

State Board of Land Commissioners Open Meeting Checklist

Meeting Date: May 21, 2019

Regular Meetings

5/7/19	Notice of Meeting posted in prominent place in IDL's Boise Headquarters office five (5) or more calendar days before meeting.
5/7/19	Notice of Meeting posted in prominent place in IDL's Coeur d'Alene Headquarters office five (5) or more calendar days before meeting.
5/7/19	Notice of Meeting posted in prominent place at meeting location five (5) or more calendar days before meeting.
5/7/19	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.
5/7/19	Notice of Meeting posted electronically on IDL's public website www.idl.idaho.gov five (5) or more calendar days before meeting.
5/17/19	Revised Agenda posted in prominent place in IDL's Boise Headquarters office forty-eight (48) hours before meeting.
5/17/19	Revised Agenda posted in prominent place in IDL's Coeur d'Alene Headquarters office forty-eight (48) hours before meeting.
5/17/19	Revised Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
5/17/19	Revised Agenda emailed/faxed to list of media and interested citizens who have requested such notice forty-eight (48) hours before meeting.
5/17/19	Revised 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

May 17, 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

NOTICE OF PUBLIC MEETING MAY 2019

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, May 21, 2019 in the **State Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W Jefferson St., Boise**. The meeting is scheduled to begin at 9:00 AM (Mountain).

Please note meeting location.

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

First Notice Posted: 5/7/2019-IDL Boise; 5/7/2019-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 Department of Lands, 300 N 6th Street, Suite 103, Boise ID 83702, 208.334.0242



Idaho State Board of Land Commissioners

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State Board of Land Commissioners Regular Meeting

May 21, 2019 – 9:00 AM (MT)

Amended Final Agenda

Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho

Please note meeting location.

1. Department Report – *Presented by Dustin Miller, Director*

Endowment Transactions

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

Status Updates

- C. Cottage Sites Auction – Payette Lake ULA

2. Endowment Fund Investment Board Report – *Presented by Dean Buffington, EFIB Chairman, and Chris Anton, EFIB Manager of Investments*

- A. Manager's Report
- B. Investment Report
- C. Semi-Annual Report

Consent—Action Item(s)

3. Land Transfer for Idaho Division of Veterans Services – *Presented by Ryan Montoya, Bureau Chief-Real Estate Services; and Tracy Schaner, Deputy Chief Administrator, IDVS*

4. Disclaimer of Interest Request DI600288-Diamond S Farms, Boise River – *Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance*

5. Approval of Minutes – April 16, 2019 Regular Meeting (Boise)

State Board of Land Commissioners
Amended Final Agenda
Regular Meeting (Boise) – May 21, 2019
Page 1 of 2

Regular—Action Item(s)

6. Approve Timber Sales – Presented by Bill Haagenson, Division Administrator-Operations

Sale Name	Volume	County	Area Office	Region
A. North Town	7,690 MBF	Clearwater	Clearwater	South Ops
B. Deer Meadow	3,820 MBF	Clearwater	Clearwater	South Ops

7. Omnibus Temporary and Proposed Rulemaking – Presented by Kari Kostka, Strategic Planning Manager

For the record, pursuant to Idaho Code Section 74-204(4)(c), the published agenda was amended prior to discussion of agenda item 8. Refer to meeting minutes for detailed information regarding the amendment motion.

Information

8. Department of Lands Organizational Restructure – Presented by Dustin Miller, Director

(Moved from Regular to Information agenda)

9. Land Board Subcommittee: Study of Reinvestment Strategy

Executive Session

None

Idaho Statutes

TITLE 74 TRANSPARENT AND ETHICAL GOVERNMENT

CHAPTER 2 OPEN MEETINGS LAW

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

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

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

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

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

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

(f) To communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. The mere presence of legal counsel at an executive session does not satisfy this requirement;

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

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

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

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

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

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

History:

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

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IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

May 21, 2019
Endowment Transactions

Timber Sales

During April 2019, the Department of Lands sold thirteen endowment timber sales at auction. The endowment net sale value represents a 2.8% up bid over the advertised value.

TIMBER SALE AUCTIONS								
SALE NAME	AREA	SAWLOGS MBF	CEDAR PROD MBF	PULP MBF	APPRAISED NET VALUE	SALE NET VALUE	NET \$/MBF	PURCHASER
South Mountain Ton	60	7,025			\$ 1,202,820.76	\$1,202,820.76	\$171.22	Boise Cascade Wood Products LLC
West Rim OSR	10	1,050			\$ 153,531.00	\$ 185,861.35	\$177.01	Stimson Lumber Co
Snake Face	40	3,785			\$ 854,044.50	\$ 898,347.05	\$237.34	IFG Timber LLC
East Calhoun	40	3,700			\$ 837,236.50	\$ 837,236.50	\$226.28	IFG Timber LLC
Backyard Seed	40	2,475			\$ 619,630.50	\$ 619,630.50	\$250.36	IFG Timber LLC
Beaver Butterfly								
Salvage Ton	30	2,660			\$ 430,234.00	\$ 447,140.00	\$168.10	IFG Timber LLC
Blue Gate	42	1,055			\$ 224,937.50	\$ 224,937.50	\$213.21	IFG Timber LLC
Cedar Remix	42	4,510	295		\$ 1,574,510.00	\$1,621,847.90	\$337.53	IFG Timber LLC
Powerline OSR	40	1,195			\$ 181,087.00	\$ 181,087.00	\$151.54	Empire Lumber Co
Rainy West	40	6,600			\$ 1,187,347.00	\$1,187,347.00	\$179.90	IFG Timber LLC
Wolfenrock	42	4,475	355		\$ 1,320,061.00	\$1,445,340.00	\$299.24	IFG Timber LLC
Burcham OSR	42	1,490			\$ 329,307.50	\$ 329,307.50	\$221.01	IFG Timber LLC
Thunderbird Flat	42	2,655			\$ 690,627.50	\$ 690,627.50	\$260.12	IFG Timber LLC
		42,675	650	0	\$ 9,605,374.76	\$9,871,530.56	\$227.85	

PROPOSED TIMBER SALES FOR AUCTION				
Sale Name	Volume MBF	Advertised Net Value	Area	Estimated Auction Date
North Operations				
Lost Beaver	3,800	\$ 730,627	PL	5/9/2019
West Fork Patches	6,175	\$ 926,783	SJ	5/23/2019
Fernwood Flats	7,120	\$ 1,500,623	SJ	6/4/2019
Purdue	6,340	\$ 1,193,472	POND	5/28/2019
South Operations				
Deeper Ton	2,345	\$ 236,017	PAY	5/30/2019
Priceless Ton	4,435	\$ 694,515	PAY	5/30/2019
Sharps Fire Salvage Ton	1,445	\$ 17,413	EI	5/22/2019
Hearn Creek Ton	3,460	\$ 231,866	EI	6/6/2019

VOLUME UNDER CONTRACT as of April 30, 2019

	Total	Public School	Pooled
Active Contracts	160		
Estimated residual volume (MBF)	394,469	241,311	153,158
Estimated residual length (LF)	233,945	233,945	0
Estimated residual weight (Ton)	557,250	392,215	165,035
Total Residual MBF Equivalent	497,197	313,923	183,274
Estimated residual value	\$ 142,734,609	\$ 89,943,802	\$ 52,790,807
Residual Unit Value (\$/MBF)	\$ 287.08	\$ 286.52	\$ 288.04

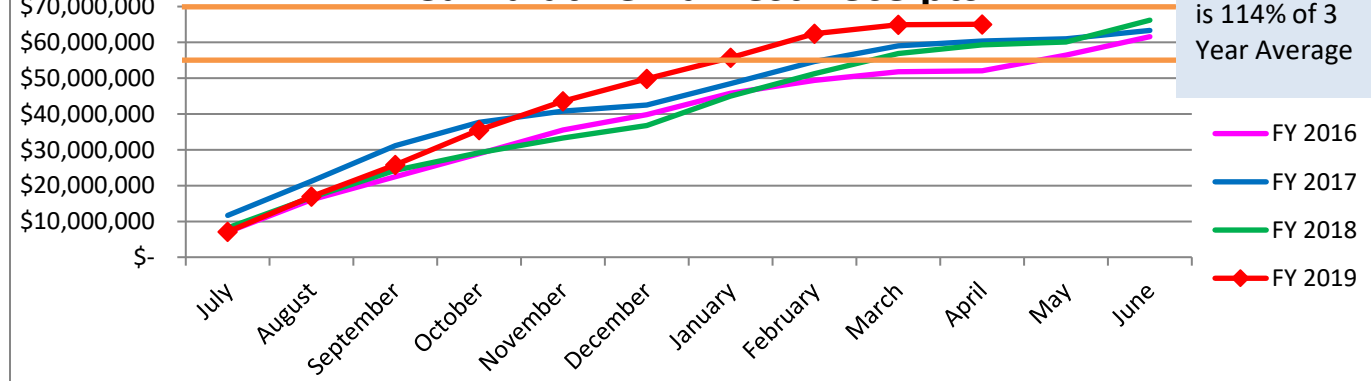
TIMBER HARVEST RECEIPTS

	FUND BALANCE - REVENUE									
	April				FY to date		May Projected			
	Stumpage		Interest		Harvest Receipts		Stumpage		Interest	
Public School	\$	84,474.60	\$	6,005.20	\$	35,223,605.46	\$	51,930.12	\$	1,571.54
Pooled	\$	6,524.97	\$	190.18	\$	29,835,638.24	\$	23,837.44	\$	231.36
General Fund	\$	0.87	\$	0.00	\$	691.24	\$	0.87	\$	0.00
TOTALS	\$	91,000.44	\$	6,195.38	\$	65,059,934.94	\$	75,768.43	\$	1,802.90

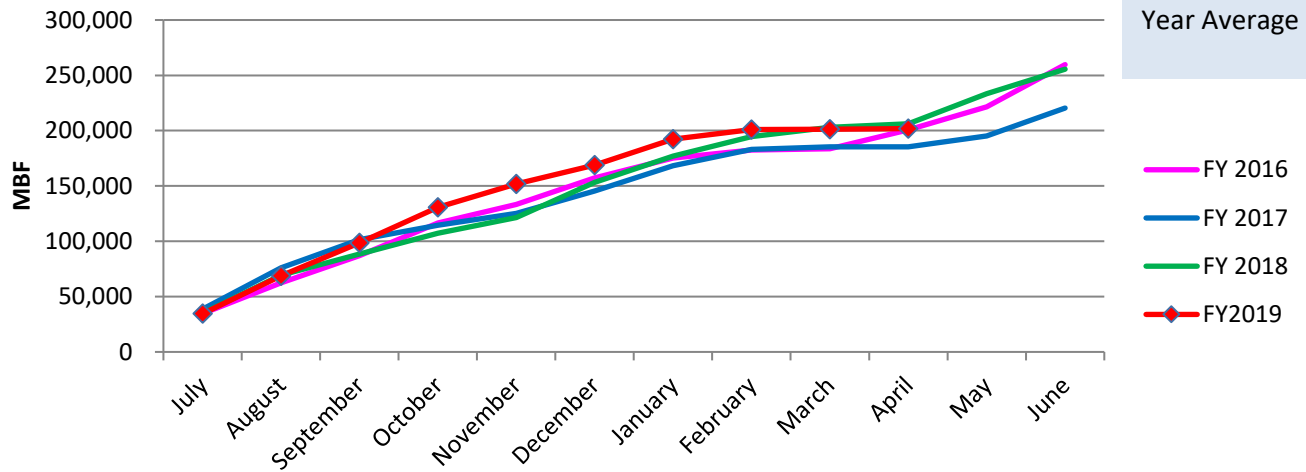
Status of FY 2019 Timber Sale Program

	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of April 30, 2019	87,062	70,610	157,672	5,191	10,947	16,138
Currently Advertised	34,081	4,822	38,903	0	0	0
In Review	28,243	9,659	37,902	0	0	0
Did Not Sell	0	0	0	0	0	0
TOTALS	149,385	85,092	234,477	5,191	10,947	16,138
FY-2019 Sales Plan			256,000			20,000
Percent to Date			92%			81%

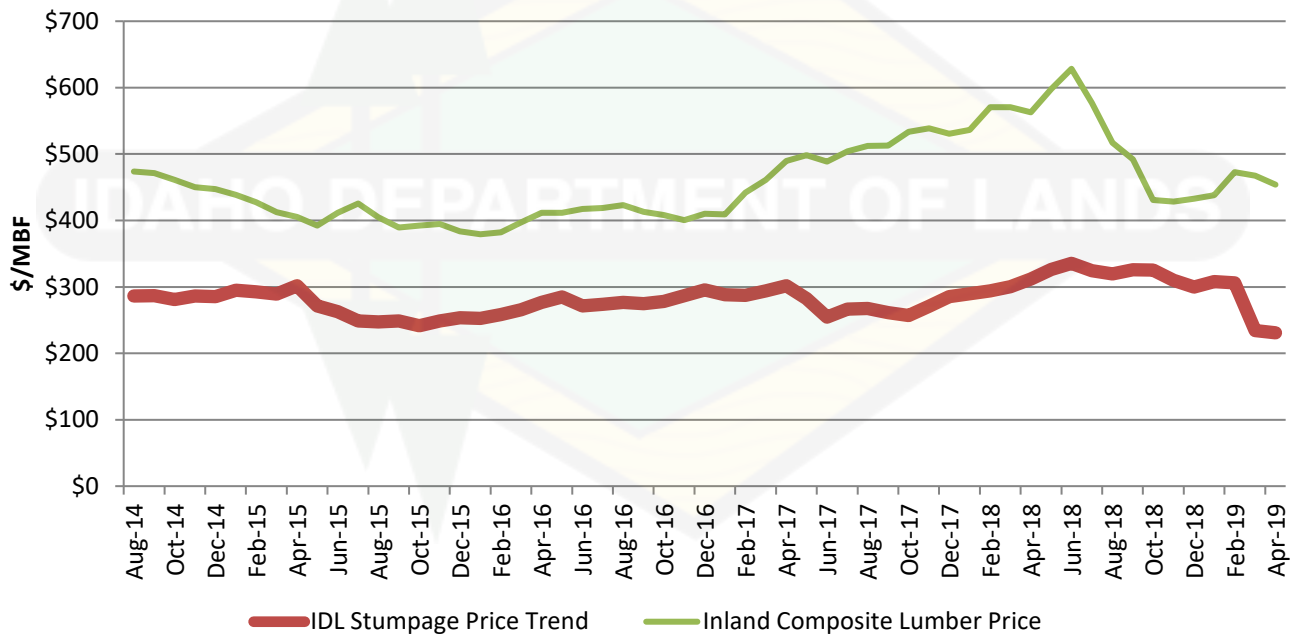
Cumulative Harvest Receipts



Cumulative Harvest Volume

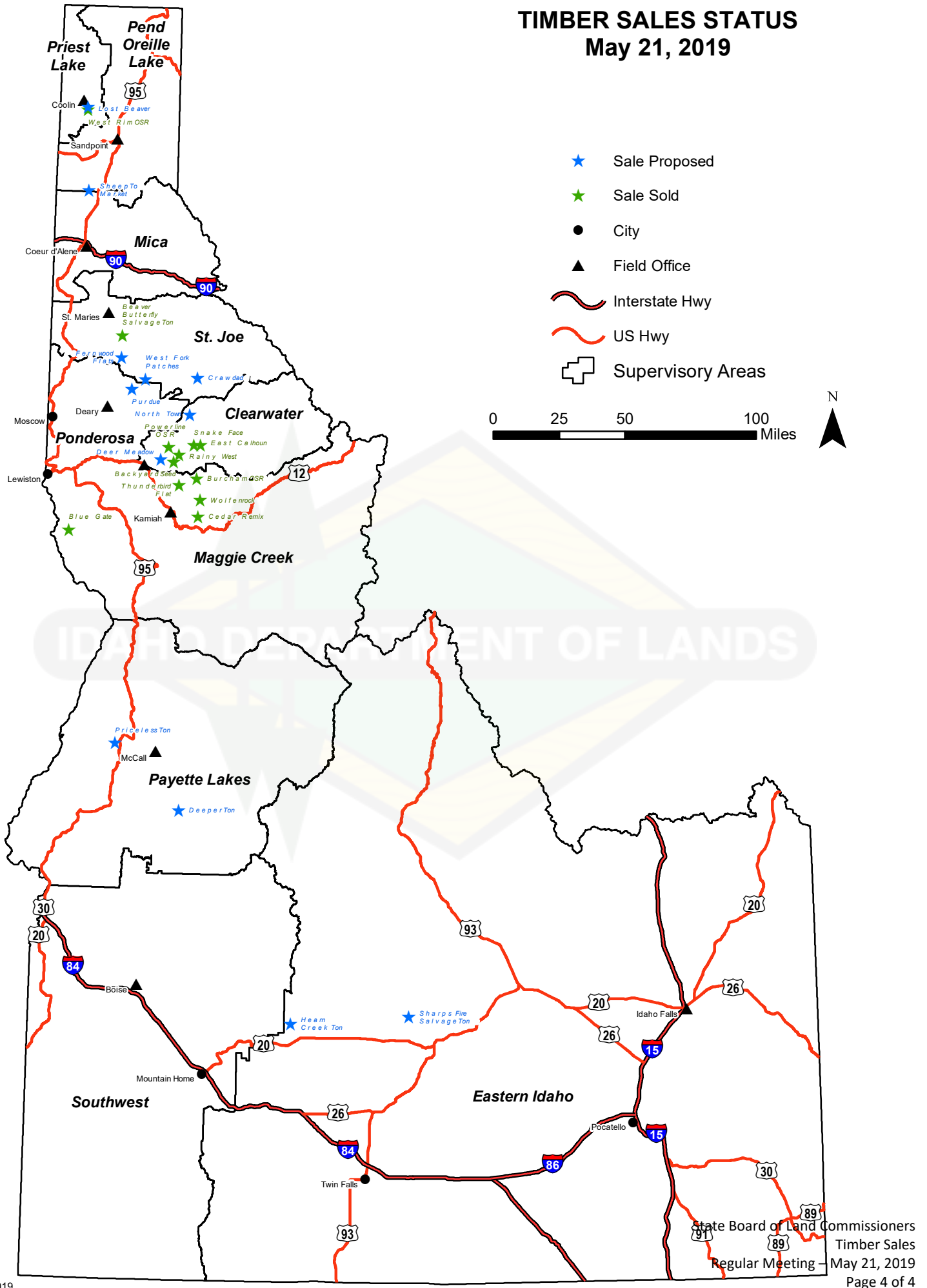


Monthly Lumber and Stumpage Price



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

TIMBER SALES STATUS May 21, 2019



STATE BOARD OF LAND COMMISSIONERS

May 21, 2019

Endowment Transactions

Leases and Permits

FISCAL YEAR 2019 – LEASING & PERMITTING TRANSACTIONS BY MONTH – through April 30, 2019													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
SURFACE													
Agriculture	-	-	-	-	2	-	1	-	-	-			3
• Assignments	-	-	1	-	-	-	-	-	-	-			1
Communication Sites	1	1	1	1	-	-	-	-	-	-			4
• Assignments	-	1	-	1	-	-	-	-	-	-			2
Grazing	2	10	1	11	51	26	18	9	-	-			128
• Assignments	-	2	1	2	-	1	1	1	1	3			12
Residential	-	1	2	1	3	-	-	-	-	-			7
• Assignments	1	1	-	-	3	-	-	1	-	-			6
COMMERCIAL													
Alternative Energy	-	-	-	-	-	-	-	-	-	-			0
Industrial	-	-	-	-	1	-	-	-	-	-			1
Military	2	-	-	-	-	1	-	-	-	-			3
Office/Retail	-	-	-	-	-	-	-	-	-	-			0
• Assignments	1	-	-	-	-	-	-	-	-	-			1
Recreation	-	-	-	-	-	3	-	-	-	-			3
• Assignments	-	-	-	-	-	1	-	1	-	1			3
OTHER													
Conservation	1	-	-	1	-	1	-	-	-	-			3
Geothermal	-	-	-	-	-	-	-	-	-	-			0
Minerals	-	-	7	6	-	2	2	-	-	-			17
• Assignments	-	-	1	-	-	-	-	-	-	-			1
• Exploration	5	-	-	-	3	-	-	-	-	-			8
Non-Commercial Recreation	-	-	-	-	-	-	-	-	-	-			0
Oil & Gas	-	-	-	-	-	-	-	-	-	-			0
PERMITS													
Land Use Permits	6	8	7	5	-	-	4	8	12	2			52
TOTAL INSTRUMENTS	19	24	21	28	63	35	26	20	13	6			263

Real Estate

FISCAL YEAR 2019 – REAL ESTATE TRANSACTIONS BY MONTH – through April 30, 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

IDAHO DEPARTMENT OF LANDS

LANDS AND WATERWAYS DIVISION
2019 FYTD GROSS REVENUE - ACTUAL AND FORECASTED
through April 30, 2019

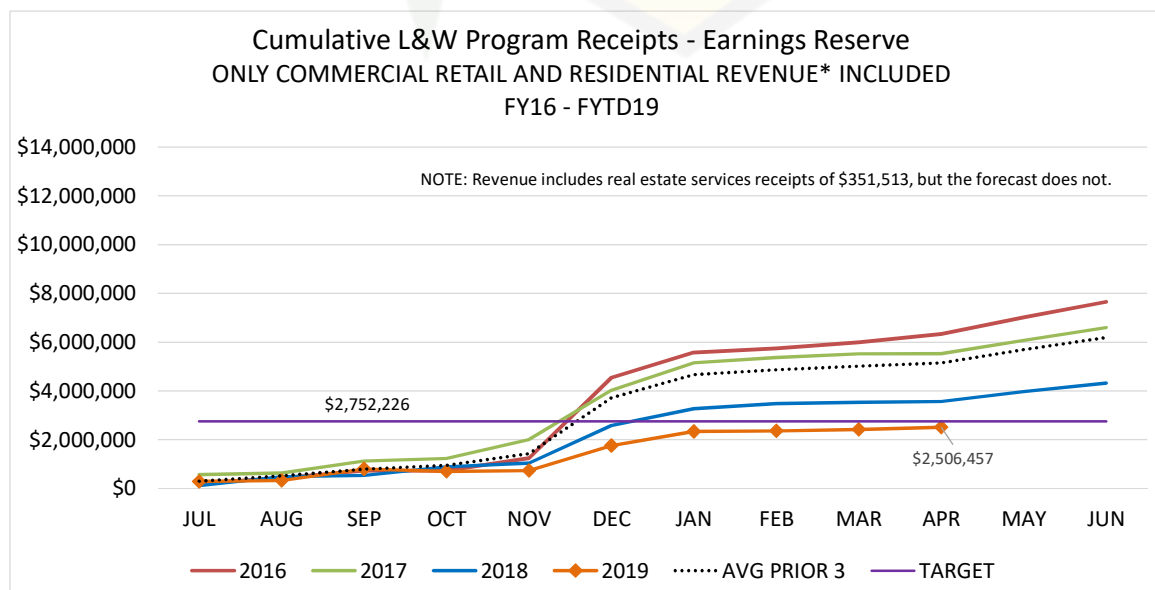
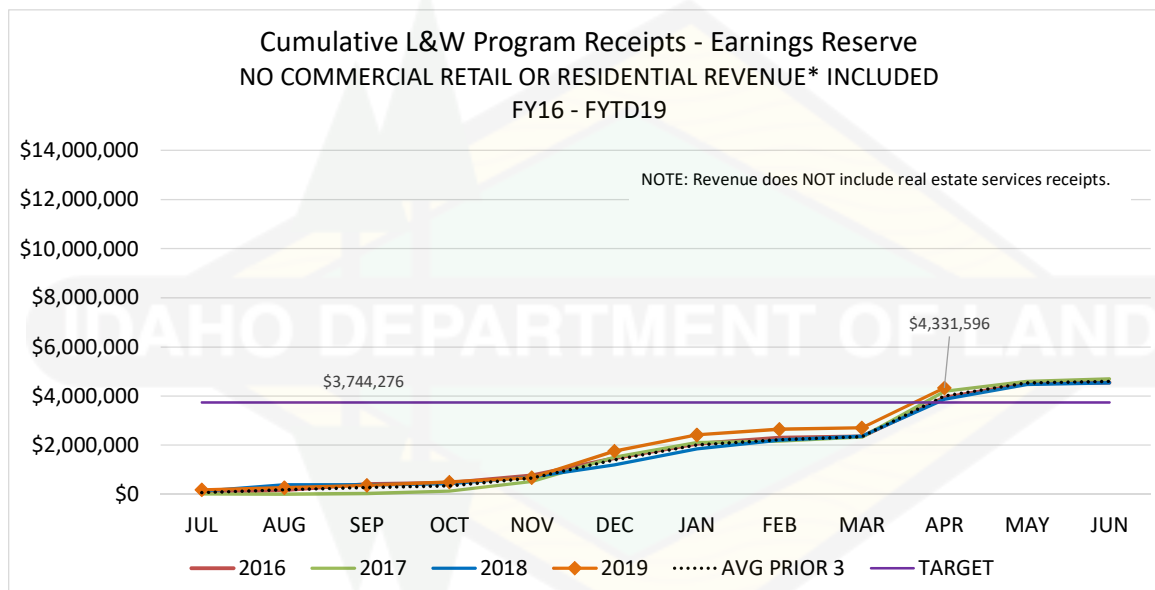
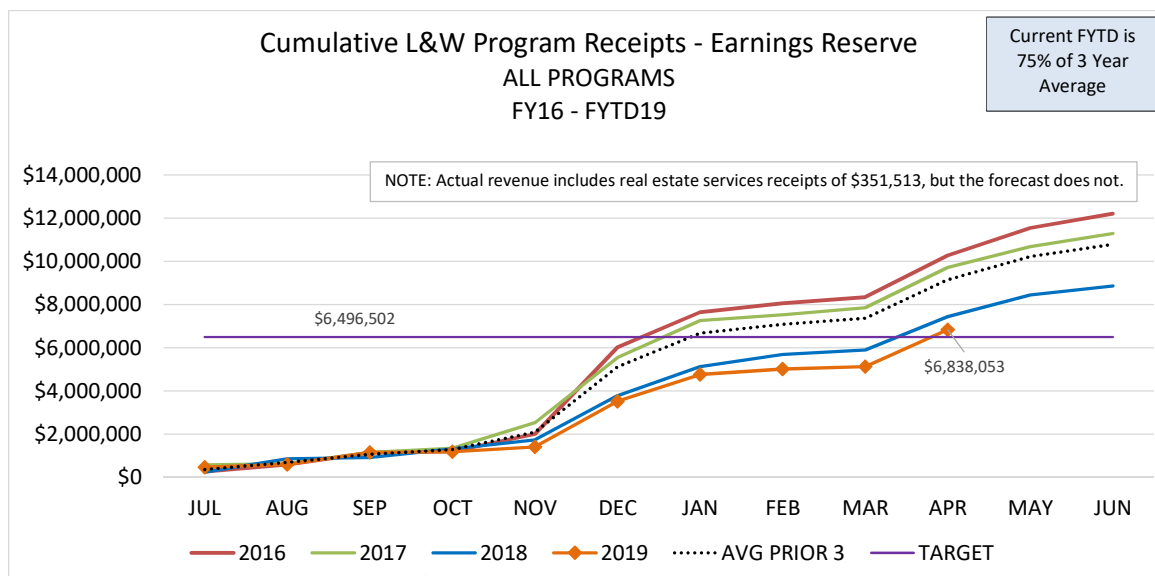
	ACTUAL RECEIPTS AS OF 04.30.2019	REVENUE EXPECTED BY 04.30.2019**	REVENUE EXPECTED BY 06.30.2019
SURFACE			
AGRICULTURE	\$ 351,432	\$ 338,847	\$ 383,765
COMMUNICATION SITES	\$ 1,142,957	\$ 612,135	\$ 619,825
GRAZING	\$ 1,741,642	\$ 1,502,385	\$ 1,916,897
RESIDENTIAL	\$ 1,231,235	\$ 1,498,758	\$ 1,805,733 ***
COMMERCIAL			
COMMERCIAL ENERGY RESOURCES	\$ 18,448	\$ 21,557	\$ 21,557
COMMERCIAL INDUSTRIAL	\$ 99,864	\$ 86,100	\$ 92,243
COMMERCIAL MILITARY	\$ 172,109	\$ 77,470	\$ 85,992
COMMERCIAL OFFICE/RETAIL	\$ 923,709	\$ 870,774	\$ 946,493
COMMERCIAL RECREATION	\$ 395,498	\$ 295,969	\$ 299,324
OTHER			
CONSERVATION LEASES	\$ 184,091	\$ 129,267	\$ 129,451
GEO THERMAL	\$ 5,120	\$ 12,356	\$ 13,920
MINERAL	\$ 107,359	\$ 67,114	\$ 73,453
NON-COMMERCIAL RECREATION	\$ 97,811	\$ 77,184	\$ 78,753
OIL AND GAS LEASES	\$ 15,264	\$ 21,866	\$ 29,096
Sub Total	\$ 6,486,539	\$ 5,611,782	\$ 6,496,502
*LAND SALES/RECORDS	\$ 341,336		
*REAL ESTATE SERVICES	\$ 10,177		
Grand Total	\$ 6,838,053		

* These categories are not included in the annual forecast.

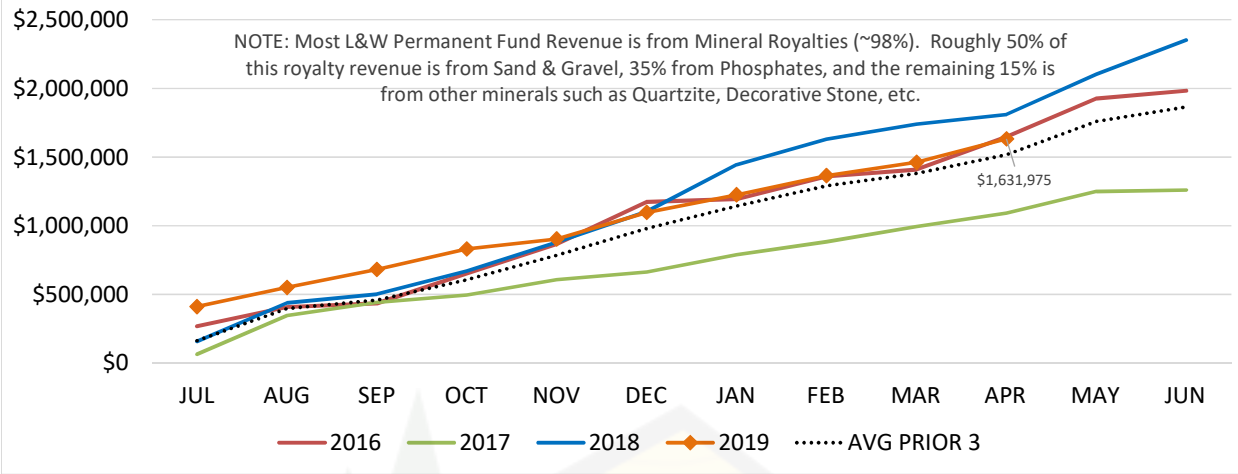
** These figures are based on the historical timing of when revenue is been received throughout the year.

*** The annual forecast for residential leasing has been revised due to the discovery of a computation error.

NOTE: The Department prepares the annual endowment revenue forecast by ASSET CLASS (not by Program). For this table, we have attempted to further breakdown the forecast by program by applying trend data.



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



IDAHO DEPARTMENT OF LANDS

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IDAHO DEPARTMENT OF LANDS

2019 Payette Unleased (ULA) Site Appraised Values




Address	Lot	Block	Subdivision	Acreage	Lake Front	Value	Square Footage	\$/SF
TBD John Alden Road	2	7	Cove Replat	0.38	No	\$91,000	16,553	\$5.50
TBD John Alden Road	4	7	Cove Replat	0.25	No	\$81,000	10,663	\$7.60
TBD John Alden Road	6	7	Cove Replat	0.26	No	\$81,000	11,188	\$7.25
TBD Plymouth Road	8	7	Cove Replat	0.40	No	\$78,000	17,424	\$4.50
TBD Plymouth Road	10	7	Cove Replat	0.31	No	\$74,000	13,504	\$5.50

IDAHO DEPARTMENT OF LANDS

2019 U.L.A. Cove Replat

Date: 4/19/2019

Legend

-  U.L.A. Lot
-  Subdivision
-  Ownership

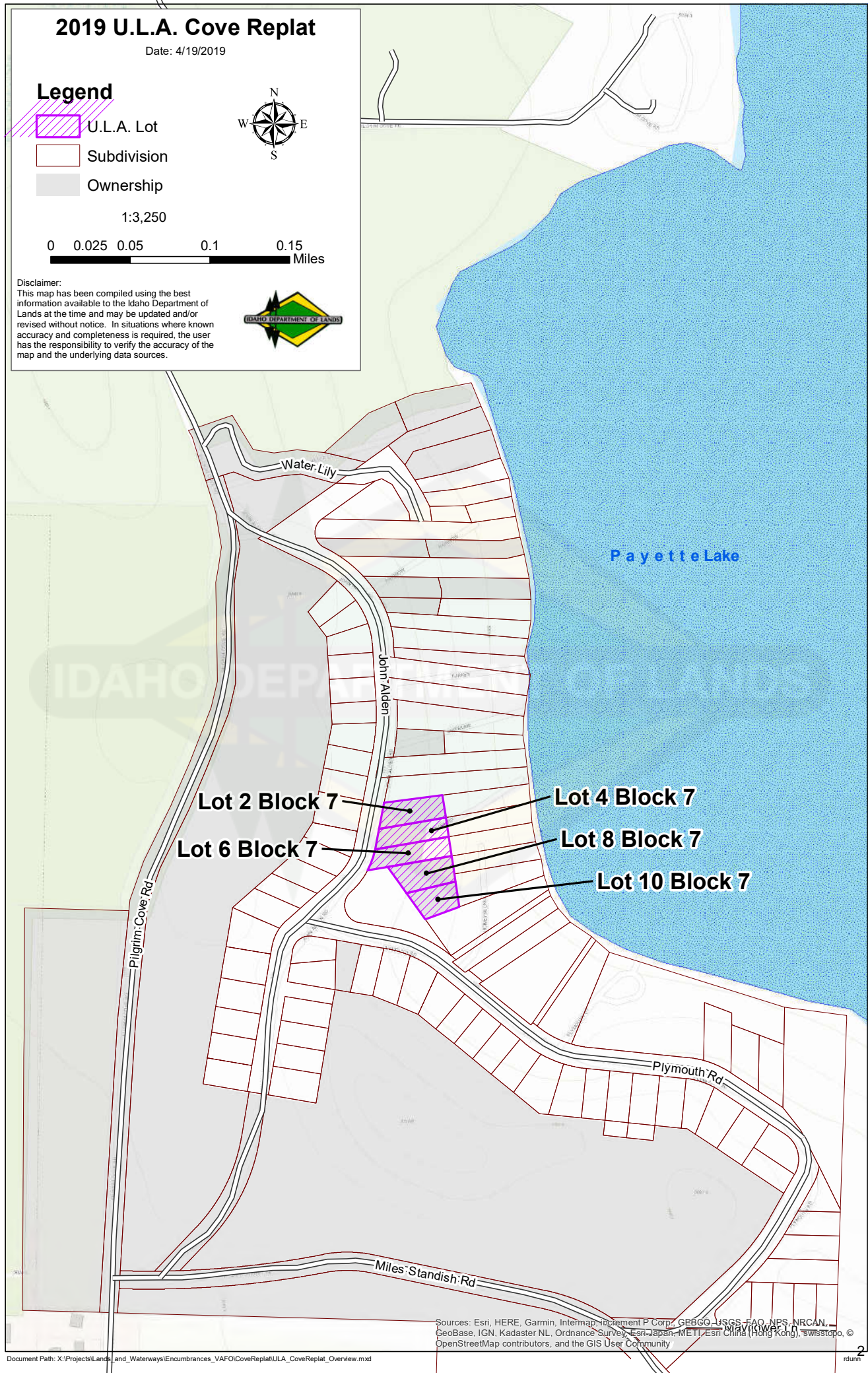


1:3,250

0 0.025 0.05 0.1 0.15 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.



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



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 April 30, 2019

Month: 2.8% Fiscal year: 6.2%

The portfolio continued its strong rebound off December lows and is up 13.2% calendar year-to-date and 6.2% fiscal-to-date. Global economic growth has slowed, 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 will continue until October. 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, an improving homebuilders survey and strong GDP growth of 3.2% in the first quarter. There are few indicators of a recession in the U.S. any time soon. Despite these concerns, the financial markets ended the month near all-time highs for the major indices.

Status of endowment fund reserves

Distributions for FY2019 and FY2020 are well secured. Estimated reserves as of March 31, 2019, were 5.8 years for public schools and 6.3 – 8.1 years for the other endowments based on anticipated FY2020 distributions.

Significant actions of the Endowment Fund Investment Board

None.

Compliance/legal issues, areas of concern

Material deviations from Investment Policy or compliance guidelines for investment managers:

None.

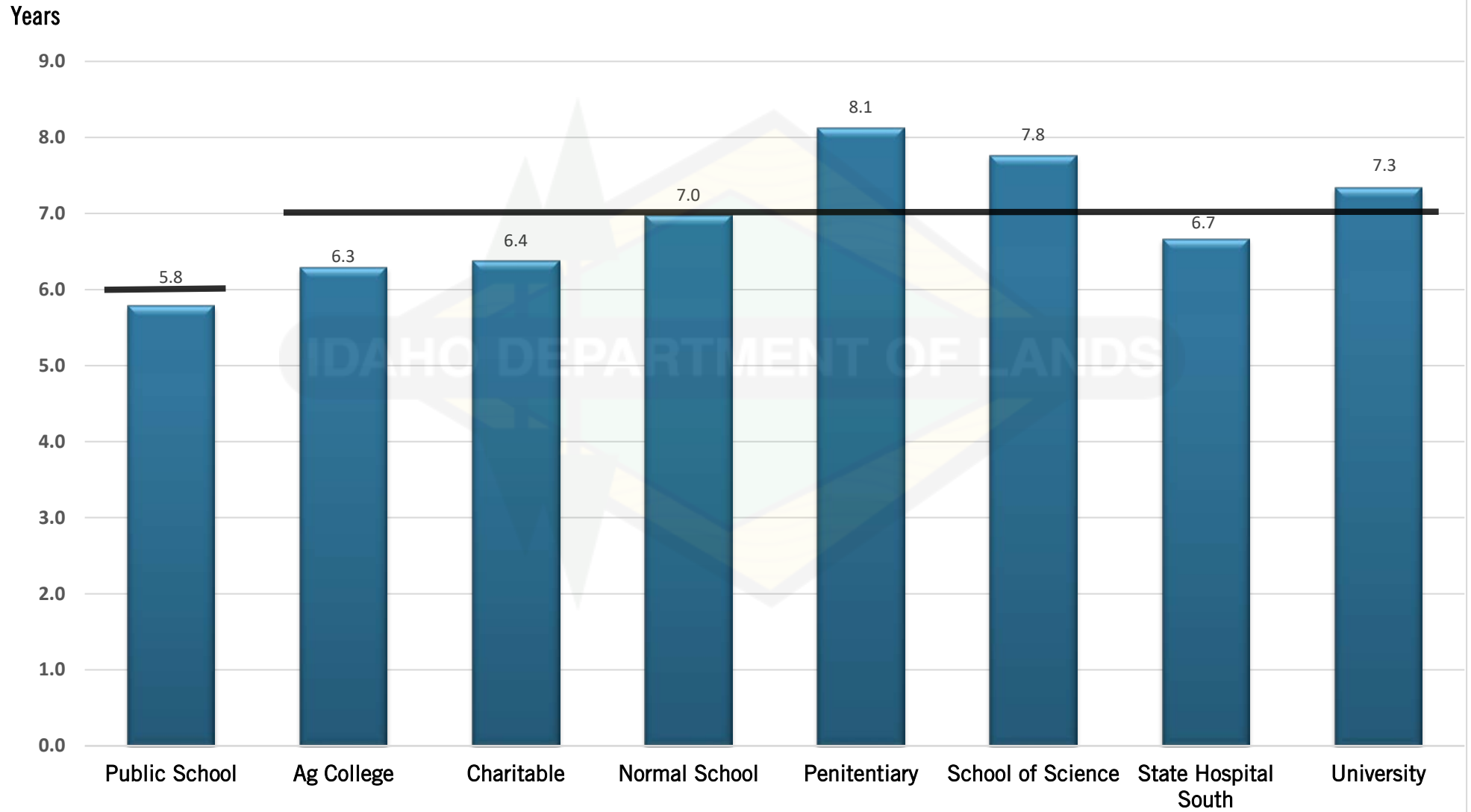
Material legal issues: None.

Changes in board membership or agency staffing: Dean Buffington and Senator Chuck Winder were reappointed to the Board.

Upcoming issues/events

EFIB issued an investment consultant RFP that includes support services for EFIB, the State Insurance Fund, and the Idaho Department of Lands on April 19, 2019, and anticipates responses on May 31, 2019.

Years of Reserve and Desired Target as of March 2019

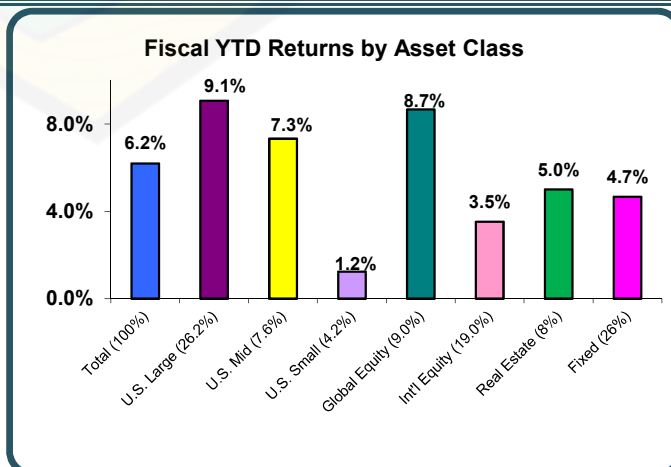


	<u>Month</u>	<u>FYTD</u>
Beginning Value of Fund	\$ 2,334,491,815	\$ 2,280,690,637
Distributions to Beneficiaries	(6,517,200)	(65,172,000)
Land Revenue net of IDL Expenses	1,847,566	45,085,054
Change in Market Value net of Investment Mgt. Expenses	85,319,580	154,538,070
Current Value of Fund	\$ 2,415,141,761	\$ 2,415,141,761

<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	2.8%	13.2%	6.2%	7.4%	10.0%	7.0%	10.9%
<i>Total Fund Benchmark*</i>	2.3%	11.8%	6.0%	6.8%	9.3%	6.8%	10.3%
Total Fixed	0.0%	3.5%	4.7%	5.3%	2.0%	2.5%	3.7%
<i>85% BB Agg, 15% TIPS</i>	0.1%	3.1%	4.3%	5.0%	1.9%	2.5%	3.7%
Total Equity	4.1%	18.5%	6.7%	8.1%	13.3%	8.7%	13.6%
<i>38% R3 19% Ax 9% AC</i>	3.5%	16.7%	6.2%	6.9%	12.5%	8.5%	12.9%
Domestic Equity	4.5%	19.8%	7.8%	11.2%	15.4%	11.0%	16.1%
<i>Russell 3000 (R3)</i>	4.0%	18.6%	8.9%	12.7%	14.7%	11.2%	15.3%
Global Equity	4.1%	19.9%	8.7%	9.2%	11.2%	5.6%	
<i>MSCI ACWI (AC)</i>	3.4%	16.0%	5.5%	5.1%	11.4%	7.0%	
Int'l. Equity	3.5%	15.4%	3.5%	1.4%	9.5%	4.4%	8.0%
<i>MSCI ACWI ex-US (Ax)</i>	2.6%	13.2%	1.0%	-3.2%	8.1%	2.8%	7.8%
Real Estate				7.5%			
				6.6%			

* 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	\$ 939.5	38.9%
Large Cap	635.1	26.3%
Mid Cap	197.5	8.2%
Small Cap	106.8	4.4%
Global Equity	230.4	9.5%
Int'l Equity	467.4	19.4%
Fixed Income	557.6	23.1%
Real Estate	196.3	8.1%
Cash	24.0	1.0%
Total Fund	\$ 2,415.1	100.0%



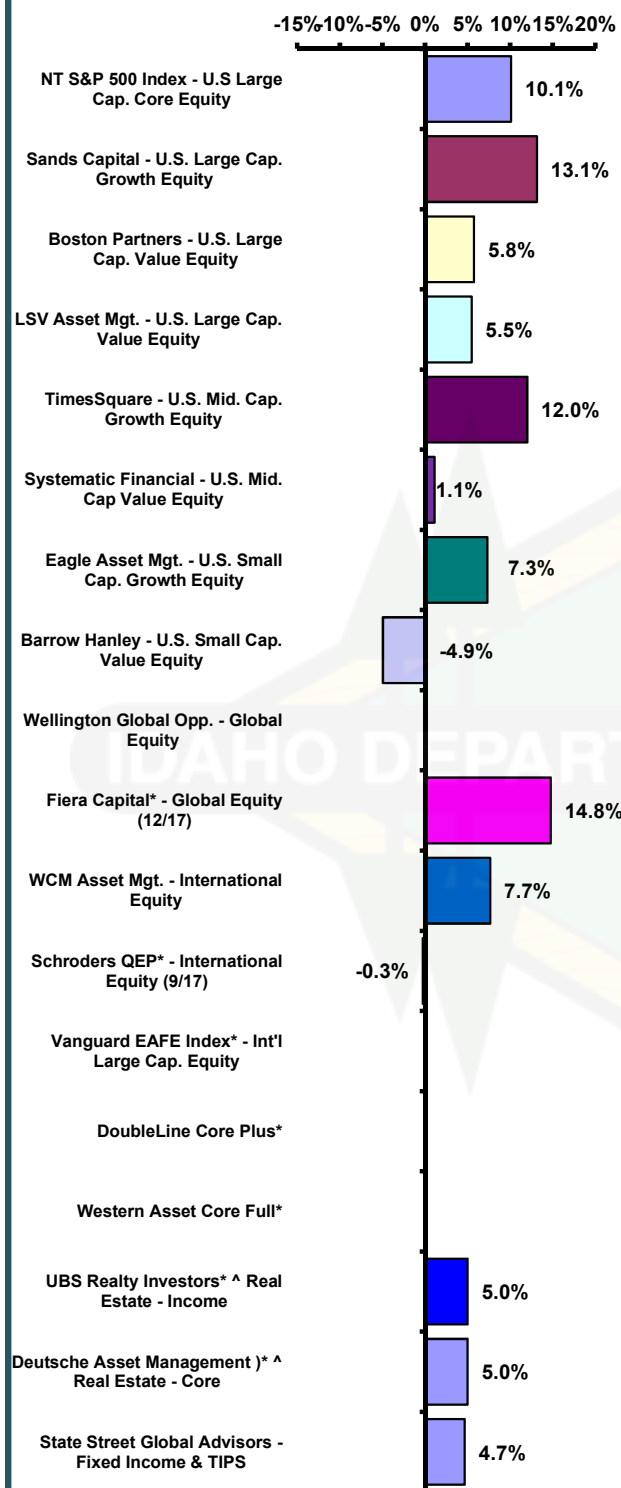
Endowment Fund Staff Comments:

The fund was up 2.8% for the month, 0.5% over the benchmark. The Russell 3000 index was up 4.0%, Russell Midcap up 3.8% and Russell 2000 (small cap) up 3.4%. International equities (MSCI ACWI ex-US) were up 2.6%. Growth outperformed Value, while Domestic equity outperformed International equity. Bonds, as measured by the BBC Aggregate index, were up 0.0% and TIPS were up 0.3%. 11 of 12 active managers beat their benchmark this month. On a FYTD basis, the fund is up 6.2%, 0.2% over benchmark, and 6 of 12 active managers beat their benchmark.

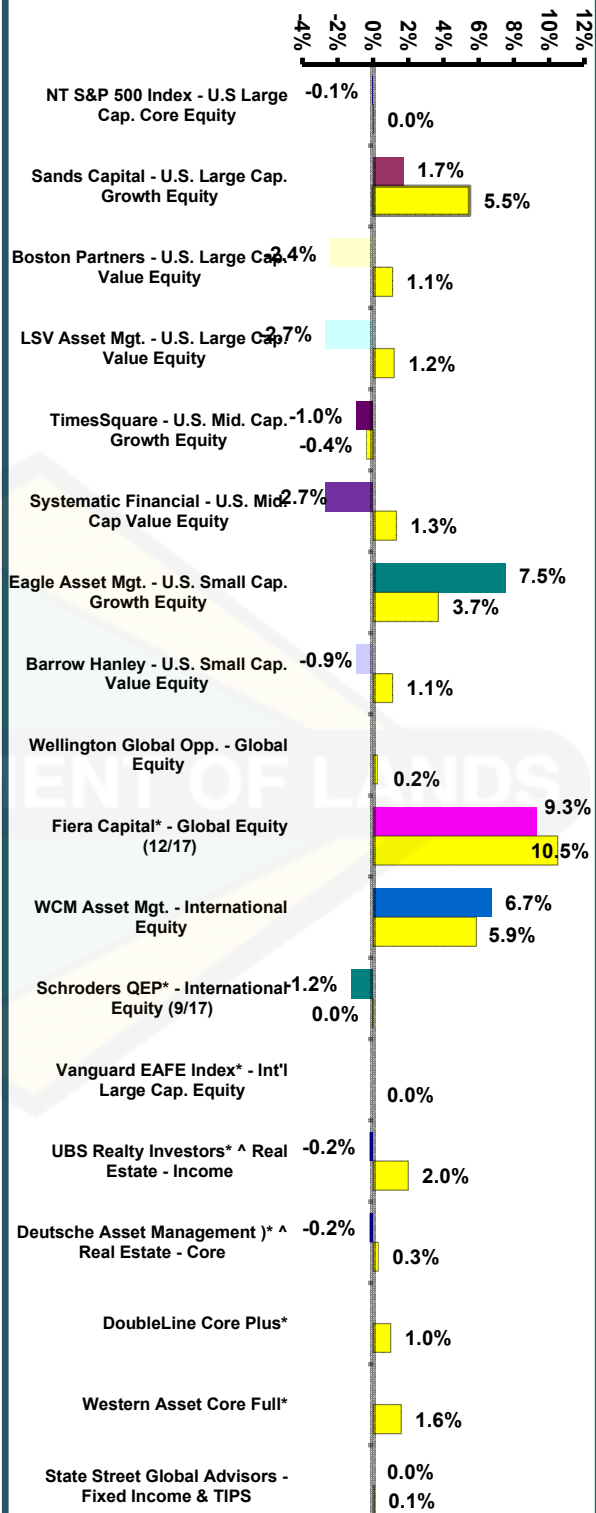
April 30, 2019

INVESTMENT REPORT

FYTD Manager Returns



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



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

Semi-Annual Report to the Board of Land Commissioners

IDAHO DEPARTMENT OF LANDS

From the Endowment Fund
Investment Board

May 21, 2019

Mission: Endowment Fund Investment Board

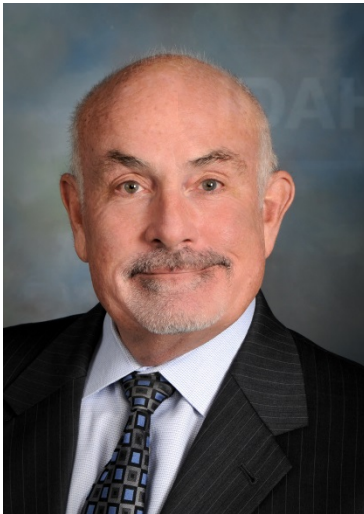
**Provide outstanding investment
management services to our
stakeholders consistent with our
constitutional and statutory mandates.**

Trust Assets Overseen by the Investment Board March 31, 2019

	Assets	
	(\$ Millions)	% of Total
Land Grant Endowments	\$2,244.6	71.0%
State Insurance Fund	810.8	25.6%
Bunker Hill Water Treatment	68.5	2.2%
Fish & Game Endowments	32.8	1.0%
Parks & Rec Endowments	4.5	0.1%
TOTAL	\$3,161.2	100.0%

Endowment Fund Investment Board Members

Jerry Aldape



Dean Buffington
Chairman

**Representative
Neil Anderson**



Endowment Fund Investment Board Members

Warren Bakes



Irv Littman

Gary Mahn



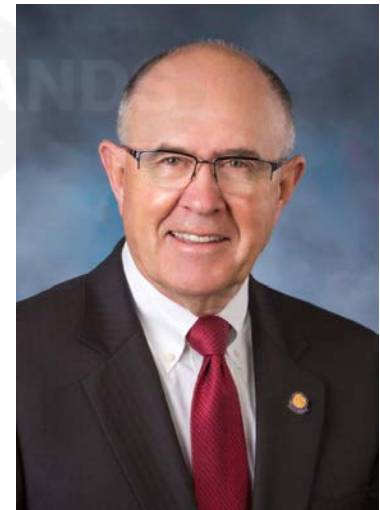
Endowment Fund Investment Board Members

**Richelle
Sugiyama**



Tom Wilford

**Senator
Chuck Winder**

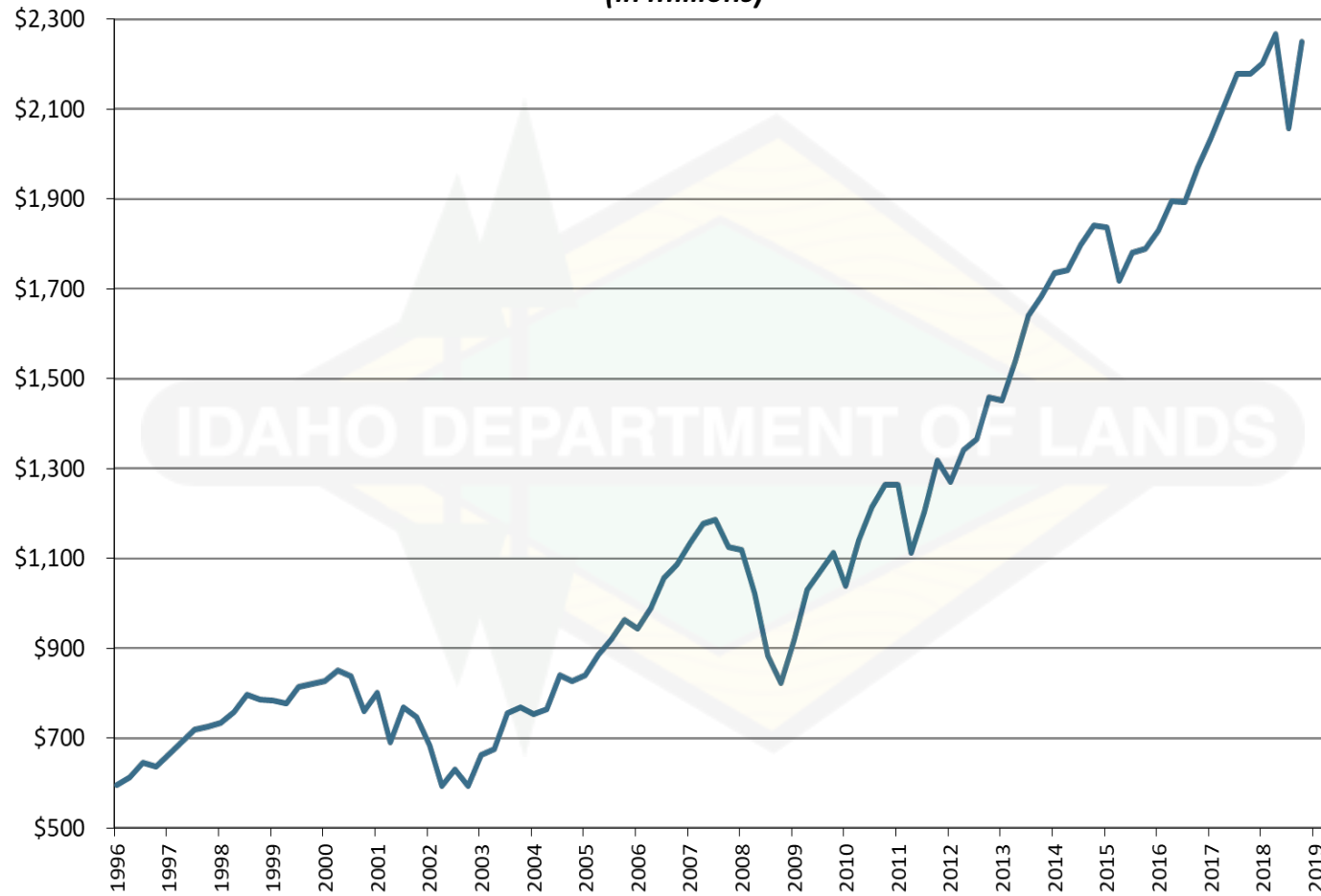


Financial Summary – Land Grant Endowments

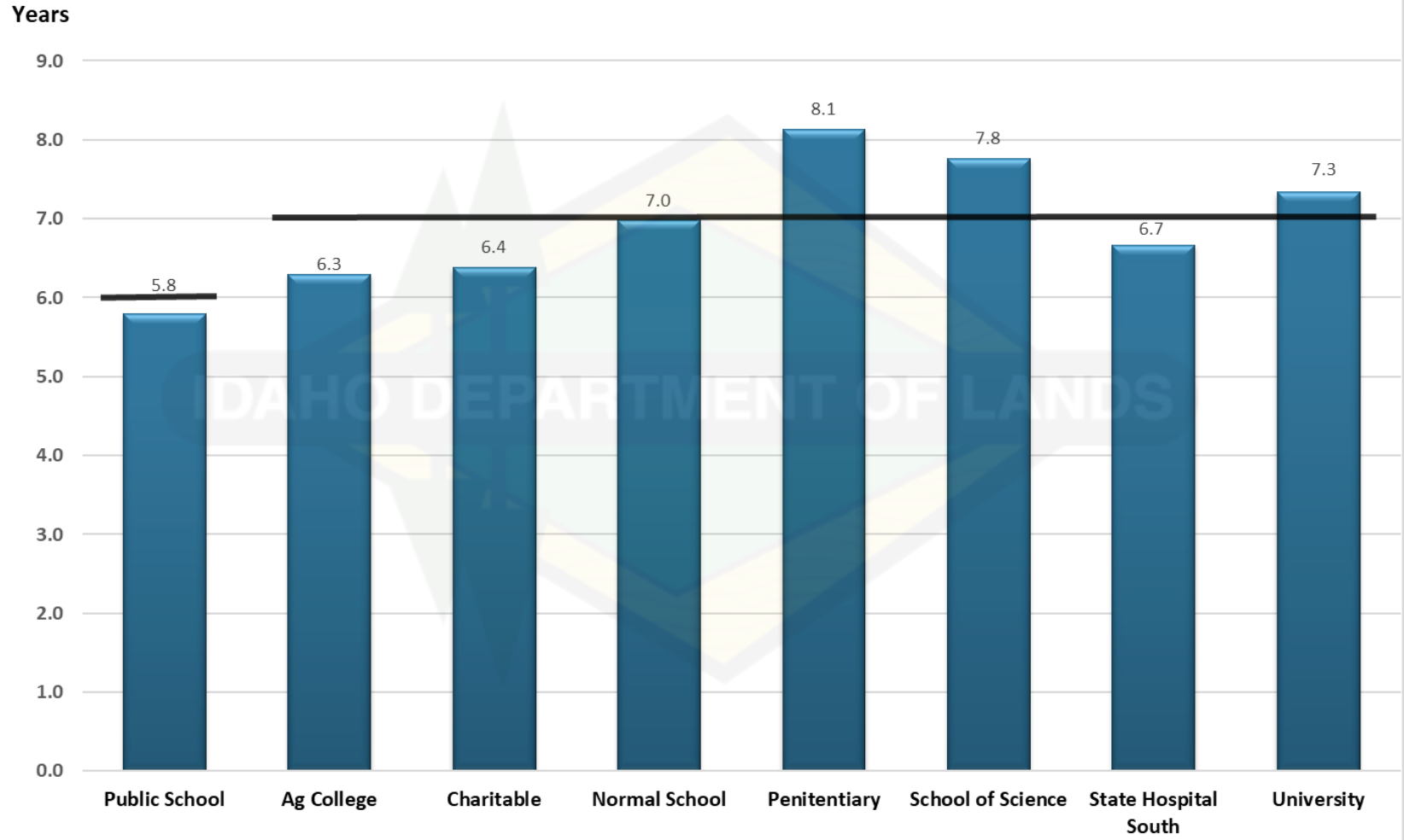
Nine Months Fiscal Year-to-Date 2019

- Compared to the previous year end:
 - ❑ Total land grant endowment fund balance increased \$48 million, or 2.2%, to \$2.25 billion.
 - ❑ Earnings reserves decreased from \$570 million to \$513 million primarily due to the transfer of \$50 million to the permanent fund at the beginning of the year.
- Net earnings reserve receipts from endowment lands for the first nine months were \$49.2 million.
- Total investment return was 3.3% for the first nine months of fiscal 2019 and 11.4% annualized for the last ten years.

Total Land Grant Endowment Fund Assets
June 1996 - March 2019
(in millions)

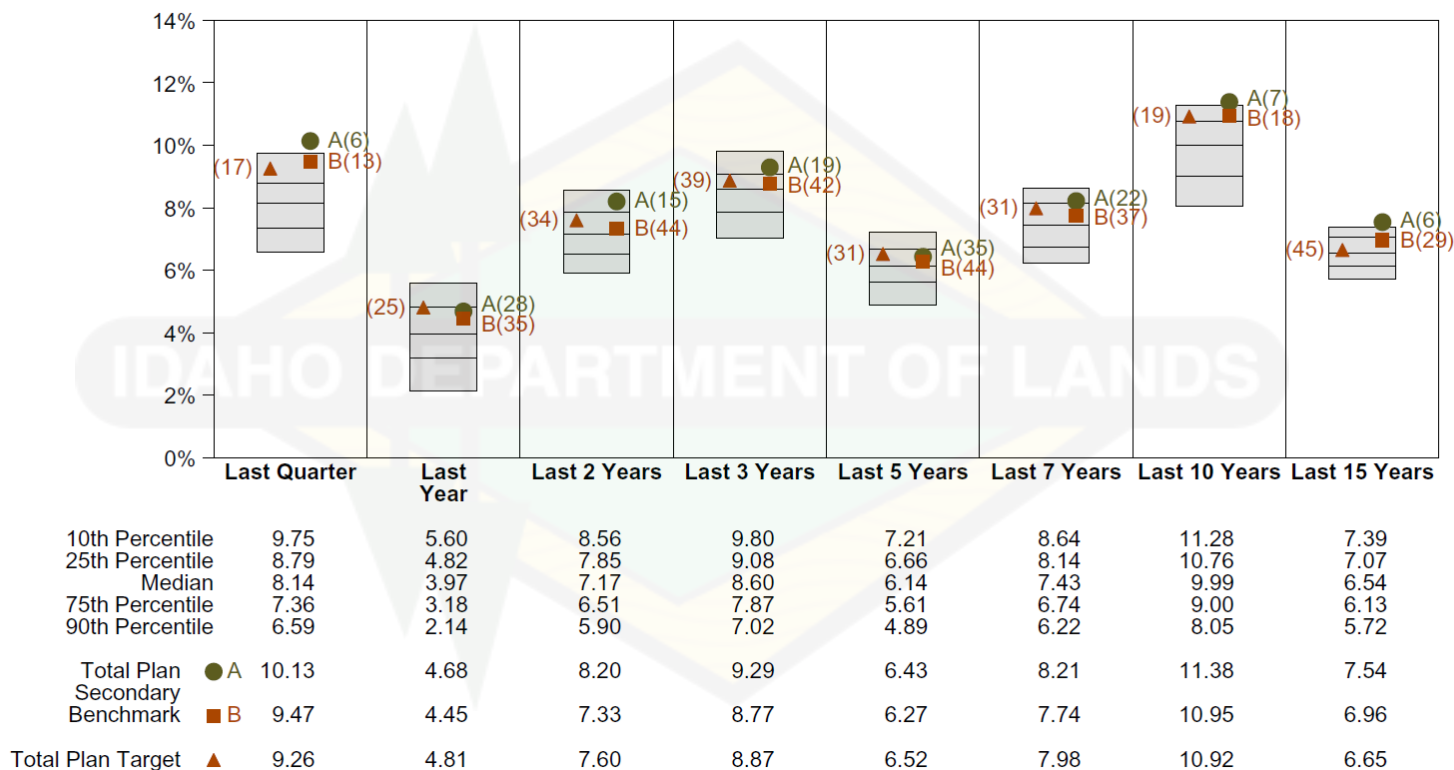


Years of Reserve and Desired Target as of March 2019



Idaho Endowment Performance vs. Public Plans – Period Ended March 31, 2019

Performance vs Callan Public Fund Sponsor Database (Gross)



Idaho ranks well above average for all periods
The grey column is the range of returns of public funds. Lower percentile numbers are better.

School Bond Credit Enhancement Program

EFIB administers a Credit Enhancement program that allows eligible voter-approved school bonds to be issued with a AAA rating (the highest possible) which is above the State's AA+ rating.

- EFIB will provide credit enhancement on up to \$1.2 billion in bonds.
- The limit per school district is \$40 million.
- Backed by \$300 million in Public School Endowment Fund assets.
- AAA rating currently lowers the issuer's interest rates around 0.05% points annually (material savings on multi-million dollar issues).

School Bond Credit Enhancement Program

- \$615 million in outstanding bonds guaranteed.
- Three new bond issues with guarantees totaling \$46 million are currently in process.

IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

May 21, 2019
Consent Agenda

Subject

Land transfer to the Idaho State Board of Land Commissioners on behalf of the Idaho Division of Veterans Services.

Question Presented

Shall the Board approve the land transfer on behalf of the Idaho Division of Veterans Services.

Background

For the past several years, the Idaho Division of Veterans Services (IDVS) has been working through the U.S. Department of Veterans Affairs' (USDVA) construction grant process for a fourth state veterans' home in northern Idaho.

Pursuant to the grant, USDVA is authorized to reimburse up to 65% of the allowable costs of construction of a new state veterans' home, provided USDVA standards and regulations are met. The state is required to appropriate the 35% matching funds to qualify for the federal grant. Once built, the state will be responsible to fund and operate the facility.

Preliminary construction costs for the proposed fourth veterans' home are estimated at \$43 million, with approximately \$28 million of that covered by the federal government. IDVS will use funds already set aside in the Veterans Recognition Funds to cover its 35% match of approximately \$15 million. IDVS' FY20 budget includes spending authority for the grant.

During the 2015 first regular session of the sixty-third legislature of the State of Idaho (State), through Senate Bill No. 1104, the Legislature granted authority to IDVS to establish and maintain a veterans' home in northern Idaho.

IDVS does not have statutory authority to acquire and hold new lands. Therefore, IDVS is requesting that the Idaho State Board of Land Commissioners (Land Board) hold title to the real property described in Attachment 1 hereto, for IDVS' use as a veterans' home.

Discussion

The Post Falls community and its leaders expressed considerable interest in hosting IDVS' fourth home and have identified a suitable site.

Jacklin Land Company, LLLP holds title to real property situated in Kootenai County, as more fully described in Exhibit A (Attachment 1). The vacant property is adjacent to BioPol Laboratory and Buck Knives, and a veterans' home would create a nice transition between

this industrial zone to the west and the current residential housing directly to the east (Attachment 2). Jacklin Land Company, LLLP intends to donate six lots (approximately 7.3 acres), by gift deed (Attachment 3), to the Land Board, on behalf of IDVS, for the construction of a state veterans' home in northern Idaho.

If awarded a federal grant opportunity in federal FY2019 or FY2020, ground breaking as early as spring 2020, to start construction of our 64-bed veterans' facility at the selected site, is achievable. The new facility design will incorporate the small house concept, where possible, to ensure a home-like environment while still meeting the state regulations applicable to IDVS, and maximizing the staff-to-resident ratio for operational efficiency. The facility will consist of 4 units/neighborhoods, each having 16 private rooms with private baths. All neighborhoods will have direct access to the main community and administrative areas, and each neighborhood will have its own living space, den and garden (Attachment 4).

IDVS has procured, reviewed, and provided copies of the Phase I and preliminary title commitment. IDVS has not identified any environmental or title issues affecting the proposed use. Additionally, IDVS has worked with the Office of Attorney General on preparing a Memorandum of Agreement regarding the use, maintenance, and management of the proposed state veterans' home (Attachment 5).

Recommendation

As land trustee, approve the land transfer on behalf of the Idaho Division of Veterans Services.

Board Action

Attachments

1. Property Legal Description—Exhibit A
2. Property Location Map
3. Gift Deed
4. Concept Diagrams
5. Memorandum of Agreement

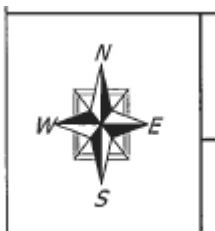
EXHIBIT A

LEGAL DESCRIPTION FOR
POST FALLS VETERANS HOME PROPERTY

Lots 1 – 6 in Block 1 of Riverbend Commerce Park Phase IV, according to the Official Plat thereof, filed in Book K of Plats at page 114, Official Records of Kootenai, County, Idaho.



Property Location Map



GIFT DEED

Jacklin Land Company, LLLP, Grantor, does hereby grant and convey as a gift unto the State of Idaho, acting by and through the State Board of Land Commissioners, Grantee, whose address is 300 N. 6th Street, Suite 103, Boise, Idaho 83702, the real property more particularly described on Exhibit A and to be used for only veterans' services purposes.

To have and to hold said premises, and all tenements, hereditaments and appurtenances belonging thereto, unto said Grantee, its successors and assigns; provided, however, in the event that said property is not being used for purposes primarily associated with providing services to veterans from the site by not later than May 1, 2027; or, in the event said property, or any portion thereof, is used for any purpose other than for purposes associated with providing services to veterans within twenty-five years from the date of this deed, then the title to all of said premises and all tenements, hereditaments and appurtenances belonging thereto, including any improvements located thereon, shall revert back to, and again be vested in, Grantor. Moreover, Grantee may not sell, gift, or convey any portion of the property conveyed hereunder while the reversionary provision described above remains in effect. Grantor warrants only against the acts of Grantor and all claiming by, through or under it, subject to all easements, encumbrances and restrictions of records or appearing on the land.

GRANTOR:

Jacklin Land Company, LLLP

By _____
Thomas P. Stoeser
Its: Manager of General Partners

STATE OF IDAHO)
) ss
County of Kootenai)

Before me, a Notary Public in and for Idaho, on this day personally appeared Thomas P. Stoeser, known to me (or proved to me on the oath of instructor), and known to be the Manager of General Partners of Jacklin Land Company, LLLP, an Idaho Limited Liability Limited Partnership, and who acknowledged to me that he executed said instrument as the act of said company.

Given under my hand and seal of office this _____ day of _____, 2019.

NOTARY PUBLIC FOR IDAHO

Residing at _____

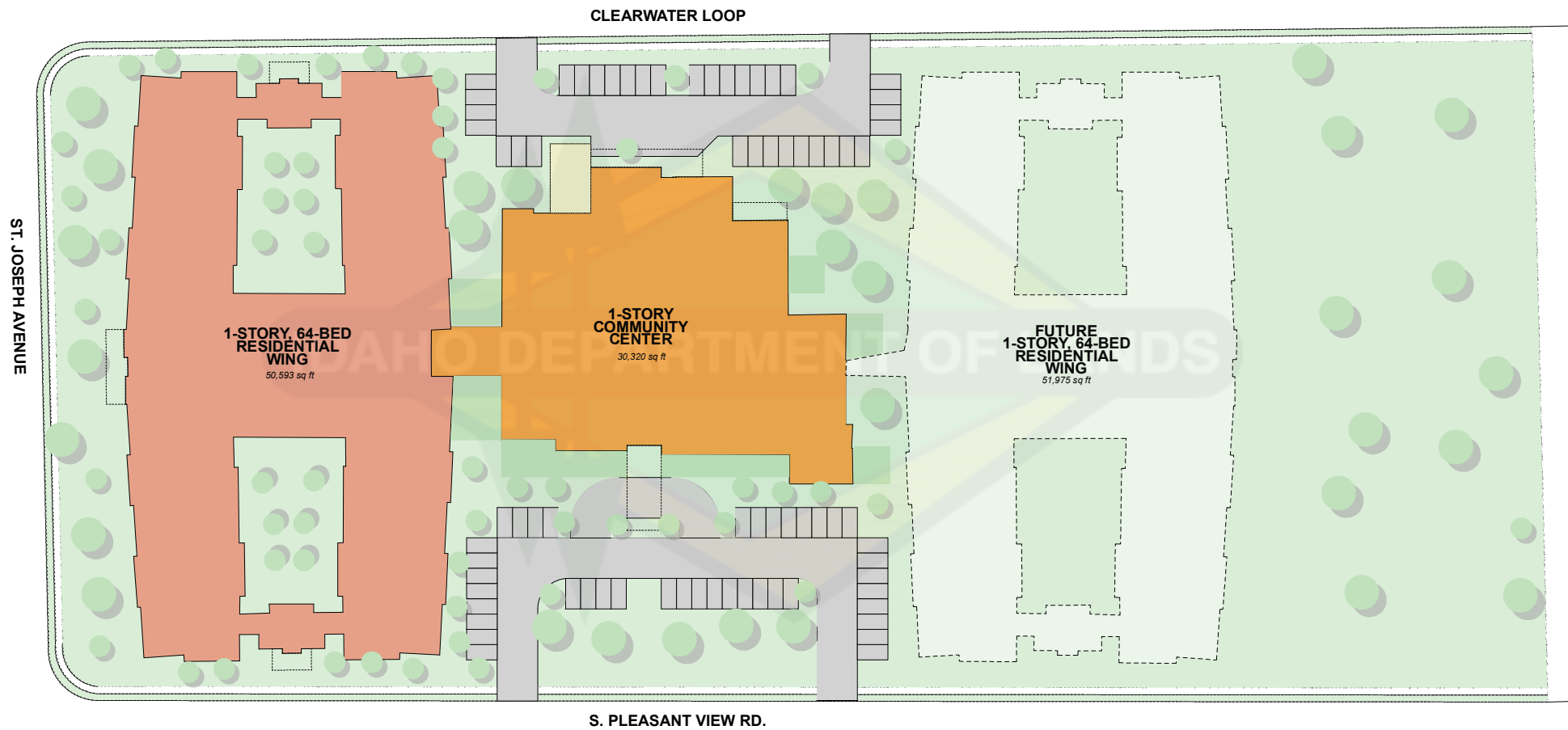
Commission expires _____

EXHIBIT A

LEGAL DESCRIPTION FOR
POST FALLS VETERANS HOME PROPERTY

Lots 1 – 6 in Block 1 of Riverbend Commerce Park Phase IV, according to the Official Plat thereof, filed in Book K of Plats at page 114, Official Records of Kootenai County, Idaho.







**MEMORANDUM OF AGREEMENT
REGARDING GIFT DEED OF REAL PROPERTY**

PARTIES

THIS MEMORANDUM OF AGREEMENT (“MOA”) is made and entered into this _____ day of May, 2019, by and between the **IDAHO DIVISION OF VETERANS SERVICES** (hereafter “**IDVS**”), and the **IDAHO STATE BOARD OF LAND COMMISSIONERS** acting by and through its administrative agency, the **IDAHO DEPARTMENT OF LANDS** (hereafter “**IDL**”).

LEGAL AUTHORITY

IDVS’ Administrator is authorized to enter into this agreement pursuant to Idaho Code § 65-202. IDL is authorized to enter into this agreement pursuant to Idaho Code § 58-104.

RECITALS

WHEREAS, Idaho Code § 65-210 authorizes IDVS to establish and maintain a veterans home in northern Idaho.

WHEREAS, Jacklin Land Company, LLLP, an Idaho limited liability limited partnership, holds title to real property (“Land”) situated in Kootenai County, Idaho, as more fully described in Exhibit A, attached hereto and incorporated herein, which Land Jacklin Land Company intends to convey by Gift Deed (“Deed”) to IDL on behalf of IDVS for the construction of a state veterans’ home in northern Idaho.

WHEREAS, because IDVS is not authorized to hold title to real property, title to the real property for the veterans home in northern Idaho shall be vested in IDL for the benefit of IDVS.

NOW THEREFORE, for and in consideration of the foregoing recitals, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

SECTION I

Responsibility for Costs and Management

Upon the execution of a Deed from Jacklin Land Company to IDL for the benefit and use of IDVS, IDL authorizes IDVS to maintain, operate and control the Land without further approval for purposes of IDVS in accordance with the terms of the Deed. The following conditions shall apply:

- IDVS shall, subject to appropriations by the Idaho State Legislature, at its sole cost, manage, control, repair, replace, maintain, operate, insure, secure, construct, and be solely responsible for the Land and any improvements thereon.
- IDVS shall be responsible for all costs to construct or remove any improvements associated with the Land.
- IDVS will not store or use any environmentally hazardous material on the property or cause the property to be subject to environmental liability.
- IDL will not at any point assume any liability or responsibility for maintaining, repairing, securing, or performing any service related to the Land or improvements.

SECTION II

Property Condition Representations

IDVS represents the following with regard to the Land:

- IDVS has performed a Phase I environmental assessment and represents that there are no environmental concerns associated with the Land.
- IDVS has reviewed the condition of title of the Land and has found no boundary disputes, trespass, mortgages, liens, adverse claims of use or ownership, or other liabilities.

SECTION III

Terms of Agreement

1. This Agreement shall take effect on this ____ day of May 2019.
2. IDL and IDVS may amend this Agreement in writing by mutual consent.
3. In the event the Land is no longer used by IDVS in accordance with the terms and conditions set forth in the Deed triggering the application of the reversionary provision in the Deed, and upon request by IDVS, IDL will by quitclaim deed, transfer the Land back to Jacklin Land Company.

EXECUTION

This Agreement is executed for **IDVS** by its Chief Administrator, Marv Hagedorn; and executed for **IDL** by its Director, Dustin T. Miller.

TERMINATION

This Agreement shall terminate upon the express written agreement of the parties.

IDAHO DIVISION OF VETERANS SERVICES

By: _____ Date: _____
Marv Hagedorn
Chief Administrator

IDAHO DEPARTMENT OF LANDS

By: _____ Date: _____
Dustin T. Miller
Director

EXHIBIT A

LEGAL DESCRIPTION FOR POST FALLS VETERANS HOME PROPERTY

Lots 1 – 6 in Block 1 of Riverbend Commerce Park Phase IV, according to the Official Plat thereof, filed in Book K of Plats at page 114, Official Records of Kootenai County, Idaho.



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IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

May 21, 2019
Consent Agenda

Subject

DI600288, Disclaimer of Interest for the former bed of the Boise River in Canyon County.

Question Presented

Shall the Board approve the issuance of Disclaimer of Interest DI600288.

Background

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

Discussion

Diamond S Farms, LLC has applied for a disclaimer of interest for one parcel of accretion land totaling 12.81 acres, more or less. This parcel is located within the original surveyed river meander lines of the Boise River adjacent to the applicants' deeded property in Government Lot 3 of Section 1, Township 4 North, Range 4 West (Attachment 1-Map).

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

Diamond S Farms, LLC will grant the State of Idaho an easement 25 feet in width for a public use right of way along, and adjacent to, the existing OHWM of the Boise River.

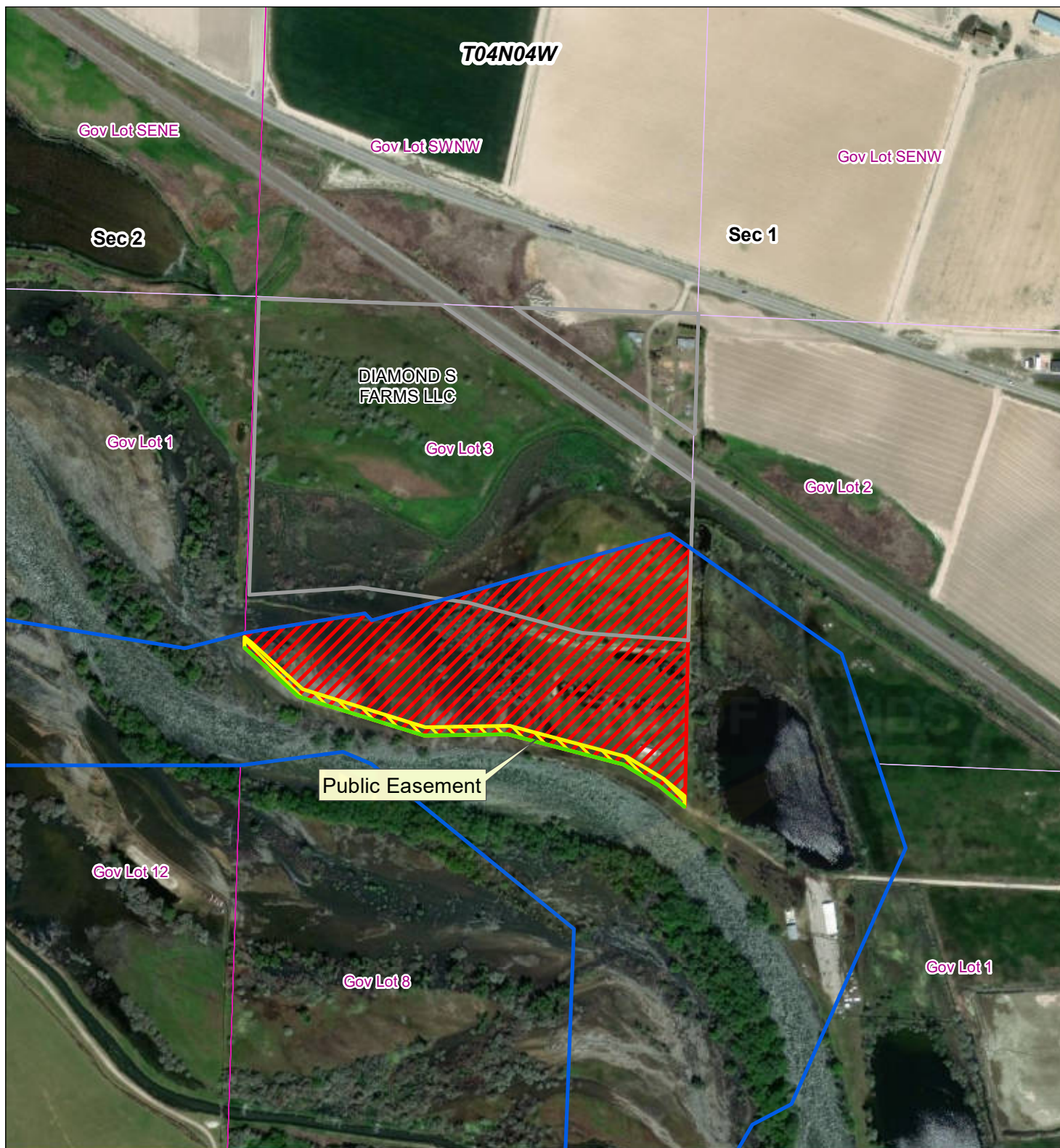
Recommendation

Direct the Department to issue a disclaimer of interest for one parcel totaling 12.81 acres of the former bed of the Boise River to Diamond S Farms, LLC following their payment to the Department of the remaining processing fee of \$300 or actual cost, whichever is greater.

Board Action

Attachments

1. Map



Legend

- Ordinary High Water Mark
- Meander Line
- Applicant Property Boundary
- Section
- Subsection Line
- Public Easement
- Disclaim by State of Idaho

Disclaimer DI600288 Canyon County

4/23/2019
Scale 1:5,000

0 400 800 Feet

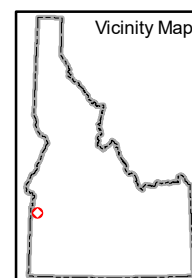


Map Notes

Projection: Idaho Transverse Mercator, NAD 83

Map Notes and Data Sources

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





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

April 16, 2019

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, April 16, 2019, in the Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise, Idaho. The meeting began at 9:00 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

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.

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

Discussion: None.

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 reported that the endowment portfolio was up 1% for the month of March and was up 3.3% fiscal year-to-date, through March 31st. Over the last two weeks it gained another 2%; through April 15th it was up 5.3%. Mr. Anton added that the portfolio gained 10.1% during the first quarter of 2019, offsetting some of the losses experienced late in calendar year 2018—a nice rebound.

Mr. Anton stated that the global economy is slowing, but there seems to be optimism in the financial markets that it is temporary and there will be a recovery in the second half of the calendar year, primarily due to support from the Federal Reserve. The Federal Reserve indicated there will be no further increase in interest rates this year. After the announcement, interest rates came down, and home construction and auto sales—very interest rate sensitive sectors—picked up again. Mr. Anton remarked that growth in Europe is very soft right now; there is concern about Brexit and what will happen in terms of Brexit. The trade negotiations in China are still ongoing, but investors seem to be patient. There will be positive outcomes from those negotiations. The financial markets are largely moving sideways until there is positive growth in the second half of the year, and until there is resolution to negotiations with China.

Mr. Anton indicated that distributions for fiscal years 2019 and 2020 are well secured. The estimated reserves as of February 28th are 5.8 years for Public School, and 6.3 to 8 years for the other endowments. Mr. Anton referenced the chart provided in the Board materials; it shows the level of earnings reserves for each of the endowments expressed in years of reserves. Earnings reserves move not just based on investments. They also change based on revenue coming in from the Department of Lands, and expenses going out for EFIB, or the Department of Lands, and for the beneficiaries. Overall the reserves are very solid.

Mr. Anton mentioned that the Investment Board had a special meeting on March 25th and approved the hiring of Sycamore Capitol as a mid-cap value manager in place of Systematic Financial; that transition was completed at the end of last week. Mr. Anton thanked Governor Little for the appointment of Tom Wilford to the Investment Board, replacing Gavin Gee, who was probably the longest-serving member. The Investment Board is excited to have Mr. Wilford. Mr. Wilford was the CEO for the J.A. and Kathryn Albertson Foundation for many years and he will add some strong experience to the Investment Board.

Mr. Anton noted that EFIB has been working on an investment consultant request for proposal (RFP). EFIB's policy is to issue an investment consultant RFP every 10 years. At this point, the scope of work includes investment consulting for EFIB and the State Insurance Fund, and includes a scope of services for the Idaho Department of Lands. The RFP is constructed so that those are three very distinct scopes of service. EFIB intends to distribute the RFP broadly, and interested companies can respond to all three pieces, or to individual pieces. There is not a need to select one consultant for all three entities, but there may be economies in doing so. EFIB has consulted with the State Insurance Fund and the Department of Lands. Both agencies reviewed the scope of services that are needed from an investment consultant. The RFP will be issued by the end of this week.

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

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.

Discussion: Superintendent Ybarra inquired if the City of Boise has been notified, given the proximity to the city park. Mr. Salmi replied that the City Parks Department was contacted and

staff concern was for a main water line at the back of the property, that caution be used so summer irrigation is not cut off. Governor Little asked if Department of Agriculture will be fixing roads to the facility. Mr. Salmi said yes, that project is now out for bid and will be contracted in the next couple of months. Controller Woolf mentioned that Department of Corrections had tending a garden plot on that parcel and asked about coordination with that agency. Mr. Salmi indicated that Department of Corrections had not yet been contacted, but he believed that garden was actually maintained by Department of Agriculture staff who then donated the produce to the food bank.

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

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

Regular—Action Item(s)

5. FY2020 Timber Sales Plan – Presented by Jim Elbin, Bureau Chief-Forest Management

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

Discussion: Controller Woolf noticed that the recommendation for Maggie Creek's annual sale volume was significantly lower in FY20 than FY13. Mr. Elbin explained the difference was due to the Maggie Creek Pulp Plan, a ten-year plan which entailed harvesting high volumes of diseased trees and then replanting with healthy, productive tree species.

Governor Little asked how the 100-year sustained harvest forecast works, with different species and different silvicultural needs. Mr. Elbin responded that the Department models for each individual supervisory area, using either continuous forest inventory or stand-based inventory. Using forest modeling, the Department looks at growth projections for the future and standing inventory, and tries to determine how much volume, over what is growing, will be cut to bring the standing inventory down. At the same time, past management efforts result in more growth so there is a kind of push-pull relationship going on. The goal is to attain the balance where growth matches what is cut.

Attorney General Wasden recalled the Board made this decision to increase the cut rate because of aging timber that was beginning to exceed the sizes that were acceptable to the mills. Attorney General Wasden noted that what this evidence shows is the right decision was made. The Department is cutting timber at an increasing rate and yet growth rate is more than compensating for what is harvested. Mr. Elbin said that is correct. The Department is converting old stands that have reached a point in their growth where they are actually declining or very slowly growing, and is replacing old stands with super-fast growing stands. Mr. Elbin commented that it is a good problem to have.

Controller Woolf inquired if Department staff has a percentage of what is the growth of the cut rate, over the next 5-10 years. Mr. Elbin indicated it would be just a projection and estimated that annual harvest volume would be over 300 MMBF in the next five years.

Governor Little remarked that with programs like Good Neighbor Authority, there will be timber coming off grounds that have not been logged before, or not logged in a great number of years, and asked if the Department takes into account perpetuation of mills that have carriages for bigger logs. Mr. Elbin replied that the Department will likely never be able to accelerate harvest fast enough to get rid of all oversized timber; there will always be some segment of endowment forestland that is in that size class. Governor Little commented that having some oversized timber keeps those large carriage mills in business; those mills are essential in getting a return on the timber product from forest health projects such as Good Neighbor Authority.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation and direct the Department to proceed with the implementation of the FY20 Timber Sales Plan. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

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*

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*.

Discussion: Attorney General Wasden pointed out the discussion on page 2 of the memo about whether the fee schedule would remain in the rules or be moved to allow fees to be set by the Land Board. Attorney General Wasden acknowledged Idaho Code § 58-127; however, the Attorney General is not yet convinced that the fee setting can be removed from the rules, despite the current controversy concerning rules. Attorney General Wasden wondered if the Department had discussed with the Office of the Attorney General the legality, the legal structure properly required, concerning the setting of those fees. Mr. Smyth responded that the Department is working with the Attorney General's staff on the legality. Attorney General Wasden noted that discussing it is one thing, proposing it is another, and asked the Department to make certain to fit the legal requirements in the rulemaking process.

Controller Woolf inquired when was the last time the fees listed at the bottom of page 1 were adjusted or changed, and if the change was up or down. Mr. Smyth replied the last time was 2008 and said the water intake line permit fee was actually adjusted down from \$1,000 to \$300.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation and authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.04 Rules for the Regulation of Beds, Waterways, and Airspace Over Navigable Lakes in the State of Idaho. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

7. Negotiated Rulemaking IDAPA 20.03.03, Rules Governing Administration of the Reclamation Fund – Presented by Todd Drage, Program Manager-Minerals

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

Discussion: Attorney General Wasden reiterated his concern about the fee issue and advised the Department to make certain to meet statutory requirements when addressing the fees. Mr. Drage assured the Attorney General that the Department would coordinate with his office.

Board Action: A motion was made by Controller Woolf that the Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.03 Rules Governing Administration of the Reclamation Fund. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

8. Cancellation of Reclamation Plan S01020 and Use of the Bond Assurance Fund for Reclamation – Presented by Todd Drage, Program Manager-Minerals

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.

Discussion: Attorney General Wasden questioned how the operator ended up mining 20 acres outside of the mine site. Mr. Drage surmised that is where the good sand and gravel was so the operator ignored the rules and went after it.

Superintendent Ybarra asked if the Department exhausted all possibilities of recovering money from Prime Earth, Inc. and its principals, to pay for this site's reclamation. Mr. Drage said the Department did look into it and his understanding is the company has been defunct for quite a while. Director Miller added that the Department worked with the Attorney General's office to try and collect from Prime Earth, Inc.; the company has disbanded and has no assets.

Governor Little observed that somebody has purchased this piece of ground and wants to develop it and asked if the Department is sure that after it pays to place dirt in the hole as part of the reclamation, it will not then be dug right back out again. Governor Little asked if the Department has given any consideration to speaking with the new owner, acknowledging the state's liability while working out a way to minimize the cost of site rehabilitation to the Department and still accommodate the owner's plans for the ground. Mr. Drage indicated that there has been no discussion with the new owner, but the Department could do so. Presently, the Department has developed a scope of work to reclaim per the reclamation plan, which is to smooth out the area, add top soil and then seed it. Governor Little speculated that the Department would add top soil and the developer would scrape it off.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation and authorize the Department to cancel Reclamation Plan S01020, and authorize the Department to spend up to \$126,997 from the Reclamation Fund to claim the entire site. Controller Woolf seconded the motion. The motion carried on a vote of 4-1; Governor Little cast the opposing vote.

Information

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

9. Strategic Reinvestment and Central Idaho Land Exchange – Presented by David Groeschl, Deputy Director and State Forester

Discussion: Superintendent Ybarra thanked Mr. Groeschl for the overview, saying it was very thorough, and wondered if the Department has an anticipated date for bringing the exchange back to the Board for approval, as mentioned in the presentation. Mr. Groeschl stated the Department's preference would be the next 2-3 months, to bring this forward to the Land Board for an action item. There is support needed still from key groups; if the Department does not feel that it can get that support, then the Land Board would be advised that staff is discontinuing efforts on this exchange.

Controller Woolf referred to page 3 of the memo, the last sentence in the summary says some groups have expressed support to move forward with a more formal land exchange process while others are outright opposed, and Attachment 7 is referenced. Attachment 7 is from Idaho County Commissioners who seem to be in the middle. Controller Woolf asked for clarification that Idaho County is not opposed right now, just in the middle. Controller Woolf also asked if there are others in support. Mr. Groeschl replied that Idaho County is interested simply in seeing the process move forward in a more formal process and is willing to continue engagement with the Department and others in that process. Mr. Groeschl said two groups have expressed outright opposition—Friends of the Clearwater, and Friends of the Palouse. Those organizations are opposed to any exchange proposal, regardless of the parties involved, and do not want to see any federal lands leave federal estate.

Controller Woolf commented that Attachment 5, which describes the exchange concept, identifies Idaho County as potentially receiving funds equal to five years' worth of property taxes, approximately \$500,000-\$600,000. Controller Woolf inquired if Clearwater County has tried to negotiate anything along that line. Mr. Groeschl stated that only about 1,800 acres of Western Pacific Lands in the Upper Lochsa are in Clearwater County and there was not a request to consider some sort of compensation. Idaho County made the request because of the significant amount of acreage coming off its tax roll.

Governor Little invited public comments from interested persons. Comments were received from the following:

Phil Lambert, Benewah County Commissioner: Mr. Lambert expressed concern about the Board's strategic reinvestment policy. Mr. Lambert said the plan is good but that it causes problems for counties. In the last two years, approximately 15,000 acres have come off tax rolls in Benewah County, which is detrimental to county health in the short term. Five northern counties affected by this exchange feel the same. The short-term effect is budgetary restriction and long-term it requires a tax shift. A tax shift dramatically increases taxes without an appropriate increase in services. Mr. Lampert noted that there is about 66,500 acres of state-owned land in Benewah County; taxes on that acreage would be approximately \$300,000. Public schools receive \$199,000 from endowments; the county is losing more than it is gaining. There is other land in the county not taxed—federal lands, tribal lands, Idaho Fish and Game land—the county receives payments in lieu of taxes for

those. Mr. Lampert indicated that if the state purchased another 20,000 acres, that would be about 20% of acres in Benewah County that are not taxed. Funds go to public schools and other entities, but very little comes to the county. If Benewah County Commissioners could have that land, according to Department of Lands' annual report, at \$46/acre net profit for timberland, that would be \$3 million into county coffers. As it stands, the county gets \$200,000; it is not fair to taxpayers. Mr. Lampert stated that Benewah County was not contacted prior to the last land purchase; commissioners were notified a month ago that Department of Lands purchased 12,500 acres and suddenly \$58,000 came off the tax rolls. The Land Board needs to consider ways to make counties whole.

10. Stimson Request for Audience – *Presented by Keith Williams, Vice President-Resources, Stimson Lumber Company*

Discussion: Mr. Williams, on behalf of Stimson Lumber Company, communicated concerns regarding the Department of Lands' policy of purchasing private timberlands as part of its reinvestment strategy. Stimson Lumber Company provided a letter with these concerns and additional information; the letter was included in the Board materials. Mr. Williams stated that Stimson Lumber Company is opposed to the scale of the reinvestment strategy as it places the state in direct competition with private investment and enterprise.

Governor Little invited public comments from interested persons. Comments were received from the following:

John Robison, Idaho Conservation League: Mr. Robison testified on behalf of Idaho Conservation League in support of the Department of Lands' purchase of 32,000 acres of private timberlands in north Idaho in December 2018. Idaho Conservation League supports the goals of the Central Idaho Land Exchange and wants to see the process move forward. Mr. Robison remarked that Idaho was granted 3.6 million acres of land at statehood to generate revenue for beneficiaries, including Idaho public schools; approximately 2.4 million acres remain today. In the last several decades, the Department of Lands has disposed of 167,000 acres in Benewah, Bonner, Boundary, Latah and Shoshone counties. It is reasonable for the Department of Lands to acquire private timberlands in those areas from a willing seller. Mr. Robison encouraged the Land Board to continue to work with affected counties to address concerns about tax shifts. Mr. Robison recognized that endowment lands are managed to maximize long-term financial returns, and not for the same multiple purposes as national forests, but said sustainably managed state timberlands can provide greater benefits for wildlife and recreationists than private properties that are developed. Mr. Robison referenced the Land Board's recreation policy that allows continued public recreation access on state endowment lands. Many private timberlands also allow public access, which is appreciated, but this privilege can be revoked at any time and has been in other areas. Mr. Robison noted that the Department of Lands has increased the capacity for forest restoration across forest boundaries by investing significantly in the Good Neighbor Authority and providing leadership in Idaho in the shared stewardship agreement with Regions 1 and Regions 4 of the Forest Service. Mr. Robison thanked Governor Little for his role in the upcoming Idaho Forest Restoration Partnership conference. The conference brings together members of local forest restoration collaboratives, from across the state, to learn how to work better with the Forest Service, and the Idaho Department of Lands, on increasing the pace and scale of forest and watershed restoration.

For the record, Governor Little commented that he was not a member of the Land Board at the time the policy was put in place and proposed that a subcommittee of the Land Board review the current situation. Governor Little noted that EFIB reported earlier in the meeting that a request for proposal for an investment consultant is being advertised, and also noted that \$200 million is a large sum of cash to be spending in a significant manner. Governor Little asked for volunteers to serve on a subcommittee of the Land Board to review the asset management plan [strategic reinvestment] going forward. Attorney General Wasden and Secretary of State Denney volunteered to serve on the subcommittee; Governor Little so ordered.

At 10:32 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.*

Governor Little called for a short break before the Board convened in Executive Session.

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 11:09 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)

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

Board Action: A motion was made by Attorney General Wasden that the Land Board, one, rescind Lease M500031 on the basis that the Idaho Department of Lands failed to comply with constitutionally and legally required processes in issuing the lease. Two, direct the Idaho Department of Lands to prepare, market, and offer for lease at public auction the parcel of land subject to Lease M500031 in accordance with Idaho constitutionally, legally, and financially required processes. And, three, that the Department, with the assistance of the Office of the Attorney General, negotiate a mutually acceptable settlement with the current leaseholder to compensate the leaseholder for costs and expenses incurred by the leaseholder associated with the lease which were not otherwise addressed during the leasing process. Attorney General Wasden asked for the opportunity to address his motion, upon receiving a second. Controller Woolf seconded the motion.

Attorney General Wasden remarked that in the Board's review of this lease, the Board has to acknowledge that there were some mistakes made in the processes employed. The best thing for the Board to do is to rescind the lease and then to engage in proper processes that meet the

financial, legal, and constitutional requirements to offer this property at lease, which will give the greatest opportunity for all of the parties involved to address that lease. Attorney General Wasden noted that also of importance is that the persons who were the lessees under this lease, in a sense were led down the primrose path, and the Board has an obligation to make them whole within the confines of the law. Attorney General Wasden stated that this provides an opportunity to address the lessees, and to see that they are legally made whole.

The motion carried on a vote of 5-0.

There being no further business before the Board, at 11:14 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 5-0. Meeting adjourned.



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IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

May 21, 2019
Regular Agenda

Subject

North Town and Deer Meadow timber sales with clearcut harvest units exceeding 100 acres

Question Presented

Shall the Board approve the North Town and Deer Meadow timber sales with clearcut harvest units exceeding 100 acres.

Background

At its December 15, 2015 meeting, the Land Board adopted a timber sale governance structure whereby the Department would only present individual proposed timber sales for Land Board approval that fall outside of established Land Board policies (Attachment 1). Timber sales with clearcut harvest units exceeding 100 acres are one type of sale to be submitted for approval.

Discussion

The Clearwater Supervisory Area has submitted two timber sales that have clearcut harvest units exceeding 100 acres in size. Both sales are in areas where active timber management has taken place in the past, by the Department and neighboring private industrial lands. The stands to be harvested are a result of past management practices that occurred in the 1930's and 1950's where the highest value and healthiest trees were removed. The attached aerial photos show the level of management in the vicinity (Attachment 2).

The clearcut harvest unit on the North Town timber sale totals 176 acres, while the two adjacent clearcut harvest units on the Deer Meadow timber sale total 181 acres. These proposed clearcut units are characterized by highly defective shade tolerant climax species (such as grand fir) where significant mortality and value loss is occurring. These proposed clearcut harvest units lack an adequate number of desirable quality seed trees to successfully regenerate these sites.

The clearcut harvest unit on the North Town timber sale will be planted with western larch, western white pine and Douglas-fir. The Deer Meadow clearcut units will be planted with western larch, ponderosa pine, western white pine, lodgepole pine and Douglas-fir. These seral species are more resilient to insects and disease and better reflect the productivity of these sites.

Both sales have been prepared to meet or exceed the Forest Practices Act. The proposed clearcut harvest units are silviculturally and economically justified and were approved by the

Forest Management Bureau (Attachment 3). The proposed clearcut harvest units meet the objectives of the Clearwater Area Forest Asset Management Plan.

Recommendation

Approve the North Town and Deer Meadow timber sales.

Board Action

Attachments

1. December 15, 2015 Approved Memo
2. North Town and Deer Meadow Maps
3. North Town and Deer Meadow Forest Management Bureau Approval

The logo of the Idaho Department of Lands is a large, stylized diamond shape. It features a light green center, a yellow border, and a grey outer border. A horizontal bar with rounded ends is superimposed across the middle of the diamond, containing the text "IDAHO DEPARTMENT OF LANDS" in white, uppercase letters. The background of the page is white, and the logo is centered horizontally.

IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS
December 15, 2015
Regular Agenda

SUBJECT

Governance Structure Review

BACKGROUND

On December 15, 2014, the Land Board adopted a governance structure as recommended by the Subcommittee on Endowment Investment Governance Strategy (Attachment 1). The motion required that the governance structure be reviewed by the Land Board at its December 2015 regular meeting.

On September 15, 2015, the Land Board approved a modification to the governance structure that allows the Department of Lands to conduct salvage sales due to fire, wind, and insect and disease on endowment lands that may exceed the 100-acre clearcut threshold and, at times, may exceed the development credit threshold due to the reduced value of burned timber (Attachment 2).

DISCUSSION

The following section outlines the governance structure currently in effect considering both the December 15, 2014 and the September 15, 2015 actions taken by the Land Board. The Department does not recommend any significant change to the current governance structure. However, for clarity, the Department does recommend that the Land Board approve the governance structure outlined below which is a combination of the actions approved on December 15, 2014 and September 15, 2015 with regard to governance structure.

I. Timber Sale Contracts

- A. The Department will present the Annual Timber Sale Plan to the Land Board for approval each year at the April Land Board meeting.
- B. Except for salvage sales, the Department will present individual proposed timber sales that fall outside of established Land Board policies to the Land Board for approval such as:
 - 1. sales with clearcut silvicultural prescription units which exceed 100 acres,
 - 2. sales with development credits that exceed 50% of net appraised sale value (33% of gross sale value), or
 - 3. sales for which the Department has received written public comment.
- C. Fire, wind, and insect and disease salvage sales are exempt from Item I.B. requirements above.

- D. The Department will display names of all proposed timber sales and salvage sales for the next month in the monthly Director's Timber Sales Report.
- II. Routine Land Investment Decisions (e.g. access acquisition, forest and range improvements, reforestation, building maintenance)
 - A. Transactions <\$500,000 the IDL Director may authorize.
 - B. Transactions >\$500,000 require Land Board approval.
 - C. An audit of IDL procedures shall be conducted every 3-5 years.
- III. Other Land Investment Decisions (e.g. land disposal, land acquisition, new tenant improvements)
 - A. Transactions <\$100,000 the IDL Director may authorize; however, those that are complex or controversial may be vetted by the Land Investment Advisor.
 - B. Transactions >\$100,000 require Land Board approval and may require review by the Land Board's Land Investment Advisor at the Board's discretion.
 - C. Transactions >\$1,000,000 shall be subject to a post-audit every three (3) years. The Land Board's Land Investment Advisor shall review such transactions post-audit.

RECOMMENDATION

The Department recommends that the Land Board approve the governance structure as outlined above.

BOARD ACTION

A motion was made by Attorney General Wasden that the Board adopt the Department recommendation as outlined on page 2 of 2. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

ATTACHMENTS

1. December 15, 2014 Approved Memo
2. September 15, 2015 Approved Memo



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T 39 N

R 04 E

R 05 E

T 40 N

T 39 N


R 04 E


R 05 E






ATTACHMENT 2






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JB 1/19

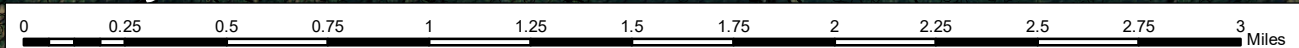
SALE AREA


Unit Boundary


Roads
 Gravel
 Secondary
 Spur
 New Construction
 New Culvert

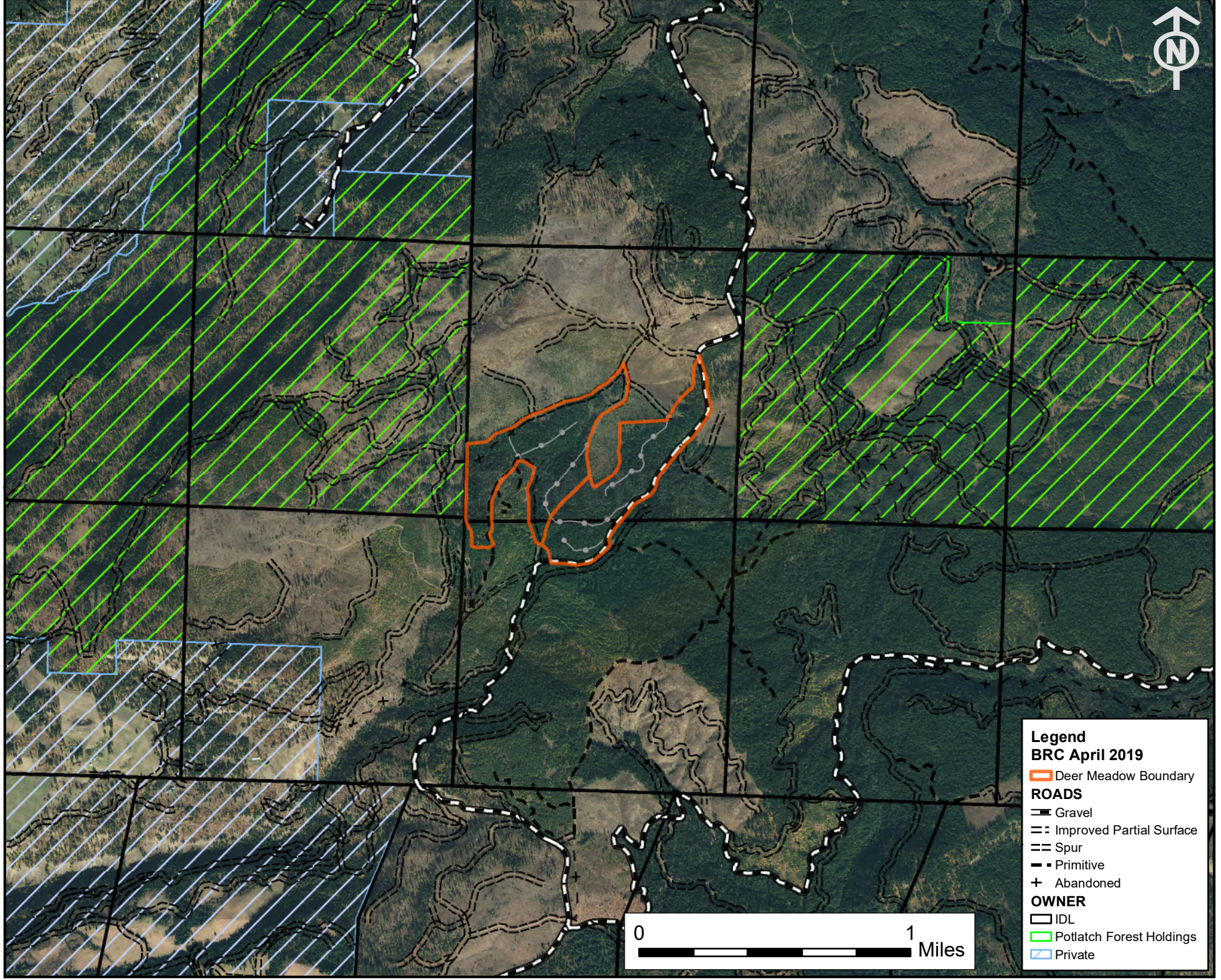
Ridges


Ownership
 IDL
 PotlatchDeltic Forest Holdings



SALE MAP

CR401246
DEER MEADOW





Bureau of Forest Management

3284 West Industrial Loop, Coeur d'Alene, ID 83815

Telephone (208) 769-1525

Fax No. (208) 769-1524

MEMORANDUM

TO: Jay Sila, Clearwater Area Manager
Greg Dawson, Resource Supervisor
Josh Brandt, Resource Specialist, Sr.
Julia Sullens, Operations Chief, South

FROM: Jim Elbin
Forest Management Bureau Chief

DATE: 4/3/2017

SUBJECT: North Town Clearcut Proposal

On July 13, 2016 the Clearwater Supervisor Area invited Forest Management Bureau Staff of Bob Helmer, Archie Gray, Julie Donohoe, and Jim Elbin to the above mentioned sale area to discuss conceptual approval for a clearcut that exceeds the 100 acre Land Board Policy. The proposed unit is 175 acres in size and has a variety of issues that make it a logical choice to exceed policy to best meet the mission of the Department to maximize long-term revenue for the endowments.

First, the silvicultural condition of the stand: Mean Annual Increment (MAI) is declining as the stand has reached a decadent, over-mature state, with mortality predicted to exceed MAI in the next five-year period. Western redcedar and grand fir make up 83% of the basal area and 79% of the merchantable volume, with Douglas-fir, western larch, and western white pine making up the balance of the volume. 54% of the volume is either large or oversize sawlog. The remaining 46% falls into the smaller sawlog size, but in reality is suppressed and intermediate trees that will not respond favorably to a release type treatment.

Second, is the presence of various root rots and some Indian paint fungus of the stand that will only increase the longer it takes to treat the stand. Additionally, there is evidence of butt rot in the western redcedar and shake in the Douglas-fir. While this stand does not meet the criteria to be a pulp stand, the likelihood of reproducing a healthy stand with a seral species mix from natural regeneration is highly unlikely.

Third, logging systems require line skidding over 83% of the stand with a potential need for a multi-span skyline system due to the broken nature and convex slopes and 1,000-plus foot yarding distances. The stand is surrounded by industry ground (Potlatch Corporation) and, aesthetically, not in a viewshed where visual impact is going to be a major concern.

Finally, economic potential for this site shows it should grow 400+ board feet per year with a healthy mix of western larch, Douglas-fir, and western white pine planted following harvest and site preparation treatments. Conversion of the entire stand best meets the long-term financial gains for the endowment.

The Forest Management Bureau concurs with the Area recommendation to move forward with this sale unit exceeding Land Board Policy.

From: Bob Helmer
Sent: Thursday, September 08, 2016 12:09 PM
To: Greg Dawson
Cc: Jay Sila; Bridgett Cafferty
Subject: RE: Proposed clearcut over 100 acres.

Greg,

I have looked at the stand you discussed below on the ground and recently from the air. I agree it is similar to the Maggie Creek pulp stands and needs to be regenerated. The longer we wait to regen the stand the longer it will be for the new stand to be producing more volume. The area is not in a visual corridor. There are regeneration units around the proposed unit along with industrial land that has been harvested. The current stand is in the larger size class and they are losing volume and value because they are oversized trees for some of the mills and highly defective.

Bob Helmer
Idaho Department of Lands
Forest Management Bureau Chief
208-666-8610
bhelmer@idl.idaho.gov

From: Greg Dawson
Sent: Wednesday, August 31, 2016 11:42 AM
To: Bob Helmer
Cc: Jay Sila; Bridgett Cafferty
Subject: FW: Proposed clearcut over 100 acres.

Bob:

While I know that we talked about this and you agreed, could you please send me something that I can put in the file? I'm thinking of you being gone and someone else reviewing this – just trying to make sure we are documented.

Thanks,
Greg

From: Greg Dawson
Sent: Monday, August 08, 2016 11:55 AM
To: SOUTHERN OPERATIONS DETAIL; Julia Sullens; Bob Helmer
Cc: Jay Sila; Bridgett Cafferty; Stephen Smith; Jim Elbin; Keith Brink
Subject: Proposed clearcut over 100 acres.

I have spoken with Bob Helmer both during the purchasing tour (May 12, 2016) and recently in our office (August 5, 2016) concerning an area in our south Grangemont unit in which the timber is deteriorating quickly and we are seeing excessive mortality. This area is notorious for poor quality grand fir with very few viable seed trees so our standard prescription has been a clearcut. The foresters managing this block have tried to disperse the clearcuts in order to eliminate a continuous landscape of the same sized trees. Part of that plan was to hold this area for several more years but with the amount of mortality that we are seeing that is not the responsible answer. We are proposing to harvest the entire remaining parcel of type 13 timber in one timber sale (all clearcut) and that is approximately 175

acres. This would obviously go over the Land Board 100 acre maximum. We would call this sale "Deer Meadow" and put it on the FY 2019 sales plan.

Attached is a map of the proposed sale area and the adjoining stands with the approximate year that they were planted. We feel strongly that this is the most prudent thing to do. During a spring helicopter flight it was very evident that the mortality in this stand is accelerating noticeably. With the age and height of the surrounding plantations we don't feel that we would truly have an issue with adjacency but it would definitely increase the continual acres of plantations.

Bob Helmer indicated that he was in agreement and we would like to plan on proceeding with this sale in FY 2019 (which would mean we would be working on it this coming spring). If anyone else would like to see the area we could certainly accommodate that. Please let me know if you have questions. If the answer is to proceed I would just need something to put in the sale package to show Ops/Bureau approval.

Thanks,
Greg

Greg W. Dawson
Resource Supervisor

The logo of the Idaho Department of Lands is a large, stylized diamond shape. It features a central light blue triangle pointing upwards, surrounded by a yellow border. The entire diamond is set against a background of grey, jagged mountain peaks. A horizontal grey bar with rounded ends crosses the middle of the diamond, containing the text "IDAHO DEPARTMENT OF LANDS" in white, bold, sans-serif capital letters.

IDAHO DEPARTMENT OF LANDS

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STATE BOARD OF LAND COMMISSIONERS

May 21, 2019
Regular Agenda

Subject

Omnibus Temporary and Proposed Rulemaking

Question Presented

Shall the Board approve the Notices of Omnibus Rulemaking and authorize the Department to proceed with omnibus temporary and proposed rulemaking through executive administrative action to ensure administrative rules remain in effect after July 1.

Background

All existing administrative rules in Idaho expire each year on July 1 unless reauthorized by the legislature. The legislature adjourned the 2019 legislative session without reauthorizing all rules prior to the end of session. Executive administrative action is required to address this unique circumstance and to ensure existing rules remain in effect after July 1.

The governor and his staff, in coordination with the Office of the Attorney General, directed all state agencies to republish rules concurrently, as both temporary and proposed rules, in a special edition of the Idaho Administrative Bulletin in June 2019. The temporary rules will have an effective date of June 30, 2019, to ensure there is no gap with the expiring rules. The Office of the Attorney General and Idaho State Board of Land Commissioners must first approve all Idaho Department of Lands (Department) rules reauthorized through this process. Reauthorized rules are also subject to legislative review during the 2020 legislative session.

As part of this reauthorization process, agencies have been directed to let expire chapters or sections of rule in line with the governor's Executive Order No. 2019-02 Red Tape Reduction Act (Attachment 1). The Red Tape Reduction Act requires agencies to "undertake a critical and comprehensive review of the agency's administrative rules to identify costly, ineffective, or outdated regulations" for elimination by the end of fiscal year 2021.

Discussion

The Department has undertaken a comprehensive review of all existing administrative rules and identified the chapters under IDAPA 20, rules of the Idaho Department of Lands, to adopt and republish as temporary and proposed rules, as well as those to let expire. The notices for omnibus fee and non-fee rulemaking contain descriptive summaries for these actions (Attachments 2 and 3). Rationale has been documented for any rule chapter or section proposed for elimination (Attachment 4). The Office of the Attorney General has

reviewed all rules identified for reauthorization or elimination, as well as the omnibus rulemaking notices and associated rationale.

At a May 8, 2019 special meeting, the Idaho Oil and Gas Conservation Commission approved for reauthorization or elimination the rules pertaining to the conservation of oil and natural gas in the state of Idaho, as proposed by the Department in coordination with the Office of the Attorney General.

Recommendation

Approve the Notices of Omnibus Rulemaking and authorize the Department to proceed with omnibus temporary and proposed rulemaking through executive administrative action to ensure administrative rules remain in effect after July 1.

Board Action

Attachments

1. Executive Order No. 2019-02 – Red Tape Reduction Act
2. Notice of Omnibus Rulemaking – Temporary and Proposed Fee Rulemaking
3. Notice of Omnibus Rulemaking – Temporary and Proposed Rulemaking
4. Rationale for Eliminating Rules of the Idaho Department of Lands

IDAHO DEPARTMENT OF LANDS



*Executive Department
State of Idaho*

*State Capitol
Boise*

**EXECUTIVE DEPARTMENT
STATE OF IDAHO
BOISE**

EXECUTIVE ORDER NO. 2019-02

RED TAPE REDUCTION ACT

WHEREAS, Idaho's strong economic growth is vital to ensuring our citizens and our children are able to find great jobs and raise their families in Idaho; and

WHEREAS, excessive regulation at all levels of government can impose high costs on businesses, inhibit job growth, and impede private sector investment; and

WHEREAS, burdensome regulations continue to be a hardship for many small business owners; and

WHEREAS, Idaho's Administrative Code has grown to 736 chapters, totaling more than 8,200 pages, and containing more than 72,000 restrictions.

NOW, THEREFORE, I, Brad Little, Governor of the State of Idaho, by virtue of the authority vested in me by the Constitution and laws of this state, do hereby order that:

- 1. Each executive department of the state of Idaho as set forth in section 67-2402, Idaho Code, including each division, bureau or self-governing agency that has the authority to issue administrative rules shall designate an existing employee of the agency as its Rules Review Officer (RRO) to undertake a critical and comprehensive review of the agency's administrative rules to identify costly, ineffective, or outdated regulations.
 - a. Agencies must submit the name and contact information of the RRO to the Division of Financial Management no later than March 1, 2019.**
- 2. Through the end of fiscal year 2021, prior to proposing a new rule for publication in the Idaho Administrative Bulletin, each executive department of the state of Idaho as set forth in section 67-2402, Idaho Code, including each division, bureau or self-governing agency, shall submit to the Division of Financial Management:
 - a. A business/competitiveness impact statement that identifies the impact the proposed rule will have on individuals and small businesses; and**

- b. *At least two existing rules to be repealed or significantly simplified, or a statement clearly and thoroughly stating why existing rules cannot be simplified or eliminated.*
3. *The Division of Financial Management shall produce an annual report to the Governor's office outlining the progress made in eliminating burdensome regulations and streamlining state government.*



IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Idaho at the Capitol in Boise on this 21st day of January, in the year of our Lord two thousand and nineteen.

A handwritten signature in blue ink, appearing to read "Lawrence Denney".

LAWRENCE DENNEY
SECRETARY OF STATE

A handwritten signature in blue ink, appearing to read "Brad Little".

BRAD LITTLE
GOVERNOR

IDAPA 20 – IDAHO DEPARTMENT OF LANDS
DOCKET NO. 20-0000-1900F

NOTICE OF OMNIBUS RULEMAKING - TEMPORARY AND PROPOSED FEE RULEMAKING

EFFECTIVE DATE: The effective date of the temporary rules listed in the descriptive summary of this notice is June 30, 2019.

AUTHORITY: In compliance with Sections 67-5221(1) and 67-5226, Idaho Code, notice is hereby given that this agency has adopted temporary rules, and proposed rulemaking procedures have been initiated. The action is authorized pursuant to:

- Sections 38-132, 38-402, and 38-1208, Idaho Code;
- Title 47, Chapters 3, 7, 8, 15, 16 and 18, including Sections 47-314(8), 47-315(8), 47-328(1), 47-710, 47-714, and 47-1316, Idaho Code;
- Title 58, Chapters 1, 3, 6, 12 and 13, including Sections 58-104, 58-105, 58-127, and 58-304 through 58-312, Idaho Code;
- Title 67, Chapters 51 and 52, including Sections 67-5201, et seq., Idaho Code;
- Article IX, Sections 7 and 8 of the Idaho Constitution; and
- The Equal Footing Doctrine (Idaho Admission Act of July 3, 1890, 26 Stat. 215, Chapter 656).

PUBLIC HEARING SCHEDULE: Oral comment concerning this rulemaking will be scheduled in accordance with Section 67-5222, Idaho Code.

DESCRIPTIVE SUMMARY: The following is the required finding and concise statement of its supporting reasons for adopting a temporary rule and a nontechnical explanation of the substance and purpose of the proposed rulemaking:

This temporary and proposed rulemaking adopts and re-publishes the following existing and previously approved and codified chapters under IDAPA 20, rules of the Idaho Department of Lands:

IDAPA 20

- 20.02.14, Rules for Selling Forest Products on State-Owned Endowment Lands
- 20.03.01, Rules Governing Dredge and Placer Mining Operations in Idaho
- 20.03.02, Rules Governing Exploration, Surface Mining, and Closure of Cyanidation Facilities
- 20.03.03, Rules Governing Administration of the Reclamation Fund
- 20.03.04, Rules for the Regulation of Beds, Waters, and Airspace Over Navigable Lakes in the State of Idaho
- 20.03.05, Riverbed Mineral Leasing in Idaho – all rules except 20.03.05.032 – Term
- 20.03.08, Easements on State Owned Lands
- 20.03.09, Easements on State Owned Submerged Lands and Formerly Submerged Lands
- 20.03.13, Administration of Cottage Site Leases on State Lands– all rules except the following:
 - 20.03.13.010.06 – Definition, Leasehold Value
 - 20.03.13.020.01.a, c, and d
 - 20.03.13.025 – Leasehold Value Determination
 - 20.03.13.027 – Equity Sharing Premium Rental
 - 20.03.13.030 – Subleasing
- 20.03.14, Rules Governing Grazing, Farming, Conservation, Noncommercial Recreation, and Communication Site Leases – all rules except the following:
 - 20.03.14.051 – Lease Reinstatement
 - 20.03.14.060.07 – Fees, Lease Reinstatement
 - 20.03.14.105.02 – Conflict Auctions, Applicant Notification

- 20.03.15, Rules Governing Geothermal Leasing on Idaho State Lands – all rules except the following:
 - 20.03.15.031 – Lease Expiration
 - 20.03.15.090 – Preferential Rights upon Discovery of Unleased Minerals, Oil, Gas and Other Hydrocarbons
 - 20.03.15.095.01.d
- 20.03.16, Rules Governing Oil and Gas Leasing on Idaho State Lands – all rules except the following:
 - 20.03.16.022.02.a – Lease Acquisition Process, Lease Provisions, Term
 - 20.03.16.071.02 – Termination - Cancellation of Lease, Failure to Pay Rental
 - 20.03.16.104 – Outstanding Leases -- Grandfather Rights
- 20.03.17, Rules Governing Leases on State-Owned Submerged Lands and Formerly Submerged Lands
- 20.04.02, Rules Pertaining to the Idaho Forestry Act and Fire Hazard Reduction Laws
- 20.06.01, Rules of the Idaho Board of Scaling Practices
- 20.07.02, Rules Governing Conservation of Oil and Natural Gas in the State of Idaho – all rules except the following:
 - 20.07.02.010.10, 16, 20, 32, 34, 35, 36, 39, 42, 56, 57 – Definitions
 - 20.07.02.110 – Surface Owner Protections
 - 20.07.02.120 – Well Spacing
 - 20.07.02.130 – Integration
 - 20.07.02.131 – Integration Orders
 - 20.07.02.140 – Unit Operation Agreements
 - 20.07.02.400.02 – Production Reports, Frequency
 - 20.07.02.402.01 – Measurement of Gas, Gas Metering
 - 20.07.02.410.02 – Meters, Meter Calibration
 - 20.07.02.420.01 – Tank Batteries, Location
 - 20.07.02.430.01 – Gas Processing Facilities, Location
 - 20.07.02.430.06 – Gas Processing Facilities, Reports

TEMPORARY RULE JUSTIFICATION: Pursuant to Section(s) 67-5226(1) and 67-5226(2), Idaho Code, the Governor has found that temporary adoption of the rule is appropriate for the following reasons:

These temporary rules are necessary to protect the public health, safety, and welfare of the citizens of Idaho and confer a benefit on its citizens. These previously approved and codified rules implement the duly enacted laws of the State of Idaho, provide citizens with the detailed rules and standards for complying with those laws, and assist in the orderly execution and enforcement of those laws. The expiration of these rules without due consideration and processes would undermine the public health, safety and welfare of the citizens of Idaho and deprive them of the benefit intended by these rules. The rules of the Idaho Department of Lands serve the public interest by, for example, ensuring landowners, royalty owners, producers, and the public realize and enjoy the greatest good from the state's vital natural resources like oil, natural gas, and minerals. The rules also serve the public interest by, for example, regulating forestland management practices to maintain and enhance benefits such as job creation, tax generation, and distributions to endowment beneficiaries, and by conserving resources such as forest tree species, soil, air, water, and wildlife habitat.

The fee or charge imposed by the rule(s) is necessary to avoid immediate danger. The fee(s) or charge(s) reauthorized in this rulemaking are currently existing and have been previously promulgated by the agency and reviewed and approved by the Legislature. These fees and charges are part of the dedicated fund portion of the state budget, which makes up a material portion of the FY2020 budget. The FY2020 budget has already been set by the Legislature and passed into law. That budget relies upon the existence of these fees and charges to meet the state's obligations and provide necessary state services. Failing to reauthorize these fee rules would create immediate danger to the state budget, immediate danger to necessary state functions and services, and immediate danger of a violation of Idaho's constitutional requirement that it balance its budget.

- 20.02.14 – Fees fund forest management activities on endowment lands. These activities would be limited without the support of these fees, and distributions to endowment beneficiaries would decline.
- 20.03.01 – Fees attempt to achieve cost recovery for operational expenses associated with processing and assigning permits and inspecting dredge and placer mining operations. Without these fees, the department would not be able to administer the minerals regulatory program.
- 20.03.02 – Fees cover operational expenses associated with assigning reclamation plans and permanent closure plans. They also cover costs to process permanent closure plans. Without these fees, the department would not be able to recover these costs.
- 20.03.03 – Fees cover reclamation costs, operational expenses, and personnel expenses to administer Idaho’s Reclamation Fund. Fees allow participation into the state’s Reclamation Fund, which acts as a self-insurance fund to provide a “bonding mechanism” for small mine operations as required by Idaho’s Surface Mining Act. Without these annual fees, the fund would be depleted and mining operations would be forced to obtain bonding through another source.
- 20.03.04 – Fees cover operational expenses associated with processing permits. Without these fees, the department would cease processing permits on navigable waterways.
- 20.03.05 – Fees cover operational expenses associated with processing mineral leases and locations. Without these fees, the department would cease processing mineral leases and locations on navigable waterways.
- 20.03.08 – Fees cover operational expenses associated with processing easements. Easement consideration fees are determined by appraisal and compensate the endowment for easement encumbrances. Without these fees, the department would cease processing easements on state-owned lands.
- 20.03.09 – Fees cover operational expenses associated with processing easements. Without these fees, the department would cease processing easements on navigable waterways.
- 20.03.13 – Annual rental payment for use and occupation of the leased land.
- 20.03.14 – Fees attempt to achieve cost recovery for operational expenses associated with processing new lease applications initiated by applicants, processing lease assignments and subleases initiated by existing lessees, processing requests from lessees to defer rent payments due to financial hardship, and additional billings and staff interactions with lessees when payments are made beyond established deadlines. Mortgage agreement fees attempt to achieve cost recovery for operational expenses and legal review for approval of Consent to Mortgage Agreements requested by existing lessees. Minimum lease fees attempt to achieve cost recovery for operational expenses related to lease management when a leased area is small or temporarily subject to non-use (e.g., wildfire impacts). Without these fees, the department would not have the financial support to administer grazing, farming, conservation, noncommercial recreation, and communication site leases on state endowment trust lands.
- 20.03.15 – Fees attempt to achieve cost recovery for operational expenses associated with processing new lease applications initiated by applicants and lease assignments initiated by existing lessees. Late payment fees attempt to recover costs associated with additional billings and staff interactions with lessees when payments are made beyond established deadlines. Without these fees, the department would not have the financial support to administer geothermal leases on state-owned lands.
- 20.03.16 – Fees attempt to achieve cost recovery for operational expenses associated with processing exploration location permits initiated by applicants, processing nominations for oil and gas leases, and processing lease assignments and other administrative requests initiated by existing lessees. Without these fees, the department would not have the financial support to administer oil and gas leases on state-owned lands.
- 20.03.17 – Fees cover operational expenses associated with processing leases. Without these fees, the department would cease processing leases on navigable waterways.
- 20.04.02 – Fees are held in trust to ensure contractors satisfactorily abate the fire hazard created by harvest operations. Fees levied on contractors who unsuccessfully meet the terms of the fire hazard reduction agreement and elect to transfer the liability for the cost of fire suppression back to the State are used to offset the cost of fire suppression incurred by the department. Fees withheld from hazard management performance bonds are dedicated to offset the costs for forest

practices administration and to suppress wildfires on forest lands. Without these fees, the department would be unable to manage fire hazard conditions left by commercial harvest operations, provide an adequate level of protection in the delivery of wildland fire suppression services to extinguish wildfires, or provide necessary support in the delivery of forest landowner assistance services.

- 20.06.01 – Fees cover administrative and operational costs associated with licensing log scalers, check scaling operations, license renewals, and issuing log brands. Without these dedicated funds, the department would not have the financial support to enforce log scaling standards as prescribed by statute and regulations to ensure scaler proficiency and a consistent uniform scale for all parties buying, selling, harvesting, and manufacturing of timber within the state.
- 20.07.02 – Fees cover the costs of reviewing and processing applications and assigning permits if applications are approved. Without these fees, the department would not be able to recover these costs. Idaho Code § 47-316 sets the amounts of each application fee required to be collected. IDAPA 20.07.02 also provides bonding authority and sets minimum bonding amounts for oil and gas activities in Idaho. Statute gives the Commission the authority to require bonds, but the rules provide the amounts and additional details that are not fully addressed in statute. Without these amounts, and the detail provided in rule, the department would not be able to cover the potential cost of reclamation, as well as plugging and abandonment of wells.

FEE SUMMARY: The preceding section and the attached rules provide a specific description of the fee or charge imposed or increased by this rulemaking. This rulemaking does not impose a fee or charge, or increase a fee or charge, beyond what was previously approved and codified in the prior rules.

- 20.02.14 – Stumpage payments and associated bonding for removal of state timber from endowment land timber sales
- 20.03.01 – Application fee, amendment fee, assignment fee, and inspection fee for all dredge and placer permits in the state of Idaho
- 20.03.02 – Application fee for permanent closure plans and assignment fee for reclamation plans and permanent closure plans
- 20.03.03 – Annual fee for Reclamation Fund participation
- 20.03.04 – Application fees for encroachment permits and deposits toward the cost of newspaper publication
- 20.03.05 – Fees for applications, advertising applications, exploration locations, and approval of assignments for riverbed mineral leasing
- 20.03.08 – Application fee, easement consideration fee, appraisal costs, and assignment fee for easements on state-owned lands
- 20.03.09 – Administrative fee, appraisal costs, and assignment fee for easements on state-owned submerged lands and formerly submerged lands
- 20.03.13 – Annual rental payment paid to the endowment who owns the property.
- 20.03.14 – Lease application fee, full lease assignment fee, partial lease assignment fee, mortgage agreement fee, sublease fee, late rental payment fee, minimum lease fee, and lease payment extension request fee on state endowment trust lands
- 20.03.15 – Application fee, assignment fee, and late payment fee for leases on state-owned lands
- 20.03.16 – Exploration location permit fee, nomination fee, and processing fee for leases on state-owned lands
- 20.03.17 – Application fee, rental rate, and assignment fee for leases on state-owned submerged lands and formerly submerged lands
- 20.04.02 – Fee imposed upon the harvest and sale of forest products to establish hazard management performance bonds for the abatement of fire hazard created by a timber harvest operation, and fees imposed upon contractors for transferring fire suppression cost liability back to the State
- 20.06.01 – Scaling assessment fee paid to a dedicated scaling account for all scaled timber harvested within the state of Idaho; administrative fees for registration, renewal, and transfer of log brands; fees for testing and issuance of a temporary scaling permit, specialty scaling license,

- and standard scaling license; fee to renew a specialty or standard scaling license; and fee for a requested check scale involving a scaling dispute
- 20.07.02 – Bonding for oil and gas activities in Idaho and application fees for seismic operations; permit to drill, deepen or plug back; multiple zone completions; well treatment; pits and directional deviated wells

FISCAL IMPACT: The following is a specific description, if applicable, of any negative fiscal impact on the state general fund greater than ten thousand dollars (\$10,000) during the fiscal year: This rulemaking is not anticipated to have any fiscal impact on the state general fund because the FY2020 budget has already been set by the Legislature, and approved by the Governor, anticipating the existence of the rules and fees being reauthorized by this rulemaking.

NEGOTIATED RULEMAKING: Pursuant to Section 67-5220(2), Idaho Code, negotiated rulemaking was not feasible because of the need to adopt the rules as temporary, and because these existing chapters of IDAPA are being re-published and re-authorized. Negotiated rulemaking also is not feasible because of the need to implement these rules before they expire; the rules form the regulatory framework of the laws of this state and have been previously promulgated and reviewed by the legislature pursuant to the Idaho Administrative Procedures Act, Chapter 52, Title 67, Idaho Code; and because engaging in negotiated rulemaking for all previously existing rules will inhibit the agency from carrying out its ability to serve the citizens of Idaho and to protect their health, safety, and welfare.

INCORPORATION BY REFERENCE: Pursuant to Section 67-5229(2)(a), Idaho Code, incorporated material may be obtained or electronically accessed as provided in the text of the temporary and proposed rules attached hereto.

ASSISTANCE ON TECHNICAL QUESTIONS, SUBMISSION OF WRITTEN COMMENTS: For assistance on technical questions concerning the temporary and proposed rule, contact Amy Johnson at (208) 334-0255 or rulemaking@idl.idaho.gov.

Anyone may submit written comments regarding the proposed rulemaking. All written comments must be directed to the undersigned and must be delivered within twenty-one (21) days after publication of this Notice in the Idaho Administrative Bulletin. Oral presentation of comments may be requested pursuant to Section 67-5222(2), Idaho Code, and must be delivered to the undersigned within fourteen (14) days of the date of publication of this Notice in the Idaho Administrative Bulletin.

DATED this June 19, 2019.

Dustin Miller
Director
Idaho Department of Lands
300 N. 6th St, Suite 103
P.O. Box 83720
Boise, Idaho 83720-0050
Phone: (208) 334-0242
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IDAHO DEPARTMENT OF LANDS

IDA PA 20 – IDAHO DEPARTMENT OF LANDS
DOCKET NO. 20-0000-1900

NOTICE OF OMNIBUS RULEMAKING - TEMPORARY AND PROPOSED RULEMAKING

EFFECTIVE DATE: The effective date of the temporary rules listed in the descriptive summary of this notice is June 30, 2019.

AUTHORITY: In compliance with Sections 67-5221(1) and 67-5226, Idaho Code, notice is hereby given that this agency has adopted temporary rules, and proposed rulemaking procedures have been initiated. The action is authorized pursuant to Sections 38-115, 38-132, 38-402, 38-1304, 58-104, 58-105, 67-5201 et seq., and 67-5206(5)(b), Idaho Code.

PUBLIC HEARING SCHEDULE: Oral comment concerning this rulemaking will be scheduled in accordance with Section 67-5222, Idaho Code.

DESCRIPTIVE SUMMARY: The following is the required finding and concise statement of its supporting reasons for adopting a temporary rule and a nontechnical explanation of the substance and purpose of the proposed rulemaking:

This temporary and proposed rulemaking adopts and re-publishes the following existing and previously approved and codified chapters under IDAPA 20, rules of the Idaho Department of Lands:

IDAPA 20

- 20.01.01, Rules of Practice and Procedure Before the State Board of Land Commissioners – all rules except rules 790 through 860
- 20.02.01, Rules Pertaining to the Idaho Forest Practices Act
- 20.04.01, Rules Pertaining to Forest Fire Protection

TEMPORARY RULE JUSTIFICATION: Pursuant to Section(s) 67-5226(1) and 67-5226(2), Idaho Code, the Governor has found that temporary adoption of the rule is appropriate for the following reasons:

These temporary rules are necessary to protect the public health, safety, and welfare of the citizens of Idaho and confer a benefit on its citizens. These previously approved and codified rules implement the duly enacted laws of the State of Idaho, provide citizens with the detailed rules and standards for complying with those laws, and assist in the orderly execution and enforcement of those laws. The expiration of these rules without due consideration and processes would undermine the public health, safety and welfare of the citizens of Idaho and deprive them of the benefit intended by these rules. The rules of the Idaho Department of Lands serve the public interest by, for example, regulating forestland management practices to maintain and enhance benefits such as job creation, tax generation, and distributions to endowment beneficiaries, and by conserving resources such as forest tree species, soil, air, water, and wildlife habitat

FEE SUMMARY: This rulemaking does not impose a fee or charge.

FISCAL IMPACT: The following is a specific description, if applicable, of any negative fiscal impact on the state general fund greater than ten thousand dollars (\$10,000) during the fiscal year: This rulemaking is not anticipated to have any fiscal impact on the state general fund because the FY2020 budget has already been set by the Legislature, and approved by the Governor, anticipating the existence of the rules and fees being reauthorized by this rulemaking.

NEGOTIATED RULEMAKING: Pursuant to Section 67-5220(2), Idaho Code, negotiated rulemaking was not feasible because of the need to adopt the rules as temporary, and because these existing chapters of IDAPA are being re-published and re-authorized. Negotiated rulemaking also is not feasible because of the need to implement these rules before they expire; the rules form the regulatory framework of the laws of this state and have been

previously promulgated and reviewed by the Legislature pursuant to the Idaho Administrative Procedures Act, Chapter 52, Title 67, Idaho Code; and because engaging in negotiated rulemaking for all previously existing rules will inhibit the agency from carrying out its ability to serve the citizens of Idaho and to protect their health, safety, and welfare.

INCORPORATION BY REFERENCE: Pursuant to Section 67-5229(2)(a), Idaho Code, incorporated material may be obtained or electronically accessed as provided in the text of the temporary and proposed rules attached hereto.

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DATED this June 19, 2019.

Dustin Miller
Director
Idaho Department of Lands
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Rationale for Eliminating Rules of the Idaho Department of Lands

To implement the Red Tape Reduction Act, the Idaho Department of Lands has identified the following rule sections as ineffective or outdated. These rule sections are excluded from the omnibus notices of temporary and proposed rulemaking for IDAPA 20, docket numbers 20-0000-1900 and 20-0000-1900F. Following is the specific rationale for eliminating each rule section:

IDAPA 20.01.01, Rules of Practice and Procedure Before the State Board of Land Commissioners

Rule	Reason to Eliminate the Rules
20.01.01.790–860 Rules 790 through 860	Superseded by statute: Title 67, Chapter 52, Idaho Code

IDAPA 20.03.05, Riverbed Mineral Leasing in Idaho

Rule	Reason to Eliminate the Rule
20.03.05.032 Rule 032	Superseded by statute: Idaho Code § 47-704(2)

IDAPA 20.03.13, Administration of Cottage Site Leases on State Lands

Rule	Reason to Eliminate the Rule
20.03.13.010.06 Rule 010.06	Rule 027, which required a sharing of the premium rental based on a percentage of leasehold value, expired on December 31, 1992 (per Rule 027) and therefore the definition of Leasehold Value in Rule 010.06 is not needed.
20.03.13.020.01.a Rule 020.01.a	The requirement for submission of duplicate forms is antiquated and current assignment processes within the Department no longer require a second document to be processed.
20.03.13.020.01.c Rule 020.01.c	The information requested in Rule 020.01.c was used in the leasehold value calculation that is no longer utilized due to the expiration of the Equity Sharing Premium Rental in Rule 027.
20.03.13.020.01.d Rule 020.01.d	The information requested in Rule 020.01.d was used in the leasehold value calculation that is no longer utilized due to the expiration of the Equity Sharing Premium Rental in Rule 027.
20.03.13.025 Rule 025	Rule 027, which required a sharing of the premium rental based on a percentage of leasehold value, expired on December 31, 1992 (per Rule 027) and therefore the leasehold value determination in Rule 025 is not needed.
20.03.13.027 Rule 027	Rule 027 expired on December 31, 1992.
20.03.13.030 Rule 030	Subleasing is an administrative process that is covered by Department administrative procedures and does not require Rule 030. The Department's procedures for cottage site subleases are available on the public website at www.idl.idaho.gov/cottage-sites/leases .

IDAPA 20.03.14, Rules Governing Grazing, Farming, Conservation, Noncommercial Recreation, and Communication Site Leases

Rule	Reason to Eliminate the Rule
20.03.14.051 Rule 051	If an endowment lease is cancelled or otherwise terminates, it cannot be reinstated as allowed by Rule 051 and is subject to a conflict auction/application process. <i>See Wasden v. State Bd. of Land Comm'rs.</i> , 153 Idaho 190, 280 P.3d 693 (2012). (A Notice of Default is sent to the lessee with a 30-day period to cure prior to lease termination as outlined in Rule 050, Department Policy #9, and in the lease template language for all lease types.)
20.03.14.060.07 Rule 060.07	If an endowment lease is cancelled or otherwise terminates, it cannot be reinstated as allowed by Rule 051 and is subject to a conflict auction/application process. <i>See Wasden v. State Bd. of Land Comm'rs.</i> , 153 Idaho 190, 280 P.3d 693 (2012). The fee for a Lease Reinstatement as required in Rule 060.07 is therefore unnecessary. (A Notice of Default is sent to the lessee with a 30-day period to cure prior to lease termination as outlined in Rule 050, Department Policy #9, and in the lease template language for all lease types.)
20.03.14.105.02 Rule 105.02	Duplicative of statute: Idaho Code § 58-310(2)

IDAPA 20.03.15, Rules Governing Geothermal Leasing on Idaho State Lands

Rule	Reason to Eliminate the Rule
20.03.15.031 Rule 031	If an endowment lease ends or is terminated, it cannot simply be renewed, and is subject to a conflict application/auction process. <i>See Wasden v. State Bd. of Land Comm'rs.</i> , 153 Idaho 190, 280 P.3d 693 (2012). Rule 031 allows a preferential right for a new lease for the existing lessee without a conflict auction/application process, which is contrary to the Idaho Supreme Court's decision and the Idaho Constitution.
20.03.15.090 Rule 090	In <i>Wasden v. State Bd. of Land Comm'rs.</i> , 153 Idaho 190, 280 P.3d 693 (2012), the Idaho Supreme Court held that leases of state endowment trust lands require a conflict auction/application process. Rule 090 allows a preferential right for a new minerals or oil and gas lease to an existing geothermal lessee upon discovery of unleased minerals, oil, or gas without a conflict auction/application process, which is contrary to the Idaho Supreme Court's decision and the Idaho Constitution. Idaho Code § 47-801 still allows a lease to be extended due to production or good faith drilling operations.
20.03.15.095.01.d Rule 095.01.d	Rule 095.01.d includes requirements of the record title holder that are no longer needed. This requirement is unique to geothermal leasing, has never been enforced, and is not required by statute. This specific requirement also is not found in any of the other chapters of IDAPA 20 related to leasing.

IDAPA 20.03.16, Rules Governing Oil and Gas Leasing on Idaho State Lands

Rule	Reason to Eliminate the Rule
20.03.16.022.02.a Rule 022.02.a	Superseded by statute: Idaho Code § 47-801
20.03.16.071.02 Rule 071.02	To be consistent with other state endowment trust land leasing programs, the Department desires to eliminate the requirement of Rule 031 to terminate leases immediately upon late payment without notice or opportunity to cure, in order to allow a Notice of Default be sent to the lessee with a 30-day period to cure. Reliance on this 30-day default process, which is outlined in Department Policy #9 and in the lease template language for all lease types, is consistent with Idaho Code § 47-809, which allows 90-day periods to cure for non-financial defaults of oil and gas leases.
20.03.16.104 Rule 104	Rule 104 allows grandfather rights for oil and gas leasing following passage of Idaho Code § 47-701, which reserves from sale mineral deposits in lands belonging to the state. All leases that Rule 104 applied to have expired and the rule is no longer needed.

IDAPA 20.07.02, Rules Governing Conservation of Oil and Natural Gas in the State of Idaho

Rule	Reason to Eliminate the Rule
20.07.02.010.10 Rule 010.10	Superseded by statute: Idaho Code § 47-310(1)
20.07.02.010.16 Rule 010.16	Superseded by statute: Idaho Code § 47-310(5)
20.07.02.010.20 Rule 010.20	Superseded by statute: Idaho Code § 47-310(8)
20.07.02.010.32 Rule 010.32	Superseded by statute: Idaho Code § 47-310(18)
20.07.02.010.34 Rule 010.34	Superseded by statute: Idaho Code § 47-310(22)
20.07.02.010.35 Rule 010.35	Superseded by statute: Idaho Code § 47-310(23)
20.07.02.010.36 Rule 010.36	Superseded by statute: Idaho Code § 47-310(24)
20.07.02.010.39 Rule 010.39	Superseded by statute: Idaho Code § 47-310(25)
20.07.02.010.42 Rule 010.42	Superseded by statute: Idaho Code § 47-310(28)
20.07.02.010.56 Rule 010.56	Superseded by statute: Idaho Code § 47-310(33)
20.07.02.010.57 Rule 010.57	Superseded by statute: Idaho Code § 47-310(32)
20.07.02.110 Rule 02.110	Superseded by statute: Idaho Code § 47-334
20.07.02.120 Rule 02.120	Superseded by statute: Idaho Code §§ 47-317, 47-318, 47-319, and 47-328

Rule	Reason to Eliminate the Rule
20.07.02.130 Rule 02.130	Superseded by statute: Idaho Code §§ 47-320 and 47-328(3)
20.07.02.131 Rule 02.131	Superseded by statute: Idaho Code § 47-320
20.07.02.140 Rule 02.140	Superseded by statute: Idaho Code §§ 47-321 and 47-328(3)
20.07.02.400 Rule 02.400	Superseded by statute: Idaho Code § 47-324(1)
20.07.02.402.01 Rule 402.01	Superseded by statute: Idaho Code § 47-322
20.07.02.410.02 Rule 410.02	Superseded by statute: Idaho Code § 47-322(3)
20.07.02.420.01 Rule 420.01	Superseded by statute: Idaho Code § 47-319
20.07.02.430.01 Rule 430.01	Superseded by statute: Idaho Code § 47-319
20.07.02.430.06 Rule 430.06	Superseded by statute: Idaho Code § 47-324(1)(c)

Word Count Summary

Eliminating these rule sections will reduce the number of words in the administrative code by 7,231.

The number of restrictive words (shall, must, may not, prohibited, required) will be reduced by 103.

STATE BOARD OF LAND COMMISSIONERS

May 21, 2019
Regular Agenda

Subject

Idaho Department of Lands Organizational Restructure

Question Presented

Shall the Board approve the new organizational structure as proposed and authorize the Department to begin implementation during fiscal year 2020.

Background

The Land Board reviewed and approved the Idaho Department of Lands' (Department) current organizational structure on February 19, 2013. Organizational structure changes made at that time came after a yearlong review of how to best align the Department to meet the two-fold mission:

"To professionally and prudently manage Idaho's endowment assets to maximize long-term financial returns to public schools and other trust beneficiaries and to provide professional assistance to the citizens of Idaho to use, protect and sustain their natural resources."

In February 2013, the Department's recommendation included creating an Endowment Division and a Regulatory and Assistance Division within the Department, but this portion of the original recommendation was never implemented due to other priorities and changes in leadership. Organizing the Department in this fashion has been an ongoing topic of discussion and a goal of the leadership staff for approximately ten years.

Recently, one of the Department's leadership development program capstone teams completed a project that reviewed financial stewardship issues. The capstone team also recommended reorganizing the department's divisions in the manner proposed in 2013.

Upon the conclusion of the capstone project, the executive team renewed its goal of aligning the Department's programs, bureaus, and divisions under its two-pronged mission.

Discussion

The Department is recommending a new structure as outlined in the organizational chart in Attachment 1. These changes will better align systems, budgets, staffing, and goals, as well as create more balanced divisions and workloads. The changes include:

- A new Trust Land Management Division comprised of three bureaus: Timber Management (formerly called Forest Management), Technical Services, and Real

Estate Services. Endowment leasing functions will be handled under the Real Estate Services Bureau.

- The Oil, Gas and Minerals Division will be comprised of the Oil and Gas Regulatory Program and the Resource Protection and Assistance Bureau.
- The Forestry and Fire Division will be comprised of three bureaus: Fire Management, Forestry Assistance, and Good Neighbor Authority.
- The Operations Division remains unchanged.
- The Business Services Division will remain unchanged and includes Financial and Procurement Services, Information Technology, and Strategic Planning and Policy.

The executive team has worked with the broader group of leaders in the organization to troubleshoot the implementation of this structure to ensure successful creation of the efficiencies and alignment sought. The Department has thoroughly discussed this organizational structure with the Division of Human Resources, the Division of Financial Management, the Office of the Attorney General and external stakeholders to ensure the new structure will be smoothly implemented. The new structure does not require new full-time equivalents (FTEs) or additional appropriation.

The Department has developed a timeline for implementation that would formally commence on July 1, 2019. Full implementation of structure changes within the budget is anticipated for July 1, 2020.

Recommendation

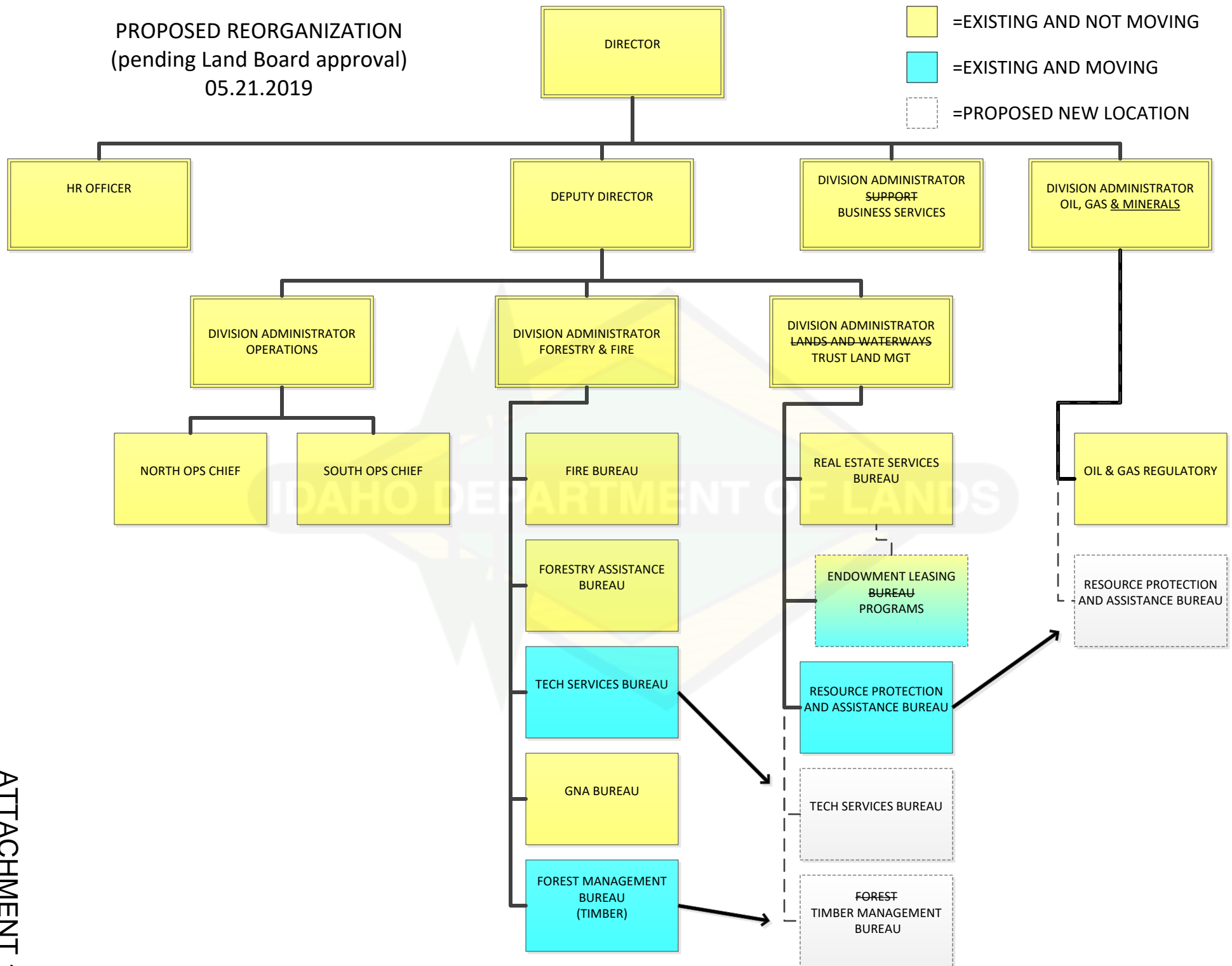
Approve the new organizational structure as outlined in Attachment 1 and authorize the Department to begin implementation during fiscal year 2020.

Board Action

Attachments

1. Proposed Organizational Structure Chart

PROPOSED REORGANIZATION
(pending Land Board approval)
05.21.2019



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IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

May 21, 2019
Information Agenda

Subject

Appointment of Land Board Subcommittee to Review Investment of Land Bank Funds

Background

Governor Brad Little, as president of the State Board of Land Commissioners (Land Board), has appointed a subcommittee to review the current Strategic Reinvestment Plan and make recommendations on how best to invest the approximately \$240,000,000 that has or will be generated from residential and commercial properties to ensure the maximum long-term return to the endowment beneficiaries.

The subcommittee will consist of Governor Brad Little, Attorney General Lawrence Wasden, and Irving Littman, a member of the Endowment Fund Investment Board and retired vice president and treasurer of Boise Cascade Corp., who has over four decades of finance and investment experience. The public is welcome to participate in or attend the meetings of the subcommittee.

The Strategic Reinvestment Plan was approved by the Land Board in May 2016. It addresses the investment of funds generated from the sale of residential (cottage site) and commercial properties. Those sales have generated roughly \$200,000,000, with \$40,000,000 in additional sales, plus interest, anticipated to be generated over the next few years. Of that, around \$97,000,000 has been allocated, with \$47,000,000 being transferred into the Permanent Fund and invested in financial and real estate investments, and approximately \$50,000,000 being used to purchase timberland and access to existing endowment lands. Close to \$110,000,000 is currently being held in the Land Bank Fund, of which nearly \$5,000,000 is interest earnings. The authority to hold that money in the Land Bank Fund will expire over the next two to five years.

Discussion

The subcommittee's primary task will be to study and make recommendations to the Land Board on how best to invest the \$240,000,000 that has been or will be generated from the sale of residential and commercial properties to ensure the maximum long-term return to the endowment beneficiaries. Topics the subcommittee may consider include, but are not limited to:

- The options and best methods to diversify, stabilize, and maximize the long-term value, returns, and distribution growth from endowment trust assets (financial and land assets);

- The Strategic Reinvestment Plan adopted by the Land Board considering historic, current, and projected market conditions and trends;
- The various options for investing these funds and the potential long-term returns, risks, volatility, and other factors related to those investment options;
- The advantages and risks of various investment and diversification strategies;
- The advantages and disadvantages of investing some or all of those funds in timber in Idaho and how to appropriately measure the long-term return for potential timber purchases in Idaho; and
- The impact of the various investment strategies on the communities, industries, and other stakeholders in Idaho.

The subcommittee is authorized to and will obtain information and expertise from the agencies of the State of Idaho, including the Endowment Fund Investment Board (EFIB) and Idaho Department of Lands, and consultants engaged by those agencies, including Callan, the consulting firm that advises EFIB and worked with the Land Board in developing the Strategic Reinvestment Plan.

The logo of the Idaho Department of Lands is a large, stylized diamond shape. It features a light blue center, a yellow border, and a grey outer border. A horizontal bar across the middle contains the text "IDAHO DEPARTMENT OF LANDS" in white capital letters.

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