

## State Board of Land Commissioners Open Meeting Checklist

Meeting Date: December 18, 2018

### Regular Meetings

12/4/18	Notice of Meeting posted in prominent place in IDL's Boise Headquarters office five (5) calendar days before meeting.
12/4/18	Notice of Meeting posted in prominent place in IDL's Coeur d'Alene Headquarters office five (5) calendar days before meeting.
12/4/18	Notice of Meeting posted in prominent place at meeting location five (5) calendar days before meeting.
12/4/18	Notice of Meeting emailed/faxed to list of media and interested citizens who have requested such notice five (5) calendar days before meeting.
12/4/18	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.
12/12/18	Agenda posted in prominent place in IDL's Boise Headquarters office forty-eight (48) hours before meeting.
12/12/18	Agenda posted in prominent place in IDL's Coeur d'Alene Headquarters office forty-eight (48) hours before meeting.
12/12/18	Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
12/12/18	Agenda emailed/faxed to list of media and interested citizens who have requested such notice forty-eight (48) hours before meeting.
12/12/18	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.

*Renée Miller*

Recording Secretary

December 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

Dustin T. Miller, Secretary to the Board

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# **NOTICE OF PUBLIC MEETING DECEMBER 2018**

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, December 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).

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*Please join Land Board members and staff prior to the scheduled meeting  
for carols and refreshments in the Capitol Rotunda, 2nd Floor at 8:30 AM*

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

First Notice Posted: 12/4/2018-IDL Boise; 12/4/2018-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**  
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  
Dustin Miller, Secretary to the Board

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Final Agenda  
State Board of Land Commissioners Regular Meeting  
December 18, 2018 – 9:00 AM (MT)  
Capitol, Lincoln Auditorium (WW02), 700 W. Jefferson St., Boise, Idaho

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*Please join us @ 8:30 AM for carols and refreshments.  
Capitol Rotunda, 2nd Floor*

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*Department of Lands' Year-in-Review Presentation will immediately precede the State Land Board Meeting*

- 8:30 AM in the 2nd Floor Capitol Rotunda
  - Capital High School Choir
  - Big Check Presentation
  - Refreshments
- 9:00 AM in the Lincoln Auditorium (WW02)
  - Year-in-Review Video Presentation

#### **1. Department Report**

##### **Endowment Transactions**

- A. Timber Sales – November 2018
- B. Leases and Permits – November 2018

##### **Status Updates**

- C. Land Transaction Report

#### **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. Forest Legacy Program Stewardship Fund Investment** – Staffed by Craig Foss, Division Administrator-Forestry and Fire

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State Board of Land Commissioners  
Final Agenda  
Regular Meeting (Boise) – December 18, 2018  
Page 1 of 2

4. **Disclaimer DI600293-Kevin Rich, Boise River** – *Staffed by Andrew Smyth, Program Manager-Public Trust*
5. **Disclaimer DI600296-City of Payette, Payette River** – *Staffed by Andrew Smyth, Program Manager-Public Trust*
6. **Approval of Minutes** – November 20, 2018 Regular Meeting (Boise)

### **Regular—Action Item(s)**

None

### **Information**

7. **Good Neighbor Authority (GNA) and Shared Stewardship** – *Presented by David Groeschl, Deputy Director and State Forester, Leanne Marten, Regional Forester-Northern Region, U.S. Forest Service, and Nora Rasure, Regional Forester-Intermountain Region, U.S. Forest Service, with special guest Jim Hubbard, Under Secretary of Natural Resources and Environment, U.S. Department of Agriculture*

### **Executive Session**

None

### **After Adjournment**

- **Signing of Shared Stewardship Final Agreement—Lincoln Auditorium**
- **Refreshments—Legislative Dining Room**

# 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**

December 18, 2018

Endowment Transactions

**Timber Sales**

During November 2018, the Department of Lands sold one endowment timber sale at auction for appraised value and had two endowment sales and one non-endowment sale not sell. Purchasers have indicated that markets have softened and log yards are full. Given this information, the Department has decided not to schedule further auctions until the first quarter of 2019.

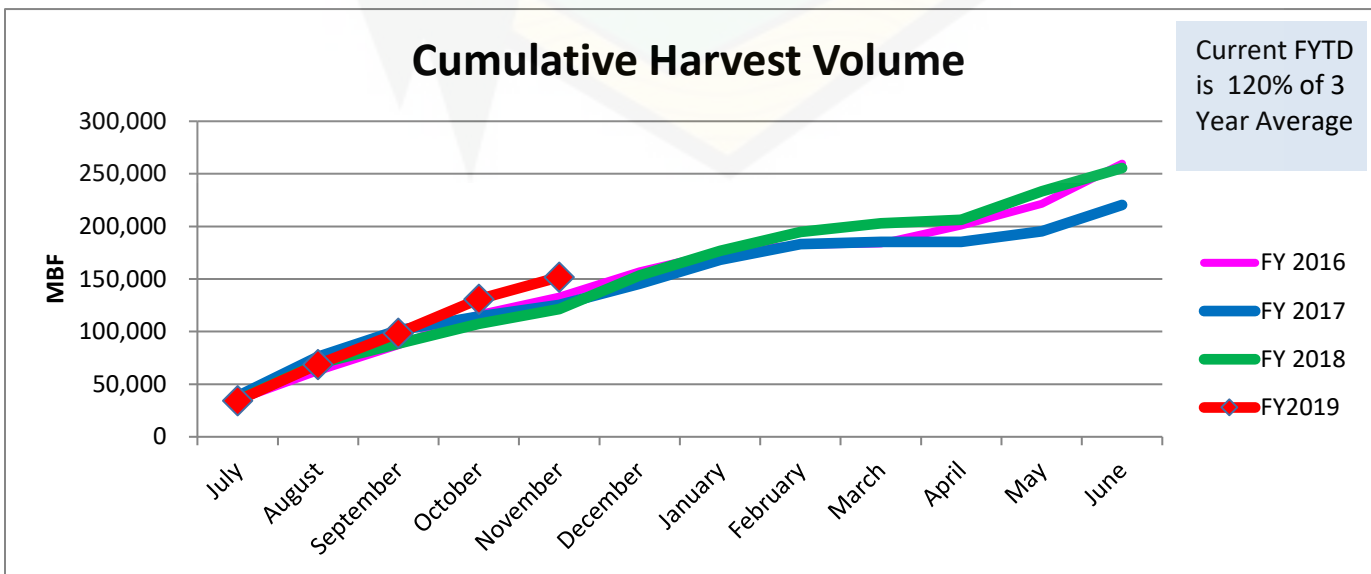
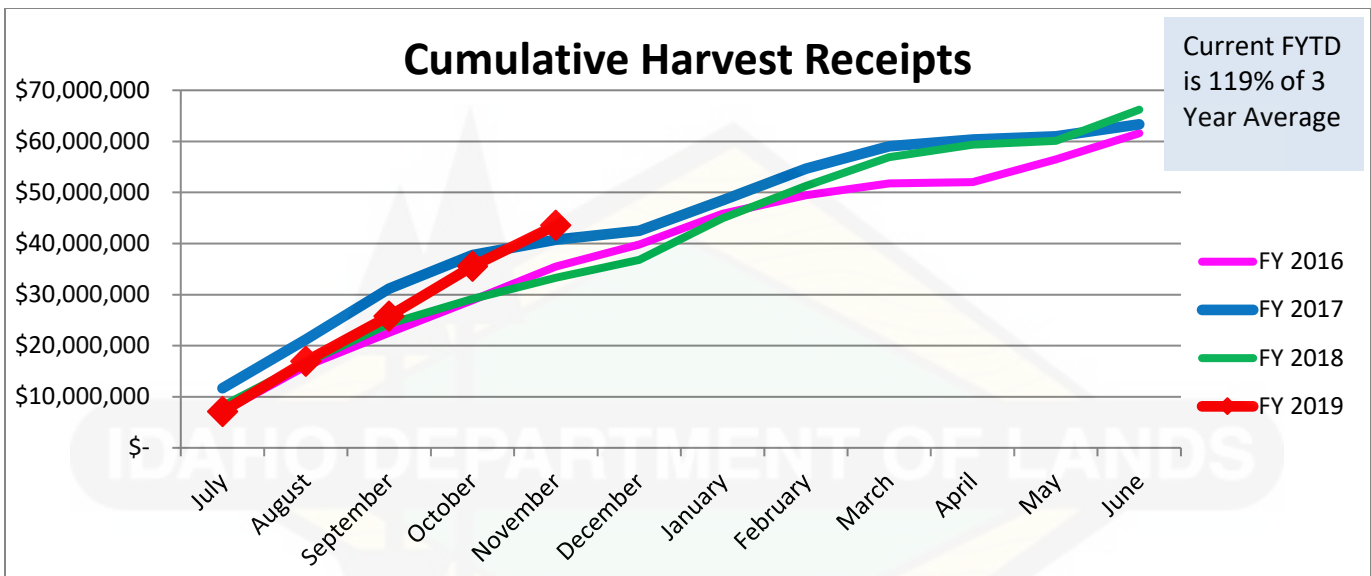
<b>TIMBER SALE AUCTIONS</b>								
SALE NUMBER	SAWLOGS MBF	POLES LF	POLES MBF	CEDAR PROD MBF	PULP MBF	APPRAISED NET VALUE	SALE NET VALUE	NET \$/MBF
TS404336	7,390					\$ 1,997,743.00	\$ 1,997,743.00	\$270.33
	7,390	0	0	0	0	\$ 1,997,743.00	\$ 1,997,743.00	\$270.33

<b>VOLUME UNDER CONTRACT AS OF NOVEMBER 30, 2018</b>			
	Total	Public School	Pooled
Active Contracts	179		
Estimated residual volume (MBF)	419,281	261,140	158,141
Estimated residual length (LF)	266,020	240,360	25,660
Estimated residual weight (Ton)	557,957	365,146	192,811
Total Residual MBF Equivalent	522,280	328,841	193,440
Estimated residual value	\$159,194,268	\$99,313,541	\$59,880,727
Residual Unit Value (\$/MBF)	\$ 304.81	\$ 302.01	\$ 309.56

<b>TIMBER HARVEST RECEIPTS</b>					
	November		FY to date	December Projected	
	Stumpage	Interest	Harvest Receipts	Stumpage	Interest
<b>Public School</b>	\$ 3,901,285.70	\$ 497,069.40	\$ 24,291,172.39	\$ 2,763,591.79	\$ 259,605.45
<b>Pooled</b>	\$ 3,291,771.04	\$ 354,613.53	\$ 19,279,500.04	\$ 2,417,673.19	\$ 198,578.21
<b>General Fund</b>	\$ 0.53	\$ 0.00	\$ 689.70	\$ 0.53	\$ 0.00
<b>TOTALS</b>	\$ 7,193,057.27	\$ 851,682.93	\$ 43,571,362.13	\$ 5,181,265.51	\$ 458,183.66

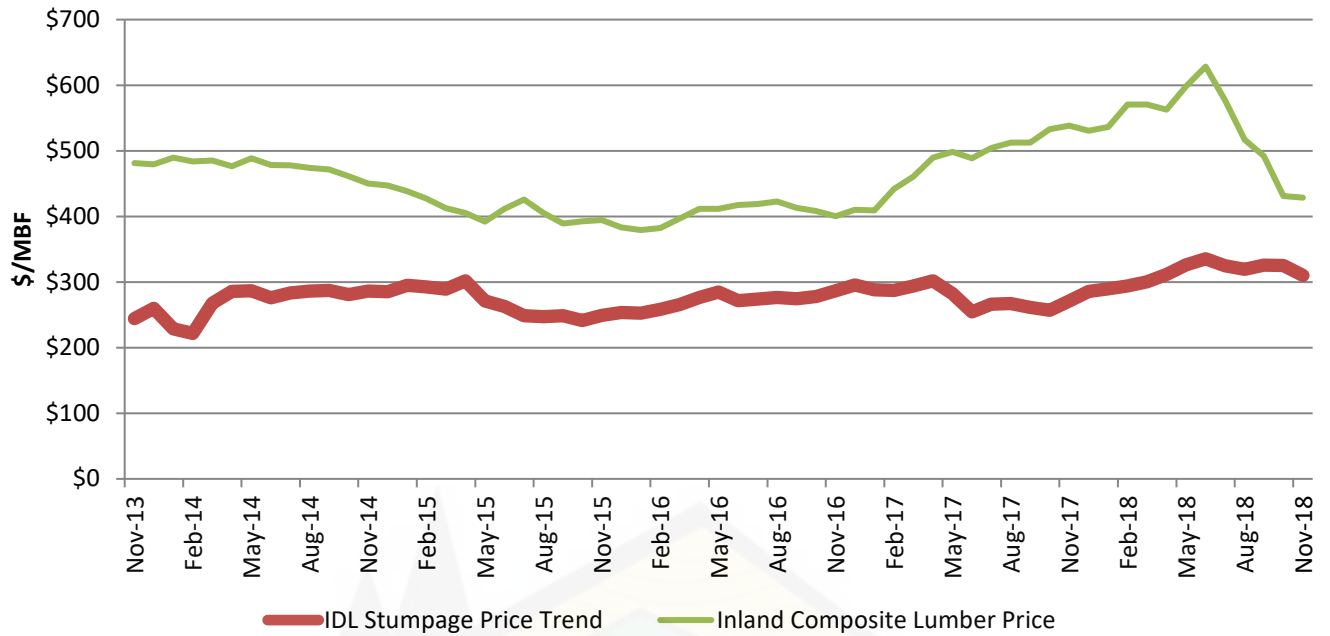
## STATUS OF FY 2019 TIMBER SALE PROGRAM

	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of November 30, 2018	64,945	42,418	107,363	5,191	7,947	13,138
Currently Advertised	0	0	0	0	0	0
In Review	18,216	5,729	23,945	0	3,000	3,000
Did Not Sell	9,224	7,736	16,960	0	0	0
<b>TOTALS</b>	<b>92,385</b>	<b>55,883</b>	<b>148,268</b>	<b>5,191</b>	<b>10,947</b>	<b>16,138</b>
FY-2019 Sales Plan			256,000			20,000
Percent to Date			58%			81%





## Monthly Lumber and Stumpage Price



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

December 18, 2018  
Endowment Transactions

### Leases and Permits

The 51 new grazing leases issued in November reflect Department processing of grazing leases set to expire on December 31, 2018 and include five of the six conflicted grazing leases approved by the Land Board in September 2018.

<b>FISCAL YEAR 2019 – LEASING &amp; PERMITTING TRANSACTIONS BY MONTH – through November 30, 2018</b>													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
<b>SURFACE</b>													
Agriculture	-	-	-	-	2								2
• <i>Assignments</i>	-	-	1	-	-								1
Communication Sites	1	1	1	1	-								4
• <i>Assignments</i>	-	1	-	1	-								2
Grazing	2	10	1	11	51								75
• <i>Assignments</i>	-	2	1	2	-								5
Residential	-	1	2	1	3								7
• <i>Assignments</i>	1	1	-	-	3								5
<b>Alternative Energy</b>													
Alternative Energy	-	-	-	-	-								0
Industrial	-	-	-	-	1								1
Military	2	-	-	-	-								2
Office/Retail	-	-	-	-	-								0
• <i>Assignments</i>	1	-	-	-	-								1
Recreation	-	-	-	-	-								0
<b>Conservation</b>													
Conservation	1	-	-	1	-								2
Geothermal	-	-	-	-	-								0
Minerals	-	-	7	6	-								13
• <i>Assignments</i>	-	-	1	-	-								1
• <i>Exploration</i>	5	-	-	-	3								8
Non-Commercial Recreation	-	-	-	-	-								0
Oil & Gas	-	-	-	-	-								0
<b>Land Use Permits</b>													
Land Use Permits	6	8	7	5	-								26
<b>TOTAL INSTRUMENTS</b>	<b>19</b>	<b>24</b>	<b>21</b>	<b>28</b>	<b>63</b>								<b>155</b>

## Real Estate

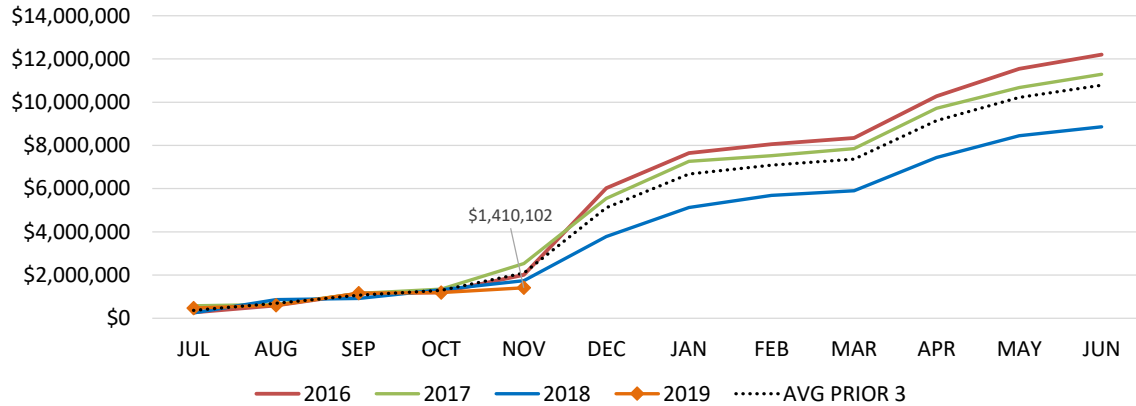
Six deeds issued during November are due to the closing of properties sold on August 24 and 25, 2018 during the Priest Lake cottage site auction, with the closing of one cottage site remaining. State Deed 14281 was issued to Boundary County for the purchase and sale of surplus property offered by the Idaho Military Division. Boundary County acquired the property through the surplus property process.

FISCAL YEAR 2019 – REAL ESTATE TRANSACTIONS BY MONTH – through November 30, 2018													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
Deeds Acquired	1	-	-	-	-								1
Deeds Granted	8	1	14	30	6								59
Deeds Granted - Surplus	-	-	-	-	1								1
Easements Acquired	-	-	2	-	-								2
Easements Granted	1	1	2	-	-								4

LANDS AND WATERWAYS DIVISION 2019 FYTD GROSS REVENUE through November 30, 2018	
ACTIVITY	REVENUE
<b>SURFACE</b>	
Agriculture	\$5,982
Communication Sites	\$228,514
Grazing	\$324,045
Residential	-\$244,099
<b>COMMERCIAL</b>	
Alternative Energy	\$0
Industrial	\$3,275
Military	\$57,770
Office/Retail	\$656,075
Recreation	\$14,181
<b>OTHER-</b>	
Conservation	\$1,000
Geothermal	\$1,280
Minerals	\$31,900
Non-Commercial Recreation	\$4,175
Oil & Gas	\$5,757
RE/Buyer's Premium	\$320,246
<b>TOTAL FYTD REVENUE</b>	<b>\$1,410,102</b>

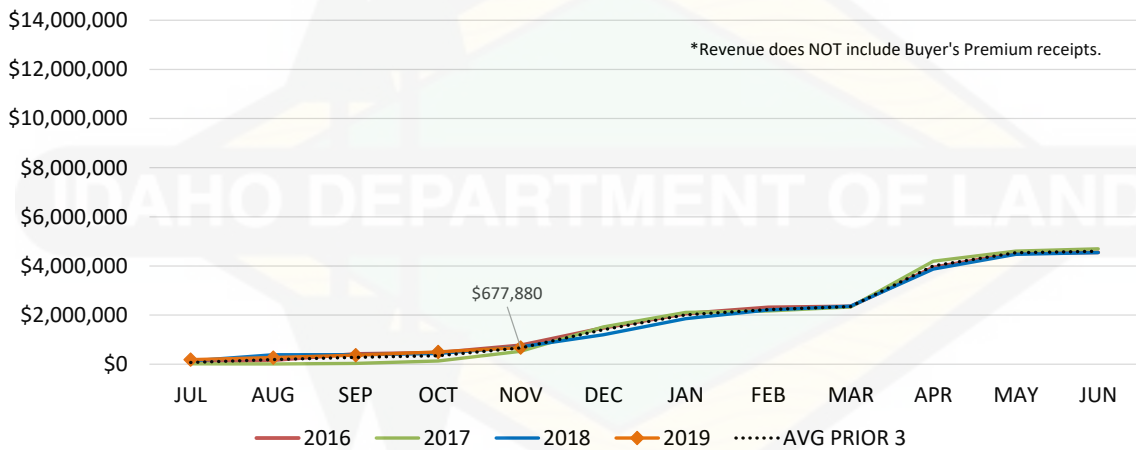
Cumulative L&W Program Receipts - Earnings Reserve  
ALL PROGRAMS  
FY16 - FYTD19

Current FYTD is  
67% of 3 Year  
Average



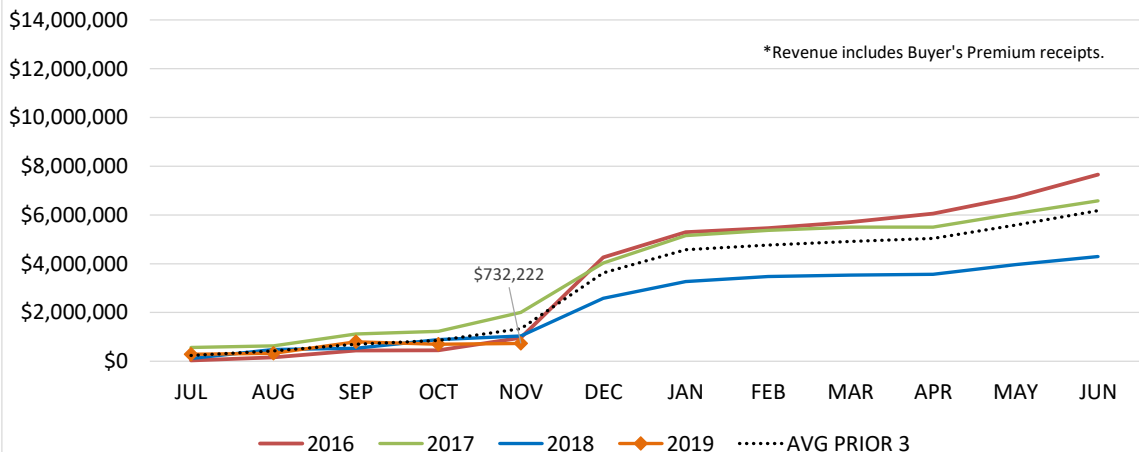
Cumulative L&W Program Receipts - Earnings Reserve  
NO COMMERCIAL RETAIL OR RESIDENTIAL REVENUE\* INCLUDED  
FY16 - FYTD19

\*Revenue does NOT include Buyer's Premium receipts.

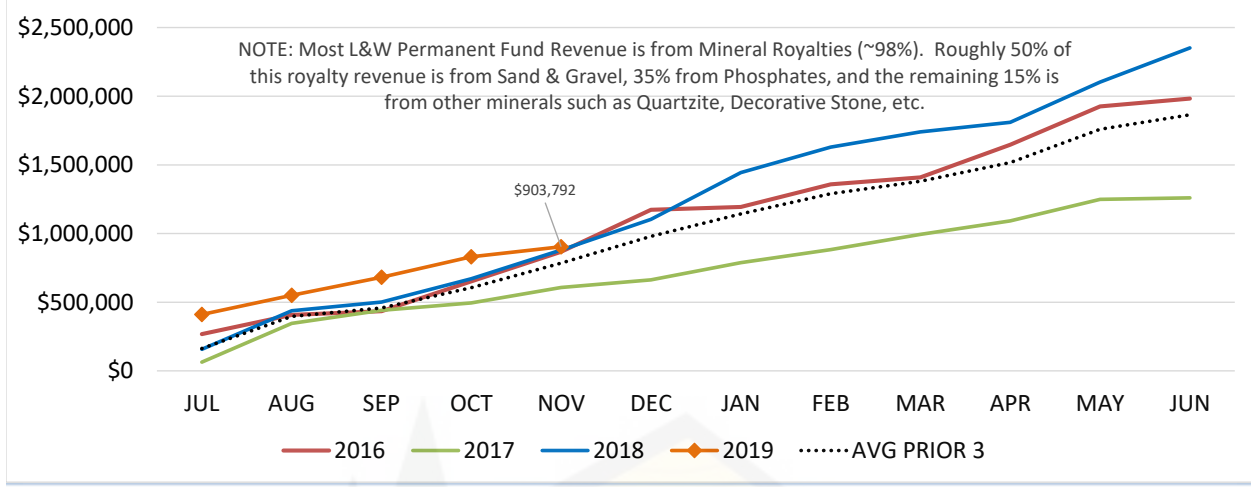


Cumulative L&W Program Receipts - Earnings Reserve  
ONLY COMMERCIAL RETAIL AND RESIDENTIAL REVENUE\* INCLUDED  
FY16 - FYTD19

\*Revenue includes Buyer's Premium receipts.



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





## NEWS RELEASE

FOR IMMEDIATE RELEASE  
Dec. 4, 2018

### **Report confirms no widespread violation of constitutional limitations on historic state land sales**

(BOISE) – The Idaho Department of Lands (IDL) concluded a 21-month review of historic endowment trust land sales to determine whether sales exceeded constitutional provisions limiting how many acres may be sold to one individual, company or corporation.

The review determined at least **98 percent of acres sold since statehood did not exceed sale thresholds in the Idaho Constitution, and most of the remaining subset did not clearly demonstrate overages because historical records are unclear or do not exist, or because it is unknown if today's legal interpretations of the limitations were applied historically.**

The final Historic Endowment Land Transaction Review report is available [here](#).

The Wilderness Society and Idaho Conservation League issued a news release in February 2017 saying there "appear to be widespread violations of the Idaho constitutional limit on how much land the State Land Board can sell to private parties," and that "the state of Idaho has a history of breaking its own Constitution to hand public land to private ownership." The statements followed public records requests for spreadsheets containing land sale data. The IDL initiated an effort in March 2017 to review historic land sale data and research the background of certain transactions. Contracted resources and IDL staff contributed to the extensive review.

"The examination of more than 100 years of historic endowment land sales confirms there is no basis for claims by environmental advocacy groups that past Land Boards engaged in widespread violations of the Idaho Constitution," IDL Director Dustin Miller said. "Considering the lack of modern computer tracking systems in the state's first 100 years and the difficulty of manual record keeping statewide, it speaks well of the commitment to managing endowment lands for the beneficiaries."

Idaho was granted approximately 3.6 million acres of land at statehood to generate revenue for Idaho's public school system and other State of Idaho institutions. The state's founders decided to keep some of the lands to be held in trust to generate revenue for public schools and other state institutions, and to sell other lands to help settle Idaho. Idahoans passed constitutional amendments throughout history limiting the number of acres that can be sold to an individual. Approximately 2.4 million acres of endowment land remain today.

The IDL reviewed land sale certificates, deeds, and other historical documents associated with 39,681 transactions and flagged only 166 names of individuals or entities that appear to have more than the

legally allowable acres attributed to their names. The transactions involving the 166 individuals or entities all occurred prior to 1983, with half of them occurring before 1916. It is possible some acreages in violation of the Constitution may have occurred with some of the 166 individuals or entities but it would take significant time and resources to answer that question for several reasons, including but not limited to the following:

- It is unknown if today's legal understanding of the "lifetime" limitation on how many acres could be purchased by one individual was applied historically. Back then, the constitutional limitations may have been interpreted to apply to only individual sales, not an individual's entire lifetime.
- It is unknown if today's legal understanding that "indemnity school" lands are the same as "public school" lands was applied historically. Back then, the two categories of lands may have been interpreted to be different.
- It is unknown if the land sale deeds that were granted to one individual may have actually been purchased by a family member with the same name decades earlier or later.
- There may have been settlement agreements or litigation that resulted in one entity being deeded lands after the land sales occurred.

### **MEASURES IN PLACE TODAY**

The IDL requires purchasers of endowment land to sign an affidavit verifying the purchase will not result in the purchaser owning lands in excess of the acreage limitations. The land sale can be forfeited if the individual does not comply with the terms of the affidavit. In the past two years, IDL worked with the Attorney General's Office to strengthen the language in the affidavit.

The IDL also cross-references names of potential purchasers in a statewide comprehensive land records system prior to selling any endowment lands to make sure the purchase does not exceed constitutional limitations. Professional staff maintain the system. The IDL is using what it learned during the historic land transaction review to design its new enterprise systems to even more efficiently structure land records data.

Endowment land sales have been minimal for much of the late 20<sup>th</sup> century through today. In fact, IDL sold only 670 acres of endowment land in the past 10 years.

“We spent considerable staff time and resources to conduct this thorough review,” Director Miller said. “Further expenditure of endowment resources to continue researching these historic issues is not warranted.”

###

NEWS MEDIA CONTACT: Sharla Arledge, Public Information Officer | 208-334-0286 or [pio@idl.idaho.gov](mailto:pio@idl.idaho.gov)





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

December 11, 2018

Dear Governor Otter,

On behalf of the Endowment Fund Investment Board, I would like to thank you for your 12 years of leadership as Chairman of the State Board of Land Commissioners and Governor of the State of Idaho.

Since you took office, the Land Board has made significant improvements in the management of endowment land and the endowment fund that have resulted in the more than doubling of both the endowment fund balance and annual beneficiary distributions. The Idaho Department of Lands and Endowment Fund Investment Board work more closely now than ever before, thanks to Land Board policies and decisions under your direction.

The members of the Endowment Fund Investment Board are honored to have served under your leadership. Thank you for your dedication to the endowment trust and your service to the State of Idaho.

Sincerely,

A handwritten signature in black ink that reads "Dean Buffington". The signature is written in a cursive style and is positioned above the printed name and title.

Dean Buffington  
Chair  
Endowment Fund Investment Board

CC: Jerry Aldape  
Representative Neil Anderson  
Warren Bakes  
Gavin Gee  
Irving Littman  
Gary Mahn  
Richelle Sugiyama  
Senator Chuck Winder

Chris Anton

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**IDAHO DEPARTMENT OF LANDS**



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 November 30, 2018

*Month: 1.4%      Fiscal year: -1.4%*

Both equity and fixed income markets rebounded in late November as Federal Reserve Chairman Jerome Powell indicated that interest rates were approaching a "neutral" level. The financial markets interpreted this more dovish language to suggest future interest rate increases may be limited to one in December 2018 and one in 2019. With oil prices dropping dramatically, inflation under control and economic growth moderating, the Fed appears to be positioned to slow the pace of future interest rate hikes.

Shortly after month-end, the U.S. and China announced a trade truce. The truce holds the tariff rate at 10% while providing the U.S. and China with 90 days to work together to reach a consensus on trade issues. While there is considerably more work to be done, President Trump's tone towards China has been more constructive and growth-oriented since the mid-term elections.

### Status of endowment fund reserves

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

### Significant actions of the Endowment Fund Investment Board

Meetings: The EFIB Board held a meeting on November 20th. The Board supports providing investment management service for the Department of Lands' Forest Legacy Fund, subject to approval by the Land Board.

### 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:** We are interviewing for a new Fiscal Officer.

### Upcoming issues/events:

Regular EFIB board meeting is scheduled on February 13, 2019.

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**IDAHO DEPARTMENT OF LANDS**

	<u>Month</u>	<u>FYTD</u>
<b>Beginning Value of Fund</b>	2,136,089,706	2,189,851,992
<b>Distributions to Beneficiaries</b>	(6,517,200)	(32,586,000)
<b>Land Revenue net of IDL Expenses</b>	8,787,206	38,270,100
<b>Change in Market Value net of EFIB Expenses</b>	<u>23,576,320</u>	<u>(33,600,060)</u>
<b>Current Value of Fund</b>	<u>2,161,936,032</u>	<u>2,161,936,032</u>

### November-18

**Total Fund**  
38% R3 19% Ax 9% AC 26%  
BB 8% OD

**Total Fixed**  
85% BB Agg, 15% TIPS

**Total Equity**  
38% R3 19% Ax 9% AC

**Domestic Equity**  
Russell 3000 (R3)

**Global Equity**  
MSCI ACWI (AC)

**Int'l. Equity**  
MSCI ACWI ex-US (Ax)

**Real Estate**

### Fiscal Year to Date

**Total Fund** 1.4%  
38% R3 19% Ax 9% AC 26% BB  
8% OD 1.2%

**Total Fixed** 0.6%  
85% BB Agg, 15% TIPS

**Total Equity** 1.8%  
38% R3 19% Ax 9% AC

**Domestic Equity** 2.2%  
Russell 3000 (R3) 2.0%

**Global Equity** 2.7%  
MSCI ACWI (AC) 1.5%

**Int'l. Equity** 0.7%  
MSCI ACWI ex-US (Ax) 1.0%

**Real Estate**

### Last Five Years

**Total Fund** 6.1%  
38% R3 19% Ax 9% AC  
26% BB 8% OD 6.2%

**Total Fixed** 1.9%  
85% BB Agg, 15% TIPS

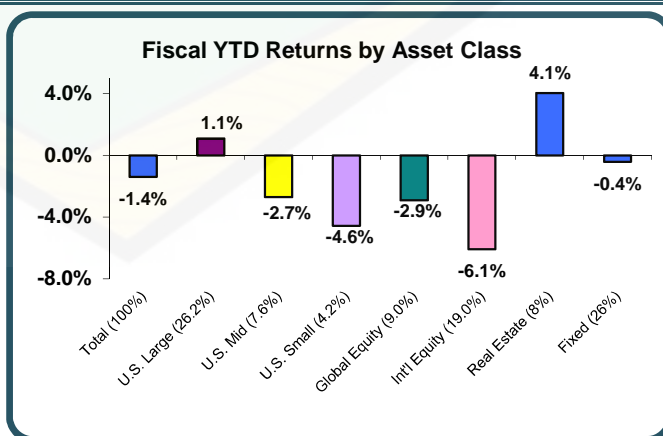
**Total Equity** 7.5%  
38% R3 30% Ax 9% AC

**Domestic Equity** 10.0%  
Russell 3000 (R3) 10.6%

**Global Equity** 4.2%  
MSCI ACWI (AC) 6.2%

**Int'l. Equity** 2.7%  
MSCI ACWI ex-US (Ax) 1.8%

	<u>Mkt Value</u>	<u>Allocation</u>
<b>Domestic Equity</b>	\$ 840.6	38.9%
Large Cap	578.3	26.7%
Mid Cap	167.8	7.8%
Small Cap	94.6	4.4%
<b>Global Equity</b>	190.7	8.8%
<b>Int'l Equity</b>	385.7	17.8%
<b>Fixed Income</b>	546.3	25.3%
<b>Real Estate</b>	182.0	8.4%
Cash	16.6	0.8%
<b>Total Fund</b>	<u>\$ 2,161.9</u>	<u>100.0%</u>

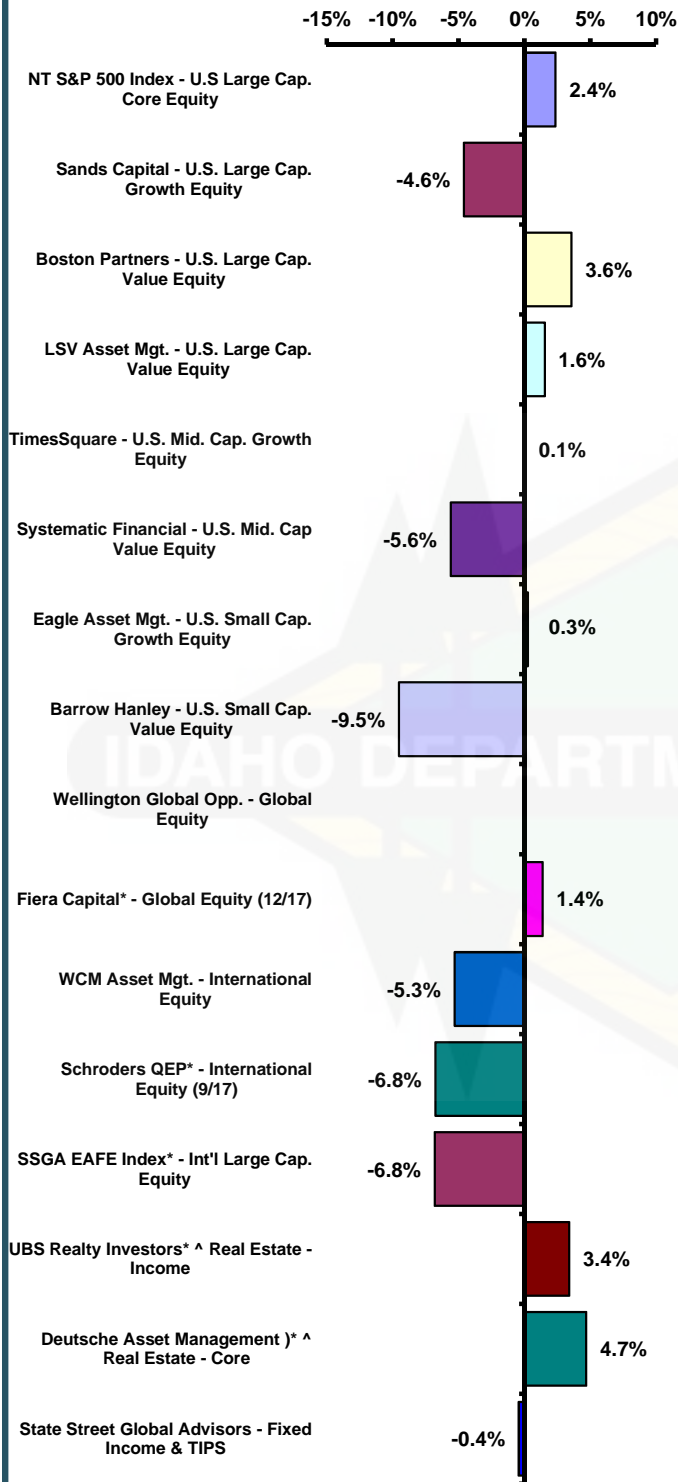


### Endowment Fund Staff Comments:

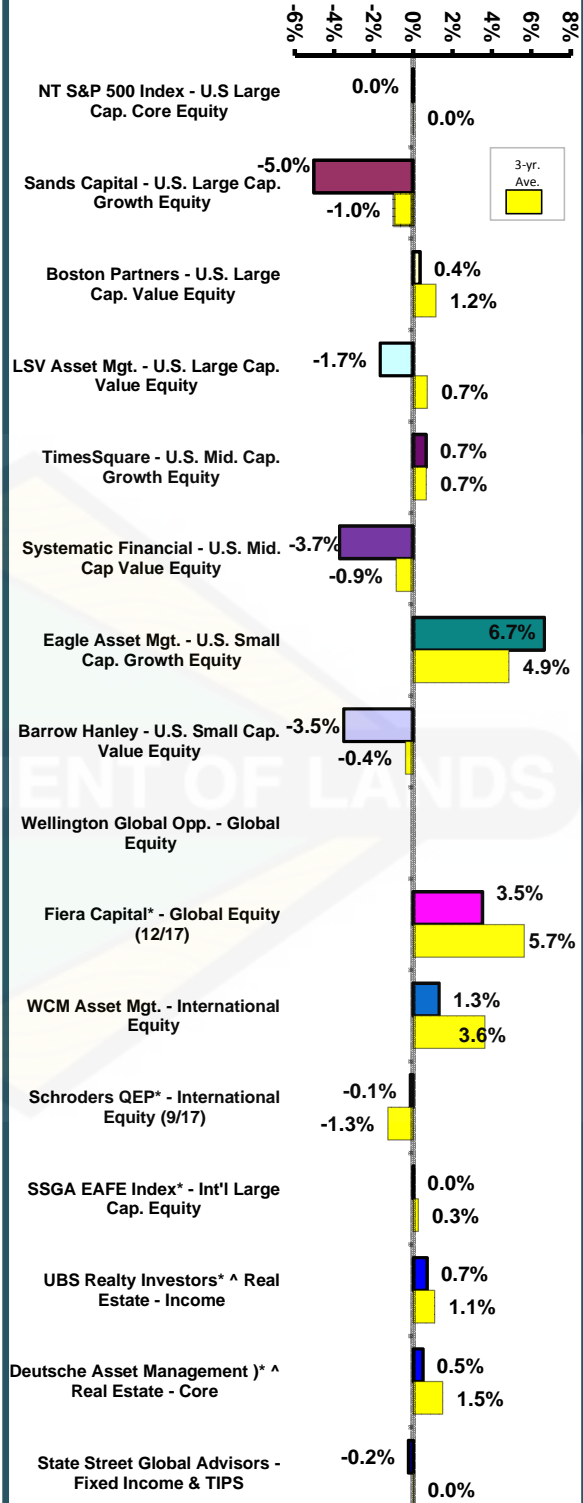
The fund was up 1.4% for the month, 0.2% over the benchmark. The Russell 3000 index was up 2.0%, Russell Midcap up 2.5% and Russell 2000 (small cap) up 1.6%. International equities (MSCI ACWI ex-US) were up 1.0%. Value outperformed Growth, while Domestic equity outperformed International equity. Bonds, as measured by the BBC Aggregate index, were up 0.6% and TIPS were up 0.5%. Eight of 13 active managers beat their benchmark this month. On a FYTD basis, the fund is down 1.4%, 0.6% under benchmark, and 7 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

December 18, 2018

Consent Agenda

## Subject

Forest Legacy Program Stewardship Fund Investment

## Background

The Idaho Department of Lands' (Department) Forest Legacy Program (FLP) is a grant program in partnership with the U.S. Forest Service. The Department receives grant funds to protect privately-owned economically and environmentally important forests from conversion to non-forest uses. This is done through the purchase of conservation easements that restrict subdivision and development and encourage sustainable forest management. FLP conservation easements are perpetual. The landowner maintains ownership and continues traditional uses of the land, and the Department retains perpetual monitoring and administrative responsibilities over the easement terms. Since 2002, Idaho's FLP has acquired 33 conservation easements across 97,000 acres of private forestlands.

To fund perpetual monitoring responsibilities, the Department receives a one-time donation from the landowner for each conservation easement. The landowner provides this endowment under terms of agreement that direct the Department to invest the funds to generate income to pay for monitoring activities.

To date, the donated funds comprising the Forest Legacy Program Stewardship Fund (Stewardship Fund) have been deposited into an account with the Idaho State Treasurer's Office (Treasurer), which has brought only nominal earnings. The earnings are deposited into a separate account (accrued interest account) and used for conservation easement monitoring, administration, and legal defense.

Idaho Code § 58-136 authorizes the State Board of Land Commissioners (Land Board) to receive and hold in trust donated lands or money and to execute the terms of Stewardship Fund agreements. The statute reads:

**58-136. Holding in trust money or lands donated.** – The state board of land commissioners shall have authority to receive and to hold in trust any money or lands donated, bequeathed, or devised and to carry out the terms, if any, of such donation, bequest or devise, or, in the absence of such terms or conditions, expend, use and administer the same as it may deem advisable in the public interest.

## Discussion

The current Stewardship Fund balance is approximately \$372,000 and the Department anticipates receiving an additional \$60,000 over the next year. At present, the Stewardship Fund is invested in the IDLE pool as one of two investment options available to the Department through the Treasurer. The average return on the IDLE pool has been less than 1% over the last six years, although rates rose above 1% in 2017. The other investment option is the Diversified Bond Fund (DBF). DBF return rates have been higher than IDLE

returns over the last six years at 1.2–3.2%. Attachment 1 contains a summary of annual yields and management fees since 2007 for the IDLE pool and DBF. By comparison, and also included in Attachment 1, the average annual gross return for the Endowment Fund Investment Board (EFIB) Endowment Fund portfolio during the same time period was 8.3%.

In previous years, easement-monitoring expenditures have exceeded Stewardship Fund earnings by more than double and have depleted the accrued interest account balance. The current account balance is approximately \$10,700, down from \$18,000 in 2010. This decrease threatens the Department's ability to meet perpetual responsibilities going forward. There is also concern the investment options available through the Treasurer do not meet the intent of donor agreements which direct the Department to generate enough income from the endowment to meet perpetual responsibilities. To potentially capture greater interest returns, the Department is seeking to transfer the Stewardship Fund from the Treasurer to EFIB, who would oversee management of the fund. The Department currently has one to two years of operating expenses set aside in the accrued interest account to allow time for EFIB to build up an adequate earnings reserve fund to support program expenses.

If the Stewardship Fund is moved to EFIB for management, a separate account would be established, and all future conservation easement Stewardship Fund donations would be deposited into the new account. The funds would be invested using the same investment strategy as the overall Endowment Fund portfolio and added to EFIB's Investment Policy Statement. The Department would meet with EFIB staff on a yearly basis to determine the annual distribution. Forest Legacy stewardship costs fluctuate from year to year, although a 3% minimum distribution is a reasonable baseline. A formalized agreement would be executed between the Department and EFIB outlining management and investment objectives following review by the Office of the Attorney General. Investment fees would be approximately 0.4% annually to cover manager and EFIB costs.

The Department and EFIB staff worked closely, with assistance from the Office of the Attorney General, to analyze all potential investment options for the Stewardship Fund and concluded EFIB management is preferable. On November 20, 2018, EFIB approved the Department's request to move management of the Stewardship Fund from the Treasurer to EFIB, subject to Land Board approval.

## **Recommendation**

Authorize the Department to transfer the Forest Legacy Program Stewardship Fund from the Idaho State Treasurer's Office to the Endowment Fund Investment Board for long-term investment management.

## **Board Action**

## **Attachments**

1. Annual Yield Tables for IDLE pool, DBF, and EFIB



## Annual Yield Tables for IDLE pool, DBF and EFIB

**TABLE 1. Annual yield and management fees for the IDLE pool and DBF**

	IDLE	DBF	Management Fee**
	Maturity Yield (%)*	Maturity Yield (%)*	
2007	4.7 - 5.3	5.1 - 5.8	
2008	2.5 - 4.0	4.2 - 5.9	
2009	0.7 - 1.8	2.3 - 4.8	
2010	0.5 - 1.0	1.5 - 2.6	
2011	0.4 - 0.8	1.8 - 2.4	
2012	0.3 - 0.6	1.1 - 1.6	
2013	0.3 - 0.5	1.2 - 2.4	
2014	0.4 - 0.5	1.4 - 1.8	0.018%
2015	0.3 - 0.6	1.4 - 1.9	0.037%
2016	0.5 - 1.5	1.3 - 2.1	0.057%
2017	1.2 - 1.9	1.9 - 2.4	0.052%
2018	2.0 - 2.4	2.6 - 3.2	0.030%

\* Maturity Yield rates are reported monthly by calendar year (ranges provided here) through September 2018.

\*\* Management fees are set by the Board of Examiners each fiscal year and applied to the average daily balance of both the DBF and IDLE pool.

**TABLE 2. Annual gross return and fees for the EFIB Endowment Fund portfolio**

FYE	Gross Return	Fees	Net Return
2008	-2.12%	0.38%	-2.50%
2009	-17.79%	0.39%	-18.18%
2010	15.92%	0.43%	15.49%
2011	24.67%	0.43%	24.24%
2012	0.97%	0.45%	0.52%
2013	14.31%	0.43%	13.88%
2014	18.82%	0.42%	18.40%
2015	3.01%	0.44%	2.57%
2016	-0.14%	0.43%	-0.57%
2017	12.86%	0.42%	12.44%

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**IDAHO DEPARTMENT OF LANDS**

# STATE BOARD OF LAND COMMISSIONERS

December 18, 2018

Consent Agenda

## Subject

Disclaimer of interest (DI600293) for the former bed of the Boise River, Canyon County, Idaho

## Background

Upon statehood, Idaho gained title to the beds and banks of navigable waterways below the ordinary high water mark under the Equal Footing Doctrine. The state holds these lands in trust for the benefit of the public. The State Board of Land Commissioners (Land Board) is the statutorily designated trustee of these lands. When a river moves due to accretion (the natural, gradual process whereby deposited material causes the river to move), title to the riverbed moves as well. Idaho Department of Lands (Department) issues disclaimers of interest to clear title to the accreted land.

## Discussion

Mr. Kevin Rich, of Notus, Idaho, has applied for a disclaimer of interest for one parcel of accretion land totaling 39.754 acres, more or less. This parcel is located within the original surveyed river meander lines of the Boise River adjacent to the applicant's deeded property. The land subject to this disclaimer is the former bed of the Boise River located adjacent to Government Lot 1 of Section 32 and Government Lot 4 of Section 33, Township 5 North, Range 4 West, Boise Meridian, in Canyon County (Attachment 1 - Map).

The Department identified the ordinary high water mark, which was then surveyed by a licensed surveyor for the applicants. The Department reviewed the survey, deeds, tax documents, and conducted a field inspection. The Department has determined that the subject property is above the ordinary high water mark of the Boise River.

Mr. Rich will grant the State of Idaho an easement 25 feet in width for a public use right-of-way along, and adjacent to, the existing ordinary high water mark of the Boise River. In addition, Mr. Rich will also grant the state of Idaho a disclaimer of interest for one parcel of land located below the ordinary high water mark totaling 9.0003 acres.

## Recommendation

Direct the Department to issue a disclaimer of interest for the parcel totaling 39.754 acres of the former bed of the Boise River, and require Mr. Rich to pay the remaining processing fee of \$300 or actual cost, whichever is greater, to the Department for this transaction.

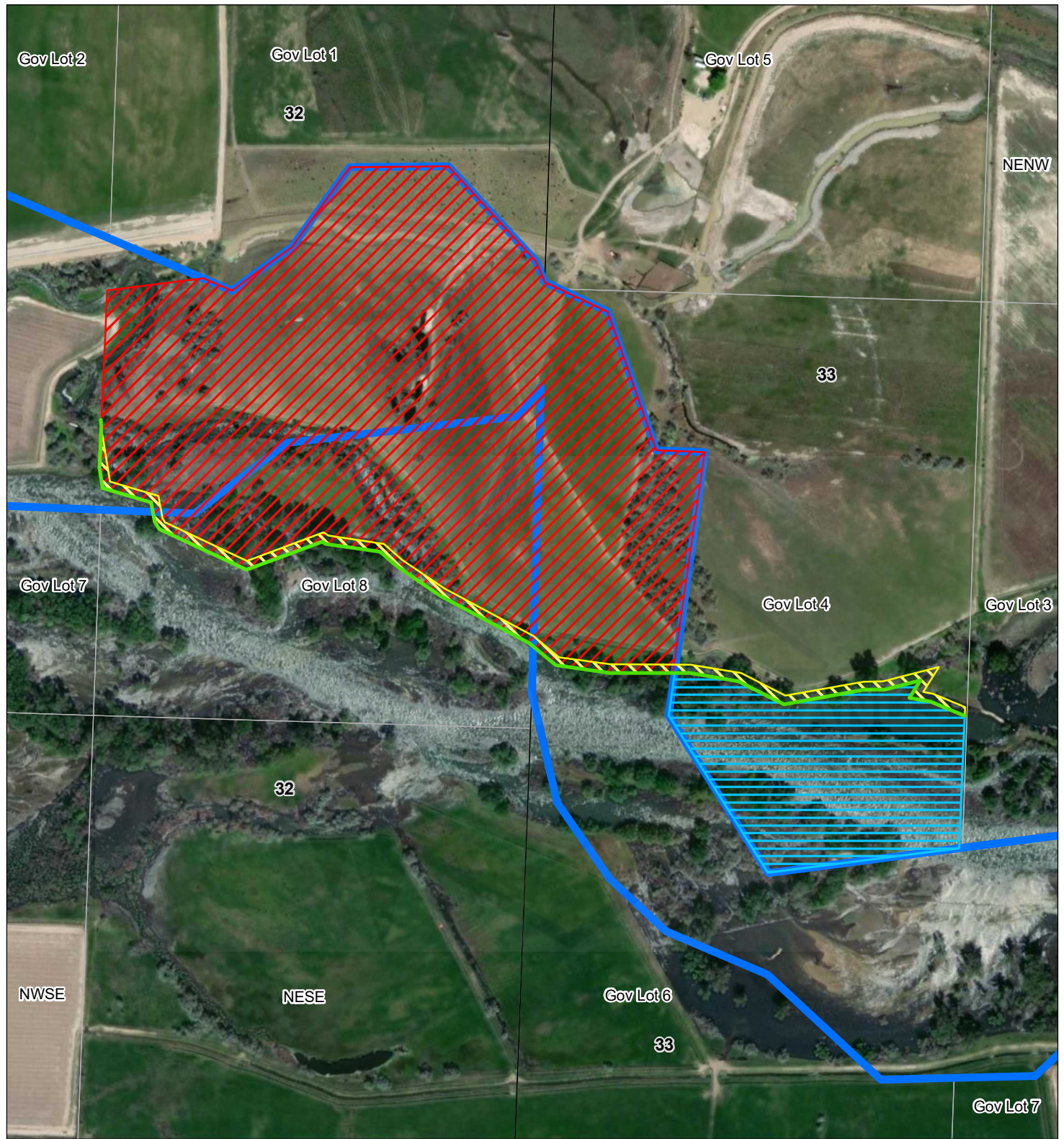
## Board Action








## Attachments

1. Map

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**IDAHO DEPARTMENT OF LANDS**



-  Ordinary High Water Mark
-  Public Easement
-  Disclaim by Kevin Rich
-  Disclaim by State of Idaho
-  Meander Line
-  Section
-  Government Lots

**Kevin Rich Disclaimer**  
**Canyon County**  
**T05N R04W Sec 32, 33**

11/13/2018

Scale 1:5,000

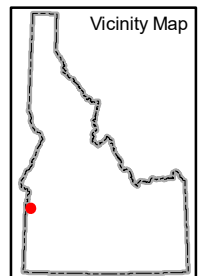


**Map Notes**

Projection: Idaho Transverse Mercator, NAD 83

Map Notes and Data Sources

**Disclaimer:**  
 This map has been compiled using the best information available to the Idaho Department of Lands at the time and may be updated and/or revised without notice. In situations where known accuracy and completeness is required, the user has the responsibility to verify the accuracy of the map and the underlying data sources.



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**IDAHO DEPARTMENT OF LANDS**

# STATE BOARD OF LAND COMMISSIONERS

December 18, 2018

Consent Agenda

## Subject

Disclaimer of interest (DI600296) for the former bed of the Payette River, Payette County, Idaho

## Background

Upon statehood, Idaho gained title to the beds and banks of navigable waterways below the ordinary high water mark under the Equal Footing Doctrine. The state holds these lands in trust for the benefit of the public. The State Board of Land Commissioners (Land Board) is the statutorily designated trustee of these lands. When a river moves due to accretion (the natural, gradual process whereby deposited material causes the river to move), title to the riverbed moves as well. Idaho Department of Lands (Department) issues disclaimers of interest to clear title to the accreted land.

## Discussion

The City of Payette has applied for a disclaimer of interest for one parcel of accretion land totaling 0.87 acres, more or less. This parcel is located within the original surveyed river meander lines of the Payette River adjacent to the applicant's deeded property. The land subject to this disclaimer is the former bed of the Payette River located adjacent to Government Lot 1 of Section 33, Township 9 North, Range 5 West (Attachment 1 - Map).

The Department identified the ordinary high water mark, which was then surveyed by a licensed surveyor for the applicants. The Department reviewed the survey, deeds, tax documents, and conducted a field inspection. The Department has determined that the subject property is above the ordinary high water mark of the Payette River.

The City of Payette will grant the State of Idaho an easement 25 feet in width for a public use right-of-way along, and adjacent to, the existing ordinary high water line of the Payette River. In addition, the City of Payette will also grant the State of Idaho a disclaimer of interest for one parcel of land located below the ordinary high water mark totaling 0.028 acres.

## Recommendation

Direct the Department to issue a disclaimer of interest for the parcel totaling 0.87 acres of the former bed of the Payette River, and require the City of Payette to pay the remaining processing fee of \$300 or actual cost, whichever is greater, to the Department for this transaction.

## Board Action

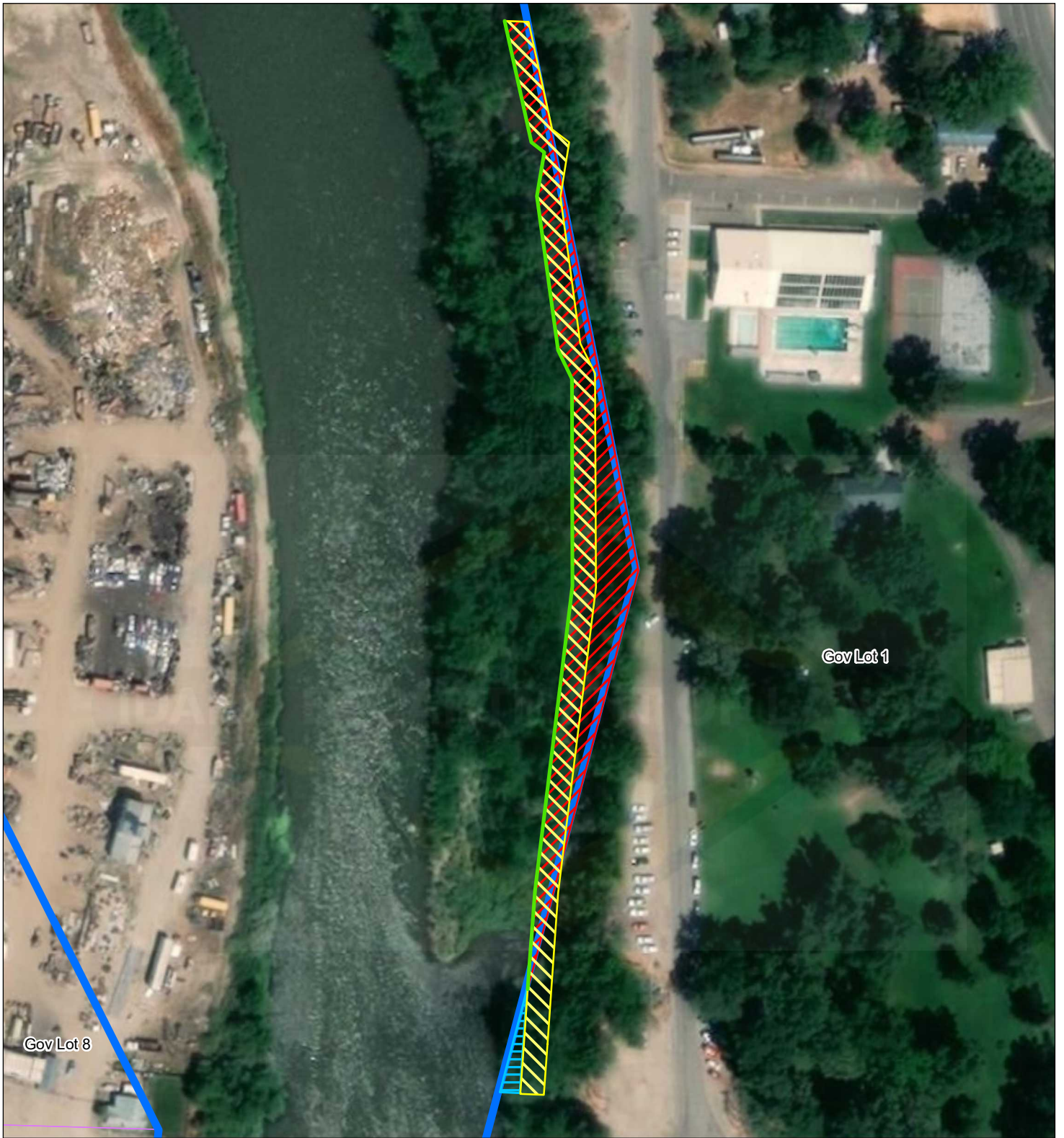
## Attachments

1. Map

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**IDAHO DEPARTMENT OF LANDS**





**Legend**

-  Ordinary High Water Mark
-  Public Easement
-  Existing Disclaimer
-  Disclaim by City of Payette
-  Disclaim by State of Idaho
-  Meander Line
-  Government Lots

**Disclaimer DI600296**  
**Payette County**  
**T09N R05W Sec 33**

11/2/2018  
 Scale 1:1,700

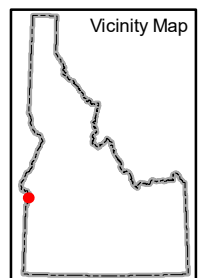


**Map Notes**

Projection: Idaho Transverse Mercator, NAD 83

Map Notes and Data Sources

Disclaimer:  
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**IDAHO DEPARTMENT OF LANDS**



## 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  
Dustin T. Miller, 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 Regular Meeting  
November 20, 2018

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, November 20, 2018, in the Capitol, Lincoln Auditorium, Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho. The meeting began at 9:00 a.m. The Honorable Governor Brad Little presided in place of the Honorable Governor C. L. "Butch" Otter who was conducting state business out of the country. 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 Little recognized the presence of all Board members.

Director Dustin Miller congratulated all of the Board members on their successful elections and said he looks forward to working with each of them.

### 1. Department Report

#### Endowment Transactions

A. Timber Sales – October 2018

**Discussion:** None.

B. Leases and Permits – October 2018

**Discussion:** None.

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

Dean Buffington, Chairman of the Endowment Fund Investment Board, described this as one of the two semi-annual meetings the Investment Board has with the Land Board to report on current activities. Chairman Buffington commented that following the EFIB presentation, the Investment Board would depart for their own scheduled board meeting. Members in attendance included Chairman Buffington, Jerry Aldape, Warren Bakes, Gavin Gee, Gary Mahn and Irv Littman. Representative Neil Anderson and Senator Chuck Winder will join later at the

Investment Board's meeting; Richelle Sugiyama is not present due to a death in her family. Chairman Buffington noted that Chris Anton, EFIB Manager of Investments, and Paul Niedermuller, a partner at CliftonLarsonAllen, will be presenting the EFIB reports this morning. Attorney General Wasden expressed gratitude to Chairman Buffington for his leadership of the Investment Board and recognized all the Investment Board members for the expertise that they bring to bear in the work that they do.

Mr. Anton acknowledged several individuals at the meeting—Julie Weaver, Deputy Attorney General; Janet Becker-Wold, Callan; Paul Niedermuller and Branden Rudd, CliftonLarsonAllen; Duff Daniels and Jon Tringale, WCM Investment; and Liz Wieneke, EFIB Office Manager.

A. EFIB Annual Report

**Discussion:** Mr. Anton highlighted some of the key results for the year, saying that overall it was a very good year. The Endowment Fund grew by 8.8% with a year-end balance of \$2.2 billion. Earnings reserves for all but one of the endowments exceeded target levels at the end of the fiscal year, which allowed EFIB to move \$50.3 million into the permanent fund and increase the gain benchmark. EFIB investments were up 9.9% during the fiscal year. In reviewing the Callan public fund database EFIB investment returns ranked in the top 12th, 30th, and 20th percentiles for the 1-, 3-, and 5-year periods. Mr. Anton stated that during the year EFIB made a few modest changes to the endowment portfolio—EFIB shifted 4% from domestic equities into global equities, hired two global investment managers, Fiera Capitol and Wellington Global Opportunities, and recently elected to move 11% of the fixed income into an actively-managed core-plus strategy for which EFIB selected two managers, DoubleLine Capital and Western Asset Management. Investment costs grew overall but as a percent of the portfolio declined to 0.38%. The net revenue from the Idaho Department of Lands increased by 10.6% to \$45.8 million, despite the sales of cabin sites, due mostly to larger volumes of timber harvests and strong selling prices. EFIB also increased the distributions to beneficiaries by 16.3% to \$73.5 million during the year; the Land Board approved distributions of \$78.2 million in fiscal year 2019 and \$80.9 million in fiscal year 2020. Mr. Anton mentioned that the school bond guarantee program under the credit enhancement program increased by 23.8% to \$667 million dollars due to considerable levels of construction for schools during the year.

B. Manager's Report; and

C. Investment Report

**Discussion:** Mr. Anton reported that in terms of performance October was a rough month. The Fund was down 6.1% during the month of October and ended October minus 2.8%. Through yesterday, the Fund is down 3% fiscal year-to-date.

Attorney General Wasden asked what EFIB intends to do about that. Mr. Anton conveyed several reasons why the market was down and then shared where the market may be headed. The Fund experienced declines both in equity and fixed income in the month of October as volatility returned to the markets. Financial markets were shaken by a number of variables; some of the important ones were rising interest rates and signs of inflation picking up; a hawkish tone by the Federal Reserve; trade tensions and a moderating Chinese economy; uncertainty surrounding the mid-term elections; and concern that the tech rally, which has driven much of the market in 2018, might be peaking. The economic divergence

between the U.S. and the rest of the world continues. The U.S. economy remains very strong. Unemployment is at record low levels but despite that there is concern about a trade war and about interest rates increasing too much; due to those concerns the market has been volatile. Mr. Anton believes there is still time left in this economic expansion; the fundamentals are very strong. While there is volatility today, it does not feel like the underlying economy is deteriorating significantly. Corporate profits remain strong. EFIB is hopeful that this period of volatility can be weathered and there will be some growth in the balance of the fiscal year. Of course, there is no guarantee of that. While it is painful being down 3%, the reality is it is fairly modest. Earnings reserves are strong and can withstand this type of volatility which is why the reserves are in place.

Mr. Anton mentioned that the Investment Board held a special meeting on October 30th. The Investment Board interviewed active fixed-income managers and chose two managers, Western Asset Management and DoubleLine Capital. EFIB is in the process of implementing those strategies and expects to have that in place in early December. The Investment Board approved changes to its investment policy statement to accommodate the strategies of those fixed-income managers. In February, when there is an update to the Land Board investment policy, EFIB will at that time update the appendix that includes its investment policy.

Mr. Anton indicated that it is customary during the November meeting for the Land Board Audit Committee to provide the Land Board with a report on the EFIB audit and the agreed-upon procedures for the Idaho Department of Lands. Mr. Anton thanked the members of the Land Board Audit Committee for all their diligent efforts during the year. The committee asked that Paul Niedermuller, who is a partner with CliftonLarsonAllen, present the audit report for the year.

Mr. Niedermuller reported that CliftonLarsonAllen presented the results of the EFIB audit and the Idaho Department of Lands agreed-upon procedures to the Land Board Audit Committee on August 16, 2018. That committee is chaired by Gary Mahn, and includes State Controller Brandon Woolf, and representative of the Attorney General's office, Tara Orr, Representative Neil Anderson, and Jerry Aldape. The Endowment Fund Investment Board's financial statements and the audit report were reviewed and accepted by the Land Board Audit Committee. Mr. Niedermuller noted that each year, that State of Idaho Endowment Fund commissions an independent audit of its financial results to insure accurate financial reporting, solid internal controls, and transparency to its stake holders. The Audit Committee is pleased with the results. CliftonLarsonAllen issued three formal reports. CliftonLarsonAllen provided an unmodified opinion—a clean opinion—in all material respects over the financial statements as presented for the years ending June 30, 2018 and 2017. CliftonLarsonAllen further tested the agency's internal controls over financial reporting and compliance with certain provisions of laws, regulations and contracts, and found no issues to report. And finally, CliftonLarsonAllen conducted certain agreed-upon procedures for the Idaho Department of Lands and again had no findings to report. CliftonLarsonAllen is a national CPA firm with a local office here in Boise; its relationship with the State of Idaho is highly valued. Attorney General Wasden said the Board greatly appreciates the report and asked if there is anything looking into the future that CliftonLarsonAllen needs from the Land Board that would assist with proper audit functions. Mr. Niedermuller replied not at this time.

**3. Performance Review of Total Endowment** – Presented by Dustin Miller, Director

**Discussion:** None.

**Consent—Action Item(s)**

**4. Forest Legacy Project, Kootenai Valley-Stimson** – Staffed by Craig Foss, Division Administrator-Forestry and Fire

**Recommendation:** Authorize the Idaho Department of Lands to acquire the Kootenai Valley-Stimson Conservation Easement, comprising 795 acres.

**Discussion:** Attorney General Wasden asked for verification that this is a voluntary action by the owner of the property and that the Department has not received any opposition. Mr. Foss responded yes, the forest legacy program requires a willing seller and willing buyer. The landowner maintains ownership of the land; they are selling certain rights, which are contained in the easement terms, and the Department monitors adherence to the terms. Mr. Foss stated the Department is not aware any opposition to this easement.

**5. Approval of Minutes** – October 16, 2018 Regular Meeting (Boise)

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

**Regular—Action Item(s)**

**6. Bond Assurance Fund Recommended Minimum Balance** – Presented by Todd Drage, Program Manager-Minerals Regulatory

**Recommendation:** To ensure an adequate balance is maintained within the Bond Assurance Fund, the Department recommends that the Land Board adopt a recommended minimum balance of \$1,682,200.

**Discussion:** None.

**Board Action:** A motion was made by Attorney General Wasden that the Board adopt the recommended minimum balance of \$1,682,200. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

**7. Cedar Sale Pilot Program Extension** – Presented by David Groeschl, Deputy Director

**Recommendation:** Authorize the Department to extend the Cedar Sale Pilot Program for two years (June 30, 2021) with flexibility on the number of cedar poles offered under each sale approach.

**Discussion:** For the record, Attorney General Wasden disclosed that he had a conversation with representatives of McFarland Cascade yesterday [November 19, 2018] to verify that they did not have any objection. Attorney General Wasden said his understanding is they do not object to this extension request.

Controller Woolf asked if an additional two years will be sufficient to gather the harvest information; will there be enough harvesting in those two years to combine with the sale data. Mr. Groeschl replied that two additional years of sales under the program along with the sales already sold will give the Department enough harvest data and sale data for a valid comparison. If needed, the Department could request an additional extension of one more year, but a two-year extension should provide the harvest data needed.

**Board Action:** A motion was made by Attorney General Wasden that the Board adopt the Department recommendation, that is authorize the Department to extend the Cedar Sale Pilot Program for two years, to June 30, 2021, with flexibility on the number of cedar poles offered under each sale approach. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

**8. Assignment of State Lease M-5042 (Tamarack) – Presented by Mike Murphy, Bureau Chief-Endowment Leasing**

Mr. Murphy recognized the efforts of the Attorney General's office in this process, specifically Angela Kaufmann, Kay Christensen, Sherm Furey, Darrell Early, and Robert Follett. Mr. Murphy remarked that these individuals put in many late and weekend hours to bring this to fruition; the Department certainly appreciates their work.

**Recommendation:** The Department recommends the Land Board approve the assignment and assumption of Lease No. M-5042 from Tamarack Municipal Association, Inc. (TMA) to Tamarack Mountain Operations, LLC (TMO) in Attachment 1.

**Discussion:** For the record, Attorney General Wasden disclosed that he had conversations with representatives of Tamarack Mountain Operations and Imperium yesterday [November 19, 2018] to verify that they were comfortable with the lease terms.

Controller Woolf expressed his understanding that the current lease has eight more years remaining on the existing contract, payment will be provided for the current year, and assurances were given for payment of three more years beyond the current. Mr. Murphy affirmed the Controller's understanding.

Attorney General Wasden acknowledged the commendations offered to his staff and agreed they worked very diligently. Attorney General Wasden added that there was support and cooperation from Land Board staff members and Department of Lands' staff as well; there was a lot of heavy lifting all around in this regard and Attorney General Wasden thanked everyone.

**Board Action:** A motion was made by Attorney General Wasden that the Board adopt the Department recommendation, that is approve the assignment and assumption of lease number M-5042 from Tamarack Municipal Association to Tamarack Mountain Operations, LLC as provided in Attachment 1. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

**Information**

None

## Executive Session

None

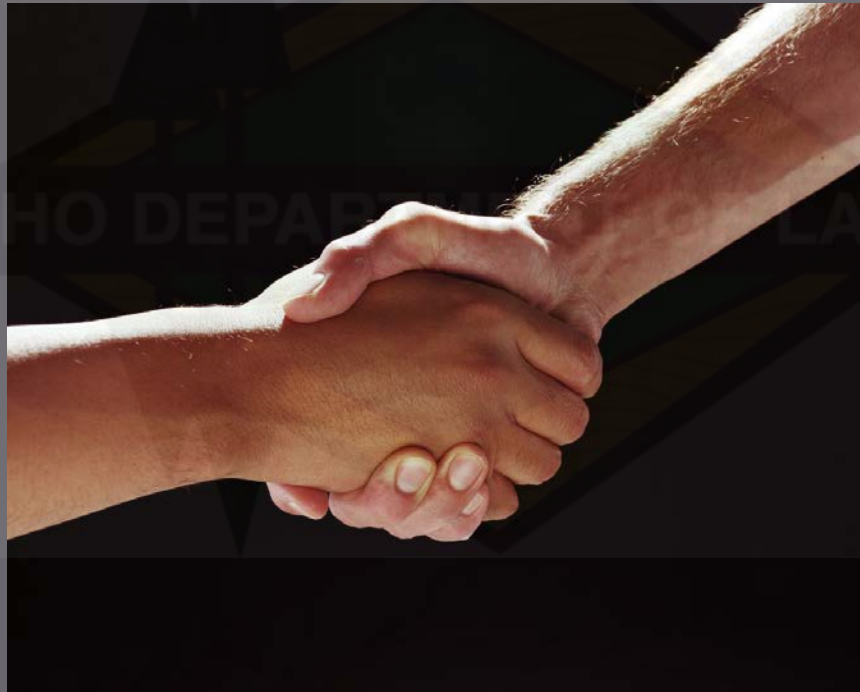
There being no further business before the Board, at 9:52 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 5-0. Meeting adjourned.





# Idaho's Good Neighbor Program

State Board of Land Commissioners  
December 18, 2018



**David Groeschl, State Forester**



# Working Together to Accomplish More

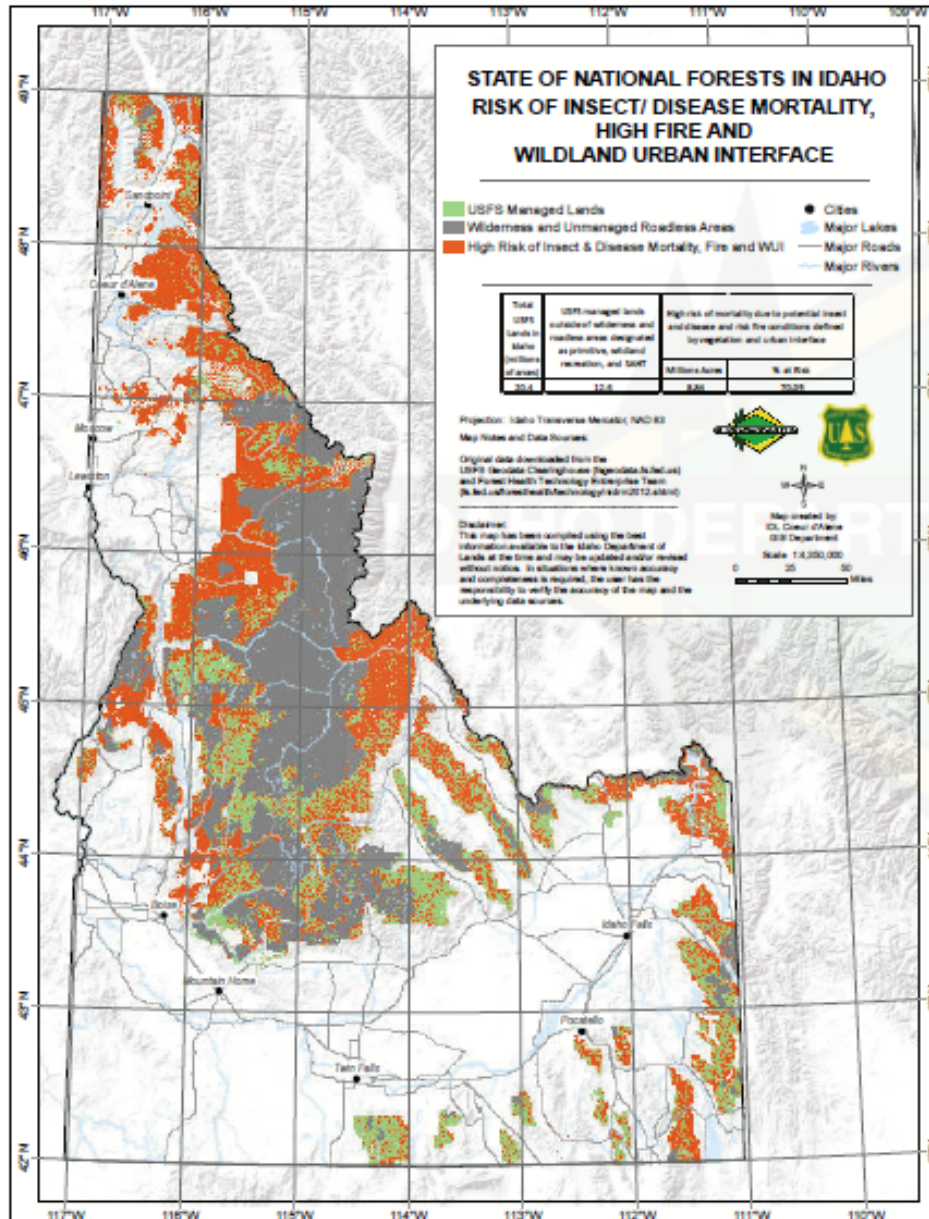
2



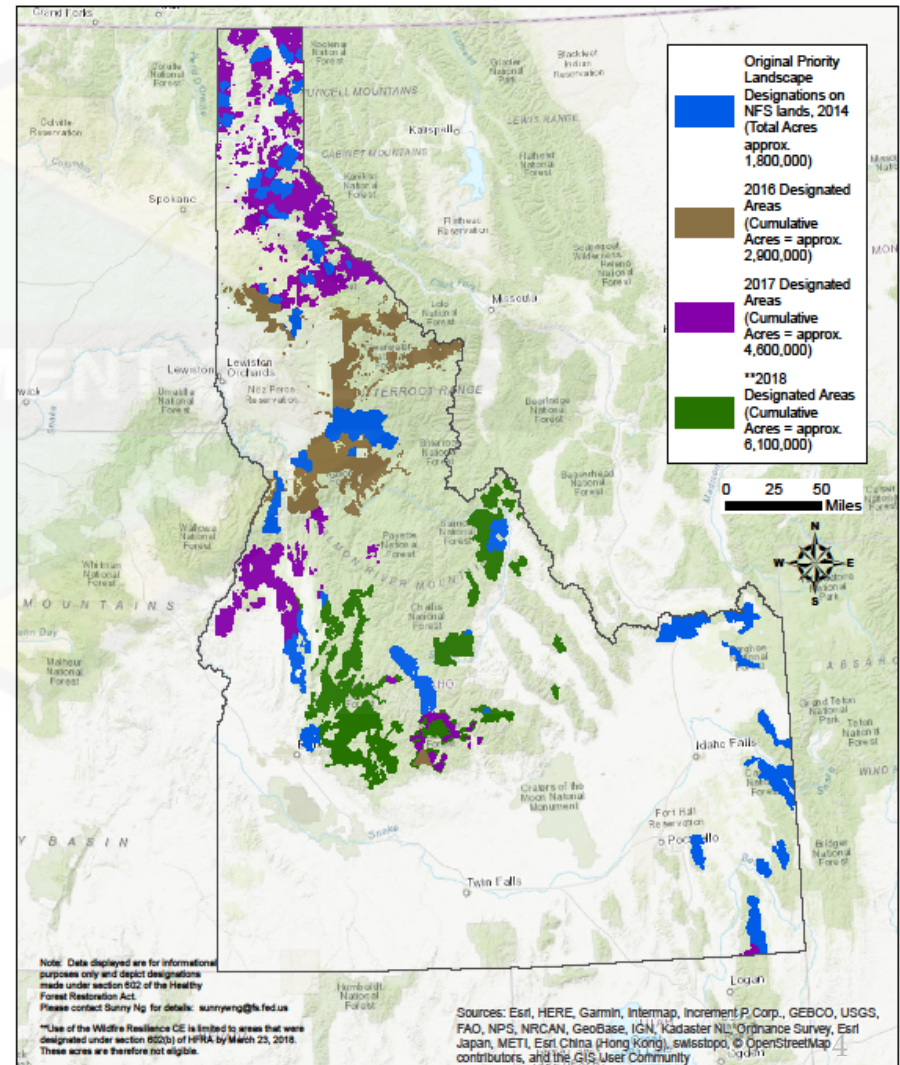




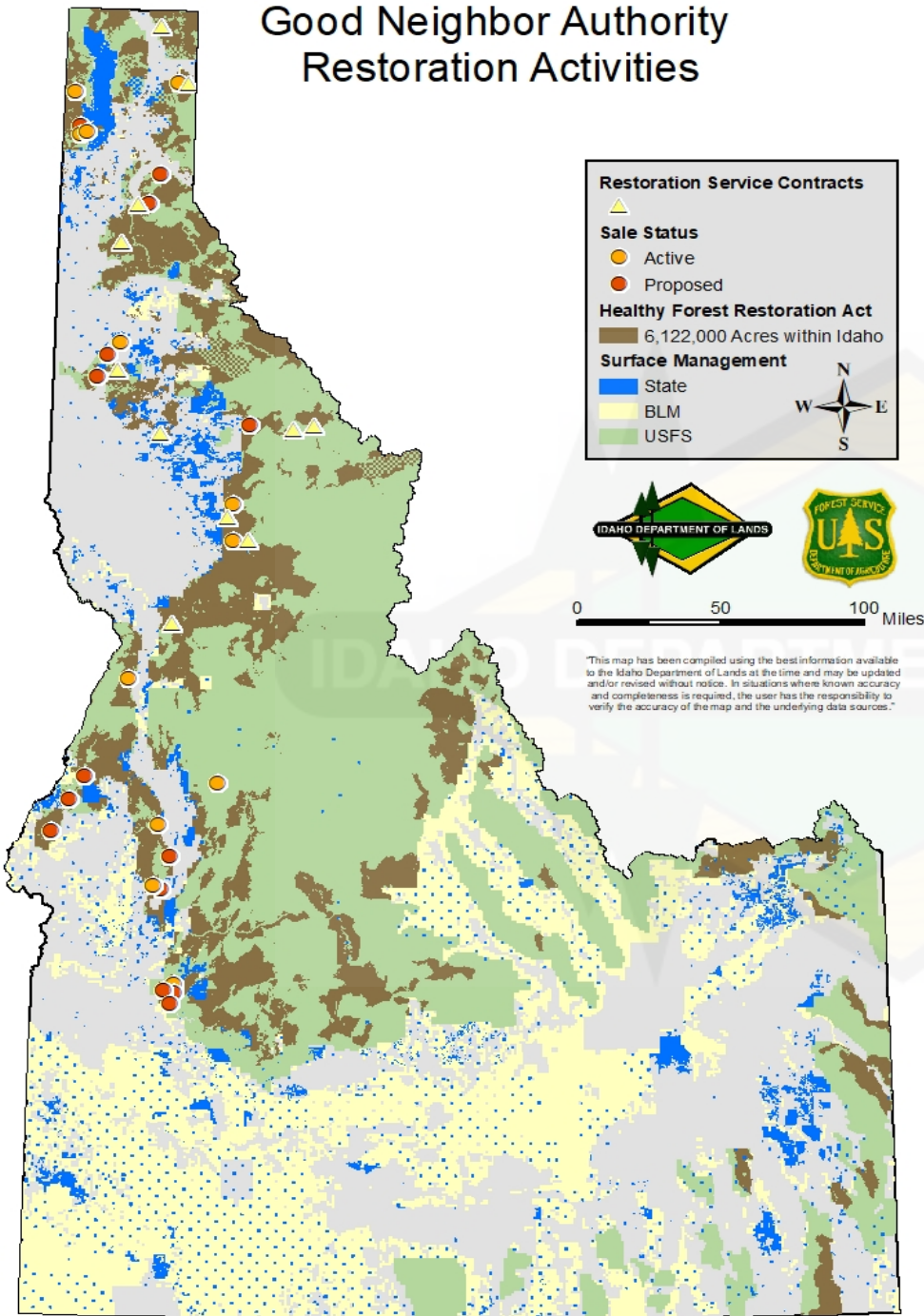
# Scale of Crisis



## National Forest System Lands Designated Under Section 602 of the Healthy Forest Restoration Act in Idaho



## Good Neighbor Authority Restoration Activities



## GNA Timber Sales and Restoration Projects

- Most projects within HFRA I&D Areas
- GNA is one tool used by Forest Service to get veg work done on NFS Lands:
  - Stewardship Contracts
  - Timber Sales
  - Prescribed Fire

# Timber Sale Contracts

NCNF

IPNF

BNF

FISCAL YR	FY2017			FY2018			FY2019		
SALE NAME	ACRES	EST VOL (MBF)	EST RECEIPTS	ACRES	EST VOL (MBF)	EST RECEIPTS	ACRES	EST VOL (MBF)	EST RECEIPTS
Wapiti	200	4,400	\$1.5M						
Woodrat	348	5,200	\$1.3M						
Windy Shingle							700	7,700	\$2M
Jasper				306	3,500	\$1.4M			
Hard Rock							520	8,690	\$2.5M
Black Boulder							300	3,000	\$.75M
High Fork							913	5,436	\$.7M
<b>TOTAL</b>	<b>548</b>	<b>9,600</b>	<b>\$2.8M</b>	<b>306</b>	<b>3,500</b>	<b>\$1.4M</b>	<b>2,433</b>	<b>24,826</b>	<b>\$5.9M</b>

# Restoration Service Contracts

Calendar Year	2017		2018		2019	
FOREST	PROJECTS	\$ AWARDED	PROJECTS	\$ AWARDED	PROJECTS	\$ AWARDED (EST)
ID Panhandle	1	\$190,281	7	\$370,028	14	\$807,300
Nez Perce - CW	1	\$161,998	13	\$372,473	5	\$345,000
Payette	-	-	1	\$274,290	2	\$225,000
Boise	-	-	1	\$18,860	2	\$75,000
<b>TOTAL</b>	<b>2</b>	<b>\$352,279</b>	<b>22</b>	<b>\$1,035,651</b>	<b>23</b>	<b>\$1,452,300</b>

- Fuels Management
- Reforestation
- Noxious Weed Control
- Timber Stand Exams
- Lidar Data Collection
- NEPA Planning
- Bridge Replacement
- Fish Passage
- Road Maintenance
- Post Harvest Soil Monitoring

# Where do we go from here?

- ❑ Scale Up...Bigger Landscape-Scale Projects
- ❑ Increase Pace of Active Management
- ❑ Better Planning and Coordination across ownerships

Idaho Leading the Way...





# Why this matters...



- ❑ Reduces Fuels & Risks to Communities



- ❑ Improves Forest & Watershed Health



- ❑ Sustains & Creates Jobs



**Regional Foresters  
(NFS Land Update)  
&  
Undersecretary Hubbard  
(Shared Stewardship)**

# Implementation of 2014 Farm Bill & Overview of National Forest Management Activities in Idaho

1

**For Idaho Land Board  
December 18, 2018  
Boise, Idaho**

**David Groeschl  
State Forester  
Idaho Dept. of Lands**

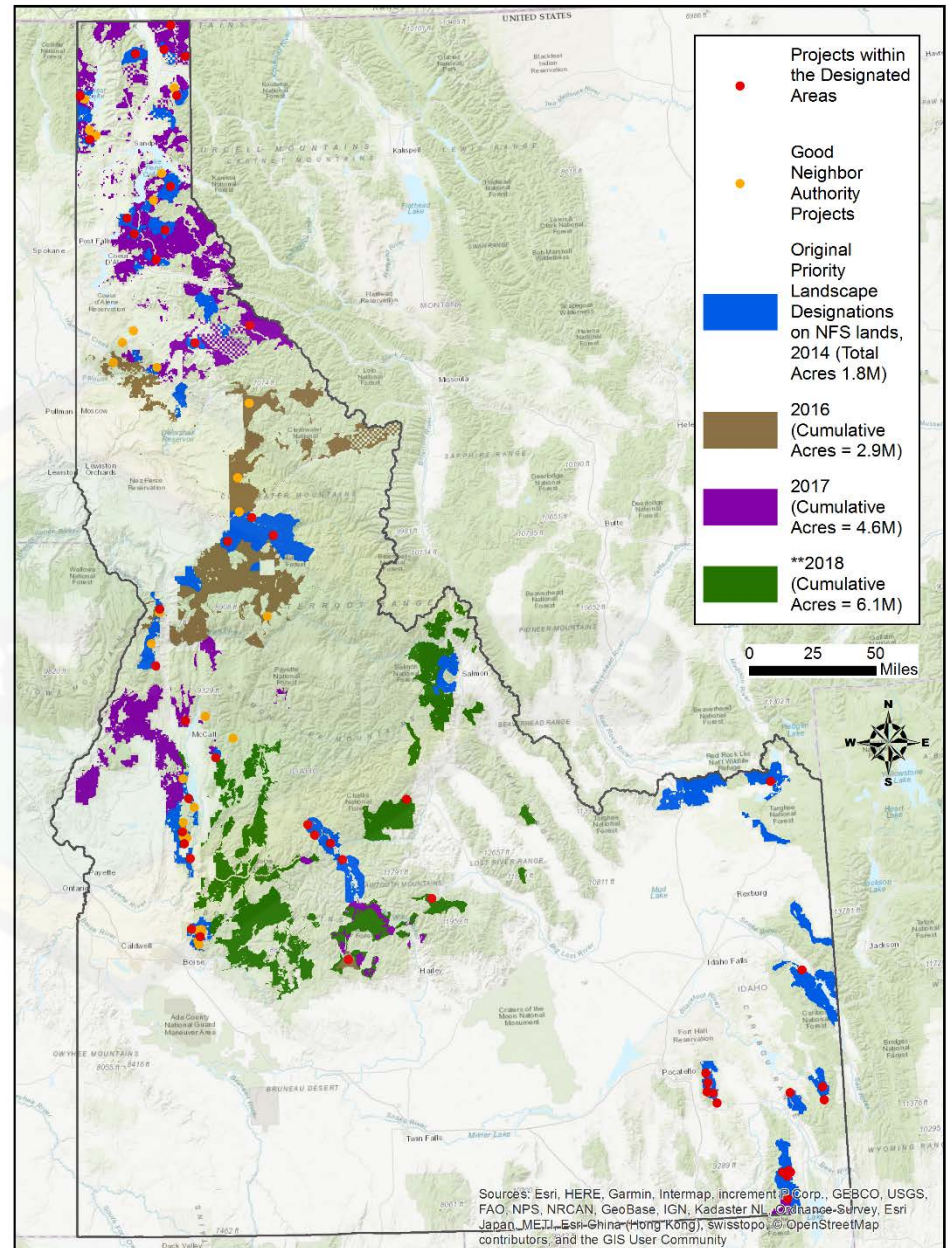
**Nora Rasure  
Regional Forester  
Intermountain Region**

**Leanne Marten  
Regional Forester  
Northern Region**



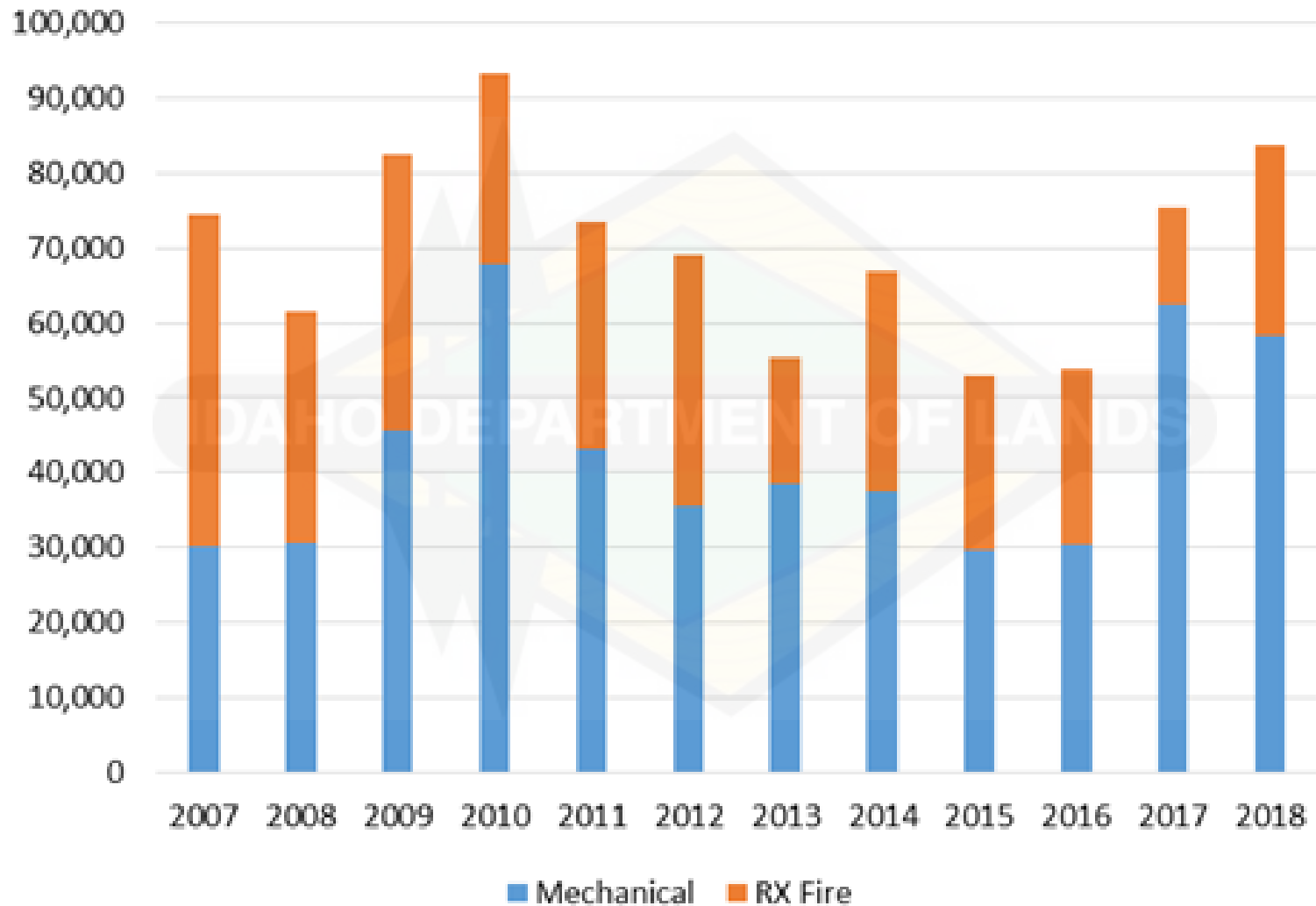
# 2104 Farm Bill

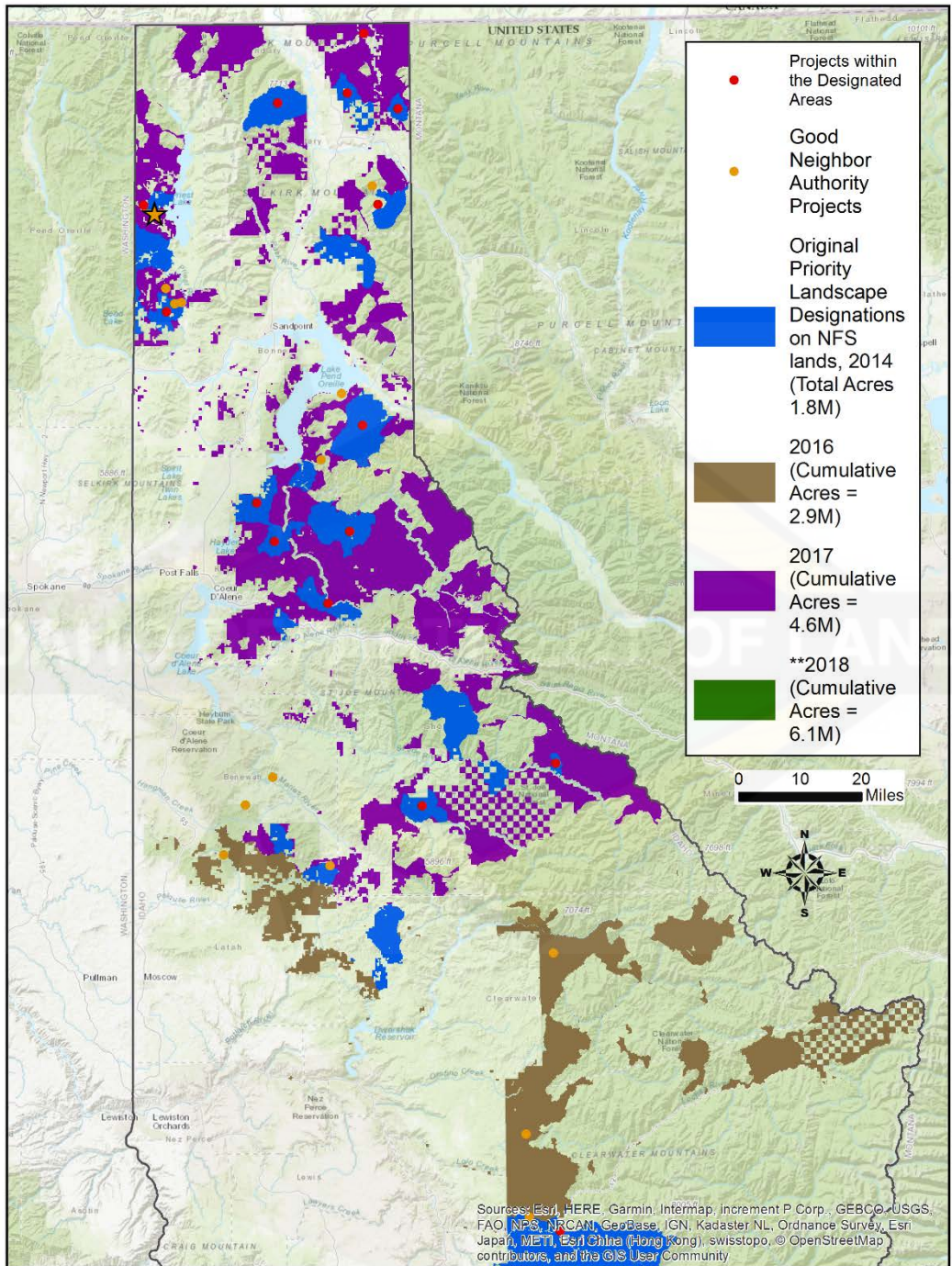
- Landscape Treatment Area Designation (Sec. 602)
- Projects in southern Idaho Landscape Treatment areas
  - Project Decisions to date
  - Future projects
- Pace and Scale of Forest Restoration in Idaho
- Projects in northern Idaho Landscape Treatment areas
  - Project Decisions to date
  - Future projects
- Example results of projects over the years





## Hazardous Fuels Treatment Acres, Forest Service, Idaho



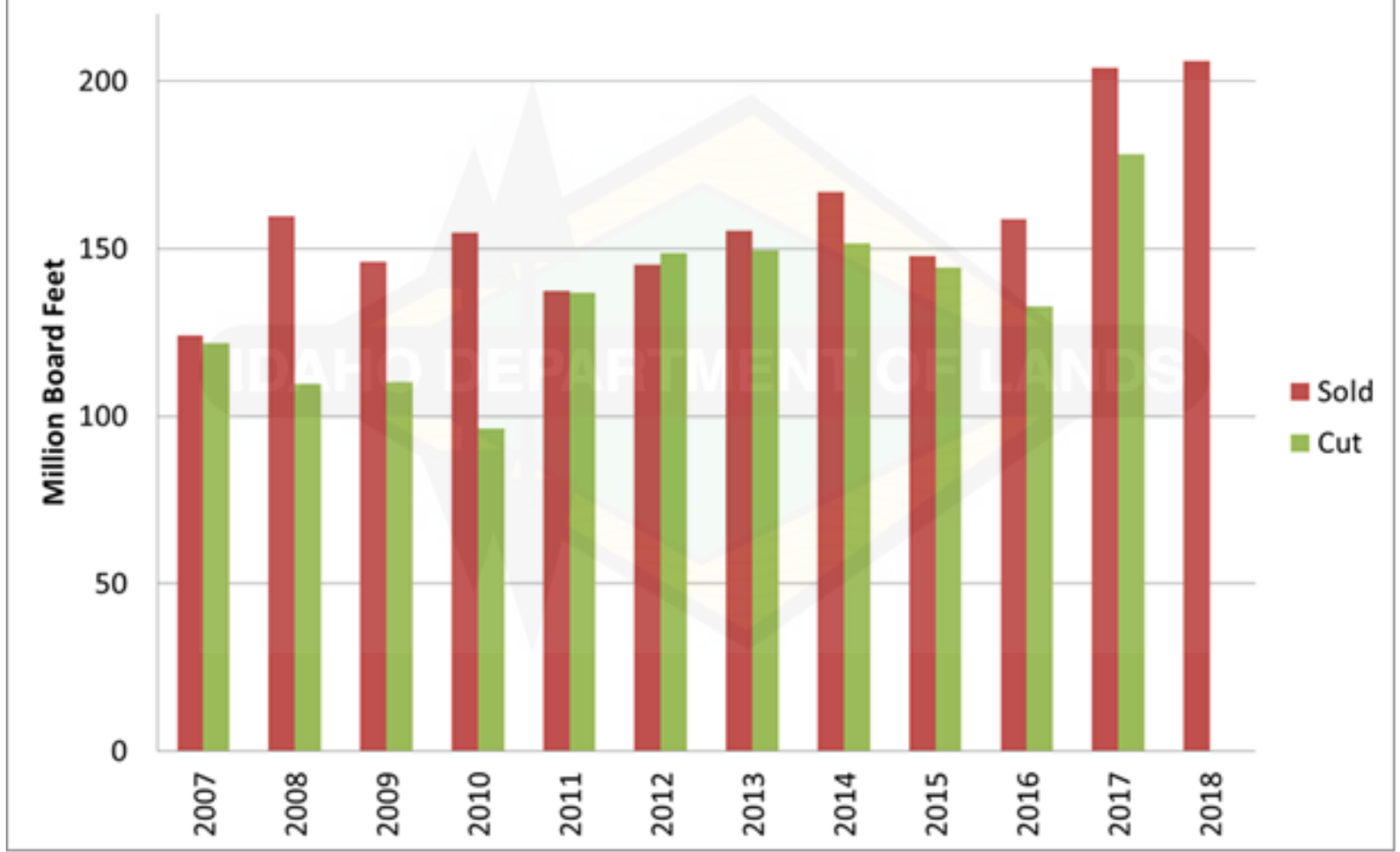


- Projects within the Designated Areas
- Good Neighbor Authority Projects
- Original Priority Landscape Designations on NFS lands, 2014 (Total Acres 1.8M)
- 2016 (Cumulative Acres = 2.9M)
- 2017 (Cumulative Acres = 4.6M)
- \*\*2018 (Cumulative Acres = 6.1M)

Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), swisstopo, © OpenStreetMap contributors, and the © S User Community

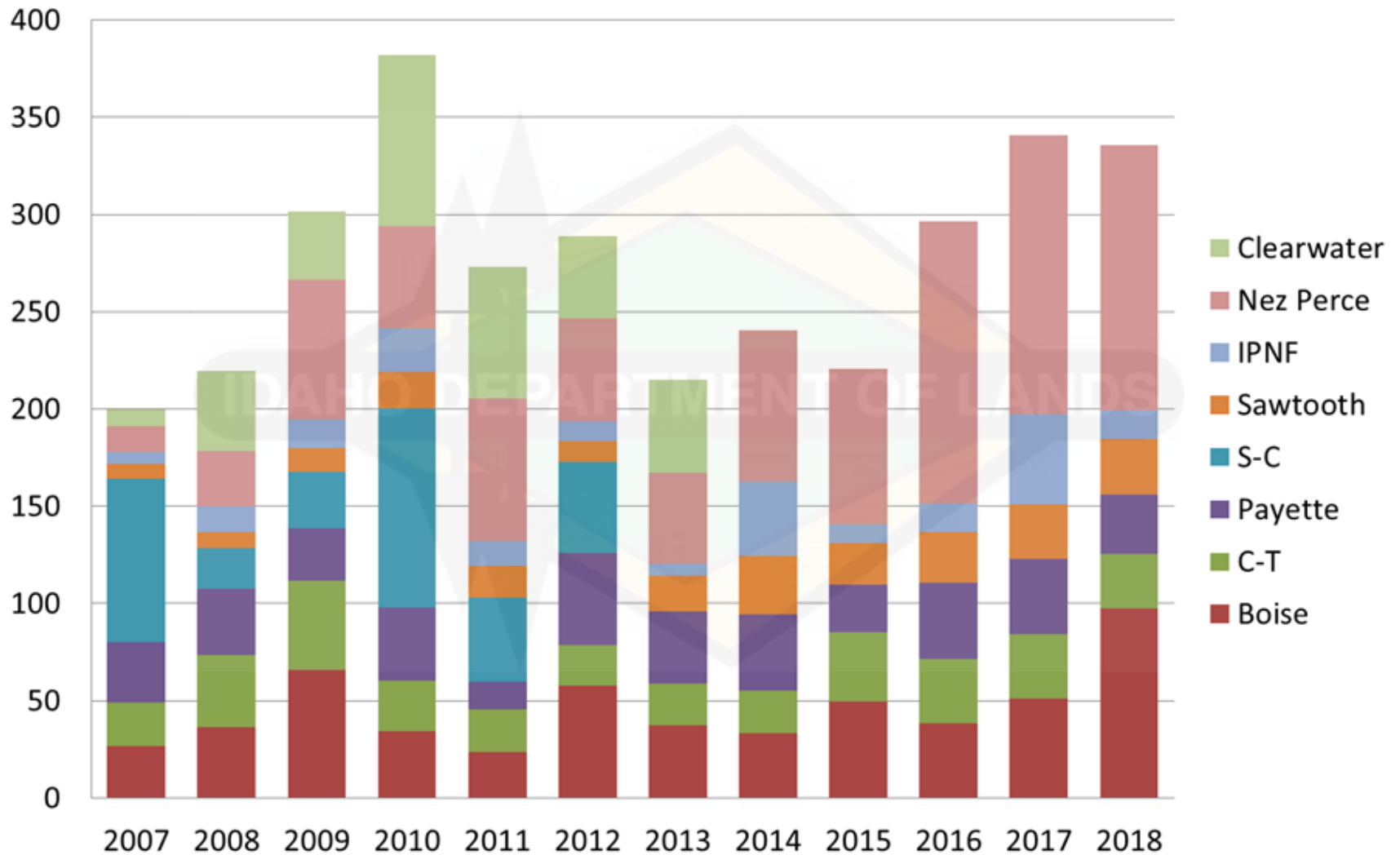


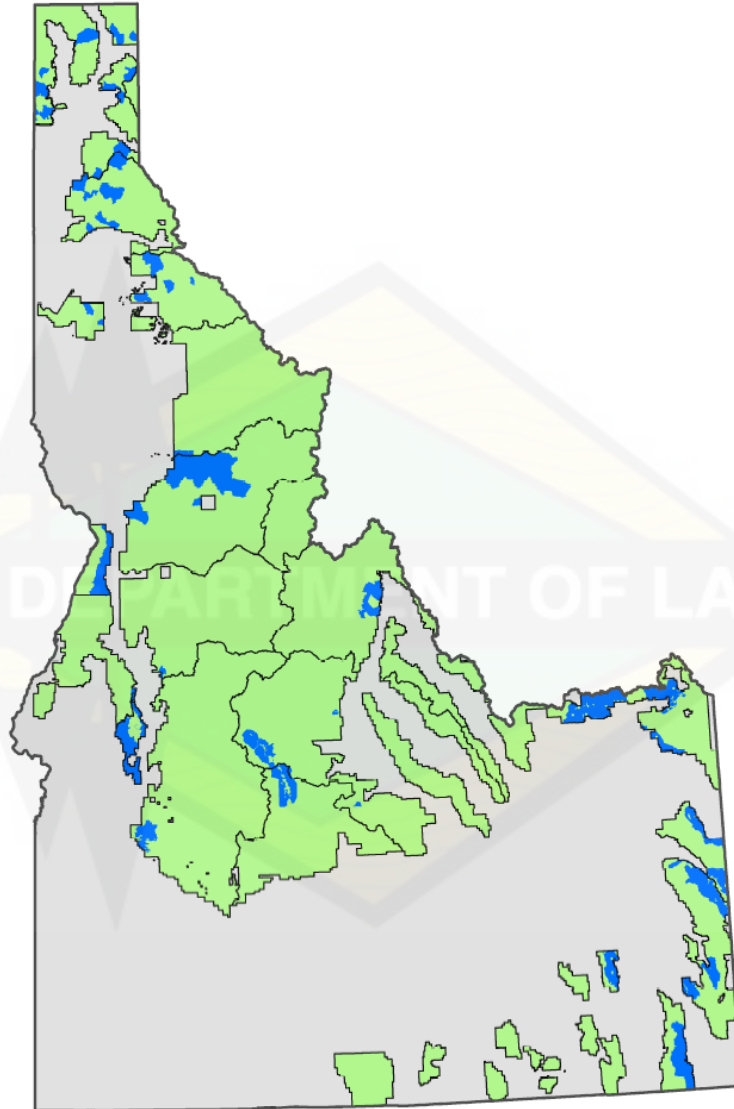
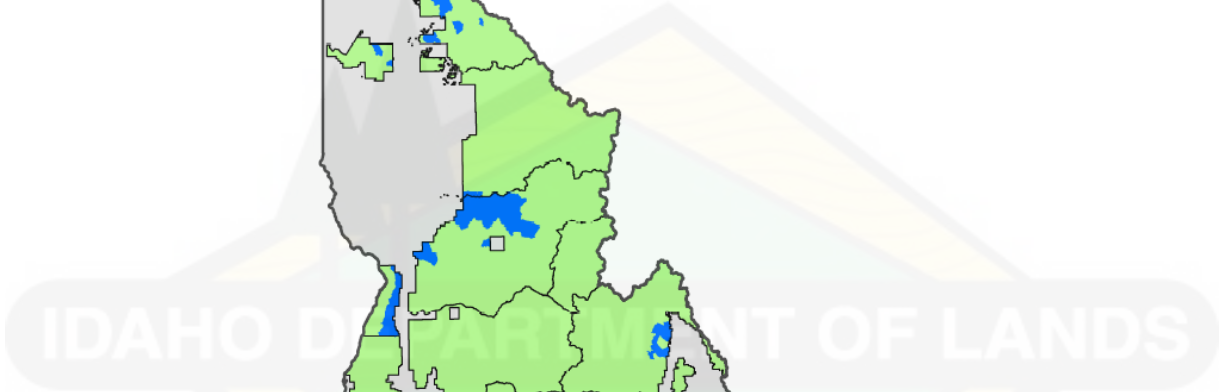
## Timber Volume Sold & Cut on Idaho National Forests 2007 - 2018





## Miles of Stream Habitat Improved Idaho National Forests 2007 - 2018







**AGREEMENT FOR SHARED STEWARDSHIP**  
**Between**  
**THE STATE OF IDAHO**  
**And The**  
**UNITED STATES DEPARTMENT OF AGRICULTURE**  
**FOREST SERVICE**  
**NORTHERN and INTERMOUNTAIN REGIONS**

This Agreement for Shared Stewardship is hereby made and entered into by and between the Idaho Department of Lands (IDL) and the United States Department of Agriculture Forest Service (Forest Service).

**BACKGROUND**

The Idaho Department of Lands is the trusted steward of Idaho's resources. Through professional and prudent management of Idaho's 2.4 million acres of endowment assets, long-term financial returns to public schools and other trust beneficiaries are maximized. Professional services are provided to the citizens of Idaho to use, protect and sustain their natural resources. Since 2016, the Idaho Department of Lands has been active in cooperative stewardship of Idaho's national forests through the Good Neighbor Authority.

The mission of the United States Department of Agriculture Forest Service is to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations. The Forest Service manages 193 million acres of National Forest System lands with tribal governments, state and private landowners, and maintains the largest forest research organization in the world. Being a "good neighbor" is an essential component in both Agencies' work.

Forested lands in Idaho provide abundant clean water for communities and agriculture, a renewable source of fiber, support a thriving outdoor recreation and tourism economy, and provide outstanding fish and wildlife habitat.

The management needs at the state-scale are unprecedented. Twenty million acres are managed by the Forest Service in Idaho. Of that, 12 million acres are available for some form of management, with 8 million acres at high risk from insect and disease, and fire. Within these landscapes, 6.1 million acres have been designated by the Secretary of Agriculture, with the advice of the Governor, as high priority landscapes that are at high risk for insect and disease outbreaks, and potential catastrophic wildfire impacts near communities. Ninety-four percent of State forested endowment lands border National Forest System lands. In the complex federal, state, industrial, and private lands intermix, impaired forest health conditions and wildfire impacts know no boundaries.

Idaho's unique forest land ownership includes 73.6 percent of non-reserve (non-wilderness) forest land managed by the Forest Service, 7.1 percent managed by the State, and 16 percent of forest lands are privately and tribally owned. The Forest Service provides 10 percent of raw material to Idaho mills. Idaho mills are currently operating at 68% of capacity, the lowest utilization on record. Each million board feet of milled timber produces 15 jobs, and an average salary of \$56,600. There is compelling value in augmentation of responsible timber harvest and processing in Idaho.

## **PURPOSE**

The purpose of this agreement is to commit the Forest Service and the State of Idaho, through the Idaho Department of Lands (IDL), to work together to accomplish mutual goals, further common interests, and effectively respond to the increasing suite of challenges facing western landscapes. Federal, state, tribal and private managers of forests and rangelands face a range of urgent challenges, among them catastrophic wildfires, invasive species, degraded watersheds, and epidemics of insects and disease. These conditions are not improving. Of particular concern, are longer fire seasons; the rising size and severity of wildfires; and the expanding risk to communities, natural resources, and firefighters. To address these issues, the Forest Service announced a new strategy, *Toward Shared Stewardship Across Landscapes: An Outcome-Based Investment Strategy*, outlining plans to work more closely with states to identify landscape-scale priorities for targeted treatments in areas with the highest payoffs.

Idaho culture at all scales includes bold, intelligent leaders and stakeholders who care deeply about the land and the vibrancy of communities. Using the best contemporary science and decision support tools, treatments can be located where they can do the most good, thereby protecting communities, watersheds and economies where the risks are greatest. Together, we will use every authority and tool available to do more work on the ground, including timber sales, mechanical treatments, and carefully managed fire.

A key component of the Forest Service's new shared stewardship strategy is to prioritize investment decisions directly with states using the most advanced science tools to increase the scope and scale of critical forest treatments that protect communities, create and sustain jobs, and improve forest health and resiliency.

## **I. STATEMENT OF MUTUAL BENEFIT AND INTERESTS:**

The Forest Service and IDL will work jointly with other stakeholders to proactively carry out projects that reduce hazardous fuels and improve forest and grassland conditions in Idaho. To achieve landscapes that are more resilient to fire and other disturbances, we will take a more integrated approach to prioritizing investments where they will have the greatest impact to address risk across broad landscapes. A collaborative approach that addresses risk across different ownership boundaries and habitat types will have direct and positive effects on land management practices and the constituents of Idaho.

## **II. THE FOREST SERVICE AND IDAHO DEPARTMENT OF LANDS SHALL:**

- Jointly work with other stakeholders – federal, state, tribal, non-governmental organizations, communities, and universities – to help identify land management priorities and desired outcomes, using all available authorities and active management tools.
- Collaborate on mutually agreed upon projects and other work within priority landscapes identified through federal and state planning documents, such as National Forest land management plans and the Idaho State Forest Action Plan, that reduce fuels and wildfire risk to communities, create and sustain jobs, and improve forest health and resiliency. Such projects may be defined within separate agreement(s).
- The Forest Service and IDL will jointly identify a list of initial projects, with a target of two projects, one in northern Idaho and one in Southern Idaho, by April 2019. The two projects will be at a meaningful landscape-scale and will be focused in areas where the Forest Service and IDL have active Good Neighbor Authority relationships and agreements underway.
- By 2025, the partners will work to double the annual acres treated through active management on National Forests and promote cross-boundary work on other lands within priority landscapes that reduce fuels and wildfire risk to communities, produce additional fiber, create and sustain jobs, and improve forest health and resiliency.

**III. AUTHORIZED REPRESENTATIVES.** By signature below, each party certifies that the individuals listed in this document as representatives of the individual parties are authorized to act in their respective areas for matters related to this agreement for shared stewardship.

In witness whereof, the parties hereto have executed this agreement as of the last date written below.

**U.S. Department of Agriculture**

**Date:** \_\_\_\_\_  
Sonny Perdue, Secretary of Agriculture

**State of Idaho, Governor and Governor-Elect**

**Date:** \_\_\_\_\_  
C.L. "Butch" Otter, Governor of Idaho

**Date:** \_\_\_\_\_  
Brad Little, Governor-Elect of Idaho



**USDA Forest Service, Northern and Intermountain Regions**

**Date:** \_\_\_\_\_  
Leanne M. Marten, Regional Forester, Northern Region

**Date:** \_\_\_\_\_  
Nora B. Rasure, Regional Forester, Intermountain Region

**State of Idaho, Idaho Department of Lands**

**Date:** \_\_\_\_\_  
Dustin T. Miller, Director, Idaho Department of Lands