rulemaking.** The Proposed Rule was published September 5, 2018. A public hearing is scheduled in Boise for September 20, 2018.
- **Buoys on the Spokane River.** Follow up will continue with those landowners identified as having unpermitted encroachments on the Spokane River.

#### FINANCIAL UPDATE

Table 2: Navigable Waters Dedicated Fund Biannual Financial Statement (July 1, 2017 - June 30, 2018)	
<b>Beginning Cash Balance</b>	<b>\$834,056.52</b>
<b>Revenue</b>	
Encroachment Permits	\$181,500.00
Submerged Land Leases	\$602,137.96
Submerged Land Easements	\$2,750.00
Disclaimers of Interest	\$3,900.00
Riverbed Mineral Leases	\$760.00
Exploration Locations	\$(125.00)
Other Revenue	\$8,120.89
<b>Total Revenue</b>	<b>\$799,393.85</b>
<b>Adjustments</b>	<b>\$21,913.27</b>

Expenses	FY 18 Appropriation	
Personnel Costs	\$576,121.72	\$618,400.00
Operation Costs	\$231,081.09	\$324,500.00
Capital Outlay	\$2,520.00	\$3,000.00
<b>Total Expenses</b>	<b>\$809,722.81</b>	<b>\$945,900.00</b>
<b>Ending Cash Balance</b>	<b>\$845,640.85</b>	

## Regulatory Minerals Program

### PAST 6-MONTH HIGHLIGHTS

- **Large Mine Reviews.** Participation continues for the Environmental Impact Statements (EIS) on the Dairy Syncline, East Smoky Amendment, and the Caldwell Canyon phosphate mines in the Eastern Area, as well as the Stibnite Gold Project EIS in the Payette Lakes Area. Bond reviews continue for the Thompson Creek Mine in the Eastern Area.
- **Actuarial Analysis.** IDL contracted out an actuarial analysis of the Bond Assurance Fund to reevaluate the recommended minimum balance. The purpose of this actuarial analysis was to update the 2011 analysis and determine if the reasonable minimum balance for the Reclamation Bond Fund (Bond Fund) needs to be changed. The reasonable minimum balance from the 2011 analysis was to be between \$1.4 million and \$1.79 million. Increased participation and anticipated defaults suggested that a new analysis was needed.

The analysis resulted in the distribution shown below. Three scenarios of potential liability representing both the frequency and the severity of claims were analyzed to illustrate the range of possibilities. In addition, three confidence levels were assessed. The confidence levels indicate that the annual losses did not exceed the respective amounts for 75%, 90%, and 95% of the trials performed for the three scenarios. Self-insurance programs generally maintain a surplus at the 90% to 95% confidence level to reduce the risk of overdrawing the program.

### SCENARIOS

	Frequency and Severity		
	Low	Medium	High
<b>Average Annual Loss</b>	\$209,177	\$445,226	\$693,266
75 % Confidence	\$309,000	\$672,000	\$1,031,000
90 % Confidence	\$545,100	\$1,135,200	\$1,682,200
95 % Confidence	\$703,100	\$1,453,300	\$2,199,200

- **Negotiated Rulemaking.** IDL held three negotiated rulemaking sessions for IDAPA 20.03.01 Dredge and Placer Mining Operations in Idaho, and IDAPA 20.03.02 Rules Governing Exploration, Surface Mining, and Closure of Cyanidation Facilities. Only one person appeared at all of these meetings. The Proposed Rules were submitted as drafted; the notices were published in the Administrative Bulletin on Wednesday, September 5, 2018. A public meeting is scheduled for September 20, 2018 in Boise.

#### **LOOKING FORWARD**

- An internal audit of bond amounts and disturbance will be undertaken. This will help ensure our database contains accurate information, and will identify mines that need bond updates.
- Work with property owner to go through other agency permitting to complete the site cleanup for the Silver King mine.
- Closure of four adits and mine debris hazards at the East Hypothek mine, located at an RV campground south of Pinehurst ID.
- The proposed rule comment period ends on Wednesday September 26, 2018. Comments from the 21-day comment period and public hearing will be collected. IDL will present findings and suggested rule language and path forward to the Land Board during the October regular Land Board meeting.
- Develop recommendation for a Bond Assurance Fund minimum balance and potential fee changes and present to the Land Board.

#### **TOTAL PERMITS AND BONDING**

In total, IDL currently regulates 1,540 mine sites covered by reclamation plans and 27 covered by a dredge and placer permit. The mines are presented in Table 3 by area and category, and Table 4 has historical plan numbers.

Table 3: Current Mine Permit Categories by IDL Supervisory Area				
IDL Area	Sand and Gravel Mines (IDAPA 20.03.02.069)	Hardrock, Phosphate & Complex Industrial (IDAPA 20.03.02.070)	Cyanidation Mines (IDAPA 20.03.02.071)	Dredge and Placer Permits (IDAPA 20.03.01)
Clearwater	33	-	-	-
Eastern	715	21	-	1
Maggie Creek	64	1	-	2
Mica	32	-	-	7
Payette Lakes	108	2	-	2
Pend Oreille Lake	137	-	-	-
Ponderosa	54	2	-	-
Priest Lake	15	-	-	-
Southwest	290	2	-	1
St. Joe	64	-	-	14
<b>TOTAL</b>	<b>1,512</b>	<b>28</b>	<b>-</b>	<b>27</b>

Table 4: Regulatory Minerals Historical Instrument Numbers							
Instrument Type	2012	2013	2014	2015	2016	2017	2018
<b>Surface Mining</b>							
New Reclamation Plans	36	20	20	25	36	24	18
Retirements	23	7	17	14	36	15	22
Total Reclamation Plans	1,496	1,536	1,537	1,528	1,530	1,542	1,540
<b>Dredge and Placer</b>							
New/Amended Dredge and Placer Permits	4	1	0	1	3	3	1
Retirements	-	-	-	-	-	2	0
Total Dredge and Placer Permits	24	25	25	25	25	26	27
<b>Note:</b> Inspections, Amendments, and Non-compliance are not currently tracked but will be with the implementation of the Land Information Management System (LIMS)							

For reclamation plans and dredge and placer permits, operators are eligible to provide bonding through traditional methods or the Bond Assurance Fund (BAF). Tables 5 and 6 list the acres and bond amounts currently in place for different types of mining operations. Created in 2006, the BAF provides another reclamation bonding option for small operators. Participation in the BAF is limited to disturbance equivalent to 40 acres or \$100,000 in liability. This is a dedicated account with revenue from annual fees of approximately \$150,000 per year. Billings are mailed in September with a November 1 due date. Table 7 has revenue from the 2017 billing. Figure 1 illustrates the revenue, expenditures, and

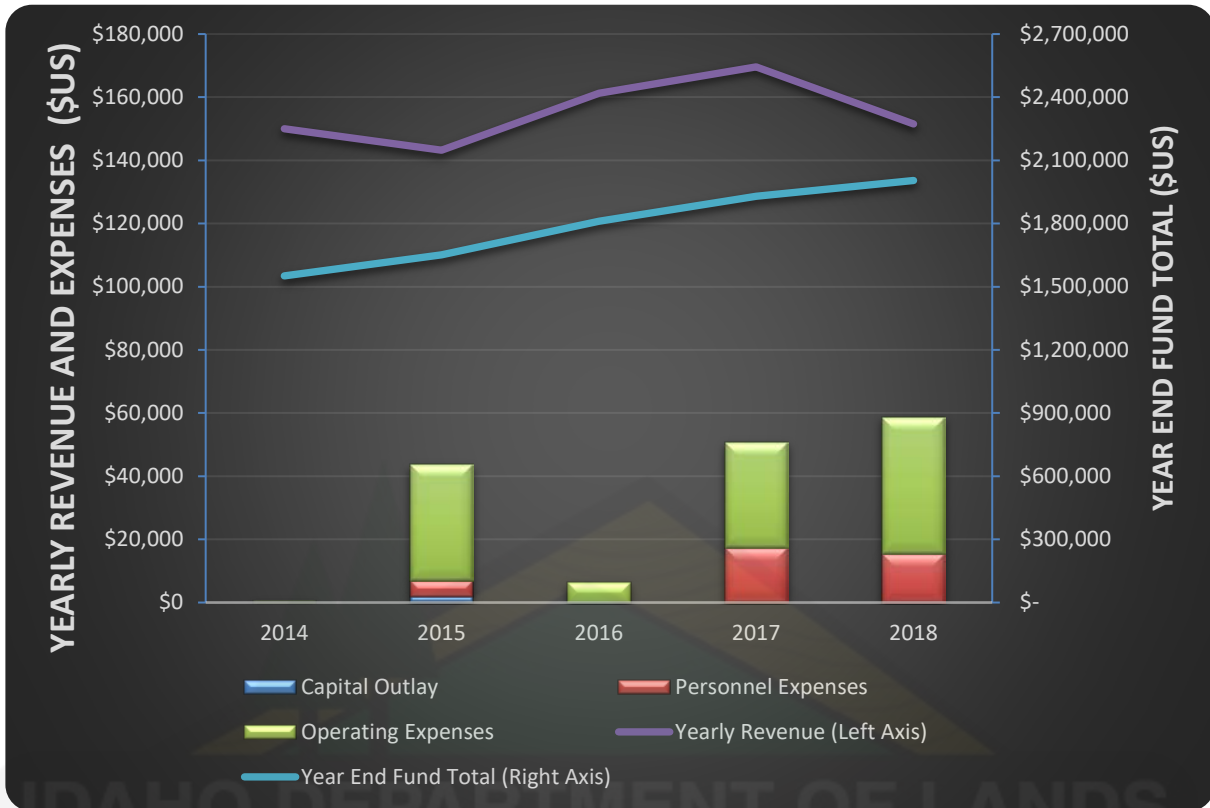
balance for this fund.

Table 5: Bonding for Sand and Gravel, Light Industrial, and Placer Permits								
	Reclamation Plans (IDAPA 20.03.02.069)				Dredge and Placer Permits (IDAPA 20.03.01)			
	Plans	Acres	Total Bond	Bond/Acre	Permits	Acres	Total Bond	Bond/Acre
Traditional Bond <sup>1</sup>	312	15,895	\$11.8 Million	\$742	22	861	\$941K	\$1,093
Bond Assurance Fund	620	31,815	n/a	n/a	8	241	n/a	n/a
<sup>1</sup> Surety Bond, Letter of Credit, Certificate of Deposit, or Cash								

Table 6: Bonding for Hardrock, Phosphate & Complex Industrial				
	Reclamation Plans (IDAPA 20.03.02.070)			
	Permits	Permitted Acres	Total Bond	Bond/Acre
Traditional Bond <sup>1</sup>	28	18,981	\$102 Million	\$5,373
<sup>1</sup> Surety Bond, Letter of Credit, Certificate of Deposit, or Cash				

Table 7: Bond Assurance Fund 2017 Revenue			
Disturbance (ACRES)	Annual Fee (\$)	Total	Total Annual Fee (\$)
Mineral Leases	\$100	88	\$8,800
2 acres or less	\$100	191	\$19,100
> 2 acres ≤ 5 acres	\$200	184	\$36,800
> 5 acres ≤ 10 acres	\$250	135	\$33,750
> 10 acres ≤ 15 acres	\$300	64	\$19,200
> 15 acres ≤ 20 acres	\$350	30	\$10,500
> 20 acres ≤ 25 acres	\$400	15	\$6,000
> 25 acres ≤ 30 acres	\$450	20	\$9,000
> 30 acres ≤ 35 acres	\$500	8	\$4,000
> 35 acres ≤ 40 acres	\$550	8	\$4,400
<b>TOTAL</b>		<b>743</b>	<b>\$151,550</b>

**Figure 1: Bond Assurance Fund - Revenue, Expenditures, and Fund Balance**



### ABANDONED MINE LANDS

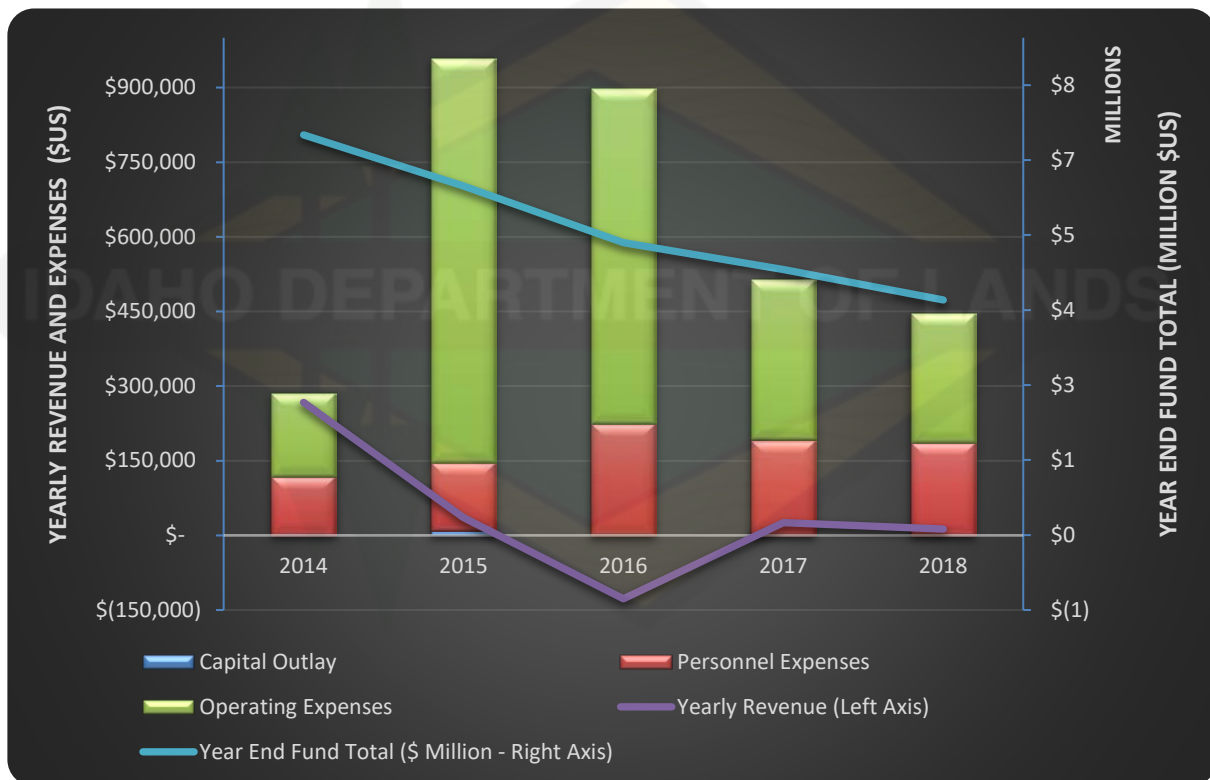
The abandoned mine lands (AML) program is funded through 34% of Idaho's Mine License Tax, a 1% net tax of Idaho's mining industry (excluding sand and gravel as described in Idaho Code § 47-1205). To date, the last three years are among the five lowest revenue years of the fund's existence. IDL's share of that revenue in FY18 was \$12,489.92. Table 8 lists the projects worked on in FY2018. Figure 2 illustrates the revenue, expenditures, and balance for this fund.

Year	Project Name	Project Description
2018	Triumph Mine	High water inspections, seeding and erosion control, NPDES permitting.
2018	Silver King Mine	Working through the proposed Silver King Mine work plan for IDEQ's Voluntary Cleanup Program (VCP).
2018	Idaho Geological Survey	AML information compilation and digitization.
2018	War Eagle Mt	Inspection of 2 stopes and 1 shaft.



Table 8: Abandoned Mine Lands Projects January through June, 2018		
Year	Project Name	Project Description
2018	Royal Anne 3, St. Elmo 1, Geiss 5, Hypothek 4, Anchor Mines	Inspection of 14 mine openings on private lands in northern Idaho and contract preparation. Hypothek closures anticipated in Fall of 2018.
2018	Gilmore District	Closure of 9 mine openings and preparation for 5 more.
2018	Afterthought Mine	Shaft inspection and closure preparation. Excavation and disposal of overburden and collapsing safety barrier and installation of culvert and foam enclosed culvert with bat habitat gating.
2018	Black Hornet Mine	Inspection of 2 adits and stakeholder engagement for closure.

**Figure 2: AML Fund - Revenue, Expenditures, and Fund Balance**







M. Dean Buffington :: Chairman  
Jerry F. Aldape                      Irving Littman  
Neil A. Anderson                  Gary L. Mahn  
Warren R. Bakes                  Richelle A. Sugiyama  
Gavin M. Gee                      Chuck Winder

Chris J. Anton :: Manager of Investments

## Monthly Report to the Board of Land Commissioners

### Investment performance through August 31, 2018

*Month: 1.5%      Fiscal year: 3.6%*

Domestic equities had positive gains for the month, while international and emerging market equities experienced losses. The U.S. economy continues to be the star of the global economic show, while international and emerging markets have been under pressure due to rising U.S. interest rates, a stronger dollar and trade tensions. The yield curve continues to flatten as the Federal Reserve Bank hikes short term interest rates, which concerns investors because recessions have historically followed inverted curves.

### Status of endowment fund reserves

Distributions for FY2019 and FY2020 are well secured. For all endowments, estimated reserves as of August 2018 were at least 6 times the size of the anticipated FY2020 distributions.

### Significant actions of the Endowment Fund Investment Board

Meetings: The board met on August 17, 2018 and decided to replace global equity manager Aberdeen Asset Management with Wellington Global Opportunities. The transition will take place during September.

### Compliance/legal issues, areas of concern

*Material deviations from Investment Policy or compliance guidelines for investment managers:* None.

*Material legal issues:* None.

*Changes in board membership or agency staffing:* None.

### Upcoming issues/events

A special EFIB Board meeting is scheduled on October 30 to interview fixed income managers.

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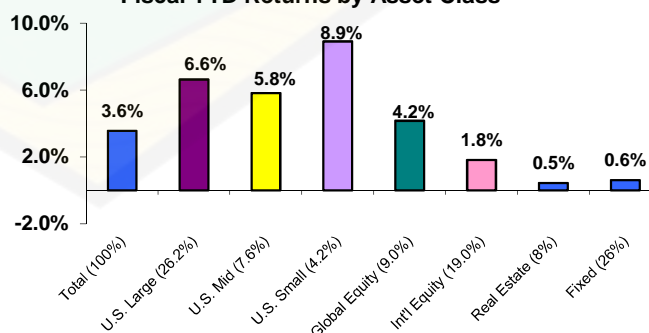
IDAHO DEPARTMENT OF LANDS

	<u>Month</u>	<u>FYTD</u>
Beginning Value of Fund	2,189,851,992	2,189,851,992
Distributions to Beneficiaries	(6,517,200)	(13,034,400)
Land Revenue net of IDL Expenses	4,080,731	4,080,731
Change in Market Value net of EFIB Expenses	70,096,768	76,613,968
Current Value of Fund	<u>2,257,512,291</u>	<u>2,257,512,291</u>

<u>August-18</u>	<u>Fiscal Year to Date</u>	<u>Last Five Years</u>
<b>Total Fund</b> 38% R3 19% Ax 9% AC 26% BB 8% OD	<b>1.5%</b> 38% R3 19% Ax 9% AC 26% BB 8% OD	<b>3.6%</b> 38% R3 19% Ax 9% AC 26% BB 8% OD
<b>Total Fixed</b> 85% BB Agg, 15% TIPS	<b>0.7%</b> 85% BB Agg, 15% TIPS	<b>0.6%</b> 85% BB Agg, 15% TIPS
<b>Total Equity</b> 38% R3 19% Ax 9% AC	<b>1.9%</b> 38% R3 19% Ax 9% AC	<b>5.0%</b> 38% R3 30% Ax 9% AC
<b>Domestic Equity</b> Russell 3000 (R3)	<b>3.4%</b> Russell 3000 (R3)	<b>6.7%</b> Russell 3000 (R3)
<b>Global Equity</b> MSCI ACWI (AC)	<b>0.6%</b> MSCI ACWI (AC)	<b>4.2%</b> MSCI ACWI (AC)
<b>Int'l. Equity</b> MSCI ACWI ex-US (Ax)	<b>-0.5%</b> MSCI ACWI ex-US (Ax)	<b>1.8%</b> MSCI ACWI ex-US (Ax)
<b>Real Estate</b>	<b>0.5%</b>	<b>0.3%</b>

	<u>Mkt Value</u>	<u>Allocation</u>
<b>Domestic Equity</b>	<b>\$ 900.5</b>	<b>39.9%</b>
Large Cap	610.0	27.0%
Mid Cap	182.5	8.1%
Small Cap	107.9	4.8%
<b>Global Equity</b>	<b>204.8</b>	<b>9.1%</b>
<b>Int'l Equity</b>	<b>418.1</b>	<b>18.5%</b>
<b>Fixed Income</b>	<b>561.6</b>	<b>24.9%</b>
<b>Real Estate</b>	<b>165.6</b>	<b>7.3%</b>
Cash	6.9	0.3%
<b>Total Fund</b>	<b><u>\$ 2,257.5</u></b>	<b><u>100.0%</u></b>

Fiscal YTD Returns by Asset Class

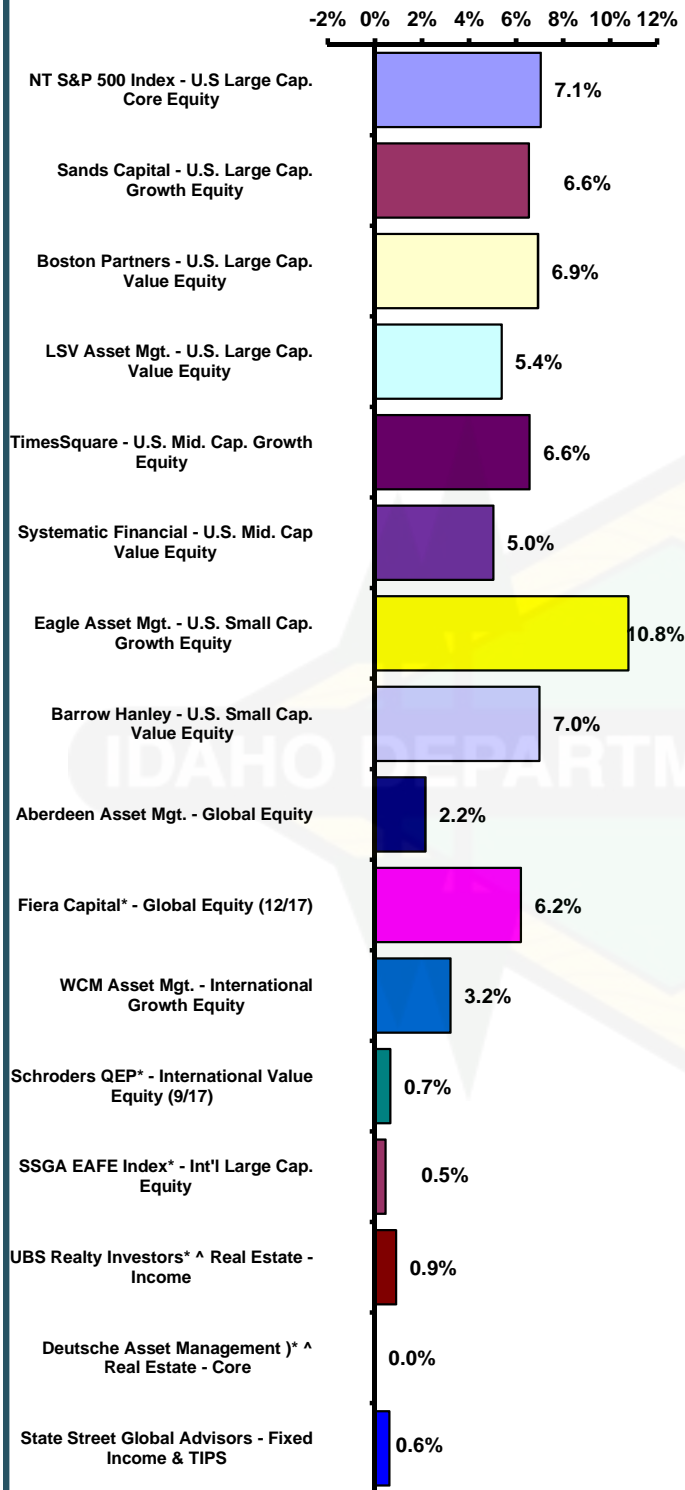
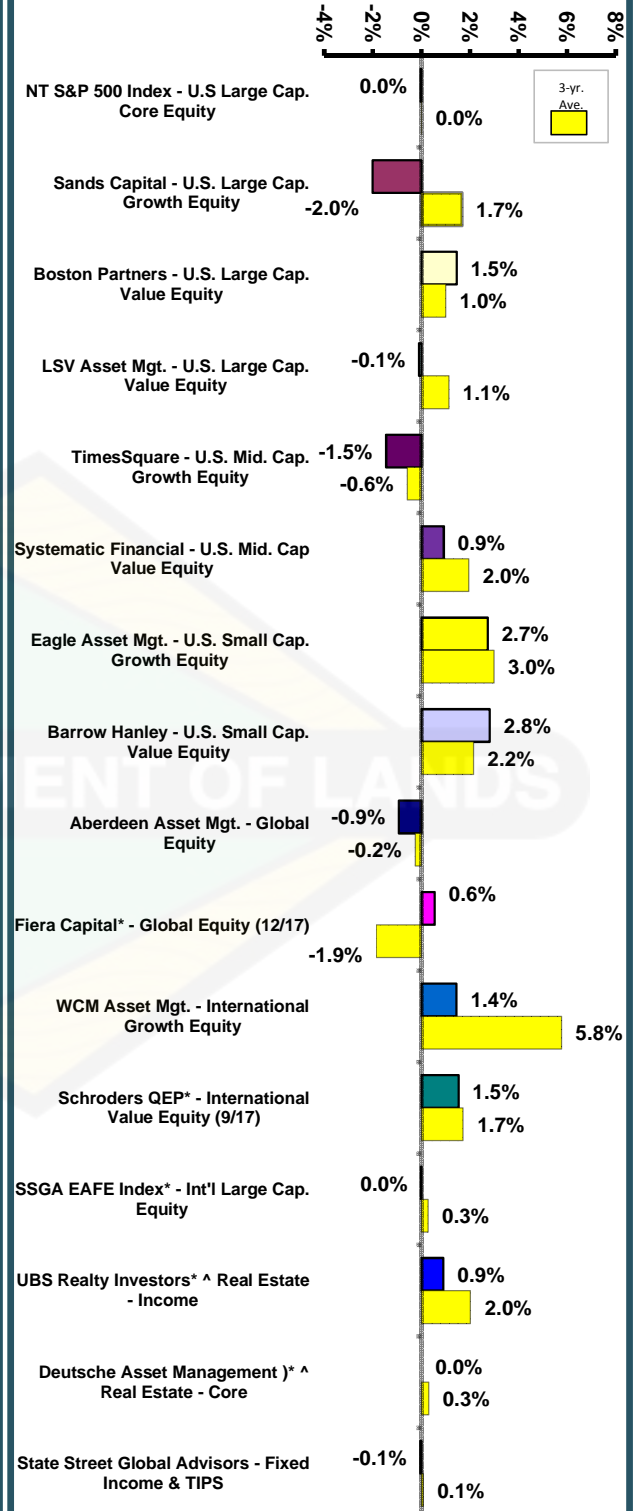


## Endowment Fund Staff Comments:

The fund was up 1.5% for the month, 0.3% over the benchmark. The Russell 3000 index was up 3.5%, Russell Midcap up 3.1% and Russell 2000 (small cap) up 4.3%. International equities (MSCI ACWI ex-US) were down 2.1%. Value outperformed Growth, while Domestic equity outperformed International equity. Bonds, as measured by the BBC Aggregate index, were up 0.6% and TIPS were up 0.7%. 11 of 13 active managers beat their benchmark this month. On a FYTD basis, the fund is up 3.6%, 0.4% over benchmark, and 8 of 13 active managers beat their benchmark.

## INVESTMENT REPORT

## FYTD Manager Returns

Manager Relative Returns  
Fiscal YTD and 3-Yr Ave. Annualized\*

\* ITD return used when manager has less than 3 years. ^ Most recent valuation.

# **STATE BOARD OF LAND COMMISSIONERS**

September 18, 2018

Consent Agenda

## **Subject**

Results of July-August, 2018 Grazing Conflict Auctions

## **Background**

In accordance with IDAPA 20.03.14.105.01, when two or more eligible applicants apply to lease the same state endowment trust land for grazing, the Idaho Department of Lands (Department) shall hold a public auction. On or before April 30, 2018, the Department received two or more applications for six expiring grazing leases and held six conflict auctions to resolve the conflict applications. Department staff conducted the lease conflict auctions and determined the highest bidders for each of the leases in accordance with existing statutes, rules and procedures.

## **Discussion**

Two lease conflict auctions were held in the Jerome field office on July 25, 2018; three auctions were held in the Jerome field office on August 09, 2018; and one auction was held in the Southwest supervisory area office on August 28, 2018. Premium bids for the six auctions totaled \$58,501. Five leases were offered on 20- year terms, and one lease was offered on a 10-year term. Attachment 1 is a summary of the results of the lease conflict auctions. All auction participants were informed they had 20 days from the date of the auction to file an appeal of the auction proceedings with the State Board of Land Commissioners (Land Board). The 20-day appeal period has expired and the Department received no appeals.

According to IDAPA 20.03.14.106, Land Board review and approval of auction results for conflicted leases is required prior to lease issuance. Idaho Code 58-310(4) states that the Land Board has the right to reject any and all bids made at lease conflict auctions when, there has been fraud or collusion, or for any reason, which in the judgment of the Land Board, justifies the rejection of said bids. The Department completed the lease conflict auction process in accordance with existing statutes, rules and procedures, and did not observe any indication of fraud or collusion related to this process.

## **Recommendation**

Direct the Department to award the grazing leases to: Grassy Hills, LLC (G700294), 7 J Livestock (G700302), Oneida Farms, Inc. (G700297), Justin Posey (G700299), Forrest Arthur (G700304), and Warren Budell (G600247).

## **Board Action**

## **Attachments**

1. Summary of 2018 Grazing Conflict Auctions



### Summary of 2018 Grazing Conflict Auctions

Supervisory Area	Lease Number	Endowment	Lease Term (Years)	AUMs	Acres	Improvement Value	# of Applicants	# of Bids	High Bid Amount	Premium Bid per Year/AUM	Effective 2019 AUM Rate*	High Bidder	Lessee/ Conflictor
Eastern	G700294	PS	20	58	640	\$0.00	2	41	\$10,250.00	\$8.84	\$16.40	Grassy Hills, LLC	Lessee
Eastern	G700302	PS	20	48	640	\$0.00	3	34	\$8,000.00	\$8.33	\$15.89	7 J Livestock	Conflictor
Eastern	G700297	PS	20	213	640	\$0.00	2	25	\$13,000.00	\$3.05	\$10.61	Oneida Farms, Inc.	Lessee
Eastern	G700299	PS	20	230	960	\$0.00	2	23	\$21,000.00	\$4.57	\$12.13	Justin Posey	Lessee
Eastern	G700304	PS	20	100	640	\$0.00	2	26	\$6,000.00	\$3.00	\$10.56	Forrest Arthur	Conflictor
Southwest	G600247	PE	10	16	80	\$2,276.00	2	1	\$251.00	\$1.57	\$9.13	Warren Budell	Conflictor

**Total : \$58,501.00**

**\$4.42**  
2019 wtd ave.

**\$11.98**  
2019 wtd ave.

2018: 6 of 138 (4%) expiring grazing leases were conflicted.  
Historical Ave.: 6% of expiring grazing leases are conflicted.

\* Effective 2019 AUM Rate is calculated by adding the 2019 AUM Rate (\$7.56) and the Premium Bid per Year/AUM

IDAHO DEPARTMENT OF LANDS

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IDAHO DEPARTMENT OF LANDS





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

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*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.*

Draft Minutes  
State Board of Land Commissioners Special Meeting  
August 17, 2018

A special meeting of the Idaho State Board of Land Commissioners was held on Friday, August 17, 2018, in the Idaho Department of Lands, Garnet Conference Rooms, 300 North 6th St., Boise, Idaho. The meeting began at 10:02 a.m. The Honorable Secretary of State Lawrence Denney presided. The following members were present:

Honorable Governor C. L. "Butch" Otter *(via teleconference)*  
Honorable Attorney General Lawrence Wasden  
Honorable State Controller Brandon Woolf *(via teleconference)*  
Honorable Superintendent of Public Instruction Sherri Ybarra *(via teleconference)*

For the record, Secretary of State Denney recognized the presence of all Board members. Secretary of State Denney noted that he and Attorney General Wasden were attending the meeting in person and Governor Otter, Controller Woolf, and Superintendent Ybarra were joining via conference call.

At 10:02 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 74-206(1)(a) to consider the hiring of a public officer, employee, or staff member, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need. 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, Ybarra, Woolf, Otter; Nay: None; Absent: None.*

• **EXECUTIVE SESSION**

- A. Idaho Code 74-206(1)(a) – to consider hiring a public officer, employee, staff member or individual agent, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need. This paragraph does not apply to filling a vacancy in an elective office or deliberations about staffing needs in general. [TOPIC: Hiring Agency Director]

At 10:40 a.m. the Board resolved out of Executive Session by unanimous consent. No action was taken by the Board during the Executive Session.

- **REGULAR (ACTION)**

- 1. Hiring Agency Director**

*BOARD ACTION:* A motion was made by Controller Woolf that the Board direct staff to make an offer of employment to Dustin Miller to be the director of the Idaho Department of Lands, contingent upon successful completion of a background check, and negotiations of a starting salary of \$135,000 per year, plus state benefits, with a starting date of no later than October 1, 2018, and further that the position be subject to a 6-month probationary period upon the successful conclusion of which the salary may be increased by vote of the Land Board. Governor Otter seconded the motion. The motion carried on a vote of 5-0.

Upon recommendation by Controller Woolf, and suggestion from Attorney General Wasden, Secretary of State Denney designated three Land Board staff who were present at the meeting to communicate the Board's decision to the candidates and extend the Board's heartfelt thanks and appreciation for all the candidates' time and commitment.

There being no further business before the Board, at 10:44 a.m. a motion to adjourn was made by Governor Otter. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0. Meeting adjourned.



## Idaho 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

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*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.*

### State Board of Land Commissioners Regular Meeting

August 21, 2018

Draft Minutes

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, August 21, 2018, in the Capitol, Lincoln Auditorium, Lower Level, West Wing, 700 W. Jefferson St., 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 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

##### Endowment Transactions

###### A. Timber Sales – July 2018

**Discussion:** Director Groeschl noted one correction to the report on page 2 in the Proposed Timber Sales for Auction table—the volume for the Blue Pole sale is 1,315 MBF with an advertised net value of \$521,195. The Area is Pend Oreille Lake and the auction date is August 28, 2018.

###### B. Leases and Permits – July 2018

**Discussion:** None.

##### Status Updates

###### C. Land Revenue Forecast

**Discussion:** Controller Woolf noticed on the Four-Year Income Forecast for School of Science, year 2022 numbers are much lower, trending down from 2018. Controller Woolf asked why the decline in forecast for School of Science. Director Groeschl explained that the first three years of the revenue forecast are heavily reliant on the volume under contract. At years four and beyond, those numbers are based on the Department's ten-year sale plan; there is less certainty around the sales that will be included or not included in that sale plan. Director Groeschl stated that the ten-year sale plan is currently being updated; the Department is looking at a new sustained yield and those numbers in 2022 will likely change.

D. Fire Season

**Discussion:** None.

**Consent (Action)**

2. **Approval of Minutes** – July 17, 2018 Regular Meeting (Boise)

3. **Approval of Minutes** – August 3, 2018 Special 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)**

4. **Endowment Fund Investment Board Manager's Report** – *Presented by Chris Anton, EFIB Manager of Investments*

A. Manager's Report; and

B. Investment Report

**Discussion:** Mr. Anton remarked that fiscal year 2019 started off in positive territory driven by continued economic expansion in the U.S. and the anticipation of strong corporate earnings. During the month of July the Fund was up 2.1%; through the close of the market yesterday the Fund was up 2.3% so the new fiscal year is off to a good start. Gross domestic product increased by 4.1% during the second calendar quarter led by consumer and business spending and a surge in exports in anticipation of retaliatory tariffs from China. The extra exports added about 1% to GDP so GDP was running a little over 3% so the economy remained very strong. The labor markets in the U.S. are strong; unemployment stands at 4%. Mr. Anton noted that the strengthening dollar and trade tensions between the U.S. and its global trading partners however put pressure on international and emerging market equities. They did see a modest recovery during the month of July, but this fiscal year most of our emerging market and international equities are down.

Mr. Anton commented that distributions for fiscal years 2019 and 2020 are well-secured. All endowment reserves as of July 2018 are at least six times the fiscal 2020 distributions. Mr. Anton reported that the Investment Board met on August 17th and elected to terminate one of its global equity managers, Aberdeen Asset Management, and replace them with Wellington Global Opportunities. That decision was really driven by underperformance over a long period of time. The Investment Board also approved the beneficiary distributions for 2020, the transfer of reserves back to the permanent fund, and the classification of those transfers back to the permanent fund, all of which will be presented to the Land Board today in agenda item 4C. The Land Board Audit Committee met on August 16th. They reviewed the Independent Auditor's Report and they approved the audited financial statements for EFIB as well as the agreed-upon procedures for the Department of Lands. Mr. Anton stated that the auditors and the Audit Committee were very complimentary of Debbie Buck and the accounting staff at Department of Lands as well as Michelle Watts and the EFIB staff. The Audit Committee will provide their report to the Land Board during the November meeting.

C. FY2020 Distributions and Transfers

**Recommendation:** EFIB recommends that the Land Board approve a 3.5% increase in beneficiary distributions or a total of \$80,918,000 in FY2020, transfer \$50,309,000 from earnings reserve funds to permanent funds and designate the transfers as additions to the gain benchmarks (or permanent corpus).

**Discussion:** Mr. Anton went through his presentation, describing the Land Board's distribution policy, the investment performance and revenue generated in fiscal year 2018, steady revenue over the next three years with \$155 million of timber pre-sold, and coverage ratio for all funds in earnings reserve. Mr. Anton said all funds are at their target reserve levels except Charitable Institutions, which was increased from five to seven years and has reached a level of 6.6 years to date. Mr. Anton reviewed the calculation for moving excess reserves to the permanent fund and described the Investment Board's recommendation. Attorney General Wasden expressed concern about Charitable Institutions which is not at full reserve level and asked, in light of the recommendation to increase distributions, how does that affect Charitable Institutions and will that fund reach seven years in earnings reserve fairly soon. Mr. Anton replied that Charitable increased its reserves from five years to six-and-a-half years by the end of fiscal year 2018. The fund is healthy but because the new target level was not quite reached, the Investment Board recommends keeping the fund's distribution flat for fiscal year 2020.

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

5. **FY2020 Budget Enhancements** – *Presented by Debbie Buck, Financial Officer*

**Recommendation:** Direct the Department to include the enhancement requests as outlined in Attachment 1 in the Fiscal Year 2020 budget proposal due on September 4, 2018.

**Discussion:** Governor Otter observed that the Department will now have 12 positions totally assigned to Good Neighbor Authority [GNA] and wondered what portion of capital expenditures for these 12 staff can be covered by GNA revenue. Director Groeschl indicated that there are no GNA staff located at the St. Maries office, but the Department is contemplating what to do for other facilities that will be housing GNA staff—what proportion that GNA would potentially have to cover for those FTEs. Governor Otter asked if the Department has developed a formula for assigning those costs to GNA. Director Groeschl responded that there is a cost assigned for capital outlay associated with vehicles that are being used by GNA staff. Governor Otter inquired about seedling coolers. Director Groeschl stated that currently the Forest Service is growing and storing seedlings in their own cooler facilities; the Department has not taken on any of that cost for them.

**Board Action:** A motion was made by Attorney General Wasden that the Board approve and adopt the Department recommendation that is to direct the Department to include the enhancement requests as outlined in Attachment 1 in the Fiscal Year 2020 budget proposal due on September 4, 2018. Controller Woolf seconded the motion. For the record, Governor Otter recused himself from this vote. The motion carried on a vote of 4-0.



For the record, Director Groeschl offered a point of clarification—during the presentation of agenda item 5 on the first enhancement item, the Right-of-Way Agent, Sr., it was mentioned that 30% of endowment lands do not have legal access. The next agenda item states that 96% of endowment lands have recreational access. Director Groeschl explained the distinction between the two percentages: 30% of endowment lands do not have legal motorized access for management purposes; 96% of endowment lands can be accessed by foot, water or vehicle—often where they border federal land—but that does not necessarily mean that 96% have legal access by road.

**6. Land Board Recreation Policy** – *Presented by Bill Haagenson, Deputy Director*

**Recommendation:** The Department recommends approval of the Land Board Recreation Policy.

**Discussion:** Governor Otter remarked that most endowment lands are adjacent to, or even land-locked by federal lands and asked if the Department has instituted any process under RS4077 law to access those lands. Director Groeschl replied that the Department is working with the Forest Service and the Bureau of Land Management to acquire access across federal lands under the cost share program; those supplements take a fair amount of effort and time and that is why priority 1 of the budget enhancements is to hire somebody that can focus on working with federal partners to secure access across federal lands to endowment lands. Director Groeschl noted that there is also some private lands that need reciprocal easements. Referring to bullet point five, Governor Otter asked what other agencies the Department is considering. Mr. Haagenson said that Parks and Recreation is a good example. Governor Otter mentioned Fish and Game and Water Resources; Mr. Haagenson agreed any of those are potential options.

**Board Action:** A motion was made by Attorney General Wasden that the Board adopt the Department recommendation and approve the Land Board Recreation Policy. Controller Woolf seconded the motion. Controller Woolf commented that that the key part here based on the last legislative session is that the Department is working to let the public know that endowment lands are open for recreational use while retaining fiscal, prudent management for the future. Governor Otter inquired about protocols for allowing organizations such as Rotary, those that are immediately adjacent to federal lands and endowment lands, recreational potential to do anything on them, establish trailheads or lavatory facilities or something similar. Mr. Haagenson remarked that the Department has a recreation specialist on staff, Todd Wernex, who is already working with groups in that regard. Mr. Haagenson gave an example in the Sandpoint area where there is heavy OHV use; the Department is working to redesign the trail system and provide restrooms. The net impact will be to decrease the number of miles of trail while providing a quality experience for the users. Governor Otter restated the Attorney General's motion. The motion carried on a vote of 5-0.

**7. Recreation Access Agreement** – *Presented by Bill Haagenson, Deputy Director*

**Recommendation:** The Department recommends approval of the Memorandum of Agreement Regarding Recreational Access on State Endowment Lands in substantially the form attached hereto.

**Discussion:** Attorney General Wasden observed that both the Fish and Game Commission and the Land Board need to approve the agreement, and it appears the Land Board is first. Mr. Haagenson said that is correct. Attorney General Wasden wanted to make it clear that even with Land Board approval, the Fish and Game Commission also has to approve the agreement. Mr. Haagenson said yes, they will need to take action. Secretary of State Denney asked how

much cash Fish and Game is compensating. Mr. Haagenson indicated that of the \$579,000, Fish and Game is offering a net total of two conservation officers as the in-kind contribution—it is not two new positions, but portions of existing conservation officers, a net total of two positions. It will be based on the previous year's costs for salary and benefits which presently totals \$212,000. Secretary of State Denney questioned that the Department is giving Fish and Game credit for what they are already doing. Mr. Haagenson noted it will lead to an increased presence and a more effective relationship between the two agencies in terms of enforcement.

Controller Woolf asked if the Fish and Game Commission agrees in principle even though they have not yet voted on the agreement. Mr. Ed Schriever, Deputy Director at Fish and Game, reported that he and Director Virgil Moore have worked closely with the Fish and Game Commission over the last 18 months on this agreement in concept. The Fish and Game Commission has been briefed and this item is currently on the agenda for their Thursday meeting [August 23] in anticipation of the Land Board's action today.

Governor Otter questioned what fund will be paying the expense. Mr. Schriever communicated that the Fish and Game Commission has a long history of providing hunting, fishing and trapping access in the state of Idaho. Securing access to public land and also finding access on private land with willing private landowners who enroll their acres in the Access Yes program, both so hunters and anglers can access public lands or actually hunt on those private lands. There are multiple places in Title 36 that direct the Commission to provide access for legal fishing, hunting and trapping across the state; there are other places in Title 36 that establish set-aside accounts using license dollars for only the purpose of providing access. Mr. Schriever said that most recently the 2017 Legislature in the passage of House Bill 230 established a fund—an endorsement on fishing and hunting licenses—that funds depredation prevention and depredation compensation both in the amount of \$500,000. Those obligations are met first and then any additional funds earned by that license endorsement go to a set-aside to provide fishing, hunting and trapping access by agreement or easement only. The 2017 Legislature followed the passage of House Bill 230 with a trailer bill that added \$1 million in spending authority to Fish and Game's budget to put those dollars on the ground. It is currently funded; it is currently appropriated and the Commission is envisioning how to advance access for hunting, fishing and trapping in the state. Primarily it is these license funds that will be applied to this program pending Commission approval. Mr. Schriever noted that also available for this are some unappropriated Pittman-Robertson federal funds that come from the sale of hunting equipment, guns and ammunition.

Director Groeschl commented on the question that came up about why the Department would credit Fish and Game for what they already do. Mr. Groeschl clarified that right now the Department works with industrial timberland owners and with some supervisory areas to pay for contractors who patrol certain blocks of endowment lands that are intermingled or adjacent to industrial landowners who are doing the same. There is very little-to-no enforcement authority associated with those contractors. At times the Department tries to work with local law enforcement when issues occur; it is very difficult at times to get them engaged because they have a lot going on as well, whereas Fish and Game peace officers have the full ability—they are working out in those rural areas, they know the ground and the Department can work with them on enforcement issues in which they are not currently engaged. The Department does see a benefit to this collaboration.

Governor Otter mentioned that the state is still owed approximately a thousand acres by the federal government for land lost to wilderness or monument designation. Governor Otter inquired if the Department will make sure to get easements on those new lands, and how will the agreement be adjusted for the new lands. Mr. Haagenson replied that getting access to any new lands, regardless of how acquired, is a high priority for the Department. The agreement can be adjusted; it is intended to be reviewed and adjusted every five years and that can be done at any time if there is a change to the acreage. Governor Otter asked for the number of acres owed by the federal government. Mr. Haagenson did not readily have that figure but said it will be provided.

Controller Woolf noted that the memo states the \$367,000 cash payment will be distributed to the appropriate endowments and asked if that is true of the full amount or will any be used for trail maintenance or access or something of that nature. Mr. Haagenson answered that it will all go into the endowments' earnings reserves as appropriate.

**Board Action:** A motion was made by Attorney General Wasden that the Board adopt the Department recommendation and approve the Memorandum of Agreement Regarding Recreational Access on State Endowment Lands in substantially the form attached here as Attachment 1. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

**8. Grazing Rate Methodology** – Presented by Diane French, Division Administrator-Lands and Waterways

**Recommendation:** The Department recommends adoption of Option 1 or Option 2.

Option 1	Option 2
<p>A) Land Board adopts the RSQ formula with a base fee index value of 2.15, representing 65% of the USDA-NASS published IDPLLR.</p> <p>B) Land Board adopts a 4-year phase-in of the base fee index value as follows:  <u>2019:</u> RSQ index value set at 1.65; representing 50% of the 2017 USDA-NASS IDPLLR; 2019 state AUM rate set at \$8.96/AUM.  <u>2020:</u> RSQ index value set at 1.81; representing 55% of the 2018 USDA-NASS IDPLLR.  <u>2021:</u> RSQ index value set at 1.98; representing 60% of the 2019 USDA-NASS IDPLLR.  <u>2022:</u> RSQ index value set at 2.15; representing 65% of the 2020 USDA-NASS IDPLLR.</p> <p>C) Department annually tracks USDA-NASS published data and provides the Land Board with an annual update on trends using 2017 data as the baseline. Annual updates would include 2017 baseline trend data and show the following:  Total # AUMs under lease  Total # of acres under lease  Total gross revenue</p>	<p>A) Land Board adopts a grazing rate that represents 65% of the USDA-NASS published IDPLLR.</p> <p>B) Land Board adopts a 4-Year Phase-in as follows:  <u>2019:</u> State AUM rate set at \$8.96/AUM representing 50% of the 2017 USDA-NASS IDPLLR.  <u>2020:</u> State AUM rate set at 55% of the 2018 USDA-NASS IDPLLR.  <u>2021:</u> State AUM rate set at 60% of the 2019 USDA-NASS IDPLLR.  <u>2022:</u> State AUM rate set at 65% of the 2020 USDA-NASS IDPLLR.</p> <p>C) Same as Option 1</p>



AUMs, acres, and gross revenue identified under Timberland Asset AUMs, acres, and gross revenue identified under Rangeland Asset State endowment trust land AUMs and acres surrounded 100% by private land State endowment trust land AUMs and acres surrounded by federal lands State endowment trust land AUMs and acres with full management or legal access	
D) Department conducts a 5-year review summarizing all data during CY2023 and presents to Land Board to reconsider the established benchmark of a 35% discount from the IDPLLR and the ongoing use of RSQ formula.	D) Department conducts a 5-year review summarizing all data during CY2023 and present to Land Board to reconsider the established benchmark of a 35% discount from the IDPLLR.

**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](mailto:public_records_request@idl.idaho.gov).

**Board Action:** A motion was made by Secretary of State Denney that the Board continue with the status quo and develop numbers on total costs so the Board can set the rate based on total cost rather than a formula that is a political decision. Governor Otter seconded the motion for discussion. Following discussion, Governor Otter repeated the motion that the Board will continue with the status quo to have more time to gather more information, or wait for the \$500,000 Wyoming study. The motion carried on a vote of 4-1. Attorney General Wasden cast the dissenting vote and asked that his vote be recorded in the meeting minutes.

## Information

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

### 9. Oil and Gas Royalty Audit – Presented by Mike Murphy, Bureau Chief-Endowment Leasing

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](mailto:public_records_request@idl.idaho.gov).

For the record, at 11:47 a.m. the Board went at ease subject to call of the Chair. At 11:48 a.m. the Governor called the meeting to order, and a motion was made by Attorney General Wasden that the Board amend the agenda to eliminate the executive session which was included on the meeting agenda. Attorney General Wasden noted the reason is that the matter referenced was taken care of by the Board at its last special meeting [Friday, August 17, 2018] at which the Board selected a director. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

There being no further business before the Board, at 11:49 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.

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IDAHO DEPARTMENT OF LANDS

## STATE BOARD OF LAND COMMISSIONERS

September 18, 2018

Regular Agenda

### Subject

Fiscal Year 2020 Idaho Department of Lands (IDL) Budget Request

### Discussion

The budget was developed in accordance with Division of Financial Management (DFM) budget guidelines, which prescribe a 1% change in employee compensation for ease of calculation, a 23.62% variable benefit rate and \$11,650 health benefit per full-time employee for the agency (in FY 2019 the DFM guidelines prescribed 22.72% and \$11,190). Attachment 1 summarizes the total FY 2020 budget request by major function.

The Land Board approved the IDL FY 2020 enhancement decision units on August 21, 2018 (Attachment 2).

The Department's FY 2020 total budget request by funding source is as follows:

FUND TYPE	AMOUNT
General Fund	\$6,153,000
Earnings Reserve Fund	\$30,293,600
Federal Funds	\$6,923,300
Other Funds	\$17,137,100
<b>TOTAL REQUEST</b>	<b>\$60,507,000</b>

The FY 2020 budget request reflects the following changes above the maintenance level appropriation:

FUND TYPE	\$ CHANGE	% CHANGE
General Fund	\$22,600	0.4%
Earnings Reserve Fund	\$1,110,600	3.8%
Federal Funds	\$0	0.0%
Other Funds	\$531,600	3.2%

## **Recommendation**

Approve the Department's FY 2020 budget request as submitted to the Division of Financial Management and the Legislative Services Office on Tuesday, September 4, 2018.

## **Board Action**

## **Attachments**

1. Fiscal Year 2020 Budget Summary by Function
2. August 21, 2018 Approved Land Board Memo

The logo of the Idaho Department of Lands is a large, stylized diamond shape. It features a light green diamond in the center, surrounded by a yellow border. The text "IDAHO DEPARTMENT OF LANDS" is written in white, bold, capital letters across the middle of the diamond. The background of the logo is a light gray.

IDAHO DEPARTMENT OF LANDS

# Agency Summary And Certification

## 320 -- Lands, Department of

Original Submission \_\_\_\_ or Rev No. \_\_\_\_

FY2020 Request

Page 1 of 134 Pages

In accordance with 67-3503, Idaho Code, I certify the attached forms properly state the receipts and expenditures of the department (agency, office, or institution) for the fiscal years indicated. The summary of expenditures by major program, fund source, and standard class is indicated below.

Signature of Department Director :



Date: 8/31/2018

Function/Activity	FY 2018 Total Appropriation	FY 2018 Total Expenditures	FY 2019 Original Appropriation	FY 2019 Estimated Expenditures	FY 2020 Total Request
Support Services	6,591,600	6,388,900	7,150,900	7,150,900	7,189,300
Forest Resources Management	27,083,400	23,180,700	31,072,300	31,072,300	31,283,400
Lands and Waterways Division	10,722,600	8,285,700	9,484,700	9,484,700	9,722,100
Oil and Gas Conservation	0	(12,700)	725,600	725,600	677,000
Forest and Range Fire Protection	10,064,100	46,800,100	10,658,300	10,658,300	11,340,500
Scaling Practices	272,400	229,300	271,000	271,000	294,700
<b>Total</b>	<b>54,734,100</b>	<b>84,872,000</b>	<b>59,362,800</b>	<b>59,362,800</b>	<b>60,507,000</b>
By Fund Source	Total Appropriation	Actual Expenditures	Original Appropriation	Estimated Expenditures	Total Request
G 0001-00 General Revenue Fund	6,070,100	5,938,600	6,021,400	6,021,400	6,153,000
D 0075-00 Department of Lands	10,701,700	7,823,800	15,167,200	15,122,200	15,419,500
D 0075-14 Oil & Gas Conservation	181,400	181,400	205,800	205,800	181,900
D 0075-75 Navigable Waterways Fund	962,900	845,000	697,900	697,900	712,400
D 0076-00 Fire Suppression Deficiency Fund	151,600	37,871,700	151,600	151,600	151,600
D 0150-01 Economic Recovery Reserve Fund	0	0	0	0	0
D 0482-70 Endowment Administrative Fund	29,107,000	27,604,200	29,542,000	29,587,000	30,293,600
D 0495-00 Community Forestry	40,000	13,500	40,000	40,000	40,000
F 0348-00 Federal Grant	6,889,500	4,265,500	6,906,000	6,906,000	6,923,300
O 0125-00 Indirect Cost Recovery	629,900	328,300	630,900	630,900	631,700
<b>Total</b>	<b>54,734,100</b>	<b>84,872,000</b>	<b>59,362,800</b>	<b>59,362,800</b>	<b>60,507,000</b>

ATTACHMENT 1

By Object	Total Appropriation	Actual Expenditures	Original Appropriation	Estimated Expenditures	Total Request
Personnel Costs	29,102,400	31,120,000	29,958,000	29,958,000	30,445,300
Operating Expenditures	18,884,600	48,331,500	20,797,500	20,797,500	20,031,900
Capital Outlay	1,618,000	1,636,100	1,952,700	1,952,700	3,366,400
Trustee And Benefit Payments	5,129,100	3,784,400	6,654,600	6,654,600	6,663,400
Lump Sum	0	0	0	0	0
<b>Total</b>	54,734,100	84,872,000	59,362,800	59,362,800	60,507,000
<b>FTP Total</b>	312.15	312.15	321.15	321.15	323.82


 IDAHO DEPARTMENT OF LANDS

# STATE BOARD OF LAND COMMISSIONERS

August 21, 2018

Regular Agenda

## Subject

Fiscal Year 2020 Department of Lands Budget Enhancements

## Background

The Department is requesting concurrence on the proposed FY20 Enhancement Decision Units. Pursuant to Idaho Code § 67-3502, agencies must submit their budget request to the Division of Financial Management (DFM) and the Legislative Services Office (LSO) by September 4, 2018. The Board briefing and meeting schedules prevent the Department from having the full budget request ready for the August meeting. The complete budget will be presented for Board approval at the September 18 meeting.

Attachment 1 summarizes the Department's proposed enhancements for the FY20 budget in order of priority.

## Discussion

The Department is asking for consideration of the attached decision units. The proposed decision units align with the strategic goals that are detailed in the Department's Strategic Plan document. As you may recall, the strategic plan is organized around four major Department-wide goals. Those goals are: (1) Financial Stewardship – Maximize returns through prudent management of resources and funds, (2) Customer Focus – Exemplary professional service to all customers, (3) People – A high performing workforce, and (4) Process – Effective policies, procedures and systems to drive informed decision making. With these goals in mind, the Department is developing a budget submission for FY20 that includes enhancements to further our efforts in meeting our goals.

The information outlined below highlights some of the ways our enhancement requests link to the Strategic Plan in an impactful way:

### Financial Stewardship and Prudent Resource Management

- The Right-of-Way Agent position will acquire permanent access to state lands. A portion of our timber acres does not have legal or management access. Without permanent access, IDL may not be able to manage or harvest the timber, resulting in uncaptured revenue.
- Two tree coolers will allow the Ponderosa and St. Joe Areas to protect the investment of our seedlings in a more operationally efficient and financially responsible manner.

**Customer Focus:**

- This year's request includes an FTE and funding for an IT System Coordinator. This position will provide technical administration of enterprise network software, hardware, servers, and help desk support, which will provide improved service to internal and external customers.

**People:**

- The Eastern Area is requesting a .67 FTE and funding for an Office Specialist. This position will assume the workload currently handled by a contracted employee. This position will improve employee retention and limit the need for repeated training.

**Process:**

- While we do not have enhancement requests for FY20 for either of our Land Information Management Systems (LIMS), those two systems are moving forward. The LIMS Forest Management system has had 20 releases go into production, 13 over the last year, including statewide fire reporting, hydrology, regulatory, and increased forest inventory functionality.
- The Department is also moving forward with the implementation of LIMS Lands and Waterways. The project is wrapping up land records and water rights functionality. In FY19, the project will release functionality for customers to apply for and maintain grazing, crop, and conservation leases online. The new system will improve efficiency of the application process, as well as processing financial transactions.

The request to replace the St. Joe Supervisory Area Office affects all of the Department's goals. The existing facility requires costly maintenance and does not adequately meet the St. Joe Area needs. A new facility will allow the St. Joe Office to operate more efficiently through improved technology infrastructure as well as reduced facility costs. The new design will enhance the customer experience in both the lobby and the conference rooms. Additionally, the layout will provide a better team environment for IDL personnel enabling streamlined processes.

The enhancements in the Department's budget request reflect the following increases over the FY2019 ongoing appropriation:

FUND TYPE	Increase from FY19 Base Budget	
	ONGOING & ONE TIME Requests Combined	ONGOING Requests Only
General Fund	\$22,500 (0.39%)	\$21,600 (0.37%)
Earnings Reserve Fund	\$1,110,600 (3.95%)	\$163,700 (0.58%)
Lands Dedicated Fund	\$531,600 (5.20%)	\$21,100 (0.21%)
Federal Funds	\$0 (0%)	\$0 (0%)



Throughout the rest of the budgeting submission process, the Department will follow DFM guidelines.

### **Recommendation**

Direct the Department to include the enhancement requests as outlined in Attachment 1 in the Fiscal Year 2020 budget proposal due on September 4, 2018.

### **Board Action**

A motion was made by Attorney General Wasden that the Board approve and adopt the Department recommendation that is to direct the Department to include the enhancement requests as outlined in Attachment 1 in the Fiscal Year 2020 budget proposal due on September 4, 2018. Controller Woolf seconded the motion. For the record, Governor Otter recused himself from this vote. The motion carried on a vote of 4-0.

### **Attachments**

1. FY2020 Enhancement Decision Unit Requests



IDAHO DEPARTMENT OF LANDS

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IDAHO DEPARTMENT OF LANDS

# STATE BOARD OF LAND COMMISSIONERS

September 18, 2018

Regular Agenda

## Subject

Proposed 2019 Legislation

## Background

The Idaho Department of Lands (Department) submitted two legislative proposals through the executive agency legislation process for the 2019 legislature.

## Discussion

### *Forest Practices Act Administration – Funding*

The first legislative proposal revises Section 38-134, Idaho Code, Forest Practices Act Administration – Funding, to increase the maximum Forest Practices assessment threshold from \$0.10 an acre per year to \$0.20 an acre per year (Attachment 1). This assessment is paid by private forest owners in Idaho to help fund Forest Practices Act (FPA) administration by the Department. While the statutory maximum for the assessment is set in Idaho Code, the effective rate is set by the State Board of Land Commissioners (Land Board).

The FPA assessment threshold and rate were last increased from \$0.05 an acre per year to \$0.10 an acre per year in 2003. Since 2009, economic recovery has led to an upswing in market conditions and forest harvesting operations on all forest lands inspected under the FPA program. The number of FPA notifications and regulatory activities have increased each year, rule changes have expanded the program, and operating, personnel, and equipment costs have risen. State statute specifies the cost for administering the Forest Practices Act will be shared by private landowners through the acreage assessment, and by the State of Idaho through general fund appropriations. If the statutory threshold maximum is approved by the legislature, we will then ask the Land Board to increase the FPA assessment to \$0.13/acre. This increase should generate an additional \$150,000 in dedicated fund revenue from private landowner assessments, and an additional \$30,000 in revenue from our endowment program (approximately 1 million acres of endowment forestland at \$0.03/acre). We will include a trailer bill that upon passage of the statute change will seek an increase in the general fund appropriation for the FPA program totaling \$177,000; an increased appropriation from the earnings reserve fund (endowment programs) totaling \$30,000; and increased FPA dedicated fund spending authority totaling \$150,000. The combined dedicated fund and earnings reserve increases will slightly more than match the requested general fund increase, which we believe aligns with the direction provided in statute, and will sustain IDL administration of the FPA regulatory program for the next three to five years.

### *Uniform Conservation Easement Act*

The second legislative proposal revises Section 55-2102, Idaho Code, Uniform Conservation Easement Act to provide for an exception to the common law doctrine of merger for conservation easements (Attachment 2). A conservation easement is a voluntary legal instrument through which certain rights, such as subdivision and development, are transferred from a landowner to a non-profit organization or government agency. The non-profit organization or government agency holds these restrictions "in trust" and ensures compliance. A conservation easement is perpetual and runs with the land to preserve traditional uses such as forest management or to protect natural resources, scenic, historical, open-space, or other values.

A conservation easement is potentially subject to termination or extinguishment, however, pursuant to the common law doctrine of merger. While there are no cases that have applied the doctrine of merger to a conservation easement in Idaho, Section 55-2102(1), Idaho Code, states, "Except as otherwise provided in this chapter, a conservation easement may be created, conveyed, recorded, assigned, released, modified, terminated, or otherwise altered or affected in the same manner as other easements."

With regard to easements in general, if an easement holder acquires fee title interest in the land subject to the easement, the common ownership of both results in the extinguishment of the easement automatically by operation of law.

This legislation is needed to avoid the risk of merger in situations where the State of Idaho, currently serving as the holder of a conservation easement, acquires the underlying fee title interest in the land subject to the conservation easement. There is no anticipated fiscal impact associated with this proposal.

### **Recommendation**

The Department recommends the Land Board approve the legislative proposals and direct the Department to proceed with the 2019 executive agency legislation process.

### **Board Action**

### **Attachments**

1. Forest Practices Act Administration – Funding Proposed Statute Change
2. Uniform Conservation Easement Act Proposed Statute Change

AN ACT

RELATING TO THE IDAHO FORESTRY ACT; AMENDING SECTION 38-134, IDAHO CODE, TO INCREASE THE FOREST PRACTICES ACT ADMINISTRATION ASSESSMENT THRESHOLD FOR PRIVATE OWNERS OF FOREST LANDS BY 10 CENTS AN ACRE PER YEAR.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 38-134, Idaho Code, be, and the same is hereby amended to read as follows:

38-134. FOREST PRACTICES ACT ADMINISTRATION – FUNDING. The director of the department of lands is charged in section 38-1305, Idaho Code, to administer and enforce the forest practices act on all private forest lands within the state. Funding for this activity shall come from an annual budget request from the general fund and from an annual assessment to be paid by every private owner of forest land in the state. The assessment for private owners of forest lands whose total acres of forest lands are twenty-five (25) acres or fewer shall be equal to the per acre cost multiplied by twenty-five (25). For private owners of forest lands whose total acres of forest lands are twenty-six (26) acres or more, the assessment shall be determined by the state board of land commissioners not to exceed ~~ten~~twenty cents (~~10~~20¢) an acre per year. The assessment shall be collected in the same fashion and at the same time as the forest protection assessment described in section 38-111, Idaho Code.

IDAHO DEPARTMENT OF LANDS

AN ACT

RELATING TO THE UNIFORM CONSERVATION EASEMENT ACT; AMENDING SECTION 55-2102, IDAHO CODE, TO PROVIDE THAT THE DOCTRINE OF MERGER SHALL NOT APPLY TO TERMINATE OR EXTINGUISH A CONSERVATION EASEMENT HELD BY THE STATE OF IDAHO.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 52-2102, Idaho Code, be, and the same is hereby amended to read as follows:

55-2102. CONSERVATION EASEMENT CREATED - CONVEYANCE - ACCEPTANCE - DURATION. (1) Except as otherwise provided in this chapter, a conservation easement may be created, conveyed, recorded, assigned, released, modified, terminated, or otherwise altered or affected in the same manner as other easements.

(2) No right or duty in favor of or against a holder and no right in favor of a person having a third-party right of enforcement arises under a conservation easement before its acceptance by the holder and a recordation of the acceptance.

(3) Except as provided in subsection (2) of section [55-2103](#), Idaho Code, a conservation easement is unlimited in duration unless the instrument creating it otherwise provides.

(4) An interest in real property in existence at the time a conservation easement is created is not impaired by it unless the owner of the interest is a party to the conservation easement or consents to it.

(5) The common law doctrine of merger shall not apply to terminate or extinguish a conservation easement if the state of Idaho or any agency or political subdivision thereof acquires both the fee title interest in the land subject to the conservation easement and an interest in the conservation easement as the holder of the conservation easement. This provision shall apply retroactively.

THE FOLLOWING MATERIALS WERE SUBMITTED  
AT THE LAND BOARD MEETING

IDAHO DEPARTMENT OF LANDS



3759 Highway 6 P.O. Box 130 Princeton, ID 83857

Phone: (208) 875-1121

Fax: (208) 875-0191

May 2, 2018

David Groeschl  
Director, Idaho Department of Lands  
300 N 6<sup>th</sup> Street, Suite 103  
Boise, ID 83702

David,

Please accept this letter in support of the Idaho Department of Lands proposal to increase the Idaho Forest Practices Assessment Rate. Bennett Lumber recognizes the importance of funding this program and the budgetary constraints it has and will be working under. With this understanding, Bennett Lumber Products Inc. supports a statute change to Section 38-134 to raise the Forest Practices Assessment Rate Cap to \$.20/acre. Bennett Lumber Products Inc. also supports a consequent \$.5/acre rate increase bringing the assessment rate to \$.15/acre. Your staff did a good job in describing this issue and why a fix is required. We greatly appreciate IDL's partnership and efforts.

Sincerely,

Tom Biltonen  
Resource Manager  
Bennett Lumber Products Inc.

DEPT. OF LANDS  
2018 MAY 29 AM 10:58  
BOISE, IDAHO





RILEY STEGNER AND ASSOCIATES

September 17, 2018

State Board of Land Commissioners  
300 N. 6th Street, Suite 103  
Boise, ID 83702

RE: Comments on proposed Forest Practices Act statute change to increase assessment cap increase

Dear State Board of Land Commissioners:

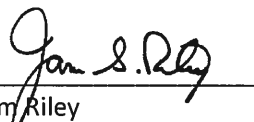
We write in support of the Idaho Department of Lands' (IDL) plan to bring forward legislation to the 2019 Idaho Legislature seeking an increase of the statutory maximum Forest Practices Act (FPA) landowner assessment to \$0.20/acre from the current ceiling of \$0.10/acre. If approved by the legislature, we understand IDL will request that the State Board of Land Commissioners (Land Board) increase the FPA assessment to \$0.13/acre.

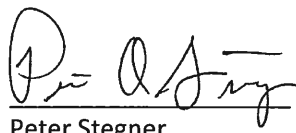
We commend IDL for working with Idaho's landowners to address increasing costs associated with implementing the FPA through the Forest Practices Act Dedicated Fund (Fund). The Fund is vital to the environmentally sustainable harvest of timber in Idaho, as it provides the resources for inspections and compliance enforcement of forest operations throughout the state.

Our clients, Idaho Forest Group, Stimson Lumber Company, Molpus Timberland Group, Hancock Timber Resource Group, and Bennett Lumber Products Inc., collectively own and operate numerous sawmills in Idaho and over 400,000 acres of commercial forestland. IDL worked in a professional and productive manner with our clients and other Idaho landowners to develop their proposed statutory proposal, and we support the final product.

We appreciate the opportunity to comment and look forward to our continued involvement in the process.

Sincerely,

  
Jim Riley  
Principal  
Riley Stegner and Associates

  
Peter Stegner  
Principal  
Riley Stegner and Associates

DEPT. OF LANDS  
2018 SEP 17 PM 2:21  
BOISE, IDAHO



**Idaho Forest Owners Association**  
**P.O. Box 1257**  
**Coeur d'Alene, ID 83816-1257**  
[info@idahoforestowners.org](mailto:info@idahoforestowners.org)  
[www.idahoforestowners.org](http://www.idahoforestowners.org)

September 14, 2018

State Board of Land Commissioners  
300 N. 6th Street, Suite 103  
Boise, ID 83702

Dear Commissioners:

I am writing today as the president of the Idaho Forest Owners Association (IFOA) Board of Directors to express our support for the proposed Forest Practices Act assessment-rate cap increase and the corresponding rate increase requested by the Idaho Department of Lands. The members of the Idaho Forest Owners Association and all owners of private forest land in Idaho are beneficiaries of the numerous land owner assistance programs offered by the Department of Lands through the Forest Practices and Forest Stewardship programs.

If no increases in Forest Practices funding are approved by this Board and the Legislature, it will be IFOA members and other private forest landowners who will suffer due to decreased landowner assistance needed to complete active management funded by NRCS EQIP or Regional Conservation Partnership Program (RCPP) funds as well as a reduction in the amount of follow-up re-inspections and re-certifications of Forest Stewardship Plans and an increase in the time between re-inspections. As forest landowners, when we compare the quality of service we receive from the Idaho Department of Lands with the situation faced by landowners in neighboring states, we realize how fortunate we are.

If we want to continue to benefit from the services provided by the Idaho Department of Lands, we must be willing to pay for those services. We believe that the proposed assessment rate cap as well as the proposed rate increase is both reasonable and moderate and should be approved by the Board of Land Commissioners to go forward to the Legislature for final consideration. The future of Idaho's private forest lands and their contribution to the economic strength of Idaho are significantly impacted by the services provided by the Idaho Department of Lands. It is in the best interest of all the citizens of Idaho that we insure that IDL's Forest Practices activities continue to be funded at a healthy and sustainable level.

Sincerely,

David A. Easley  
President  
Idaho Forest Owners Association  
PO Box 1257  
Coeur d'Alene, ID 83816-1257

2018 SEP 18 AM 11:02  
BOISE, IDAHO  
JPL OF LAND

## AGENDA ITEM 8

NO BOARD MATERIALS  
ARE PROVIDED FOR THIS ITEM

The logo of the Idaho Department of Lands is a large, faint watermark in the background. It features a stylized mountain range with a central peak and two smaller peaks on either side. The mountains are rendered in shades of green and yellow. A horizontal banner with rounded ends is superimposed across the middle of the mountain range, containing the text "IDAHO DEPARTMENT OF LANDS" in a bold, sans-serif font.

IDAHO DEPARTMENT OF LANDS