

State Board of Land Commissioners Open Meeting Checklist

Meeting Date: April 16, 2019

Regular Meetings

4/10/19 4/1/19	Notice of Meeting posted in prominent place in IDL's Boise Headquarters office five (5) or more calendar days before meeting.
4/10/19 4/1/19	Notice of Meeting posted in prominent place in IDL's Coeur d'Alene Headquarters office five (5) or more calendar days before meeting.
4/10/19 4/1/19	Notice of Meeting posted in prominent place at meeting location five (5) or more calendar days before meeting.
4/10/19 4/1/19	Notice of Meeting emailed/faxed to list of media and interested citizens who have requested such notice five (5) or more calendar days before meeting.
4/10/19 4/1/19	Notice of Meeting posted electronically on IDL's public website www.idl.idaho.gov five (5) or more calendar days before meeting.
4/12/19	Agenda posted in prominent place in IDL's Boise Headquarters office forty-eight (48) hours before meeting.
4/12/19	Agenda posted in prominent place in IDL's Coeur d'Alene Headquarters office forty-eight (48) hours before meeting.
4/12/19	Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
4/12/19	Agenda emailed/faxed to list of media and interested citizens who have requested such notice forty-eight (48) hours before meeting.
4/12/19	Agenda posted electronically on IDL's public website www.idl.idaho.gov forty-eight (48) hours before meeting.
12/19/18	Annual meeting schedule posted – Director's Office, Boise and Staff Office, CDA and IDL's public website www.idl.idaho.gov

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 www.idl.idaho.gov 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 www.idl.idaho.gov 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

April 12, 2019

Date



Idaho State Board of Land Commissioners

Brad Little, 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, Director and Secretary to the Board

REVISED NOTICE OF PUBLIC MEETING APRIL 2019

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, April 16, 2019 in the **Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise**. The meeting is scheduled to begin at 9:00 AM (Mountain).

Please note meeting location.

Revised Notice Posted: 4/10/19- IDL Boise; 4/10/2019-IDL CDA

First Notice Posted: 4/1/2019-IDL Boise; 4/1/2019-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 State Board of Land Commissioners

Brad Little, 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

State Board of Land Commissioners Regular Meeting
April 16, 2019 – 9:00 AM (MT)
Final Agenda
Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise

Please note meeting location.

Directions: Enter City Hall from Capitol Blvd.; take the Capitol Boulevard elevators to the 3rd floor; Council Chambers are directly across from the elevators

1. Department Report – Presented by Dustin Miller, Director

Endowment Transactions

- A. Timber Sales – March 2019
- B. Leases and Permits – March 2019

Status Updates

- C. Land Bank Fund
- D. Legislative Summary – Final

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

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

Consent—Action Item(s)

3. Transfer Old Penitentiary Parcel (Non-Endowment Land) to Idaho Department of Agriculture

– Presented by Ryan Montoya, Bureau Chief-Real Estate Services; Dan Salmi, Bureau Chief, Bureau of Laboratories, ISDA; and Kelly Nielsen, Administration Administrator, ISDA

4. Approval of Minutes – March 19, 2019 Regular Meeting (Boise)

State Board of Land Commissioners
Final Agenda
Regular Meeting (Boise) – April 16, 2019
Page 1 of 2

Regular—Action Item(s)

5. **FY2020 Timber Sales Plan** – Presented by Jim Elbin, Bureau Chief-Forest Management
6. **Negotiated Rulemaking IDAPA 20.03.04, Rules for the Regulation of Beds, Waters, and Airspace Over Navigable Lakes in the State of Idaho** – Presented by Andrew Smyth, Program Manager-Public Trust
7. **Negotiated Rulemaking IDAPA 20.03.03, Rules Governing Administration of the Reclamation Fund** – Presented by Todd Drage, Program Manager-Minerals
8. **Cancellation of Reclamation Plan S01020 and Use of the Bond Assurance Fund for Reclamation** – Presented by Todd Drage, Program Manager-Minerals

Information

9. **Strategic Reinvestment and Central Idaho Land Exchange** – Presented by David Groeschl, Deputy Director and State Forester
10. **Stimson Request for Audience** – Presented by Keith Williams, Vice President-Resources, Stimson Lumber Company

Executive Session

- A. Idaho Code § 74-206(1)(f) – to communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. The mere presence of legal counsel at an executive session does not satisfy this requirement. [Topic: Lease M500031]

Regular—Action Item(s)

11. **Lease M500031** – Presented by Darrell Early, Deputy Attorney General, Chief-Natural Resources Division, Office of the Attorney General

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.]

THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

April 16, 2019

Endowment Transactions

Timber Sales

During March 2019, the Department of Lands sold one endowment timber sale at auction at the appraised sale value.

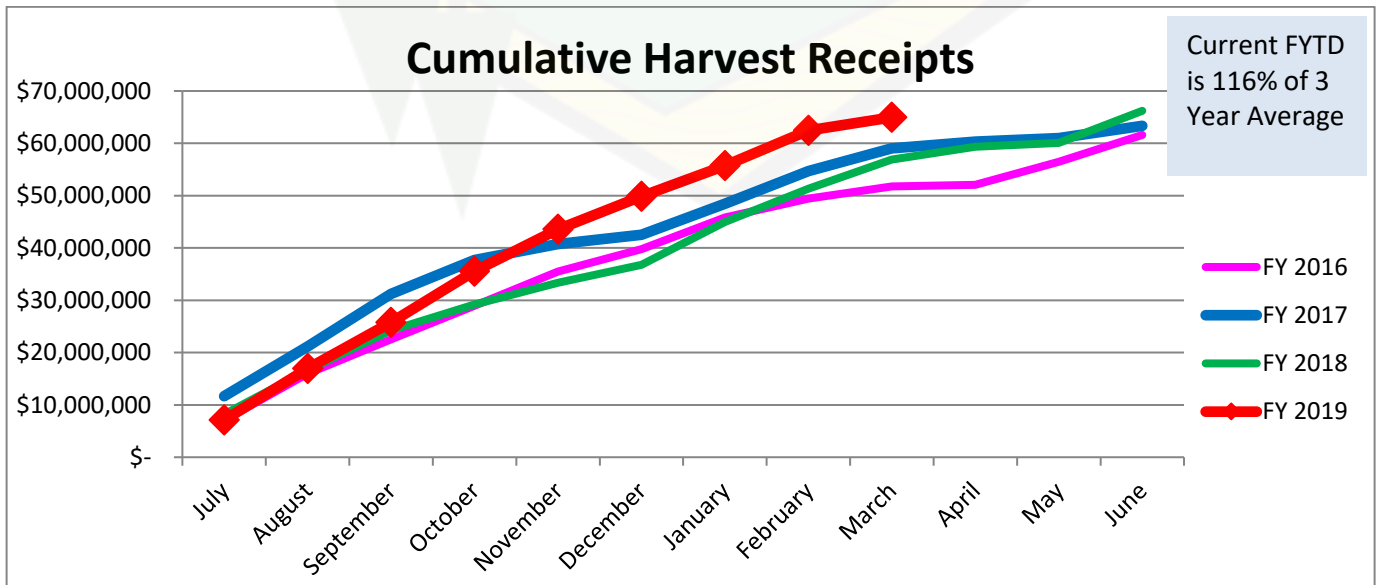
TIMBER SALE AUCTIONS								
Sale Name	Area	Sawlogs MBF	Cedar Prod MBF	Pulp MBF	Appraised Net Value	Sale Net Value	Purchaser	Net \$/MBF
Smith West Ton	POL	2,250			\$ 501,802.00	\$ 501,802.00	IFG TIMBER, LLC	\$ 223.02
		2,250			\$ 501,802.00	\$ 501,802.00		\$ 223.02

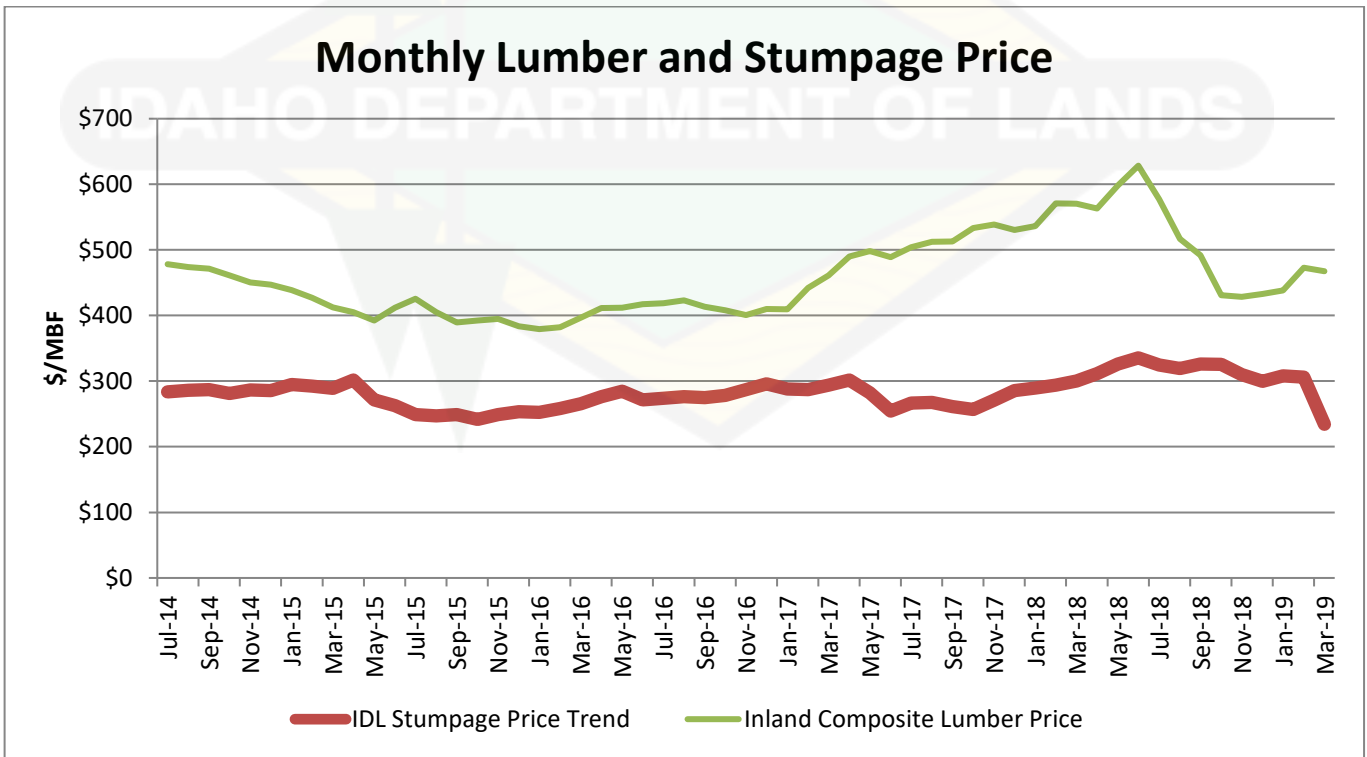
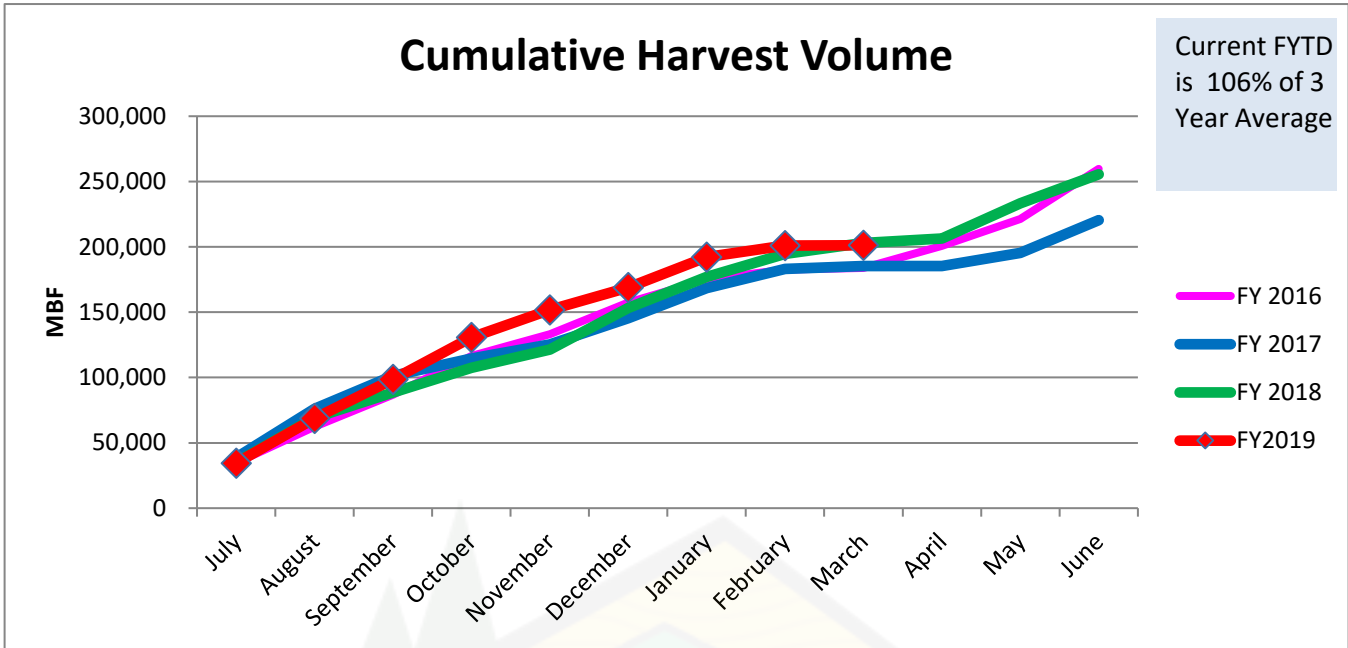
PROPOSED TIMBER SALES FOR AUCTION				
Sale Name	Volume MBF	Advertised Net Value	Area	Estimated Auction Date
North Operations				
Sheep to Market	3,490	\$ 477,536	POL	TBD
West Fork Patches	6,175	\$ 864,141	SJ	5/6/2019
Crawdad	6,820	\$ 694,428	SJ	5/6/2019
Beaver Butterfly Salvage Ton	2,660	\$ 430,234	SJ	4/17/2019
South Operations				
Powerline OSR	1,195	\$ 181,087	CLW	4/26/2019
Rainy West	6,600	\$ 1,187,347	CLW	4/26/2019
Blue Gate	1,055	\$ 224,938	MC	4/22/2019
Cedar Remix	5,405	\$ 1,574,510	MC	4/22/2019
Wolfenrock	4,830	\$ 1,320,061	MC	4/29/2019
Burcham OSR	1,490	\$ 329,308	MC	4/29/2019
Thunderbird Flat	2,655	\$ 690,628	MC	4/29/2019

VOLUME UNDER CONTRACT as of March 31, 2019			
	Total	Public School	Pooled
Active Contracts	147		
Estimated residual volume (MBF)	377,426	235,232	142,194
Estimated residual length (LF)	233,945	233,945	0
Estimated residual weight (Ton)	497,044	348,875	148,169
Total Residual MBF Equivalent	469,167	299,935	169,232
Estimated residual value	\$ 137,217,987	\$ 87,367,026	\$ 49,850,961
Residual Unit Value (\$/MBF)	\$ 292.47	\$ 291.29	\$ 294.57

TIMBER HARVEST RECEIPTS					
	March		FY to date	April Projected	
	Stumpage	Interest	Harvest Receipts	Stumpage	Interest
Public School	\$ 1,370,302.24	\$ 122,106.41	\$ 35,133,125.66	\$ 70,566.79	\$ 5,999.26
Pooled	\$ 892,945.13	\$ 122,199.75	\$ 29,828,923.09	\$ 10,723.68	\$ 584.20
General Fund	\$ 0.15	\$ 0.00	\$ 690.37	\$ 0.15	\$ 0.00
TOTALS	\$ 2,263,247.52	\$ 244,306.16	\$ 64,962,739.12	\$ 81,290.62	\$ 6,583.46

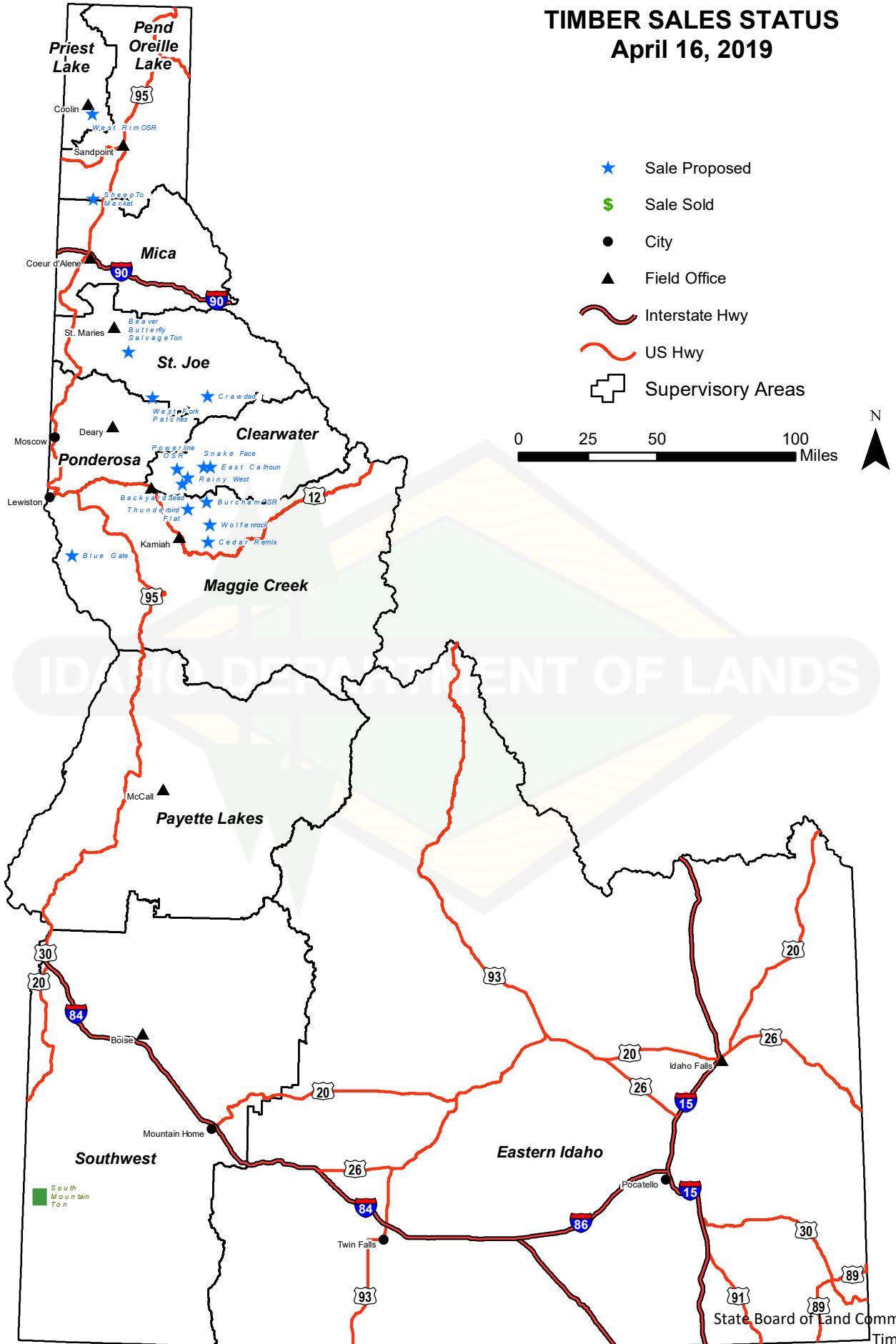
Status of FY 2019 Timber Sale Program						
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of March 31, 2019	71,340	43,658	114,997	5,191	7,947	13,138
Currently Advertised	15,722	27,248	42,970	0	3,000	3,000
In Review	45,176	8,642	53,818	0	0	0
Did Not Sell	0	0	0	0	0	0
TOTALS	132,238	79,548	211,785	5,191	10,947	16,138
FY-2019 Sales Plan			256,000			20,000
Percent to Date			83%			81%





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

TIMBER SALES STATUS April 16, 2019



STATE BOARD OF LAND COMMISSIONERS

April 16, 2019

Endowment Transactions

Leases and Permits

Land Use Permits issued during March by the Department were related to short-term authorizations for uses including ski-trail maintenance, road maintenance, snowmobile trails, motorcycle racing, and outfitter and guides.

FISCAL YEAR 2019 – LEASING & PERMITTING TRANSACTIONS BY MONTH – through March 31, 2019													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
SURFACE													
Agriculture	-	-	-	-	2	-	1	-	-				3
• <i>Assignments</i>	-	-	1	-	-	-	-	-	-				1
Communication Sites	1	1	1	1	-	-	-	-	-				4
• <i>Assignments</i>	-	1	-	1	-	-	-	-	-				2
Grazing	2	10	1	11	51	26	18	9	-				128
• <i>Assignments</i>	-	2	1	2	-	1	1	1	1				9
Residential	-	1	2	1	3	-	-	-	-				7
• <i>Assignments</i>	1	1	-	-	3	-	-	1	-				6
COMMERCIAL													
Alternative Energy	-	-	-	-	-	-	-	-	-				0
Industrial	-	-	-	-	1	-	-	-	-				1
Military	2	-	-	-	-	1	-	-	-				3
Office/Retail	-	-	-	-	-	-	-	-	-				0
• <i>Assignments</i>	1	-	-	-	-	-	-	-	-				1
Recreation	-	-	-	-	-	3	-	-	-				3
• <i>Assignments</i>	-	-	-	-	-	1	-	1	-				2
OTHER													
Conservation	1	-	-	1	-	1	-	-	-				3
Geothermal	-	-	-	-	-	-	-	-	-				0
Minerals	-	-	7	6	-	2	2	-	-				17
• <i>Assignments</i>	-	-	1	-	-	-	-	-	-				1
• <i>Exploration</i>	5	-	-	-	3	-	-	-	-				8
Non-Commercial Recreation	-	-	-	-	-	-	-	-	-				0
Oil & Gas	-	-	-	-	-	-	-	-	-				0
PERMITS													
Land Use Permits	6	8	7	5	-	-	4	8	12				50
TOTAL INSTRUMENTS	19	24	21	28	63	35	26	20	13				249

Real Estate

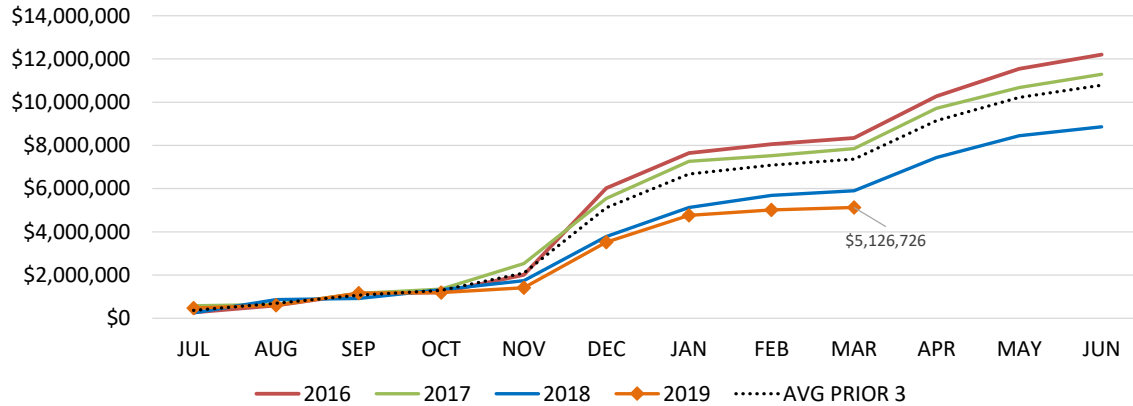
A perpetual easement was acquired, AE300015, in the St. Joe Supervisory Area that provides access to School of Science Endowment Timberland. The acquisition cost for the easement was \$500.00 for approximately 450 feet or 0.62 acres of access through a private party.

FISCAL YEAR 2019 – REAL ESTATE TRANSACTIONS BY MONTH – through March 31, 2019													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
Deeds Acquired	1	-	-	-	-	13	1	-	-				15
Deeds Granted	8	1	14	30	6	-	-	-	-				59
Deeds Granted - Surplus	-	-	-	-	1	-	-	-	-				1
Easements Acquired	-	-	2	-	-	-	-	-	1				3
Easements Granted	1	1	2	-	-	-	4	-	-				8

LANDS AND WATERWAYS DIVISION 2019 FYTD GROSS REVENUE through March 31, 2019	
ACTIVITY	REVENUE
SURFACE	
Agriculture	\$344,467
Communication Sites	\$1,003,672
Grazing	\$340,303
Residential	\$1,208,752
COMMERCIAL	
Alternative Energy	\$18,448
Industrial	\$99,809
Military	\$114,589
Office/Retail	\$874,461
Recreation	\$384,071
OTHER	
Conservation	\$182,583
Geothermal	\$5,120
Minerals	\$101,203
Non-Commercial Recreation	\$97,561
Oil & Gas	\$15,264
RE/Buyer's Premium	\$336,423
TOTAL FYTD REVENUE	\$5,126,726

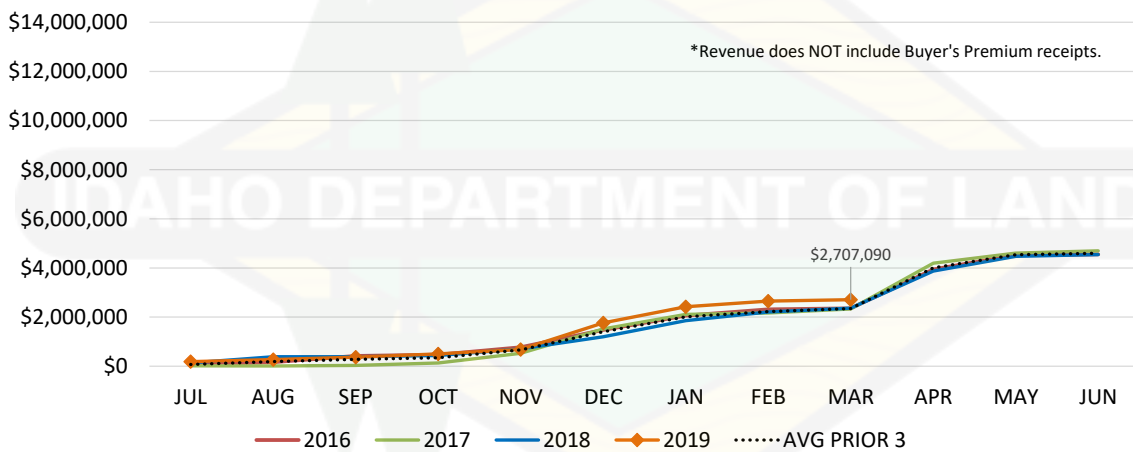
Cumulative L&W Program Receipts - Earnings Reserve
ALL PROGRAMS
FY16 - FYTD19

Current FYTD is
70% of 3 Year
Average



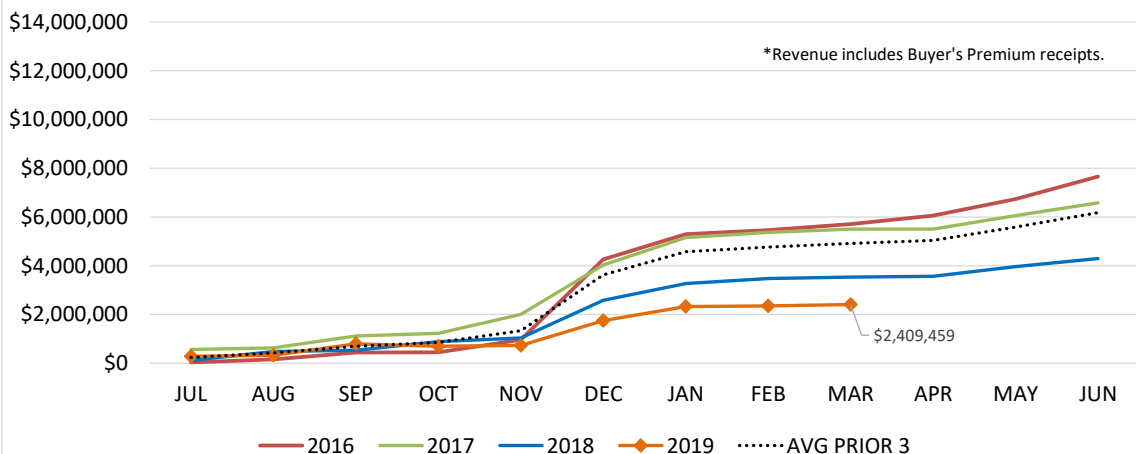
Cumulative L&W Program Receipts - Earnings Reserve
NO COMMERCIAL RETAIL OR RESIDENTIAL REVENUE* INCLUDED
FY16 - FYTD19

*Revenue does NOT include Buyer's Premium receipts.

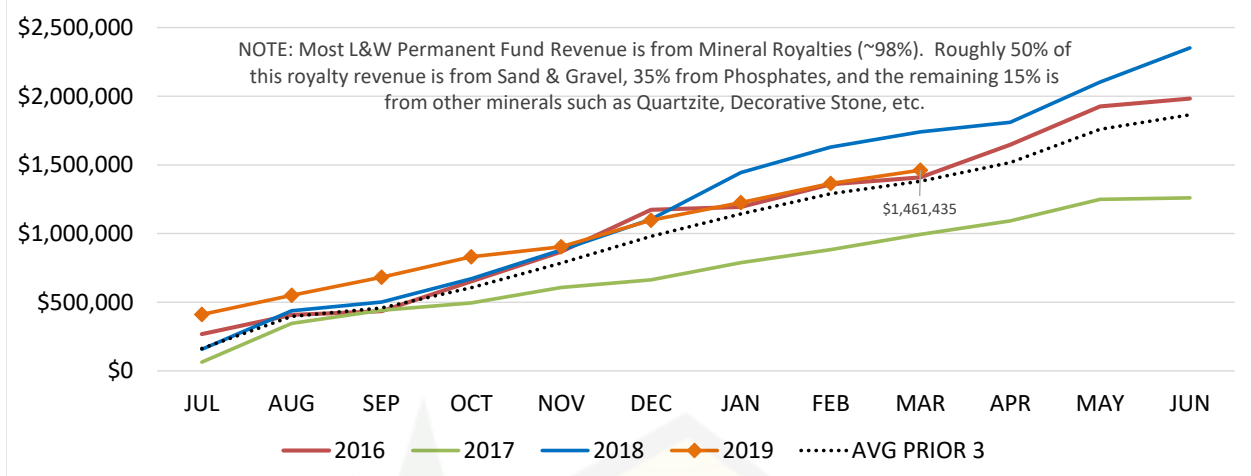


Cumulative L&W Program Receipts - Earnings Reserve
ONLY COMMERCIAL RETAIL AND RESIDENTIAL REVENUE* INCLUDED
FY16 - FYTD19

*Revenue includes Buyer's Premium receipts.



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



IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

April 16, 2019

LAND BANK AGING REPORT						
Current Remaining Principal Balance By Quarter Received - as of March 31, 2019						
FY Quarter IN	Public School	Normal School	State Hospital South	University of Idaho	All Endowments	FY Quarter EXPIRES
2017-02	\$ 2,852,032	\$ 2,161,254	\$ 9,515,446	\$ -	\$ 14,528,732	2022-02
2017-03	\$ 5,766,250	\$ 10,431,970	\$ 1,593,780	\$ -	\$ 17,792,000	2022-03
2017-04	\$ -	\$ 25,100	\$ -	\$ -	\$ 25,100	2022-04
2018-01	\$ -	\$ 3,331,000	\$ 4,439,000	\$ -	\$ 7,770,000	2023-01
2018-02	\$ 27,869,832	\$ -	\$ 125,500	\$ -	\$ 27,995,332	2023-02
2018-03	\$ -	\$ 2,000,712	\$ 829,888	\$ 5,650,029	\$ 8,480,629	2023-03
2018-04	\$ 10,500	\$ -	\$ -	\$ -	\$ 10,500	2023-04
2019-01	\$ -	\$ 2,428,000	\$ 1,442,000	\$ -	\$ 3,870,000	2024-01
2019-02	\$ 25,136,124	\$ -	\$ -	\$ -	\$ 25,136,124	2024-02
2019-03	\$ -	\$ -	\$ -	\$ -	\$ -	2024-03
TOTAL PRINCIPAL REMAINING	\$ 61,634,738	\$ 20,378,036	\$ 17,945,614	\$ 5,650,029	\$ 105,608,417	

LAND BANK CASH BALANCE (with Interest)	\$ 64,169,643	\$ 21,053,741	\$ 18,743,915	\$ 5,771,468	\$ 109,738,767
---	----------------------	----------------------	----------------------	---------------------	-----------------------

THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

April 16, 2019
2019 Legislative Summary

Status of legislation monitored by the Department of Lands

IDL Pending Rules

[IDAPA 20.03.01–Dredge and Placer Mining Operations in Idaho](#). Allows submission of documents electronically; adds new abbreviations; and references water quality standards.

Status: House Resources and Conservation Committee - Approved; Senate Resources and Environment Committee - Approved.

[IDAPA 20.03.02–Rules Governing Exploration, Surface Mining, and Closure of Cyanidation Facilities](#). Deletes outdated bonding requirements; increases maximum reclamation bond amount to \$15,000 per acre to match statute; and requires operators within the 100-year floodplain to describe measures to be implemented to keep surface waters from entering mining operations.

Status: House Resources and Conservation Committee - Approved; Senate Resources and Environment Committee - Approved.

[IDAPA 20.03.04–Rules for the Regulation of Beds, Waters, and Airspace Over Navigable Lakes in the State of Idaho](#). Allows submission of documents electronically; allows existing permitted boat garages to be maintained or replaced at their current size and height; requires float homes to comply with the 2003 Uniform Plumbing Code and the 2008 National Electrical Code; requires that a notice of application for non-navigational encroachments be published in the local newspaper; and clarifies that the Department shall provide notice to anyone who may be in violation of the rules.

Status: House Resources and Conservation Committee - Approved; Senate Resources and Environment Committee - Approved.

[IDAPA 20.04.01–Rules Pertaining to Forest Fire Protection](#). Implements new fire protection standards for forest operation activities on forest lands to include on-site water supply, fire watch service, and operation area fire prevention practices.

Status: House Resources and Conservation Committee - Approved; Senate Resources and Environment Committee - Approved.

IDL Legislation

Budget

[H0233–Appropriations-Department of Lands](#) – Appropriation bill for fiscal year 2020, appropriating a total of \$60,255,200 and caps the number of authorized full-time positions at 323.82.

Status: LAW

[S1142–Appropriations-Endowment Fund Investment Board](#) – Appropriation bill for fiscal year 2020 appropriating a total of \$745,500 and caps the number of authorized full-time equivalent positions at 4.00.

Status: LAW

Forest Practices Act

[H0044–Forest Practices Act Administration](#) – Amends existing law to increase the Forest Practices assessment cap from \$0.10 an acre per year to \$0.20 an acre per year. The assessment rate is set by the Land Board.

Status: LAW

Other Legislation Being Monitored

Administrative Rules

[H0073–Division of Financial Management](#) – Amends existing law to establish the Office of the Administrative Rules Coordinator in the Division of Financial Management.

Status: LAW

[H0100–Administrative Rules](#) – Amends existing law to require that all pending administrative rules shall be affirmatively approved by both the House of Representatives and the Senate, via a concurrent resolution.

Status: House passed 53-16-1. Senate State Affairs Committee.

[H0175–Idaho Administrative Procedures Act](#) – Repeals, amends, and adds to existing law to revise procedures for contested cases and hearing officers.

Status: House Judiciary, Rules and Administration Committee.

Off-Highway Vehicles

[H0024–Recreational Activities](#) – Amends existing law to remove weight limits on UTVs.

Status: LAW

[H0074–Recreational Activities](#) – Amends and adds to existing law to clarify that any person may obtain a certificate of number for a snowmobile or off-highway vehicle so long as the person has lawful possession of the machine; to provide that an accident occurring off-road and resulting only in property damage to the user's own property need not be reported to law enforcement; to impose a \$22.50 fee for off-highway vehicles used for commercial (rental) purposes; to allow use of motorbike funds to purchase public access recreation rights on private lands; and to allow the sale of a 2-year sticker, or certificate of number, for snowmobiles and off-highway vehicles.

Status: House passed 51-16-3. Senate failed 13-22-0.

[H0075–Recreational Activities](#) – Amends existing law to impose a \$12.00 sticker fee upon non-residents for OHV off-road travel in Idaho.

Status: LAW

[H0090–Recreational Activities](#) – Amends existing law to revise the definitions of "ATV" and "UTV."

Status: LAW

Lands

[H0092–Forest Land Annexation](#) – Amends existing law to prevent land actively devoted to forestry from being annexed without the express written permission of the owner.

Status: House Local Government Committee.

[H0104–Federal Land Rights-of-Way](#) – Amends existing law to revise provisions regarding federal land rights-of-way.

Status: House Transportation and Defense Committee.

[H0162–Federal Lands](#) – Adds to existing law to provide for the Idaho Council on Federal Lands.

Status: House passed 55-15-0. Senate Resources and Environment Committee.

[HJM005–Federal Lands, Selling](#) – Stating findings of the Legislature and urging Congress to enact federal legislation to require that when private lands are exchanged, purchased, or transferred to the federal government that other federal lands within the county must be sold.

Status: House adopted 51-18-1. Senate Resources and Environment Committee.

[S1089–Fish and Game](#) – Amends existing law to add a civil remedy to address violations of intentional access obstruction (i.e. private gates on public roads), to ensure public access while addressing law enforcement constraints.

Status: Senate Resources and Environment Committee.

Mining

[H0141–Mines](#) – Amends existing law to more accurately reflect current industry and regulatory practices, including surface impacts of underground mines and actual cost estimation of reclamation and related environmental activities. It includes updating financial assurance methods, requiring financial assurance for reclamation and long-term post closure management activities, requiring reclamation plan and financial assurance reviews, and ensuring that there will be no duplication in financial assurances between government agencies.

Status: LAW

Fire

[S1178–Exploding Targets](#) – Amends existing law to provide restrictions regarding the use of exploding targets.

Status: Senate passed 27-8-0. House failed 33-35-2.

Miscellaneous

[H0142–Bear Lake](#) – Adds to existing law to provide for lands and water at Bear Lake. This would be a new section in Idaho Code 67-4313. It recognizes the Bear River Compact and the right that Idaho has to use and develop additional water from the Bear River drainage.

Status: House Resources and Conservation Committee.

[H0207–Wetlands](#) – This bill promotes the availability of all types of compensatory mitigation for project impacts to wetlands, consistent with the federal 2008 Mitigation Rule.

Status: LAW

[HCR012–Natural Resource Issues-Study](#) – Stating findings of the Legislature and authorizing the Legislative Council to appoint a committee to undertake and complete a study of natural resource issues. This legislation would authorize the Legislative Council to continue an interim committee to undertake studies of natural resource issues, particularly the water resources of the state.

Status: ADOPTED

[S1045–Correctional Industries](#) – Amends existing law to provide for inmate trainee participation in Idaho Correctional Industries Training Programs; to provide for stipends; and to provide for contracts for agricultural training programs for inmate trainees.

Status: Senate passed 35-0-0. House Judiciary, Rules and Administration Committee.



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 March 31, 2019

Month: **1.0%** Fiscal year: **3.3%**

The portfolio gained 10.1% during the first quarter of 2019, offsetting losses experienced late in calendar 2018. Global economic growth is slowing, but there is optimism it will reaccelerate in the second half of the year due to a supportive Fed and stimulus efforts by central banks around the world. Growth in Europe is extremely soft and the Brexit saga remains a near-term concern. Trade negotiations between the U.S. and China are ongoing and investors are patiently waiting for positive outcomes. Business confidence in the U.S. has weakened despite low jobless claims and an improving homebuilders survey. The financial markets appear to be range-bound until signs of economic improvement are more apparent.

Status of endowment fund reserves

Distributions for FY2019 and FY2020 are well secured. Estimated reserves as of February 28, 2019, were 5.8 years for public schools and 6.3 – 8.0 years for the other endowments based on anticipated FY2020 distributions.

Significant actions of the Endowment Fund Investment Board

The EFIB Board met on March 25, 2019 and approved the hiring of Sycamore Capital as a mid-cap value equity manager to replace Systematic Financial.

Compliance/legal issues, areas of concern

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

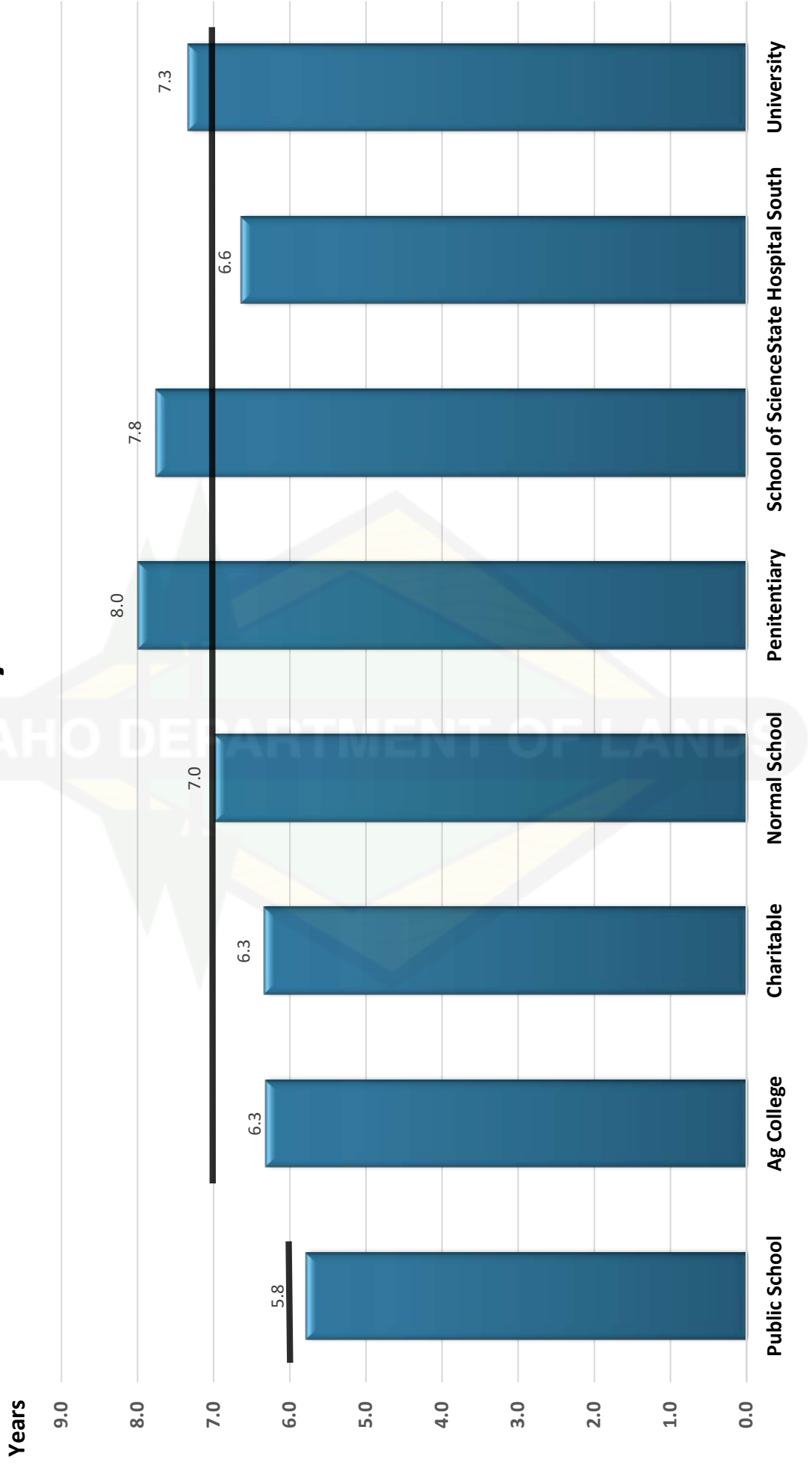
Material legal issues: None.

Changes in board membership or agency staffing: Tom Wilford was appointed to join the EFIB Board, filling the seat previously held by Gavin Gee.

Upcoming issues/events

EFIB plans to issue an investment consultant RFP this spring that will include support services for EFIB, the State Insurance Fund, and the Idaho Department of Lands.

Years of Reserve and Desired Target as of February 2019

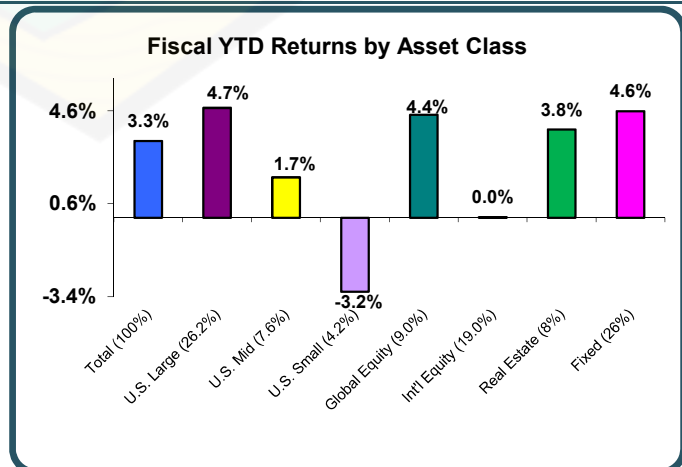


	<u>Month</u>	<u>FYTD</u>
Beginning Value of Fund	\$ 2,334,491,815	\$ 2,280,690,637
Distributions to Beneficiaries	(6,517,200)	(58,654,800)
Land Revenue net of IDL Expenses	3,128,546	43,237,488
Change in Market Value net of Investment Mgt. Expenses	<u>22,718,774</u>	<u>88,548,610</u>
Current Value of Fund	<u>\$ 2,353,821,935</u>	<u>\$ 2,353,821,935</u>

<u>Gross Returns</u>	<u>Current Month</u>	<u>Calendar Y-T-D</u>	<u>Fiscal Y-T-D</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Total Fund	1.0%	10.1%	3.3%	4.8%	9.3%	6.4%	11.4%
<i>Total Fund Benchmark*</i>	1.4%	9.2%	3.6%	4.7%	8.8%	6.5%	10.9%
Total Fixed	2.0%	3.4%	4.6%	4.6%	2.1%	2.7%	3.7%
<i>85% BB Agg, 15% TIPS</i>	1.9%	3.0%	4.2%	4.2%	2.0%	2.6%	3.7%
Total Equity	0.8%	13.8%	2.5%	4.4%	12.2%	7.7%	14.2%
<i>38% R3 19% Ax 9% AC</i>	1.2%	12.7%	2.5%	4.1%	11.7%	7.9%	13.8%
Domestic Equity	0.1%	14.7%	3.2%	7.2%	14.0%	9.7%	16.8%
<i>Russell 3000 (R3)</i>	1.5%	14.0%	4.7%	8.8%	13.5%	10.4%	16.0%
Global Equity	2.4%	15.2%	4.4%	4.1%	10.4%	5.1%	
<i>MSCI ACWI (AC)</i>	1.3%	12.2%	2.1%	2.6%	10.7%	6.5%	
Int'l. Equity	1.3%	11.5%	0.0%	-1.1%	8.7%	3.8%	8.5%
<i>MSCI ACWI ex-US (Ax)</i>	0.6%	10.3%	-1.6%	-4.2%	8.1%	2.6%	8.9%
Real Estate				8.4%			
				7.7%			

* Benchmark: 38% Russell 3000 19% ACWI ex-US 9% AC 26% BB Agg, 8% ODCE

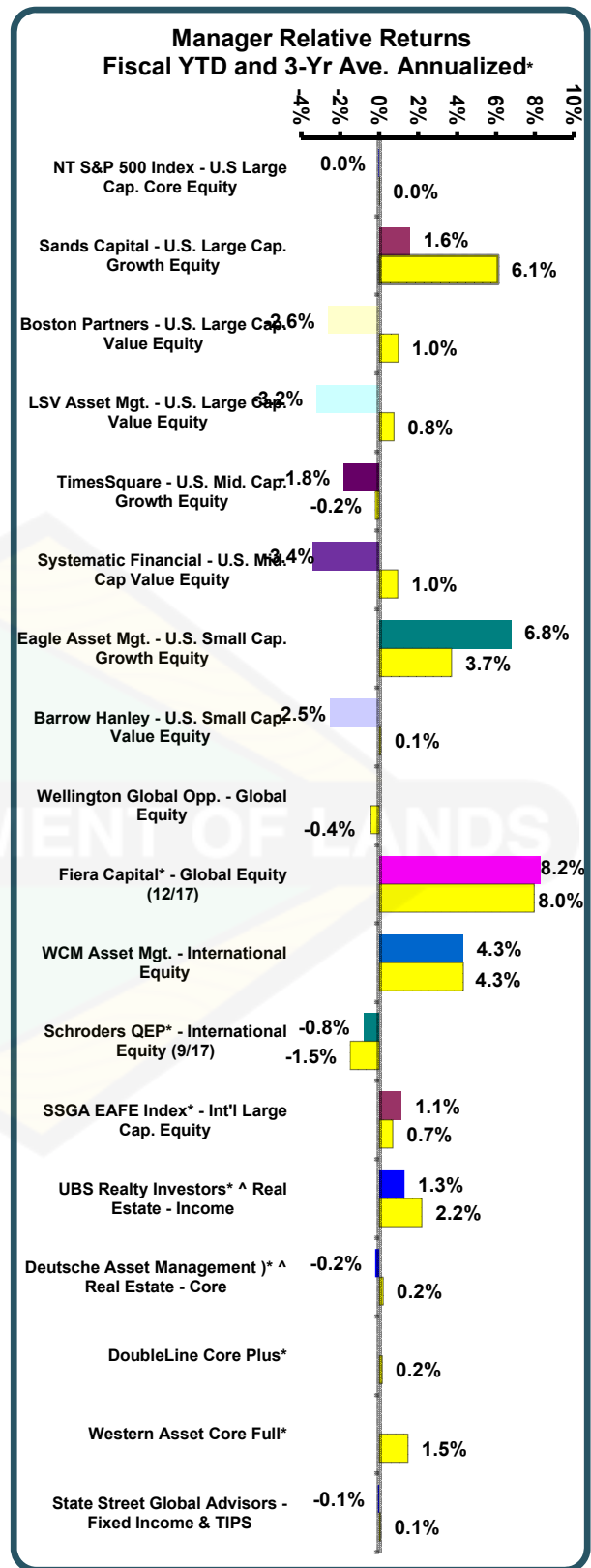
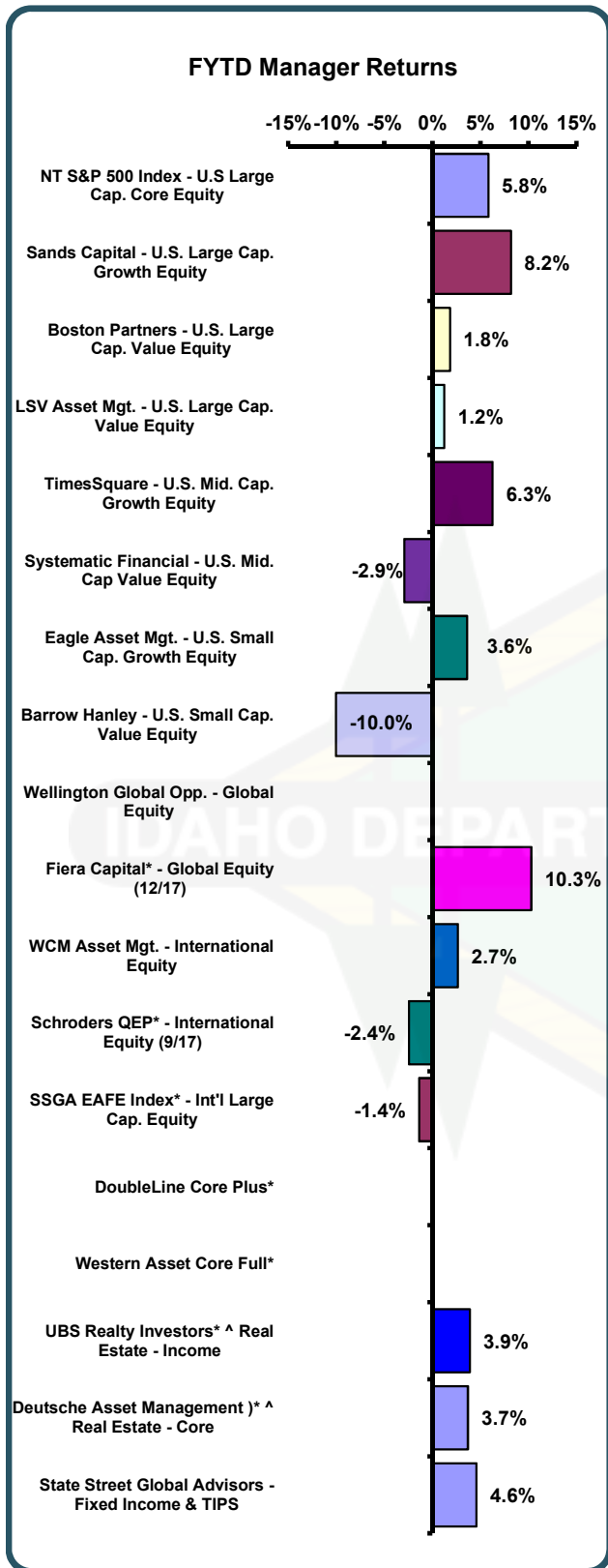
	<u>Mkt Value (\$M)</u>	<u>Allocation</u>
Domestic Equity	\$ 918.9	39.0%
Large Cap	629.5	26.7%
Mid Cap	187.2	8.0%
Small Cap	102.1	4.3%
Global Equity	221.4	9.4%
Int'l Equity	451.6	19.2%
Fixed Income	557.2	23.7%
Real Estate	196.0	8.3%
Cash	8.7	0.4%
Total Fund	<u>\$ 2,353.8</u>	<u>100.0%</u>



Endowment Fund Staff Comments:

The fund was up 1.0% for the month, 0.4% under the benchmark. The Russell 3000 index was up 1.5%, Russell Midcap up 0.9% and Russell 2000 (small cap) down 2.1%. International equities (MSCI ACWI ex-US) were up 0.6%. Growth outperformed Value, while Domestic equity outperformed International equity. Bonds, as measured by the BBC Aggregate index, were up 1.9% and TIPS were up 1.8%. 4 of 12 active managers beat their benchmark this month. On a FYTD basis, the fund is up 3.3%, 0.3% under benchmark, and 7 of 12 active managers beat their benchmark.

INVESTMENT REPORT



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

STATE BOARD OF LAND COMMISSIONERS

April 16, 2019
Consent Agenda

Subject

Transfer of jurisdiction and control of a parcel of penitentiary land from the State Board of Land Commissioners (Land Board) for the use and benefit of the Idaho State Department of Agriculture (ISDA)

Question Presented

Shall the Board approve the transfer of jurisdiction and control of a parcel of penitentiary land from the Land Board for the use and benefit of ISDA.

Background

Under Section 9 of the Idaho Admission Bill, the United States granted the State of Idaho certain lands located in Sections 12 and 13, Township 3 North, Range 2 East, Boise Meridian, and the west half of Section 18, Township 3 North, Range 3 East, Boise Meridian for use as a state penitentiary (Penitentiary Reserve Lands). The State of Idaho acquired additional lands located in Sections 12 and 13, Township 3 North, Range 2 East, Boise Meridian, and the west half of Section 18, Township 3 North, Range 3 East, Boise Meridian, also for use as a state penitentiary (Penitentiary Acquired Lands) (Attachment 1). The Penitentiary Reserve Lands and Penitentiary Acquired Lands are currently under the control of the Idaho State Historical Society (ISHS), pursuant to an MOU with the Land Board.

The ISDA is an agency of the State of Idaho with its headquarters and various laboratory buildings located at 2270 Old Penitentiary Road, Boise, Idaho. The ISDA has identified the need for additional laboratory space and proposes to build a new building on property adjacent to its headquarters. The proposed building requires approximately 2.09 acres (Attachment 2).

Idaho Code § 58-337 provides that the Land Board may relinquish control over all or a portion of the Penitentiary Reserve Lands and the Penitentiary Acquired Lands to other state agencies willing to assume control under the terms and conditions expressed in Idaho Code § 58-337. Penitentiary Reserve Lands and Penitentiary Acquired Lands are not state endowment lands.

Discussion

The ISDA labs perform analysis for public health, livestock health, and plant health. The ISDA is currently sharing lab space with the Idaho Department of Health and Welfare. There are huge demands for testing and laboratory analysis by ISDA, which require additional space (Attachment 3). Due to the proximity and location of its headquarters, the ideal location for

the new ISDA laboratory is on a neighboring parcel of Penitentiary Reserve Lands. Other lands were considered, but ISDA ultimately determined that they would not meet the budget, be cost effective, or meet ISDA's needs.

The proposed property is currently vacant and unimproved (Attachment 4). ISDA has been working with the Office of Attorney General, Idaho Department of Lands and ISHS to acquire control of the two acres of Penitentiary Reserve Lands.

The ISDA has sought appropriation for the new building and is planning to commence design in late 2019. There will be no endowment funds or property used on this project. The preliminary construction cost for the proposed building is \$10 million, with an appropriation of \$8 million from the General Fund and \$2 million from ISDA funds to support the laboratory. The ISDA will use funds already set aside to cover its remaining obligations of the cost to operate and maintain the new facility.

As part of the agreement, ISDA has agreed to allow other agencies to connect to any high-speed internet that is provided as part of the project, allow for the use of its parking spaces for event parking, and support the repairs of the road that sits north and east of the parcel.¹

Recommendation

Approve the transfer of control of the two acres, identified herein, of Penitentiary Reserve Lands to ISDA for the construction of a new laboratory.

Board Action

Attachments

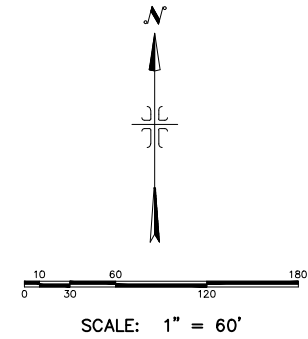
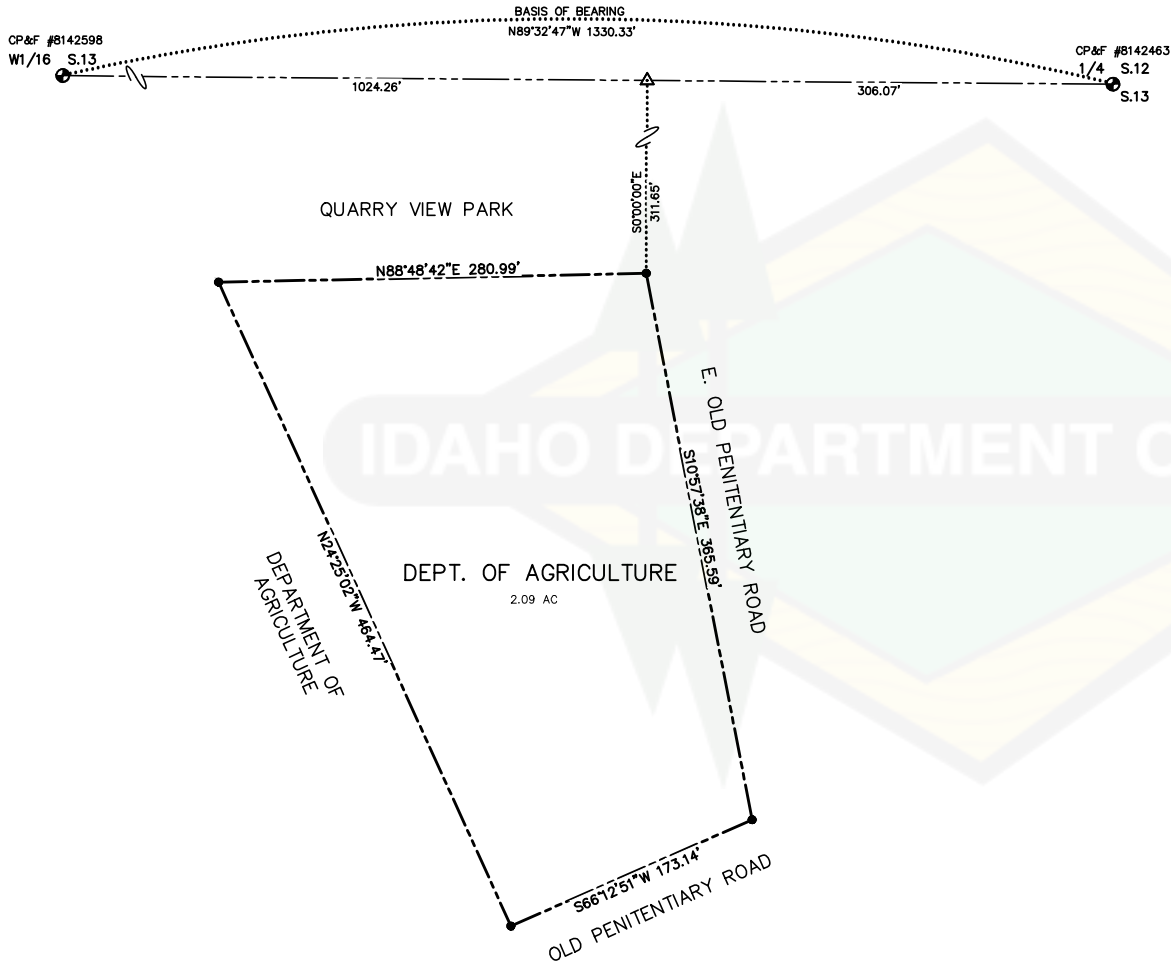
1. Penitentiary Parcel Site Map
2. Parcel Site Survey
3. ISDA Lab Information Sheet
4. Future Lab Site Map
5. Draft Memorandum–Transfer of Lands

¹ There have been discussions regarding repairs to the road in front of the ISDA building, and that project will be re-solicited in the near future.



RECORD OF SURVEY FOR
DEPARTMENT OF AGRICULTURE
 LOCATED IN THE NE 1/4 OF THE NW 1/4 SECTION 13, T.3N., R.2E., B.M.,
 BOISE, ADA COUNTY, IDAHO
 2019

ROS NO. _____



LEGEND

- FOUND BRASS CAP MONUMENT
- SET 1/2 IRON PIN WITH CAP
- CALCULATED POINT
- PROPERTY BOUNDARY LINE
- SECTION LINE
- TIE LINE

CERTIFICATE OF LAND SURVEYOR

I, GREGORY G. CARTER, DO HEREBY CERTIFY THAT I AM A REGISTERED PROFESSIONAL LAND SURVEYOR, LICENSED BY THE STATE OF IDAHO, AND THAT THIS MAP HAS BEEN PREPARED FROM AN ACTUAL SURVEY MADE ON THE GROUND UNDER MY DIRECT SUPERVISION, AND THAT THIS MAP IS AN ACCURATE REPRESENTATION OF SAID SURVEY, AND IS IN CONFORMITY WITH THE CURRENT LAWS OF THE STATE OF IDAHO PERTAINING TO PLATS AND SURVEYS.

GREGORY G. CARTER



LICENSE NO. 7729

COUNTY RECORDER'S CERTIFICATE

INST. NO. _____
 STATE OF IDAHO, COUNTY OF ADA, ss.
 FILED FOR RECORD AT THE REQUEST OF _____
 _____ MIN. PAST _____ O'CLOCK _____ M. THIS _____ DAY OF _____ 2019
 _____, RECORDER
 BY _____ DEPUTY
 FEE \$ _____

RECORDING INDEX NUMBER: 321-13-4-1-0-00-000

IDAHO SURVEY GROUP, LLC
 9955 W. EMERALD ST.
 BOISE, IDAHO 83704
 (208) 846-8570

ATTACHMENT 2

IDAHO DEPARTMENT OF LANDS

DEPT. OF AGRICULTURE
 2.09 AC

QUARRY VIEW PARK

E. OLD PENITENTIARY ROAD

OLD PENITENTIARY ROAD

DEPARTMENT OF AGRICULTURE



SERVING IDAHO AGRICULTURE

ISDA LABS: WHAT WE DO

Laboratory
Analysis



Public Health.
Livestock Health.
Plant Health.

ISDA is the only lab in Idaho able to perform many livestock disease analyses, such as brucellosis testing



ISDA primarily provides regulatory testing which does not compete with private industry

Huge
Testing
Demand



Dairy: Up 31%
Bulls: Up 44%
Brucellosis: Up 642%

AND WHY IT MATTERS

60%

Livestock account for nearly 60% of Idaho's ag receipts

Idaho has 2.35 million head of cattle & 255,000 head of sheep



Agriculture accounts for 14% of Idaho's employment



Idaho agriculture & food processing are worth \$16 billion

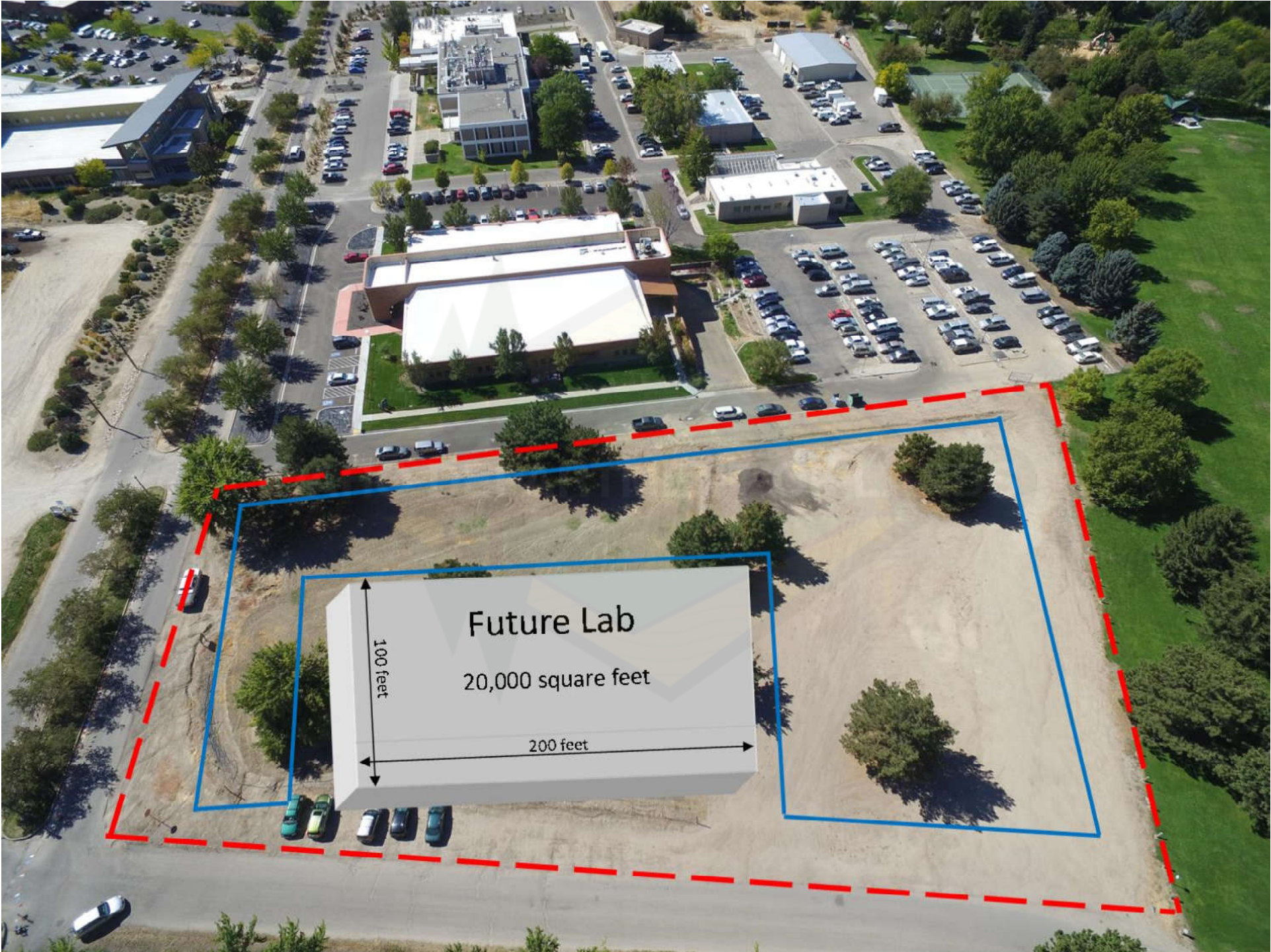


Agriculture accounts for 20% of all sales in Idaho

Idaho is the No. 3 dairy state in the U.S.



For more information, please contact Dan Salmi, Bureau of Labs Chief, at (208) 332-8526 or daniel.salmi@isda.idaho.gov.



TRANSFER OF LANDS
BETWEEN THE IDAHO STATE BOARD OF LAND COMMISSIONERS
AND THE IDAHO STATE DEPARTMENT OF AGRICULTURE

WHEREAS, this document is executed for the purpose of transferring jurisdiction and control of a parcel of land from the STATE BOARD OF LAND COMMISSIONERS (“BOARD”) for the use and benefit of the IDAHO STATE DEPARTMENT OF AGRICULTURE (“ISDA”);

WHEREAS, under Section 9 of the Idaho Admission Bill, the United States granted the State of Idaho certain lands located in Sections 12 and 13, Township 3 North, Range 2 East, Boise Meridian (“Penitentiary Reserve Lands”);

WHEREAS, ISDA is an agency of the State of Idaho with its headquarters and various laboratory buildings located at 2270 Old Penitentiary Road, Boise, Idaho. ISDA has identified the need for additional laboratory space and proposes to build a new building;

WHEREAS, Idaho Code Section 58-337 contemplates that the BOARD may relinquish control over all or a portion of the Penitentiary Reserve Lands and the Penitentiary Acquired Lands to other state agencies willing to assume control under the terms and conditions expressed in Idaho Code Section 58-337;

WHEREAS, the BOARD desires to relinquish its jurisdiction and control over a parcel, more particularly described herein, of the Penitentiary Reserve Lands to ISDA;

THEREFORE the purpose of this document is to confirm that jurisdiction and control of the described property is transferred to ISDA.

The execution of this document confirms that the following described real property has been transferred to the jurisdiction of the Idaho State Department of Agriculture, for the construction of and use of a laboratory building site for the following described real property, said property to remain the property of the State of Idaho, to-wit:

A parcel of land located in the NE 1/4 of the NW 1/4 of Section 13, T.3N., R.2E., B.M., Boise, Ada County, Idaho more particularly described as follows:

Commencing at the N1/4 corner of said Section 13 from which the W1/16 corner of said Section 13 bears North 89°32'47" West, 1330.33 feet;

thence along the North boundary line of said Section 13 North 89°32'47" West, 306.07 feet;

thence leaving said North boundary line South 0°00'00" East, 311.65 feet to the **REAL POINT OF BEGINNING;**

thence South 10°57'38" East, 365.59 feet;

thence South 66°12'51" West, 173.14 feet;

THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS



Idaho State Board of Land Commissioners

Brad Little, 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, Director and Secretary to the Board

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

Draft Minutes
State Board of Land Commissioners Regular Meeting
March 19, 2019

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, March 19, 2019, in the Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise, Idaho. The meeting began at 9:02 a.m. The Honorable Governor Brad Little 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, all Board members were present.

Director Miller announced a number of employees in attendance at the meeting as part of the Department's onboarding process for new hires, which is a quarterly event that includes observing the Land Board in action at a regular meeting. Director Miller asked the employees to stand and thanked them for being there.

1. Department Report – Presented by Dustin Miller, Director

Endowment Transactions

A. Timber Sales – February 2019

Discussion: Controller Woolf referred to the first table on page 1, noting that two of the three sales did not have any up-bid. Controller Woolf asked if that was due to current market conditions. Director Miller replied that it is a reflection of current market conditions; the Department expects prices to start picking up in the second quarter.

Governor Little asked who the purchaser was of the South Mountain Ton sale in Owyhee County. Attorney General Wasden observed that it is a proposed sale, not yet auctioned.

B. Leases and Permits – February 2019

Discussion: None.

Status Updates

C. Legislative Summary

Discussion: None.

D. VAFO Payette Lake

Discussion: Controller Woolf inquired if these three lots are the only lots that will be auctioned this summer at Payette Lake. Director Miller asked Sid Anderson to respond. Mr. Anderson indicated that these three are the leased lots in the voluntary auction. The Department will include some unleased lots as well; there are potentially five unleased sites that will be part of the 2019 Payette Lake auction.

Governor Little remarked that a 2% increase in lakefront property from 2012 to 2019 seems like fantasy and wondered if the 2012 value was too high, or the 2019 value was too low. Mr. Anderson noted the appraisal process for cottage sites has been difficult over the years and explained that in 2012 the Department used four different appraisers to value lots, whereas in 2019 a single appraiser was used, which may account for the disparity.

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

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

Discussion: Mr. Anton said the positive momentum that the capital markets experienced in January continued into February. The portfolio was up 2.3% for the month and is up 3.2% fiscal-year-to-date. Mr. Anton commented that while the global economy seems to be slowing, there is positive optimism that the efforts of central banks around the world are starting to bear fruit, and some growth will be seen later in the year, particularly in China and in Europe. The markets are generally moving sideways, but there is potential for growth in the second half of the year.

Mr. Anton explained that earnings reserve calculations are always a month in arrears; as of January 31st there was 5.8 years of reserves in the Public School endowment, and between 6.3-8 years of reserves in all the other endowments based on the FY20 distribution. Mr. Anton noted that with the gains in February, and so far in March, it is fair to conclude that reserves are now fully funded. Mr. Anton mentioned that at its February 13th meeting, the Investment Board discussed that the portfolio manager for Systematic Financial left the firm due to health reasons; the Investment Board authorized the commencement of a search. Two candidates, American Century and Sycamore, will give presentations to the Investment Board on Monday, March 25th, and soon a new mid-cap value manager will be selected.

Consent—Action Item(s)

3. Timber License Plate Fee Recommendation – Presented by Betty Munis, Director, Idaho Forest Products Commission

Recommendation: Direct the Department to proceed with the recommended educational projects developed jointly with the Idaho Forest Products Commission.

Discussion: Controller Woolf commented that currently there is \$41,000 in the fund, and asked for assurance that there will always be funds before the \$50,000 is expended. Ms. Munis stated that timber license plate money is swept into the fund each month as plates are sold; it is a continual cycle. Ms. Munis confirmed that no dollars will be spent before they are in the fund. Controller Woolf shared his understanding that this may be the last time Ms. Munis presents this request to the Board, due to future plans in the coming months. On behalf of the Board, Controller Woolf thanked Ms. Munis for her service and work for the Idaho Forest Products Commission. Ms. Munis said it has been a pleasure for the past 27 years to work with the State and the forest products industry. Superintendent Ybarra thanked Ms. Munis for her service on behalf of the students of Idaho. Superintendent Ybarra recognized Ms. Munis for her leadership in the Forest Products Commission, and remarked that the impact Ms. Munis has had on the economy, and all the education programs for the kids in Idaho, will have enduring effect. Ms. Munis thanked the Board and strongly encouraged everyone to consider purchasing timber license plates.

For the record, Governor Little requested that the Board vote on item 4 separately from the Consent agenda because it is an increase in taxes. Attorney General Wasden stated he would make a motion to remove it from the Consent agenda and place it on Regular agenda after presentation of the materials.

4. Forest Practices Act Annual Assessment Increase – Presented by Craig Foss, Division Administrator-Forestry and Fire

Recommendation: Approve increasing the Forest Practices annual assessment rate to \$0.13 per acre effective July 1, 2019.

Discussion: None.

Board Action: A motion was made by Attorney General Wasden that the Board amend the agenda to remove item 4 from the Consent agenda and consider it independently. Controller Woolf seconded the motion. Attorney General Wasden explained the reason for his motion is the Governor requested that item 4 be a separate vote, and the Attorney General also requests that it be separate. This item is for an increase in fees and it is appropriate for the Board to consider it separately from the Consent agenda. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

5. Approval of Minutes – February 19, 2019 Regular Meeting (Boise)

6. Approval of Minutes – March 4, 2019 Special Meeting (Boise)

Consent Agenda Board Action: A motion was made by Attorney General Wasden that the Board adopt and approve the Consent Agenda, with the exception of item 4, which has been removed for independent consideration. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

Regular—Action Item(s)

4. **Forest Practices Act Annual Assessment Increase** – *Presented by Craig Foss, Division Administrator-Forestry and Fire*

Board Action: A motion was made by Attorney General Wasden that the Board approve the Department recommendation to increase the Forest Practices annual assessment rate to \$0.13 per acre effective July 1, 2019. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

7. **Negotiated Rulemaking IDAPA 20.03.02, Rules Governing Exploration, Surface Mining, and Closure of Cyanidation Facilities** – *Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance*

Recommendation: Authorize the Department to proceed with negotiated rulemaking and development of a temporary rule for IDAPA 20.03.02 *Rules Governing Exploration, Surface Mining, and Closure of Cyanidation Facilities*.

Discussion: Attorney General Wasden expressed his understanding that this request is for conditional approval to go forward, because of the timing requirement in House Bill 141 proposing a temporary rule be in place by August 1st. The timing requirement cannot be met unless rulemaking is started now. Mr. Wilson indicated that in order to have meaningful public input from stakeholders, the Department has to start now. If for any reason the Senate does not pass House Bill 141, or the Governor does not sign it, then the Department will vacate the rulemaking and nothing will happen.

Controller Woolf asked if the Department has the bandwidth and time to accomplish this rulemaking in the time frame set forward in the schedule. Mr. Wilson stated that the Department will make the bandwidth. There are several parts of House Bill 141 that the Department has been wanting to get done for the last several years; not having the ability to require bonding for everything that is in a reclamation plan is a fundamental flaw in the current Surface Mining Act, so fixing that flaw is critical. Mr. Wilson noted that the bill also introduces the concept such as post-closure. The Department used to operate under the premise that a party could mine a site, reclaim it, and walk away. The Department now knows that is no longer the case. There are several mines in Idaho that have ongoing water treatment plants, and this concept of post-closure will allow the Department to require planning and bonding for those in the future. Mr. Wilson indicated the Department has two more rulemakings planned for this year. Other Department staff members will spearhead those, and Mr. Wilson said his task is to spearhead this rulemaking for IDAPA 20.03.02.

Board Action: A motion was made by Attorney General Wasden that the Board approve the Department recommendation, that is authorize the Department to proceed with negotiated rulemaking and development of a temporary rule for IDAPA 20.03.02 *Rules Governing Exploration, Surface Mining, and Closure of Cyanidation Facilities*. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

8. Approval to Auction Watertower Lots – Presented by Sid Anderson, Program Manager-Real Estate

Recommendation: Direct the Department to offer the seven Watertower Lots for disposition through public auction in Ada County.

Discussion: Superintendent Ybarra inquired about the original cost of the lots when the Department acquired them. Mr. Anderson replied that the lots were acquired in 2000 through a land exchange. The appraised value of the eleven lots acquired was \$1,722,000, which is an average of just over \$156,000 per lot. The average price of the seven lots being offered now is just over \$209,000 per lot.

Board Action: A motion was made by Attorney General Wasden that the Board approve the Department recommendation and direct the Department to offer the seven Watertower Lots for disposition through public auction in Ada County. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

At 9:41 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 74-206(1)(f) to communicate with legal counsel for the Land Board to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. Attorney General Wasden requested that a roll call vote be taken and that the Secretary record the vote in the minutes of the meeting. Controller Woolf seconded the motion. *Roll Call Vote:* Aye: Denney, Wasden, Woolf, Ybarra, Little; *Nay:* None; *Absent:* None.

Executive Session

- A. Idaho Code § 74-206(1)(f) – to communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. The mere presence of legal counsel at an executive session does not satisfy this requirement. [**Topic:** Lease M500031]

At 10:46 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 Item(s)

9. Lease M500031

Discussion: None.

Board Action: A motion was made by Attorney General Wasden that the Board authorize the Department and the Office of the Attorney General to meet with the relevant parties, which may include the current holder of Lease M500031, and the owners of the Tamarack Bay Condominiums, and their respective legal counsel, to see if it is possible to come to an acceptable negotiated resolution of this issue in accordance with the Land Board's fiduciary and constitutional responsibility, and to report to the Land Board at the next Land Board meeting. Controller Woolf seconded the motion. Governor Little asked if the Attorney General's motion states just two parties. Attorney General Wasden clarified that his motion says relevant parties, which includes the two named. The motion carried on a vote of 5-0.

A motion was made by Attorney General Wasden that the Department of Lands, in association with the Office of the Attorney General, examine the processes involved in granting Lease M500031, including its process of valuation for property, to determine how that process can be improved and in fulfilling the Board's fiduciary duty, and further that the Department report back to the Board within four months. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

There being no further business before the Board, at 10:50 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.



STATE BOARD OF LAND COMMISSIONERS

April 16, 2019
Regular Agenda

Subject

Department of Lands Fiscal Year 2020 (FY20) Timber Sales Plan

Question Presented

Shall the Board authorize the Department to proceed with implementation of the FY20 Timber Sales Plan.

Discussion

The proposed FY20 Timber Sales Plan, letters of transmittal, sales plan history chart, and public comment letters are attached (Attachments 1, 2, 3 and 4). The Timber Sales Plan outlines volume targets and likely harvest proposals.

The proposed FY20 Timber Sales Plan continues implementation of the Land Board approved 2009 Forest Asset Management Plan (FAMP).

The volume in the FY20 Timber Sales Plan is determined primarily by a 100-year sustained harvest forecast developed about ten years ago in the FAMP. The FAMP, which examines all aspects of future forest performance to set a reasonable long-term harvest level, will be fully updated by late 2019 and incorporated into an updated business plan in early 2020. However, before developing the FY20 Timber Sales Plan, the Department confirmed that the key assumptions in the 2009 forecast remain valid, but analyzed the most recent measurements from stand-based inventories and statewide continuous forest inventory plots. This analysis indicates the sustainable harvest levels for FY20 should be increased in anticipation of new harvest levels from the current modeling efforts. This data reflects current stand conditions, modeled growth and mortality, and timber harvest constraints.

Based on the most current information, the Department recommends that the annual sale level for FY20 be established as illustrated in the table on the left. The table on the right shows the harvest level of the 2009 FAMP at full implementation in FY13:

Supervisory Area	Annual Sale Volume FY20 Recommended	Supervisory Area	Annual Sale Volume FY13 Recommended
Priest Lake	21 MMBF	Priest Lake	16 MMBF
Pend Oreille Lake	26 MMBF	Pend Oreille Lake	23 MMBF
Mica	18 MMBF	Mica	16 MMBF
St. Joe	60 MMBF	St. Joe	50 MMBF
Ponderosa	45 MMBF	Ponderosa	42 MMBF
Clearwater	46 MMBF	Clearwater	40 MMBF
Maggie Creek	21 MMBF	Maggie Creek	30 MMBF
Payette Lakes	19 MMBF	Payette Lakes	17 MMBF
Southwest Idaho	10 MMBF	Southwest Idaho	8 MMBF
Eastern Idaho	5 MMBF	Eastern Idaho	5 MMBF
Total	271 MMBF	Total	247 MMBF

Because of unforeseen natural events like wildfires, wind throw, insect infestations and disease, volumes for individual supervisory areas may vary from year to year.

As part of the FY20 Timber Sales Plan, the Department will offer 17,225 cedar poles for sale, which are included in the total 271 MMBF sale volume. Approximately 7,725 cedar poles will be available for sale using the dual-entry method and approximately 9,500 cedar poles will be available using the single-entry method.

In addition to the 271 MMBF total sawlog and pole volume, the FY20 Timber Sales Plan includes an estimated 1,290 MBF of cedar products.

Additional cedar product and pulp volumes may be available for removal at the option of the sale purchaser or in accordance with Land Board policy.

Information regarding all potential FY20 sales was posted on the Department's public timber sale website from June 2018 to January 2019. The draft proposed FY20 Timber Sales Plan was posted for public review on the Department's public timber sale website on February 28, 2019. The Department received two written public comments to the Plan.

Recommendation

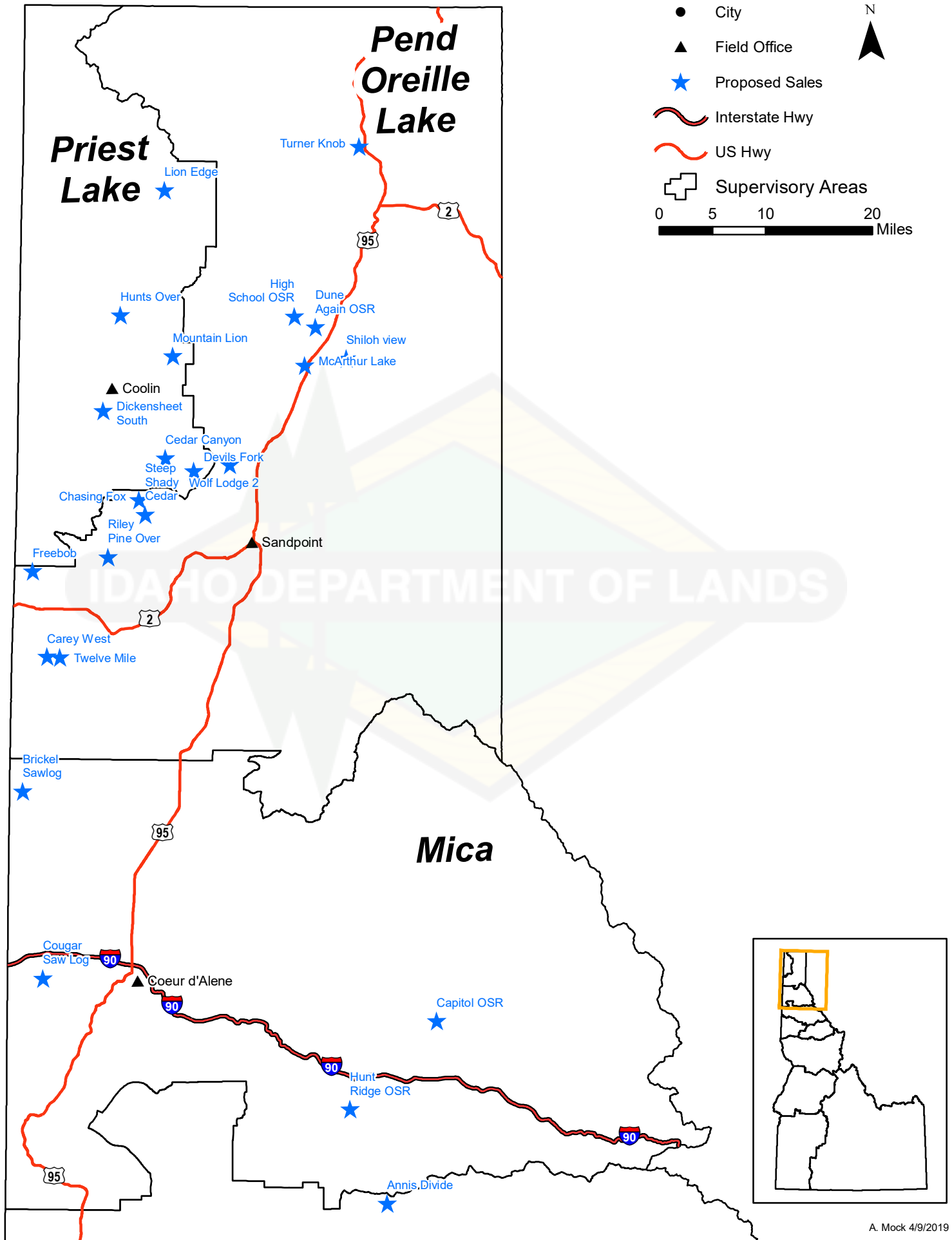
Direct the Department to proceed with implementation of the FY20 Timber Sales Plan.

Board Action

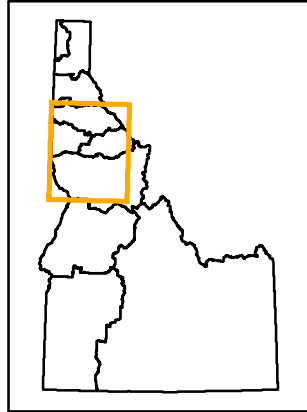
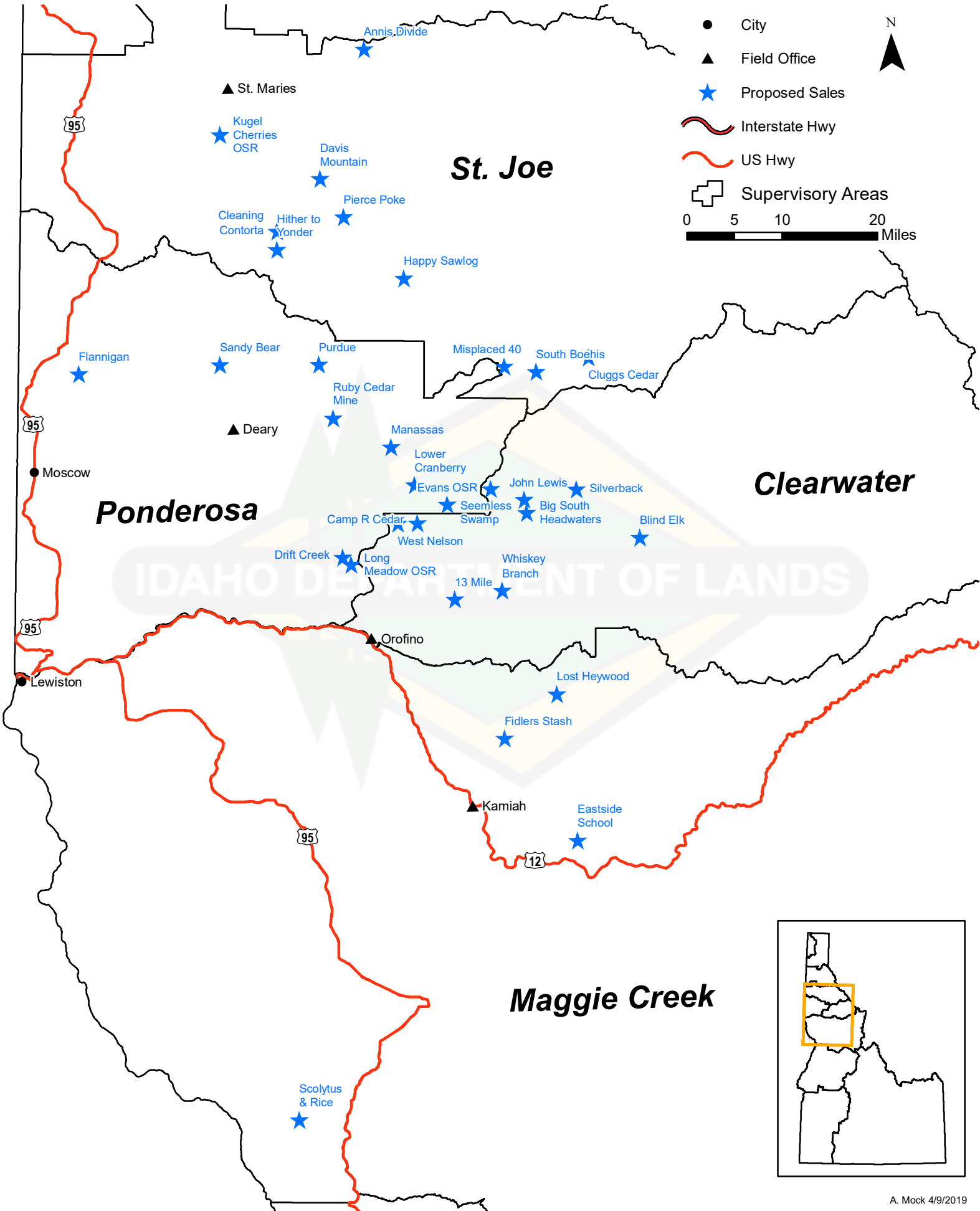
Attachments

1. Proposed FY20 Timber Sales Plan
2. Transmittal Letters
3. Sales Plan History Chart
4. Public Comment Letters

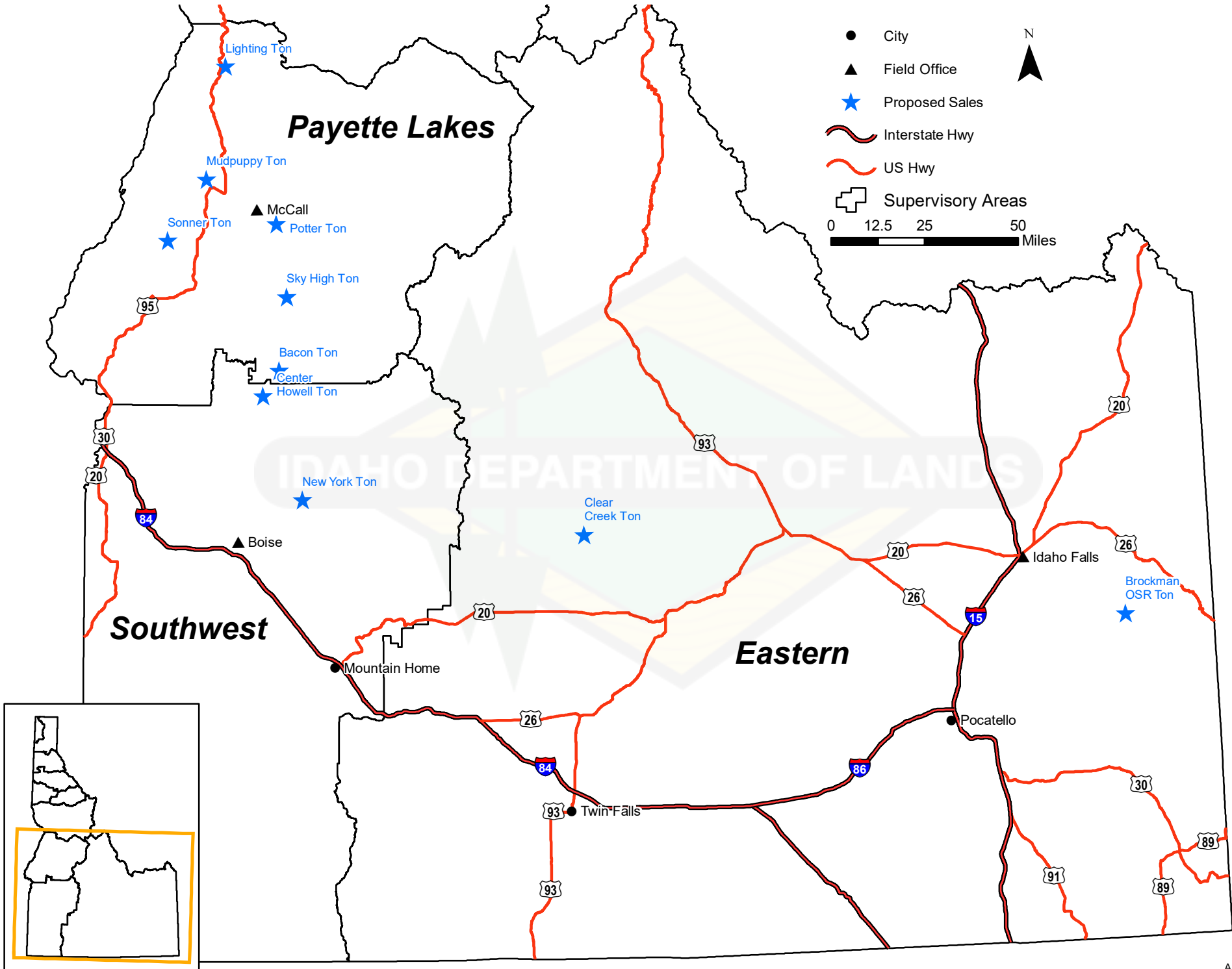
FY 2020 PROPOSED TIMBER SALES



FY 2020 PROPOSED TIMBER SALES



FY 2020 PROPOSED TIMBER SALES



THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Priest Lake
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
1	Lion Edge	Pts. Govt. Lot 1, Pts. S2NE	5	62N/3W	179	2,800 MBF
		Pts. SENW, Pts. N2SW	5	62N/3W		
		Pts. Govt. Lot 7, Pts. E2SE	6	62N/3W		
		Pts. Govt. Lot 1	7	62N/3W		
		Pts. S2SW, Pts. SWSE	3	62N/4W		
		Pts. NE, Pts. N2NW, Pts. SENW	11	62N/4W		
		Pts. N2N2, Pts. SWNW	12	62N/4W		

Estimated Auction: Summer 2019

This sale is located within the Lion Creek drainage approximately 20.0 air miles north of Coolin, Idaho in Bonner and Boundary Counties. Harvest prescription will be a combination of clearcut, shelterwood, overstory removal and small group selection methods. Both ground based and cable harvesting methods will be required for this sale. Developments will include 5.0 miles of secondary road reconstruction, and 0.5 mile of spur road reconstruction. Lion Creek is a Class I stream and is not within 75 feet of the sale area. There is another perennial Class I un-named stream adjacent to but not within the sale area. There are four intermittent Class II streams within the sale area.

2	Hunts Over	Pts. Govt. Lots 2, 3 & 4, Pts. SWNE	2	60N/4W	997	4,000 MBF
		Pts. S2NW, Pts. SW, Pts. W2SE	2	60N/4W		
		Pts. Govt. Lots 1, 5 & 8, Pts. SENE	3	60N/4W		
		Pts. Govt. Lots 1 & 2	10	60N/4W		
		Pts. NWNE, Pts. N2NW, Pts. SWNW	11	60N/4W		
		Pts. N2SE, Pts. SWSE	11	60N/4W		
		Pts. Govt. Lot 3	15	61N/4W		
		Pts. Govt. Lot 8	16	61N/4W		
		Pts. Govt. Lots 1, 3 & 4	21	61N/4W		
		Pts. E2NE, Pts. NESE, S2SE	21	61N/4W		
		Pts. SWNE, Pts. W2NW, Pts. SENW	22	61N/4W		
		Pts. SW, Pts. W2SE	22	61N/4W		
		Pts. S2SW	26	61N/4W		
		Pts. Govt. Lots 2, 3 & 4	34	61N/4W		
		Pts. SWNE, Pts. W2, Pts. W2SE	35	61N/4W		

Estimated Auction: Spring 2019

This sale is located within the Bear Creek, Horton Creek, Hunt Creek and South Fork Hunt Creek drainages approximately 8.0 air miles northeast of Coolin, Idaho in Bonner and Boundary Counties. The harvest prescription for this sale will be an overstory removal harvest. Ground based and cable yarding methods will be required on this sale. Developments will include 4.0 miles of spur road improvement and 13.0 miles of secondary road improvement. Bear Creek, Horton Creek, Hunt Creek and South Fork Hunt Creek are all Class I streams and are adjacent but not within 75 feet of the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Priest Lake Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
3	Mountain Lion	Pts. Govt. Lot 4, Pts. S2NE	19	60N/3W	421	5,300 MBF
		Pts. SENW, Pts. E2SW, Pts. SE	19	60N/3W		
		Pts. Govt. Lots 1 & 2, Pts. N2NE	30	60N/3W		
		Pts. E2NW	30	60N/3W		
		Pts. SESE	24	60N/4W		
		Pts. E2NE, Pts. SWNE, Pts. SENW	25	60N/4W		
		Pts. E2SW, Pts. SE	25	60N/4W		
		Pts. NWNE, Pts. S2NE, Pts. E2NW	36	60N/4W		

Estimated Auction: Spring 2019

This sale is located within the Soldier Creek and Cougar Creek drainages approximately 5.0 air miles northeast of Coolin, Idaho in Bonner and Boundary Counties. The harvest prescription will be a combination of shelterwood and seedtree. Ground based and cable yarding with multi-span capabilities will be required on this sale. Developments will include 0.2 mile of new spur road construction, 1.5 miles of spur road reconstruction, 3.0 miles of spur road improvement and 1.0 mile of secondary road improvement. Soldier Creek is a Class I stream and is adjacent to but not within 75 feet of the sale area. Cougar Creek is a Class II stream and is adjacent to the sale area but not within 30 feet of the sale.

4	Dickensheet South	Pts. NESE	20	59N/4W	250	2,900 MBF
		Pts. SENE, Pts. NW, Pts. S2	21	59N/4W		
		Pts. SWNW, Pts. SW, Pts. W2SE	22	59N/4W		

Estimated Auction: Spring 2019

This sale is located within the Priest River and Priest Lake drainage approximately 2.0 air miles south of Coolin, Idaho in Bonner County. A combination of seedtree, shelterwood and clearcut harvest prescriptions will be involved on this sale. Ground based yarding methods will be required. Developments will include 0.5 mile of spur road reconstruction and 0.5 mile of spur road improvement. There are no streams within or adjacent to the sale area.

5	Cedar Canyon (Single Entry)	Pts. SWSW	5	58N/3W	160	2,500 MBF 2,800 Poles
		Pts. S2NE, Pts. E2SW, Pts. SE	7	58N/3W		
		Pts. W2NW	8	58N/3W		
		Pts. SWSE	11	58N/3W		
		Pts. N2NE	14	58N/3W		
		Pts. W2NE, Pts. NENW	18	58N/3W		

Estimated Auction: Summer 2019

This sale is located within the North Fork East River drainage approximately 4.0 air miles southeast of Coolin, Idaho in Bonner County. A combination of seedtree and clearcut harvest prescriptions will be involved on this sale. Ground based and cable yarding methods will be required. Developments will include 2.0 miles of spur road reconstruction. The North Fork East River is a Class I stream and is adjacent but not within 75 feet of the sale area. There are a few Class II perennial streams adjacent but not within the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Priest Lake
Supervisory Area

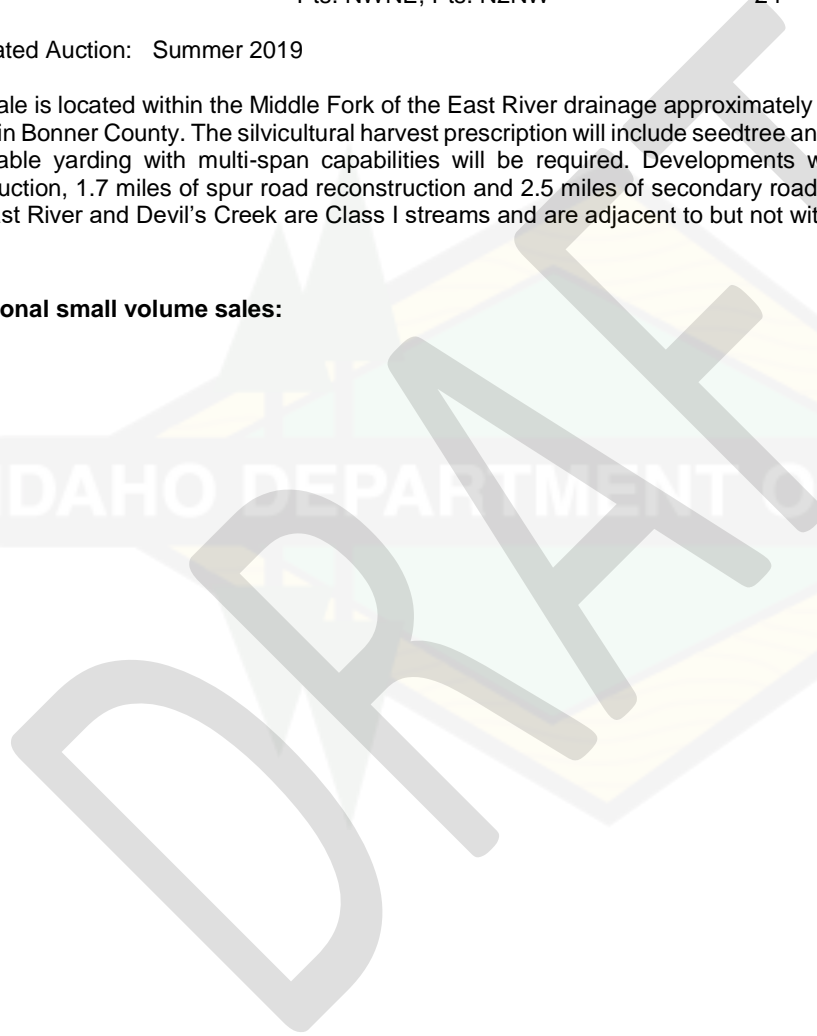
SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
6	Devils Fork	Pts. SESE	10	58N/3W	130	3,000 MBF
		Pts. SWSW	11	58N/3W		
		Pts. NW, Pts. SW, Pts. SWSE	13	58N/3W		
		Pts. NWNW, Pts. NESE, Pts. SESE	14	58N/3W		
		Pts. NENE	15	58N/3W		
		Pts. NWNE, Pts. N2NW	24	58N/3W		

Estimated Auction: Summer 2019

This sale is located within the Middle Fork of the East River drainage approximately 10.0 air miles southeast of Coolin, Idaho in Bonner County. The silvicultural harvest prescription will include seedtree and clearcut methods. Ground based and cable yarding with multi-span capabilities will be required. Developments will include 0.7 mile of spur road construction, 1.7 miles of spur road reconstruction and 2.5 miles of secondary road improvement. The Middle Fork of the East River and Devil's Creek are Class I streams and are adjacent to but not within 75 feet of the sale area.

Additional small volume sales:	<u>67</u>	<u>500 MBF</u>
	TOTALS:	2,204 21,000 MBF 2,800 Poles

IDAHO DEPARTMENT OF LANDS



IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Pend Oreille Lake
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
1	Steep Shady Cedar (Single Entry)	Pts. SWNW, Pts. SW, Pts. W2SE	1	57N/4W	100	2,000 MBF 4,000 Poles
		Pts. N2	12	57N/4W		

Estimated Auction: Summer 2019

This sale is located within the Big Creek drainage approximately 11.0 miles west of Sandpoint, Idaho in Bonner County. The harvest prescription for the sale area will be a combination of seedtree and clearcut. Ground based and cable yarding methods will be required. Developments will include 4.2 miles of secondary road opening and 2.0 miles of spur road opening. Class I and II streams are present.

2	Chasing Fox	Pts. Govt. Lots 3 & 4	1	57N/4W	300	4,500 MBF
		Pts. Govt. Lots 1-4, 7 & 8	2	57N/4W		
		Pts. Govt. Lots 3 & 4, Pts. SESW	31	58N/3W		
		Pts. S2SW, Pts. SE	36	58N/4W		

Estimated Auction: Spring 2020

This sale is located within the Fox Creek drainage approximately 12.0 miles west of Sandpoint, Idaho in Bonner County. The harvest prescription for the sale area will be a combination of seedtree and clearcut. Ground based and cable yarding methods will be required. Developments will include 5.3 miles of secondary road opening and 2.0 miles of spur road opening. Class I and II streams are present.

3	Carey West	Pts. NWNE, Pts. NWSE, Pts. W2	16	55N/4W	320	3,800 MBF
---	-------------------	-------------------------------	----	--------	-----	-----------

Estimated Auction: Fall 2019

This sale is located within the Hoodoo Creek drainage approximately 5.0 miles southeast of Priest River, Idaho in Bonner County. The harvest prescription for the sale area will be a combination of seedtree and clearcut. Ground based and cable yarding methods will be required. Developments will include 1.3 miles of secondary road opening and 2.2 miles of spur road opening. Class II streams are present.

4	Twelve Mile	Pts. S2SE	10	55N/5W	175	4,000 MBF
		Pts. W2	14	55N/5W		
		Pts. E2SE	15	55N/5W		
		Pts. NWSW, Pts. NW	23	55N/5W		

Estimated Auction: Winter 2020

This sale is located within the North Fork of the Curtis Creek drainage and an unnamed intermittent stream that dissipates at the valley floor 2.0 miles south of the Pend Oreille River approximately 5.0 miles south of Priest River, Idaho in Bonner County. The harvest prescription for the sale area will be a combination of seedtree, overstory removal, and clearcut. Ground based harvesting will be required. Developments will include 4.0 miles of spur road opening and 0.5 mile of new spur road construction. Class II streams are present.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Pend Oreille Lake
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
5	Freebob	Pts. SWNW, Pts. NWSW	5	56N/5W	190	1,400 MBF
		Pts. Govt. Lot 7, Pts. E2SW	6	56N/5W		
		Pts. SE	6	56N/5W		

Estimated Auction: Fall 2019

This sale is located within the Freeman Creek drainage approximately 6.0 miles northwest of Priest River, Idaho in Bonner County. The harvest prescription for the sale area will be a combination of seedtree and overstory removal. Ground based and cable yarding methods will be required. Developments will include 9.1 miles of spur and 3.8 miles of secondary road opening. Approximately 1.5 miles of new spur road will be constructed. Class II streams are present.

6	Riley Pine Over	Pts. SWSW	28	57N/4W	360	2,100 MBF
		Pts. E2SE	32	57N/4W		
		Pts. W2, Pts. W2SE	33	57N/4W		
		Pts. N2, Pts. NESW, Pts. SE	36	57N/4W		

Estimated Auction: Summer 2019

This sale is located within the Little Pine Creek and Riley Creek drainages. The sale area is approximately 8.0 miles north of Laclede, Idaho in Bonner County. The harvest prescription for the sale area will be a combination of overstory removal and clearcut. Ground based and cable yarding methods will be required. Developments will include 4.0 miles of spur road opening, 0.5 mile of spur road reconstruction, and 1.0 mile of secondary road reconstruction. Class I and II streams are present.

7	Turner Knob	Pts. NW, SWSE	16	63N/1E	130	700 MBF
---	--------------------	---------------	----	--------	-----	---------

Estimated Auction: Summer 2019

Portions of this sale are located within the Little Joe Creek drainage. The sale area is approximately 8.0 miles north of Bonners Ferry, Idaho in Boundary County. The harvest prescription for the sale area will be a combination of seedtree, overstory removal, and clearcut. Ground based harvesting will be required. Developments will include 0.2 mile of spur road opening and 0.2 mile of spur road reconstruction. Class II streams are present.

8	Dune Again OSR	Pts. E2E2, Pts. NWNE	11	60N/1W	240	1,150 MBF
		Pts. E2W2SE	11	60N/1W		

Estimated Auction: Fall 2019

This sale is located within the Fall Creek and Deep Creek drainages. The sale area is approximately 3.0 miles west of Naples, Idaho in Boundary County. The harvest prescription for the sale area will be overstory removal. The entire sale area is suitable for ground based harvesting. Developments will include 1.0 mile of spur road opening. There are no Class I or II streams within the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Pend Oreille Lake
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
9	High School OSR	Pts. Govt. Lots 2-4, Pts. SWNE	4	60N/1W	350	2,275 MBF
		Pts. S2NW, Pts. SW, Pts. W2SE	4	60N/1W		

Estimated Auction: Summer 2019

This sale is located within the Fall Creek drainage. The sale area is approximately 1.0 mile west of Naples, Idaho in Boundary County. The harvest prescription for the sale area will be overstory removal. Ground based harvesting will be required. Developments will include opening 1.6 miles of spur road and 3.5 miles of secondary road. Class II streams are present.

10	Shiloh View	Pts. Govt. Lots 1-3, Pts. E2NW	19	60N/1E	980	4,075 MBF
		Pts. NESW, Pts. S2SE	19	60N/1E		
		Pts. SWNE, Pts. SW, Pts. SE	28	60N/1E		
		Pts. SWNE, Pts. NWNW	29	60N/1E		
		Pts. S2NW, Pts. NESW, Pts. SE	29	60N/1E		
		Pts. E2NE, Pts. SESW	30	60N/1E		
		Pts. SE	30	60N/1E		
		Pts. Govt. Lots 1-3, Pts. N2NE	31	60N/1E		
		Pts. SWNE, Pts. E2NW	31	60N/1E		
		Pts. SESE	25	60N/1W		
		Pts. E2NE, Pts. NESE	36	60N/1W		

Estimated Auction: Winter 2020

This sale is located within the Trail Creek, Sand Creek, and Deep Creek drainages. The sale area is approximately 4.0 miles south of Naples, Idaho in Boundary County. The harvest prescriptions for the sale area will be seedtree and overstory removal. Ground based and cable yarding methods will be required. Developments will include opening 6.0 miles of spur road and 3.0 miles of secondary road. Approximately 1.5 miles of spur road will be reconstructed and 0.25 mile of spur road will be constructed. Class I and II streams are present.

Additional small volume sales:

0 0 MBF

TOTALS: 3,145 26,000 MBF
4,000 Poles

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Mica
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
1	Capitol OSR	Pts. Govt. Lots 1, 2 & 3	2	49N/2E	451	3,400 MBF
		Pts. S2NE	2	49N/2E		
		Pts. SENW, Pts. SWSW	2	49N/2E		
		Pts. Govt. Lots 1, 2, 3 & 7	3	49N/2E		
		Pts. NESW, Pts. S2NE	3	49N/2E		
		Pts. W2SE	3	49N/2E		
		Pts. SESE	3	49N/2E		
		Pts. N2NE	10	49N/2E		
		Pts. NWNW	11	49N/2E		
		Pts. Govt. Lot 9, Pts. SWSE	34	50N/2E		
		Pts. S2	35	50N/2E		

Estimated Auction: Summer 2019

This sale is located approximately 5.0 air miles northeast of Pinehurst, Idaho in the Thomas Creek, Falls Creek, and Smith Creek drainages. The harvest prescription is overstory removal. Both ground and cable based yarding will be utilized. Developments include opening approximately 20.0 miles of secondary road. Several Class II streams are present.

2	Hunt Ridge OSR	Pts. SENE, Pts. NESE	10	48N/1E	1,073	4,000 MBF
		Pts. S2SE	10	48N/1E		
		Pts.	14	48N/1E		
		Pts. N2NE, Pts. SENE, Pts. NW	16	48N/1E		
		Pts. W2SW, Pts. NESE	16	48N/1E		
		Pts. E2SE	17	48N/1E		
		Pts. S2	20	48N/1E		

Estimated Auction: Spring 2020

This sale is located approximately 4.0 air miles southwest of Kingston, Idaho in the Cataldo Gulch, Hunt Gulch, Skeel Gulch, and Little Baldy Creek drainages. The harvest prescriptions consist of overstory removal and clearcut harvests. Both ground and cable based yarding will be utilized. Developments include opening approximately 14.0 miles of mainhaul and approximately 15.0 miles of spur roads. There are several Class I and II streams within or adjacent to the sale area.

3	Wolf Lodge 2	W2NW	16	50N/2W	358	3,000 MBF
		W2SW	16	50N/2W		
		Pts. SE	16	50N/2W		
		Pts. NWNE	16	50N/2W		
		Pts. SENE	16	50N/2W		

Estimated Auction: Winter 2020

This sale is located approximately 7.0 air miles east of Coeur d'Alene, Idaho in the Wolf Lodge Creek drainage. The harvest prescriptions consist of overstory removal and clearcut harvests. Both ground and cable based yarding will be utilized. Developments include approximately 0.62 mile of new spur road construction and approximately 5.0 miles of spur road opening. There is a Class I stream adjacent to the sale area and several Class II streams within the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Mica
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
4	Cougar Saw Log	Pts. S2NW	16	50N/5W	237	2,000 MBF
		Pts. SW	16	50N/5W		
		Pts. NWSE	16	50N/5W		
		Pts. SWNE	16	50N/5W		

Estimated Auction: Winter 2020

This sale is located approximately 5.0 air miles south of Post Falls, Idaho in the Cougar Creek drainage. The harvest prescriptions consist of overstory removal, clearcut and seedtree harvests. Both ground and cable based yarding will be utilized. Developments include 1.5 miles of spur road opening, 0.4 mile of spur road reconstruction and 0.8 mile of new spur road construction. There is a Class I stream adjacent to the sale area and several Class II streams within the sale area.

5	Brickel Sawlog	Pts. SW	17	53N/5W	636	5,600 MBF
		Pts. Govt. Lot 7, Pts. SESE	18	53N/5W		
		Pts. Govt. Lots 1 & 2, Pts. NENE	19	53N/5W		
		Pts. SENW	19	53N/5W		
		Pts. N2NW	20	53N/5W		
		Pts. Govt. Lots 2, 3 & 4	13	53N/6W		
		Pts. SWNE, SENW, E2SW, SE	13	53N/6W		
		Pts. Govt. Lot 1	24	53N/6W		
		Pts. N2NE, Pts. NENW	24	53N/6W		

Estimated Auction: Summer 2019

This sale is located approximately 7.0 air miles west of Athol, Idaho in the Brickel Creek drainage. The harvest prescription consist of seedtree and clearcut harvest. Both ground and cable based yarding will be utilized. Developments include approximately 1.62 miles of new spur road, 0.74 mile of reconstructed spur road and approximately 31.86 miles of road opening. Several Class II streams are within the sale boundary.

Additional small volume sales: 0 0 MBF

TOTALS: 2,755 18,000 MBF

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Mica
Supervisory Area

Idaho Department of Fish and Game

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE ACREAGE	VOLUME
	McArthur Lake	Pts. SESE	27	60N/1W	48	795 MBF
		Pts. N2SE	34	60N/1W		
		Pts. SWNE	34	60N/1W		
		Pts. NENE	34	60N/1W		

Estimated Auction: Spring 2020

This sale is located approximately 13.0 air miles south of Bonners Ferry, Idaho in the Deep Creek drainage on Idaho Department of Fish and Game Ownership within the McArthur Lake Wildlife Management Area. The harvest prescriptions consist of group selection, single tree selection and shelterwood harvests. Ground based yarding will be utilized. Developments include approximately 0.1 mile of temporary road construction. Deep Creek, a Class I stream, is located adjacent to the sale area but not within the 75 foot stream protection zone.

IDAHO DEPARTMENT OF LANDS

DRAFT

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

St. Joe
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
1	South Boehls	Pts. SW	36	41N/3E	513	6,325 MBF
		Pts. NENW, Pts. S2S2	13	41N/4E		0 MBF
		Pts. SENE	14	41N/4E		Cedar
		Pts. N2SENE	23	41N/4E		Products
		Pts. N2N2	24	41N/4E		
		Pts. N2SWNE	24	41N/4E		
		Pts. N2SENE	24	41N/4E		
		Pts. N2SWNW	24	41N/4E		
		Pts. N2SENE	24	41N/4E		
		Pts. N2SWNW	24	41N/4E		
		Pts. N2SENE	24	41N/4E		
		Pts. Govt. Lots 1 & 2	19	41N/5E		
Pts. NWNWNE	19	41N/5E				
Pts. NENW	19	41N/5E				

Estimated Auction: Fall 2019

This sale is located approximately 14.0 miles northeast of Elk River, Idaho, in the Little North Fork Clearwater River and Breakfast Creek drainage. Overstory removal harvest prescriptions are planned. Ground based skidding and cable yarding will be required. Developments include approximately 0.01 mile of spur road construction, approximately 6.0 miles of spur road reconstruction, and 1.5 miles of existing road opening. Class II streams are present within the sale area.

2	Kugel Cherries OSR	Pts. Govt. Lots 1 & 2	6	44N/1W	607	5,565 MBF
		Pts. S2NE	6	44N/1W		70 MBF
		Pts. SENW	6	44N/1W		Cedar
		Pts. NWSE	6	44N/1W		Products
		Pts. W2NE	16	45N/2W		
		Pts. E2NW	16	45N/2W		
		Pts. N2SW	16	45N/2W		
		Pts. N2SE, Pts. SESE	16	45N/2W		
		Pts. All	36	46N/3W		

Estimated Auction: Summer 2019

Units 1 and 2 are located approximately 4.5 miles southwest of St. Maries, Idaho, unit 3 is located approximately 5.0 miles southwest of St. Maries, Idaho, and units 4 and 5 are located 9.0 miles south of St. Maries, Idaho. The sale is in the Cherry Creek and Lower St. Maries River drainages. Clearcut and overstory removal harvest prescriptions are planned. Both ground based skidding and cable yarding will be required. Development include approximately 0.2 mile of secondary road construction, approximately 0.45 mile of secondary road reconstruction, and 29.2 miles of existing road opening. Class II streams are present within the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

St. Joe
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE ACREAGE	APPROXIMATE VOLUME
3	Hither to Yonder	Pts.	1	43N/1W	292	7,500 MBF 100 MBF Cedar Products
		Pts.	2	43N/1W		
		Pts.	4	43N/1W		
		Pts.	5	43N/1W		
		Pts.	8	43N/1W		
		Pts.	9	43N/1W		
		Pts.	10	43N/1W		
		Pts.	11	43N/1W		
		Pts.	14	43N/1W		
		Pts.	15	43N/1W		
		Pts.	16	43N/1W		
		Pts.	17	43N/1W		
		Pts.	21	43N/1W		
		Pts.	22	43N/1W		
		Pts.	24	43N/1W		
		Pts.	25	43N/1W		
		Pts.	26	43N/1W		
		Pts.	27	43N/1W		
		Pts.	28	43N/1W		
		Pts.	36	43N/1W		
		Pts.	16	44N/1W		
		Pts.	20	44N/1W		
		Pts.	21	44N/1W		
Pts.	26	44N/1W				
Pts.	35	44N/1W				
Pts.	36	44N/1W				

Estimated Auction: Spring 2020

This sale is located approximately 2.0 miles southwest of Fernwood, Idaho in the Tyson Creek drainage. Shelterwood and clearcut harvest prescriptions are planned. Ground based skidding and cable yarding will be required. Development include approximately 2.0 miles of secondary road construction, approximately 1.0 mile of secondary road reconstruction, and 3.0 miles of existing road opening. Class II streams are present within the sale area.

4	Cluggs Cedar (Single Entry)	Pts. E2	11	41N/5E	146	8,320 MBF 90 MBF Cedar Products 3,500 Poles
		Pts. S2NE, Pts. S2NW	12	41N/5E		
		Pts. S2	12	41N/5E		
		Pts. N2	13	41N/5E		

Estimated Auction: Spring 2020

This sale is located approximately 26.0 air miles southeast of Clarkia, Idaho, in the Little North Fork Clearwater River drainage. Seedtree and clearcut harvest prescriptions are planned. Ground based skidding and cable yarding will be required. Developments include approximately 2.0 miles of secondary road new construction and 4.0 miles of secondary road opening. Class II streams are present within the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

St. Joe
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
5	Happy Sawlog	Pts. E2NE	34	43N/2E	154	6,220 MBF
		Pts. SENE	34	43N/2E		60 MBF
		Pts. SENW	34	43N/2E		Cedar
		Pts. NESE	34	43N/2E		Products
		Pts. SWNW	35	43N/2E		
		Pts. SW	35	43N/2E		

Estimated Auction: Spring 2020

This sale is located approximately 3.0 miles northeast of Clarkia, Idaho, in the Flewsie Creek, Merry Creek, and Titley Creek drainages. Overstory removal and clearcut harvest prescriptions are planned. Ground based skidding and cable yarding will be required. Developments include approximately 2.0 miles of existing road opening. Class I and Class II streams are present within the sale area.

6	Cleaning Contorta	Pts. Govt. Lots 1-4	4	43N/1W	95	1,670 MBF
		Pts. S2NE	4	43N/1W		40 MBF
		Pts. S2NW	4	43N/1W		Cedar Products

Estimated Auction: Summer 2019

This sale is located approximately 3.0 miles west of Fernwood, Idaho, in the North Fork of Tyson Creek and Tyson Creek drainages. Seedtree and clearcut harvest prescriptions are planned. Ground based skidding and cable yarding will be required. Developments include approximately 1.0 mile of existing road opening. Class II streams are present within the sale area.

7	Annis Divide	Pts. Govt. Lots 1 & 2	36	47N/1E	161	3,780 MBF
		Pts. NE, Pts. N2SE	36	47N/1E		450 MBF Cedar Products

Estimated Auction: Summer 2019

This sale is located approximately 10.0 miles northwest of Calder, Idaho, in the Trout Creek drainage. Shelterwood and clearcut harvest prescriptions are planned. Ground based and cable yarding will be required. Developments include approximately 0.45 mile of secondary road construction and approximately 2.1 miles of secondary road reconstruction. Class II streams are present within the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

St. Joe
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
8	Misplaced 40	Pts. Govt. Lots 2, 3 & 4	1	41N/4E	300	6,150 MBF 220 MBF Cedar Products
		Pts. SWNE, Pts. S2NW	1	41N/4E		
		Pts. SW	8	41N/4E		
		Pts. SWNE, Pts. SENW	16	41N/4E		
		Pts. SW, Pts. E2SE	16	41N/4E		
		Pts. E2SE	17	41N/4E		
		Pts. Govt. Lots 3 & 4, Pts. S2NW	1	42N/4E		
		Pts. SW	1	42N/4E		
		Pts. SENE	2	42N/4E		
		Pts. NW, Pts. N2SW	13	42N/4E		
		Pts. SE	13	42N/4E		
		Pts. NW, Pts. S2SE	23	42N/4E		
		Pts. W2	25	42N/4E		
		Pts. N2NE	26	42N/4E		
		Pts. S2SW	36	42N/4E		
		Pts. E2SW, Pts. SE	19	42N/5E		
		Pts. NWNE, Pts. NENW	30	42N/5E		

Estimated Auction: Fall 2019

This sale is located approximately 40.0 miles southeast of Clarkia, Idaho, in the Floodwood Creek and Stony Creek drainages. Sale Units may be a combination of clearcut, overstory removals and shelterwood harvest prescriptions. Cable yarding and ground based skidding will be required. Developments include approximately 3.0 miles of mainhaul road surfacing with surfacing shot and crushed by the purchaser out of the Scott Road rock pit, and approximately 8.0 miles of secondary road opening. Class I and Class II streams are present within the sale areas.

9	Davis Mountain	Pts. SW, Pts. W2SE	5	44N/1E	350	11,490 MBF 70 MBF Cedar Products
		Pts. SESE	6	44N/1E		
		Pts. Govt. Lots 1 & 2	7	44N/1E		
		Pts. E2NW, Pts. E2NE, Pts. NESE	7	44N/1E		
		Pts. W2NE, Pts. NW, Pts. N2SW	8	44N/1E		
		Pts. E2, Pts. E2NW	12	44N/1W		

Estimated Auction: Summer 2019

This sale is located approximately 4.0 miles northeast of Santa, Idaho, in the Renfro Creek drainage. A shelterwood harvest prescription is planned. Ground based skidding and cable yarding will be required. Developments include approximately 5.2 miles of secondary road construction and 9.0 miles of existing road opening. Class I and II streams are present within the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Clearwater Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
1	13 Mile	Pts. W2NW	15	37N/3E	207	7,000 MBF
		Pts. NENE, Pts. S2NE	16	37N/3E		
		Pts. SENW, Pts. NESW	16	37N/3E		
		Pts. S2SW, Pts. SE	16	37N/3E		
		Pts. NE, Pts. N2NW	21	37N/3E		
		Pts. SENW	21	37N/3E		
		Pts. W2NW	22	37N/3E		

Estimated Auction: Spring 2020

This sale is located approximately 13.0 miles northeast of Orofino, Idaho, in the Whiskey Creek drainage. The sale will be a combination of a seedtree and clearcut removal prescriptions. Tractor and cable yarding methods will be required on this sale. Developments include 5.0 miles of existing spur road opening, 0.30 mile of spur road reconstruction and 5.04 miles of new spur road construction. There are several Class II streams within the sale area and one Class I stream (Whiskey Creek) south of the sale area.

2	Blind Elk	Pts. NE, SENW, N2SW	14	38N/6E	189	2,840 MBF
		Pts. SESW, NWSE	14	38N/6E		
		Pts. W2NE, E2NW	33	38N/6E		

Estimated Auction: Summer 2019

This sale is located 7.0 miles east of Headquarters, Idaho in the Breakfast Creek and West Fork of Elk Creek drainages. The silvicultural prescriptions for the sale area are overstory removal and shelterwood harvests. Tractor yarding will be required on this sale. Developments include approximately 6.5 miles of spur road reconstruction and opening. Several Class II streams are within the sale area.

3	John Lewis	Pts. S2NW, Pts. N2SW	24	39N/4E	251	7,600 MBF
		Pts. W2NW, Pts. NWSW	25	39N/4E		
		Pts. NE, Pts. NWSE	26	39N/4E		
		Pts. N2SW, Pts. SESW	27	39N/4E		
		Pts. NWSE, Pts. S2SE	27	39N/4E		
		Pts. NE	34	39N/4E		
		Pts. W2NW	35	39N/4E		

Estimated Auction: Summer 2019

This sale is located 7.0 miles northwest of Headquarters, Idaho in the Feary Creek drainage. Seedtree, clearcut and overstory removal prescriptions are proposed for the sale area. Tractor and cable yarding will be required on this sale. Developments include approximately 0.46 mile of new spur road construction, 0.48 mile of existing spur road reconstruction and 3.48 miles of road opening. Several Class II streams are present within the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Clearwater Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
4	Big South Headwaters	Pts. Gov't. Lot 4	2	38N/4E	230	4,400 MBF
		Pts. W2NE, Pts. SENE	35	39N/4E		
		Pts. W2, Pts. W2SE	35	39N/4E		

Estimated Auction: Spring 2020

This sale is located approximately 6.0 air miles northwest of Headquarters, Idaho in the South Fork of Big Creek drainage. A combination of seedtree and clearcut prescriptions will be utilized. Tractor and cable yarding will be required on this sale. Developments include approximately 2.0 miles of new spur road construction, 1.0 mile of spur road reconstruction, and 1.3 miles of spur road opening. Several Class II streams flow within the sale area. The uppermost Class I reach of the South Fork of Big Creek is adjacent to a portion of this proposed sale.

5	Lower Cranberry	Pts. SENW, Pts. SW	13	38N/2E	238	7,300 MBF
		Pts. NWSE	13	38N/2E		
		Pts. N2SWSE	13	38N/2E		
		Pts. SESE	14	38N/2E		
		Pts. E2NE	23	38N/2E		
		W2E2NW, W2NW	24	38N/2E		

Estimated Auction: Fall 2019

This sale is located 11.0 miles northeast of Orofino, Idaho in the Cranberry Creek drainage. Clearcut and seedtree prescriptions will be utilized. Tractor and cable yarding will be required on this sale. Developments include approximately 0.76 mile of spur road opening, 0.55 mile of new spur road construction and 1.91 miles of spur road reconstruction. Several Class II streams exist adjacent to and within the sale area. An unnamed Class I stream runs adjacent to the northern sale boundary.

6	Silverback	Pts. NE	22	39N/5E	185	6,500 MBF
		Pts. NW/NW, Pts. S2NW	23	39N/5E		
		Pts. E2SW	23	39N/5E		

Estimated Auction: Spring 2020

This sale is located 5.0 miles north of Headquarters, Idaho in the Beaver Creek drainage. Clearcut and shelterwood silvicultural prescription will be utilized. Tractor, cable and downhill cable yarding will be required on this sale. Developments include approximately 0.7 mile of new spur road construction and 6.72 miles of spur road reconstruction. Several Class II streams lie within the sale boundary.

7	Camp R Cedar (Dual Entry)	Pts. S2NE, Pts. SW, Pts. SE	1	38N/2E	502	1,830 MBF 5,650 Poles
		Pts. NESE	2	38N/2E		
		Pts. N2, Pts. NESW, Pts. NWSE	12	38N/2E		

Estimated Auction: Summer 2019

This sale is located approximately 11.0 air miles northeast of Orofino, Idaho. Sale will utilize a seedtree silvicultural prescription. Tractor and cable yarding will be required on this sale. Developments include approximately 5.75 miles of road opening. There are several intermittent Class II streams within the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Clearwater
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
8	Whiskey Branch	Pts. NESW, Pts. S2SW	9	37N/4E	105	2,900 MBF
		Pts. NW	16	37N/4E		
		Pts. NE, Pts. NESE	17	37N/4E		

Estimated Auction: Fall 2019

This sale is located approximately 14.0 air miles northeast of Orofino, Idaho in the Whiskey Creek drainage. Seedtree and clearcut prescriptions are proposed for the sale area. Tractor and cable yarding will be required on this sale. Developments include approximately 2.7 miles of secondary road opening, 0.2 mile of new spur road construction, and 1.4 miles of spur road opening. Several Class II streams and draws are present within the sale area and one Class I stream (Whiskey Creek) is adjacent to the northern boundary of the sale.

9	Evans OSR	Pts. E2SE	19	39N/4E	224	1,630 MBF
		Pts. NE	20	39N/4E		
		Pts. S2NW, Pts. SW	20	39N/4E		
		Pts. NWSE	20	39N/4E		

Estimated Auction: Fall 2019

This sale is located 7.0 miles northwest of Headquarters, Idaho in the Lewis Creek drainage. The silvicultural prescription for the entire sale area is an overstory removal. Tractor and cable yarding will be required on this sale. Developments include approximately 3.25 miles of spur road opening. Several Class II streams are present within the sale boundary.

10	West Nelson	Pts. SW, Pts. NWSE	3	38N/2E	214	4,000 MBF
		Pts. SESE	4	38N/2E		
		Pts. NWNE, Pts. S2NE	9	38N/2E		
		Pts. N2SE	9	38N/2E		
		Pts. N2NW, Pts. SWNW	10	38N/2E		

Estimated Auction: Spring 2020

This sale is located approximately 12.0 air miles north of Orofino, Idaho in unnamed drainages that flow directly into Dworshak Reservoir. Sale will utilize a seedtree silvicultural prescription. Tractor and cable yarding will be required. Developments include approximately 1.07 miles of new spur road construction. Three Class II streams flow either common to the sale boundary or through the sale area.

Additional small volume sales: 0 0 MBF

TOTALS: 2,345 46,000 MBF
5,650 Poles

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Ponderosa Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
1	Long Meadow OSR	Pts. Govt. Lots 2, 3 & 4	2	38N/1E	655	1,930 MBF
		Pts. SWNE	2	38N/1E		
		Pts. S2NW, Pts. N2SW	2	38N/1E		
		Pts. Govt. Lots 3 & 4	19	38N/1E		
		Pts. SE	24	38N/1E		
		Pts. Govt. Lots 2, 3 & 4	31	38N/1E		
		Pts. SE	35	38N/1E		
		Pts. NE, Pts. S2NW	36	38N/1E		
		Pts. SW, Pts. N2SE	36	38N/1E		

Estimated Auction: Summer 2019

This sale is located approximately 11.0 air miles northeast of Southwick, Idaho in the North Fork of Dick's Creek and Long Meadow Creek drainages. This sale will be harvested utilizing an overstory removal silvicultural prescription. Ground based and cable yarding methods are required to harvest this sale. Developments include approximately 4.90 miles of spur road opening. There are several Class II streams within and adjacent to the sale area, all of which are tributaries to Dworshak Reservoir.

2	Drift Creek	Pts. SENE, Pts. E2SE	21	38N/1E	355	8,710 MBF
		Pts. SWNW, Pts. NWSW	22	38N/1E		
		Pts. SESW	27	38N/1E		
		Pts. NE, Pts. NESE, Pts. S2SE	33	38N/1E		
		Pts. NW, W2SW, NESE	34	38N/1E		

Estimated Auction: Summer 2019

This sale is located approximately 7.0 air miles east of Southwick, Idaho in the Drift Creek and South Fork of Dick's Creek drainages. This sale will be harvested utilizing seedtree and clearcut silvicultural prescriptions. Ground based and cable yarding methods are required to harvest this sale. Developments include approximately 0.46 mile of spur road construction and approximately 4.85 miles of spur road opening. The sale has several Class II streams within and adjacent to the sale area, all of which are tributaries to Dworshak Reservoir.

3	Flannigan	Pts.	24	41N/5W	480	4,900 MBF
---	------------------	------	----	--------	-----	-----------

Estimated Auction: Spring 2019

This sale is located approximately 3.0 miles south of Pottlatch, Idaho in the Flannigan Creek and Rock Creek drainages. This sale will be harvested utilizing overstory removal and clearcut silvicultural prescriptions. Ground based yarding methods will be required to harvest this sale. Developments include approximately 2.81 miles of secondary road opening and 2.15 miles of secondary road reconstruction. The sale is adjacent to a Class I stream and there are several intermittent Class II streams within the sale area, all of which are tributaries to Flannigan Creek and Rock Creek.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Ponderosa Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
4	Manassas	Pts. SE	28	40N/2E	290	8,490 MBF
		Pts. NE, Pts. E2NW	33	40N/2E		
		Pts. NESW, Pts. SE	33	40N/2E		

Estimated Auction: Spring 2019

This sale is located approximately 2.0 air miles west of Elk River, Idaho in the Bull Run Creek, Lindley Creek, and Shattuck Creek drainages. This sale will be harvested utilizing seedtree, overstory removal, and clearcut silvicultural prescriptions. Ground based and cable yarding methods are required to harvest this sale. Developments include approximately 2.50 miles of spur road construction and 1.75 miles of spur road opening. The sale has several Class II streams within and adjacent to the sale area, all of which are tributaries to Dworshak Reservoir.

5	Ruby Cedar Mine (Dual Entry)	Pts. SESW, Pts. SWSE	9	40N/1E	80	1,055 MBF 2,075 Poles
		Pts. Govt. Lot 1	16	40N/1E		
		Pts. W2NE, Pts. SENE	16	40N/1E		
		Pts. NENW, Pts. NWSE	16	40N/1E		

Estimated Auction: Summer 2019

This sale is located approximately 4.0 air miles southeast of Bovill, Idaho in the Ruby Creek drainage. This sale will harvest pole quality cedar and cedar sawlog. Ground based and cable yarding methods are required to harvest this sale. Developments include approximately 0.86 mile of spur road new construction, 1.10 miles of spur road reconstruction, and 4.75 miles of spur road opening. The sale is adjacent to Class I streams and has several Class II streams within and adjacent to the sale area, all of which are tributaries to East Fork of the Potlach River.

6	Sandy Bear	Pts. NW, Pts. NWSW	15	41N/2W	315	5,650 MBF
		Pts. Govt. Lot 1-4, Pts. S2NE	16	41N/2W		
		Pts. SENW	16	41N/2W		
		Pts. N2S2	16	41N/2W		
		Pts. E2SW, Pts. W2SE	20	41N/2W		
		Pts. E2NW	29	41N/2W		

Estimated Auction: Summer 2019

This sale is located approximately 6.5 air miles northwest of Deary, Idaho in the Little Bear Creek and Little Sand Creek drainages. This sale will be harvested utilizing clearcut and overstory removal silvicultural prescriptions. Ground based and cable yarding methods are required to harvest this sale. Developments include approximately 0.1 mile of spur road new construction, 3.10 miles of spur road reconstruction and approximately 500 feet of spur road surfacing. There are Class II streams within each unit of the sale area, and the Little Sand Creek Class I stream is directly adjacent to one unit.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

		Ponderosa Supervisory Area			APPROXIMATE	
SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	ACREAGE	VOLUME
7	Seemless Swamp	Pts. W2NE, Pts. SENE, Pts. SENW	28	39N/3E	298	7,900 MBF
		Pts. SW, N2SE, Pts. SWSE	28	39N/3E		
		Pts. N2NW, Pts. SWNW, Pts. NWSW	33	39N/3E		
		Pts. Govt. Lots 8 & 9, Pts. E2SW	30	39N/4E		
		Pts. Govt. Lot 3, Pts. NWNE	31	39N/4E		
		Pts. NENW	31	39N/4E		

Estimated Auction: Spring 2020

This sale is located approximately 8.0 air miles southeast of Elk River, Idaho in the Swamp Creek, Meadow Creek, Baldy Bear Creek, and Bishop Creek drainages. This sale will be harvested utilizing seedtree, overstory removal, and clearcut silvicultural prescriptions. Ground based and cable yarding methods are required to harvest this sale. Developments include approximately 1.30 miles of spur road construction, 1.26 miles of spur road reconstruction, 8.60 miles of spur road opening, and 0.30 mile of spur road surfacing. The sale has several Class II streams within and adjacent to the sale area, all of which are tributaries to Dworshak Reservoir.

8	Purdue	Pts. NWNE, Pts. NW, Pts. SE	17	41N/1E	425	6,100 MBF
		Pts Govt. Lot 2	18	41N/1E		
		Pts. N2, Pts. NWSE	18	41N/1E		

Estimated Auction: Spring 2019

This sale is located approximately 2.5 air miles north of Bovill, Idaho in the Nat Brown and Purdue Creek drainages. This sale will be harvested utilizing clearcut and overstory removal silvicultural prescriptions. Ground based and cable yarding methods are required to harvest this sale. Developments include approximately 1.50 miles of spur road construction, 1.90 miles of spur road reconstruction, and 0.75 mile of spur road opening. The sale is adjacent to Class I streams and has Class II streams within and adjacent to the sale area, all of which are tributaries to the East Fork of the Potlatch River.

Additional small volume sales: 100 265 MBF

TOTALS: 2,998 45,000 MBF
2,075 Poles

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Maggie Creek Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE ACREAGE	APPROXIMATE VOLUME
1	Fidlers Stash	Pts. W2NE, Pts. SENE	33	35N/4E	155	1,000 MBF
		Pts. E2NW, Pts. N2SE	33	35N/4E		

Estimated Auction: Fall 2019

This sale is located 3.0 miles southwest of Weippe, Idaho in the Incendary Creek drainage and in the drainage of an un-named Class II tributary of Lolo Creek. In order to meet silvicultural objectives, timber harvest will include one shelterwood unit. Harvesting will be accomplished with ground based yarding methods. Developments will include approximately 1.0 mile of spur road reconstruction and 0.60 mile of spur road opening. Two Class II intermittent steams exist within the sale area.

2	Eastside School	Pts. S2SW	23	33N/5E	262	6,700 MBF
		Pts. NWNW	26	33N/5E		
		Pts. NENE	27	33N/5E		
		Pts. E2, Pts. SENW, Pts. E2SW	36	34N/5E		

Estimated Auction: Summer 2019

This sale is located 7.0 miles northeast of Kooskia, Idaho in the Maggie Creek and Suttle Creek drainages. In order to meet silvicultural objectives, timber harvest will include a clearcut and seedtree prescriptions. Tractor yarding will be required. Development work includes approximately 1.5 miles of secondary new road construction and 0.3 mile of spur road reconstruction. There are no Class I streams adjacent or in the sale area. There are Class II streams within the sale area.

3	Lost Heywood	Pts. Govt. Lot 4	4	35N/5E	482	12,000 MBF
		Pts. Govt. Lots 1-3, Pts. SWNE	5	35N/5E		
		Pts. NE, Pts. S2NW, Pts. SW, SE	32	35N/5E		
		Pts. S2NW, Pts. N2SW, Pts. SWSW	33	36N/5E		

Estimated Auction: Winter 2020

This sale is located approximately 4.0 miles northeast of Weippe, Idaho in the Heywood Creek drainage. Seedtree and shelterwood prescriptions are planned with this sale. Harvesting operations will be accomplished using ground based systems. Developments include approximately 2.8 miles of spur new road construction, 0.75 mile of spur road reconstruction, and 2.3 miles of spur road opening. Three Class II intermittent streams are present within the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Maggie Creek
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
4	Scolytus & Rice	Pts. S2SE	14	28N/1W	319	1,300 MBF
		Pts. N2NE, Pts. SENE, Pts. NESE	23	28N/1W		
		Pts. NWSW, Pts. S2SW	24	28N/1W		
		Pts. NW	25	28N/1W		

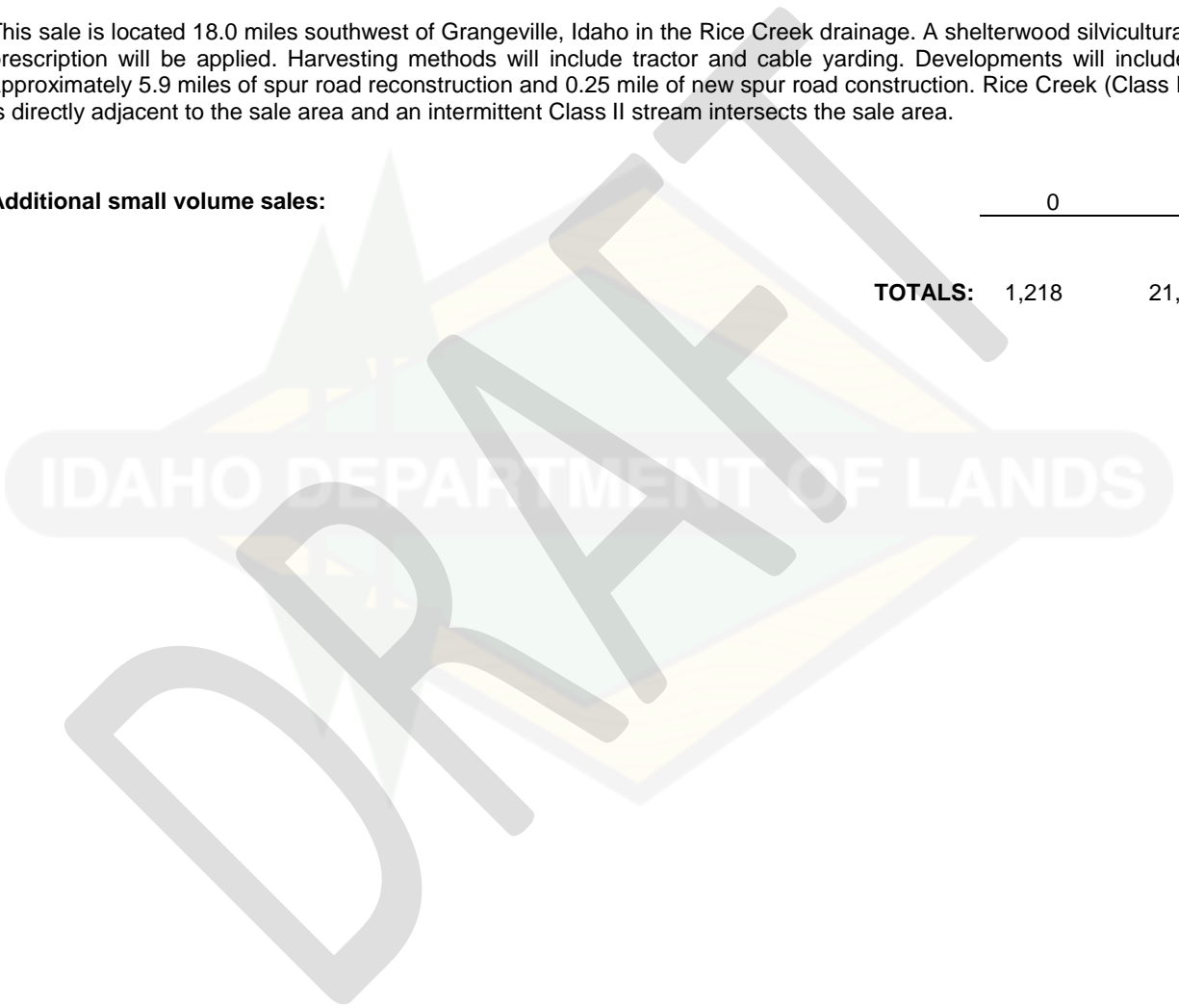
Estimated Auction: Fall 2019

This sale is located 18.0 miles southwest of Grangeville, Idaho in the Rice Creek drainage. A shelterwood silvicultural prescription will be applied. Harvesting methods will include tractor and cable yarding. Developments will include approximately 5.9 miles of spur road reconstruction and 0.25 mile of new spur road construction. Rice Creek (Class I) is directly adjacent to the sale area and an intermittent Class II stream intersects the sale area.

Additional small volume sales:

0 0 MBF

TOTALS: 1,218 21,000 MBF



IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Payette Lakes
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
1	Sky High Ton	Pts.	2	14N/4E	190	11,910 Tons (2,105 MBF)
		Pts.	3	14N/4E		
		Pts.	10	14N/4E		
		Pts.	11	14N/4E		

Estimated Auction: Spring 2020

This sale is located about 7.0 miles northeast of Cascade, Idaho in the Beaver Creek drainage. The silvicultural prescription is seedtree. The sale will be harvested using skyline and ground based harvesting methods. Developments include approximately 9.7 miles of spur road and 5.0 miles of secondary road opening. All streams in the sale area are Class II.

2	Bacon Ton	Pts.	16	11N/4E	640	11,320 Tons (2,000 MBF)
---	------------------	------	----	--------	-----	----------------------------

Estimated Auction: Spring 2020

This sale is located about 16.0 miles south southeast of Cascade, Idaho in the Bacon Creek drainage. The silvicultural prescription will be a combination of clearcut, seedtree and group/individual tree selection. The sale will be harvested using skyline and ground based harvesting methods. Developments include approximately 6.5 miles of spur road opening and 9.8 miles of spur road reconstruction. A portion of Bacon Creek is Class I. The remainder of the streams in the sale area are Class II.

3	Sonner Ton	Pts.	20	17N/2W	407	27,245 Tons (5,280 MBF)
		Pts.	21	17N/2W		
		Pts.	27	17N/2W		
		Pts.	28	17N/2W		
		Pts.	29	17N/2W		

Estimated Auction: Fall 2019

This sale is located approximately 7.0 miles northwest of Council, Idaho in the Sonner, Hanson and Lakey Creek drainages. The silvicultural prescription is seedtree. The sale will be harvested using skyline and ground based harvesting methods. Developments include approximately 4.6 miles of main road and 5.8 miles of spur road opening, 2.3 miles of spur road reconstruction and 1.2 miles of spur road construction. Class II streams are present on the sale area.

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Payette Lakes Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE ACREAGE	APPROXIMATE VOLUME
4	Potter Ton	Pts.	31	18N/4E	503	26,000 Tons
		Pts.	32	18N/4E		(4,600 MBF)

Estimated Auction: Fall 2019

This sale is located approximately 6.0 miles southeast of McCall, Idaho in the Louie Creek and Boulder Creek drainage. The silvicultural prescription will be a shelterwood and clearcut harvest. All of the sale volume will be harvested with ground based equipment. Developments include approximately 12.4 miles of spur road reconstruction, 0.11 mile of spur road construction, 0.09 mile of spur road abandonment, and 0.88 mile of secondary road opening. Approximately 0.26 mile of spur road is planned to be surfaced with pit run rock. All perennial and intermittent streams are Class II within the sale area.

5	Lightning Ton	Pts.	36	25N/1E	190	5,933 Tons (1,050 MBF)
----------	----------------------	------	----	--------	-----	---------------------------

Estimated Auction: Fall 2019

This sale is located approximately 3.0 miles northeast of Riggins, Idaho in the Lightning Creek drainage. A shelterwood harvest prescription will be implemented on the sale. The sale will be harvested using skyline and ground based harvesting methods. Developments include approximately 7.13 miles of spur road reconstruction. Portions of two intermittent Class II streams are located within the sale area.

6	Mudpuppy Ton	Pts.	31	20N/1E	330	18,617 Tons (3,295 MBF)
----------	---------------------	------	----	--------	-----	----------------------------

Estimated Auction: Spring 2020

This sale is located approximately 6.0 miles northwest of New Meadows, ID in the Mud Creek drainage. A clearcut, seedtree, and overstory removal silvicultural prescriptions will be implemented on the sale. Tractor harvesting systems will be used on the entire sale. Developments include approximately 6.05 miles of spur road reconstruction and 0.5 mile of spur road construction. Portions of three Class II streams are located within the sale area.

Additional small volume sales:	144	4,415 Tons (670 MBF)
---------------------------------------	-----	-------------------------

TOTALS:	2,404	105,440 Tons (19,000 MBF)
----------------	-------	------------------------------

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Southwest
Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
1	Center Howell Ton	Pts.	10	10N/3E	408	33,000 Tons (6,000) MBF
		Pts.	15	10N/3E		
		Pts.	16	10N/3E		
		Pts.	21	10N/3E		
		Pts.	22	10N/3E		
		Pts.	23	10N/3E		
		Pts.	24	10N/3E		
		Pts.	25	10N/3E		
		Pts.	26	10N/3E		
		Pts.	27	10N/3E		

Estimated Auction: Spring 2020

This sale is located approximately 8.0 miles south of Smiths Ferry, Idaho in the headwaters of the Howell Creek drainage and unnamed tributaries in the North Fork Payette River drainage. Clearcut harvest prescriptions are necessary and planned for in all 5 units. Tractor, off road jammer, and skyline cable yarding harvest systems are required. Developments include approximately 0.93 mile of secondary road construction, 0.44 mile of spur road construction, 1.66 miles of secondary road reconstruction, 4.76 miles of spur road reconstruction, and 12.69 miles of road opening. Class II streams are present within the sale area.

2	New York Ton	Pts. SW1/4	3	5N/5E	750	26,000 Tons (4,000) MBF
		Pts.	4	5N/5E		
		Pts. E1/2	8	5N/5E		
		Pts.	9	5N/5E		
		Pts. NWNW1/4	10	5N/5E		

Estimated Auction: Spring 2020

This sale is located approximately 3.0 miles southwest of Idaho City, Idaho in the Mores Creek drainage. The sale will be a mark to cut selective harvest prescription. Tractor, off road jammer and skyline cable harvest systems are required. Developments include approximately 1.31 miles of spur road construction, 1.70 miles of spur road reconstruction, 5.46 miles of spur road opening, and 7.29 miles of secondary road opening. Some sale units are adjacent to Mores Creek, a Class I stream. Class II streams are present within the sale area.

Additional small volume sales:

0 0 MBF

TOTALS: 1,158 59,000 Tons
(10,000 MBF)

IDAHO DEPARTMENT OF LANDS FY20 TIMBER SALE PLAN

July 1, 2019 – June 30, 2020

Eastern Supervisory Area

SALE NO.	SALE NAME	SUBDIVISION	SEC	T & R	APPROXIMATE	
					ACREAGE	VOLUME
1	Brockman OSR Ton	Pts. Govt. Lot 7, Pts. SESW	3	2S/42E	505	13,500 Tons (2,000 MBF)
		Pts. SWSE	3	2S/42E		
		Pts. N2, Pts. E2SW, Pts. SE	10	2S/42E		
		Pts. NW, Pts. S2SW	11	2S/42E		
		Pts. NWNNE, Pts. NW	14	2S/42E		
		Pts. N2NE, Pts. SENE	15	2S/42E		

Estimated Auction: Spring 2020

This sale is located 25.0 air miles southeast of Idaho Falls, Idaho in both the Sawmill and Lava Creek drainages. Harvest prescription will be an overstory removal. Tractor skidding will be utilized. Developments include approximately 6.0 miles of spur road opening and improvement. There are no Class I streams within the sale boundary. There are several Class II streams within the sale boundary.

2	Clear Creek Ton	Pts. Govt. Lot 2	31	04N/18E	200	6,750 Tons (1,000 MBF)
		Pts. S2NE, Pts. S2	36	04N/17E		

Estimated Auction: Spring 2020

This sale is located 1.0 air mile southwest of Ketchum, Idaho in the Clear Creek drainage and flows into Comstock Ditch. Harvest prescription will be a shelterwood treatment. Tractor skidding will be utilized. Developments include approximately 1.5 miles of spur road construction. There are no Class I or Class II streams within the sale boundaries.

3	Sawmill OSR Ton	Pts. Govt. Lots 1, 2 & 3	14	02S/42E	420	13,500 Tons (2,000 MBF)
		Pts. S2N2, Pts. N2S2	14	02S/42E		
		Pts. NENE	15	02S/42E		
		Pts. N2	23	02S/42E		
		Pts. NW	24	02S/42E		

Estimated Auction: Spring 2020

This sale is located 30.0 air miles southeast of Idaho Falls, Idaho in both the Sawmill and Brockman Creek drainages. Harvest prescription will be an overstory removal. Tractor skidding will be utilized. Developments include approximately 5.0 miles of spur road opening and improvement. There are no Class I streams within the sale boundary. There are several Class II streams within the sale boundary.

Additional small volume sales: 0 0 MBF

TOTALS: 1,125 33,750 Tons
(5,000 MBF)

**ADMINISTRATION
DIRECTOR'S OFFICE**
300 North 6th St Suite 103
Post Office Box 83720
Boise ID 83720-0050
Phone (208) 334-0200
Fax (208) 334-2339



DUSTIN T. MILLER, DIRECTOR
EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF LAND COMMISSIONERS
Brad Little, Governor
Lawrence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D Woolf, State Controller
Sherri Ybarra, Sup't of Public Instruction

Date

Ed Schriever, Director
Idaho Department of Fish & Game
600 S. Walnut
P. O. Box 25
Boise, ID 83707

Dear Ed:

The Department of Lands Timber Sales Plan for fiscal year 2020 is now available for your review on the Idaho Department of Lands timber sale website at:

<http://web.idl.idaho.gov/timbersale/Search.aspx>

If any sales on the proposed sales plan are of particular interest to you, please contact the appropriate Idaho Department of Lands Supervisory Area for information. Please advise me if you have any comments. Thank you.

Sincerely,

Dustin T. Miller
Director

**ADMINISTRATION
DIRECTOR'S OFFICE**

300 North 6th St Suite 103
Post Office Box 83720
Boise ID 83720-0050
Phone (208) 334-0200
Fax (208) 334-2339



DUSTIN T. MILLER, DIRECTOR
EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF LAND COMMISSIONERS
Brad Little, Governor
Lawrence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D Woolf, State Controller
Sherri Ybarra, Sup't of Public Instruction

Date

Gary Spackman, Director
Idaho Department of Water Resources
322 East Front Street
P. O. Box 83720
Boise, Idaho 83720-0098

Dear Gary:

In accordance with Section 58-404, Idaho Code, please consider this letter notification that the Department of Lands Timber Sales Plan for fiscal year 2020 is available for your review on the Idaho Department of Lands timber sale website:

<http://web.idl.idaho.gov/timbersale/Search.aspx>

Please advise whether, from the standpoint of water conservation, you have any objections to the timber being sold as proposed. All work will be completed in accordance with the Idaho Forest Practices Act, the Stream Channel Protection Act and the IDWR/IDL Memorandum of Understanding dated November 7, 2007. Thank you for your attention to this matter.

Sincerely,

Dustin T. Miller
Director

**ADMINISTRATION
DIRECTOR'S OFFICE**

300 North 6th St Suite 103
Post Office Box 83720
Boise ID 83720-0050
Phone (208) 334-0200
Fax (208) 334-2339



DUSTIN T. MILLER, DIRECTOR
EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF LAND COMMISSIONERS
Brad Little, Governor
Lawrence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D Woolf, State Controller
Sherri Ybarra, Sup't of Public Instruction

Date

Janet Gallimore, Executive Director
Idaho State Historical Society
2205 Old Penitentiary Rd
Boise, ID 83712-8250

Dear Janet:

The Department of Lands Timber Sales Plan for fiscal year 2020 is now available for your review on the Idaho Department of Lands timber sale website:

<http://web.idl.idaho.gov/timbersale/Search.aspx>

Our timber sales staff has already notified your office of the location of these sales during the public advertisement and review process. Individual sale maps will be posted to the IDL timber sale website as they are prepared.

Sincerely,

Dustin T. Miller
Director

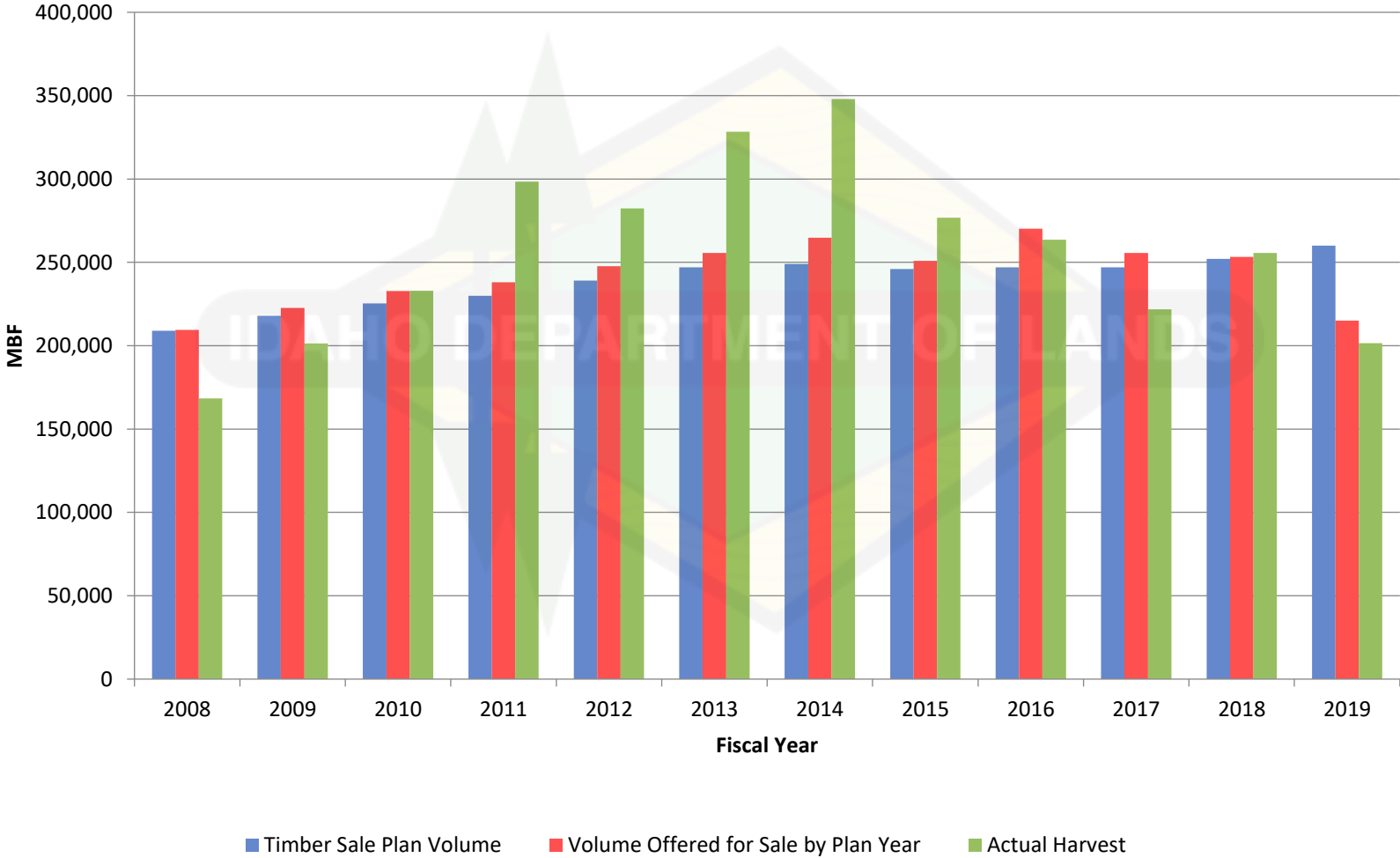
THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS

IDL Timber Sale Plan Performance

FY 2008-2010 Sawlog Volume Only
FY 2011-2019 Sawlog plus Pole Volume

FY19 results through
March 31, 2019



THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS



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

Phone: (208) 875-1121

Fax: (208) 875-0191

March 19,2019

Tony Brede
Timber Sale Program Manager
Idaho Department of Lands
3284 West Industrial Loop
Coeur d' Alene, ID 83544

Tony,

Bennett Lumber Products Inc. has reviewed and strongly supports the 2020 Proposed IDL Timber Sale Plan. Bennett Lumber directly employs over 160 employees and also contracts numerous logging, construction and trucking firms. Like other sawmills in the area, Bennett Lumber is an important part of the local economy and tax base.

A large portion of the sawlog volume brought into our facility each year originates from Idaho Department of Lands Timber Sales. The IDL Timber Sale Program is a critical component of Bennett Lumber's supply base and long term viability. We appreciate the efforts of the Idaho Department of Lands in supplying raw materials to the timber industry and the resulting support of our schools and other endowments.

Sincerely,

A handwritten signature in blue ink that reads "Tom Biltonen". The signature is written in a cursive style.

Tom Biltonen
Resource Manager
Bennett Lumber Products Inc.



March 20, 2019 P.O. Box 108 MOYIE SPRINGS, ID 83845 IDAHOFORESTGROUP.COM 208.267.3166

Tony Brede
Timber Sale Program Manager
Idaho Dept. of Lands
3284 W. Industrial Loop
Coeur d' Alene, ID.
83815

Re: Idaho Dept. of Lands Fiscal Year 2020 Timber Sale Program

Dear Tony,

On behalf of Idaho Forest Group, I offer the following comments to the proposed FY '20 IDL timber sale program:

IFG Timber and Idaho Forest Group are the largest holder of IDL timber sale contracts. We count on the continued success of the IDL timber sale program to fulfill a large portion of our agency timber portfolio. The Idaho Dept. of Lands continues to manage their timber lands in an efficient and cost effective manner generating a continual income to fund Idaho's school endowment while improving forest health, growth and yield. We continue to view our relationship with The Idaho Dept. of Land's as one of mutual respect; both for the moneys we bid and the services we and our contractors provide. As has been stated in the past, we wish federal land managers; with their abundant land base and stagnant and diseased timber stands would follow your methodology and efficiency for getting projects implemented and completed.

In looking at the 4 Northern Supervisory areas: Priest Lake, Pend Oreille, Mica, Ponderosa and St. Joe, it is gratifying to see that the sale volume and targets set are increasing in both pace and scale compared to even 3 years ago. The target for the F.Y. '20 program of approx.. 170 MMBF is 17% higher than the proposal just 3 years ago. Tony, this is outstanding and why Idaho Forest Group continues to support and applaud the IDL for their efforts towards healthier and resilient forests in Idaho. For the 4 Southern regions in which we continue to be competitive bidders: Clearwater, Maggie Ck., Southwest and Payette Lakes, planned sell targets have increased by approx.. 10% over the same time period; again – outstanding work.

Both our lumber producing infrastructure and the timber harvesting and hauling infra-structure depend on these vital and predictable harvest levels to maintain viability AND to make economic investments for the future. There are many who depend on your timber for their success and at Idaho Forest Group, we continue to offer any assistance we may to assist the IDL. It is for this very reason we are so supportive of the GNA work done in Idaho.

We realize that timber harvest may be contentious at times given the many uses and benefits derived from endowment lands as any proposed management can be. However, the IDL and it's forestry staff have a proven record of designing solid projects that can be implemented in an efficient manner with little or no impedance to those other uses and benefits. Bid stumpage rates on IDL sales when compared to federal stumpage bids are evidence enough of this reality.

As I have stated above, we at IFG realize the sensitivity of timber harvest operations on endowment lands as viewed by the public who also use those lands. That is why we continue to strive for professionalism in our road building, logging, hauling and slash disposal contractors to execute IDL contracts in a timely, orderly and professional manner. We feel that our relationship with the IDL continues to be paramount in our mutual success which can be measured by a high level of generated revenues, efficient completion of projects and continuous and predictable harvest levels.

Thank you very much for the opportunity to comment on the FY '20 Idaho Dept. of Lands proposed timber sale program.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy P. Dougherty", is written over a faint, large watermark of a mountain peak.

Timothy P. Dougherty - Agency Resource Manager

STATE BOARD OF LAND COMMISSIONERS

April 16, 2019
Regular Agenda

Subject

Negotiated rulemaking for IDAPA 20.03.04 *Rules for the Regulation of Beds, Waters, and Airspace Over Navigable Lakes in the State of Idaho.*

Question Presented

Shall the Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.04 *Rules for the Regulation of Beds, Waters, and Airspace Over Navigable Lakes in the State of Idaho.*

Background

The Idaho Department of Lands (Department) regulates encroachments on navigable lakes pursuant to Title 58, Chapter 13, Idaho Code, and IDAPA 20.03.04. Funding for the management of navigable waterways comes from fees and rent charged by the Department for the use of these lands.

Discussion

The Department is seeking approval from the Land Board to initiate the negotiated rulemaking process to increase certain encroachment permit application fees. The Department recently reviewed costs associated with processing encroachment permit applications and found that some application fees do not cover the costs for processing applications. The Department would like to consider raising fees for these particular applications to ensure costs are fully covered.

The table below shows the three types of applications with fees that currently do not cover the average processing cost to the Department. The table also shows the maximum amount that may be charged for these applications under Idaho Code § 58-1307, and the proposed fee changes. While the proposed fees are somewhat more than the average application processing cost, slightly higher fees will help cover the cost of hearings and compliance actions sometimes required with these types of permits.

Application Type	Current Fee	Cost to Process	Statutory Max	Proposed Fee
Dock permit <i>Single-family and two-family</i>	\$300	\$423	\$500	\$425
Water intake line permit	\$300	\$345	\$3,500	\$425
Assignment	\$150	\$275	n/a	\$300

Attachment 1 is a draft timeline for the rulemaking with planned negotiated rulemaking meeting locations throughout the state.

During negotiated rulemaking, the Department would like to discuss whether the fee schedule will remain in the rules, or be removed to allow fees to be set by the Land Board. Idaho Code § 58-127 authorizes the Land Board to set fees for all Department transactions. Therefore, removing fees from the rules would not transfer any additional authority to the Land Board.

In addition, the Department is seeking to better align neighbor notification language in the rules with statute. If the plans for a single-family or two-family dock show possible infringement on a neighbor's littoral rights, statute requires the applicant to either secure the consent of the neighbor or provide notice via certified or registered mail. However, the rules only allow consent of the neighbor. During negotiated rulemaking, the Department would like to discuss simplifying the permitting process for applicants by requiring the Department to provide notice of an encroachment permit application to adjacent littoral owners for every encroachment permit application.

Recommendation

Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.04 *Rules for the Regulation of Beds, Waters, and Airspace Over Navigable Lakes in the State of Idaho*.

Board Action

Attachments

1. Rulemaking draft timeline

Draft 20.03.04 Negotiated Rulemaking Schedule

<u>DATE</u>	<u>EVENT</u>
March 15, 2019	Submit ARRF to Division of Financial Management
April 16, 2019	Request Land Board approval to conduct negotiated rulemaking
May 3, 2019	Submit <i>Notice of Intent</i> to Office of the Administrative Rules Coordinator (OAR) for publication in June Administrative Bulletin
June 5, 2019	Bulletin publication date (draft rule text posted to IDL website)
June 12, 2019	Negotiated rulemaking meeting in Pocatello (with call-in line)
June 17, 2019	Negotiated rulemaking meeting in Sandpoint (with call-in line)
June 18, 2019	Negotiated rulemaking meeting in Coeur d'Alene (with call-in line)
June 19, 2019	Negotiated rulemaking meeting in McCall (with call-in line)
June 20, 2019	Negotiated rulemaking meeting in Boise (with call-in line)
July 12, 2019	Last day to submit comments prior to submittal of proposed rules
July 19, 2019	Submit proposed rule text to Division of Financial Management
August 2, 2019	Submit <i>Notice of Proposed Rule</i> to OAR for publication in September Administrative Bulletin
September 4, 2019	Proposed rule published in the Administrative Bulletin and 21-day comment period begins
September 16, 2019	Public hearing in Boise (with call-in line)
September 25, 2019	21-day comment period ends
October 15, 2019	Present pending rule to Land Board for approval
November 1, 2019	Submit <i>Notice of Pending Rule</i> to OAR for publication in December Administrative Bulletin and review during the 2020 legislative session

THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

April 16, 2019
Regular Agenda

Subject

Negotiated rulemaking for IDAPA 20.03.03 *Rules Governing Administration of the Reclamation Fund*.

Question Presented

Shall the Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.03 *Rules Governing Administration of the Reclamation Fund*.

Background

The Idaho Department of Lands (Department) administers Idaho's Reclamation Fund (Fund) pursuant to Title 47, Chapter 18, Idaho Code, and IDAPA 20.03.03. The Fund is a type of state bond pool that was created in 2002 to provide an alternative form of performance bond or financial assurance as required by Idaho mining regulations. The Fund is to be used by the Department to complete reclamation in the event an operator is unable to so.

Discussion

The Department is seeking approval from the Land Board to initiate the negotiated rulemaking process. There are three main reasons for this request.

First, rulemaking is needed to address legislation that was passed during the 2019 session, which updated definitions and terminology in Idaho's mining regulations: Title 47, Chapter 15, Idaho Code. These rules, IDAPA 20.03.03, cite Title 47, Chapter 15, Idaho Code, and use definitions and terminology that were changed or no longer exist. This rulemaking will update the rules to better align with statute.

Second, current rules limit participation in the Fund to operations with 40 acres of total disturbance and set the total reclamation liability limit at \$100,000. This liability limit was set in 2004 when the rules were initially created, and as reclamation costs have increased with inflation, \$100,000 is now too low. The Department's current estimated average cost per acre of reclamation is \$5,500; a mining operation with 40 acres of disturbance could potentially carry approximately \$220,000 of reclamation liability. As a result, the Department is recommending raising the reclamation liability limit to align with the 40-acre participation limit.

Third, there is a need to address comments provided by Fund participants. When the Fund was created, participation was needed to grow the Fund's balance to cover potential bond forfeitures, and eligible operators were required to provide financial assurance through the

Fund. The Department would like to explore removing this mandatory requirement because some participants have expressed a desire to provide other types of financial assurance.

Attachment 1 is a draft timeline for the rulemaking with planned negotiated rulemaking meeting locations throughout the state. Through the negotiated rulemaking process, the Department would also like to explore options for accommodating requests to allow more participation in the Fund.

For most participants, the Fund provides an affordable and attainable way to secure the financial assurance required by law. As a result, operators have requested the 40-acre and \$100,000 limits be expanded so additional and larger operations may participate as well.

In November 2018, the Department appeared before the Land Board to present the results of an actuarial analysis that evaluated the health of the Fund in relation to its current liabilities. Based on the results, a minimum balance of \$1.68 million was set by the Land Board. The Fund currently has a balance of approximately \$2 million, and the Department has evaluated the potential to expand participation in the Fund to acreage limits of 50, 60, 80, and 100 acres. The results of additional actuarial analyses are presented in the table below:

	Disturbance Acreage Eligibility			
	Less than 50	Less than 60	Less than 80	Less than 100
Average Annual	\$1,105,549	\$1,232,391	\$1,299,485	\$1,411,996
75% Confidence	\$1,645,250	\$1,798,000	\$1,196,250	\$2,058,000
90% Confidence	\$2,832,400	\$3,235,100	\$3,356,000	\$3,692,600
95% Confidence	\$3,588,300	\$4,128,700	\$4,349,500	\$4,861,350

Through discussions with the analysts, and in keeping with standard industry practice, the Department's recommendation is to maintain a balance in the 90% confidence category. Although the Fund's balance is not currently at a level that will allow additional participation, the Department seeks to engage the public through the negotiated rulemaking process to allow input on expanding eligibility when the Fund reaches a sufficient level. During the rulemaking, the Department will describe the current Fund balance, annual income, and current and estimated future withdrawals. The Department will then provide hypothetical fee schedules and the resulting participation expansion timelines that would enable additional Fund participation. This will provide a transparent accounting of the Department's management of the Fund and allow current and potential participants the opportunity to provide feedback on these potential changes.

If participants are supportive of these proposed changes, the rule could be written to allow the Land Board to set the participation limits based on the Fund balance and current actuarial analysis. This would be consistent with the Land Board's current authority to set fee amounts.

Recommendation

Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.03 *Rules Governing Administration of the Reclamation Fund*.

Board Action

Attachments

1. Rulemaking draft timeline



Draft 20.03.03 Negotiated Rulemaking Schedule

<u>DATE</u>	<u>EVENT</u>
March 15, 2019	Submit ARRF to Division of Financial Management
April 16, 2019	Request Land Board approval to conduct negotiated rulemaking
May 3, 2019	Submit <i>Notice of Intent</i> to Office of the Administrative Rules Coordinator (OAR) for publication in June Administrative Bulletin
June 5, 2019	Bulletin publication date (draft rule text posted to IDL website)
June 12, 2019	Negotiated rulemaking meeting in Pocatello (with call-in line)
June 13, 2019	Negotiated rulemaking meeting in Challis (with call-in line)
June 18, 2019	Negotiated rulemaking meeting in Coeur d'Alene (with call-in line)
June 19, 2019	Negotiated rulemaking meeting in McCall (with call-in line)
June 20, 2019	Negotiated rulemaking meeting in Boise (with call-in line)
July 12, 2019	Last day to submit comments prior to submittal of proposed rules
July 19, 2019	Submit proposed rule text to Division of Financial Management
August 2, 2019	Submit <i>Notice of Proposed Rule</i> to OAR for publication in September Administrative Bulletin
September 4, 2019	Proposed rule published in the Administrative Bulletin and 21-day comment period begins
September 16, 2019	Public hearing in Boise (with call-in line)
September 25, 2019	21-day comment period ends
October 15, 2019	Present pending rule to Land Board for approval
November 1, 2019	Submit <i>Notice of Pending Rule</i> to OAR for publication in December Administrative Bulletin and review during the 2020 legislative session

STATE BOARD OF LAND COMMISSIONERS

April 16, 2019
Regular Agenda

Subject

Cancellation of Reclamation Plan S01020, Use of the Reclamation Fund, and Barring Operator from Future Mining.

Question Presented

Shall the Board authorize the Department to cancel Reclamation Plan S01020, and authorize the Department to expend up to \$126,997 from the Reclamation Fund to reclaim the entire site.

Background

Reclamation Plan S01020 (Plan) has gone through the notice of noncompliance and bond forfeiture process as required by the Idaho Surface Mining Act, Title 47, Chapter 15, Section 1513(a), Idaho Code; and the Financial Assurance Act, Title 47, Chapter 18, Idaho Code. The Plan was bonded through the Reclamation Fund that was created in Idaho Code § 47-1803(1), and is administered pursuant to Title 47, Chapter 18, Idaho Code, and IDAPA 20.03.03 – Rules Governing Administration of the Reclamation Fund. According to Idaho Code § 47-1803(3), money in the Reclamation Fund can only be expended after approval by the Land Board.

Discussion

The Department is seeking approval from the Land Board to complete cancellation of Reclamation Plan S01020 and to use money from the Reclamation Fund to perform the reclamation activities required by the Plan, and reclamation of disturbed areas not covered by the Plan.

The Department originally approved the Plan in 1990 for a sand and gravel mining operation located in the city of Eagle. Attachment 1 has the site's location as well as aerial imagery to illustrate its current condition. The Plan was amended in 2000 and 2002. Mining at the site continued through 2008. The operator mined outside the permitted area between 2002 and 2008, which was a violation of the Surface Mining Act. The operator also failed to pay the annual fee for participation in the Reclamation Fund, leaving the site without financial assurance, and violating the Surface Mining Act and the Financial Assurance Act. The operator and permittee of record, Prime Earth, Inc., administratively dissolved on April 8, 2009, and lost ownership of the property. Reclamation of the site within and outside of the Plan area remains incomplete.

After several years of delivering annual invoices and default notices to the operator, in November 2015 and again January 2016, officers of Prime Earth Inc., sent the Department

letters notifying the Department that the company had dissolved and that neither the company nor its members were able to pay the back dues or complete reclamation. The Department then ceased billing the annual fee and initiated its reclamation plan legal termination process. This process included delivery of an administrative Complaint, delivery of a Notice of Default, and delivery of the Order of Default issued by Director Miller on January 11, 2019. Prime Earth, Inc.'s deadline to appeal the Order of Default was March 12, 2019. No appeal was filed, enabling the Department to proceed with reclamation of the site and Land Board approval for expenditure from the Reclamation Fund.

Consistent with the Plan's 2000 amendment, the portion of the property west of Highway 55 has been reclaimed through development of a subdivision. Approximately twenty-six acres east of Highway 55 still require reclamation. Under the Plan's 2000 amendment, the operator was allowed to place overburden on the twenty-six acres. However, mining operations were only permitted on six of the twenty-six acres under the Plan's 2002 amendment. Idaho Code § 47-1505(5), authorizes reclamation of land with respect to which bond has been forfeited, but it is in the Land Board's discretion to reclaim other land which becomes affected land.

According to Idaho Code § 47-1804, if an operator fails to provide financial assurance, or has forfeited moneys from the Reclamation Fund and has not repaid those moneys, the Land Board is authorized to file liens against personal property and equipment of the operator to recover costs. At this time, the Department does not believe that the operator has any remaining personal property or equipment to file a lien against. As a result, the Department is requesting to use money from the Reclamation Fund to reclaim the entire site. The estimated reclamation cost for the six acres approved for mining in 2002 is \$21,280. The estimated reclamation cost for the entire twenty-six acre area is \$126,997. Until bids are received the exact cost is not known.

Idaho Code § 47-1805 prohibits the state from approving any application for a reclamation plan, placer permit, mineral lease, or approval of an amendment to any such existing instrument filed by a company or corporate officer who has forfeited reclamation funds and not fully reimbursed the Department for the reclamation and administrative costs incurred by the Department.

Recommendation

Authorize the Department to cancel Reclamation Plan S01020, and authorize the Department to expend up to \$126,997 from the Reclamation Fund to reclaim the entire site.

Board Action

Attachments




1. Map

S01020
Reclamation through
Idaho's Reclamation Fund

T04N R01E Sec 10

Ada County

Legend

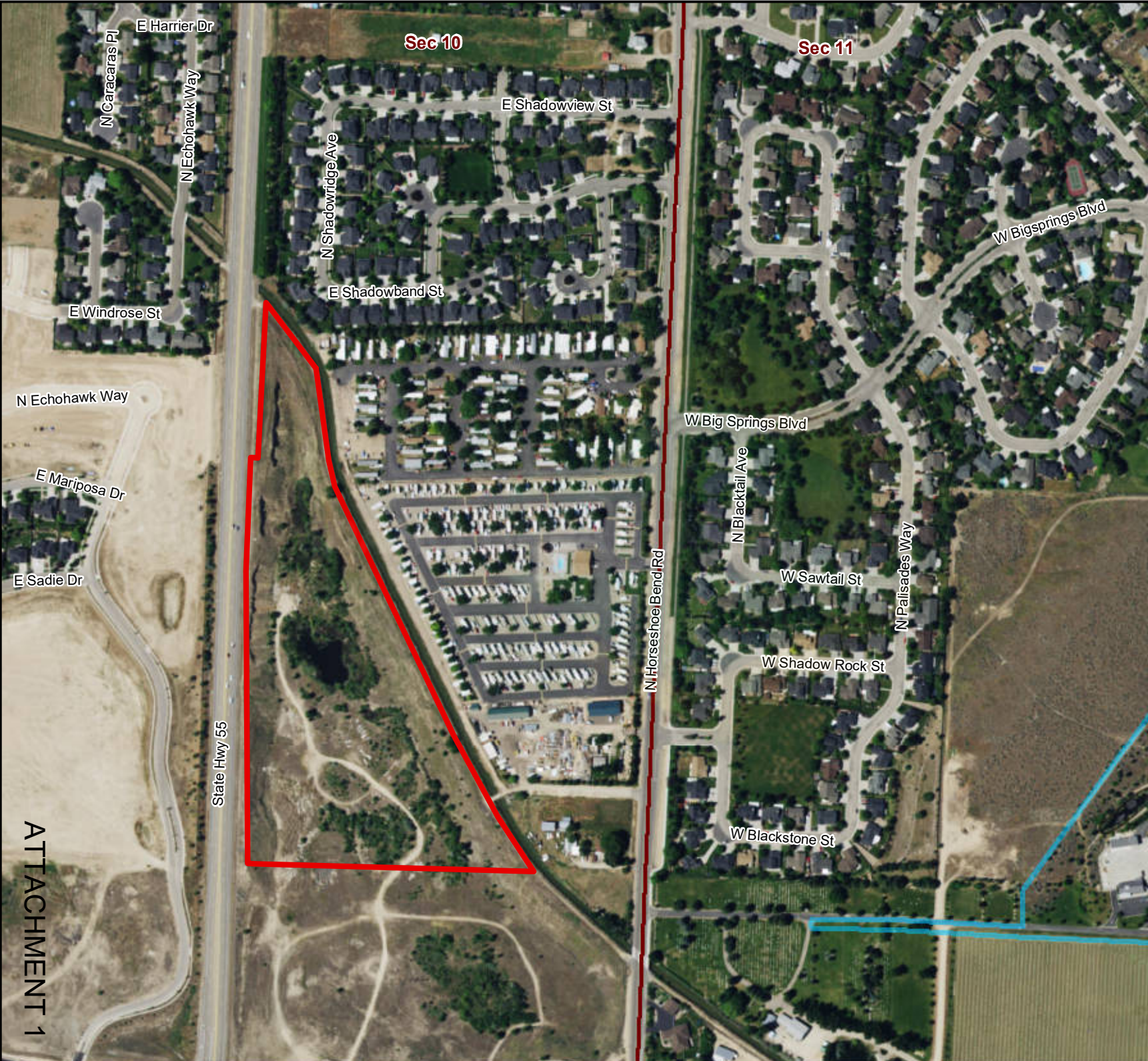
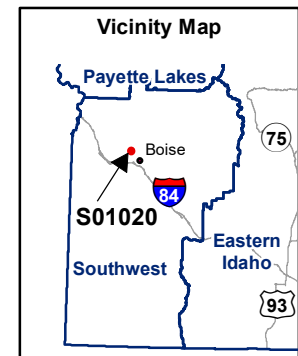
-  Reclamation Area
-  Section
-  State Endowment

R. Dunn
 4/3/2019



0 0.05 0.1 Miles

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.



ATTACHMENT 1

THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

April 16, 2019
Information Agenda

Subject

Strategic Reinvestment and Central Idaho Land Exchange

Background

In May 2014, the State Board of Land Commissioners (Land Board) retained Callan Associates (Callan) to conduct an asset allocation study for land and financial assets (whole trust analysis). After completing this analysis, Callan was retained by the Land Board as its general investment and governance consultant to provide the Land Board with options regarding the prudent investment of Land Bank funds from the sale of cottage site lots and commercial buildings.

Callan's recommendations are memorialized in the Strategic Reinvestment Plan approved by the Land Board in May 2016. The Department met with various stakeholder groups before bringing the Strategic Reinvestment Plan to the Land Board for approval. Callan updated the original asset allocation and distribution study and the associated Strategic Reinvestment Plan in 2018. Both were approved by the Land Board in July 2018 (Attachment 1).

The Strategic Reinvestment Plan recommends the Land Board pursue timberland and farmland acquisitions that meet minimum hurdle rates of 3.5% and 4.5% net real, respectively. Reinvesting in timberland and farmland that meet or exceed the recommended hurdle rates benefits the Endowments by:

1. Providing a buffer against the volatility of the financial investments in the stock market and a revenue stream that is generally counter-cyclical to stock market swings;
2. Replacing the lost lease revenue from the sale of cottage sites and commercial buildings with timber sale revenue that supports future endowment distributions that grow with inflation and population growth; and
3. Providing a mechanism to reinvest the value of land assets sold (cottage site lots and commercial buildings) in traditional land assets to maintain a range of land asset value within 30% to 50% of the whole trust as recommended by Callan.

Each potential acquisition is carefully analyzed and evaluated by outside experts and staff to determine the long-term financial benefit to each endowment. Final decisions on individual acquisitions are based solely on the Department's fiduciary duty to the endowment beneficiaries. At the same time, timberland acquisitions often provide ancillary benefits that the public appreciates. Some of these ancillary benefits include:

- Steadily increasing distributions to local school districts (Attachment 2);
- Ensuring certainty of ownership and access since Endowment timberlands are statutorily prohibited from being sold (Idaho Code § 58-133(1)) and are open for public recreation; and
- Sustaining local jobs. Every one million board feet of timber harvested from Endowment timberlands sustains 24 local jobs (direct and indirect), generates almost \$1 million in wages, and \$1.8 million in Gross State Product (GSP) (Attachment 3). Depositing Land Bank funds from the sale of cottage sites and commercial buildings into the Permanent Fund (financial assets) does not benefit local Idaho economies in the same manner as acquiring timberland and increasing sustainable harvest levels.

Since implementing the Land Board's Strategic Reinvestment Plan, the Idaho Department of Lands (Department) has made four timberland acquisitions and one right-of-way easement acquisition as shown in the table below.

Name	Fiscal Year	Closing Date	Asset Type	Acres	Miles	Cost
Maggie Butte	2017	12/19/2016	Timberland	2,374.51		\$2,501,777
Black's Creek	2017	3/31/2017	Timberland	1,398.40		\$4,320,000
Walton	2019	12/7/2018	Timberland	114.00		\$222,033
Molpus*	2019	12/21/2018	Timberland	32,159.95		\$42,848,195
Hancock AE	2019		Easements		36.23	\$318,781
TOTALS				36,046.86	36.23	\$50,210,786

*Attachment 4 is a letter dated February 14, 2019, from Molpus Woodlands Group supporting the Land Board's reinvestment of Land Bank funds into timberland and farmland.

Discussion

The Department continues to explore other possible timberland acquisitions and land exchanges, including the proposed Central Idaho Land Exchange (CILEX).

More than 10 years ago, Western Pacific Timberland (WPT) proposed exchanging WPT's Upper Lochsa lands (~39,000 acres) for U.S. Forest Service (USFS) lands scattered across several Idaho counties. This exchange proposal met with significant opposition from various

groups and ultimately failed. Other efforts were made to seek a federal appropriation or pursue conservation buyers to purchase the WPT lands and transfer them to USFS ownership. These efforts also ran into various roadblocks.

Following these efforts, and upon approval of the Land Board's Strategic Reinvestment Plan in 2016, several groups contacted the Department to explore options about facilitating a possible exchange of WPT and USFS lands. At the February 21, 2017 Land Board meeting, the Department provided an update on reinvestment efforts, which included an evaluation of federal timberlands for a possible acquisition or exchange with the Department.

In the fall of 2017, the Department completed an initial evaluation of the original 60,000 acres of federal land that was scoped in the failed WPT land exchange and found that approximately 37,000 acres met the Department's initial evaluation criteria (i.e., adjacency, productivity, access, distance to markets, etc.) for possible acquisition or exchange.

After completing this initial evaluation, the Department met with several interest groups to discuss a possible three-way exchange and to gauge public support for the exchange concept outlined in Attachment 5 and summarized below.

- WPT would deed its Upper Lochsa lands to the USFS;
- USFS would deed selected USFS parcels of equal value to IDL;
- IDL would transfer Land Bank funds equal to the value of the exchange properties into escrow based on federal yellow book appraisals for both ownerships;
- WPT would receive the cash placed in escrow by IDL, less 5 years of taxes to Idaho County.

This informal outreach effort included numerous meetings and conference calls over an 18-month period with representatives from Idaho Recreation Council, The Nature Conservancy, Nez Perce Tribal Executive Committee and Nez Perce Tribal Staff, Idaho County Commissioners, Trout Unlimited, Idaho Wildlife Federation, The Wilderness Society, Idaho Conservation League, Rocky Mountain Elk Foundation, USFS, Western Pacific Timber, and others.

Conservation representatives expressed concerns with some of the federal parcels that met the Department's initial evaluation criteria. After a meeting with these groups, the total USFS parcels were reduced from 37,000 acres to approximately 30,000 acres to address their fishery concerns (Attachment 6).

Summary

To date, the informal outreach efforts over the last 18 months are inconclusive at best. Some groups have expressed support to move forward with a more formal land exchange process while others are outright opposed (Attachment 7).

Several groups support the concept of WPT Upper Lochsa lands going into USFS ownership since these lands have significant ecological, historical, and recreational values that are better managed under the USFS multiple-use mission. In addition, the WPT lands are intermingled and surrounded by USFS ownership.

Some groups oppose the transfer of USFS lands to the State, or any other entity. The Nez Perce Tribe has also expressed concerns over the loss of tribal treaty rights on the USFS lands that would transfer to the State under this exchange proposal.

Over the next two months, the Department will continue working with a few key groups to try and find a path forward. If efforts are successful, then the Department will bring this item back to the Land Board with next steps and recommended actions for moving forward in a formal exchange process. If not, the Department will cease spending time on this effort.

Attachments

1. Strategic Reinvestment Plan
2. Earnings Reserve Distributions to Five Northern Idaho County School Districts
3. Policy Analysis Group (PAG) Report #39, December 2018
4. Molpus Letter to Land Board, February 14, 2019
5. Central Idaho Land Exchange Concept
6. Central Idaho Land Exchange Maps
7. Idaho County Commissioners Letter to Land Board, December 11, 2018

IDAHO DEPARTMENT OF LANDS

Memorandum

To: Idaho Board of Land Commissioners
From: Callan LLC
Date: July 5, 2018
Subject: Strategic Reinvestment Plan Update

Background

The Strategic Reinvestment Plan is subject to annual review.

In May 2016, the Idaho Board of Land Commissioners (“Land Board”) approved the Strategic Reinvestment Plan that allowed for the investment of Land Bank proceeds into timberland and farmland for all endowments subject to certain requirements, including the minimum rate of return (“hurdle rate”) for new investments of 3.5% net real for timberland and 4.5% net real for farmland.

In July 2017, the Land Board adopted a revised Strategic Reinvestment Plan which specified until the Asset Allocation/Spending Study was completed, Land Bank Funds could be reinvested into timberland and farmland for Public Schools at or above the hurdle rates and subject to certain other criteria; however, Land Bank Funds could not be reinvested into timberland or farmland for any other endowment.

Asset Allocation and Distribution Study

The Asset Allocation and Distribution Study (fka Asset Allocation/Spending Study) is complete. This study examined a number of items with regard to each endowment including determining the best use of land sales proceeds.

The Investment Sub-Committee has recommended that the Land Board pursue Option A of the study and this update to the Strategic Reinvestment Plan assumes the Land Board adopts that recommendation. Option A is outlined on page 33 of the Asset Allocation and Distribution Study and is paraphrased below:

- Option A: “Consistent with the Reinvestment Plan, identify transactions that meet established hurdle rates and set aside sufficient funds over an appropriate time horizon (immediately move money that will either “mature” prior to the transaction or exceeds what is required).

Because of the scope of the Asset Allocation and Distribution Study, Option A affirms that timberland and farmland may be considered for all endowments.

Discussion of Hurdle Rates

The hurdle rates were set to be long term numbers subject to periodic review and revision. Callan recommends the minimum hurdle rates established in the 2016 Strategic Reinvestment Plan remain in place for both timberland and farmland. This is based on the Asset Allocation and Distribution study, a review of the current portfolio, and a survey of managers actively buying timberland or farmland.

Timberland Hurdle Rate

The Idaho Timberland hurdle rate is a minimum net real return of 3.5% which equates to a 6.75% gross nominal return, assuming 2.25% inflation. This return is assumed to come predominately from stumpage income since the sale of timberland is prohibited and the Land Board would not be able to realize any appreciation.

Callan surveyed institutional timber investment manager organizations (“TIMOs”) about their expected returns for new acquisitions of core U.S., Northwest, and Idaho timber. Survey participants included Brookfield, BTG Pactual, Campbell Global, Forest Investment Associates, Hancock Natural Resource Group, Jamestown, Molpus, RMS, Silver Creek Capital, and Timber Investment Resources. These TIMOs own approximately 15 million acres of timberland with a value of \$25.5 billion.

The TIMOs are actively buying timberland in the U.S. with total gross nominal return targets of 5% to 11% (the range covers all U.S. regions). The income return expectation ranges from 2% to 4%. The expectations regarding appreciation show a wider range from 2% to 6%. Return targets at the higher end of the range reflect more aggressive assumptions about expected appreciation by the survey participants with variability by region. Realized and unrealized appreciation is ultimately driven by (i) higher income from log prices and demand for timber and/or (ii) a reduction in the required rate of return expected by investors which would result in a lower discount rate used for valuation purposes and a higher resulting value. TIMOs do not generally project value increases from changes to higher and better use.

Consistent with survey results of prior years, Idaho is a market that is less attractive compared to other regions. Idaho is viewed as riskier by the TIMOs surveyed due to lower productivity based on its location east of the Cascades, thinner timber markets, including reduced access to export markets, and fewer institutional buyers which impacts liquidity. These factors result in higher required returns for Idaho. The TIMOs we surveyed noted they would add 50 to 100 basis points (1/2 of one percent to 1%) to their required returns if they were investing in Idaho; however, few indicated they were actively investing in Idaho. The gross nominal return range for Idaho is 6% to 11% based on the survey which equates to a net real return of 2.75% to 7.75%.

The lack of TIMO interest in Idaho timberland should work in the Land Board's favor in terms of securing transactions.

Unlike Farmland (discussed below), returns for Idaho-only timberland are not available from NCREIF¹ due to lack of properties owned by TIMOs in Idaho. The returns for U.S. timberland are shown below and illustrate the historical split between income and appreciation.

Institutional Timberland Returns: U.S.
Periods Ending March 31, 2018 – Gross Nominal Returns

	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Inception 4Q 1986
U.S. Timberland							
Income	3.01%	2.70%	2.74%	2.55%	3.15%	3.42%	5.03%
Appreciation	0.76%	0.73%	3.29%	1.49%	4.30%	2.92%	6.40%
Total	3.79%	3.44%	6.10%	4.06%	7.54%	6.41%	11.63%

Source: NCREIF Timberland Property Index. The Index returns are gross of fees. As of March 31, 2018, there were 456 properties with a market value of \$25.2 billion and 13.98 million total acres in the Timberland Property Index.

Farmland Hurdle Rate

The Idaho Farmland hurdle rate is higher than timberland and is a minimum net real return of 4.5% which equates to an approximate 7.75% gross nominal return, assuming 2.25% inflation. Although some of the market participants we surveyed are targeting marginally lower returns, we recommend continuing to use the 4.5% hurdle rate. As articulated in the May 2016 Strategic Reinvestment Plan, this hurdle rate is above the Long Term Policy Returns for both the Financial Asset Portfolio and the Farmland Portfolio to keep the focus on finding transactions that are accretive. Farmland has a net asset value of \$24.7 million representing only 2% of the Land portfolio. It is not a Strategic Asset Class in the asset allocation.

Callan surveyed institutional farmland managers with regard to their expected returns for new acquisitions of farmland in Idaho. Survey participants included Hancock Natural Resource Group, Homestead Capital, IFC, UBS Agrinvest, and US Ag. The gross nominal target returns for Idaho row crops were 7.25% to 7.50% which equates to approximately 4.00% net real to 4.50% net real. The return expectations are different than the historical returns of Idaho farmland properties in the NCREIF Farmland Index shown below, mainly because there is less appreciation expected going forward with land appreciating at inflation.

¹ NCREIF is the acronym for the National Council of Real Estate Fiduciaries. NCREIF is an independent organization that collects return and operational data for real estate, farmland, and timberland. NCREIF serves the institutional real estate, timberland and farmland investment community as a non-partisan collector, validator, aggregator, converter and disseminator of performance and benchmarking information.

Institutional Farmland Cropland Returns: Idaho Compared to U.S. Periods Ending March 31, 2018 – Gross Nominal Returns

	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs
U.S. Cropland						
Income	3.62%	3.66%	3.76%	4.03%	4.21%	6.13%
Appreciation	1.58%	1.34%	2.42%	5.76%	7.62%	4.49%
Total	5.24%	5.05%	6.25%	9.96%	12.06%	10.82%
Idaho Cropland						
Income	4.05%	4.02%	4.05%	N/A	N/A	N/A
Appreciation	0.43%	4.83%	4.03%	N/A	N/A	N/A
Total	4.49%	8.99%	8.21%	N/A	N/A	N/A
N/A –not available						
Source: NCREIF. The Index returns are gross of fees.						

In contrast to timberland, investment in Idaho farmland (mostly row crops with some alfalfa) is viewed as attractive by several of the managers, particularly when compared to the Midwest and Colorado. There are more institutional participants in the Idaho farmland market compared to timberland. Managers are actively acquiring farmland properties in Idaho or targeting Idaho for new acquisitions. There are currently 47 Idaho farmland properties in the NCREIF Farmland Index with a market value of \$453 million or an average of \$9.6 million per property. This has risen from 30 properties in 2012 which had a market value of \$174 million.

The Land Board may compete for farmland transactions with the institutional buyers who target transactions in the \$2 million to \$10 million range, as well as local buyers.

Recommendation

The findings from the Asset Allocation and Distribution Study completed by Callan in 2018 are consistent with the conclusions and next steps outlined in the Strategic Reinvestment Plan approved by the Land Board in 2016. Assuming the Land Board adopts the recommendation of the Investment Sub-Committee to proceed with Option A of the Asset Allocation and Distribution Study, Callan recommends that all future investments in timberland and farmland are made at or exceed the established hurdle rates. This applies to all endowments.

May 2016



**Idaho Board of Land
Commissioners**

Strategic Re-Investment Plan

IDAHO DEPARTMENT OF LANDS

The following investment strategy was compiled by Callan Associates Inc. from information provided by the Idaho Board of Land Commissioners and other sources believed to be reliable. All written comments in this report are objectively stated and are based on facts gathered in good faith.

This report is for informational purposes only and should not be construed as legal or tax advice on any matter. Any decision you make on the basis of the content is your sole responsibility. You should consult with legal and tax advisers before applying any of this information to your particular situation. Reference to or inclusion in this report of any product, service or entity should not be construed as a recommendation, approval, affiliation, or endorsement of such product, service or entity by Callan.

Table of Contents

Idaho Board of Land Commissioners Strategic Re-Investment Plan

Purpose and Background	1
Comparison of Investment Options	2
Commentary	3
Financial Assets	
Farmland	
Timberland	
Conclusions and Next Steps	8
Appendices	10
Timberland Market Overview	
• Timberland Supply and Demand Dynamics	
• Timberland Capital Market Flows and Transaction Data	
• Timberland Historical Performance	
• Expected Returns	
Farmland Market Overview	
• Farmland Supply and Demand Dynamics	
• Farmland Capital Market Flows and Transaction Data	
• Farmland Historical Performance	
• Farmland Expected Returns	
• Ways to Invest in Farmland	
• Conclusions and Implications for Investment	
• Cropland Per Acre Prices and Percentage Change	
• Resource Dimensions Idaho Farmland Information	
• Farmland Risks	
Historical Returns and Correlations for Farmland, Timberland, and Commercial Real Estate	
Glossary of Terms	

Purpose and Background

The purpose of this Strategic Investment Plan (“Plan”) is to assess options to guide the Land Board’s decision-making regarding prudent investment of money in the Land Bank.

As background, the total Endowment Portfolio is valued at approximately \$3,277 million and the Land Portfolio, excluding the Land Bank, comprises approximately 43% of the total portfolio as shown in Table 1. The current Endowment portfolio is consistent with the Target Asset Allocation from the Callan asset allocation study (“Callan Report”).

Table 1: Current Portfolio Compared to Target Asset Allocation

Asset Class	Target Asset Allocation	Range	Existing %	\$s Currently Invested \$ Millions ^(a)
Financial Assets	58%	50-65%	55.9%	\$1,833
Timberland	39%	30-50%	35.8%	\$1,174
Rangeland	2%	0-5%	1.9%	\$61
Idaho Commercial Real Estate	0%	N/A	1.0%	\$32
Residential Real Estate (Cottage Sites)	0%	N/A	3.8%	\$123
Farmland	N/A	N/A	0.7%	\$22
Cash Equivalents (Land Bank)	1%	0-5%	1.0%	\$32
Total Endowment Portfolio	100%		100%	\$3,277

(a) As of 12/31/2015 for the Financial Assets. As of June 30, 2015 for Timberland, Rangeland, and Farmland. As of 12/31/2015 for Idaho Commercial Real Estate based on valuation from Century Pacific. Residential Real Estate is a current estimate.

Source: Idaho Department of Lands for Land and Callan for Financial Assets.

The Land portfolio is undergoing changes due to the strategic sale of cottage sites and the commercial real estate portfolio which will result in deposits into the Land Bank as properties are sold. The balance in the Land Bank is currently \$31.85 million and it is projected to end FY2016 at that level. Disposition of cottage sites and Idaho commercial real estate is projected to produce additional sales proceeds of \$130.75 million in FY2017 through FY2020. The estimated total proceeds that could be re-invested in Land or transferred to the Permanent Fund is \$162.60 million (\$31.85 million plus \$130.75 million). Since the cottage site sales program began, approximately \$46.70 million has been transferred to the Permanent Fund.

As land and commercial property is sold, gross income from the sold properties will be lost. IDL estimates that the gross income reduction due to sales is approximately \$6.83 million.¹ Table 2 shows the projected additions to the

¹ Land Bank balance, estimated sales proceeds, gross income reduction, and timing of sales proceeds were provided to Callan by Idaho Department of Lands (“IDL”).

Land Bank by year, the corresponding Land Bank balance if no investments are made, and the annual and cumulative reduction in gross income.

Table 2: Projected Additions to the Land Bank and Reduction in Gross Income Due to Sales

	Prior Periods	FY2016 \$MM	FY2017 \$MM	FY2018 \$MM	FY2019 \$MM	FY2020 \$MM
Additions to Land Bank	\$51.7	\$26.85	\$53.15	\$34.85	\$30.15	\$12.60
Transfers to Permanent Fund	\$46.7	\$0	\$0	\$0	\$0	\$5.00
Land Bank Balance ²	\$5.00	\$31.85	\$85.00	\$119.85	\$150.00	\$157.60
Reduction in Gross Income ³ from Sales	N/A	\$1.82	\$3.42	\$1.09	\$0.50	\$0
Cumulative Reduction in Gross Income	N/A	\$1.82	\$5.24	\$6.33	\$6.83	\$6.83

Using the Land Bank Balance on Table 2 and holding the value of the total portfolio constant, the Land Bank Balance, as a percentage of the total portfolio, rises from 1% currently to 2.6% at the end of FY2017 to just under 5% by the end of FY2020 which is in the recommended range of 0-5%.

Comparison of Investment Options

The Callan report suggested a framework for making investment decisions for timberland and farmland (Items 1-5 below). These and other relevant decision-making factors (Items 6-8 below) are applicable to establishing priorities for investment of the Land Bank.

1. Is the investment consistent with the overall asset allocation and objectives of the total portfolio as set forth in the Investment Policy Statement and in the Strategic and Annual Plans?
2. Comparison of the risk adjusted return and the net return relative to other choices (e.g. stocks, bonds, other land types). In other words, what are the other choices for investment?
3. Does it make a difference and move the needle from an overall portfolio perspective?
4. Completion of a full underwriting of the potential investment including upside, base case, and downside scenarios with identification of assumptions and risks alongside of the returns (both the return gross of fees and net of all fees and costs);
5. Detailed outline of the business plan for the investment and the plan for execution including consideration of the internal and external resources required to execute the plan and associated costs;
6. Market fundamentals;
7. Availability of transactions; and
8. Institutional investment trends, processes, and implementation for timberland and farmland.

Callan believes there are three investment options for the Land Bank proceeds: Financial Assets (Permanent Fund), Idaho Farmland, and Idaho Timberland. Table 3 summarizes the investment options with commentary on each option following the table.

² Assumes no acquisitions are completed and transfers to the Permanent Fund occur after 5 years.

³ Gross income is before deduction of IDL management expenses

Table 3: Summary of Investment Options for Land Bank Proceeds

	Financial Assets Permanent Fund	Idaho Farmland	Idaho Timberland
Consistent with Investment Policy and Objectives	Yes	Yes	Yes
Long Term Policy Return Objective (Net) ⁴	4.0% Real 6.25% Nominal	4.0% Real 6.25% Nominal	3.0% Real 5.25% Nominal
Minimum Hurdle Rate for New Investments (Net)	N/A	4.5% Real	3.5% Real
Potential to Replace Income	Yes	Yes	Yes
Strategic Asset Class in Asset Allocation	Yes	No	Yes
Market Fundamentals	Continued Volatility	Weakening in Short Term Strong Long Term	Choppy in Short Term Strong Long Term
Expected Availability of Transactions	High	Medium	High
Internal Expertise	High	Medium	High
Implementation Complexity Implementation Costs	Simple Low	Complex High	Complex High

Commentary

Financial Assets

- If all of the projected proceeds were invested in Land or if all of the money was transferred to the Permanent Fund, the total Endowment would still be within the asset allocation target ranges. The default option would seem to be to transfer the money to the Financial Assets as there is no compelling asset allocation reason *currently* to invest in Land, investing in the Financial Assets is the easiest and most cost efficient option, and it has sufficient long term risk/adjusted returns. However, this is an unusual time with the amount of disposition activity taking place, and it is unclear when there will be this level of proceeds to invest in Land again.

Farmland

- Investment in farmland totals 17,000 acres with an approximate value of \$22 million which is 0.7% of the total Endowment. Farmland is not currently a part of the Endowment’s Strategic Asset Allocation. Callan’s asset allocation study did not model Idaho farmland as a separate asset class due to the small investment held by the Endowment and the fact that a concentrated portfolio of Idaho farmland is not considered an institutional investment class. Investment in Idaho farmland is allowed under the Draft Statement of Investment Policy in Section V (D) which states:

⁴ Long Term Policy Return Objectives will be continually evaluated and refined as performance data is collected and based on results from implementation of the Business Plan for each Land Type. The Long Term Policy Objective is a portfolio level return target. It is different from the hurdle rate which is the rate of return required for new investments. The hurdle rate will be reviewed and updated annually.

“In addition to asset allocation, the Land Board may, from time to time, authorize or adopt strategic policies. “Strategic Policies” are actions by the Land Board to allow investment in asset types that have not been singled out as “asset classes” in the asset allocation process, to overweight a particular sector within an asset class, or to employ particular strategies in the investment of the Endowment Assets. The purposes of these actions are either to increase the return above the expected return or to reduce risk. Any such policy would include consideration of the change in risk and the impact on the Distribution Policy.”

- As noted previously, we have not modeled the investment characteristics of Idaho farmland. For Idaho farmland, we have considered the short return series of the Idaho farmland properties reported to the National Council of Real Estate Investment Fiduciaries (NCREIF). These are all row crop properties which is what we assume would be the target of any additional investment in farmland by the Land Board.

Our broader view of the farmland sector and its investment characteristics considers the historical returns and correlations of the NCREIF farmland index (both row crops and permanent crops), a survey of farmland investment managers to gauge go forward expectations of returns for diversified U.S. farmland, our experience developing farmland investment programs and farmland investment policies for other investors, and underwriting farmland investment opportunities.

Callan’s recommended policy target for U.S. core diversified farmland includes the following components: Nominal cash yield of 3% to 5%, appreciation of 3% to 4%, and total return of 6.00% to 8.00% net nominal. The corresponding net real return would be 3.75% to 5.75%. The characteristics of this Core portfolio would be diversified row crops with a high focus on current income and current cash yield through the acquisition of farmland with sufficient in place water resources. It assumes a cash lease structure is used to avoid direct connection to production and price risk.

A diversified portfolio of institutionally owned U.S. Farmland has low to negative correlation characteristics with publicly traded equities and bonds which makes it a good diversifier in an overall portfolio. This is similar to institutionally owned diversified U.S. commercial real estate and institutionally owned diversified U.S. timberland as shown on the chart below:

Table 4: Correlation for Ten Years Ended December 31, 2015

	NCREIF Farmland	NCREIF Timberland	NCREIF Property	S&P 500	Barclays Agg Index
NCREIF Farmland Index	1.00	0.61	0.09	0.10	(0.10)
NCREIF Timberland Index	0.61	1.00	0.25	(0.16)	0.10
NCREIF Property Index	0.09	0.25	1.00	0.26	(0.20)
Equities – S&P 500	0.10	(0.16)	0.26	1.00	(0.27)
Bonds – Barclays Aggregate Index	(0.10)	0.10	(0.20)	(0.27)	1.00

- From a market perspective, pricing in the sector is adjusting as the commodities markets continue to experience turmoil; however, there is ample capital for investment from other institutions and individuals that is supporting pricing above that which is justified by the fundamentals. Pricing was mentioned as a significant risk by every one of the institutional buyers and managers of farmland that Callan surveyed, which suggests careful underwriting is of particular importance currently. Access to water is another risk that is being more closely considered and control over water resources is a requirement for institutional buyers. Evaluation of a potential tenants' credit and financial strength has taken on heightened importance as commodity prices and credit has tightened. Callan understands that the conflict auction leasing process used by the Land Board does not allow for evaluation of tenant financial strength and credit of the high bidder. IDL noted that if an applicant is 18 years old and not in default with the state and were the high bidder, the bid would be accepted and there would not be an opportunity to evaluate the financial position.
- The long term fundamentals for farmland are compelling. Strong demand for farmland is expected to continue to meet the increasing global demand for food, fiber, and energy, as well as to satisfy institutional investor demand for diversifying, inflation-hedging assets. The relatively fixed supply of land capable of supporting agriculture is another favorable factor supporting the investment case for farmland.
- The availability of transactions in farmland is expected to be less than timberland and the pace of investment is slower than timberland due to the limited pool of investment transactions every year. There is not a pool of closed end funds that are reaching maturity and selling assets like in timberland. Investors tend to buy and hold, the asset class is popular with significant competition for transactions, and operators/farmers have had strong balance sheets for acquiring farmland, with limited financial pressure/incentive to sell. Access to transaction deal flow via relationships with institutional and local owner/operators is critical to building a portfolio.
- Implementation is characterized as complex because it involves sourcing transactions, completing due diligence, and hiring third party advisors. Costs of implementation are relatively high due to costs of external land advisors, transaction costs including brokers, legal fees, title work, environmental, etc., the costs of internal staff time, and the opportunity cost of holding money in the Land Bank versus investing in the Financial assets (which could be positive or negative depending on the returns of the IDLE pool versus the Financial Assets over the timeframe in which proceeds are in the Land Bank).
- Institutional ownership of farmland in Idaho (as reported to NCREIF) totals \$280 million in 32 properties with total acreage of 57,086 acres. This equates to an average investment per property of \$8.75 million and an average per acre value of \$4,904. All properties are annual row crops.

These owners represent potential competition to IDL for larger transactions (\$5 million+) but not for smaller transactions which IDL may want to consider in its acquisition strategy. On the disposition side, should the Land Board wish to sell farmland, the institutional owners would likely not be buyers as the transaction size would be too small for those buyers if they could only purchase 320 acres. The ability to achieve liquidity would depend on local buyers.

- We find no compelling reason that the net returns the Land Board should accept from additional investment in Idaho farmland (annual row crops) should be less than those of a diversified U.S. core farmland portfolio. The non-diversified nature of the Idaho only investment is a reason to require higher returns.

Callan recommends that additional investment in Farmland be pursued if Core investments can be found such that the *minimum* net returns are competitive with both the Long Term Policy Return Objective for the Financial Asset portfolio and the Farmland Portfolio, as well as, noted above, diversified U.S. core farmland. The recommended Hurdle Rate is a *minimum* net real return of 4.5% which equates to a 6.75% net nominal return, assuming inflation of 2.25%. Of course, the risk profile of each transaction and market dynamics will dictate the return that will be required, such that some transactions may have returns above the Hurdle Rate.

Setting the Hurdle Rate above the Long Term Policy Returns for both the Financial Asset Portfolio and the Farmland Portfolio, will keep the focus on finding transactions that are accretive.

The expected return of a farmland investment should include both income and appreciation with a focus on income to provide income replacement for the portfolio; however, for the returns to be competitive, investments will need to also have appreciation and the plan for managing each investment should have a strategy for realizing the appreciation.

The lease structure will be an important mechanism to insure the income and inflation hedging characteristics of farmland and the total returns are achieved.

- Callan does not recommend setting a hard target for the amount of dollars to be invested in Farmland, but rather allowing the investment decision to be driven by the opportunities.
- Investment in a diversified portfolio of U.S. farmland may be another way to enhance the risk/return of the Endowment portfolio. In the next asset allocation study, the impact on the Endowment of investment in diversified U.S. farmland could be studied as a complement to the existing Idaho farmland portfolio. Diversification geographically as well as by row and permanent crops could be considered. The external and internal resources and investment vehicles that would be required to implement a diversified allocation efficiently would also be examined.

Timberland

- Callan recommends pursuing additional investment in timberland in Idaho provided investments can be sourced with appropriate net returns.

Additional investment is supported by the asset allocation study which indicates portfolio risk/return will be maintained with additional investment in timberland provided new investments have a net projected return at or above the returns of the existing portfolio with a similar level of risk. In Callan's study, the existing timberland portfolio had an expected net 10 year compounded return of 5.70% (3.45% net real return). The recommended Hurdle Rate for Timberland is a *minimum* net real return of 3.5% which equates to a

5.75% net nominal return, assuming 2.25% inflation. The risk profile of each transaction and market dynamics will dictate the return that will be required, such that some transactions may have returns above the Hurdle Rate.

- Callan does not recommend setting a hard target for the amount of dollars to be invested, but rather allowing the investment decision to be driven by the opportunities. The range for timberland is 30-50% of the total Endowment portfolio. If attractive opportunities are found, all of the projected proceeds in the Land could be invested in timberland and timberland would remain in the target 30-50% range, assuming the total portfolio remains at or above the current value.
- Investment in additional timberland is a way to replace lost income from the sales of cabin sites and commercial real estate.
- Market dynamics in the timberland industry include increasing transaction flow. There have been several large institutional portfolios of timberland brought to the market in the U.S. Several closed-end commingled funds are nearing their expirations, which will result in timberland for sale. Additionally, multiple timberland investment organizations are undergoing changes which could result in additional deal flow from manager disruption and terminated vehicles. The environment with substantial availability of properties for sale and projected to be for sale may help to moderate pricing. The availability of transactions is in marked contrast to prior years and the Land Board should take advantage of the increased transaction flow.
- Similar to Farmland, implementation is characterized as complex.
- Callan believes that the Land Board has a competitive advantage in timberland investing compared to other institutional investors and owners of timberland given its experienced Staff, existing portfolio, long term investment horizon, and cost of capital.
- IDL has a management structure and monitoring resources in place to execute the business plan for the assets.

Conclusions and Next Steps

This is an unusual time for the Endowment due to the amount of disposition activity taking place. Based on the current Asset Management Plan, it does not appear that after FY 2020, there will again be the level of proceeds to invest in Land. Therefore, the Land Board should consider using Land Bank proceeds to invest in Timberland and Farmland, provided the targeted Hurdle Rates can be met or exceeded and an institutional investment process is used.

To be credible in the market with potential sellers, IDL needs to be able to represent to sellers that it has money to fund transactions (subject to the Land Board due diligence, underwriting, and approval process) which will require money to remain in the Land Bank while transactions are found.

Investment in Land transactions requires time to identify and execute. A logical next step is to have IDL establish a pipeline of transactions to substantiate their investment thesis that attractive transactions can be found in Timberland and Farmland. The pipeline should be documented via a pipeline report/deal log which is updated and discussed with the Land Board each quarter to track progress. A pipeline report/deal log is a standard tool that is used by third party investment managers.

The Land Bank money will be available over time, in increments. This means IDL will need to source and execute transactions according to the timing and amount of proceeds for each underlying endowment. It is currently IDL's intention to purchase properties such that the underlying endowment would own an undivided interest. Money will not be commingled from endowments to make purchases whereby each endowment would own its pro rata share of the property, either by acreage or by a share of the economics.

Priorities should be set in terms of the size of transactions and the number that IDL can reasonably expect to diligence and close given current resourcing. Pursuing a fewer number of large transactions for each endowment will be more efficient both in terms of staff time and transaction costs. If high priority, larger transactions are expected then money should be earmarked to insure it is available to match the transaction timeframe.

A formal transaction allocation process should be established and documented to insure that transactions are allocated fairly to each endowment. This may involve suitability screens such as transaction size. IDL has proposed a transaction allocation process that would allocate a deal to the endowment with money that has been waiting the longest in the Land Bank.

Underwriting should include upside, base case, and downside scenarios with identification of assumptions and risks alongside of the returns. The underwriting should include an evaluation of income, appreciation, and total return on a gross of fees and net of fees basis, calculated in accordance with industry standards.

A detailed outline of the business plan for the investment should be completed as part of the underwriting including consideration of the internal and external resources required to execute the plan and associated costs, to insure there is a plan for producing the returns that are projected.

If IDL does not have the inhouse capabilities to implement an institutional investment process, external investment management advisory expertise will be required.

Appendices

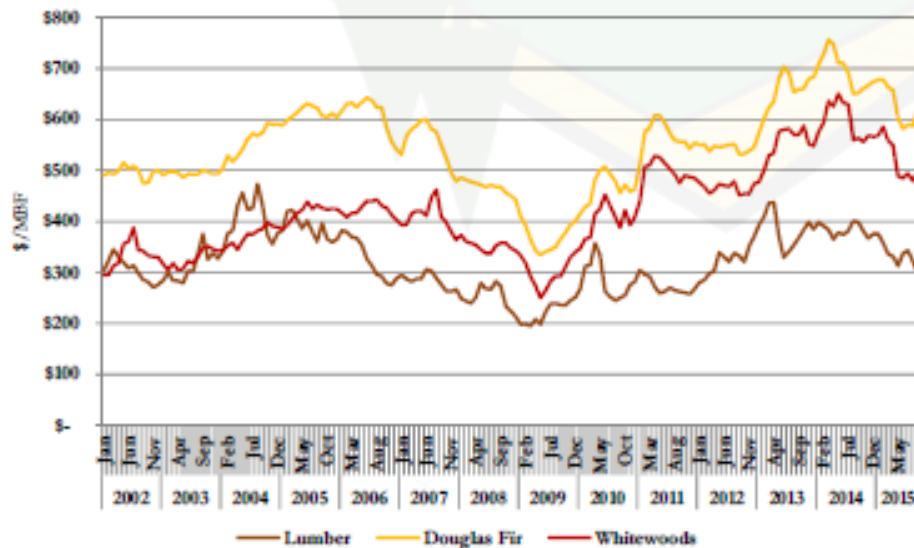


Timberland Market Overview

Timberland Supply and Demand Dynamics

There are several macro supply factors affecting today's timberland markets. First, the globe's largest supply of timberland by country is Russia. Russia has implemented tariffs of 25% on timberland exports, which has impacted other countries' desire to import from the region. Second, the mountain pine beetle has destroyed a significant portion of the Canadian timber supply. The damage has been done primarily in Western Canada, in British Columbia. Nearly all of Canada's timberland is sovereign owned. Timberland managers have indicated that the damage from the mountain pine beetle was exacerbated by inadequate road access to timberland which impacted the government's ability to contain the issue. Nonetheless, the mountain pine beetle damage will result in an estimated 9 million acres⁵ of timberland removed from the supply chain. It is estimated that this will result in a 20% reduction in the average annual log harvest in British Columbia. The reduction in supply is expected to have an impact through 2030. Because this supply is located in the Western North American region, it positively impacts the Pacific Northwest region of the United States, as much of this supply was expected to be utilized for Asian, specifically Chinese, timber demand. However, due to slowing growth in China and Korea, log exports to Asia have underperformed in 2015 compared to 2014, resulting in timber pricing that has been fairly flat over much of 2015 and increasing inventories in mills in the Pacific Northwest. Even though Chinese demand was flat in the fourth quarter of 2015, it is expected to decrease in the first half of 2016. As seen in the chart below, the price of Douglas Fir and Whitewoods has declined significantly since it peaked in 2014.

Random Lengths Framing Lumber Composite Prices and Pacific Northwest Log Prices, January 2002 through September 2015

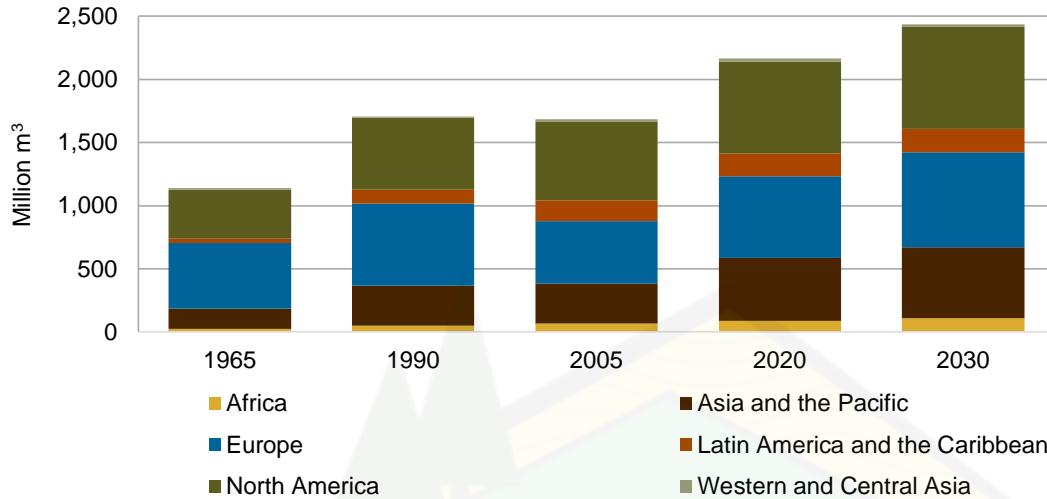


Source: Prudential Agricultural Investments.

⁵ Figure quoted from Campbell Global presentation, February 2015.

A positive factor in the timber supply and demand dynamics is the expected growth in demand for wood products both domestically and abroad. The chart below highlights the expected consumption in wood across various regions and illustrates that the expected consumption is increasing. The demand is also driven by the growing middle class population in emerging countries.

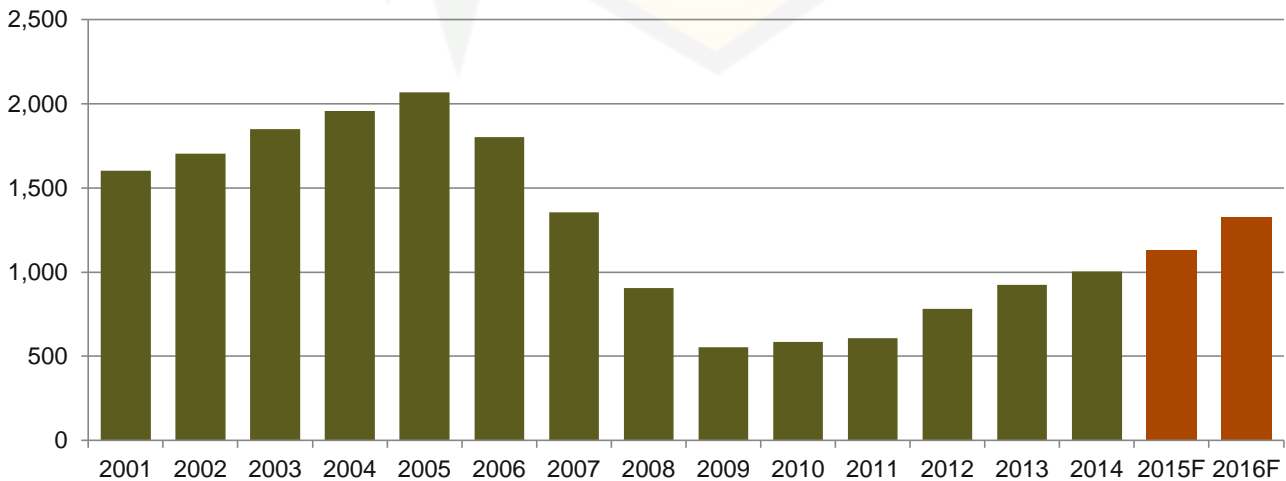
Global Consumption of Industrial Roundwood



Source: Campbell Global and Food & Agriculture Organization.

U.S. demand is anticipated to increase driven by construction of new residential and commercial buildings and existing building renovations. The following chart highlights historical housing starts, as measured by the U.S. Census Bureau's data. Incorporated into the chart are Freddie Mac's 2015 and 2016 estimates of housing starts. The decline in housing starts following the Global Financial Crisis ("GFC") is significant followed by a gradual increase with levels in 2016 still not projected to reach the pre GFC peak in 2005.

Housing Starts



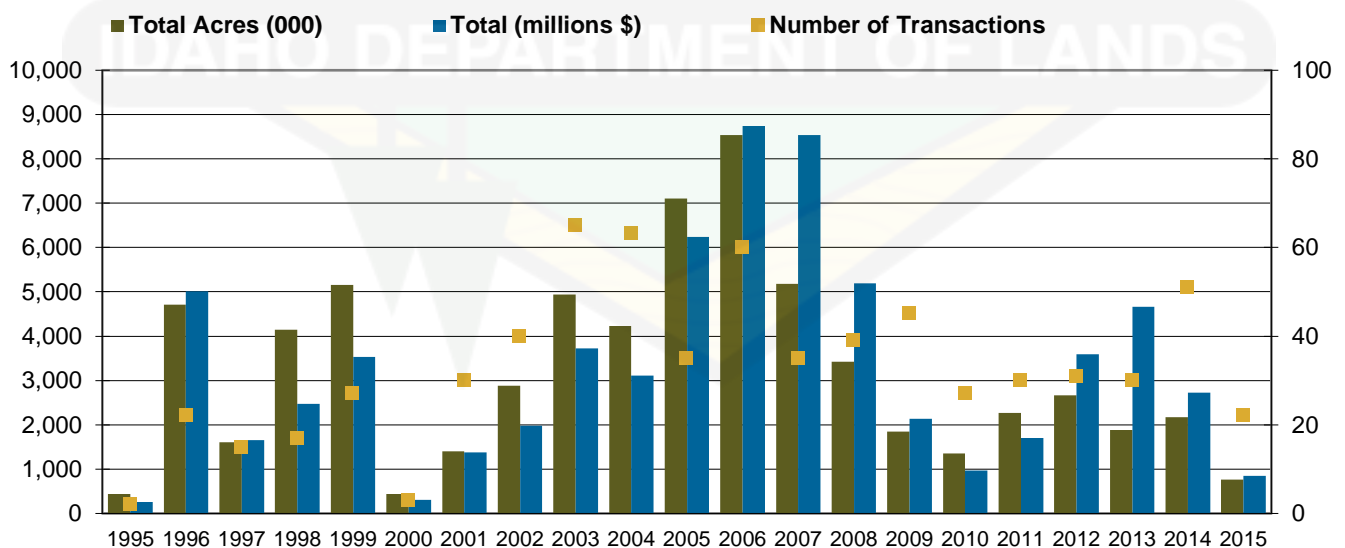
Source: US Census Bureau, Freddie Mac

A negative supply driver is the decline in the use of paper and pulp products due to electronic media and increased recycling. International Woodland Corporation estimates that the U.S. pulp production will remain relatively flat, but that production of pulpwood for oriented strand board (used for residential construction) and wood pellets will increase through 2020. Demand for biomass, pulpwood products used for energy purposes, is expected to increase given environmental regulations adopted in Europe and expected initiatives elsewhere globally. Pulpwood dynamics are not expected to negatively impact timberland investment meaningfully in the coming years.

Timberland Capital Market Flows and Transaction Data

Market dynamics in the timberland industry include increasing transaction flow, especially in the U.S. There have been several large institutional portfolios of timberland brought to the market in the U.S. Several closed-end commingled funds are nearing their expirations, which will result in timberland for sale and should decrease the pressure on pricing. Additionally, multiple timberland investment organizations are undergoing changes. As a result of ownership changes or shifts in assets under management, there has been some account and professional turnover, which is expected to continue going forward. This activity could result in additional deal flow from manager disruption and terminated vehicles. Transactional history in the United States has been varied, and levels have not yet recovered to those pre-Global Financial Crisis. The following chart illustrates domestic timberland transaction history:

Major US Timberland Transactions Since 1995 (# transactions – right scale)



Source: GMO

In the early 2000's there was a high level of commitment activity to U.S. focused timberland funds. Many of these funds have reached the end of their legal life and still have remaining timberland assets to be sold. Given the challenges in the recent market cycle and the long term nature of the timberland asset class and timber lifecycle, the ten year life has proved an insufficient time frame to roundtrip a strategy and exit all assets. As a result there are many groups of fund investors determining extension provisions for their funds and a certain level of dissatisfaction or frustration with the lack of disposition activity to date. This has been evidenced in the California Public Employees' Retirement System's ("CalPERS") decision to require a sale of the TimberSouth portfolio fund

managed by Campbell Global. It was announced that 300,000 acres of the fund would be taken to market and the sale is being driven by CalPERS. Based on information from a recent timberland request for information, Callan estimates that there is \$9.5 billion in timberland commingled fund holdings that are currently within two years or beyond the legal fund term life. The expiring funds may result in a fair amount of investment opportunities coming to market. If these timberland holdings are sold and in 2016 and 2017, this would represent a significant increase from transaction levels in 2014 which were at lower levels than years prior. At the end of 2015, a number of transactions occurred between TIMOs, including Molpus Woodlands Group purchasing a subset of Campbell Global's Louisiana portfolio, the Conservation Forestry Partners Fund purchasing a Northeast portfolio from The Forestland Group and Hancock Timber selling three different Pacific Northwest portfolios to Campbell Global, Olympic Resource Management and Molpus. These fourth quarter transactions account for over 370,000 acres of timberland changing hands, with more coming in 2016 including the potential for another 160,000 acres of Campbell Global-owned Pacific Northwest timberland.⁶

There may also be acquisition opportunities from REITS. The universe of timber REITs is very small, and has undergone a recent shift. In November 2015, the largest and second largest public timber companies, Weyerhaeuser and Plum Creek Timber, merged, creating a company with a combined market capitalization of over \$20 billion. Plum Creek's timber holdings are diversified over a number of states, however Weyerhaeuser's timber holdings are concentrated in the Pacific Northwest. Weyerhaeuser is expected to shift its business focus entirely to timberland and wood-product operations and exit its cellulose-fiber business. The REIT will continue to pay its dividend and likely increase it and is expected to cut \$100 million in corporate overhead. After the merger, there are now four publically traded timber REITs in the United States, the merged entity will operate under the Weyerhaeuser name and the remaining three are Rayonier, Inc., Potlatch Corporation, and CatchMark Timber Trust, Inc. CatchMark Timber Trust is the newest addition to the group as it started operations in 2006 as a non-traded REIT and was converted to a company listed on the New York Stock Exchange in December 2013. Timber REITs have been exhibited poor performance in 2015, as they are the second worst performing sector after Lodging REITs as of October 31, 2015, returning -12.2%. Rayonier has been the worst performing, returning -19.41%. Poor performance can be attributed to a lack of available and harvestable timberland as well as the sale of higher-and-better-use (HBU) lands to meet REIT dividend requirements. As there is a finite amount of HBU land to sell, the timber REITs will eventually run out of such land.

There have been some organizationally driven industry shifts, as well, that may result in acquisitions coming to market, including the SEC determination that Timbervest committed Investor Act violations.

Timberland Historical Performance

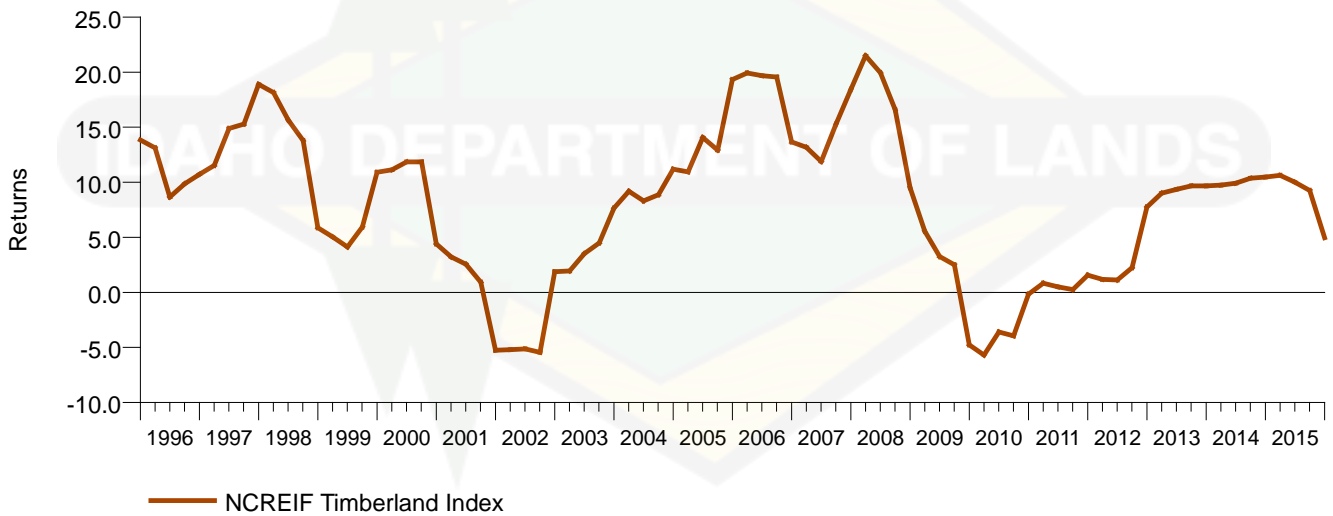
Private, institutional timberland performance is best measured by the NCREIF Timberland Index, a time-weighted, unlevered property level index that reports performance results quarterly. The index constituents are properties owned wholly and in joint ventures by voting members of NCREIF, and the inception date is 1987. The Index is available both gross and net of management fees. It is important to note that, while the Index is the industry standard, it represents only a sample size of the total United States timberland market. As of December 31, 2015, The NCREIF Timberland Index is made up of 454 properties representing 13.3 million acres and a market value of \$24.3 billion. The NCREIF Timberland Index has four sub indices created by region, South, Northwest,

⁶ Forest Investment Associates

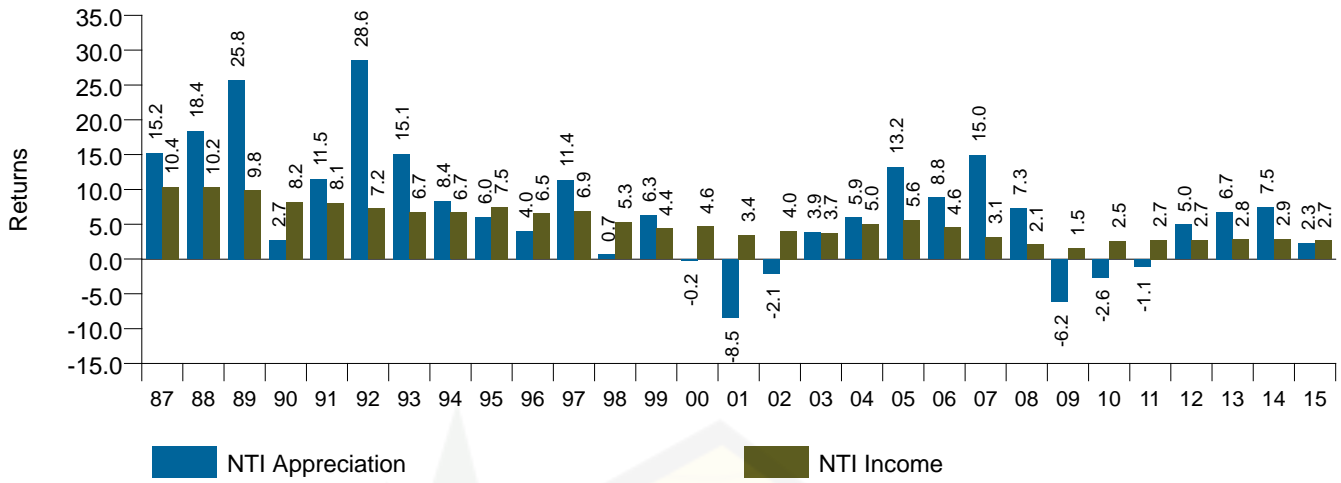
Northeast and Lake States. The South region is the largest region across all categories, property number, acreage and market value. Idaho is in the Northwest region of the NCREIF Timberland Index along with California, Oregon and Washington. As of December 31, 2015, the Northwest Index consists of 83 properties made up of 2.80 million acres, representing \$5.3 billion in market value. Per acre, the Northwest region has the most value in its timber properties. Five properties in the Northwest region are located in Idaho representing approximately 145,401 acres and a market value of \$155 million.

Timberland experienced peak pricing prior to the Global Financial Crisis (“GFC”) as liquidity from investors drove prices upwards. Following the GFC, the appraisal lag, particularly in properties that were only appraised every three years, resulted in a delayed mark down in asset values. In 2012, NCREIF required that all properties contributing to the Index be appraised quarterly. The table below highlights the historical timberland performance for the NCREIF Timberland Index. The first chart highlights the rolling four quarter return history of the NCREIF Timberland Index over the last 20 years. The second chart highlights the income and appreciation returns of the Index. Income returns have waned given weaker wood demand coming out of the GFC. Appreciation returns have been positive in recent years but have not been at levels seen pre-GFC.

Rolling 4 Quarter Gross of Fee Returns for 20 Years Ended December 31, 2015

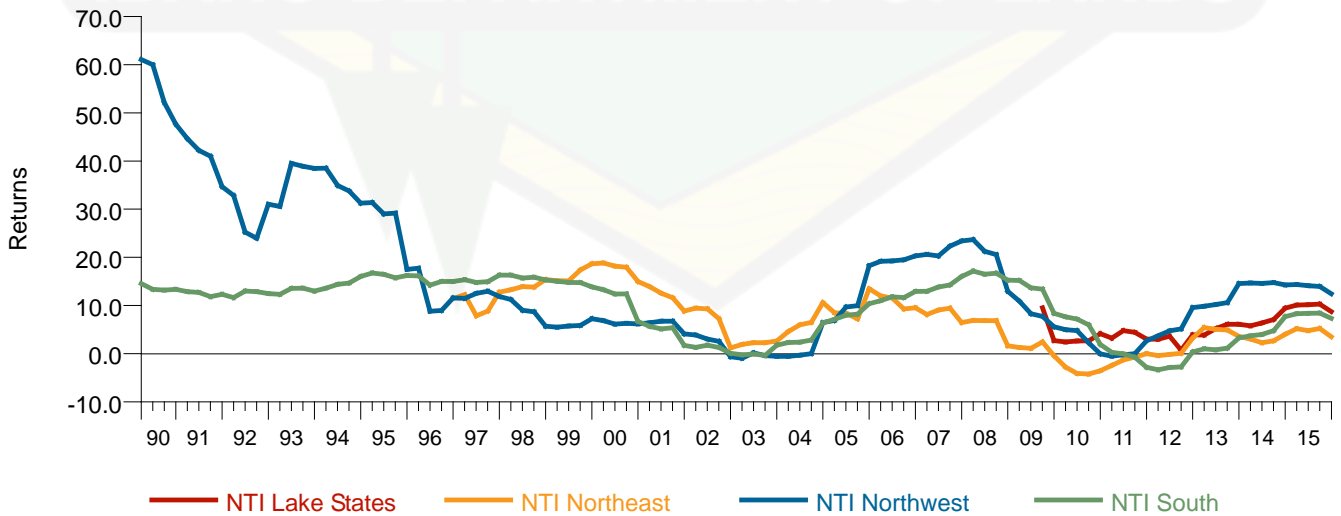


NCREIF Timberland Income and Appreciation Gross Returns for 29 Years Ended December 31, 2015



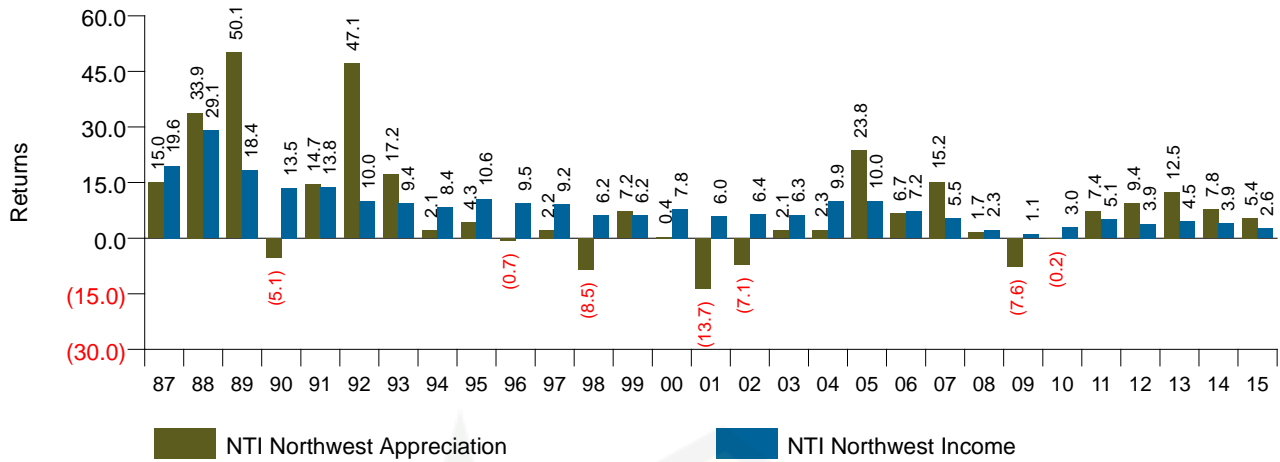
The next chart highlights the annual rolling regional performance. The regional performance diverges and in recent periods, the Northwest region has outperformed the other U.S. regions. The diverging performance is a primary reason many investors seek to build diversified regional exposure to timberland.

Rolling 12 Quarter Gross Returns for 25 3/4 Years Ended December 31, 2015



The following chart breaks out the NTI Northwest Index further into the income and appreciation returns generated by timberland in the same region where IDL timber is located. In recent years, both income and appreciation outpace the broader index. The performance of the Idaho properties in the NCREIF Timberland Index cannot be shown as NCREIF does not release data if the sample size is under a certain number of properties.

NCREIF Northwest Region Timberland Index Income and Appreciation Gross Returns for 29 Years Ended December 31, 2015



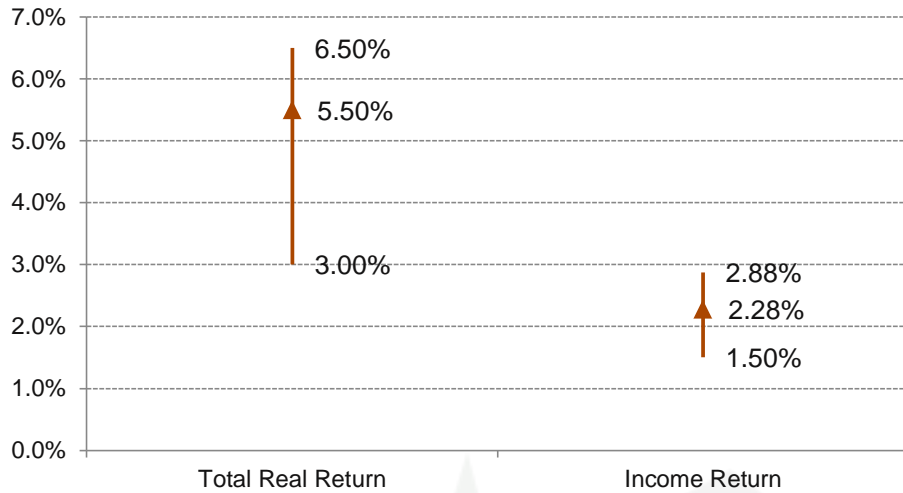
Gross Returns for Periods Ended December 31, 2015

	Last Year	Last 5 Years	Last 10 Years	Last 15 Years	Last 25 Years
NCREIF:Timberland Index	4.97	6.84	6.92	6.83	10.28
NTI Appreciation	2.25	4.02	4.10	3.47	5.61
NTI Income	2.67	2.75	2.75	3.28	4.51
NTI Northwest	8.15	12.74	9.69	9.28	12.42
NTI Northwest Appreciation	5.40	8.46	5.64	3.97	5.45
NTI Northwest Income	2.64	4.02	3.90	5.16	6.72

Expected Returns

Callan surveyed the timberland investment manager universe. We received responses from 12 managers with \$33.75 billion of timber assets under management. The timber investment manager universe has a widely varying set of expectations for domestic timberland returns over the next five to ten years as is shown on the chart below. Real return expectations range from approximately 3% to 6.5% on an unleveraged basis. Most managers expect returns to be around 5.5% real with income generating 40-50% of that return. Expectations for income ranged from 25% of the total return to 60% of the total return, resulting in an expected income range of 1.5% to 2.88%.

Domestic Timberland Return Expectations



Source: Callan Associates

It is important to note that there are differences in regional expectations, and a consensus of managers noted that the Northeast and Lake States would likely return 50 to 100 basis points less than the total domestic expected returns. Managers did not have a consensus view on the Southeast or Pacific Northwest. While the income returns are roughly in line with what timber investments have historically generated, most managers are expecting a slight downward shift in the real return of the asset class over the next five to ten years.

IDL, as a manager and acquirer of timberland, may compete directly with timberland investment management organizations for acquisitions.

Farmland Market Overview

Farmland Supply and Demand Dynamics

The current outlook for farmland is based on long term positive supply and demand dynamics that support appreciation of both agricultural commodities and farmland. The primary factors supporting the positive long term outlook are increasing global population, a growing middle class in developing economies who demand better diets and more meat, and a relatively fixed supply of farmland around the world. According to projections by the UN FAO under their baseline scenario, between 2005-07 and 2050, world food production needs to increase by 60% to meet increasing demand from population growth. While some additional land has (and may continue to) come into production, rising population has translated to arable land and permanent cropland available for cultivation to decline steadily on a per capital basis.⁷ Increases in food production will need to come from increases in productivity, not increases in arable land. Productivity gains are no longer outpacing population growth, instead demand growth is outstripping productivity increases which makes the supply of land more valuable.

In the near term, macro risks are contributing to decelerating fundamentals and declining prices in some regions of the country. Weaker economic growth, particularly in China and Europe which are key export markets, is contributing to commodity price weakness and reduced demand. Additionally in China, higher currency devaluation and cost cutting at state owned enterprises in response to the government crackdown on corruption is further negatively impacting the demand for many agricultural products. Globally, supplies of commodity crops are at near record levels. There is downward pressure on cash rents in the central region of the United States due to the negative commodity price outlook. Corn, soybean, cotton, rice, and wheat are being adversely affected by low commodity prices putting pressure on rents and values.

Nut prices have generally remained stable to strong due to consumer demand which has kept farm profitability and farmland values strong in California. Continually rising nut prices, now in the fourth year, combined with drought conditions in California may point to higher levels of risk for California properties.⁸ Statewide, properties with that are irrigated have continued to see strong pricing. There are predictions of softening in the market for certain types of nuts including pecans and pistachios due both to supply and demand factors. Almond prices have already declined precipitously due to a drop in overseas demand and a bumper crop domestically.

Rising interest rates will increase costs for farm operators and could negatively influence farmland values. Lenders are pulling back on credit particularly in the Corn Belt, creating pressure on farmers. A prolonged strengthening of the dollar could negatively impact exports. Water availability and regulatory risk associated with water resources has moved to the forefront of investors' minds.

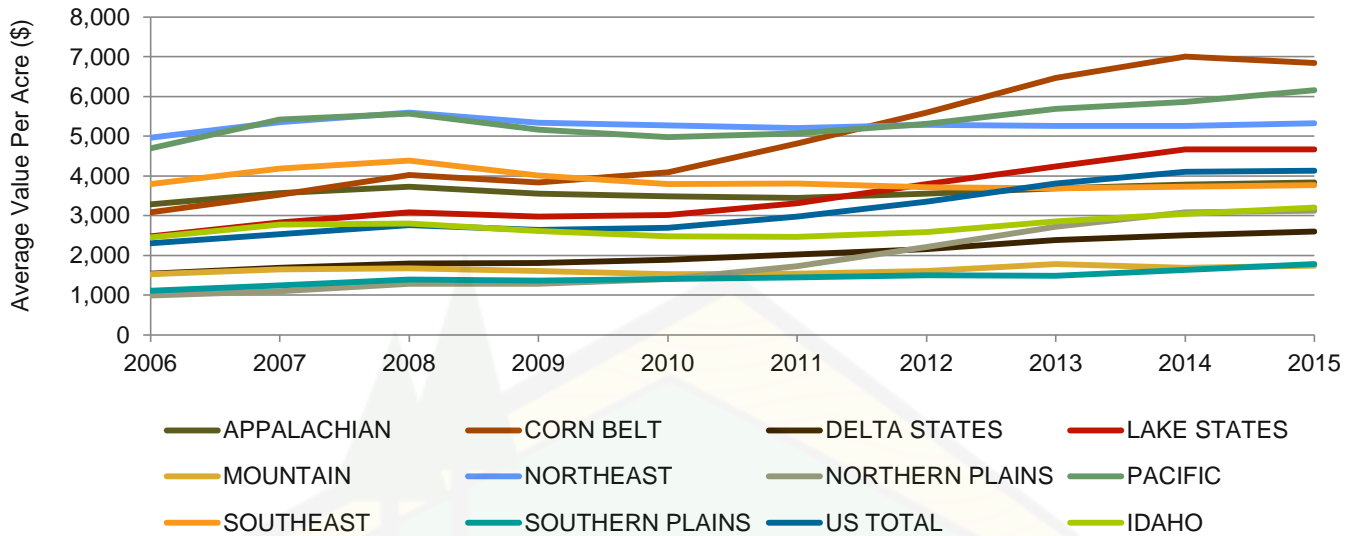
Beginning in 2011, cropland values started to show significant per acre value increases before beginning to moderate in the past year, although there are still substantial disparities by region as shown on the next two

⁷ GMO, "A Farmland Investment Primer," July 2014

⁸ Mesirow Financial Agriculture Management 3Q2015 Summary

charts. The USDA Land Values report for 2015 showed an overall 0.7% increase for US cropland values from 2014. Cropland values were down in the Corn Belt by -2.3% from 2014. In the Delta, cropland values were up by 3.6% over 2014. Northern Plains' cropland showed an average increase of 1.3% compared to 2014. Idaho showed one of the higher increases at 5.3%.

Cropland Values Per Acre



Source: US Department of Agriculture National Agriculture Statistics Service

Cropland Values Per Acre

Year	Corn Belt	Delta	Pacific	Idaho	U.S.
2006	3,090	1,540	4,690	2,450	2,300
2007	3,530	1,690	5,420	2,770	2,530
2008	4,030	1,800	5,570	2,800	2,760
2009	3,840	1,810	5,160	2,610	2,640
2010	4,090	1,890	4,980	2,480	2,700
2011	4,810	2,020	5,070	2,470	2,980
2012	5,600	2,160	5,310	2,580	3,350
2013	6,470	2,380	5,690	2,850	3,810
2014	7,000	2,510	5,860	3,040	4,100
2015	6,840	2,600	6,160	3,200	4,130

Source: US Department of Agriculture National Agriculture Statistics Service

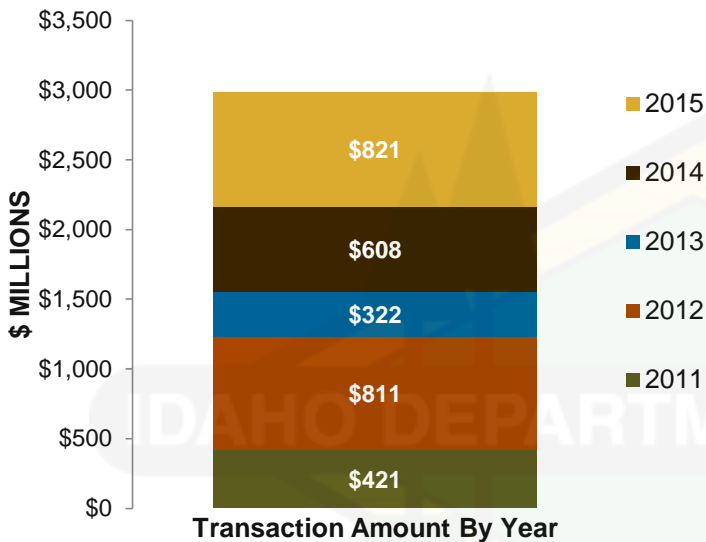
Farmland Capital Market Flows and Transaction Data

Farmland has received increased investment and interest from institutional investors and individuals in recent years, along with the interest in other types of real assets due to its return profile, inflation hedging characteristics, low correlations with financial assets, ability to diversify a broader investment portfolio, strong long term return

drivers, and recent performance. Institutional ownership of farmland continues to steadily grow but is still only a very small part of the overall farmland universe with owner operators dominating ownership of the asset class.

Callan surveyed the farmland investment manager universe which included nine managers with \$7.3 billion of farmland assets under management. The participants included the largest farmland investment managers. These managers made \$3 billion in farmland investments over the past five years in the U.S. as shown on the bar chart. The managers report approximately \$4 billion in uninvested capital that has been allocated to them for new investments which will be invested as suitable investments are found. There continues to be strong interest among institutional managers and investors for both U.S. and international farmland opportunities.

Farmland Investments by Institutional Farmland Managers



Source: Callan

Farmland Historical Performance

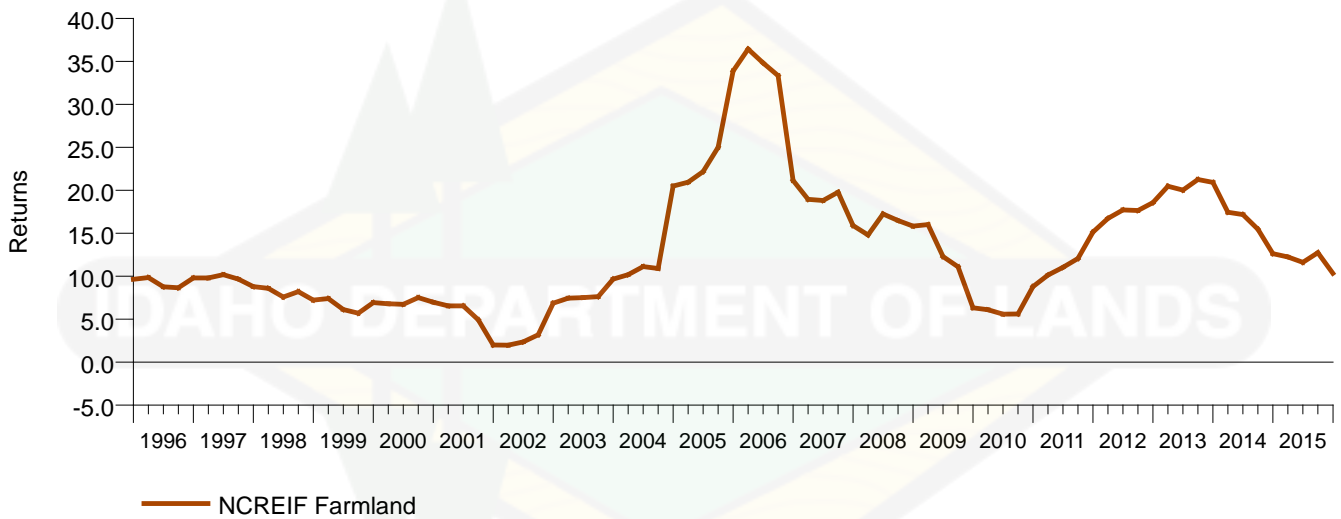
Private, institutional farmland performance is best measured by the NCREIF Farmland Index, a time-weighted, unlevered property level index that reports performance results quarterly. The index constituents are properties owned wholly and in joint ventures by voting members of NCREIF, and the inception date is 1991. Properties in the index have been acquired in the private market for investment purposes only on behalf of tax-exempt institutional investors. As such, all properties are held in a fiduciary environment.

Data is reported by the managers of the NCREIF members' farmland investments, and both income and market value data is reported to NCREIF each quarter. Returns are reported on an all-cash, unleveraged basis before fees. Each property's market value is determined by real estate appraisal methodology, consistently applied. It is important to note that, while the Index is the industry standard, it represents only a small sample size of the total United States farmland market. As of December 31, 2015, The NCREIF Farmland Index is made up of 667 properties with a market value of \$6.727 billion. The NCREIF Farmland Index has two property type sub-indices – Annual Cropland and Permanent Cropland. There are twelve regional sub indices which align with the USDA Economic Regions except that Pacific is split into two regions and NCREIF has an Other region. The NCREIF

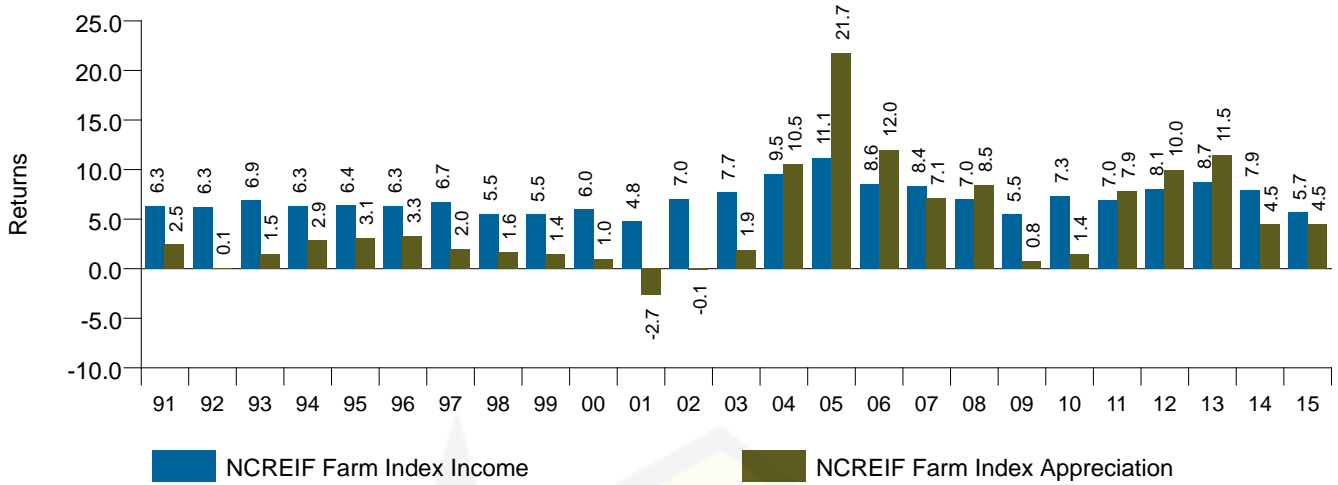
Farmland Regions include: Pacific West, Pacific Northwest, Mountain, Corn Belt, Lake States, Southeast, Delta States, Appalachian, Northern Plains, Southern Plains, Northeast, and Other. Annual Cropland comprises 423 properties and \$3.610 billion of market value and Permanent Cropland comprises 244 properties and \$3.118 billion. Idaho is in the Mountain region of the NCREIF Farmland Index along with Arizona, Colorado, Montana, Nevada, New Mexico, Utah, and Wyoming. As of December 31, 2015, the Mountain Region consists of 48 Annual Cropland properties representing \$428.9 million in market value and no Permanent Cropland. Thirty-two properties in the Mountain region are located in Idaho with a market value of \$280 million.

Farmland returns have been strong but have begun to moderate moving toward historical long term averages. The table below highlights the historical performance for the NCREIF Farmland Index. The first chart highlights the rolling four quarter return history of the NCREIF Farmland Index over the last 20 years. The second chart highlights the income and appreciation returns of the Index.

Rolling 4 Quarter Gross of Fee Returns for 20 Years Ended December 31, 2015



**NCREIF Farmland Income and Appreciation Gross Returns
for 25 Years Ended December 31, 2015**

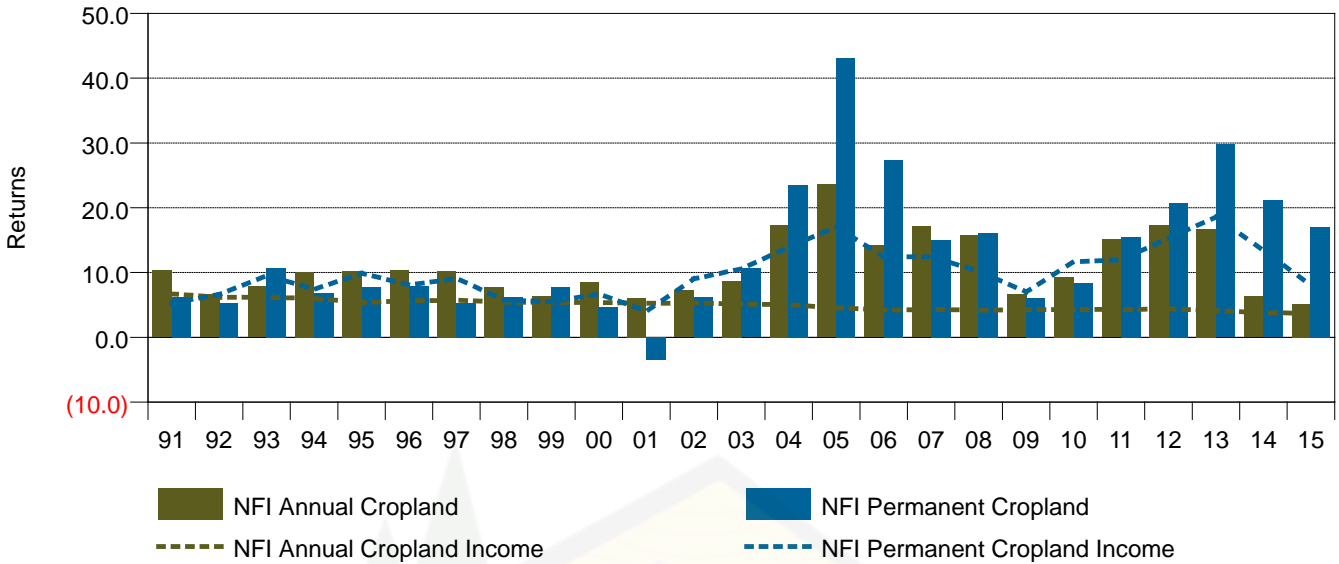


Gross Returns for Periods Ended December 31, 2015

	Last Year	Last 5 Years	Last 10 Years	Last 15 Years	Last 25 Years
NCREIF:Farm Idx	10.35	15.47	14.47	14.33	11.85
NCREIF Farm Index Appreciation	4.48	7.63	6.74	6.46	4.63
NCREIF Farm Index Income	5.69	7.47	7.41	7.61	7.05
NFI Annual Cropland	5.18	12.02	12.27	12.32	10.91
NFI Annual Cropland Appreciation	1.42	7.73	7.87	7.61	5.71
NCREIF Farm Index Income	5.69	7.47	7.41	7.61	7.05

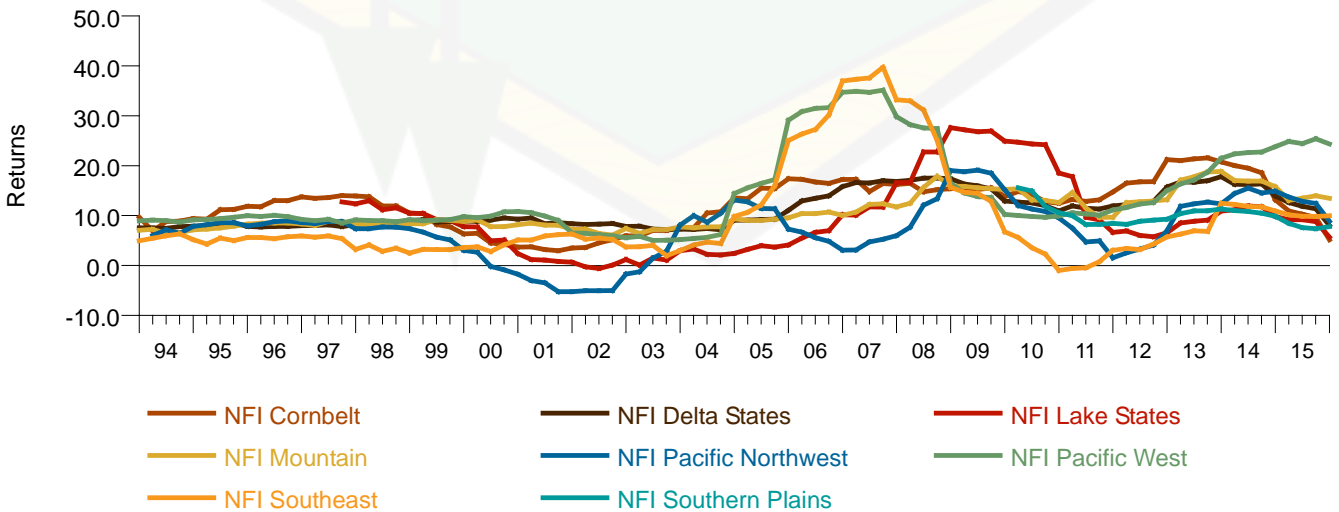
The returns of Annual Cropland compared to Permanent Cropland are shown on the chart below. Permanent crops, led by nut crops, have outpaced annual crop investments in recent years both in total return as well as income return. The annualized total return for permanent crops over the past ten years has been 17.50% versus the 12.27% annualized ten year return for row crops.

US Farmland Gross Returns, Row Crops and Permanent Crops for 25 Years Ended December 31, 2015



The rolling return by region is shown on the chart below. The difference in returns between Annual Cropland and Permanent Cropland as well as the regional performance differences are a primary reason many investors seek to build diversified regional exposure to farmland

Rolling 12 Quarter Gross Returns for 22 Years Ended December 31, 2015

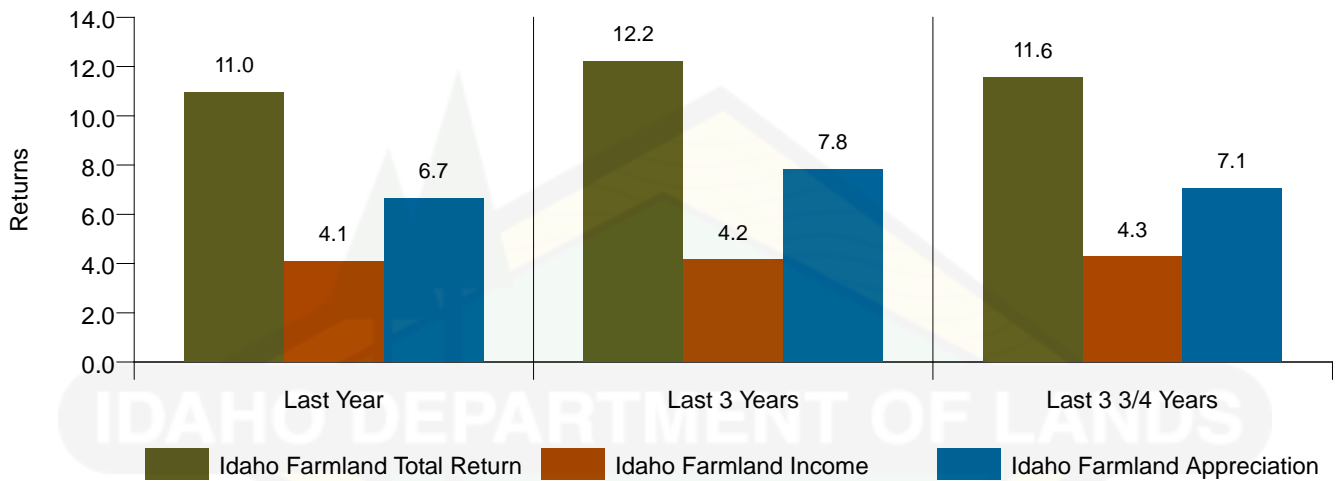


Idaho farmland in the NCREIF Farmland Index is comprised solely of annual cropland. The data series is relatively short and is shown on the chart following:

**Gross Returns for Calendar Years
3 Years Ended December 31, 2015**

	2015	2014	2013
Idaho Farmland Total Return	10.95	4.51	21.85
Idaho Farmland Appreciation	6.66	0.51	16.91
Idaho Farmland Income	4.09	4.00	4.41

**Gross Returns for Various Periods
Current Quarter Ending December 31, 2015**



Expected Returns

Callan surveyed the farmland investment manager universe. We received responses from eight managers with \$5.3 billion of farmland assets under management. The farmland investment manager universe has a widely varying set of expectations for domestic farmland returns over the next five to ten years and there are substantial differences in expectations for row crops versus permanent crops. Operated permanent crops have higher return expectations and higher income expectations. Permanent crops are forecast to have a 9.0%-13.5% total nominal return with an 8-10% income return whereas Leased Row Crops are in the range of 6.5%-11.0% total nominal return with a 3.5%-6.0% income return. We find investment manager surveys are usually on the optimistic side; however, investment managers do expect a downward shift in the real return of the asset class over the next five to ten years.

In the search for higher returns, managers are pursuing strategies that combine farmland with private equity type investing (e.g investing in farmland infrastructure or fully integrated agribusiness operations, distribution, ag tech, processing) which are projected to generate 10% and higher total returns, but include higher risk as well. International strategies are also a mechanism some managers are using to generate higher returns.

Ways to Invest in Farmland

Institutional investors invest in farmland primarily through the use of a specialist farmland investment managers. Making farmland investments and managing them directly using in house staff, like IDL, is not typical due to the complexity, specialist knowledge of farmland, time required to assemble a diversified portfolio of farmland, and to retain, on staff, the expertise to properly oversee and manage those investments. Investing via a farmland investment manager provides diversification, experience, scale, and confidence that best in class farm management practices are being implemented.

Investment programs are implemented through pooled investment vehicles, including open end and closed end funds, or separately managed accounts. There is one institutionally recognized farmland open end fund and a few other open end funds focused on individual investors. The institutional open end fund is broadly diversified across the U.S. farmland sector by permanent and row crops as well as geography and has a long track record. Closed end funds may pursue higher risk strategies that may use leverage and combine farmland with private equity type investing discussed earlier or international strategies.

Separate accounts require a larger amount of capital than fund investments, typically at least \$50 million. Investment management fees range from 50 to 100 basis points on the net asset value of the account. Separate accounts provide a higher level of control to the investor and are customizable according to investor needs. Typically the farmland investment manager operates within pre-set guidelines established at the inception of the account and approved annually by the investor. Acquisitions and dispositions in an account are approved by the investment committee of the investment manager provided they are within the established guidelines. Some investors require the manager to obtain approval for all transactions from the investor's investment committee or similar decision-making board; however this process may put the investor at a disadvantage due to the uncertainty it creates and additional time required to close a transaction. In a separate account, an investor has the ability to terminate the advisor at any time and move the assets to another manager, which fosters greater manager accountability.

Investors can also access farmland through public REITs. The universe of farmland REITs is very small and very new. There are three farmland REITs including: Gladstone Land Corp. (LAND), with an inception date of 2013, Farmland Partners Inc. (FPI), with an inception date of 2014, and American Farmland Co. (AFCO), which held its initial public offering in 2015. The lack of track record, size of each company, and amount of leverage represent significant risks making implementation via the public markets unattractive for now.

A major consideration in developing a farmland investment strategy is risk tolerance and where an investor wants to be in the value chain. The basic building blocks to any portfolio are permanent plantings and row crops. Because of the significant investment in living improvements, permanent plantings are generally direct operated with the investor bearing all the volatility and risk of crop yield and commodity price. This is contrasted to row crops where the norm is cash leasing to an operator who bears the production and commodity price risk.

The chart below provides an overview of different risk scenarios and provides a context for evaluating an investor's risk tolerance and relative risk in an existing portfolio of farmland.



Investor Risk Preference or Portfolio Characteristics

Portfolio Diversification Factors	Low	Medium	High
Geography	Broadly Dispersed	Moderately Dispersed	Narrowly Dispersed
Commodity	Large Assortment	Medium Assortment	Small Assortment
Crop Type	100% Row 0% Permanent	50% Row 50% Permanent	0% Row 100% Permanent
Management Style	100% Leased 0% Operated	50% Leased 50% Operated	0% Leased 100% Operated
Leasing Arrangement	100% Fixed Rent 0% Flexed Rent	50% Fixed Rent 50% Flexed Rent	0% Fixed Rent 100% Flexed Rent
Operating Arrangement	100% Custom Farm 0% Directly Operate	50% Custom Farm 50% Directly Operate	0% Custom Farm 100% Directly Operate

Source: Callan 2015 Farmland Investment Survey and Hancock Agricultural Investment Group

Conclusions and Implications for Investment

Strong demand for farmland is expected to continue to meet the increasing global demand for food, fiber, and energy, as well as to satisfy institutional investor demand for diversifying, inflation-hedging assets. The relatively fixed supply of land capable of supporting agriculture is another favorable factor supporting the investment case for farmland. With less leverage and increasing technological efficiencies, the farm sector is better positioned for weak prices compared to the decline of 1980s.⁹ Additionally, operators and investors have adjusted their return expectations downward. Moderating farmland prices may represent an attractive entry point if transactions are carefully underwritten over the next several years.

Primary risks of investing in farmland include the risks of crop destruction due to fire, disease, pests, natural weather events, and changing demand for agricultural products. These risks are primarily mitigated by investing in a diversified farmland portfolio. Additionally, today valuations may exceed current fundamentals with appraised values lagging the decline in pricing given weakening fundamentals of some commodities. There is a risk in potentially overpaying. Tenant credit default is more of a risk today highlighting the need to conduct extensive due diligence on a tenant's financial status, require a letter of credit and rental pre payments, and invest in areas with deep pools of tenants to replace a tenant/operator in the event of a default. An exhaustive description of risks is included in the Appendix.

⁹ Hancock Agricultural Investment Group, "Farmland Investor," Volume 22, Number 2.

The pace of investment in farmland is typically slower than timberland or commercial real estate due to the limited pool of investment transactions every year. There is not a pool of closed end funds that are reaching maturity and selling assets like in timberland. Investors tend to buy and hold, the asset class is popular with significant competition for transactions, and operators/farmers have had strong balance sheets for acquiring farmland, with limited incentive to sell. There is an expectation by farmland managers that current relatively weak fundamentals may be a catalyst for weaker, marginal farmers/owners to sell their land. Some expect that stronger farmers may stay on the sidelines with regard to new acquisitions, again due to the state of the market. Access to transaction deal flow via relationships with institutional and local owner/operators is critical to building a portfolio. Investors must have an appropriately long term time frame to acquire a diversified portfolio of farmland, typically at least five years. The timeframe is similar for direct acquisitions in a separate account as well as investing via the open end fund. Investment horizons for closed end fund investments span from 10 to 15 years.



NASS Cropland Per Acre Prices and Percentage Change

	Appalachian	Y/Y%	Corn Belt	Y/Y%	Delta States	Y/Y%	Lake States	Y/Y%	Mountain	Y/Y%	Northeast	Y/Y%	Northern Plains	Y/Y%	Pacific	Y/Y%	Southeast	Y/Y%	Southern Plains	Y/Y%	Idaho	Y/Y%	US Total	Y/Y%
2006	\$3,290		\$3,090		\$1,540		\$2,480		\$1,520		\$4,970		\$985		\$4,690		\$3,790		\$1,110		\$2,450		\$2,300	
2007	\$3,570	8.51%	\$3,530	14.24%	\$1,690	9.74%	\$2,830	14.11%	\$1,640	7.89%	\$5,350	7.65%	\$1,090	10.66%	\$5,420	15.57%	\$4,180	10.29%	\$1,250	12.61%	\$2,770	13.06%	\$2,530	10.00%
2008	\$3,730	4.48%	\$4,030	14.16%	\$1,800	6.51%	\$3,080	8.83%	\$1,670	1.83%	\$5,590	4.49%	\$1,280	17.43%	\$5,570	2.77%	\$4,380	4.78%	\$1,390	11.20%	\$2,800	1.08%	\$2,760	9.09%
2009	\$3,550	-4.83%	\$3,840	-4.71%	\$1,810	0.56%	\$2,970	-3.57%	\$1,600	-4.19%	\$5,340	-4.47%	\$1,280	0.00%	\$5,160	-7.36%	\$4,010	-8.45%	\$1,370	-1.44%	\$2,610	-6.79%	\$2,640	-4.35%
2010	\$3,490	-1.69%	\$4,090	6.51%	\$1,890	4.42%	\$3,010	1.35%	\$1,520	-5.00%	\$5,270	-1.31%	\$1,410	10.16%	\$4,980	-3.49%	\$3,800	-5.24%	\$1,400	2.19%	\$2,480	-4.98%	\$2,700	2.27%
2011	\$3,440	-1.43%	\$4,810	17.60%	\$2,020	6.88%	\$3,310	9.97%	\$1,540	1.32%	\$5,200	-1.33%	\$1,730	22.70%	\$5,070	1.81%	\$3,810	0.26%	\$1,450	3.57%	\$2,470	-0.40%	\$2,980	10.37%
2012	\$3,550	3.20%	\$5,600	16.42%	\$2,160	6.93%	\$3,790	14.50%	\$1,600	3.90%	\$5,280	1.54%	\$2,210	27.75%	\$5,310	4.73%	\$3,710	-2.62%	\$1,500	3.45%	\$2,580	4.45%	\$3,350	12.42%
2013	\$3,690	3.94%	\$6,470	15.54%	\$2,380	10.19%	\$4,240	11.87%	\$1,780	11.25%	\$5,260	-0.38%	\$2,720	23.08%	\$5,690	7.16%	\$3,690	-0.54%	\$1,480	-1.33%	\$2,850	10.47%	\$3,810	13.73%
2014	\$3,780	2.44%	\$7,000	8.19%	\$2,510	5.46%	\$4,670	10.14%	\$1,690	-5.06%	\$5,260	0.00%	\$3,090	13.60%	\$5,860	2.99%	\$3,730	1.08%	\$1,630	10.14%	\$3,040	6.67%	\$4,100	7.61%
2015	\$3,830	1.32%	\$6,840	-2.29%	\$2,600	3.59%	\$4,670	0.00%	\$1,740	2.96%	\$5,330	1.33%	\$3,130	1.29%	\$6,160	5.12%	\$3,770	1.07%	\$1,780	9.20%	\$3,200	5.26%	\$4,130	0.73%



Idaho Farmland Information

The following information on Idaho farmland price, volatility and return trends was provided by Resource Dimensions to IDL as an update to the March 2010 Agriculture Market Rent Study.

Real Cash Rents Plus Land Appreciation Returns for Idaho Cropland 2003-2015

Year	Land Value (\$/Acre)	Change in Land Value (\$/Acre)	Appreciation Rate	Cash Rent (\$/Acre)	Rent-to-Value Ratio	Appreciation + Cash Rent (\$/Acre)	Total Rate of Return
<u>Irrigated</u>							
2003	2,834			149	5.3%		
2004	2,924	90	3.2%	148	5.1%	238	8.4%
2005	3,398	475	16.2%	150	4.4%	625	21.4%
2006	4,585	1,187	34.9%	150	3.3%	1,338	39.4%
2007	4,973	387	8.4%	149	3.0%	536	11.7%
2008	4,954	-19	-0.4%	160	3.2%	141	2.8%
2009	4,419	-535	-10.8%	177	4.0%	-358	-7.2%
2010	3,631	-788	-17.8%	153	4.2%	-636	-14.4%
2011	4,025	394	10.9%	177	4.4%	571	15.7%
2012	4,171	146	3.6%	187	4.5%	332	8.3%
2013	4,314	143	3.4%	180	4.2%	323	7.8%
2014	4,605	292	6.8%	197	4.3%	489	11.3%
2015	4,830	225	4.9%	205	4.2%	430	9.3%
Average	4,128	166	4.5%	168	4.1%	336	8.6%
Standard Deviation	728	495	13.1%	20	0.7%	494	13.4%
<u>Non Irrigated</u>							
2003	1,005			66	6.5%		
2004	1,004	-1	-0.1%	67	6.6%	66	6.5%
2005	1,032	28	2.8%	67	6.5%	95	9.4%
2006	1,234	203	19.7%	68	5.5%	271	26.3%
2007	1,406	172	13.9%	66	4.7%	238	19.3%
2008	1,497	91	6.5%	61	4.0%	152	10.8%
2009	1,436	-61	-4.1%	63	4.4%	2	0.1%
2010	1,166	-271	-18.8%	57	4.9%	-213	-14.9%
2011	1,275	109	9.4%	58	4.5%	167	14.4%
2012	1,249	-26	-2.0%	54	4.3%	28	2.2%
2013	1,333	84	6.7%	57	4.3%	141	11.3%
2014	1,322	-11	-0.8%	61	4.6%	50	3.7%
2015	1,400	78	5.9%	65	4.6%	143	10.9%
Average	1,258	33	2.8%	62	4.9%	95	7.7%
Standard. Deviation	166	124	9.8%	5	0.9%	126	10.3%

Farmland Risks

Potential risks associated with investing in U.S. Farmland include, but are not limited to the following:

- a. **Environmental Risks.** Investment returns may be impacted by environmental issues, events and risks including but not limited to the following:
 - Drought
 - Flood
 - Water use (overexploitation/depletion and deterioration of groundwater)
 - Soil type and drainage
 - Soil erosion/deletion
 - Pollution from agrochemicals
 - Biodiversity impacts, deforestation
 - Greenhouse gas (GHG) emissions
 - Endangered species
 - Issues related to intensive production, monocultures (use of land for growing only one type of crop), genetically modified organisms (GMO) use
 - Storage tank contamination
 - Groundwater or soil contamination from on or off-site sources
 - Weather
 - Pests
 - Climate change
- b. **Social Risks.**
 - Risks related to food price volatility
 - Human/labor rights issues. Farmland investments may have an impact on labor groups and public sector employment opportunities.
 - Impact of on small farmers and local/regional food security
 - Impacts of intensive land use on communities
 - Occupational health and safety
- c. **Commodity Price Volatility.** Given the uncertain and volatile nature of commodity prices, return in any one year may be impacted, both on the income and appreciation side. This risk is heightened if lands are being leased and part of the rent is dependent on production or price levels.
- d. **Productivity Risk.** External operators or lessees may poorly manage farmland operations, use inappropriate agricultural techniques, or the original land selection may not produce as expected.
- e. **Financing Risks.** Changes and volatility in the credit and equity markets may impact financing efforts and the capital structures of underlying agriculture investments or the lessee.
- f. **Tenant Risk.** Tenant default and failure to pay rent may occur.
- g. **Leverage Risk.** Farmland investments may utilize significant leverage which may increase financial and refinancing risks. This is not a risk for the Land Board currently as no leverage is used to acquire properties.

- h. **Liquidity Risk.** As farmland investments may have long durations, they often are illiquid. Secondary markets for agriculture or farmland partnership investments may not be fully established or may provide limited opportunities.
- i. **Market Risk.** The farmland market is a developing market globally and investment opportunities may be impacted by market supply and demand.
- j. **Political and Headline Risks.** Agriculture or Farmland investments may involve political activities and may introduce headline risk to investors. Politics may impact the global trade of agriculture commodities. Politics may influence returns through adjustments to subsidies and bio-fuel mandates. Politics and regulations may impact water rights and water usage.
- k. **Regulatory Risk.** Changes in regulatory mandates may impact investment returns and strategies.
- l. **Management.** The investment manager universe for farmland investment is limited. Few institutional options are available which could impact manager diversification and manager substitution, if the need were to arise. The Land Board has chosen to use IDL as the internal manager and is dependent on one entity for management.

There are additional risks associated with investing in non-U.S. farmland that are not included in this document.

The logo for the Idaho Department of Lands is centered on the page. It features a stylized mountain range in the background with a sun or starburst at the top. In the foreground, there is a large, light-colored diamond shape with a yellow border. Overlaid on this diamond is a horizontal, rounded rectangular bar containing the text "IDAHO DEPARTMENT OF LANDS" in white, uppercase letters.

IDAHO DEPARTMENT OF LANDS

Historical Returns and Correlations for Farmland, Timberland, and Commercial Real Estate with Major Stock and Bond Indices

Gross of Fee Returns for Periods Ended December 31, 2015

	Last Year	Last 5 Years	Last 10 Years	Last 15 Years	Last 25 Years
NCREIF Timberland	4.97	6.84	6.92	6.83	10.28
NCREIF Farmland	10.35	15.47	14.47	14.33	11.85
NCREIF Property Index	13.33	12.18	7.76	8.96	8.05
S&P 500	1.38	12.57	7.31	5.00	9.82
Barclays Aggregate	0.55	3.25	4.51	4.97	6.15

Gross of Fee Correlation for 10 Years Ended December 31, 2015

	NCREIF Timberland	NCREIF Farmland	NCREIF Property	S&P 500	Barclays Aggregate
NCREIF Timberland	1.00	0.61	0.25	(0.16)	0.10
NCREIF Farmland	0.61	1.00	0.09	0.10	(0.10)
NCREIF Property Index	0.25	0.09	1.00	0.26	(0.20)
S&P 500	(0.16)	0.10	0.26	1.00	(0.27)
Barclays Aggregate	0.10	(0.10)	(0.20)	(0.27)	1.00

Glossary of Terms

Appraisal – An estimate or opinion of market value.

Appreciation – The percentage change in the market value of a property or portfolio over the period of analysis.

Asset Management – The various disciplines involved with managing real property assets from the time of investment through the time of disposition. Proper asset management plans and policies include: requirements for operating and capital budgets, property management, leasing, physical property analysis, operational and financial reporting, appraisal, audits, accounting policies and asset disposition plans (hold/sell analyses).

Benchmark – An index derived from database information that allows for comparative performance evaluation within an asset class.

Capital Improvements – Expenditures that cure or arrest deterioration of assets or add new improvements to prolong their lives.

Core Investment – Typical Core portfolio investments shall be mature, brownfield/existing assets that produce steady and predictable cash flows. These assets should be difficult to replicate and will be long life assets. The assets shall be located in well established markets.

Commingled Fund – A term applied to all open-ended and closed-ended pooled investment vehicles designed for institutional tax-exempt investors. A commingled fund may be organized as a group trust, partnership, corporation, insurance company separate account, private real estate investment trust or other multiple ownership entity.

- **Open-ended Fund** – A commingled fund with no finite life, which allows continuous entry and exit of investors and typically engages in ongoing investment purchase and sale activities.
- **Closed-ended Fund** – A commingled fund with a stated termination date, with few or no additional investors after the initial formation of the fund. Closed-ended funds typically purchase a portfolio of properties to hold for the duration of the fund and, as sales occur, typically do not reinvest the sales proceeds.

Compound Return: Compounded Returns are measured over long time periods (10 years) and reflect the reduction in return that comes from variations around the average return (“volatility drag”).

Correlation: Correlations measure the amount of diversification between two asset classes. A correlation of 1 indicates no diversification. A correlation of -1 indicates perfect diversification. Very few investments have correlations much less than zero.

Dairy – A dairy is a business enterprise established for the harvesting of animal milk. A dairy farm produces milk and a dairy factory processes it into a variety of dairy products.

Discretion – The level of authority given to an investment manager over the investment and management of a client's capital once that capital is allocated to the investment manager.

Direct Investment – An investment in which an investor has a direct ownership interest in underlying agriculture projects and/or assets. This is compared to investment in a commingled fund structure where the investor has an interest in the commingled fund and the fund owns the underlying assets.

Diversification – Investing in a wide range of assets/projects or asset classes in order to reduce financial risk.

Due Diligence – The process of investigating, evaluating and analyzing a potential investment's characteristics, investment philosophy and terms and conditions.

Fair Market Value – The highest price a property would bring if exposed for sale in the open market by a willing seller to a willing buyer with both parties being fully informed of all the uses and purposes to which the property is reasonably adaptable and available.

General Partner – Managing partner of a limited partnership responsible for performing the day-to-day administrative operations of the partnership and acting as investment advisor to the partnership.

Income – The component of return derived from property or portfolio operations during the period of analysis.

Inflation – The general upward price movement of goods and services in an economy over a period of time.

Inflation-Link – Investments that allow inflation risk to be mitigated contractually through inflation-adjusted pricing agreements such as water utilities where the user fees are linked to Consumer Price Index (CPI).

Internal Rate of Return (IRR) – The discount rate at which the present value of future cash flows of an investment equals the cost of the investment. It is determined when the net present value of the cash outflows (the cost of the investment) and the cash inflows (returns on the investment) equal zero, the rate of discount being used is the IRR.

Investment Manager – A company that, by contractual agreement, provides farmland or timberland investment opportunities and/or property asset management services.

Joint Venture – A structure wherein an investor and a partner form a partnership to purchase and/or operate an investment or investments.

Leverage – The use of borrowed funds to increase purchasing power and, ideally, to increase the profitability of an investment.

Limited Partnership – A partnership with both general and limited partners in which the general partner manages the business and assumes full liability for the partnership obligations with the liability of the limited partners generally restricted to their capital contributions.

NCREIF Farmland Index – A quarterly time series composite return measure of investment performance of a large pool of individual agricultural properties acquired in the private market for investment purposes only. All properties in the Farmland Index have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment. The Index tracks U.S. properties exclusively.

NCREIF Property Index – A quarterly time series composite return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the Property Index have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment. The Index tracks U.S. properties exclusively.

NCREIF Timberland Index – A quarterly time series composite return measure of investment performance of a large pool of individual timberland properties acquired in the private market for investment purposes only. All properties in the Timberland Index have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment. The Index tracks U.S. properties exclusively.

Net Asset Value (Nav) – Represents total assets at fair market value minus liabilities.

Net Operating Income (NOI) – Rental and other income of a property, less operating expenses, but before the deduction of capital expenditures and debt service.

Nominal Rate of Return: Rate of return before adjusting for inflation

Opportunistic – A phrase characterizing an investment in underperforming and/or undermanaged assets/projects typically purchased from distressed sellers, utilizing high levels of leverage at times with the expectation of near-term increases in cash flow and value.

Pastoral Farming – is the branch of agriculture concerned with the raising of livestock. It is animal husbandry: the care, tending and use of animals such as cattle and sheep.

Permanent Crop – A crop that grows on a tree or vine. Permanent crops are typically categorized as citrus fruits, fruits and nuts. Examples include oranges, wine grapes, apples, almonds, walnuts, etc.

Property Management – The various functions that are performed at the property level in order to assure timely collection of rents, payment of expenses and supervision of on-site activities.

Real Rate of Return – Rate of return after adjusting for inflation (typically determined by the Consumer Price Index).

Row Crop – A crop that requires annual planting. These can be categorized as commodities and vegetables. Examples include corn, cotton, grains, soy, oilseeds, potatoes, etc.

Specialty Crop – A non-traditional crop that requires specialized expertise in its growth, harvesting or transportation. Many fresh fruits and produce are considered specialty crops. Examples include lettuce, strawberries, mangos, broccoli, etc.

Total Return – The sum of the income and appreciation returns.

Value-Added – A phrase commonly used by investment managers to describe a management approach to an asset or project with the connotation that their skills will add value, which otherwise would not be realized.

Vintage Year – The year of formation for a fund or investment program and its first takedown of capital. By placing a fund/investment program into a particular vintage year, the investor can compare the performance of a given fund with all other similar type funds formed in that particular vintage year. In addition, that vintage year return can then be compared to an industry benchmark which is provided by a leading publication source.



Endowment Distributions for FY2016-2018

Benewah County Schools

FY2016		
041	St. Maries Joint	\$119,012.84
044	Plummer / Worley Joint	\$49,508.53
		FY2016 Total \$168,521.37
FY2017		
041	St. Maries Joint	\$135,643.29
044	Plummer / Worley Joint	\$52,329.49
		FY2017 Total \$187,972.78
FY2018		
41	St. Maries Joint	\$175,066.70
44	Plummer / Worley Joint	\$65,540.74
		FY2018 Total \$240,607.44
		3-Yr Total \$597,101.59

Boundary County Schools

FY2016		
101	Boundary County	\$164,632.67
FY2017		
101	Boundary County	\$183,459.94
FY2018		
101	Boundary County	\$236,112.90
		3-Yr Total \$584,205.51

Bonner County School

FY2016		
083	West Bonner County	\$134,317.20
084	Lake Pend Oreille	\$411,806.81
487	Forest M. Bird Charter School	\$51,157.62
		FY2016 Total \$597,281.63
FY2017		
083	West Bonner County	\$147,316.64
084	Lake Pend Oreille	\$453,286.35
487	Forrest M. Bird Charter School	\$59,976.84
		FY2017 Total \$660,579.83
FY2018		
83	West Bonner County	\$184,201.56
084	Lake Pend Oreille	\$583,090.66
487	Forrest M. Bird Charter School	\$72,416.40
		FY2018 Total \$839,708.62
		3-Yr Total \$2,097,570.08

Endowment Distributions for FY2016-2018

Shoshone County School

FY2016		
391	Kellogg	\$131,225.46
392	Mullan	\$27,144.97
393	Wallace	\$67,975.79
394	Avery	\$5,938.14
FY2016 Total		\$232,284.36
FY2017		
391	Kellogg	\$144,129.95
392	Mullan	\$31,698.66
393	Wallace	\$74,496.15
394	Avery	\$4,957.06
FY2017 Total		\$255,281.82
FY2018		
391	Kellogg	\$183,569.46
392	Mullan	\$40,047.07
393	Wallace	\$91,981.52
394	Avery	\$6,091.72
FY2018 Total		\$321,689.77
3-Yr Total		\$809,255.95

Latah County Schools

FY2016		
281	Moscow	\$242,177.01
282	Genesee Joint	\$47,902.28
283	Kendrick Joint	\$40,911.34
285	Potlatch	\$65,866.03
287	Troy	\$43,771.12
288	Whitepine	\$41,636.97
490	Idaho Distance Education Academy	\$78,010.51
813	Moscow Charter School	\$21,440.95
472	Palouse Prairie Charter School	\$19,886.36
FY2016 Total		\$601,602.57
FY2017		
281	Moscow	\$274,454.02
282	Genesee Joint	\$54,090.11
283	Kendrick Joint	\$43,914.95
285	Potlatch	\$70,480.86
287	Troy	\$45,284.63
288	Whitepine	\$45,135.79
813	Moscow Charter School	\$24,083.64
472	Palouse Prairie Charter School	\$22,622.93
FY2017 Total		\$580,066.93
FY2018		
281	Moscow	\$350,598.08

Endowment Distributions for FY2016-2018

282	Genesee Joint	\$69,230.64
283	Kendrick Joint	\$55,111.50
285	Potlatch	\$87,343.97
287	Troy	\$57,065.57
288	Whitepine	\$60,048.86
813	Moscow Charter School	\$29,109.87
472	Palouse Prairie Charter School	\$30,690.25
	FY2018 Total	\$739,198.74

3-Yr Total \$1,920,868.24



THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS

Endowment Lands Contributions to Idaho's Economy

by

Philip S. Cook, Greg Alward, and Dennis R. Becker*

EXECUTIVE SUMMARY

Idaho owns approximately 2.4 million acres of Endowment Lands, managed as endowed trusts for the benefit of public schools and other beneficiary institutions. The Idaho State Board of Land Commissioners (Land Board) is the trustee for the nine Endowment Lands trusts. Each trust consists of three main parts: the land asset, managed by the Idaho Department of Lands (IDL), and a Permanent Fund and an Earnings Reserve Fund managed by the Endowment Fund Investment Board (EFIB).

Endowment Lands produce revenues for the beneficiaries in a variety of ways. Almost one million acres of Endowment Lands are timberlands, managed for timber that supplies the forest products industry with raw material. Over 1.4 million acres of Endowment Lands are rangelands, managed for grazing forage that supplies the livestock industry. Other Endowment Land uses include farming, residences, mineral and oil and gas exploration, communications sites, and other commercial purposes.

Distributions to endowment beneficiaries are made annually. In FY 2017, distributions totaled \$63.7 million, with \$36.7 million going to public schools. In inflation-adjusted (2017) dollars, overall distributions grew at an average annual compound interest rate of 4.0% between FY 2007 and FY 2017.

An input-output model was used to measure the contributions of Endowment Lands to Idaho's economy. Three sources of economic effects were measured: effects generated by inputs (timber, forage, minerals, etc.) from Endowment Lands to various industries; spending of distributions by beneficiaries; and expenditures by IDL and EFIB for land and financial asset management, respectively.

In 2017, Endowment Lands contributed in total (direct and support effects) \$1.35 billion in output, 7,641 jobs, and \$531.3 million in gross state product (GSP) including \$315.4 million in wages.

Timberlands, which account for 41% of Endowment Lands, contributed over 6,000 jobs and \$440 million in GSP to Idaho's economy through land management expenditures, timber sales and harvesting, and forest products manufacturing.

The spending of distributions from the Endowment Lands trusts by beneficiaries contributed to almost 1,400 jobs statewide, contributing \$75 million in GSP.



University of Idaho

College of Natural Resources

Policy Analysis Group
875 Perimeter Drive MS 1134
Moscow, Idaho 83844-1134
208-885-5776
pag@uidaho.edu
uidaho.edu/cnr/pag

* Principal Researcher, Senior Researcher, and Director, respectively, Policy Analysis Group.

Acknowledgments

The authors thank the following individuals for their review of an earlier draft of this report:

Larry Teeter, Ph.D.
Professor and Director
Forest Policy Center
Auburn University
Auburn, Alabama

Diane French
Division Administrator
Lands and Waterways
Idaho Department of Lands
Boise, Idaho



Table of Contents

Executive Summary.....	i
Acknowledgments.....	ii
Table of Contents.....	iii
Tables, Figures, and Sidebars.....	iv
Introduction	1
Endowment Lands Assets.....	4
Revenues from Endowment Lands.....	4
Land sales.....	4
Mineral royalties	4
Timber sales	7
Leases.....	7
Endowment Financial Assets: Permanent Fund and Earnings Reserve Fund	7
Costs of Managing Endowment Lands and Financial Assets.....	8
Distributions to Endowment Beneficiaries.....	8
Economic Contributions.....	10
Methods	11
Data sources.....	11
Modeling.....	13
Results	16
Discussion	20
References Cited	22
Appendix	23

Tables, Figures, and Sidebars

Tables

Table 1. Endowment Lands trusts: beneficiaries, land area, Permanent Fund value, and Earnings Reserve Fund value, FY 2017	1
Table 2. Acres of Endowment Lands by asset class, FY 2017.....	4
Table 3. Revenue, expenses, and net income by asset class and endowment, FY 2017.....	6
Table 4. Types of Endowment Lands leases.....	7
Table 5. IMPLAN sectors representing the forest products industry aggregated into five sectors for this study	14
Table 6. IMPLAN sectors representing other Endowment Lands revenues, distributions to beneficiaries, and IDL and EFIB management expenses	15
Table 7. Contributions of Endowment Lands assets, FY 2017	17
Table 8. Contributions of Endowment timberlands as part of the forest products industry, FY 2017	18
Table 9. Contributions of distributions to Endowment beneficiaries, FY 2017	19
Appendix Table 1. Idaho Endowment Lands by county and asset class (acres)	23

Figures

Figure 1. Idaho Endowment Lands by trust beneficiary	2
Figure 2. Structure of Idaho’s Endowment Lands trusts.....	3
Figure 3. Idaho Endowment Lands by asset class	5
Figure 4. Distributions to endowment beneficiaries, FY 2007- FY 2017 (inflation-adjusted 2017 dollars)	9
Figure 5. Flows of revenues, distributions, and contributions of Endowment Lands to Idaho’s economy	12
Figure 6. Total contributions of Endowment Lands to Idaho’s economy, 2017	16

Sidebars

Sidebar 1. Differences between the Capitol Permanent trust and other Endowment Lands trusts.....	3
Sidebar 2. Two ways to account for economic contributions: base and gross.....	13
Sidebar 3. Differences between the 2010 study of Endowment Lands economic contributions and this study	21

Introduction

When Idaho became a state in 1890, it was granted over 3.6 million acres of land by the federal government to be managed as endowed trusts for the financial benefit of public schools and other institutions.¹ Over time, the state sold and traded parcels of land so that as of 2018 the state owns approximately 2.4 million acres of these Endowment Lands. The Idaho State Board of Land Commissioners (Land Board)—Governor, Secretary of State, Attorney General, Superintendent of Public Instruction, and State Controller—is the trustee for the Endowment Lands trusts. According to the Idaho Constitution, the trusts must be managed “in such manner as will secure the maximum long-term financial return” to the trust beneficiaries (Article 9, Section 8).

There are nine Endowment Lands trusts (**Table 1** and **Figure 1**). Seven of the nine trusts have a single beneficiary institution, and two benefit multiple institutions. Eight of the nine trusts are structured and operate similarly; the Capitol Permanent trust is somewhat different (see **Sidebar 1**). The following discussion about trust structure and administration applies to the other eight trusts.

Each trust consists of three main parts (**Figure 2**): the land asset, managed by the Idaho Department of Lands (IDL), and a Permanent Fund and an Earnings Reserve Fund managed by the Endowment Fund Investment Board (EFIB). Public schools are the largest beneficiary of Idaho’s Endowment Lands.

Table 1. Endowment Lands trusts: beneficiaries, land area, Permanent Fund value, and Earnings Reserve Fund value, FY 2017.

Endowment Trust Beneficiary	Land (acres)	Permanent Fund (million \$)	Earnings Reserve Fund (million \$)
Public Schools	2,076,829	\$912	\$344
Charitable Institutions	77,241	\$108	\$38
Idaho State University (4/15)*			
Juvenile Corrections (4/15)			
State Hospital North (4/15)			
Veterans Hospital (1/6)			
School for the Deaf and Blind (1/30)			
School of Science (University of Idaho)	75,497	\$91	\$41
Normal Schools	59,639	\$93	\$37
Lewis-Clark State College (1/2)			
Idaho State University, Education Department (1/2)			
University of Idaho	55,094	\$81	\$34
Agricultural College (University of Idaho)	33,526	\$28	\$12
State Hospital South	31,376	\$84	\$40
Penitentiary	28,915	\$41	\$19
Capitol	7,283	\$29	\$5
TOTAL	2,445,400	\$1,467	\$570

*Proportion of distributions for each beneficiary.

Source: IDL (2017).

¹ For a detailed history and description see *Idaho’s Endowment Lands: A Matter of Sacred Trust, Second Edition* (O’Laughlin et al. 2011) and *Endowment Lands Asset Management Plan* (Idaho State Board of Land Commissioners 2016).

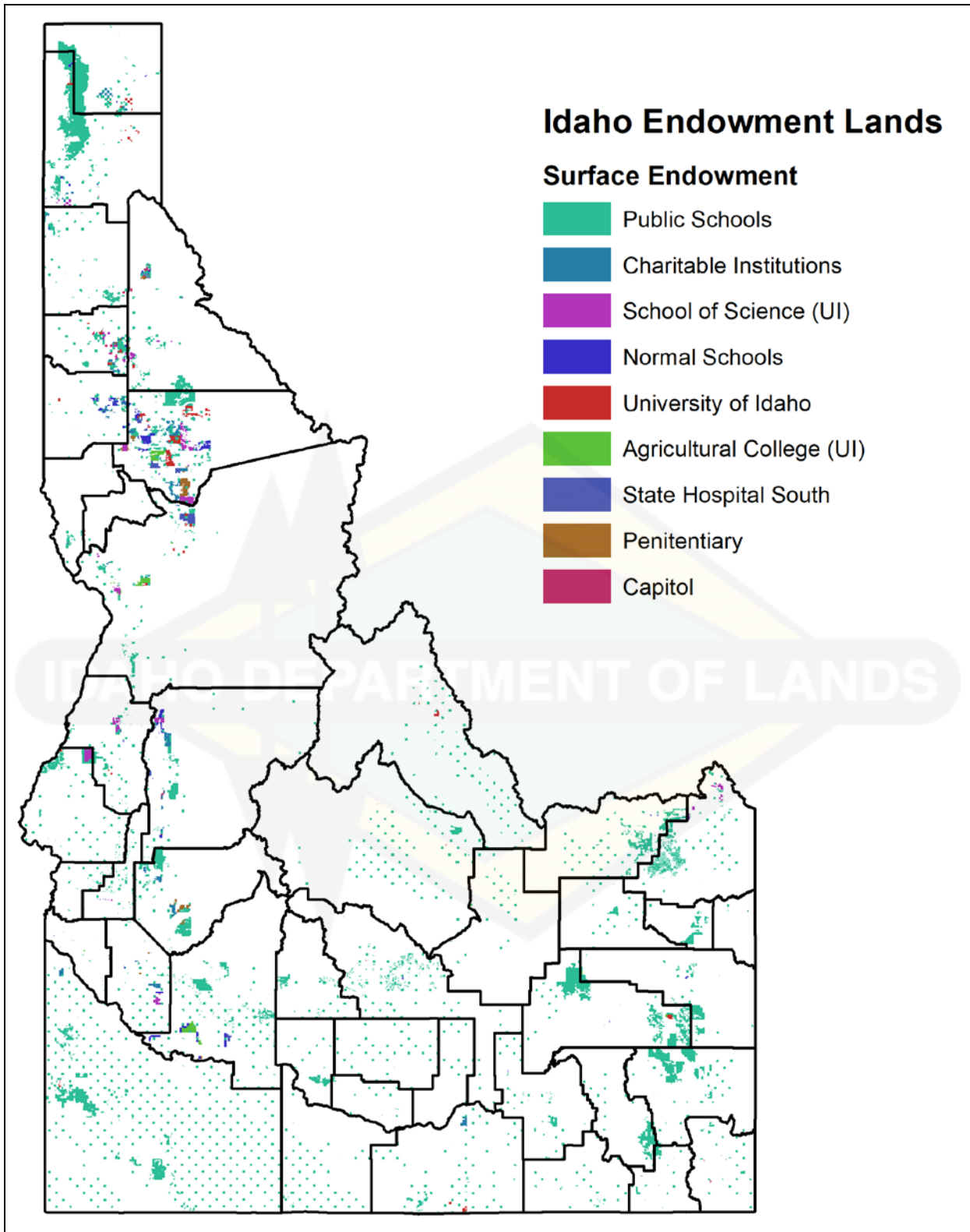


Figure 1. Idaho Endowment Lands by trust beneficiary.

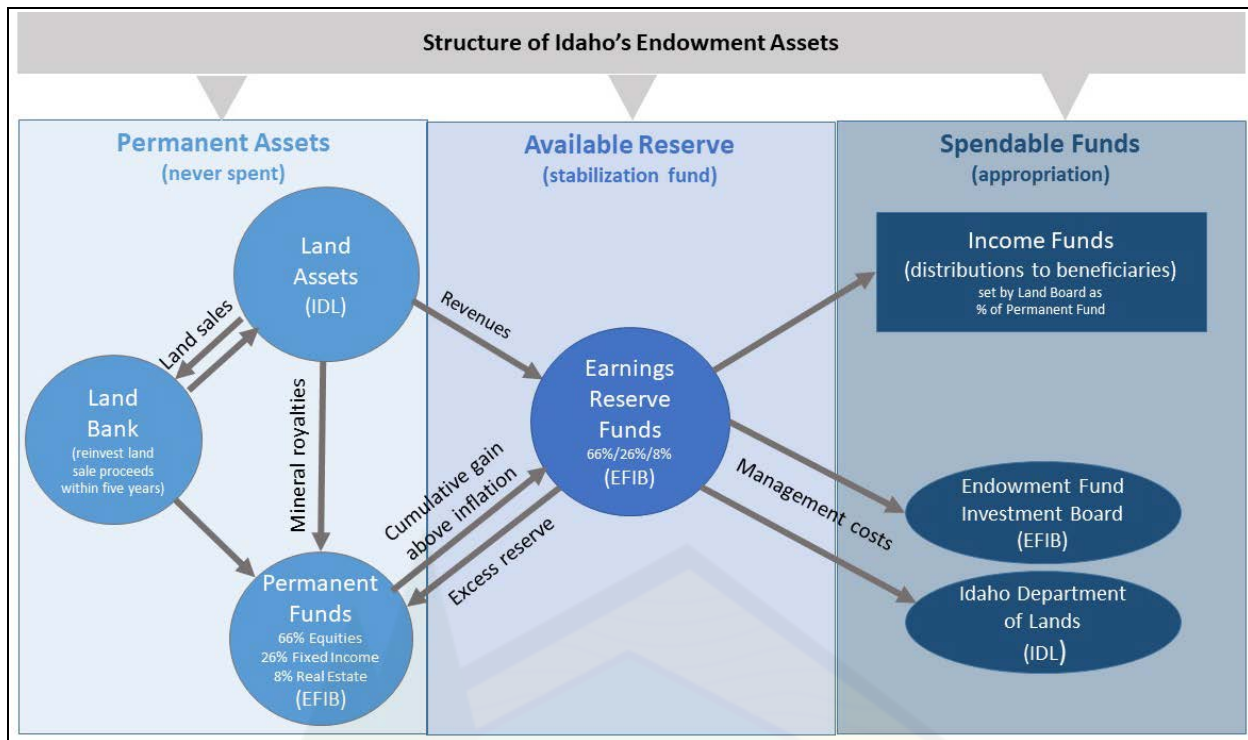


Figure 2. Structure of Idaho's Endowment Lands trusts.
 Source: based on IDL (2017).



Sidebar 1. Differences between the Capitol Permanent trust and other Endowment Lands trusts.

- The Capitol Permanent trust is structured and administered differently than the other eight Endowment Lands trusts.
- Proceeds from land sales go directly into the Capitol Endowment Permanent Fund rather than into a land bank.
 - Revenues from all activities, including those from leases and timber sales, go directly into the Capitol Permanent Endowment Fund rather than an earnings reserve fund.
 - An annual transfer from the Capitol Permanent Endowment Fund to the Capitol Maintenance Reserve Fund is used to pay for maintenance and construction of the capitol building and its grounds, and administrative expenses of the funds, while preserving the trust corpus. However, there is no distribution of "excess reserve" back from the reserve fund to the permanent fund.
 - The EFIB is sole manager of the Capitol permanent and reserve funds, not subject to policies of the Land Board.
 - The Capitol Commission, made up of six appointed members of the public and three state agency directors (Idaho Code 67-1606), plans and sets the annual budget for capitol maintenance and construction. The commission makes recommendations to the EFIB about the amount of the annual transfer between the Capitol Endowment Permanent Fund and the Capitol Maintenance Reserve Fund.
 - Upon request from the Capitol Commission, the EFIB distributes funds from the Capitol Maintenance Reserve Fund to the Capitol Commission Operating Fund, which serves as the income fund for the Capitol Commission.

Endowment Lands Assets

The land assets of the Endowment Lands trusts are managed for a variety of activities that produce revenues as financial returns to the beneficiaries.² IDL classifies the surface acres of the Endowment Lands into five asset classes (**Table 2** and **Figure 3**): rangeland, timberland, farmland, commercial, and residential. Rangeland and timberland account for most of the Endowment Lands.

Table 2. Acres of Endowment Lands by asset class, FY 2017.

Endowment	Rangeland	Timberland	Farmland	Commercial	Residential	TOTAL
Public School	1,350,358	707,942	17,485	666	378	2,076,829
Charitable Institutions	14,034	63,158	46	3	0	77,241
School of Science	11,530	63,638	192	137	0	75,497
Normal School	15,747	43,654	62	162	14	59,639
University of Idaho	11,901	42,632	548	13	0	55,094
Agricultural College	17,958	15,216	352	0	0	33,526
State Hospital South	3,661	27,679	18	1	18	31,376
Penitentiary	1,294	27,135	477	9	0	28,915
Capitol Permanent	37	7,228	8	10	0	7,283
TOTAL	1,426,519	998,281	19,190	1,000	411	2,445,400

Source: IDL (2017).

Revenues from Endowment Lands

The Endowment Lands produce revenues in a variety of ways, as described below. Most revenues go into each endowment's Earnings Reserve Fund (**Figure 2**). Revenues for Fiscal Year 2017 by asset class and endowment are outlined in **Table 3**.

Land sales

If the Land Board sells Endowment Lands, the proceeds from the sale are held in the Land Bank Fund to be used to purchase other lands for the endowment (**Figure 2**; Idaho Code 58-133). If revenues from land sales are not used to purchase additional lands within five years, the land sales revenue becomes part of the beneficiary's Permanent Fund.

Mineral royalties

In most cases each endowment owns the subsurface rights to the minerals below its lands. In addition to lands where endowments own the surface and subsurface rights, endowments own an additional 0.9 million acres of subsurface mineral rights only (split estates). Phosphate, sand, and gravel are the primary minerals extracted from Endowment Lands.

Royalties are payments made to mineral rights owners by the miner of those minerals based on the value of the minerals extracted. Royalties for minerals extracted from Endowment Lands are deposited in the Permanent Fund of each beneficiary (**Figure 2**).

² For details about management of the Endowment Lands asset see *Endowment Lands Asset Management Plan* (Idaho State Board of Land Commissioners 2016) and *Statement of Investment Policy: Idaho Land Grant Endowments* (Idaho State Board of Land Commissioners and Endowment Fund Investment Board 2017).

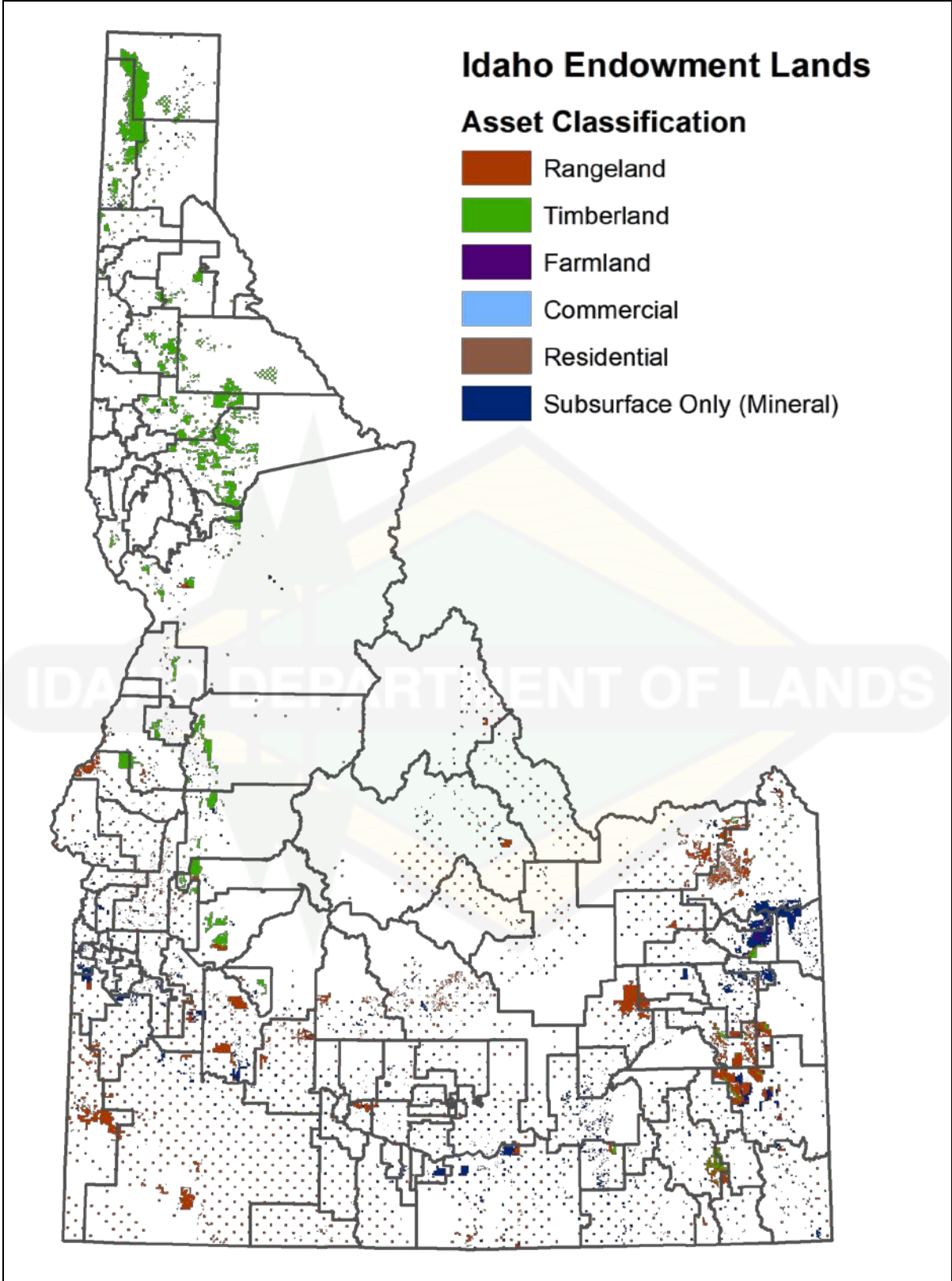


Figure 3. Idaho Endowment Lands by asset class.
 Note: Acres by asset class by county are tabulated in **Appendix Table 1.**

Table 3. Revenue, expenses, and net income by asset class and endowment, FY 2017.

	Public School	Agricultural College	Charitable Institutions	Normal School	Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol***	Total
Revenue by Asset Class*										
Timberland	\$37,502,643	\$409,455	\$5,319,120	\$5,136,654	\$3,708,324	\$3,925,553	\$6,653,105	\$1,894,167	\$0	\$64,549,022
Farmland	\$406,530	\$1,200	\$2,447	\$8,664	\$20,600	\$11	\$263	\$18,955	\$0	\$458,670
Rangeland	\$2,535,056	\$33,822	\$87,341	\$47,014	\$6,995	\$124,219	\$106,814	\$34,834	\$0	\$2,976,094
Residential Real Estate	\$3,533,248	\$2	\$8	\$282,304	\$1	\$159	\$372,433	\$1	\$0	\$4,188,155
Commercial Real Estate	\$343,621	\$1	\$12	\$1,055,978	\$1	\$6	\$439,981	\$567,530	\$0	\$2,407,130
Oil and Gas Leases	\$18,328	\$114	\$4,186	\$2,289	\$94	\$1,087	\$434	\$1,490	\$0	\$28,022
Mineral Leases	\$56,614	\$896	\$8,303	\$5,751	\$450	\$1,436	\$499	\$981	\$0	\$74,930
Total Revenue	\$44,396,040	\$445,489	\$5,421,417	\$6,538,655	\$3,736,464	\$4,052,470	\$7,573,529	\$2,517,958	\$0	\$74,682,023
Expenses by Asset Class**										
Timberland	\$16,459,051	\$294,939	\$1,581,423	\$1,268,033	\$720,388	\$1,481,078	\$1,173,215	\$934,946	\$149,747	\$24,062,821
Farmland	\$134,158	\$396	\$808	\$2,859	\$6,798	\$3	\$87	\$6,255	\$0	\$151,365
Rangeland	\$1,767,461	\$16,781	\$43,336	\$23,327	\$3,470	\$61,633	\$52,997	\$17,283	\$135	\$1,986,423
Residential Real Estate	\$919,530	\$0	\$0	\$130,933	\$0	\$9	\$187,615	\$0	\$0	\$1,238,088
Commercial Real Estate	\$373,313	\$0	\$589	\$558,192	\$0	\$0	\$234,560	\$180,851	\$0	\$1,347,506
Oil and Gas Leases	\$59,846	\$371	\$13,668	\$7,476	\$307	\$3,550	\$1,417	\$4,867	\$2	\$91,504
Mineral Leases	\$271,995	\$4,303	\$39,891	\$27,629	\$2,160	\$6,900	\$2,397	\$4,713	\$0	\$359,988
Total Expenses	\$19,985,355	\$316,791	\$1,679,714	\$2,018,449	\$733,123	\$1,553,175	\$1,652,289	\$1,148,914	\$149,884	\$29,237,695
Net Income by Asset Class										
Timberland	\$21,043,592	\$114,516	\$3,737,697	\$3,868,622	\$2,987,937	\$2,444,474	\$5,479,889	\$959,222	-\$149,747	\$40,486,200
Farmland	\$272,372	\$804	\$1,640	\$5,805	\$13,802	\$7	\$176	\$12,700	\$0	\$307,305
Rangeland	\$767,595	\$17,041	\$44,006	\$23,687	\$3,524	\$62,586	\$53,817	\$17,551	-\$135	\$989,671
Residential Real Estate	\$2,613,717	\$1	\$7	\$151,371	\$1	\$150	\$184,818	\$1	\$0	\$2,950,067
Commercial Real Estate	-\$29,692	\$1	-\$577	\$497,786	\$1	\$5	\$205,422	\$386,679	\$0	\$1,059,625
Oil and Gas Leases	-\$41,519	-\$257	-\$9,482	-\$5,186	-\$213	-\$2,463	-\$983	-\$3,376	-\$2	-\$63,482
Mineral Leases	-\$215,381	-\$3,407	-\$31,588	-\$21,878	-\$1,711	-\$5,464	-\$1,898	-\$3,732	\$0	-\$285,059
Total Net Income	\$24,410,685	\$128,698	\$3,741,703	\$4,520,207	\$3,003,341	\$2,499,296	\$5,921,240	\$1,369,044	-\$149,884	\$45,444,328

*Direct program revenue includes only Earnings Reserve funds. ** Includes all expenses related to Permanent Fund proceeds. ***Unlike the other endowments, timber sale revenues accrue to the permanent fund rather than the reserve.

Source: IDL (2017).

Timber sales

Almost one million acres of Endowment Lands are timberlands, managed for timber that supplies the forest products industry with raw material. IDL sells timber from Endowment Lands to private parties who then remove (log) the timber and transport it to lumber mills and other manufacturing facilities. Revenues generated by timber sales on Endowment Lands are deposited into the Earnings Reserve Fund for the appropriate endowment.

Leases

Endowment Lands are leased for a variety of purposes and activities that produce revenues for the endowments (**Table 4**). Revenues generated from leases of Endowment Lands are deposited into the Earnings Reserve Fund for the appropriate endowment.

Table 4. Types of Endowment Lands leases.

Mineral leases	Subsurface mineral rights mined for extraction of minerals.
Oil and gas leases	Exploration and extraction of oil and gas.
Grazing leases	Endowment rangelands for livestock grazing.
Farming leases	Endowment farmlands for the growing of agricultural crops.
Residential leases	Residential Endowment Lands and cottage sites on the shores of Priest and Payette Lakes.*
Commercial leases	Endowment Lands for commercial purposes such as communications sites (e.g. cell towers, mobile radio service, airplane navigation), commercial recreation services (e.g., ski resort, RV park, outfitter & guide), energy resources (wind, hydro, geothermal), as well as commercial buildings and parking lots.**

*The endowments are in the process of divesting cottage sites per direction in the *Endowment Lands Asset Management Plan* (Idaho State Board of Land Commissioners 2016).

**The endowments are in the process of divesting commercial buildings and parking lots per direction in the *Endowment Lands Asset Management Plan* (Idaho State Board of Land Commissioners 2016).

Endowment Financial Assets: Permanent Fund and Earnings Reserve Fund

The Permanent Fund of each endowment is made up of the proceeds of the sale of Endowment Lands (historic sales and under current Land Bank provisions), mineral royalties, and transfers from the Earnings Reserve Fund. The principal (corpus) of the Permanent Fund must remain intact.

As described above, revenues from leases and timber sales are placed in each endowment's Earnings Reserve Fund. Each endowment's Earnings Reserve Fund and its Permanent Fund are comingled and pooled for investment by the EFIB. The funds are invested in financial assets including equities (currently targeted at 66%), fixed income securities (26%), and U.S. real estate funds (8%). The investment strategy of the EFIB is to emphasize total return—the aggregate return from capital appreciation, dividend, and interest income.

The amount of money transferred annually between the Earnings Reserve Fund and the Permanent Fund is determined both by statute and Land Board and EFIB policies. Because the corpus of the Permanent Fund can never be spent, statute (Idaho Code 57-724) outlines a method for determining how much of the change in value of the Permanent Fund is due to a change in asset value versus inflation (“Gain Benchmark”). Cumulative total asset appreciation below inflation must remain in the Permanent Fund, with excess transferred to the Earnings Reserve Fund.

Excess income in the Earnings Reserve Fund may be transferred to the Permanent Fund corpus when reserves are deemed fully sufficient. Land Board policy currently deems funding to be fully

sufficient when the Earnings Reserve Fund exceeds planned distributions for five years to the Public School and State Hospital South endowments, six years for the Normal School endowment, and seven years for the Agricultural College, Penitentiary, School of Science and University endowments. The Land Board designates whether the transfer to the Permanent Fund will or will not increase the Gain Benchmark.

Costs of Managing Endowment Lands and Financial Assets

The costs of managing both the lands and financial assets of the endowments are distributed from each endowment's Earnings Reserve Fund (**Figure 2**). IDL's total expenses for managing the endowments' land assets in FY 2017 were \$29.2 million, or 39% of total revenues (**Table 3**). EFIB's expenses for managing the endowments' financial assets were \$7.8 million in FY 2017, or about 4% of the \$2.0 billion total of the permanent and earnings reserve funds.

Distributions to Endowment Beneficiaries

Distributions to the beneficiaries are made from the Earnings Reserve Fund into each endowment's Income Fund (**Figure 2**). The amount distributed to the beneficiaries annually is determined by the Land Board. Land Board objectives for distribution are:

1. Avoid reductions in total endowment distributions;
2. Maintain adequate earnings reserves to protect distributions from temporary income shortfalls; and
3. Grow distributions and permanent corpus faster than inflation and population growth.³

Distributions are determined individually for each endowment. Distributions are calculated as a percent of the three-year rolling average Permanent Fund balance for the most recent three fiscal years. Currently distributions are 5% for all endowments except State Hospital South which is 7%. The Land Board may adjust this amount depending on the amount in the Earnings Reserve Fund, transfers to the Permanent Fund, and other factors.

Distributions to endowment beneficiaries grew from \$36.3 million in FY 2007 to \$63.7 million in FY 2017. Adjusted for inflation to 2017 (real) dollars, distributions grew from \$42.9 million to \$63.7 million from FY 2007-FY 2017 (**Figure 4**), an average annual compound interest rate of 4.0%. The spike of \$67.8 million (nominal dollars) in FY 2011 was due to a one-time special \$22 million distribution to Public Schools. In real (2017) dollars, Public Schools distributions grew at an average of 2.3% annually from \$29.1 million in FY 2007 to \$36.7 million in FY 2017.

How distributions into the Income Fund are spent is left to the beneficiary, as long as they meet the statutory purposes of the trust and subject to appropriation by the Legislature. Endowment distributions satisfy only a small portion of each beneficiary's annual spending needs. For example, endowment fund distributions in FY 2017 for the University of Idaho, Idaho State University, and Lewis-Clark State College represented 5.7%, 2.4%, and 6.0% of state appropriated funds, respectively, and 2.4%, 1.1%, and 3.3% of all funds for each institution, respectively.⁴ The Public Schools FY 2017 distribution represented 1.9% of total state appropriations for that year.

³ *Statement of Investment Policy: Idaho Land Grant Endowments* (Idaho State Board of Land Commissioners and Endowment Fund Investment Board 2017)

⁴ *Idaho Legislative Budget Book for Fiscal Year 2018* (Legislative Services Office 2018).

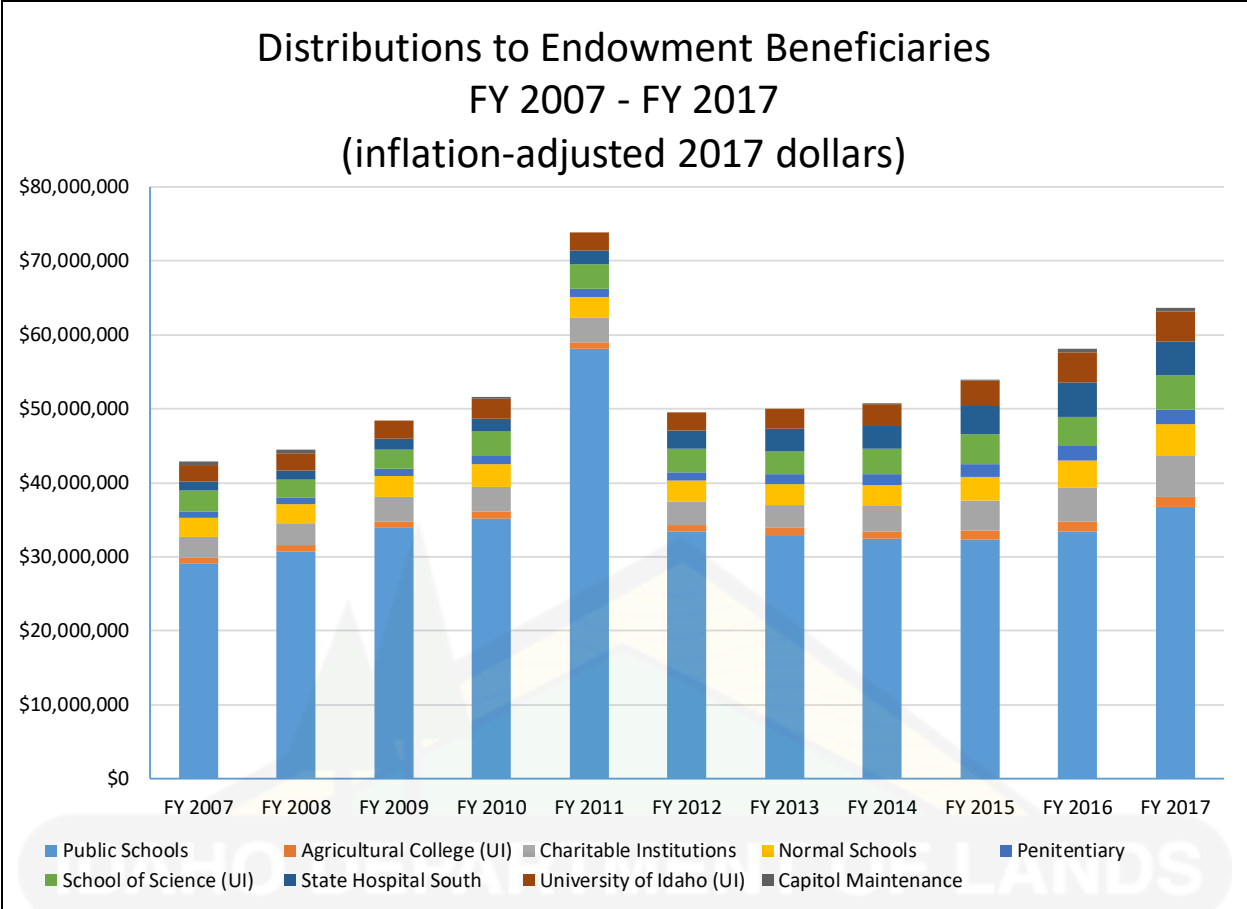


Figure 4. Distributions to endowment beneficiaries, FY 2007- FY 2017 (inflation-adjusted 2017 dollars).
Data sources: EFIB (2007–2017) and BLS (2018).

Economic Contributions

Economic contribution studies measure the cumulative effects of an entity's spending as it cycles through the economy of a region. Economic effects are usually expressed in terms of money or jobs. Functional economic regions are usually political subdivisions such as a county, group of counties, or a state. Entities can vary from a single private business to a group of businesses that make up an industry, such as growers or manufacturers of a specific type of product, to a government agency, such as IDL. Economic activities include a wide range of actions that involve the buying and selling of goods and services—for example, purchasing inputs to agricultural or manufacturing processes, selling finished products, or spending by consumers. Economic activities related to Idaho's Endowment Lands measured in this study included revenues collected by IDL from timber sales, all leases, and mineral and oil & gas royalties, as well as spending of Income Fund distributions by trust beneficiaries and management expenditures by IDL and EFIB.

The most common tool used to measure economic contributions is an input-output (I-O) model. An I-O model represents the flows of money in an economy among industries, government, and households within a region and imports into and exports out of the region. In an I-O model, the flow of money among entities in the economy is arranged according to a set of input-output accounts where a portion of the output (i.e., sales) of one industry will appear as an input (i.e., purchases) of another industry. The accounts track the flow of money or jobs from one entity to the next and represent the interconnectedness of industries, households, and government in a region. An I-O model expresses how income or expenses in one part of the economy ultimately affects other parts based on purchasing and selling relationships.

The metrics commonly used for economic contribution are: output (dollar value of sales of goods and services), employment (jobs), labor income (wages and proprietors income), and value added (dollars). Value added is equal to gross output minus the costs of intermediate inputs, i.e., those inputs required to produce a final product. The sum of value added for all parts of a region's economy is called gross regional product; when the region is a state it is called Gross State Product (GSP). GSP is the most commonly used measure of how an organization or industry contributes to a state economy as a whole.

Economic contributions also are divided into three components depending on how they occur: direct, indirect, and induced. *Direct* effects are the result of initial spending in the study region by the business or organization under study. *Indirect* effects are the result of business-to-business transactions indirectly caused by the direct effects as businesses increase spending on goods and services from other local businesses. *Induced* effects are the result of increased personal income caused by the direct and indirect effects as businesses increase payroll or hire more employees and households in turn increase spending at local businesses. Induced effects measure the increase in household-to-business activity. Together indirect and induced effects are called *support* effects.

Methods

Figure 5 illustrates how the contributions of Endowment Lands to Idaho's economy were modeled. IDL sells timber, collects royalties, and leases Endowment Lands for various activities that produce revenues for the trusts. Endowment Lands directly provide inputs (timber, forage, minerals, etc.) to various industries (i.e., revenue-generating economic activity) that in turn generate more economic activity (i.e., stemming-from economic activity). The direct and support effects of the economic activities resulting from sale or lease of Endowment Land assets are a part of their economic contribution.

The revenues IDL receives go into the Earnings Reserve Fund or Permanent Fund depending on their source. For economic contribution modeling, it does not matter into which fund they are deposited. The economic contributions of distributions to beneficiaries were also measured. The beneficiaries spend their distributions on economic activities such as salaries, construction, and programming, which in turn have direct and support effects on the state's economy.

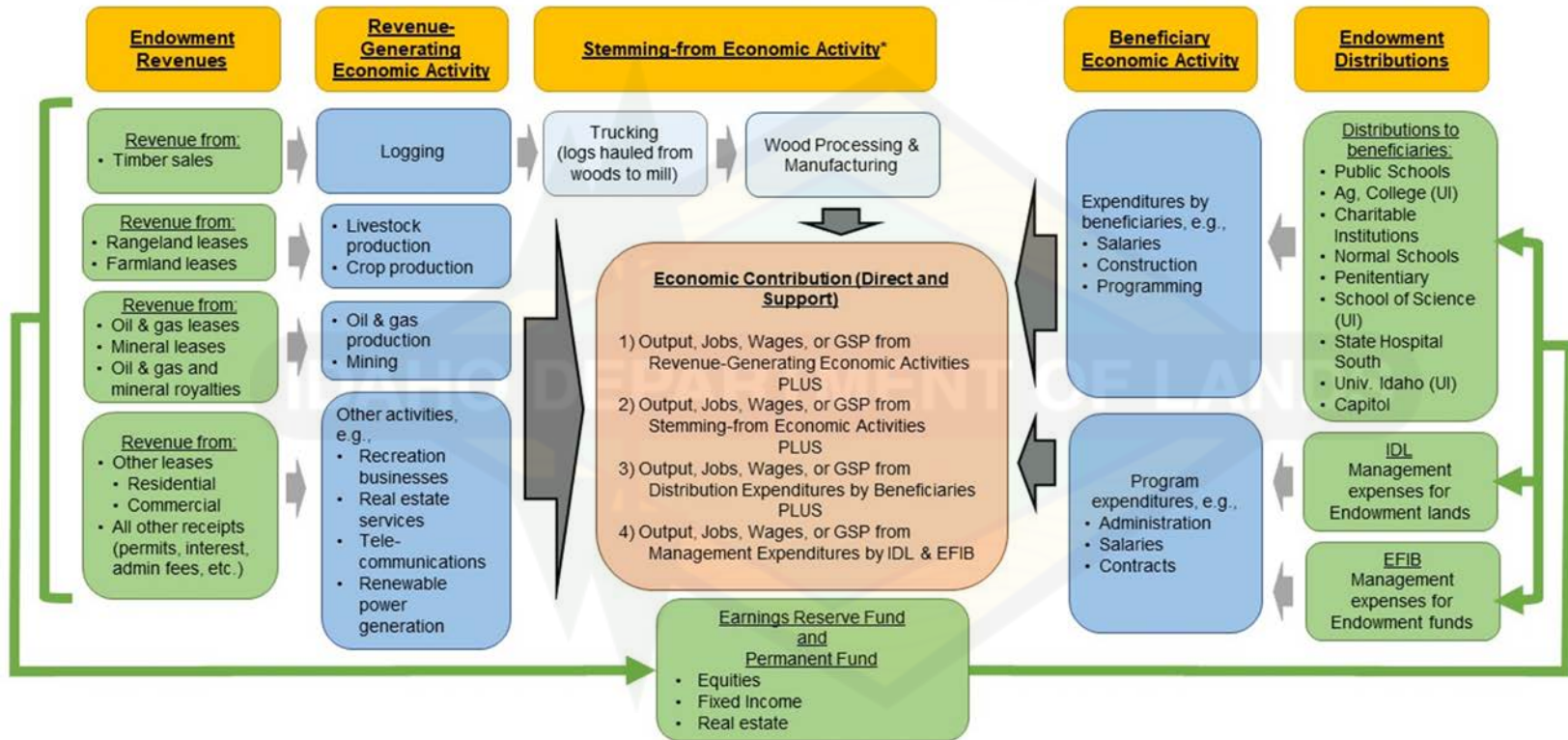
IDL and EFIB also incur expenses for management of Endowment Lands and trust funds, respectively. In FY 2017, IDL's expenses were \$29.2 million and EFIB's expenses were \$7.8 million. Their spending has direct and support effects that are economic contributions to Idaho's economy. In this study, all IDL management expenditures were modeled as part of revenue-generating activities for timberlands (i.e., forest management). EFIB management expenditures were accounted for separately. Although there may be some economic contributions directly associated with investment of the trust funds (e.g., an increase in revenue-generating activity for an Idaho-based company due to a stock purchase by the trust), they were not accounted for in this study.

Data sources

A complete record of receipts of revenue for Endowment Lands was obtained from IDL for FY 2017. Receipt records identified the type of activity (e.g., sale of timber, lease payment) and county where it took place as well as the trust to which respective revenues were credited (e.g., Public Schools). Receipts were grouped into categories based on the type of activity or asset class from which they resulted: timber sales (Timberland), crop leases (Farmland), grazing leases (Rangeland), oil & gas leases and royalties (Oil & Gas), mineral leases and royalties (Minerals), commercial leases (Commercial), and residential leases (Residential). The amount of the distributions to endowment beneficiaries was taken from Land Board and EFIB records, as were management expenses incurred by the Land Board and EFIB for the FY 2017 study period (EFIB 2017).

IMPLAN is commonly used to model economic contributions in the U.S. This study used 2016 statewide IMPLAN for Idaho as a source of data about the structure of the state's economy. As discussed below, updates and modifications were made to the source data to more explicitly highlight the role of Endowment Lands in Idaho's economy.

Economic Contributions of Endowment Lands



*Stemming-from economic activities occur for all revenue-generating and beneficiary economic activities. The stemming-from economic activities related to the forest products industry are highlighted in this model because of the importance of timber harvests from Endowment Lands.

Figure 5. Flows of revenues, distributions, and contributions of Endowment Lands to Idaho's economy.

Modeling

Because the majority of revenues from Endowment Lands come from timber sales, IMPLAN was modified to highlight the effects of those sales on the forest products industry. IMPLAN uses 536 sectors to describe Idaho's economy. Each sector is an aggregation of businesses with similar production inputs or outputs. In IMPLAN, the forest products industry is commonly considered to consist of 29 sectors. This study aggregated the 29 sectors into five broader sectors representing the forest products industry as structured in Idaho (**Table 5**).

Revenues from other Endowment Lands activities, as well as the distributions to beneficiaries, also were assigned to IMPLAN sectors (**Table 6**). All expenses IDL incurred managing Endowment Lands were captured in the aggregated "Forest management" sector. Expenses incurred by EFIB managing the trust funds were accounted for using the IMPLAN sector "Funds, trusts, and other financial vehicles (439)".

This study estimated economic contributions using base methodology (**Sidebar 2**). Base contribution estimates were calculated using intermediate results from the modified 2016 Idaho statewide IMPLAN model and applying them to the ASAM model.

Sidebar 2. Two ways to account for economic contributions: base and gross.

Traditional methods of economic contribution analysis focus solely on gross or export-only contributions. IMPLAN results by themselves are gross contribution estimates. Economic base contribution estimates can be calculated using intermediate results from IMPLAN in the Automated Social Accounting Matrices (ASAM) model developed at the University of Idaho to produce economic base contribution results.⁵

ASAM disaggregates IMPLAN's gross solution to separate each industry's export-oriented activity from its support or import substitution activity. Both activities contribute the local economy: exports bring money into the economy while import substitution keeps money in the economy.

Base methodology credits to an exporting industry the output, jobs, wages, or GSP of its backward-linked businesses, that is those businesses that supply inputs to the exporting industry. For example, forage growers are backward-linked to livestock producers. Gross and base accounting produce the same results for total economic activity in a region, but they differ in how economic activity is credited to a given industry.⁶

⁵ See Watson et al. (2015) and Braak et al. (2010-2011).

⁶ See Watson and Beleiciks (2009) for more in depth discussion of gross versus base contributions methodology.

Table 5. IMPLAN sectors representing the forest products industry aggregated into five sectors for this study.

Aggregated study sectors	IMPLAN sectors (number)
Forest management	Greenhouse, nursery, and floriculture production (partial: Christmas tree farms) (6) Forestry, forest products and timber tract production (15) Support activities for forestry (19)*
Timber harvest	Commercial logging (16)
Wood products manufacturing	Electric power generation – Biomass (47) Sawmills (134) Wood preservation (135) Veneer and plywood manufacturing (136) Engineered wood member and truss manufacturing (137) Reconstituted wood products manufacturing (138) Wood windows and door manufacturing (139) Cut stock, resawing lumber, and planning (140) Other millwork, including flooring (141) Wood container and pallet manufacturing (142) Manufactured home (mobile home) manufacturing (143) Prefabricated wood building manufacturing (144) All other miscellaneous wood product manufacturing (145)
Paper products manufacturing	Pulp mills (146) Paper mills (147) Paperboard mills (148) Paperboard container manufacturing (149) Paper bag and coated and treated paper manufacturing (150) Stationery product manufacturing (151) Sanitary paper product manufacturing (152) All other converted paper product manufacturing (153) Other basic organic chemical manufacturing (165)
Wood cabinet and furniture manufacturing	Wood kitchen cabinet and countertop manufacturing (368) Nonupholstered wood household furniture manufacturing (370) Wood office furniture manufacturing (373) Custom architectural woodwork and millwork (374)

*Only the portion of the IMPLAN “Support activities for agriculture and forestry (19)” sector related to forestry was included.

Table 6. IMPLAN sectors representing other Endowment Lands revenues, distributions to beneficiaries, and IDL and EFIB management expenses.

IMPLAN sector (number)	
Revenues from Endowment Lands	
Rangeland	Beef cattle ranching and farming, including feedlots and dual-purpose ranching and farming (11)
Farmland	Grain farming (2)
Oil & gas	Extraction of natural gas and crude petroleum (20)
Minerals	Gold ore mining (24) Silver ore mining (25) Stone mining and quarrying (30) Sand and gravel mining (31) Phosphate rock mining (34)
Commercial	Real estate (440)
Residential	Real estate (440)
Distributions to beneficiaries	
Public Schools	State and local government, education*
Agricultural College (UI)	State and local government, education*
Charitable Institutions	Residential mental retardation, mental health, substance abuse and other facilities (484)
Normal Schools	State and local government, education*
Penitentiary	State and local government, non-education*
School of Science (UI)	State and local government, education*
State Hospital South	Hospitals (482)
University of Idaho	State and local government, education*
Capitol	Maintenance and repair construction of nonresidential structures (62)
Management expenses	
IDL	Forestry, forest products and timber tract production (15)
EFIB	Funds, trusts, and other financial vehicles (439)

*Government payrolls are final demand activities, not industry activities, with which employment is associated. However, I-O modeling cannot account for employment unless it is associated with an industry. Consequently, I-O modeling uses “special” industries to account for government payroll.

Results

In FY 2017, Endowment Lands contributed in total (direct and support effects) \$1.35 billion in output, 7,641 jobs, and \$531.3 million in GSP including \$315.4 million in wages (**Figure 6**). Effects from sales of timber from Endowment timberlands accounted for the majority of Endowment Lands contributions: 90% of output, 79% of jobs, 79% of wages, and 83% of GSP.

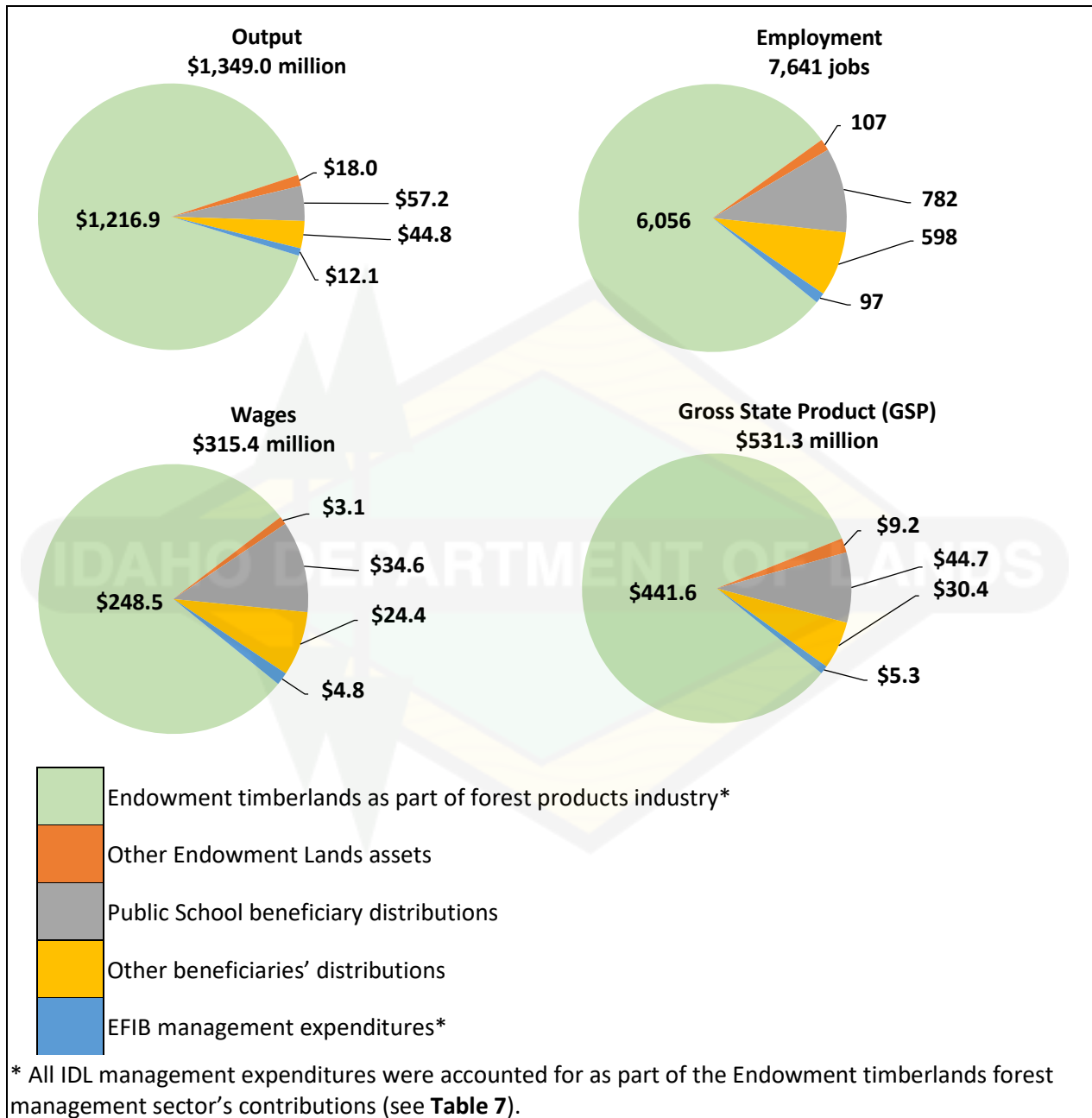


Figure 6. Total contributions of Endowment Lands to Idaho's economy, 2017.

Table 7 through **Table 9** provide more details about the contributions of Endowment Lands to Idaho's economy from revenues generated by land management activities and the spending of distributions by beneficiaries. In this study, all management expenditures by IDL associated with Endowment Lands were accounted for as part of the forest management sector (see **Table 8**). EFIB management expenditure contributions in FY 2017 were: \$7.8 million direct output, \$4.2 million support output, 30 direct jobs, 67 support jobs, \$2.5 million direct wages, \$2.3 million support wages, \$1.8 million direct GSP, and \$3.5 million support GSP.

Table 7. Contributions of Endowment Lands assets, FY 2017.

Output	Direct Output (million \$)	Support Output (million \$)	Total Output (million \$)
Timberland	823.7	393.2	1,216.9
Rangeland	3.0	3.1	6.1
Farmland	0.5	0.3	0.7
Oil & gas	<0.1	<0.1	0.1
Minerals	1.3	0.4	1.7
Commercial	2.4	1.0	3.4
Residential	4.2	1.8	6.0
TOTAL	835.1	399.9	1235.0
Employment	Direct Jobs	Support Jobs	Total Jobs
Timberland	3,147	2,909	6,056
Rangeland	14	19	32
Farmland	1	2	3
Oil & gas	<1	<1	1
Minerals	3	3	6
Commercial	15	9	24
Residential	26	15	42
TOTAL	3,207	2,956	6,163
Labor Income	Direct Wage Income (million \$)	Support Wage Income (million \$)	Total Wage Income (million \$)
Timberland	149.8	98.7	248.5
Rangeland	0.6	0.8	1.4
Farmland	<0.1	0.1	0.1
Oil & gas	<0.1	<0.1	<0.1
Minerals	0.1	0.1	0.2
Commercial	0.2	0.3	0.5
Residential	0.3	0.5	0.8
TOTAL	151.1	100.6	251.6
GSP	Direct GSP (million \$)	Support GSP (million \$)	Total GSP (million \$)
Timberland	244.2	197.4	441.6
Rangeland	0.7	1.2	1.9
Farmland	0.1	0.1	0.2
Oil & gas	<(0.1)	<0.1	<0.1
Minerals	0.9	0.2	1.1
Commercial	1.6	0.5	2.2
Residential	2.8	0.9	3.8
TOTAL	250.4	200.4	450.8

Table 8. Contributions of Endowment Timberlands as part of the forest products industry, FY 2017.

Output	Direct Output (million \$)	Support Output (million \$)	Total (million \$)
Forest management	68.1	25.2	93.3
Timber harvest	46.6	8.8	55.4
Wood product manufacturing	367.1	181.5	548.6
Paper product manufacturing	309.2	158.9	468.0
Wood cabinet and furniture manufacturing	32.7	18.9	51.6
TOTAL	823.7	393.2	1,216.9
Employment	Direct Jobs	Support Jobs	Total Jobs
Forest management	403	198	601
Timber harvest	535	71	605
Wood product manufacturing	1,478	1,373	2,851
Paper product manufacturing	441	1,116	1,557
Wood cabinet and furniture manufacturing	291	151	442
TOTAL	3,147	2,909	6,056
Labor income	Direct Wage Income (million \$)	Support Wage Income (million \$)	Total Wage Income (million \$)
Forest management	24.4	5.9	30.4
Timber harvest	16.9	2.2	19.1
Wood product manufacturing	65.4	46.4	111.8
Paper product manufacturing	35.6	39.4	75.0
Wood cabinet and furniture manufacturing	7.4	4.9	12.2
TOTAL	149.8	98.7	248.5
GSP	Direct GSP (million \$)	Support GSP (million \$)	Total GSP (million \$)
Forest management	42.9	12.8	55.7
Timber harvest	27.5	4.6	32.1
Wood product manufacturing	115.8	92.7	208.5
Paper product manufacturing	48.8	77.6	126.4
Wood cabinet and furniture manufacturing	9.3	9.6	18.9
TOTAL	244.2	197.4	441.6

Table 9. Contributions of distributions to Endowment beneficiaries, FY 2017.

Output	Direct Output (million \$)	Support Output (million \$)	Total (million \$)
Public Schools	34.4	22.7	57.2
Agricultural College (UI)	1.3	0.8	2.1
Charitable Institutions	5.5	5.2	10.8
Normal Schools	4.0	2.6	6.6
Penitentiary	1.6	1.1	2.7
School Of Science (UI)	4.4	2.9	7.3
State Hospital South	4.6	3.7	8.2
University of Idaho	3.8	2.5	6.3
Capitol	0.5	0.3	0.8
TOTAL	60.1	41.9	102.0
Employment	Direct Jobs	Support Jobs	Total Jobs
Public Schools	593	189	782
Agricultural College (UI)	22	7	29
Charitable Institutions	153	42	196
Normal Schools	69	22	91
Penitentiary	20	9	29
School Of Science (UI)	76	24	100
State Hospital South	31	30	62
University of Idaho	65	21	86
Capitol	4	3	6
TOTAL	1,033	347	1,380
Labor Income	Direct Wage Income (million \$)	Support Wage Income (million \$)	Total Wage Income (million \$)
Public Schools	27.7	6.9	34.6
Agricultural College (UI)	1.0	0.3	1.3
Charitable Institutions	4.3	1.5	5.8
Normal Schools	3.2	0.8	4.0
Penitentiary	1.1	0.3	1.4
School Of Science (UI)	3.6	0.9	4.4
State Hospital South	2.4	1.1	3.5
University of Idaho	3.0	0.8	3.8
Capitol	0.1	0.1	0.2
TOTAL	46.4	12.6	59.0

continued

Table 9. continued.

GSP	Direct GSP (million \$)	Support GSP (million \$)	Total GSP (million \$)
Public Schools	32.8	11.9	44.7
Agricultural College (UI)	1.2	0.4	1.6
Charitable Institutions	3.5	2.8	6.3
Normal Schools	3.8	1.4	5.2
Penitentiary	1.3	0.6	1.9
School Of Science (UI)	4.2	1.5	5.7
State Hospital South	2.5	1.9	4.4
University of Idaho	3.6	1.3	4.9
Capitol	0.2	0.2	0.4
TOTAL	53.1	22.0	75.1

Discussion

Idaho’s 2.4 million acres of Endowment Lands are an important contributor to Idaho’s economy. Endowment Lands alone with their \$531.5 million GSP contribution accounted for 0.8% of Idaho’s total GSP of \$62.6 billion in FY 2017. The 7,641 jobs supported by Endowment Lands represented 0.8% of Idaho’s total 1.0 million jobs.

Timberlands, which account for 41% of Endowment Lands acres, are an important source of wood for Idaho’s forest products industry. In 2017, approximately 220 million board feet of timber were harvested from Endowment Lands, or about 20% of all Idaho’s timber harvest of 1.11 billion board feet that year (Pokharel et al. 2018). In 2017, through land management expenditures, timber sales and harvesting, and forest products manufacturing, Endowment timberlands contributed over 6,000 jobs and \$440 million in GSP to Idaho’s economy. These contributions represent 21% and 22%, respectively, of the total forest products industry’s contributions of 29,100 jobs and \$2.0 billion in GSP to the state’s economy (Alward and Becker 2018). Endowment timberlands accounted for 79% and 83% of total Endowment Lands jobs and GSP, respectively.

The spending of distributions from the Endowment Lands trusts by beneficiaries also is an important contributor to Idaho’s economy. Almost 1,400 jobs statewide resulted from the spending of trust distributions in FY 2017, contributing \$75 million in GSP. Almost 60% of those contributions occurred through spending by public schools.

This study found significantly greater contributions of Idaho’s Endowment Lands than a similar study undertaken in 2010. Although there are several methodological differences between the two studies (**Sidebar 3**), this study found greater contributions primarily because: (1) the 2010 study did not measure the effects of resources provided by Endowment Lands (e.g., timber) that account for most of their contributions, and (2) the 2010 study used net income into the endowment funds as the measure of beneficiary spending, whereas this study used actual distributions to beneficiaries.

Sidebar 3. Differences between the 2010 study of Endowment Lands economic contributions and this study.

The most recent effort to estimate the economic contributions of Idaho’s Endowment Lands prior to this study was undertaken in 2010 (Crab 2011). Several methodological differences exist between the two studies that affected results.

- The 2010 study relied entirely on IMPLAN as a modeling tool and did not adjust values within IMPLAN to be more specific to Idaho. The current analysis updated factors within IMPLAN to reflect Idaho-specific information, such as
 - adding a new sector by splitting “Support services for forestry” from IMPLAN sector “Support services for agriculture and forestry (19)”,
 - adding a new sector for IDL land management activities,
 - adding new sectors for beneficiaries, and
 - adding state government sectors to account for the revenues and distributions related to endowment funds.
- The 2010 study used a three-year average of expenditures by IDL. The current study used a single year (FY 2017).
- The current study accounted for economic activity associated with resources (inputs) produced by Endowment Lands (e.g., timber, forage, minerals) and the production processes (outputs) in which they were used. The 2010 study did not.
- The 2010 study used net income to the Earnings Reserve Funds as the measure of “potential” economic activity by beneficiaries. The current study used actual distributions to beneficiaries as its measure of economic activity.
- The 2010 study used a general estimate (17%) as the amount of expenditures that occurred out of state. The current study used IMPLAN’s RPCs (Regional Purchase Coefficients), which vary for each commodity purchase in the beneficiaries’ expenditure profiles.
- The 2010 study estimated economic activity associated with recreational activity on endowment lands. The current study did not because the specificity and accuracy of available data is questionable.
- The current study is similar to the 2010 study in that neither attempted to measure economic benefits of Endowment Lands. Economic benefits measure net increases in social welfare and can include both market and nonmarket values (Watson et al. 2007).

References Cited

- Alward, G., and D.R. Becker. 2018. Economic Contributions of Idaho's Forest Products Industry 2017. Station Bulletin 107, Idaho Forest, Wildlife and Range Experiment Station, Moscow. <https://www.uidaho.edu/-/media/UIDaho-Responsive/Files/cnr/PAG/Research/Publication/id-fpi-2016-contributions.pdf>.
- BLS (U.S. Bureau of Labor Statistics). 2018. Consumer Price Index (CPI) database. <https://www.bls.gov/data/>.
- Braak, W., P. Watson, and A. Rodriguez. 2010-2011. Automated Social Account Matrix release 3.06. University of Idaho, Moscow. <http://www.webpages.uidaho.edu/commecondev/asam.html>.
- Crab, P.R. 2011. The Economic Activity of Idaho's Endowment Trust Lands. <https://www.idl.idaho.gov/land-board/lb/documents-long-term/economic-activity-endowment-trust-lands-2010.pdf>.
- EFIB (Endowment Fund Investment Board). 2007-2017. State of Idaho Endowment Funds Financial Statements for Fiscal Year. <https://efib.idaho.gov/reports/>.
- Idaho State Board of Land Commissioners. 2016. Endowment Lands Asset Management Plan. <https://www.idl.idaho.gov/real-estate/reinvestment/051716-asset-management-plan-final.pdf>.
- _____ and Endowment Fund Investment Board. 2017. Statement of Investment Policy: Idaho Land Grant Endowments. <https://www.idl.idaho.gov/real-estate/reinvestment/071718-statement-of-investment-policy.pdf>.
- IDL (Idaho Department of Lands). 2017. 2017 Annual Report. <https://www.idl.idaho.gov/land-board/about-idl/annual-reports/ar-2017-final.pdf>.
- _____. 2018. IDL land records GIS data downloads, 9 February 2018. <https://www.idl.idaho.gov/maps-land-records/data-download.html>.
- Legislative Services Office. 2018. Idaho Legislative Budget Book for Fiscal Year 2018. <https://legislature.idaho.gov/wp-content/uploads/budget/publications/Legislative-Budget-Book/2017/Legislative%20Budget%20Book.pdf>.
- O'Laughlin, J., S.F. Hamilton, and P.S. Cook. 2011. Idaho's Endowment Lands: A Matter of Sacred Trust, Second Edition. <https://www.uidaho.edu/-/media/UIDaho-Responsive/Files/cnr/PAG/Research/Endowment-Lands-Report.pdf>.
- Pokharel, R., P.S. Cook, G. Alward, D.R. Becker, and G. Latta. 2018. Idaho's Forest Products Industry 2017. Station Bulletin 106, Idaho Forest, Wildlife and Range Experiment Station, Moscow. <https://www.uidaho.edu/-/media/UIDaho-Responsive/Files/cnr/PAG/fpi-reports/id-fpi-2017-outlook.pdf>.
- Watson, P., and N. Beleiciks. 2009. Small community level social accounting matrices and their application to determining marine resource dependency. *Marine Resource Economics* 24:253-270.
- _____, J. Wilson, D. Thilmany, and S. Winter. 2007. Determining economic contributions and impacts: What is the difference and why do we care? *Journal of Regional Analysis and Policy* 37(2):1-15.
- _____, S. Cooke, D. Kay, and G. Alward. 2015. A method for improving economic contribution studies for regional analysis. *Journal of Regional Analysis and Policy* 45(1):1-15.

Appendix

Appendix Table 1. Idaho Endowment Lands by county and asset class (acres).

County	Rangeland	Timberland	Farmland	Residential	Commercial	Total
Ada	30,470	0	10	1	527	31,009
Adams	13,574	27,420	0	0	0	40,994
Bannock	27,560	16,711	23	0	0	44,294
Bear Lake	13,540	1,184	34	0	84	14,841
Benewah	0	53,875	0	0	0	53,875
Bingham	147,726	5,826	450	0	0	154,002
Blaine	58,701	180	114	0	0	58,995
Boise	20,193	64,441	0	1	0	84,635
Bonner	43	165,778	9	326	57	166,212
Bonneville	40,062	3,738	1,295	0	7	45,103
Boundary	0	103,714	6	0	0	103,720
Butte	13,255	0	0	0	0	13,255
Camas	21,785	0	0	0	0	21,785
Canyon	44	0	397	0	284	725
Caribou	93,905	11,464	24	0	0	105,394
Cassia	48,503	0	1,569	0	0	50,072
Clark	75,316	3,793	6	0	0	79,115
Clearwater	0	233,748	2	2	0	233,752
Custer	52,243	324	44	0	7	52,617
Elmore	105,714	6,817	85	17	0	112,634
Franklin	12,466	789	51	0	0	13,306
Fremont	70,664	14,036	812	0	0	85,512
Gem	19,215	0	6	0	0	19,221
Gooding	16,261	0	831	0	0	17,092
Idaho	13,420	63,366	29	0	6	76,821
Jefferson	15,469	0	23	0	8	15,501
Jerome	7,566	0	215	0	0	7,781
Kootenai	0	32,813	2	4	3	32,822
Latah	11	30,476	506	0	0	30,992
Lemhi	37,226	0	0	0	0	37,226
Lewis	681	1,406	6	0	0	2,093
Lincoln	21,626	0	13	0	0	21,639
Madison	5,388	7,617	8,905	0	0	21,910
Minidoka	7,665	0	20	0	4	7,689
Nez Perce	698	6,933	756	0	0	8,387
Oneida	12,417	319	242	0	0	12,978
Owyhee	320,765	0	2	4	0	320,771
Payette	7,751	0	2	0	0	7,752
Power	20,465	3,801	1,702	0	0	25,968
Shoshone	0	55,159	0	0	0	55,159
Teton	285	0	875	0	0	1,160
Twin Falls	29,428	0	16	0	0	29,444
Valley	1,177	63,598	0	51	10	64,836
Washington	43,248	18,957	110	0	0	62,315
Total	1,426,525	998,286	19,191	406	998	2,445,405

Data source: IDL (2018).

Note: Acre totals are slightly different than those published in IDL (2017).

THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS



MOLPUS WOODLANDS GROUP®

February 14, 2019

Idaho State Board of Land Commissioners
300 North 6th St. Suite 103
Boise, ID 83720

To whom it may concern:

The Molpus Woodlands Group is a Timber Investment Management Organization (TIMO) that has a company legacy dating back to 1905. Being one of the oldest timber-related companies in the nation, Molpus acquires, manages, and sells timberlands as an investment vehicle for a variety of clients. Currently, Molpus manages approximately 2.1 million acres across the nation, with roughly 100,000 of those acres located in Idaho.

Molpus supports Idaho Department of Lands reinvestment of Land Bank funds into timberland and agriculture properties, as directed by the Land Board. As fiduciaries for our clients, we appreciate a competitive market, and find value in having as many potential buyers as possible when disposing of timberland. The competitive business environment found in Idaho attracts great interest from our clients, and creates opportunity for additional business within the state. Molpus will continue to pursue all opportunities to grow our business in Idaho due to the favorable business environment and great support of the timber industry.

Sincerely,

Chad McElvany
Operations Director- Northwest Region
Molpus Woodlands Group, LLC

THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS



CENTRAL IDAHO LAND EXCHANGE

Fact Sheet | Updated April 2018

The **Central Idaho Land Exchange** is a concept the Idaho Department of Lands (IDL), U.S. Forest Service (USFS), and other parties are exploring that would transfer private lands in the upper Lochsa basin to the USFS to protect their special historical, ecological and recreational value. The land exchange would also bring federal forestland into Public School Endowment ownership, and the lands would be managed by the State for timber harvest and remain open for recreation. The IDL and others are currently reaching out to various stakeholder groups to gauge potential support for the proposal.

THE CONCEPT

It is a value-for-value land exchange involving IDL, USFS, and Western Pacific Timber (WPT).

IDL deposits money into escrow account based on the value of the lands exchanged.



WPT deeds ~38,000 acres of its land to USFS. The lands include important fish and wildlife habitat and hold historical value tied to the Lewis and Clark expedition.



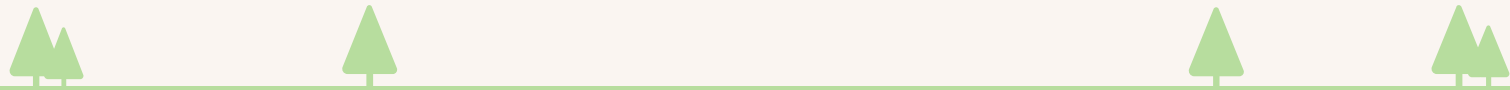
USFS deeds selected federal lands to IDL. The value of the USFS lands transferred to IDL ownership equals the value of the lands USFS receives from WPT.



WPT receives cash in escrow account. WPT receives no land.



Idaho County receives funds equal to a certain number of years' worth of property taxes, to reduce short-term tax impacts.



BENEFITS

The lands in the upper Lochsa basin fit with surrounding USFS ownership and its multiple-use mission. The ecological, historical and recreational values of these lands are protected under USFS ownership.

USFS lands that go into IDL ownership would be managed for timber harvest to support Idaho's public school system. Activity on the lands supports local jobs and the economy, and the lands would remain open for recreational use. Endowment timberlands cannot be sold pursuant to Idaho Code 58-133(1).

Short-term property tax impacts are reduced for Idaho County.

What has to happen between USFS and IDL:

- IDL and USFS must mutually agree on USFS lands to be considered in the exchange.
- USFS must complete a final Environmental Impact Statement on the exchange properties.
- An independent third party appraisal of exchange properties must take place with adjustments made to the final exchange acres based on federal Yellow Book appraisal standards.

Gauging support: IDL will only pursue a land exchange if there is broad public support.

- The Idaho Recreation Council is discussing this exchange proposal with local recreation user groups
- The Nature Conservancy is discussing this exchange proposal with conservation groups.
- IDL is discussing the exchange proposal with the Nez Perce Tribe, Idaho County Commissioners, and others.

If broad support exists to pursue the land exchange:

- IDL will seek approval from the State Board of Land Commissioners (Land Board) to pursue the land exchange.
- If the Land Board approves, IDL will seek congressional support to finalize and pass federal legislation to authorize the exchange and provide the necessary resources for the USFS to complete the work to comply with the National Environmental Policy Act and complete the land exchange within a specific timeframe.

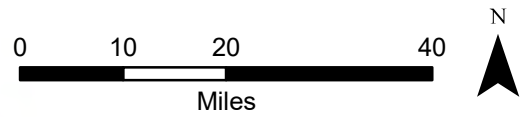
Vicinity Map

Ownership

- Other Federal
- Industrial Private
- Bureau of Land Management
- Indian Reservation
- National Park Service
- Private
- State
- Other State
- US Forest Service

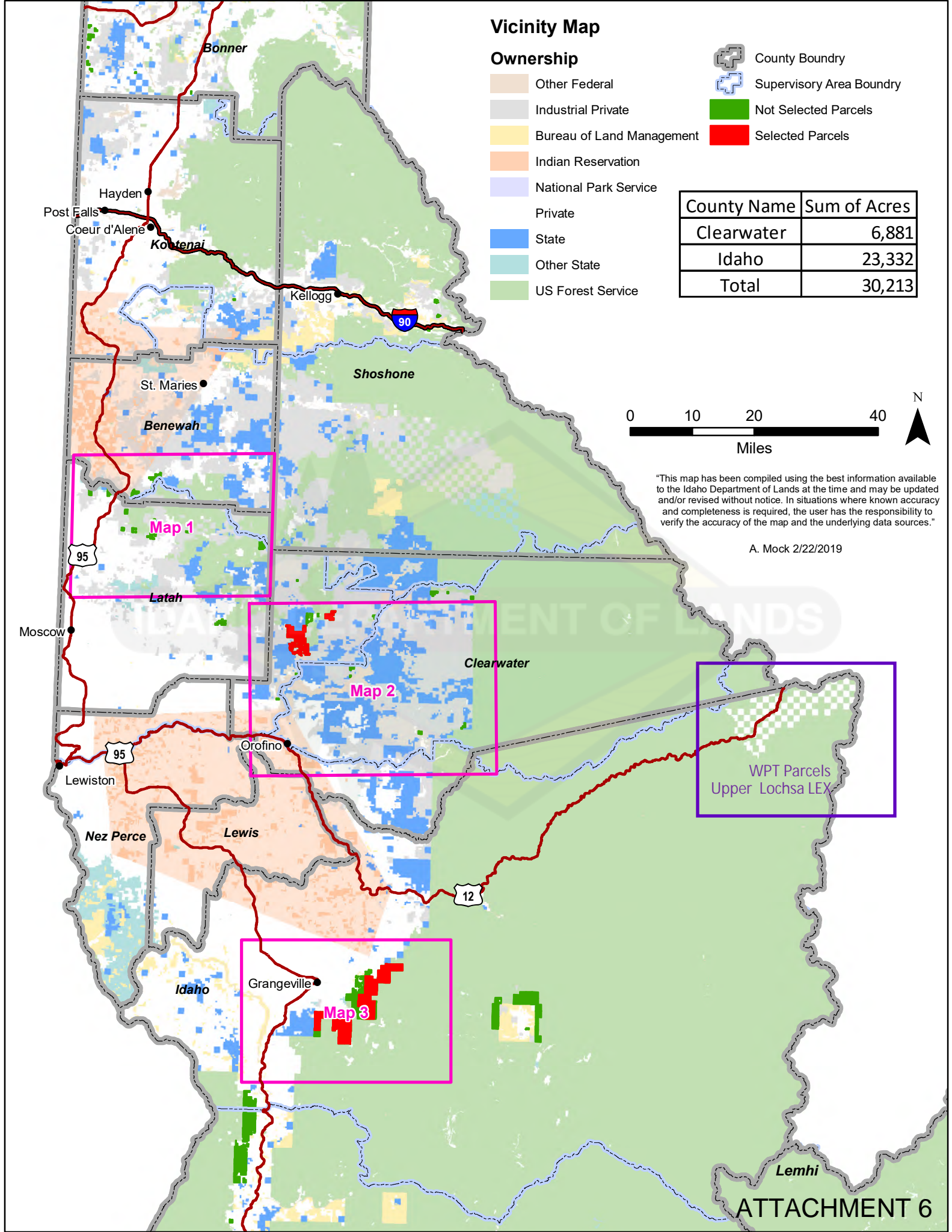
- County Boundry
- Supervisory Area Boundry
- Not Selected Parcels
- Selected Parcels

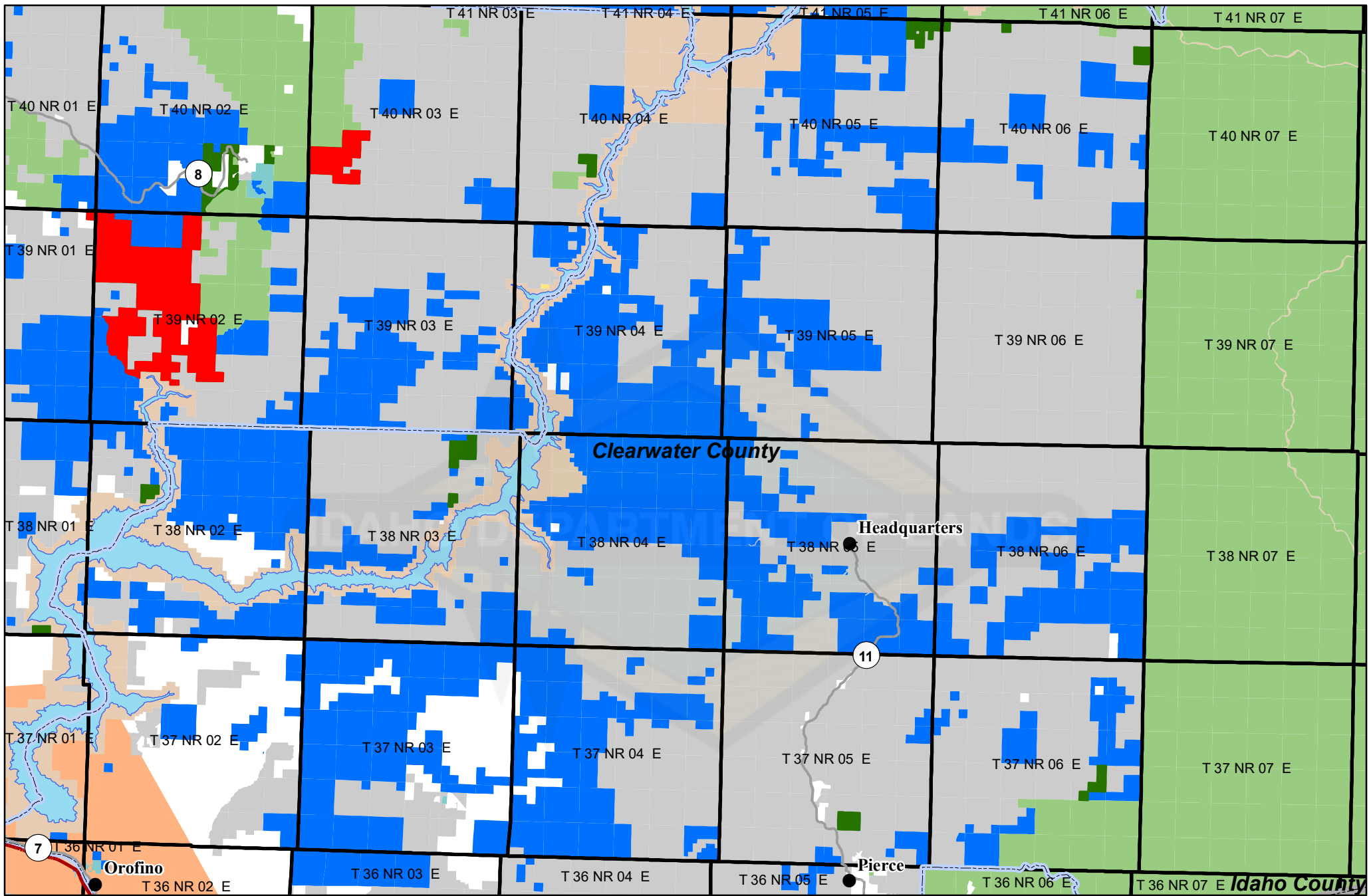
County Name	Sum of Acres
Clearwater	6,881
Idaho	23,332
Total	30,213



"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."

A. Mock 2/22/2019





Map 2

- Selected Parcels
- Not Selected Parcels
- Supervisory Area Boundary
- County Boundary

Ownership

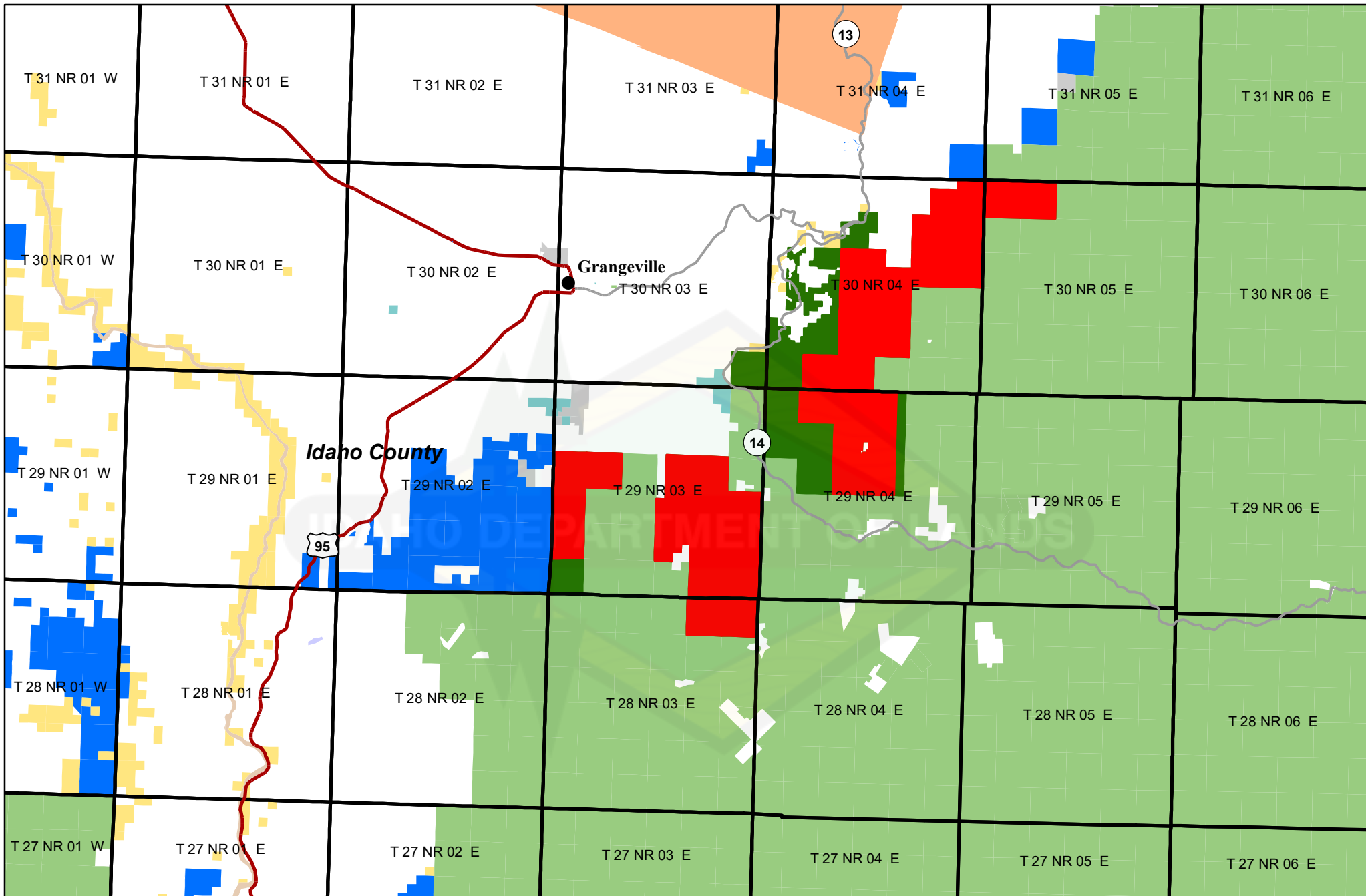
- Other Federal
- Private
- Industrial Private
- State
- Bureau of Land Management
- Other State
- Indian Reservation
- US Forest Service

Selected Parcels in Clearwater County: 6,881



"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."

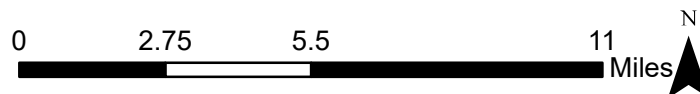
A. Mock 2/22/2019



Map 3

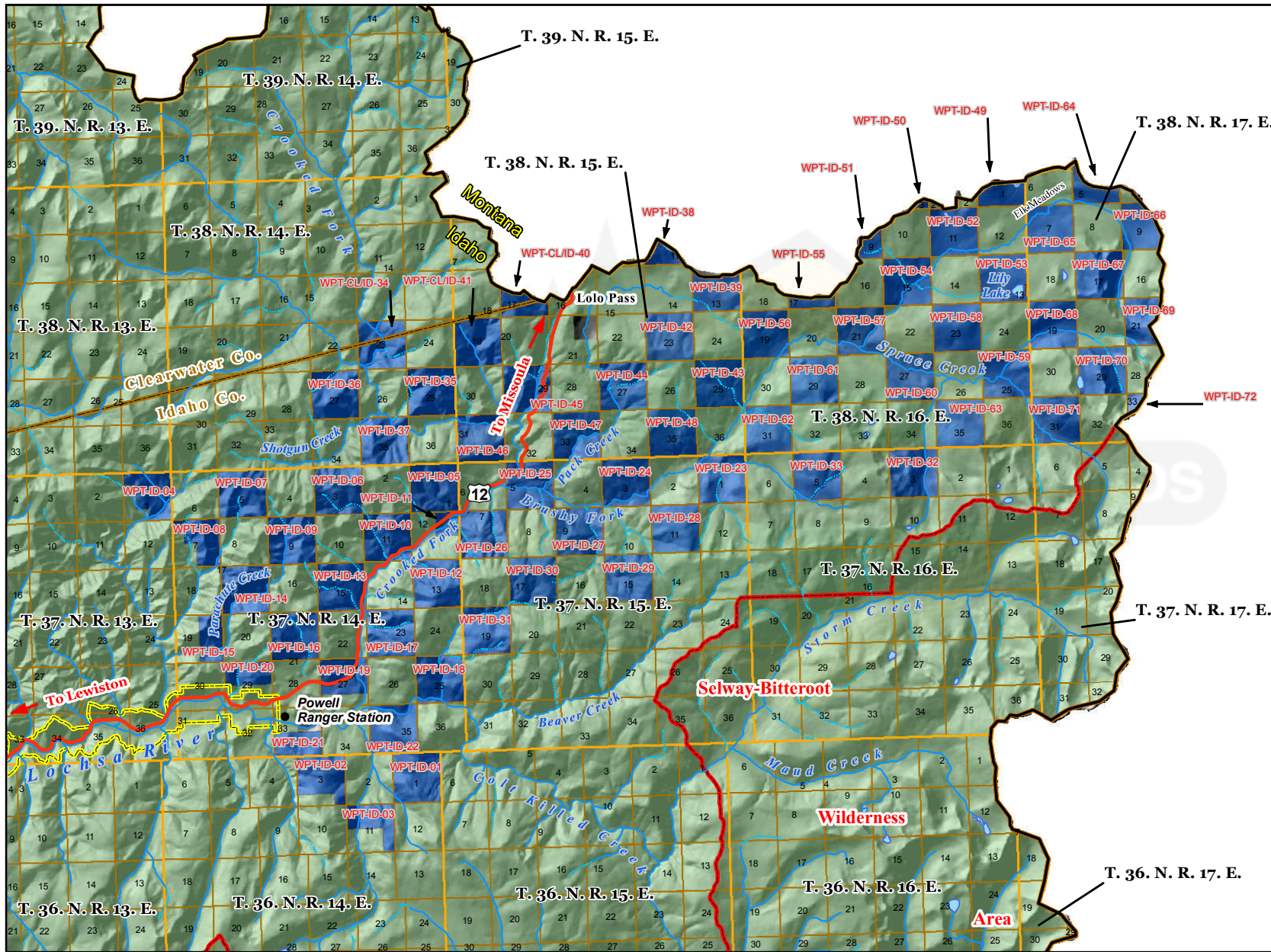
Selected Parcels	Ownership	National Park Service
Not Selected Parcels	Other Federal	Private
Supervisory Area Boundary	Industrial Private	State
	Bureau of Land Management	Other State
	Indian Reservation	US Forest Service

Selected Parcels in Idaho County: 23,332



"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."

A. Mock 2/22/2019

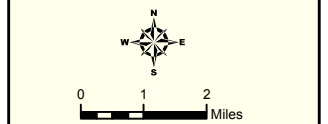


- Lolo Pass Area**
Idaho
Upper Lochsa Land Exchange
Proposed Western Pacific Timber
Exchange Parcels
- Proposed WPT Exchange Parcels
 - Clearwater National Forest Lands
 - County Boundary
 - Selway-Bitterroot Wilderness Area
 - Lochsa Wild & Scenic River Corridor
 - Township Boundary
 - Section Line

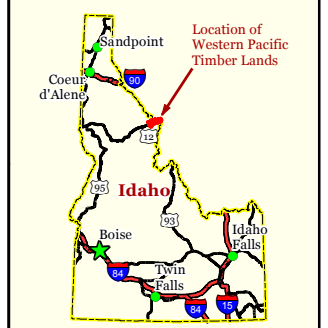
Note: Only USFS and WPT lands are symbolized on this map

Sources:
 NFS ownership and boundary: USFS Region 1 Automated Lands Program (ALP).
 Western Pacific Timber Ownership: Compiled by USFS Region 1 ALP.
 Public Land Survey System (PLSS): BLM GCDB Compiled by R1 ALP.

The USDA Forest Service provides no warranty, nor accepts any liability occurring from any incorrect, incomplete, or misleading data, or from any incorrect, incomplete, or misleading use of these data.



Map Created by Will Pedde
 Map Last Revised: 9/16/08





Phone (208)983-2751 FAX (208)983-1428

320 West Main Street, Grangeville, ID 83530

BOARD OF IDAHO COUNTY COMMISSIONERS

December 11, 2018

Governor Butch Otter
State Capitol
P.O. Box 83720
Boise, ID 83720

Idaho Land Board
Idaho Department of Lands
300 N. 6th Street, Suite 103
Boise, ID 83702

RE: Acquisition of Land in Upper Lochsa Area

Dear Governor Otter and Land Board;


Idaho County is aware that the acquisition of property in the Upper Lochsa area by the Land Board is being discussed. While we are concerned about the loss of tax dollars that ultimately benefit our schools, Idaho County would not oppose the concept of pursuing this acquisition.

Should the acquisition move forward, Idaho County would be interested in reviewing the details prior to taking a firm position.

Sincerely,


R. Skipper Brandt, Commission

Absent
Mark Frei


Denis B. Duman

Cc: Senator Jim Risch

DEPT. OF LANDS
DEC 13 2018
BOISE, IDAHO

ATTACHMENT 7

THIS PAGE INTENTIONALLY LEFT BLANK

IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

April 16, 2019
Information Agenda

Subject

Stimson Lumber Company Request for Audience

Attachments

1. Stimson letter to Land Board, dated 4/10/19





STIMSON LUMBER COMPANY

Executive Offices

520 S.W. Yamhill, Suite 700

Portland, OR 97204-1330

(503) 222-1676

(800) 867-6446

fax: (503) 242-1588

April 10, 2019

Dear Idaho Land Board members,

Thank you for the opportunity for Stimson Lumber Company to express its concerns regarding the Department of Land's policy of purchasing private timber lands as part of its investment strategy.

As background, Stimson Lumber Company owns and operates three sawmills in North Idaho and owns 165,000 acres of timberland in Idaho supporting those mills. We have a vertically integrated business model that includes: 1) operating sawmills, which employs 285 people, 2) purchasing and investing in timberlands, and 3) purchasing timber from public auctions conducted by the Department of Lands. All three components are vital to our business model.

Notably, continued growth of our timberland base is the foundation for making further sawmill capital investments and employment decisions. I appreciate the opportunity to testify on the Land Board's reinvestment strategy with you in light of the State's recent 32,160 acre purchase of private timberlands in North Idaho. Stimson is concerned with the scale of the Land Board's reinvestment strategy as it pits the State in direct competition with the private sector for timberland acquisition in North Idaho. Our concerns include, but are not limited to the following three categories:

Policy Risk

The State's acquisition is considered perpetual ownership, this land will never enter the market place again. This is a significant distinction compared with a private sector acquisition. State lands management strategy is subject to public policy changes, and some forest products companies will not make investments based on public land timber availability. Consequently, growth of state lands restricts forest products capital investment pool.

The Department purchased 32,160 acres for \$42.2 million dollars. It is our understanding that there will be an additional \$150 million dollars available for further land purchases – that translates to an additional 115,000 or so acres that may be purchased by the Department under current market conditions. Shrinking land investment opportunity in Idaho due to State government acquisition will cause Stimson to look outside the State for timberland purchase opportunities, which decision making pathway is followed by mill investment, employment, and timber purchase.

Soundness of Reinvestment Strategy

The reinvestment strategy as recommended by Callan is underpinned with the assumption that there is a robust marketplace for State timber. Yet the Department’s 2018 timber sale results reflect:

- 69 timber sales advertised
- 65 of the 69 sales had bids
- 55 of the 65 sales had only one or two bids (85% of the Department’s program)

Perhaps it is appropriate to examine the reinvestment strategy in light of how thinly traded the Department’s timber program is executed.

The Idaho Endowment Fund reports a return of 12.0% over the past ten years as of February 28th. The Callan Report reflects a ten year expected return on IDL timberland of 5.7% on a nominal basis as reported in the Statement of Investment Policy, Idaho Land Grant Endowments dated July 17, 2018. FY 18 Endowment Lands reported a 5.48% return compared to the Endowment Fund return of 9.51%. As you consider the fiduciary responsibility to the Trust beneficiaries, would it be more appropriate to reallocate the Land Bank capital to the Endowment Fund for placement in a diverse array of investment opportunities as you already have exposure to 998,000 acres of timberland in a relatively narrow geographic marketplace? The Callan update memo dated July 5, 2018 states “Consistent with survey results of prior years, Idaho [timberland] is a market that is less attractive compared to other regions. Idaho is viewed as riskier by the TIMO’s surveyed due to lower productivity based on its location east of the Cascades, thinner timber markets...”

Unfair Advantage

The Endowment can’t, by Constitutional amendment, pay property tax. We have studied the 2016 property tax bills on the transacted acreage that was made available in the due diligence reporting to the Land Board. The present value of a 50 year period (a period equal to a forest harvest rotation) of the \$153,555 annual tax revenue to the affected Counties is shown here:

Inflation Rates	Discount Rates					
	3.5%	4.0%	4.5%	5.0%	5.5%	6.5%
1.00%	\$4,333,470	\$3,933,980	\$3,588,469	\$3,288,316	\$3,026,418	\$2,594,902
1.25%	\$4,550,542	\$4,121,593	\$3,751,316	\$3,430,268	\$3,150,678	\$2,691,313
1.50%	\$4,783,623	\$4,322,677	\$3,925,533	\$3,581,851	\$3,283,125	\$2,793,698
1.75%	\$5,034,082	\$4,538,362	\$4,112,062	\$3,743,848	\$3,424,410	\$2,902,515
2.00%	\$5,303,409	\$4,769,883	\$4,311,924	\$3,917,109	\$3,575,243	\$3,018,262

The present value calculated here provides the State an undue competitive advantage over any private party when purchasing real property due to the property tax matter. This present value is fully applied to purchase price, meaning the State had a tangible advantage in this transaction of between 7% and 12% of purchase price premium over the private market.

Furthermore, a loss of tax revenue to the affected Counties will cause them to raise the tax levy on the remaining tax payers in order to maintain budget levels. Stimson owns considerable timberland in the affected Counties, so the net result of the State's purchase will be that Stimson tax liability increases in perpetuity, effectively penalizing private ownership because of the State's action.

The Land Board approved a 3.5% discount rate as the hurdle for timberland and agricultural land investments, for which the Department can act upon. The private sector is typically utilizing a discount rate of 6% up to 8% for timberland in the same geography. To illustrate the significance of discount rate on purchase price, we examined a 2017 Stimson purchase of 14,400 acres from a public sale process by the same managing agent that IDL just purchased from. This transaction is one of the three comparable sales cited in the due diligence documents the State paid for. The property is located in a subset of the same counties and has the same legacy ownership and management regime up to 2012. It further has similar merchantable volumes per acre compared to the total (Seller's retained volume plus State's acquired volume) on the property the State acquired. We conducted a sensitivity analysis on the Stimson property acquisition purchase price by reducing the discount rate. The results are as follows:

- Reduction of discount rate to 5.5% resulted in a \$72/acre purchase price increase
- Reduction of discount rate to 4.5% resulted in a \$185/acre purchase price increase
- Reduction of discount rate to 3.5% resulted in a \$261/acre purchase price increase

Private sector financial return expectations are higher than what the Land Board is willing to accept. The difference in resulting purchase price puts the State in a clear advantage over the private sector.

Stimson appreciates the business and political climate in Idaho. We appreciate the working relationship with IDL. We appreciate the position the State has exercised on Good Neighbor Authority. For these reasons, Stimson wants to be in Idaho for generations to come. We ask the Land Board stop the reinvestment strategy in North Idaho timberland as it directly conflicts with our business model and diminishes private sector investment opportunity.

Respectfully,



Keith Williams
VP Resources
Stimson Lumber Company
520 SW Yamhill, Suite 700
Portland, OR 97204
Direct: 503.478.1513
Cell: 503.522.5405

AGENDA ITEM 11

NO BOARD MATERIALS
ARE PROVIDED FOR THIS ITEM

The logo is a watermark for the Idaho Department of Lands. It features a central diamond shape with a light green center and a yellow border. This diamond is set against a background of a stylized sun with rays extending outwards. A horizontal banner with rounded ends is superimposed across the middle of the diamond, containing the text "IDAHO DEPARTMENT OF LANDS" in white, uppercase letters.

IDAHO DEPARTMENT OF LANDS