

## State Board of Land Commissioners Open Meeting Checklist

Meeting Date: August 20, 2019

### Regular Meetings

7/30/19	Notice of Meeting posted in prominent place in IDL's Boise Headquarters office five (5) or more calendar days before meeting.
7/30/19	Notice of Meeting posted in prominent place in IDL's Coeur d'Alene Headquarters office five (5) or more calendar days before meeting.
7/30/19	Notice of Meeting posted in prominent place at meeting location five (5) or more calendar days before meeting.
7/30/19	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.
7/30/19	Notice of Meeting posted electronically on IDL's public website <a href="http://www.idl.idaho.gov">www.idl.idaho.gov</a> five (5) or more calendar days before meeting.
8/16/19	Agenda posted in prominent place in IDL's Boise Headquarters office forty-eight (48) hours before meeting.
8/16/19	Agenda posted in prominent place in IDL's Coeur d'Alene Headquarters office forty-eight (48) hours before meeting.
8/16/19	Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
8/16/19	Agenda emailed/faxed to list of media and interested citizens who have requested such notice forty-eight (48) hours before meeting.
8/16/19	Agenda posted electronically on IDL's public website <a href="http://www.idl.idaho.gov">www.idl.idaho.gov</a> forty-eight (48) hours before meeting.
12/19/18 8/14/19	Annual meeting schedule posted – Director's Office, Boise and Staff Office, CDA and IDL's public website <a href="http://www.idl.idaho.gov">www.idl.idaho.gov</a>

### Special Meetings

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

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

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

  
Recording Secretary

August 16, 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

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# **NOTICE OF PUBLIC MEETING AUGUST 2019**

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, August 20, 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).

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*Please note meeting location.*

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

First Notice Posted: 7/30/2019-IDL Boise; 7/30/2019-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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Lawrence E. Denney, Secretary of State  
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Dustin T. Miller, Secretary to the Board

### State Board of Land Commissioners Regular Meeting

August 20, 2019 – 9:00 AM (MT)

#### 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 – July 2019
- B. Leases and Permits – July 2019

##### Status Updates

- C. Land Revenue Forecast
- D. Fire Season
- E. Resource Protection and Assistance Bureau
- F. Cottage Sites Auction – Priest Lake Results

#### Consent—Action Item(s)

#### 2. Approval of Minutes – July 16, 2019 Regular Meeting (Boise)

#### Regular—Action Item(s)

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

- A. Manager's Report
- B. Investment Report
- C. FY2021 Distributions and Transfers

#### 4. Athol 80 Easement Disposition – Presented by Ryan Montoya, Bureau Chief-Real Estate Services

State Board of Land Commissioners  
Final Agenda-v0816  
Regular Meeting (Boise) – August 20, 2019  
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**5. Forest Asset Management Plan (FAMP)** – *Presented by Bill Haagenson, Division Administrator-Operations*

**6. FY2021 Budget Enhancements** – *Presented by Debbie Buck, Financial Officer*

### **Information**

**7. Packer John Salvage Sales** – *Presented by Tom Eckberg, Program Manager-Forest Health, and Jim Elbin, Bureau Chief-Forest Management*

### **Executive Session**

None





# Idaho Statutes

TITLE 74  
TRANSPARENT AND ETHICAL GOVERNMENT  
CHAPTER 2  
OPEN MEETINGS LAW

74-206. EXECUTIVE SESSIONS — WHEN AUTHORIZED. (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 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 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 chapter 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.

(4) If the governing board of a public school district, charter district, or public charter school has vacancies such that fewer than two-thirds (2/3) of board members have been seated, then the board may enter into executive session on a simple roll call majority vote.

## History:

[74-206, added 2015, ch. 140, sec. 5, p. 371; am. 2015, ch. 271, sec. 1, p. 1125; am. 2018, ch. 169, sec. 25, p. 377; am. 2019, ch. 114, sec. 1, p. 439.]

# STATE BOARD OF LAND COMMISSIONERS

August 20, 2019  
Endowment Transactions

## Timber Sales

During July 2019, the Department of Lands sold four endowment timber sales at auction. The endowment net sale value represents a 0.2% up bid over the advertised value. Two endowment sales, High Country Cedar and Spanish Terrace Ton did not sell at auction. High Country Cedar has been re-scheduled for auction, while Spanish Terrace Ton will be held for better market conditions.

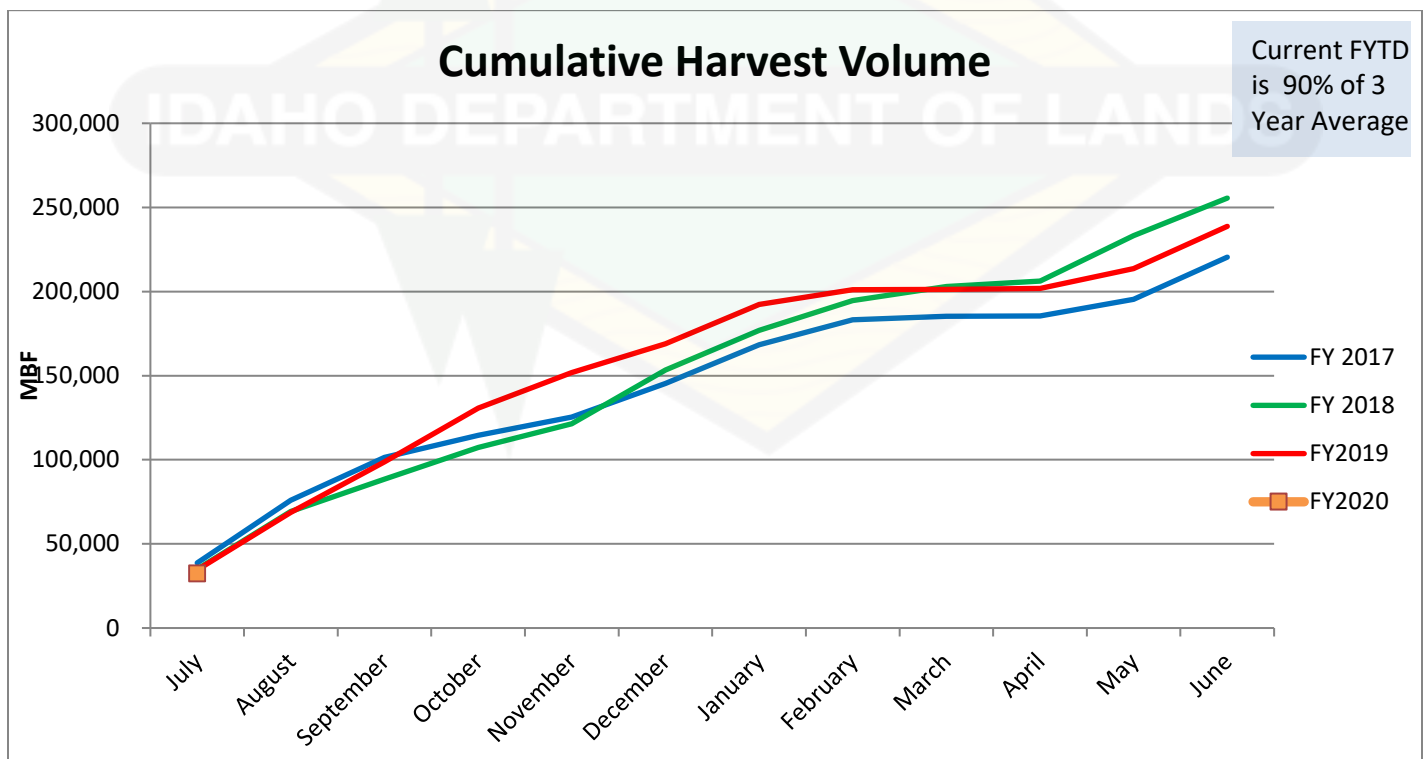
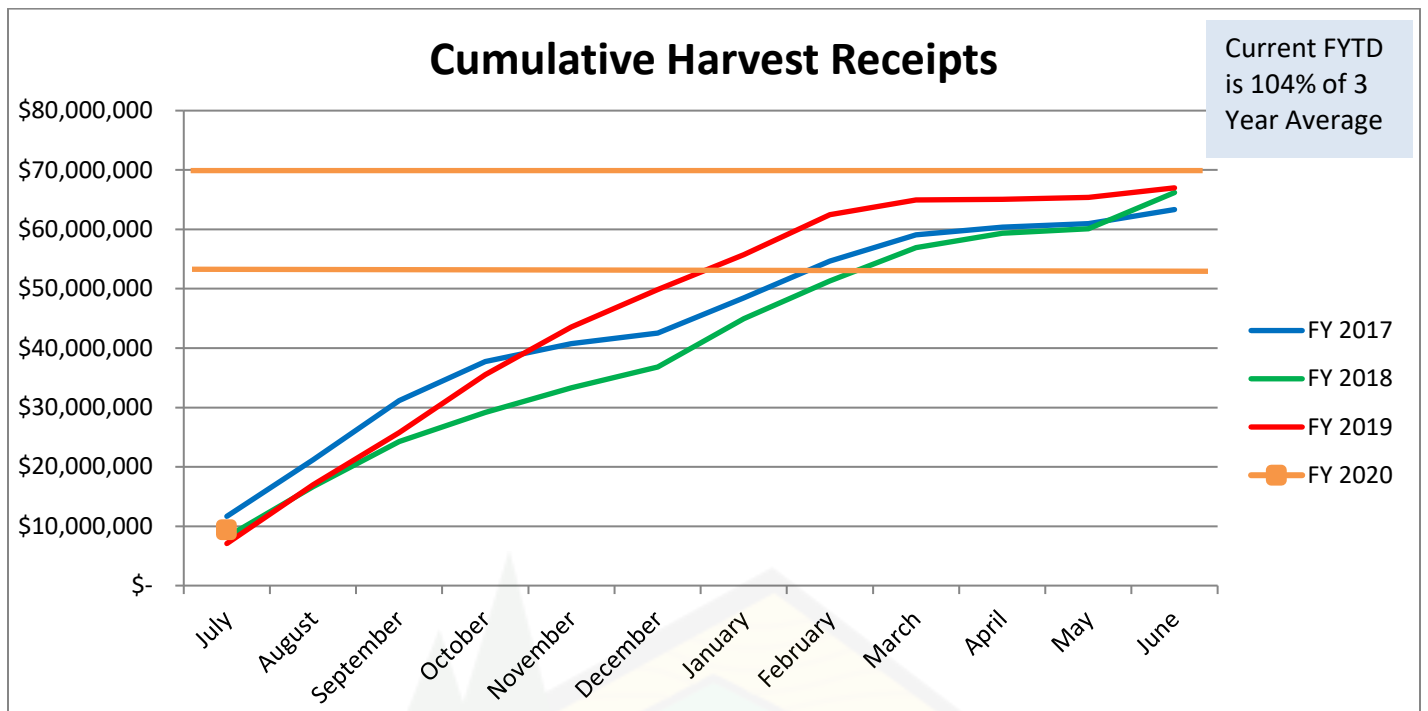
TIMBER SALE AUCTIONS								
SALE NAME	AREA	SAWLOGS MBF	CEDAR PROD MBF	PULP MBF	APPRAISED NET VALUE	SALE NET VALUE	NET \$/MBF	PURCHASER
West Branch White Pine	POL	4,835			\$1,091,873.00	\$1,091,873.00	\$225.83	IFG Timber LLC
Long Meadow OSR	POND	2,015	20		\$306,508.00	\$313,155.60	\$153.88	IFG Timber LLC
Cleaning Contorta	SJ	1,650			\$368,933.00	\$368,933.00	\$223.60	PotlatchDeltic
Center Howell Salvage	SWI	15,090			\$1,566,331.80	\$1,566,331.80	\$103.80	Woodgrain Millwork Inc
		23,590	20		\$3,333,645.80	\$3,340,293.40	\$141.48	

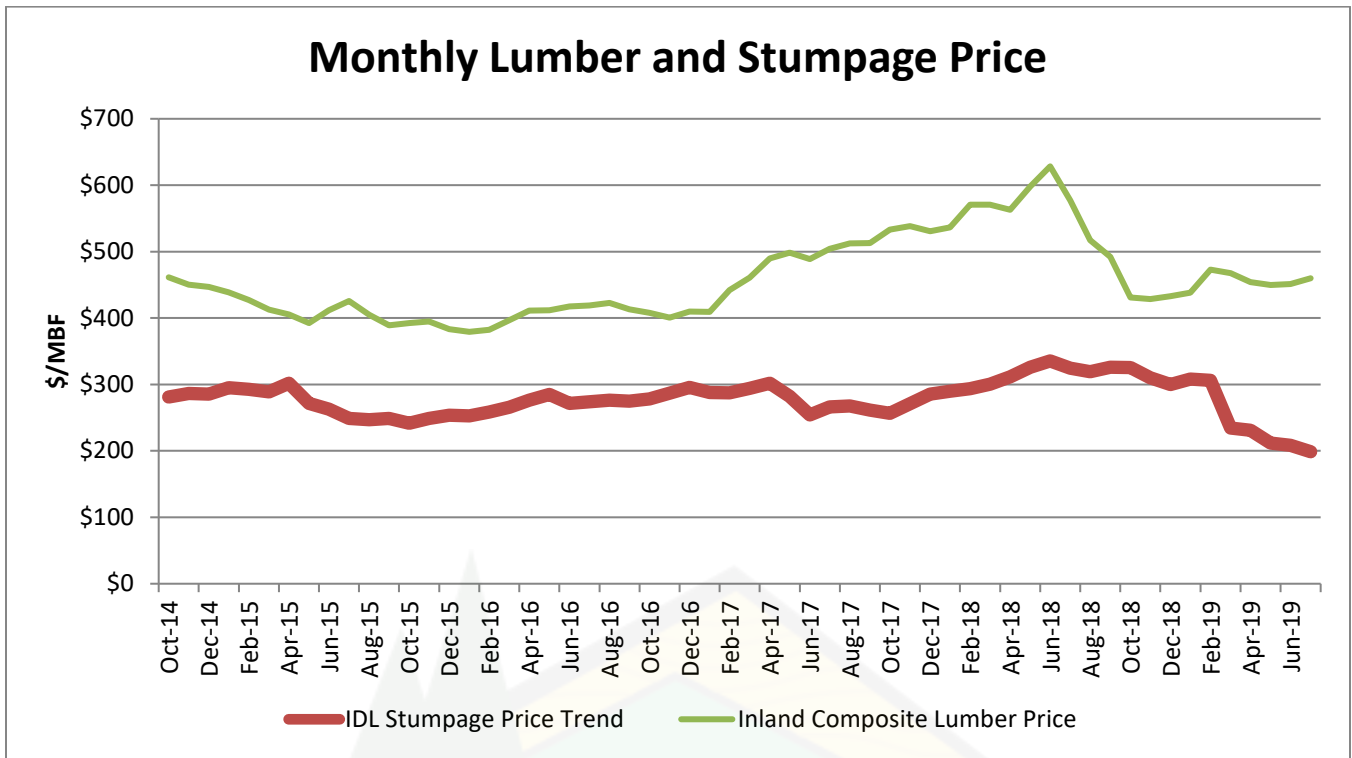
PROPOSED TIMBER SALES FOR AUCTION				
Sale Name	Volume MBF	Advertised Net Value	Area	Estimated Auction Date
North Operations				
Black Boulder GNA	4,680	\$435,017	IPNF	8/8/2019
Hanna Flats GNA	6,425	\$633,119	IPNF	9/5/2019
PS	3,090	\$678,967	POL	8/5/2019
Wet Boot	4,115	\$1,277,755	POL	8/27/2019
High Country Cedar	825	\$ 344,005	POL	8/23/2019
South Brickel Cedar	2,885	\$1,382,730	MICA	9/10/2019
Annis Divide	4,225	\$1,088,166	SJ	8/20/2019
Kugel Cherries OSR	5,565	\$885,354	SJ	9/4/2019
Davis Mountain	11,560	\$2,368,307	SJ	9/4/2019
	43,370	\$9,093,419		
South Operations				
Hidden Sriver Salvage	11,019	\$1,198,234	SWI	8/20/2019
Windy Shingle South GNA Ton	7,635	\$823,597	Nez-Clear NF	9/3/2019
Willow South GNA Ton	3,330	\$ 331,817	Boise NF	8/22/2019
	21,984	\$2,353,647		

<b>VOLUME UNDER CONTRACT as of July 31, 2019</b>			
	Total	Public School	Pooled
Active Contracts	178		
Estimated residual volume (MBF)	459,920	286,187	173,733
Estimated residual length (LF)	120,355	120,355	0
Estimated residual weight (Ton)	546,204	376,424	169,780
Total Residual MBF Equivalent	560,127	355,412	204,715
Estimated residual value	\$ 157,875,914	\$ 99,677,880	\$ 58,198,034
Residual Unit Value (\$/MBF)	\$ 281.86	\$ 280.46	\$ 284.29

<b>TIMBER HARVEST RECEIPTS</b>									
	July			FY to date		August Projected			
	Stumpage		Interest		Harvest Receipts	Stumpage		Interest	
Public School	\$	5,007,970.73	\$	592,527.85	\$ 5,600,498.58	\$	6,068,303.04	\$	847,287.68
Pooled	\$	3,309,766.63	\$	449,506.32	\$ 3,759,272.95	\$	2,777,653.89	\$	367,526.80
General Fund	\$	2.92	\$	0.00	\$ 2.92	\$	2.93	\$	0.00
TOTALS	\$	8,317,740.28	\$	1,042,034.17	\$ 9,359,774.45	\$	8,845,959.86	\$	1,214,814.48

Status of FY 2020 Timber Sale Program							
	MBF Sawlog				Number Poles		
	Public School	Pooled	All Endowments		Public School	Pooled	All Endowments
Sold as of July 31,2019	21,042	4,570	25,612		0	0	0
Currently Advertised	39,127	867	39,994		0	0	0
In Review	5,006	9,633	14,639		2,003	0	2,003
Did Not Sell	0	0	0		0	0	0
TOTALS	65,175	15,070	80,245		2,003	0	2,003
FY-2020 Sales Plan							18,025
Percent to Date							11%

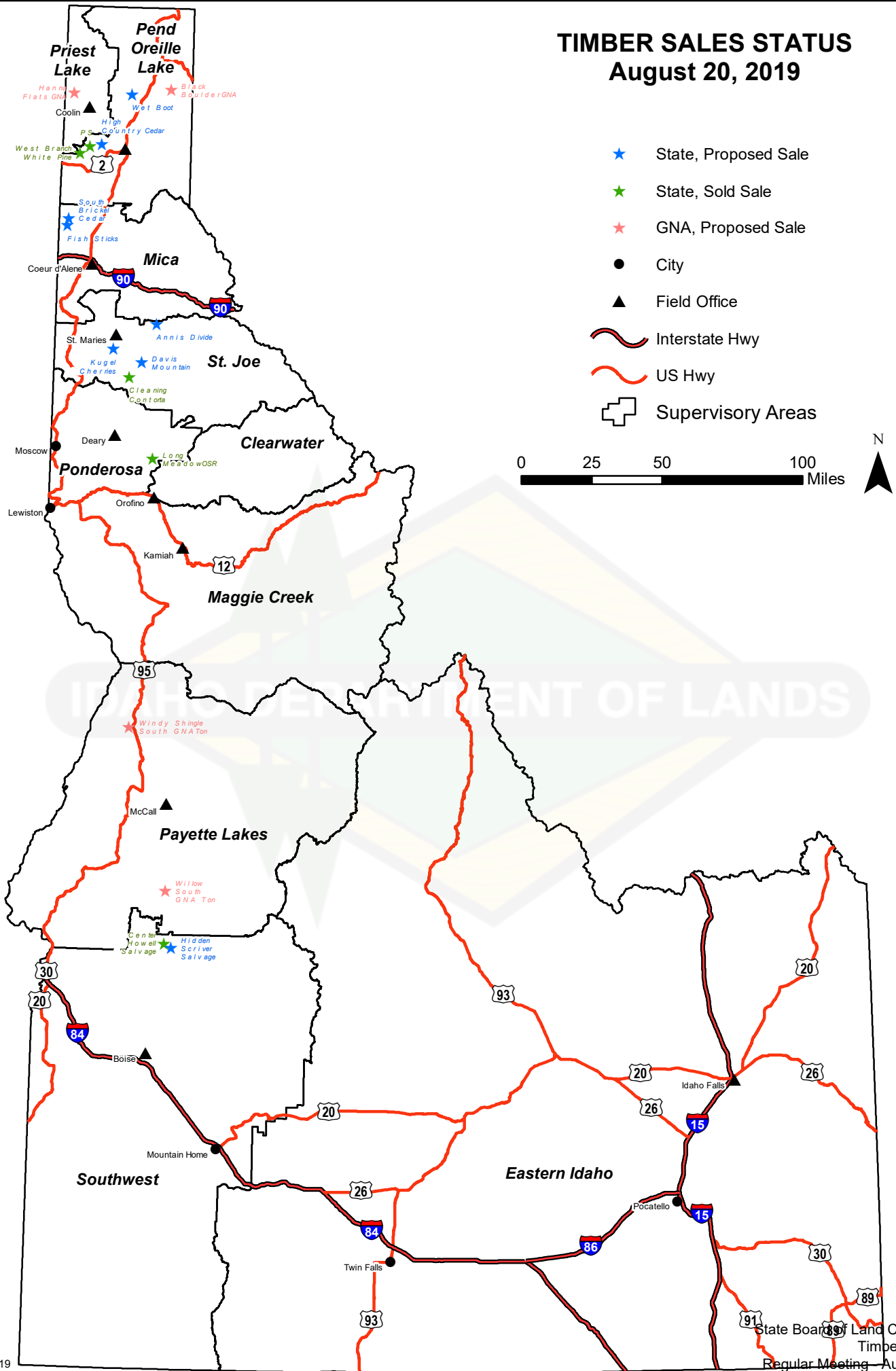




IDL Stumpage Price Line is a 6 month rolling average of the net sale price.

IDAHO DEPARTMENT OF LANDS

# TIMBER SALES STATUS August 20, 2019



# STATE BOARD OF LAND COMMISSIONERS

August 20, 2019

Endowment Transactions

## Leases and Permits

FISCAL YEAR 2020 – LEASING & PERMITTING TRANSACTIONS BY MONTH – through July 31, 2019															
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	EST	YTD	
SURFACE															
Agriculture	-												12	0	
Communication Sites	-												5	0	
Grazing	-												142	0	
Assignments	2												-	2	
Residential	-												15	0	
COMMERCIAL															
Alternative Energy	-												-	0	
Industrial	-												1	0	
Military	-												3	0	
Office/Retail	-												4	0	
Recreation	-												4	0	
OTHER															
Conservation	-												1	0	
Geothermal	-												-	0	
Minerals	-												9	0	
Assignments	1												-	1	
Non-Comm Recreation	-												-	0	
Oil & Gas	-												-	0	
PERMITS															
Land Use Permits	14												-	14	
TOTAL INSTRUMENTS	17													17	

## Real Estate

FISCAL YEAR 2020 – REAL ESTATE TRANSACTIONS BY MONTH – through July 31, 2019														
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	YTD
Deeds Acquired	-													0
Deeds Granted	6													6
Deeds Granted - Surplus	-													0
Easements Acquired	-													0
Easements Granted	1													1

There were six deeds issued in July, 2019. Two of the deeds were for the Watertown Lots auctioned on May 31, 2019 and four of the deeds were for the Payette Lake cottage sites auctioned on June 14, 2019. Four remaining Payette Lake cottage sites' closings are anticipated within the next month.

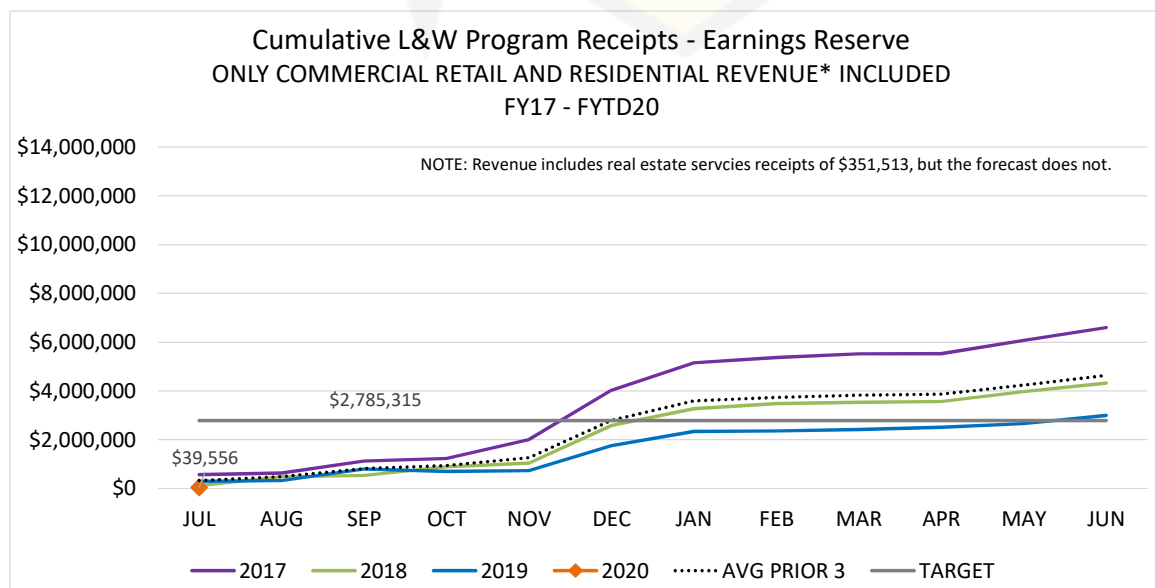
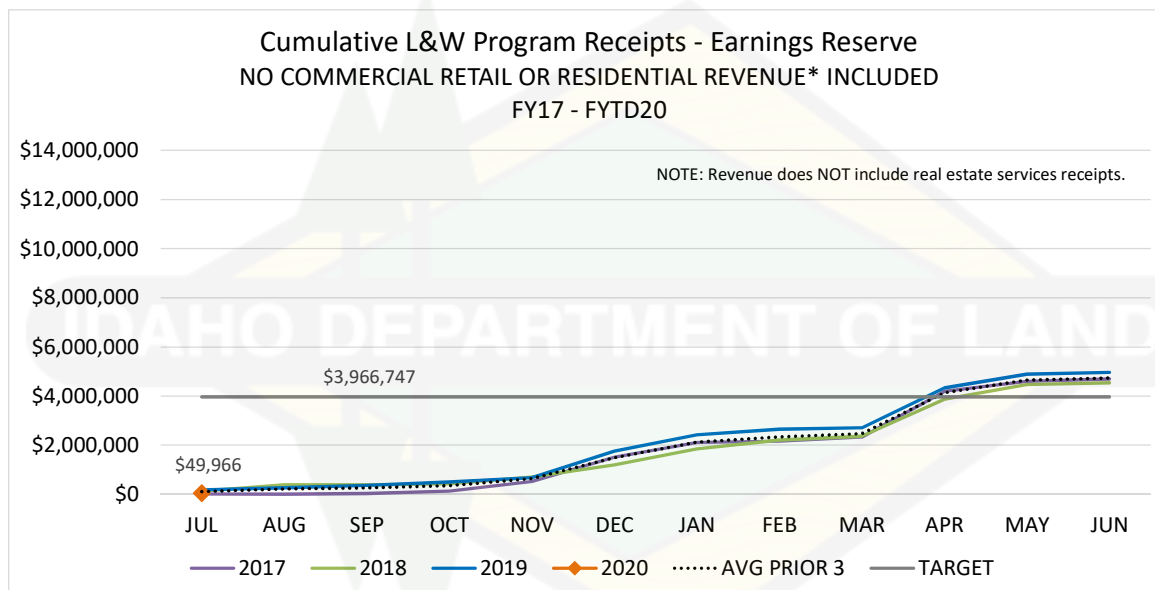
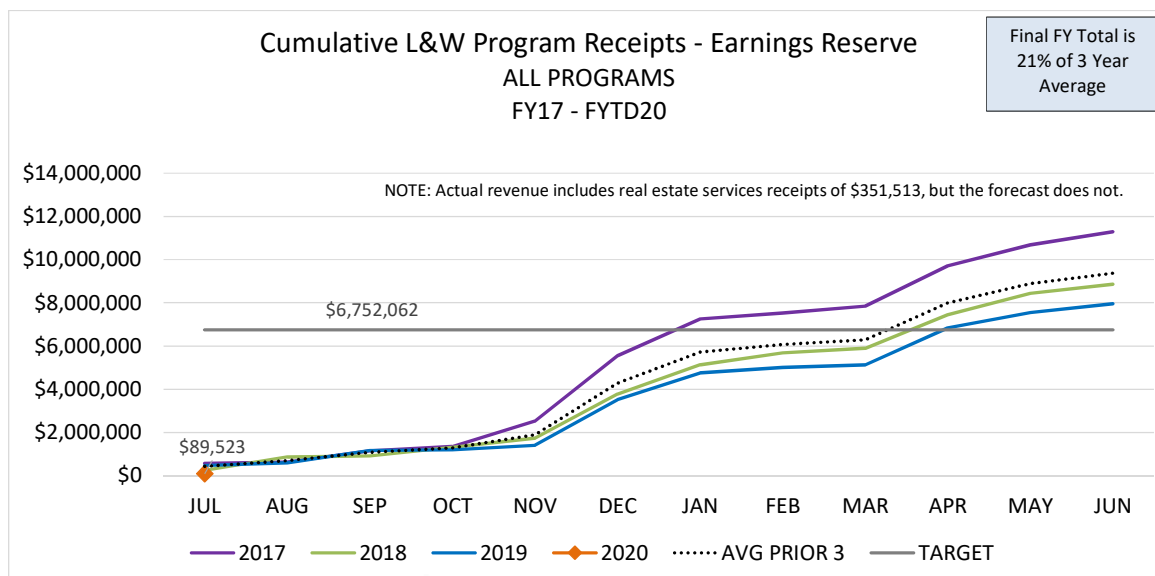
**LANDS AND WATERWAYS DIVISION**  
**2020FYTD GROSS REVENUE - ACTUAL AND FORECASTED**  
**through July 31, 2019**

	ACTUAL RECEIPTS AS OF 07.31.2019	REVENUE EXPECTED BY 07.31.2019**	REVENUE EXPECTED BY 06.30.2020
<b>SURFACE</b>			
AGRICULTURE	\$ 250	\$ 560	\$ 308,786
COMMUNICATION SITES	\$ 250	\$ 2,905	\$ 937,019
GRAZING	\$ 6,047	\$ 18,432	\$ 1,818,574
RESIDENTIAL	\$ 18,277	\$ -	\$ 1,820,796
<b>COMMERCIAL</b>			
COMMERCIAL ENERGY RESOURCES	\$ 250	\$ -	\$ 22,812
COMMERCIAL INDUSTRIAL	\$ 36,250	\$ 563	\$ 82,308
COMMERCIAL MILITARY	\$ 250	\$ 16,600	\$ 139,976
COMMERCIAL OFFICE/RETAIL	\$ 21,279	\$ 74,873	\$ 964,519
COMMERCIAL RECREATION	\$ 4,600	\$ 3,292	\$ 322,031
<b>OTHER</b>			
CONSERVATION LEASES	\$ -	\$ -	\$ 148,078
GEO THERMAL	\$ -	\$ 72	\$ 4,117
MINERAL	\$ 1,043	\$ 1,600	\$ 73,453
NON-COMMERCIAL RECREATION	\$ -	\$ 1,384	\$ 80,496
OIL AND GAS LEASES	\$ 1,026	\$ -	\$ 29,096
<b>Sub Total</b>	<b>\$ 89,522</b>	<b>\$ 120,281</b>	<b>\$ 6,752,062</b>
*LAND SALES/RECORDS	\$ -		
*REAL ESTATE SERVICES	\$ -		
<b>Grand Total</b>	<b>\$ 89,522</b>		

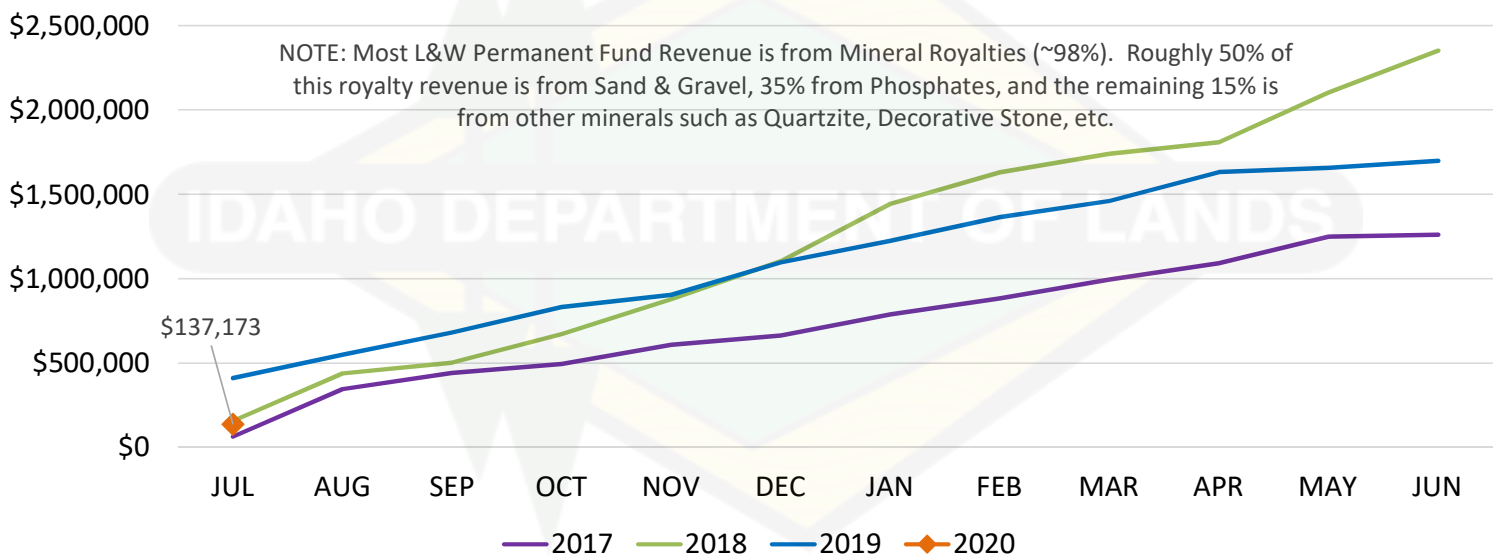
\* These categories are not included in the annual forecast.

\*\* These figures are based on "normal" timing of revenue/billing throughout the year.

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) FY17 - FYTD20



# STATE BOARD OF LAND COMMISSIONERS

August 20, 2019  
Department Report

## Subject

Land Revenue Forecast

## Background

Each year, the Idaho Department of Lands (Department) provides a revenue forecast showing a predicted range of revenue by endowment for the next four fiscal years, based on expected levels of operations, prices of existing timber sales under contract, predicted changes in lease revenues, and agency expenditures. The four-year net income forecast table is provided as Attachment 1.

An income range is provided for each endowment to account for variability in timber markets, and the duration of timber sale contracts; i.e., purchasers have flexibility on when to harvest timber. Most leasing activity returns are relatively stable from year to year; however, leasing revenue has declined in recent years due to the sale of residential and commercial real estate. Reinvestment of Land Bank proceeds generated by the sales is expected to offset declining revenues.

## Discussion

The Department's gross land management revenue was \$74.3 million in FY2019, approximately \$0.3 million more than FY2018 and \$2.8 million more than the ten year average. The \$74.3 million total is approximately \$3.3 million below last year's forecasted high and \$14.3 million above the forecasted low. Gross revenue forecasts compared to actual returns are provided as Attachment 2.

The Department's net land management income was over \$44.9 million in FY2019, approximately \$1.4 million less than FY2018 and \$2.1 million less than the ten year average. The \$44.9 million total is approximately \$5.3 million below last year's forecasted high and \$12.3 million above the forecasted low. Net income forecasts compared to actual returns are provided as Attachment 3.

The timberland asset class accounted for approximately 91% of the total gross land management revenue and 97% of the total net land management income in FY2019. Timber revenue is expected to increase moving forward as the Department implements the new annual sale volume resulting from the Forest Asset Management Plan revision.

The land revenue forecast also includes implementation of the Strategic Reinvestment Plan. It assumes \$130 million in Land Bank funds are reinvested over five years beginning in FY2020. Reinvestment is conservatively estimated to yield 5.0% gross nominal return

beginning in FY2021. Land Bank funds are shown as reinvested in the forecast although the funds could be transferred to the permanent fund.

### **Attachments**

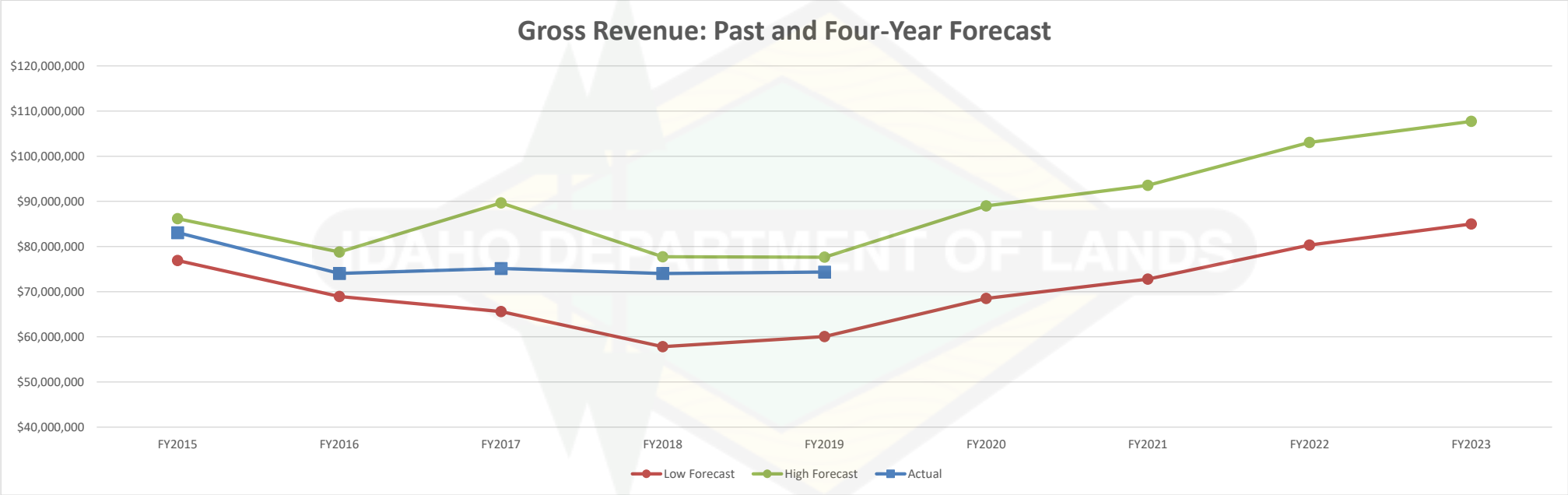
1. Four-Year Net Income Forecast Table (by Endowment)
2. Gross Revenue: Past and Four-Year Forecast Graph
3. Net Income: Past and Four-Year Forecast Graph

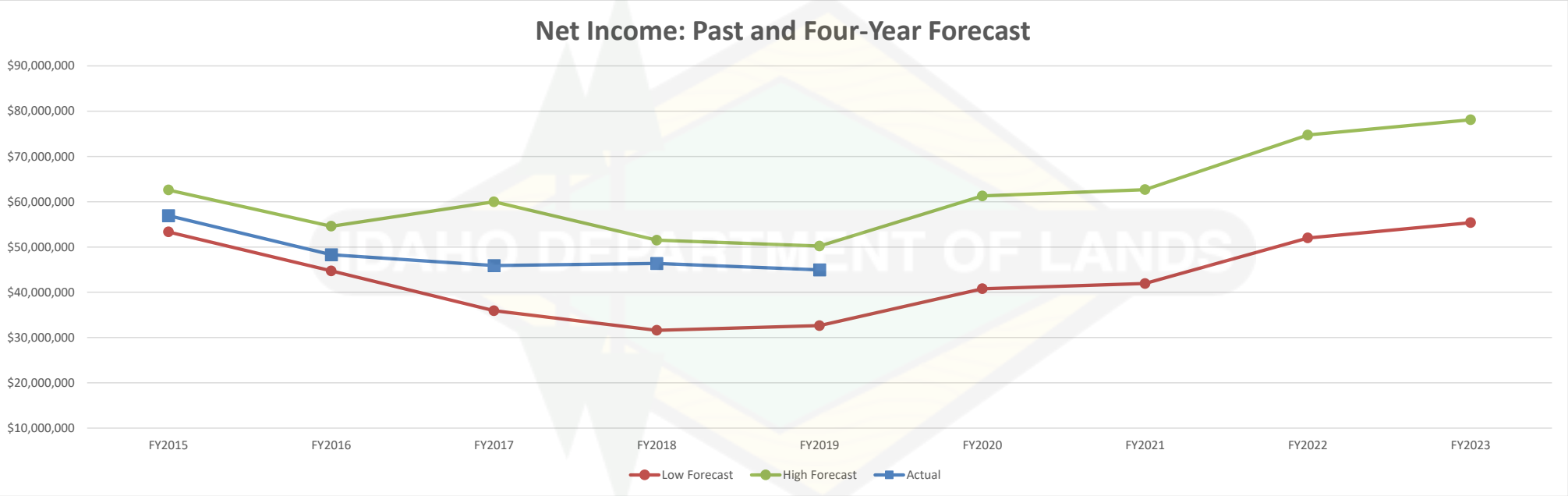


### Four-Year Net Income Forecast

Fiscal Year	Net Income	Public School	Ag College	Charitable Institutions	Normal School	Penitentiary	School of Science	State Hospital South	University	Capitol*	Total
2020	Low	\$ 25,404,785	\$ 961,131	\$ 2,983,932	\$ 1,797,302	\$ 1,626,399	\$ 3,174,958	\$ 1,656,048	\$ 2,961,912	\$ 215,296	\$ 40,781,761
	High	\$ 37,999,921	\$ 1,470,094	\$ 4,537,366	\$ 2,674,778	\$ 2,475,743	\$ 4,833,267	\$ 2,427,494	\$ 4,535,029	\$ 329,582	\$ 61,283,274
2021	Low	\$ 25,848,831	\$ 1,388,473	\$ 2,768,473	\$ 2,361,723	\$ 1,662,150	\$ 2,345,546	\$ 2,123,584	\$ 2,958,179	\$ 465,961	\$ 41,922,920
	High	\$ 38,442,839	\$ 2,137,943	\$ 4,309,708	\$ 3,379,564	\$ 2,589,915	\$ 3,649,422	\$ 2,927,275	\$ 4,504,574	\$ 729,994	\$ 62,671,235
2022	Low	\$ 32,674,680	\$ 976,720	\$ 2,767,283	\$ 3,667,583	\$ 1,665,055	\$ 2,122,723	\$ 3,660,816	\$ 4,040,180	\$ 423,334	\$ 51,998,376
	High	\$ 46,830,442	\$ 1,432,388	\$ 4,166,908	\$ 5,060,254	\$ 2,509,673	\$ 3,192,564	\$ 4,944,898	\$ 5,954,452	\$ 641,369	\$ 74,732,948
2023	Low	\$ 33,395,888	\$ 797,591	\$ 3,236,454	\$ 4,894,989	\$ 2,256,470	\$ 1,622,135	\$ 4,822,236	\$ 3,952,816	\$ 393,049	\$ 55,371,628
	High	\$ 46,853,057	\$ 1,132,653	\$ 4,807,440	\$ 6,746,867	\$ 3,356,706	\$ 2,399,308	\$ 6,517,854	\$ 5,696,632	\$ 586,908	\$ 78,097,424

\*Capitol revenue accrues to the permanent fund rather than the reserve.





# STATE BOARD OF LAND COMMISSIONERS

August 20, 2019  
Department Report

## Subject

Fire Season Update

## Background

As of August 14, 2019, Emergency Fire Suppression expenditures are estimated to be \$7,753,000. The Suppression Account will recover an estimated \$738,000 of reimbursable costs, for a net obligation of \$7,015,000. The total obligation above includes the 2019 contracted aircraft costs.

## Discussion

On August 7, the CCC fire started 2 miles north of Cataldo. The fire is currently 100% contained and is 450 acres. The fire is burning primarily in timber and slash. The fire was managed by an IDL Type 3 team.

On August 5, the Bandy Fire started on private land 7 miles northeast of Spirit Lake. This fire is contained at 134 acres. The fire was managed by local district resources.

On August 1, Mica Creek Fire started on an active timber sale on endowment land 20 miles east of St. Maries. This fire is currently contained and controlled. The fire was managed by an IDL Type 3 team and grew to 38 acres.

As shown in the table below, fire occurrence to date for 2019 is 89% of the 20-year average, while the acres burned is 6% of the 20-year average.

**Fire Season Comparison to Date**

# of Fires Under IDL Protection				
Year	Lightning	Human	Total	Acres
2016	43	66	109	11,066
2017	34	100	134	51,174
2018	39	141	180	7,376
2019	75	103	178	1,218
20 Yr. Average			200	21,056

July saw low precipitation and near normal temperatures. August is expecting a 2-week cool and wet period, then transitioning to a hot and dry pattern. At this time, conditions have not warranted fire restrictions.

## Significant Fires Outside of IDL Protection

### Nethker

This fire is 30 miles northeast of McCall and burning in timber. There is active fire behavior with group torching, uphill runs, and spotting. Structures are threatened. Evacuations, and area, road, and trail closures are in effect. The fire is currently 2,351 acres and 79% contained. The fire is being managed by a Type 2 team.

### Cove Creek

This fire is burning 27 miles northwest of Salmon, in timber and tall grass. There is moderate fire behavior with flanking, backing, and creeping. Structures are threatened. Trail closures are in effect. The fire is 4,394 acres and 65% contained.

### Lick Creek Fire

This fire started on private land 6 miles southwest of Avery, in timber and heavy logging slash. There is minimal fire behavior with backing and creeping. The fire is currently 200 acres and is 100% contained. The fire was managed by a Type 3 team.

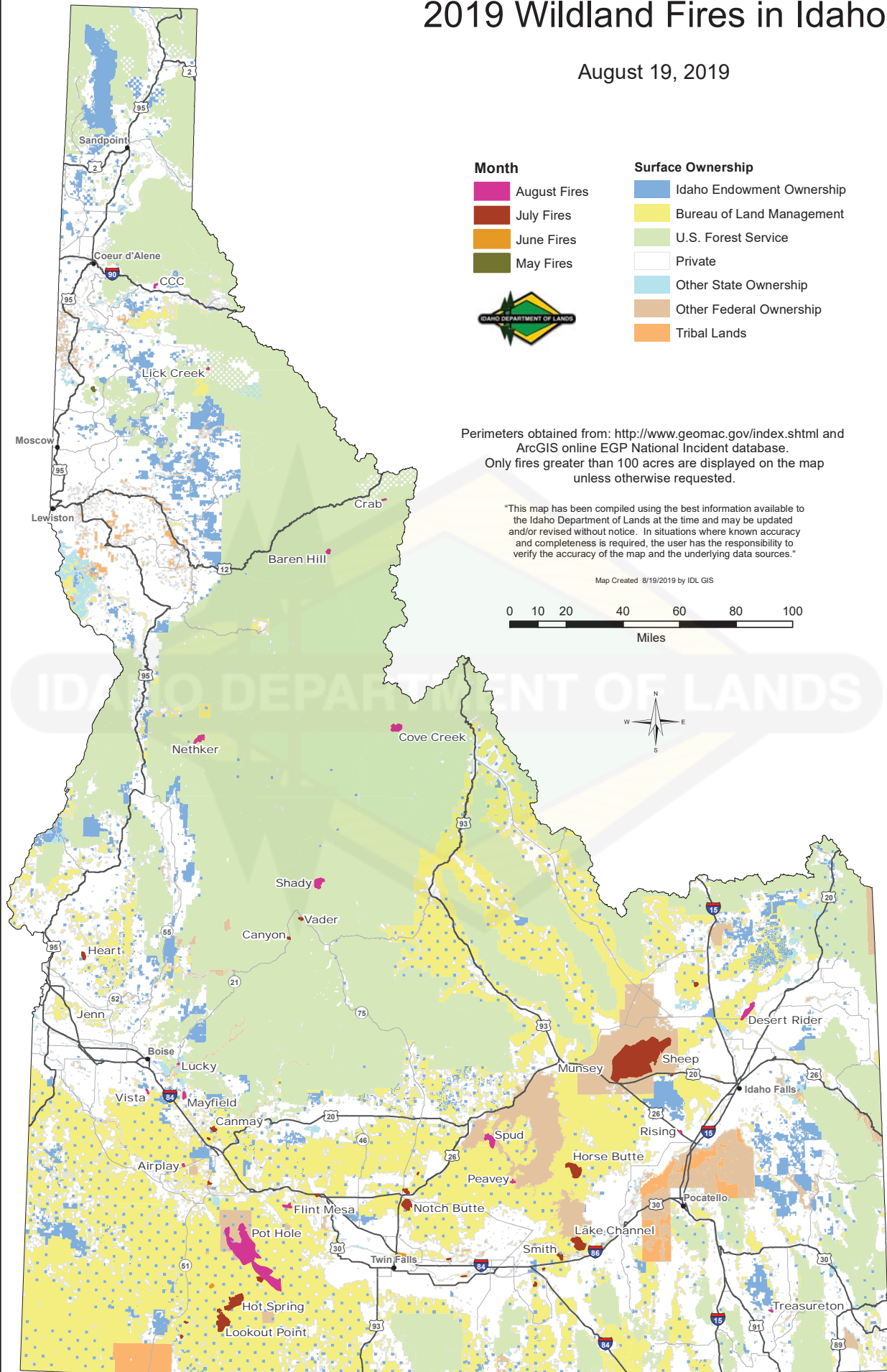
Total Acres Burned by Ownership 8/16/2019	
Surface Owner	Acres
Idaho Department of Lands	7,262
Other State Lands	28
Private	6,752
Bureau of Land Management	93,948
Other Federal	142,872
U.S. Forest Service	12,292
<b>Total Acres</b>	<b>263,154</b>

## Attachments

1. Significant Fires Throughout Idaho

# 2019 Wildland Fires in Idaho

August 19, 2019



X:\Projects\FireManagement\WeeklyFireUpdates\2019\2019FireInfoMap.mxd

# STATE BOARD OF LAND COMMISSIONERS

August 20, 2019

## Resource Protection and Assistance Bureau Biannual Report

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

### Public Trust Program

#### PAST 6-MONTH HIGHLIGHTS

- **Instrument Activity.** Instruments issued FY2014 through FY2019:

Table 1: Public Trust Historical Instrument Numbers						
Instrument Type	2014	2015	2016	2017	2018	2019
Encroachment Permits Issued	208	282	327	289	338	412
Active Submerged Land Leases	182	179	185	192	180	172
New Submerged Land Leases	12	26	11	8	36	48
Active Riverbed Mineral Leases	4	3	2	2	2	2
New Riverbed Mineral Leases	0	0	1	0	0	0
Active Exploration Locations	14	10	2	3	4	4
New Exploration Locations	0	2	0	1	2	2
New Submerged Land Easements	13	11	27	6	2	3
New Disclaimers of Interest	9	2	2	1	3	0

- **Negotiated Rulemaking.** Five negotiated rulemaking sessions were held in June. The Department received comments in support of the fee increases and did not receive any objection to the fee increases. The rulemaking process continues with the September 4, 2019 publication of the Notice of Proposed Rulemaking in the Administrative Bulletin, and a public comment period with a hearing on September 16th.
- **Buoys on the Spokane River.** The Department continued to work with Kootenai County and waterfront owners along the Spokane River to resolve the unpermitted buoys. The Department mailed 622 postcards to residents along the Spokane River regarding buoys and other unpermitted encroachments. This is the second year the

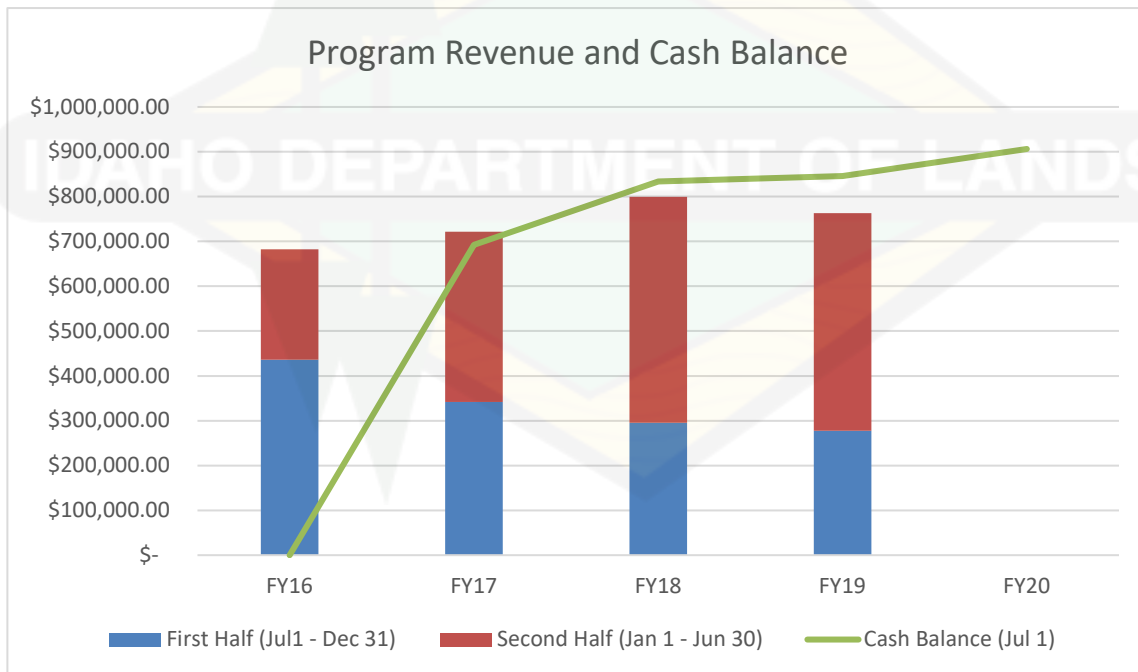
Department has mailed post cards to educate property owners about the Lake Protection Act and encroachment permitting requirements. In response, the Department received some comments regarding concerns with erosion. Kootenai County held a public meeting to start a dialog regarding wakes on the Spokane River.

- **Administrative Hearings.** Between January 1 and August 1, 2019, the Department ordered six contested case hearings and three public hearings on encroachment permit applications. Three resulted in orders approving the applications, one resulted in denying the application, and two were remanded back to the Department to process prior to holding the hearing.

#### NEXT SIX MONTHS

- **Administrative Hearings.** Two more contested case hearings and three public hearings are scheduled to be held by the end of August 2019.
- **Budget Analysis.** The Department is reviewing potential changes to rental rates for the submerged lands leases.

#### FINANCIAL UPDATE



## Regulatory Minerals Program

#### PAST 6-MONTH HIGHLIGHTS

- **Large Mine Reviews.** Participation continues for the Stibnite Gold Project Environmental Impact Statement (EIS) in the Payette Lakes Area. Baseline data and

analysis are still being provided to the agencies while alternatives and potential effects are being drafted. Bond release for the Thompson Creek Mine was denied based on errors in the reclamation cost calculations. A reclamation plan update for Phase 8 is almost completed. A Final EIS was issued for Caldwell Canyon phosphate mine.

- **Bond Audit.** An internal audit of bond amounts and disturbance was completed. This information will be used to update our database and identify mines that need bond updates.
- **Negotiated Rulemaking for IDAPA 20.03.02 and 20.03.03.** Temporary rules for IDAPA 20.03.02 were approved in July and are now in effect. Negotiations for a proposed rule will continue through this year. Proposed rules for 20.03.03 are on track for presentation before the 2020 legislature. The rulemaking process continues with the September 4, 2019 publication of the Notice of Proposed Rulemaking in the Administrative Bulletin, and a public comment period with a hearing on September 16th.
- **Hearing for Proposed Rule IDAPA 20.03.01.** Due to a number of petitions submitted on this portion of the omnibus rulemaking, three public hearings are scheduled for August 14th, 15th, and 16th in Coeur d'Alene, Idaho Falls, and Boise, respectively.
- **Abandoned Mine Land Projects.** Closure of two adits and a shaft was completed near Garfield Bay. Another adit was closed by Department staff in the Gilmore District of Lemhi County. A contract to close two adits in the Silver Valley was awarded. A contract is being advertised for the closure of eight more mine openings in the Gilmore District.

#### LOOKING FORWARD

- **Inspection Schedules.** Due to requirements mandated by House Bill 141, a review of each permitted mine site must be conducted once every five years. The Bureau will develop a 5-year implementation plan and inspection schedule to meet the requirements.
- **Develop Procedures for ITD and County Review of Reclamation Plans.** The Department currently oversees approximately 600 reclamation plans that are held by Idaho counties or the Idaho Transportation Department. The Department is developing workflow processes within the new Land Information Management System to ensure regulation of these permits while avoiding duplicative efforts by government employees.
- **Implementation of Financial Assurance Calculators.** The Department is in the process of developing financial assurance calculators to implement the changes from House Bill 141.

## TOTAL PERMITS AND BONDING

The Department currently regulates 1,561 mine sites covered by reclamation plans and 28 covered by dredge and placer permits. The mines are presented in Table 3 by area and category, and Table 4 has historical plan numbers.

Table 3: Current Mine Permit Categories by IDL Supervisory Area				
IDL Area	Sand and Gravel Mines (IDAPA 20.03.02.069)	Hardrock, Phosphate & Complex Industrial (IDAPA 20.03.02.070)	Cyanidation Mines (IDAPA 20.03.02.071)	Dredge and Placer Permits (IDAPA 20.03.01)
Clearwater	34	-	-	-
Eastern	706	21	-	1
Maggie Creek	66	1	-	3
Mica	34	-	-	7
Payette Lakes	111	2	-	2
Pend Oreille Lake	139	-	-	-
Ponderosa	56	2	-	-
Priest Lake	18	-	-	-
Southwest	304	2	-	1
St. Joe	65	-	-	14
<b>TOTAL</b>	<b>1,533</b>	<b>28</b>	<b>-</b>	<b>28</b>

Table 4: Regulatory Minerals Historical Instrument Numbers								
Instrument Type	2012	2013	2014	2015	2016	2017	2018	2019
<b>Surface Mining</b>								
New Reclamation Plans	36	20	20	25	36	24	18	28
Retirements	23	7	17	14	36	15	22	9
Total Reclamation Plans	1,496	1,536	1,537	1,528	1,530	1,542	1,540	1,561
<b>Dredge and Placer</b>								
New/Amended Dredge and Placer Permits	4	1	0	1	3	3	1	2
Retirements	-	-	-	-	-	2	0	1
Total Dredge and Placer Permits	24	25	25	25	25	26	27	28
<b>Note:</b> Inspections, Amendments, and Non-compliance are not currently tracked but will be with the implementation of the Land Information Management System (LIMS)								

For reclamation plans and dredge and placer permits, operators are eligible to provide bonding through traditional methods or the BAF. Tables 5 and 6 list the acres and bond

amounts currently in place for different types of mining operations. Created in 2006, the BAF provides another reclamation bonding option for small operators. Participation in the BAF is limited to disturbance equivalent to 40 acres or \$100,000 in liability. This is a dedicated account with revenue from annual fees of approximately \$145,000 per year. Billings are mailed in September with a November 1 due date. Table 7 has revenue from the 2018 billing. Figure 1 illustrates the revenue, expenditures, and balance for this fund.

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

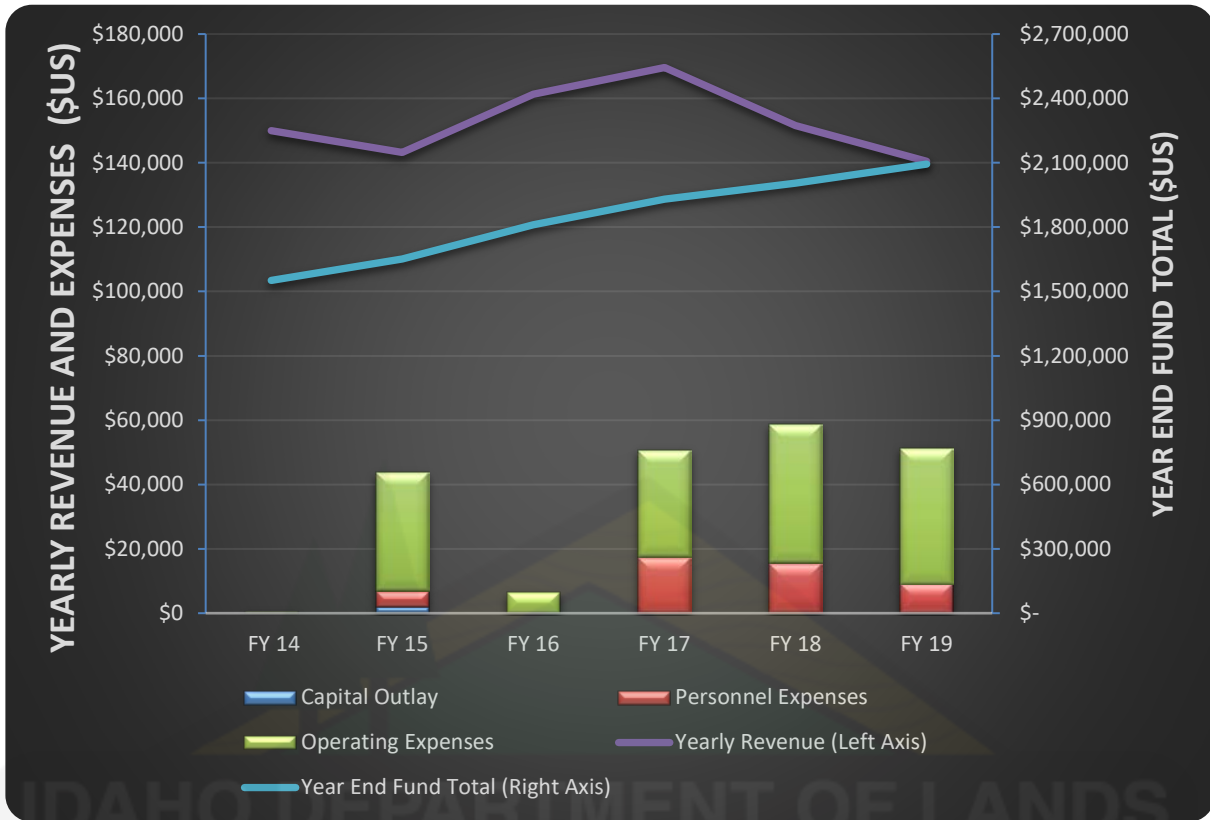
<sup>1</sup> Surety Bond, Letter of Credit, Certificate of Deposit, or Cash

<b>Table 6: Bonding for Hardrock, Phosphate &amp; Complex Industrial</b>				
	<b>Reclamation Plans (IDAPA 20.03.02.070)</b>			
	<b>Permits</b>	<b>Permitted Acres</b>	<b>Total Bond</b>	<b>Bond/Acre</b>
Traditional Bond <sup>1</sup>	28	18,981	\$102 Million	\$5,373

<sup>1</sup> Surety Bond, Letter of Credit, Certificate of Deposit, or Cash

<b>Table 7: Bond Assurance Fund 2018 Billing</b>			
<b>Disturbance (ACRES)</b>	<b>Annual Fee (\$)</b>	<b>Total</b>	<b>Total Annual Fee (\$)</b>
Mineral Leases	\$100	2	\$200
2 acres or less	\$100	176	\$17,600
> 2 acres ≤ 5 acres	\$200	175	\$35,000
> 5 acres ≤ 10 acres	\$250	130	\$32,500
> 10 acres ≤ 15 acres	\$300	71	\$21,300
> 15 acres ≤ 20 acres	\$350	30	\$10,500
> 20 acres ≤ 25 acres	\$400	26	\$10,400
> 25 acres ≤ 30 acres	\$450	15	\$6,750
> 30 acres ≤ 35 acres	\$500	12	\$6,000
> 35 acres ≤ 40 acres	\$550	9	\$4,950
<b>TOTAL</b>		<b>646</b>	<b>\$145,200</b>

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



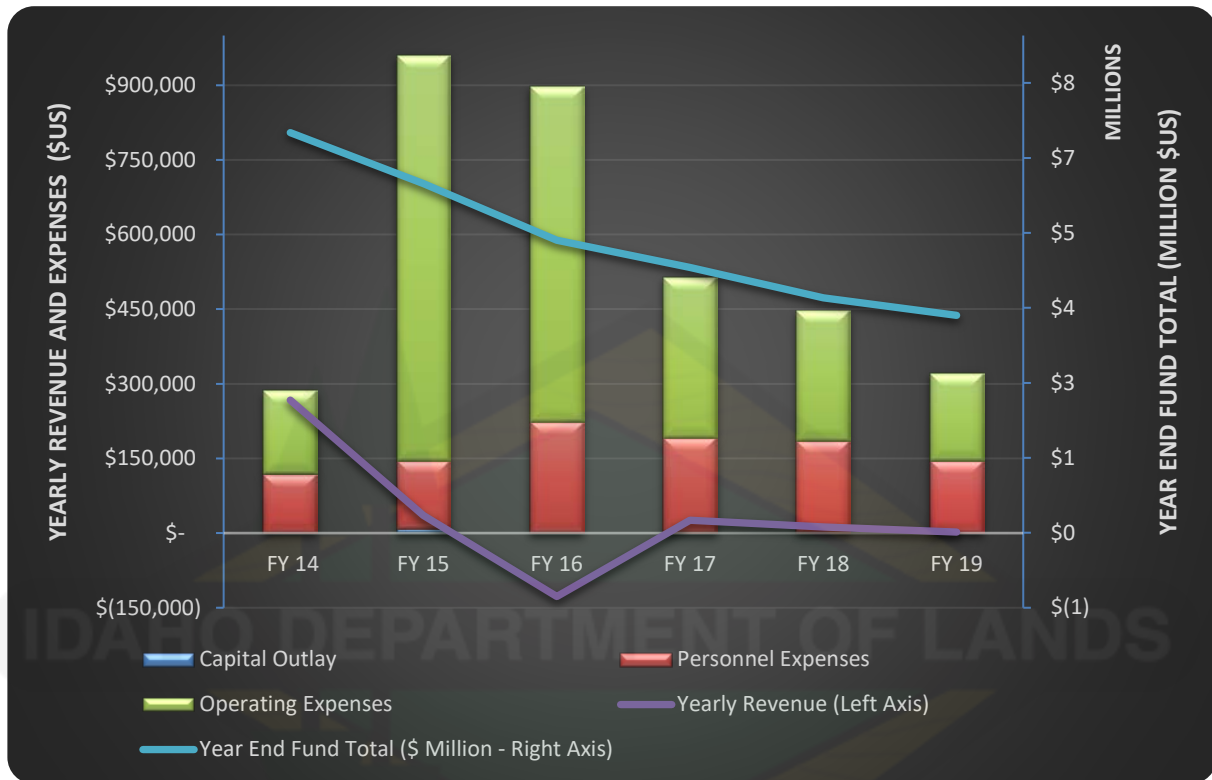
#### ABANDONED MINE LANDS

The abandoned mine lands (AML) program is funded through 34% of Idaho's Mine License Tax, a 1% net tax of Idaho's mining industry (excluding sand and gravel as described in Idaho Code § 47-1205). The last four years are among the five lowest revenue years of the fund's existence. The Department's share of income for FY19 was \$ 11,748.34. Table 8 lists the projects worked on in the first half of calendar 2019. Figure 2 illustrates the revenue, expenditures, and balance for this fund.

<b>Project Name</b>	<b>Project Description</b>
Triumph Mine	Sampling, monitoring well installation, ground water modeling, Five Year Review, NPDES permitting.
Idaho Geological Survey	AML information compilation and digitization.
Garfield Bay Closures	2 adits and 1 shaft closed with gates.
Gilmore District	1 adit closed with foam.
Royal Anne	Contract issued for closing 2 adits in Silver Valley.

Table 8: Abandoned Mine Lands Projects January through July, 2019	
Project Name	Project Description
Gilmore District	Contract advertised to close 8 mine openings.

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



# 2019 Priest Lake VAFO/ULA Results

August 17, 2019

## Priest Lake Voluntary Auction for Ownership (VAFO) Results

VAFO/ ULA	CS Address	Subdivision	Lot	Block	Acres	Appraised Land Value	Winning Bid	Up Bid Amount	Winning Bidder
VAFO	1591 W Prl Shore	Outlet Bay	4	1	1.81	\$350,000	\$350,000	\$0	Lessee
VAFO	158 State Cabin Road	Two Mouth Creek	14	1	1.26	\$646,000	\$646,000	\$0	Lessee
VAFO	101 Pinto Point Road	Pinto Point	38	1	0.54	\$566,500	\$566,500	\$0	Lessee
VAFO	1456 Rocky Point Road	Tanglewood Point	27	1	0.69	\$566,000	\$566,000	\$0	Lessee
VAFO	1258 Rocky Point Road	Tanglewood Point	21	1	0.69	\$448,000	\$448,000	\$0	Lessee
VAFO	1195 W Prl Shore	Outlet Bay	11	1	2.99	\$330,000	\$330,000	\$0	Lessee
VAFO	1530 Cape Horn Road	Woody's Point	34	1	0.63	\$426,000	\$426,000	\$0	Lessee
VAFO	119 Hess Point Road	Hess Point	12	1	0.78	\$636,000	\$636,000	\$0	Lessee
VAFO	3938 Cavanaugh Bay Rd	Leisure Bay	5	1	1.34	\$682,000	\$682,000	\$0	Lessee
VAFO	492 Upper Bear Creek Bay	Bear Creek	4	1	0.49	\$333,000	\$333,000	\$0	Lessee
VAFO	102 Char Lane	Woody's Point	23	1	1.09	\$488,000	\$488,000	\$0	Lessee
VAFO	20 E Lake Trout Ln	Woody's Point	43	1	1.04	\$527,000	\$527,000	\$0	Lessee
VAFO	158 Cutthroat Road	Hunt Creek	24	1	1.54	\$471,000	\$471,000	\$0	Lessee
VAFO	924 Sherwood Beach Rd	Kokanee Point	6	1	0.4	\$354,000	\$354,000	\$0	Lessee
VAFO	502 Clambake Road	Tanglewood Point	2	1	0.83	\$474,000	\$474,000	\$0	Lessee
VAFO	88 North Hess Point	Hess Point	9	1	0.79	\$551,000	\$551,000	\$0	Lessee
VAFO	152 South Rocky Point	Tanglewood Point	12	1	0.78	\$415,000	\$415,000	\$0	Lessee
VAFO	142 Pinto Point Road	Pinto Point	2	1	2.26	\$605,200	\$605,200	\$0	Lessee
VAFO	377 Pinto Point Road	Pinto Point	27	1	0.44	\$404,700	\$404,700	\$0	Lessee
VAFO	56 Lake Trout Lane	Woody's Point	42	1	0.65	\$420,000	\$420,000	\$0	Lessee
VAFO	364 East Cavanaugh Bay	Cougar Creek	7	1	1.06	\$583,000	\$583,000	\$0	Lessee
VAFO	42 North Two Creeks Rd	Horton Creek	3	1	0.87	\$419,000	\$419,000	\$0	Lessee
VAFO	1903 North Camp Cudge	Camp Cudge	1	1	0.92	\$399,000	\$399,000	\$0	Lessee
VAFO	174 Rosalia Bay Loop	Hunt Creek	4	1	0.73	\$438,000	\$438,000	\$0	Lessee
VAFO	1527 W Prl Shore	Outlet Bay	6	1	3.16	\$403,000	\$403,000	\$0	Non-Lessee
VAFO	1000 Sherwood Beach	Kokanee Point	2	1	0.36	\$333,000	\$333,000	\$0	Lessee
VAFO	198 North Horton Creek	Horton Creek	14	1	1.01	\$402,000	\$402,000	\$0	Lessee
<b>Total VAFO Sales</b>					<b>29.2</b>	<b>\$12,670,400</b>	<b>\$12,670,400</b>	<b>\$0</b>	

## Priest Lake Unleased Land Auction (ULA) Results

VAFO/ ULA	CS Address	Subdivision	Lot	Block	Acres	Appraised Land Value	Winning Bid	Up Bid Amount
ULA	47 Pinto Point Road	Pinto Point	40	1	0.99	\$536,400	\$536,400	\$0
ULA	86 Lake Trout Lane	Woody's Point	40	1	1.04	\$543,000	\$543,000	\$0
ULA	68 Coho Lane	Woody's Point	30	1	0.82	\$446,000	\$446,000	\$0
<b>Total ULA Sales</b>					<b>2.85</b>	<b>\$1,525,400</b>	<b>\$1,525,400</b>	<b>\$0</b>

## Total VAFO & ULA Auction Results

Acres	Appraised Land Value	Winning Bid	Up Bid Amount
<b>32.0</b>	<b>\$14,195,800</b>	<b>\$14,195,800</b>	<b>\$0</b>

## Cottage Sites Sold at Auction

2011 - 8/17/2019

2011 - 8/17/2019									Total by CY		
Auction	Lake	Type	#Lots Offered	#Lots Sold	Reserve Bid	Bid Amount	Up Bid	Up Bid Lots	Yr	#	Bid Amount
2011 Aug. 10	Payette	ULA	2	1	\$ 40,500	\$ 44,550	\$ 4,050	1	2011	2	\$ 528,850
2011 Nov. 11	Payette	ULA	1	1	\$ 484,300	\$ 484,300	\$ -	0			
2013 Oct. 18	Payette	VAFO	10	10	\$ 3,149,000	\$ 3,160,000	\$ 11,000	1	2013	13	\$ 5,880,000
2013 Oct. 18	Payette	ULA	3	3	\$ 2,313,450	\$ 2,720,000	\$ 406,550	3			
2014 Apr. 5	Payette	VAFO	21	21	\$ 6,034,415	\$ 6,067,615	\$ 33,200	3	2014	80	\$ 32,971,427
2014 Aug. 28	Priest	VAFO	60	59	\$ 26,771,416	\$ 26,903,812	\$ 132,396	2			
2015 Jan. 31	Payette	VAFO	30	28	\$ 10,481,000	\$ 10,489,000	\$ 8,000	1	2015	94	\$ 39,464,000
2015 Jan. 31	Payette	ULA	6	3	\$ 2,028,000	\$ 2,101,000	\$ 73,000	3			
2015 Aug. 28	Priest	VAFO	38	35	\$ 15,652,500	\$ 15,652,500	\$ -	0			
2015 Sep. 26	Priest	ULA	9	8	\$ 3,950,000	\$ 4,239,000	\$ 289,000	2			
2015 Nov. 13	Payette	VAFO	18	17	\$ 3,845,000	\$ 3,887,000	\$ 42,000	2			
2015 Nov. 13	Payette	ULA	4	3	\$ 2,314,000	\$ 3,095,500	\$ 781,500	3	2016	73	\$ 33,443,332
2016 June 25	Priest	VAFO	41	39	\$ 18,551,228	\$ 18,918,228	\$ 367,000	1			
2016 Aug. 19	Payette	VAFO	25	25	\$ 7,260,000	\$ 7,301,500	\$ 41,500	2			
2016 Aug. 19	Payette	ULA	5	5	\$ 4,384,000	\$ 5,304,000	\$ 920,000	3			
2016 Sep. 23	Priest	ULA	4	4	\$ 1,919,604	\$ 1,919,604	\$ -	0	2017	71	\$ 35,765,332
2017 June 23	Payette	VAFO	14	14	\$ 7,841,000	\$ 7,895,500	\$ 54,500	2			
2017 Aug. 18-19	Priest	VAFO	57	56	\$ 27,331,228	\$ 27,331,228	\$ -	0			
2017 Aug. 18-19	Priest	ULA	4	1	\$ 538,604	\$ 538,604	\$ -	0	2018	59	\$ 29,006,124
2018 June 15	Payette	VAFO	9	9	\$ 3,487,500	\$ 3,870,000	\$ 382,500	4			
2018 Aug 24-25	Priest	VAFO	50	49	\$ 24,168,624	\$ 24,794,124	\$ 625,500	5			
2018 Aug 24-25	Priest	ULA	1	1	\$ 342,000	\$ 342,000	\$ -	0	2019	38	\$ 16,887,800
2019 June 14*	Payette	VAFO	3	3	\$ 1,409,000	\$ 1,670,000	\$ 261,000	2			
2019 June 14	Payette	ULA	5	5	\$ 405,000	\$ 1,022,000	\$ 617,000	5			
2019 Aug 17*	Priest	VAFO	27	27	\$ 12,670,400	\$ 12,670,400	\$ -	0			
2019 Aug 17*	Priest	ULA	3	3	\$ 1,525,400	\$ 1,525,400	\$ -	0			
*Pending Close		Totals		430	\$ 188,897,169	\$ 193,946,865	\$5,049,696	45	\$193,946,865		

Cottage Sites Sold by Lake						
Lots	Payette Lake			Priest Lake		
	Total	VAFO	ULA	Total	VAFO	ULA
	148	127	21	282	265	17
	\$ 44,340,615		\$14,771,350		\$ 126,270,292	\$ 8,564,608
	\$59,111,965				\$134,834,900	
			Total			
			Total	VAFO	ULA	
			430	392	38	
				\$ 170,610,907	\$ 23,335,958	
				\$193,946,865		

Lots

IDAHO DEPARTMENT OF LANDS



## Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board

Lawrence E. Denney, Secretary of State

Lawrence G. Wasden, Attorney General

Brandon D Woolf, State Controller

Sherri Ybarra, Superintendent of Public Instruction

Dustin T. Miller, Director and Secretary to the Board

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

### Draft Minutes

#### State Board of Land Commissioners Regular Meeting

July 16, 2019

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, July 16, 2019, in the State Capitol, Lincoln Auditorium (WW02), 700 W Jefferson Street, 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 *(via teleconference)*  
Honorable State Controller Brandon Woolf  
Honorable Superintendent of Public Instruction Sherri Ybarra

For the record, all Board members were present, with Attorney General Wasden joining via conference call.

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

##### Endowment Transactions

###### A. Timber Sales – June 2019

**Discussion:** None.

###### B. Leases and Permits – June 2019

**Discussion:** Controller Woolf commented that a key difference between revenue in FY2016 and FY2019 is that a great deal of residential cottage sites and commercial properties have been sold; some of those proceeds were reinvested and some were transferred to the endowment permanent fund. Controller Woolf asked if Department staff, or Endowment Fund Investment Board staff, had the opportunity to identify those reinvested or transferred dollars for a more accurate comparison of earnings between FY2016 and FY2019. Director Miller responded that preliminary calculations of the \$40 million that rolled over to the permanent fund, at 6% nominal return with inflation, is about \$2.4 million per year in terms of revenue, or net real return of \$1.5 million per year.

Controller Woolf pointed out, on page 2, that communications sites receipts are almost double what was expected for FY2019. Controller Woolf inquired if the Department had additional communication site leases, or why did the income double. Director Miller replied that the Department has been collecting delinquent payments from a number of communication companies in the past several months. Governor Little asked if the Department has made changes in the contracts, such as if the lessee is delinquent, the Department can lock gates and not allow access to the site; payments would probably come posthaste. Director Miller noted that Lands and Waterways staff in the area offices are being more cognizant of these contracts and ensuring that lessees are meeting payment deadlines. Governor Little questioned protocol of having area staff following up on missed payments rather than fiscal staff, since checks are processed in the Boise staff office, not area offices. Director Miller acknowledged that payments come to the Boise office for processing, but field personnel oversee the leases—the contracts—and ensure compliance with the terms, including payments. Governor Little asked for a brief update on this topic at the next Land Board meeting. Director Miller said the Department will do so.

Referring to page 2 of the report, Governor Little asked when expected revenue for fiscal year 2020 will be included. Director Miller replied that those figures will be on the report in August; the Department does its revenue forecast report in August each year.

#### **Status Updates**

##### **C. Land Bank Fund**

**Discussion:** None.

##### **D. Fire Season Update**

**Discussion:** Director Miller remarked that because things change rather quickly during fire season, the 2019 figures in the fire season comparison chart are outdated. Those numbers are now at 86 total fires and 557 acres burned on land under the Department's protection. That included 22 lightning-caused fires and 64 human-caused. Director Miller also pointed out that the 20-year average for this point in time, mid-July, has increased exponentially; currently that number is 81 fires and nearly 6,200 acres burned. Director Miller explained that post-Fourth of July, there are more people in the woods, with more likelihood of human ignitions happening, and weather patterns are different. There are many more lightning storms moving through, so the 20-year average jumps up pretty quickly about this time of year. Governor Little clarified that the change in 20-year average acres burned, from 765 to 6,200, is because of the time of year on the calendar. Director Miller said that is correct.

Director Miller mentioned that Department firefighters have assisted on fires in Canada and Alaska to date; it is an honor to be able to provide resources to neighbors, and their service is appreciated. Other countries and other states look to the Department for expertise, and sending Department firefighters to assist on off-district fires helps with their qualifications and increases their skills as firefighters.

Governor Little commented that one human-caused fire was a controlled burn, and asked if someone will be held liable for that; is the Department seeking to recoup fire costs. Director Miller responded that the Department's fire investigators are looking into that now; the fire occurred on industrial land as a controlled burn that spilled over onto other ownership.

## 2. Endowment Fund Investment Board Report – Presented by Chris Halvorson, EFIB Investment Officer

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

**Discussion:** Mr. Halvorson reported that the endowment fund is up 7.7% for the fiscal year; strong markets led to a 4.9% return in June. Mr. Halvorson mentioned there is talk of the Federal Reserve easing its policy on interest rates; there is a likely chance of seeing lower rates later this year, which would stimulate the economy. That is a similar story throughout the world; Europe and China are both doing what they can to stimulate their economies. Lower inflation and stimulated economies will hopefully lead to higher equity markets next fiscal year. In Europe, with a new president of the European Central Bank, there is anticipation that Europe will come out of its malaise, and the markets and economies will get better there.

On behalf of EFIB, Mr. Halvorson recognized several of its managers for their outstanding performance in FY2019: Fiera Capital, a global equity firm out of Montreal, Canada, had double-digit returns; WCM Asset, Wellington, TimesSquare, and Sands Capital all had great returns this year. A recent addition to the portfolio is two fixed-income managers, Western and DoubleLine; they had returns between 7-8%. Mr. Halvorson stated that EFIB staff is closing FY2019 books now. With these great returns and low inflation, EFIB expects that distributions are solid and all reserve levels are at target levels; EFIB may be able to return some money back to the permanent fund as well.

Mr. Halvorson commented that the Investment Board met on July 2nd to evaluate and select consultants for final presentations. The Investment Board decided to bring Callan, the incumbent, and RVK in for interviews on September 19, 2019. Mr. Halvorson said there are no compliance issues to report. EFIB has a new board member; Representative Steve Harris joined the board, replacing Representative Neil Anderson. There is an EFIB Audit Committee meeting on August 14th, and an Investment Board meeting on August 15th.

Following up on Controller Woolf's question earlier, about identifying those reinvested or transferred dollars for a more accurate comparison of Lands and Waterways revenue between FY2016 and FY2019, Mr. Halvorson stated that he did a quick analysis of the deposits that were made in 2014 and 2015, into the permanent fund, that totaled about \$47.6 million. Over the last 4-1/2 years, the fund had a cumulative return on that money of about 36%; that is 7.05% annual return, or about \$17.1 million in earnings. Mr. Halvorson explained those deposits were made at different times so he put them in "buckets." The highest-returning bucket in that time span was the deposit made on September 30, 2014. That return was approximately 7.2% annualized, 39% cumulative, or \$5.1 million earned on \$13 million. Mr. Halvorson summarized that 7% return is in line with the long-term expected return of 7-8% on the endowment fund. Governor Little clarified that the 7% return is on the whole fund. Mr. Halvorson said that is true. Governor Little observed that in looking at the investment report, it must be a timing issue of when the money went into the permanent fund, the fact that it is 300 basis points behind the 3-year returns shown. Mr. Halvorson replied that there were timing differences of when the funds were transferred, and there were a couple of pretty volatile months in the market. Governor Little remarked that the Board's constitutional obligation regarding the Land Bank includes the flexibility to put Land Bank money into the total endowment fund. Mr. Halvorson stated yes, that is a discussion

for the Land Board; there is also the 5-year window where Land Bank funds revert to the permanent fund if not reinvested. Governor Little commented that 7% return on the fund is wonderful.

Attorney General Wasden noticed that Barrow Hanley, small cap value equity, is at -8.0%; even on the 3-year average annualized it is -1.8%. Attorney General Wasden did not question what EFIB is doing, but wondered what is happening there. Governor Little added that he would like to know how Barrow Hanley is doing relative to all the other small cap managers, because the Investment Board has a policy of small cap managers that has not been a great place to be the last few years. Mr. Halvorson directed everyone's attention to page 2 of the investment report, where managers are represented relative to their benchmark, for the shorter period fiscal year-to-date and the longer period 3-year annualized returns. About halfway down is Barrow Hanley, U.S. small cap; on a fiscal year-to-date relative to their benchmark they are down 1.8%, but over the last three years relative to their benchmark they are positive 1.5%. Mr. Halvorson noted that the last year has been particularly challenging for small cap and value equities in particular. Value has been affected by a rush to dividends; a lot of active managers have avoided these very expensive dividend-paying stocks. Their portfolios have been left behind because of this rush into "safe dividend paying stocks." That is what is happening with Barrow Hanley. In U.S. large cap, there is a similar story with LSV. Their fiscal relative return is -4.5%, longer term 1.4%. Mr. Halvorson described it as more of a value effect right now. Growth is doing favorably in the market—FANG stock: Facebook, Amazon, Netflix and Google—those are dominating the market right now. Value, which is very attractive right now, is being left behind due to these growth stocks.

Superintendent Ybarra recommended that the Land Board, with support of the Investment Board, draft a letter of appreciation to Representative Anderson, thanking him for his distinguished service to the endowment beneficiaries. Governor Little concurred and noted it will be done.

### **Consent—Action Item(s)**

#### **3. Disclaimer of Interest Request DI600297-Central Paving, Inc., Boise River – Presented by Andrew Smyth, Program Manager-Public Trust**

**Recommendation:** Direct the Department to issue a disclaimer of interest for the parcel totaling 11.018 acres of the former bed of the Boise River, and to require Central Paving Inc. to pay the remaining processing fee of \$300 or actual cost, whichever is greater, to the Department for this transaction.

**Discussion:** Governor Little asked when the river moved. Mr. Wilson responded he does not know exactly when the river moved; as indicated on the map, this parcel of land is the former bed of the Boise River and completely surrounded by private property. Mr. Wilson recalled that former area manager, Don Stockton, got landowners to agree who would divvy up this land that was part of the river channel that is now uplands. All of the disclaimers to the east and south were issued based on those landowner agreements and quit claim deeds. Governor Little observed on the map that disclaimers identified as DI180, DI170, and DI199 appear to be granted accreted lands, and wondered why this strip being discussed today is inside of those disclaimers. Governor Little commented that generally in accreted lands, they get further from the river; why

is this disclaimer closer to the river. Mr. Wilson replied that the people who owned the property then, that Central Paving owns now, did not want to go forward with the disclaimer process at that time. That is why this disclaimer only goes to the center line of the thread of that former channel. Mr. Stockton persuaded landowners at that time, the Central Paving property and those other landowners, to agree to basically split that former channel; this has been in the works for 15 to 20 years.

**4. Forest Legacy Project, Hall Mountain-Kootenai Valley: Peterson** – *Presented by Craig Foss, Division Administrator-Forestry and Fire*

**Recommendation:** Authorize the Department to acquire the Kootenai Valley–Peterson conservation easement comprising 132 acres.

**Discussion:** Governor Little noted that there is a list of people who support the project, but is there a list of people who are against it. Mr. Foss stated he is not aware of anybody that is against the project. The Boundary County Commissioners have expressed concern for continued conservation easements within their county, but they have gone on record as being supportive of all of the projects the Department has before them to date. This particular project was originally proposed in 2014. Governor Little asked when the appraisal was done. Mr. Foss replied the appraisal was completed in the last six months, and added that with the Forest Legacy Program a review appraisal is also required.

Controller Woolf requested a summary of the timeline in processing these projects. Mr. Foss described that conservation partners are typically working with landowners to identify properties that are at risk of development, where the landowner wants to prevent development from occurring on their property, and wants to continue to maintain it for its traditional uses. Mr. Foss outlined, for example, right now this year the Department would be out looking at those projects. Department staff would put together proposals, review those proposals for the State of Idaho, rank them, and then those projects would go to a western regional review process. Projects that are ranked out of the western region would go to the Forest Service in the Washington, D.C. office. These would be considered the FY2021 projects. So in 2019, the Department is reviewing projects that would be funded in FY2021. Mr. Foss explained that projects being worked on this year would probably be awarded a year from now. After notification of that award, the Department would develop the conservation easement terms, perform the appraisal, conduct the review appraisal, and then bring the project to the Land Board. Mr. Foss summarized that typically it is four to five years from the start of a project to when it is funded and gets Land Board approval.

Superintendent Ybarra inquired, with the sale of the landowner's development rights under the Forest Legacy Program, does that affect or impact the taxable value of the property. Mr. Foss replied that if the land is currently in the timber tax category, it will continue to be taxed in the timber tax category. Governor Little added, it means that the land can never go into residential development or commercial development, so it would preclude potential increases, but the land will stay at its current tax category. Mr. Foss stated that is correct.

## 5. Approval of Minutes – June 18, 2019 Regular Meeting (Boise)

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

For the record, at 9:40 a.m., Attorney General Wasden excused himself from the meeting.

## Regular—Action Item(s)

### 6. Adoption of a Temporary Rule to Implement House Bill 141 (Amendments to Surface Mining Act) – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

**Recommendation:** Adopt the Temporary Rule for IDAPA 20.03.02, with the amended chapter title of *Rules Governing Mined Land Reclamation* and an effective date of July 16, 2019.

**Discussion:** Superintendent Ybarra asked, if this temporary rule is adopted and goes into place, will that be the starting place for the next phase of negotiation. Mr. Wilson replied yes and no, and explained that the Department started down the negotiated rulemaking process after passage of House Bill 141 by the 2019 legislature. The Department then started delving into topics that were not specifically a result of House Bill 141; those were pulled out of the temporary rule. The Department will put those topics back into the negotiated rule, and will also look at some changes per the Red Tape Reduction Act. The Department's counsel pointed out additional issues that the Department may want to consider for the negotiated rule.

**Public Comment:** Governor Little called for members of the public who signed up to speak. Mr. Ben Davenport, Idaho Mining Association, stated he did not have anything to add. Mr. Austin Walkins, Idaho Conservation League (ICL), stated that ICL is supportive of this temporary rule.

**Board Action:** A motion was made by Controller Woolf that the Board adopt the Temporary Rule for IDAPA 20.03.02, with the amended chapter title of *Rules Governing Mined Land Reclamation* and an effective date of July 16, 2019. Secretary of State Denney seconded the motion. The motion carried on a vote of 4-0.

## Information

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

### 7. Department of Lands' Leasing Process – Presented by Ryan Montoya, Bureau Chief-Real Estate Services

**Discussion:** Controller Woolf asked when the revised leasing web pages will be live. Mr. Montoya responded that the Department is currently developing the new web pages and also the new Land Information Management System (LIMS). The Department has the capability to get this going immediately; however, having the Department's public website interact with the LIMS system is approximately three to four months out.

Governor Little inquired if there are existing rules, or is this through policy. Mr. Montoya replied that there are existing rules; the Department is working with the Office of the Attorney General

now to determine how the new process, if there is a new process, would interact with the existing rules and what steps would be needed going forward from that point.

Governor Little asked if the Department has reached out to commercial entities, communications people, and realtors. Is this all internal for now, and does the Department want to have a prototype before reaching out to external parties. Mr. Montoya indicated that at this point it is all internal. The Department is working with the Attorney General's office to get some of the answers before reaching out to industry stakeholders, to avoid any type of uncertainty.

Controller Woolf called attention to the application form on page 22 [slide 22] of the presentation; it appears that an individual goes online to do an online application, but then has to download and fill out a PDF form. Controller Woolf asked if the PDF forms are different for each type of lease, and how many pages need to be downloaded. Mr. Montoya noted that the applications will be different based on the type of activity; certain information is needed for a grazing lease, for example, such as access to properties and management plans. Other leases will have information requirements specific to the lease activity. Mr. Montoya commented that the Department is trying to make the process as user-friendly as possible, and is trying to keep the application to a page or two. Controller Woolf suggested something the Department should consider in the future is to make the application strictly an online form rather than a PDF to download and fill out. Controller Woolf wondered if the committee reviewing and streamlining the leasing process feels it has met the goals recommended by the Land Board. Mr. Montoya remarked that the Land Board's mission, and the Department's, is to maximize revenue for the endowments. Making the process easier, and the public more aware of the process, furthers that mission.

Governor Little mentioned that this process is vastly better than what was in place and congratulated Mr. Montoya and the Department; Governor Little said he looks forward to the final product. Governor Little asked that it be reviewed by a broader group once it is closer to being final.

At 10:16 a.m. a motion was made by Controller Woolf to resolve into Executive Session pursuant to Idaho Code § 74-206(1)(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. Controller Woolf requested that a roll call vote be taken and that the Secretary record the vote in the minutes of the meeting. Secretary of State Denney seconded the motion. *Roll Call Vote: Aye: Denney, Woolf, Ybarra, Little; Nay: None; Absent: Wasden.*

### **Executive Session**

- A. Idaho Code § 74-206(1)(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. [TOPIC: FY2020 CEC – Director, Department of Lands]

At 10:28 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)

### 8. **FY2020 Change in Employee Compensation (CEC) – Director, Department of Lands** – *Presented by Andrea Ryan, Human Resource Officer*

**Board Action:** A motion was made by Controller Woolf that, 1) the Board approves a 3% salary increase for Director Dustin Miller, effective July 1, 2019, which includes the legislative mandate that all permanent state employees receive a \$550 per year increase; 2) Land Board staff works with Director Miller to develop goals and performance measurements; and 3) the Board completes a performance evaluation for Director Miller before April 2020. Superintendent Ybarra seconded the motion. The motion carried on a vote of 4-0.

There being no further business before the Board, at 10:32 a.m. a motion to adjourn was made by Controller Woolf. Secretary of State Denney seconded the motion. The motion carried on a vote of 4-0.

IDAHO DEPARTMENT OF LANDS



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

## Monthly Report to the Board of Land Commissioners

### Investment performance through July 31, 2019

*Month: 0.5%      Fiscal year: 0.5%*

The portfolio started the new fiscal year with a gain of 0.5% in July. The Fed joined central banks around the world and reduced interest rates by 0.25% at the end of the month due to weak global growth, particularly in China and Europe; the possibility of a disruptive Brexit; and uncertainty surrounding trade negotiations. The interest rate cut was also intended to sustain the economic expansion we have experienced in the U.S. and bring inflation up to target levels.

### Status of endowment fund reserves

Distributions for FY2019 and FY2020 were at or above target reserve levels at fiscal year-end.

### Significant actions of the Endowment Fund Investment Board

Plan to approve beneficiary distributions and transfers in August.

### Compliance/legal issues, areas of concern

*Material deviations from Investment Policy:* None.

*Material legal issues:* None.

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

### Upcoming issues/events

Land Board Audit Committee Meeting – August 14th

EFIB Board Meeting – August 15th

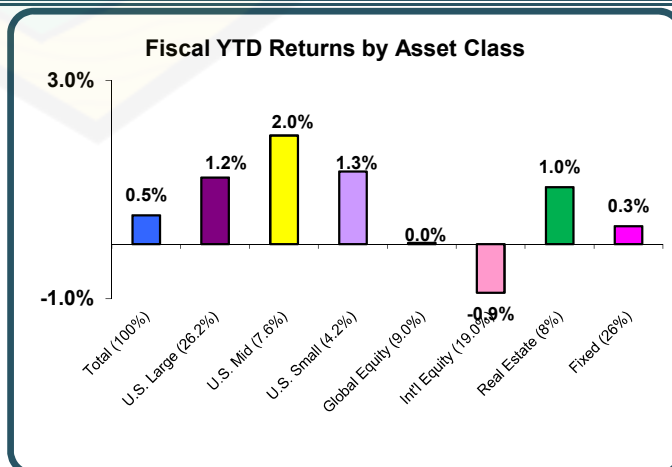
Investment Consultant Presentations – September 19th

	<u>Month</u>	<u>FYTD</u>
<b>Beginning Value of Fund</b>	<b>\$ 2,454,835,196</b>	<b>\$ 2,454,835,196</b>
Distributions to Beneficiaries	(6,743,167)	(6,743,167)
Land Revenue net of IDL Expenses	9,009,197	9,009,197
Change in Market Value net of Investment Mgt. Expenses	11,374,558	11,374,558
<b>Current Value of Fund</b>	<b>\$ 2,468,475,784</b>	<b>\$ 2,468,475,784</b>

<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>
<b>Total Fund</b>	<b>0.5%</b>	<b>15.4%</b>	<b>0.5%</b>	<b>6.1%</b>	<b>9.2%</b>	<b>6.9%</b>	<b>9.9%</b>
<i>Total Fund Benchmark*</i>	0.4%	13.5%	0.4%	5.5%	8.4%	6.7%	9.2%
<b>Total Fixed</b>	<b>0.3%</b>	<b>7.0%</b>	<b>0.3%</b>	<b>8.3%</b>	<b>2.3%</b>	<b>3.0%</b>	<b>3.8%</b>
<i>85% BB Agg, 15% TIPS</i>	0.2%	6.4%	0.2%	7.7%	2.1%	2.9%	3.7%
<b>Total Equity</b>	<b>0.5%</b>	<b>20.0%</b>	<b>0.5%</b>	<b>4.9%</b>	<b>12.0%</b>	<b>8.3%</b>	<b>12.1%</b>
<i>38% R3 19% Ax 9% AC</i>	0.6%	17.5%	0.6%	3.8%	11.1%	8.1%	11.4%
<b>Domestic Equity</b>	<b>1.4%</b>	<b>21.3%</b>	<b>1.4%</b>	<b>5.8%</b>	<b>13.8%</b>	<b>10.6%</b>	<b>14.7%</b>
<i>Russell 3000 (R3)</i>	1.5%	20.5%	1.5%	7.1%	13.1%	11.0%	14.0%
<b>Global Equity</b>	<b>0.0%</b>	<b>21.2%</b>	<b>0.0%</b>	<b>6.1%</b>	<b>9.8%</b>	<b>5.2%</b>	
<i>MSCI ACWI (AC)</i>	0.3%	16.6%	0.3%	3.0%	10.2%	6.5%	
<b>Int'l. Equity</b>	<b>-0.9%</b>	<b>16.9%</b>	<b>-0.9%</b>	<b>2.5%</b>	<b>9.0%</b>	<b>4.0%</b>	<b>6.2%</b>
<i>MSCI ACWI ex-US (Ax)</i>	-1.2%	12.2%	-1.2%	-2.3%	7.2%	2.1%	5.4%
<b>Real Estate</b>				<b>7.1%</b>			
				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>
<b>Domestic Equity</b>	<b>\$ 945.8</b>	<b>38.3%</b>
Large Cap	640.4	25.9%
Mid Cap	199.8	8.1%
Small Cap	105.6	4.3%
<b>Global Equity</b>	<b>232.9</b>	<b>9.4%</b>
<b>Int'l Equity</b>	<b>473.5</b>	<b>19.2%</b>
<b>Fixed Income</b>	<b>602.4</b>	<b>24.4%</b>
<b>Real Estate</b>	<b>201.8</b>	<b>8.2%</b>
<b>Cash</b>	<b>12.2</b>	<b>0.5%</b>
<b>Total Fund</b>	<b>\$ 2,468.4</b>	<b>100.0%</b>



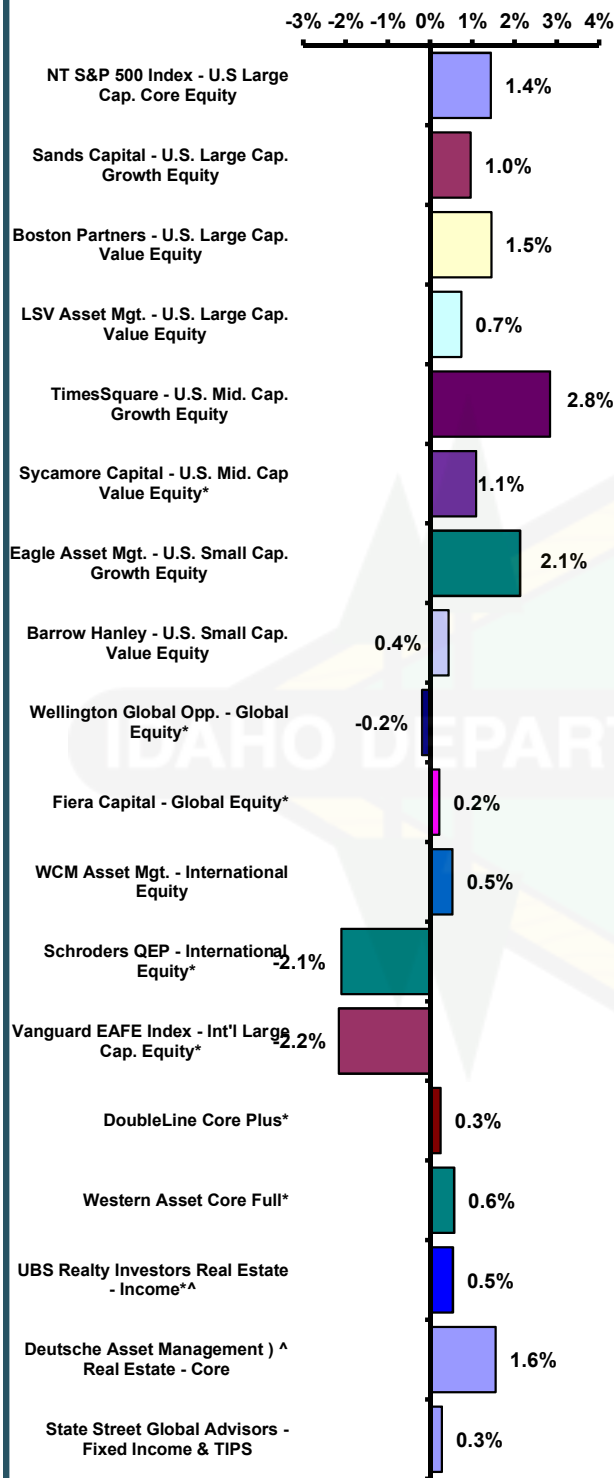
## Endowment Fund Staff Comments:

The fund was up 0.5% for the month, 0.1% over the benchmark. The Russell 3000 index was up 1.5%, Russell Midcap up 1.4% and Russell 2000 (small cap) up 0.6%. International equities (MSCI ACWI ex-US) were down 1.2%. Growth outperformed Value, while Domestic equity outperformed International equity. Bonds, as measured by the BBC Aggregate index, were up 0.2% and TIPS were up 0.9%. 8 of 15 active managers beat their benchmark this month. On a FYTD basis, the fund is up 0.5%, 0.1% over benchmark, and 10 of 15 active managers beat their benchmark.

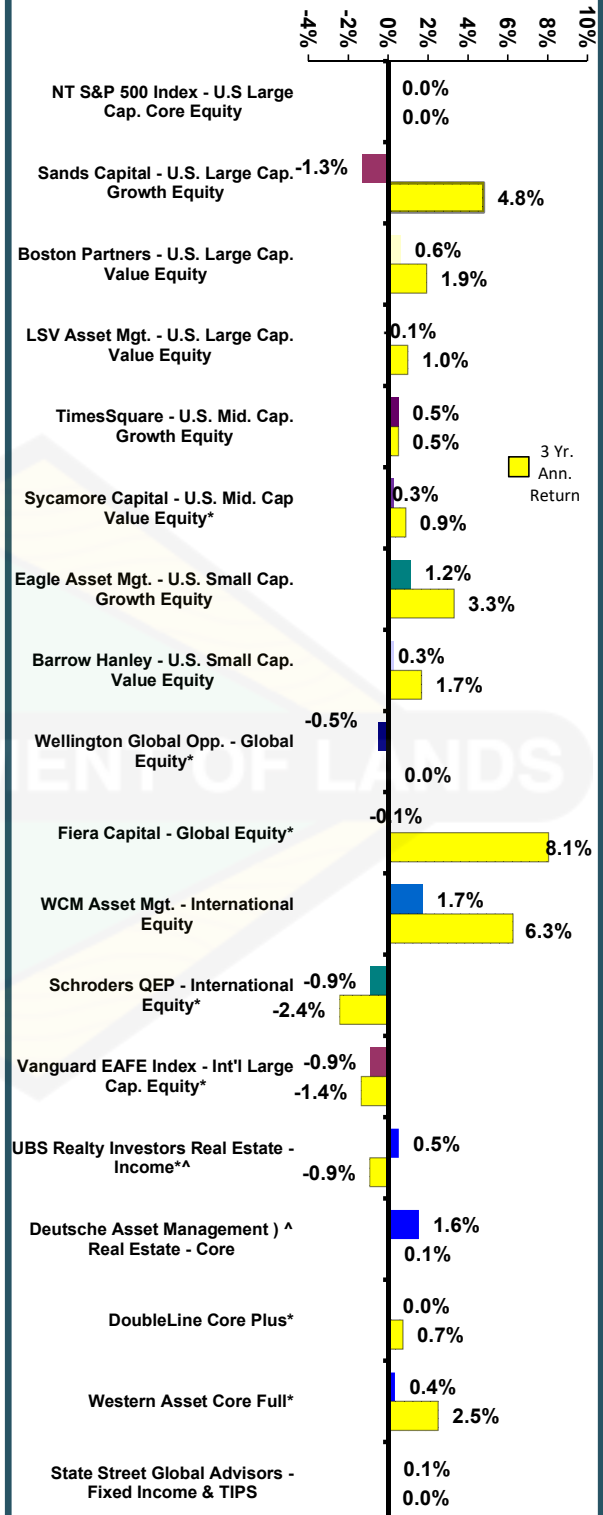
July 31, 2019

# 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.

# STATE BOARD OF LAND COMMISSIONERS

August 20, 2019

Regular Agenda

## Subject

Fiscal year 2021 beneficiary distributions, transfer of earnings reserve funds in excess of target levels, and designation of the transfers as increases in the gain benchmark (or permanent corpus)

## Question Presented

Shall the Land Board approve the beneficiary distributions, the transfer from earnings reserves to the permanent fund, and the treatment of the transfers as additions to the gain benchmark.

## Discussion

The Endowment Fund generated investment returns of 7.7% (5.6% real return, net of 2.1% inflation) during fiscal year 2019. Investment gains allowed all permanent funds to be well above their inflation-adjusted targets, or gain benchmarks, as of June 30, 2019. FY2020 and FY2021 beneficiary distributions are well-secured; every fund has full reserves. The Department of Lands has \$160.6 million of timber presold as of June 30, 2019, which provides a solid source of income over the next three years.

## Recommendation

The Endowment Fund Investment Board recommends that the Land Board approve a 4.5% increase in beneficiary distributions, or a total of \$84,520,800 in FY2021; approve a transfer of \$57,803,000 from earnings reserve funds to permanent funds; and, designate the transfers as additions to the gain benchmarks (or permanent corpus).

The distributions and transfers for each beneficiary are outlined in more detail on page 6 of Attachment 1.

## Board Action

## Attachments

1. Proposed FY2021 Distributions and Transfers

# Proposed Fiscal Year 2021 Distributions and Transfers

IDAHO DEPARTMENT OF LANDS

*Land Board Meeting*

*August 20, 2019*



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## Distribution Policy Summary

The Land Board has adopted the following principles:

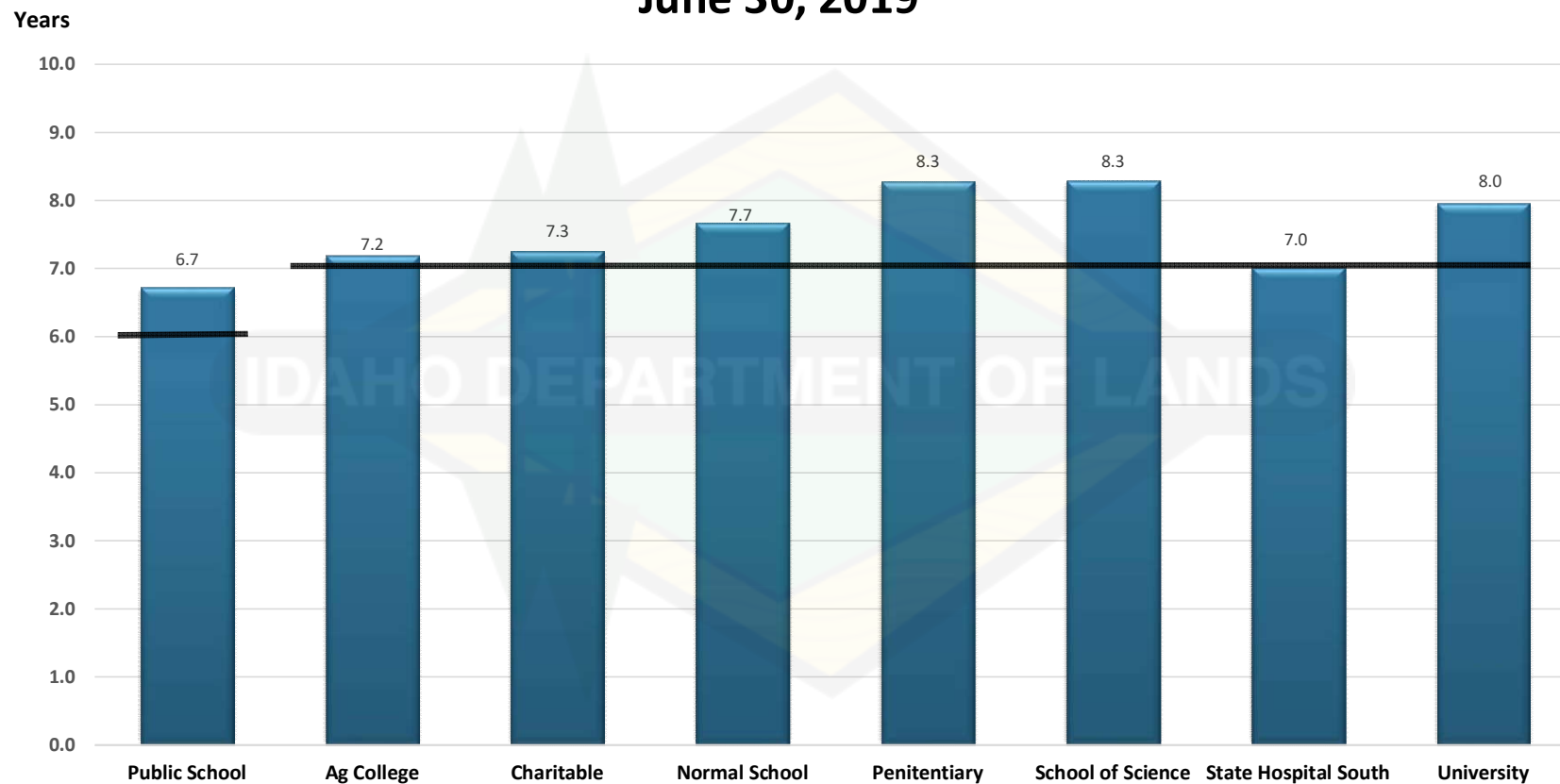
- Distribute 5% of the 3-year average value of each Permanent Fund annually (7% for State Hospital)
  - Adjusted for reserves, transfers and any other relevant factors
- Maintain Earnings Reserves at adequate levels (based on target years of distributions)
- Consider transferring any excess Earnings Reserves back to the Permanent Fund

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## Current Situation

- The Endowment Fund generated a 7.7% return (5.6% real return, net of 2.1% inflation) in FY 2019, which pushed all endowments well above their inflation-adjusted target (the “Gain Benchmark”)
- Current year and next year’s beneficiary distributions are well secured – every fund has full reserves
- \$160.6 million of timber presold as of June 30, 2019: Provides an important source of income over the next 3 years
  - Lumber prices and buyers’ financial reserves must be sufficient to allow them to fulfill their contracts on time

## Coverage Ratio as of June 30, 2019



## RECOMMENDED ENDOWMENT DISTRIBUTIONS - FY 2021

(Based On June 30, 2019 Balances - \$ Millions)

	Total	Public School	Ag College	Charitable	Normal School	Penitentiary	School of Science	State Hospital South	University
FY 2017 Distribution	\$ 63.2	\$ 36.7	\$ 1.3	\$ 5.5	\$ 4.3	\$ 2.0	\$ 4.7	\$ 4.6	\$ 4.0
FY 2018 Distribution	\$ 73.5	\$ 47.0	\$ 1.3	\$ 5.5	\$ 4.3	\$ 2.0	\$ 4.7	\$ 4.6	\$ 4.0
FY 2019 Distribution	\$ 78.2	\$ 50.3	\$ 1.4	\$ 5.8	\$ 4.4	\$ 2.2	\$ 4.8	\$ 5.0	\$ 4.2
FY 2020 Distribution	\$ 80.9	\$ 51.3	\$ 1.5	\$ 5.8	\$ 4.9	\$ 2.2	\$ 4.9	\$ 6.0	\$ 4.4
FY 2021 Distribution	\$ 84.5	\$ 52.6	\$ 1.6	\$ 6.0	\$ 5.3	\$ 2.5	\$ 5.4	\$ 6.4	\$ 4.8
% Change: 2021 vs. 2020 Distribution	4.5%	2.6%	5.8%	4.1%	7.8%	11.3%	9.9%	7.0%	9.3%

### Earnings Reserves status (as of 6/30/19)

Earnings Reserve Policy Target (in years)	6.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Years of reserves, before transfer	6.7	7.2	7.3	7.7	8.3	8.3	7.0	8.0	
Years of reserves, after transfer	6.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0

Earnings Reserve Balance (6/30/19)	\$ 596.9	\$ 353.2	\$ 11.2	\$ 43.5	\$ 40.9	\$ 20.7	\$ 44.9	\$ 44.6	\$ 37.9
Recommended Transfer to Perm Fund	\$ 57.8	\$ 37.7	\$ 0.3	\$ 1.5	\$ 3.5	\$ 3.2	\$ 7.0	\$ 0.0	\$ 4.5
Earnings Reserve Balance After Transfer	\$ 539.1	\$ 315.5	\$ 10.9	\$ 41.9	\$ 37.3	\$ 17.5	\$ 37.9	\$ 44.6	\$ 33.4

# Land Board Action Requested

- Approve the beneficiary distributions, the transfers, and the treatment of the transfers as additions to the Gain Benchmark

	<i>Distributions To Beneficiaries</i>				<i>Transfer To</i>	<i>Added to</i>
	<i>Approved FY2020</i>	<i>Approved FY2021</i>	<i>% Change</i>	<i>\$ Change</i>	<i>Permanent Fund*</i>	<i>Gain Bench- mark**</i>
Public School	51,260,000	52,586,400	2.6%	1,326,400	37,691,000	37,691,000
Ag College	1,466,000	1,551,600	5.8%	85,600	298,000	298,000
Charitable Instit.	5,754,000	5,991,600	4.1%	237,600	1,531,000	1,531,000
Normal School	4,946,000	5,334,000	7.8%	388,000	3,546,000	3,546,000
Penitentiary	2,247,000	2,500,800	11.3%	253,800	3,201,000	3,201,000
School of Science	4,930,000	5,420,400	9.9%	490,400	6,969,000	6,969,000
State Hosp. South	5,955,000	6,369,600	7.0%	414,600	29,000	29,000
University	4,360,000	4,766,400	9.3%	406,400	4,538,000	4,538,000
	80,918,000	84,520,800	4.5%	3,602,800	57,803,000	57,803,000

\* Amount of Earnings Reserve in excess of what is deemed adequate relative to the 2021 distribution. The adequate reserve level for Public School is six years and all others are set at seven years.

\*\* Amount of the transfer that will be considered a permanent increase in original corpus. No endowment had past losses at the end of FY 2019, so all the transfer can be considered corpus/principal and added to the Gain Benchmark.

*All calculations subject to adjustment pending final audit of fiscal year 2019 results.*

## STATE BOARD OF LAND COMMISSIONERS

August 20, 2019

Regular Agenda

### Subject

Sale of 30-year term easement (Athol 80) to Idaho Forest Group

### Question Presented

Shall the Idaho State Board of Land Commissioners approve the sale of 1.3 miles of easement over an existing road at an appraised price of \$44,000.

### Background

The Idaho Forest Group (IFG) recently purchased an 88-acre property adjacent to its mill site in Athol, Idaho, located 20 miles north of Coeur d'Alene, Idaho. A railroad (RR) separates the mill site from the 88 acres (Attachment 1). IFG has requested an easement on 1.3 miles of existing road crossing endowment lands, for legal access into its 88-acre property.

The existing road serves as an Idaho Department of Lands' (Department) access road. It is also a frontage road, along the railroad tracks, located within a RR easement corridor, which was granted to the RR by the Department in 1908. The Public School Endowment retains ownership of the underlying lands of the RR's easement.

### Discussion

The Department has evaluated IFG's easement request and determined that selling the easement has no adverse impact on the endowment lands, specifically, no timberland is taken out of production, and IFG will provide road maintenance, a notable benefit. The proposed easement will encumber lands already encumbered by the RR right-of-way corridor, be subject to the RR's rights and usage, and, in alignment with Department policy, avoid perpetual easements. The Department will retain authority and control to reevaluate how the encumbrance may co-exist with future land uses.

An appraisal of the proposed easement provided a value of \$44,000 (Attachment 2). This value exceeds the \$25,000 threshold delegated to the Director for the sale of an easement. (IDAPA 20.08.03.020.07).

### Recommendation

Direct the Department to sell 1.3 miles of easement over an existing road at an appraised price of \$44,000 to IFG.

## **Board Action**

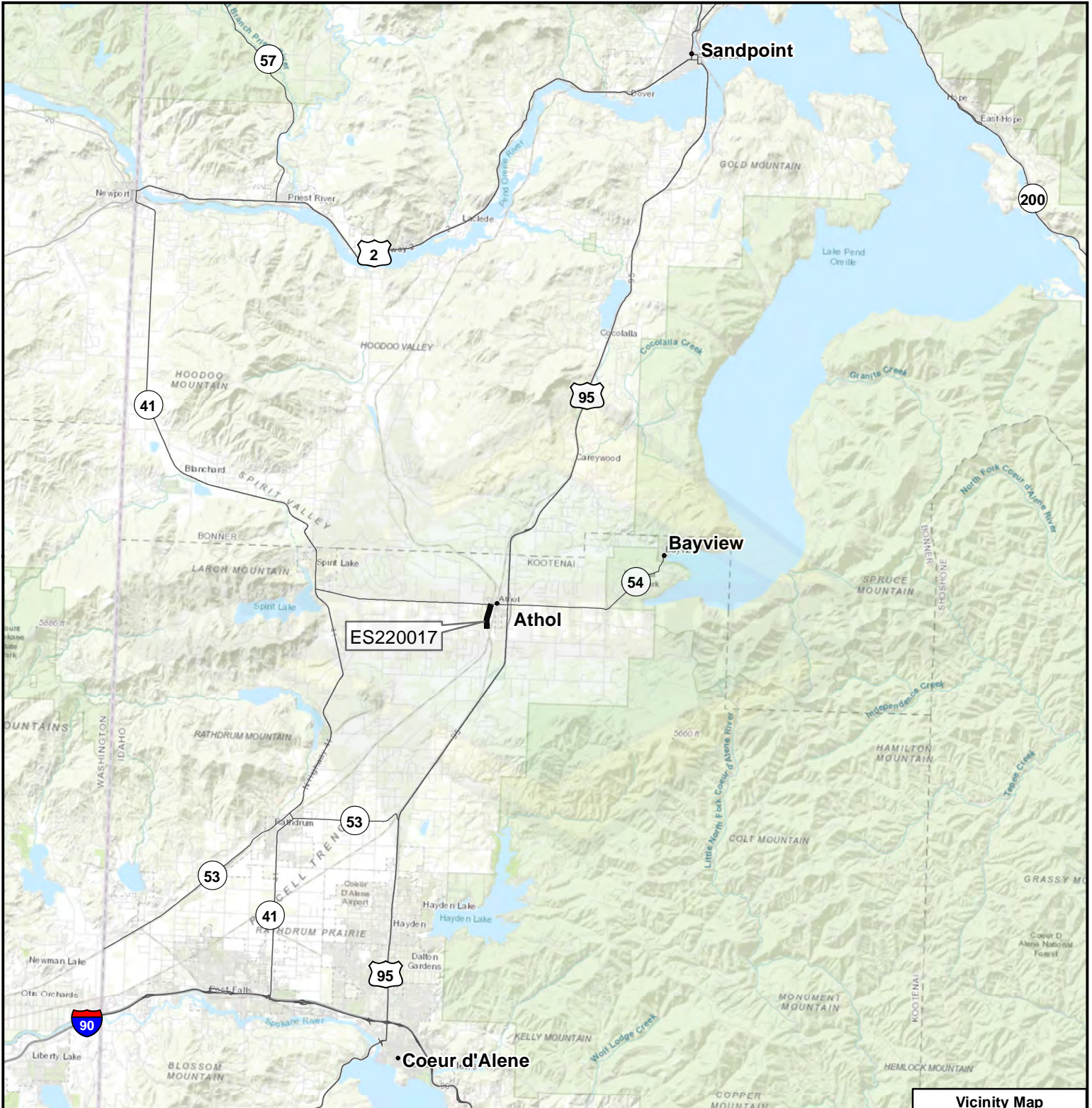
## **Attachments**

1. Proposed Easement Maps
2. Appraisal Report Excerpt





Map 1 of 3  
Easement - ES220017  
T53N R03W Sec 16



Legend

- Easement Area
- Main Road

0 5 10 Miles

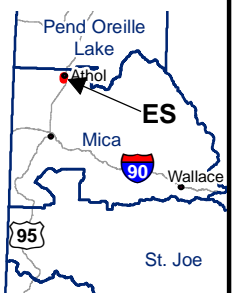
Mica Area  
Kootenai County

R. Dunn  
7/31/2019  
Scale 1:351,759

Disclaimer:  
Easement lines shall be adjusted, extended and/or shortened to begin on, end on, and conform to Grantor's property lines.

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.

Vicinity Map  
ES220017





# Map 2 of 3 Easement - ES220017 T53N R03W Sec 16



- Legend**
- Granted Easement
  - Local Road
  - Easement
  - Idaho Forest Group
  - Private

Endowment  
PS - Public Schools

## Mica Area Kootenai County

A. Mock  
7/31/2019  
Scale 1:12,500

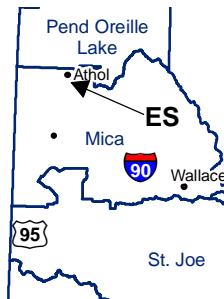
0 0.1 0.2 0.3 Miles

### Disclaimer:

Easement lines shall be adjusted, extended and/or shortened to begin on, end on, and conform to Grantor's property lines.

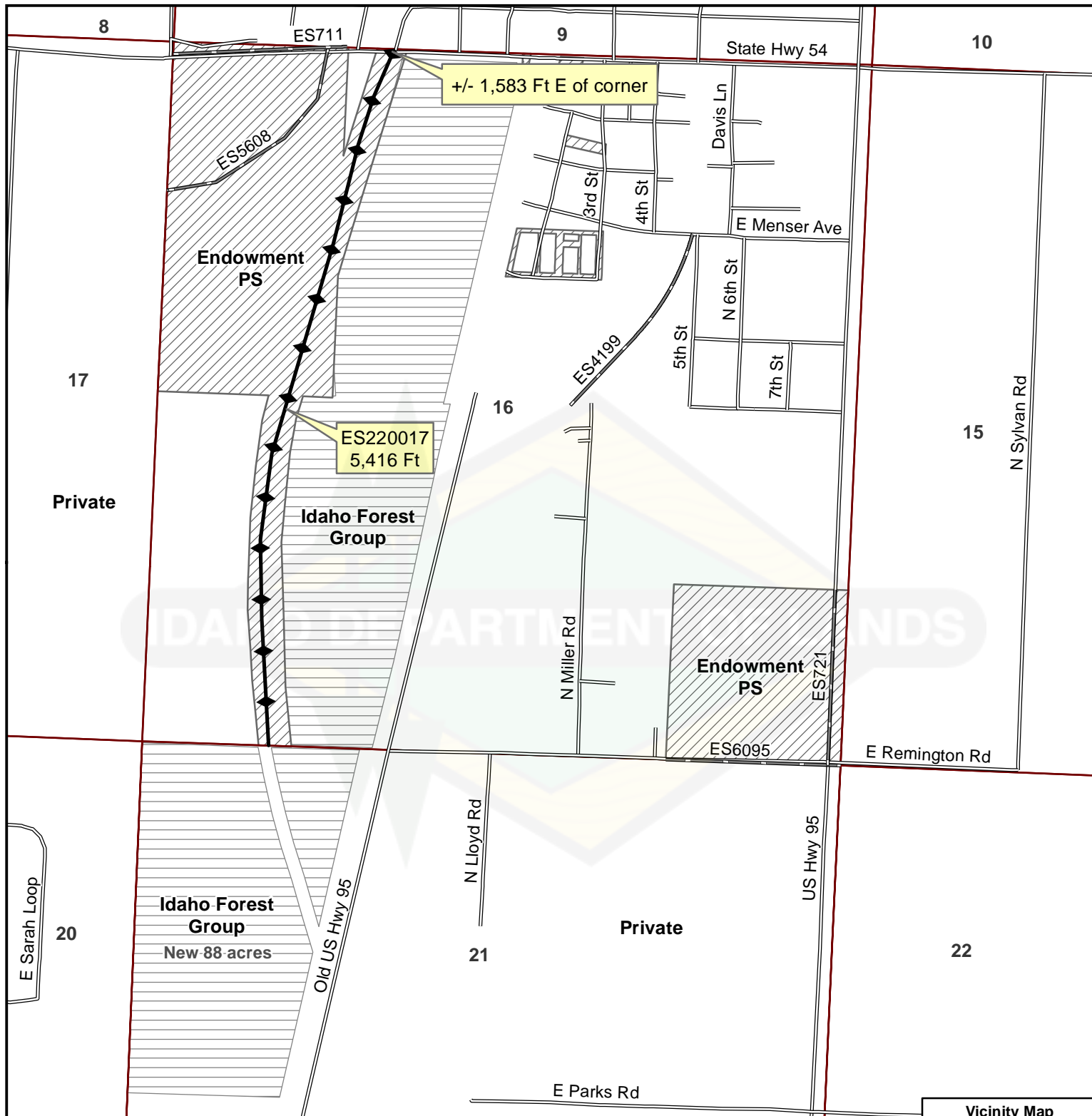
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### Vicinity Map ES220017





# Map 3 of 3 Easement - ES220017 T53N R03W Sec 16



- Legend**
- Granted Easement
  - Existing Easement
  - Local Road
  - Idaho Forest Group
  - Private

 Endowment  
PS - Public Schools

## Mica Area Kootenai County

R. Dunn  
7/31/2019

Scale 1:12,500

0 0.1 0.2 0.3 Miles

**Disclaimer:**

Easement lines shall be adjusted, extended and/or shortened to begin on, end on, and conform to Grantor's property lines.

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.

**Vicinity Map**  
ES220017



November 14, 2018



Lawson Tate, Right of Way Program Manager  
Idaho Department of Lands  
2550 Highway 2 West  
Sandpoint, ID 83864

Re: Appraisal Report: Before and after appraisal of property owned by Idaho Department of Lands located in Township 53N, Range 3W, Section 16, Kootenai County Idaho (known as Easement ES220000).

Mr. Tate:

At your request for an opinion of the market value for the grant of easement of the subject property referenced above, the following report is provided. Market value is estimated by a before and after approach, where value of the whole ownership before the taking is first estimated. Value of the property after the taking is then estimated and deducted from whole ownership value to arrive at the value of the easement. The value of the easement comprises the value of the portion to be acquired or used plus severance damages, if any, less project benefits, if any. The intended use of the report is to assist in negotiating the grant of easement of the property.

This report is prepared in compliance with current Uniform Standards of Professional Appraisal Practice (USPAP), as formulated by the Appraisal Foundation. The signer of this report has sufficient education and experience in valuing similar properties to satisfy the competency rule of the Uniform Standards.

This is a summary appraisal report. As such, it presents only summary discussion of the data, reasoning, and analyses that are used in the appraisal process to develop an opinion of value. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated within this report.

Based upon my analysis of the Subject, the information supplied to me, and subject to the Assumptions and Limiting Conditions, Extraordinary Assumptions, and Hypothetical Conditions contained in this report, I am of the opinion market value of the easement as of September 25, 2018 is:

**FORTY FOUR THOUSAND DOLLARS (\$44,000)**

I trust this is sufficient to accomplish its intended function. Please call if I can be of further assistance.  
Sincerely,

A handwritten signature in black ink, appearing to read "Kevin J. Graham".

Kevin J. Graham

Idaho State - Certified General Appraiser  
Number CGA-2836 Expires 05-11-2019

## STATE BOARD OF LAND COMMISSIONERS

August 20, 2019

Regular Agenda

### Subject

Forest Asset Management Plan Revision – Annual Timber Sale Volume

### Question Presented

Shall the Land Board approve increasing the sale of timber from endowment lands to 328 million board feet annually.

### Discussion

The current Forest Asset Management Plan (FAMP) for endowment lands was approved in 2009 with an annual timber sale volume of 247 million board feet (MMBF). Full implementation of the annual sale volume began in FY2013.

The 2009 FAMP established a desired standing timber inventory of 5.0 billion board feet. The existing standing inventory on the primary base timberland was 7.73 billion board feet. The increased harvest level was implemented to begin to move the standing inventory towards the desired level.

Since completion of the 2009 FAMP, the Department has gathered improved inventory data. Continuous Forest Inventory (CFI) data provided the basis for analysis for the 2009 FAMP. The Department now has Stand Based Inventory (SBI) data available for a significant portion of endowment lands. The improved inventory data shows about 8.6 billion board feet on primary base timberland and 10 billion board feet of total standing inventory.

Reducing standing inventory to a more desirable level remains an important goal under the revised FAMP. The desired level of 5.0 billion board feet from the 2009 FAMP is still appropriate. Reducing inventory helps maximize revenue for the beneficiaries, reduces risk from damaging agents, increases volume growth per acre, and helps sustain the forest products industry for the long-term benefit of the endowments.

In 2017 when the Department began revision of the 2009 FAMP it became clear that the annual timber sale volume was likely to increase significantly. In order to begin increasing the pace of forest management on endowment lands and to capture the revenue for the beneficiaries, the Department sought and received Board approval to increase the annual sale volume from 247 MMBF to 260 MMBF for FY2019 and 271 MMBF for FY2020.

The Department has worked with a contractor (Remsoft) to develop growth and yield models for nine individual supervisory areas. Remsoft has worked internationally on forest growth and yield modeling with public and private sector forest managers. The growth and

yield models were used to determine sustainable annual sale volume for the supervisory areas subject to constraints as appropriate for each area.

Department leadership then met with the supervisory areas to discuss the potential annual sale volume changes and resources necessary for implementation. The process resulted in a proposed new annual sale volume of 328 MMBF which would be phased in over a four-year period as shown in the table below:

<b>Supervisory Area</b>	<b>2021 Sale Volume (MMBF)</b>	<b>2022 Sale Volume (MMBF)</b>	<b>2023 Sale Volume (MMBF)</b>	<b>2024 Sale Volume (MMBF)</b>
Eastern	5	5	5	5
Southwest	12	14	16	16
Payette Lakes	21	21	21	21
Maggie Creek/Craigmont	24	27	30	30
Clearwater	50	52	55	55
Ponderosa	40	40	40	40
St. Joe	70	80	80	80
Mica	18	18	18	18
Pend Oreille	29	31	35	35
Priest Lake	21	24	26	28
<b>Total:</b>	<b>290</b>	<b>312</b>	<b>326</b>	<b>328</b>

Because of events including wildfires, wind throw, and damage related to insects/disease, annual sale volumes for individual supervisory areas may vary from year to year.

The proposed 328 MMBF annual sale volume is a 32.8% increase over the 247 MMBF that resulted from the 2009 FAMP. Assuming relative market and price stability, the Department expects that gross revenue from timber sales would increase proportionally. The growth and yield models predict that the new annual sale volume is sustainable for about 20 years given

the excess inventory available for harvest. The Department plans to repeat the FAMP revision process at approximately five-year intervals to allow for adjustments as needed based on updated inventory and growth information.

The Department is requesting additional resources to allow for implementation of the proposed annual sale volume. However, the request is not proportional to the expected increase in revenue. For example, the Department is not requesting any new full-time positions as it pursues increased efficiency and economy of scale in endowment timber management. There will be increased expenses for road maintenance, tree planting, timber stand improvement, and other related activities. Additionally, the Department must enhance its supply of seed to allow for additional tree planting over the long term. Requests for additional earnings reserve funds in the FY2021 budget include:

1. \$165,000 in capital outlay for initial expenses to establish a seed orchard on endowment land.
2. \$100,000 in personnel costs for temporary employees.
3. \$500,000 in operating expenses for contractual costs associated with a pilot delivered-products timber sale in FY2021.

The Department will develop FAMP documents for the supervisory areas and a statewide document during the winter of 2019/2020 in advance of Board approval of the FY2021 timber sales plan.

### **Recommendation**

Adopt the revised Forest Asset Management Plan, and direct the Department to implement the new annual sale volume of 328 MMBF with a four-year phase-in period.

### **Board Action**

# STATE BOARD OF LAND COMMISSIONERS

August 20, 2019

Regular Agenda

## Subject

Fiscal Year 2021 Department of Lands Budget Enhancements

## Question Presented

Shall the Board Direct the Department to include the enhancement requests as outlined in Attachment 1 in the Fiscal Year 2021 budget proposal due on August 30, 2019.

## Background

The Department is requesting concurrence on the proposed FY21 Enhancement Decision Units. Pursuant to Idaho Code § 67-3502, agencies must submit their budget request to the Division of Financial Management (DFM) and the Legislative Services Office (LSO) by August 30, 2019. The Board briefing and meeting schedules prevent the Department from having the full budget request ready for the August meeting. The complete budget will be presented for Board approval at the September meeting.

## Discussion

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

With these goals in mind, the Department is developing a budget submission for FY21 that includes enhancements to further efforts in meeting Department goals. In Attachment 1, the Department's proposed enhancements for the FY21 budget are listed in order of priority.

- 1) This request is for financial resources to address the increased forest management activities resulting from increased timber harvest on endowment lands (FAMP<sup>1</sup>). On endowment lands, sustainable harvest levels are expected to increase gross timber revenue by over 30% assuming stable forest product markets and prices. While the increase in harvest levels is substantial, the increase in expenses to manage the additional cut is modest.

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<sup>1</sup> Forest Asset Management Plan

- 2) This request is for financial resources to address increased forest and rangeland management activities under the Good Neighbor Authority (GNA) and Shared Stewardship agreements. The state's commitment to working cooperatively with federal agencies to increase management activities including timber harvest, rangeland restoration and watershed restoration on federal land will continue to increase the funds that flow through the Department's GNA program budget. Spending authority and additional FTEs<sup>2</sup> are needed to ensure those important agreements are met. Notably, work done specifically under Shared Stewardship on private lands cannot utilize dedicated funds generated by timber sales on federal lands. For that reason, general funds are being requested to fund 50% of two new employees who would each dedicate half of their time to Shared Stewardship coordination activities. The requested program manager for Shared Stewardship can be funded with existing federal fund appropriation, so no additional funds are being sought for that position.
- 3) This request is for additional support in the Department's Public Trust program. Through an audit, the Department determined approximately 50% of encroachments on navigable waters are out of compliance. With a growing population in Idaho, the areas surrounding our lakes and rivers continue to see increased use. This program needs additional resources to ensure that as Idaho grows, public access and navigability of lakes and rivers in Idaho will not diminish and that safety, property values and customer service are maintained.
- 4) This request is to replace the St. Joe Supervisory Area Office. The existing facility was originally a small house built in the 1940s and has been renovated three times in the last 25 years. The facility does not meet existing needs of today's current digital environment, personnel, or Americans with Disabilities Act (ADA) standards, and requires costly maintenance. The Department is requesting \$1,184,900 of PBFAC<sup>3</sup> funds towards the total cost of \$3,074,300.
- 5) This request is for additional IT support. The Department is requesting an IT Business Analyst to provide support to the Land Information Management System (LIMS) for forestry and fire to ensure "up" time and to prevent cyber-attacks on the data.
- 6) This request is for a partial FTE and dedicated spending authority to allow the Idaho Board of Scaling to prepare for the retirements of the two top positions by hiring a 0.75 FTE for two years to be trained as a replacement.
- 7) This request is for funding to cover the increases to the Department's annual software license and maintenance agreements.

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<sup>2</sup> Full-time Equivalent

<sup>3</sup> Permanent Building Fund Advisory Council

- 8) This request is for 1% CEC<sup>4</sup> and 1% inflation for the two Timber Protective Associations that are funded through the Department as Trustee & Benefit.

The enhancements in the Department's budget request reflect the following increases over the FY2020 ongoing appropriation:

FUND TYPE	Increase from FY20 Base Budget	
	ONGOING & ONE TIME Requests Combined	ONGOING Requests Only
General Fund	\$122,700 (2.1%)	\$118,300 (2.0%)
Earnings Reserve Fund	\$2,194,300 (7.7%)	\$813,700 (2.9%)
Lands Dedicated Fund	\$2,049,800 (13.2%)	\$1,225,300 (7.9%)
Federal Funds	\$0 (0%)	\$0 (0%)

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

### **Recommendation**

Direct the Department to include the enhancement requests as outlined in Attachment 1 in the Fiscal Year 2021 budget proposal due on August 30, 2019.

### **Board Action**

### **Attachments**

1. FY2021 Enhancement Decision Unit Requests

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<sup>4</sup> Change in Employee Compensation

# IDL Enhancement Decision Units - FY2021

Priority	Description	General Fund	Dedicated Fund	Federal Fund	Earnings Reserve Fund	Total	Object	FTP	Ongoing or OneTime
1	<b><u>LAAB: Forest Asset Management Plan (FAMP)</u></b>								
	This request includes funding for temporary employees needed to implement increased timber harvest levels on endowment lands as harvest levels are expected to increase by over 30% during the next four fiscal years. Seasonal staff will participate in sale preparation, sale administration and post-sale silviculture projects. This request also includes funds to establish a pilot program of delivered product sales of timber to evaluate the potential for greater financial returns for endowment beneficiaries. This request also includes funding to develop a seed orchard in the Lewiston Orchards area providing western larch and Douglas-fir seed. Since IDL's annual timber sale volume is increasing, there is a greater demand for genetically improved seed to regenerate harvested lands. Future phases may add more capacity and introduce western white pine, ponderosa pine and/or other desirable species to meet planting needs.								
	Group Position Funding	\$0	\$0	\$0	\$100,000	\$100,000	PC	0.00	Ongoing
	Delivered Product Sales Implementation	\$0	\$0	\$0	\$500,000	\$500,000	OE	0.00	Ongoing
	Seed Orchard Establishment - Phase I	\$0	\$0	\$0	\$165,000	\$165,000	CO	0.00	One Time
		\$0	\$0	\$0	\$765,000	<b>\$765,000</b>		<b>0.00</b>	

IDAHO DEPARTMENT OF LANDS

Priority	Description	General Fund	Dedicated Fund	Federal Fund	Earnings Reserve Fund	Total	Object	FTP's	Ongoing or OneTime
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**2**     **LAAB: Idaho Good Neighbor Authority (GNA)**

This request includes five (5) FTPs and (4) seasonals funded with a mix of dedicated, general and federal funds. These positions will provide more centralized resources to meet the needs of expanding workload of the GNA and shared stewardship programs. Two of the FTPs will serve as GNA regional foresters and coordinate forest and watershed restoration activities under GNA occurring on the Panhandle and Nez-Clear NFs. Two of the FTPs will serve as GNA/shared stewardship foresters and will increase IDL's engagement in the shared stewardship initiative occurring on the Panhandle, Nez-Clear, Payette and Boise NFs as well as 1.8 mm acres of private lands. One FTP will serve as shared stewardship program manager facilitating stakeholder meetings to prioritize and coordinate management activities to improve the health and resilience of forest and range lands in Idaho. The seasonals will be assigned to help implement specific projects in the field throughout the designated priority areas. Additional ongoing dedicated operating funds are also being requested to utilize GNA timber sale revenue to plan and implement activities on federal lands and to provide operating funding for the new program personnel to include travel, training, supplies and three leased vehicles. Between four and six additional sales will be sold in CY2019 and the anticipated increased operational impact will require an increase in OE spending authority to ensure restoration projects and sale planning activities can be funded. Finally, this request includes one time dedicated and general fund CO to purchase several capital items including computers and two pickup trucks.

Two Lands Program Specialists (Salary & Benefits)	\$0	\$168,700	\$0	\$0	\$168,700	PC	2.00	Ongoing
Two Lands Program Specialists, Senior (Salary & Benefits)	\$76,100	\$76,100	\$0	\$0	\$152,200	PC	2.00	Ongoing
One Lands Program Manager, Shared Stewardship	\$0	\$0	\$0	\$0	\$0	PC	1.00	Ongoing
Group Position Funding (4 Seasonal, Benefitted)	\$0	\$181,500	\$0	\$0	\$181,500	PC	0.00	Ongoing
Training, Travel and Supplies for 5 FTEs	\$7,500	\$39,000	\$0	\$0	\$46,500	OE	0.00	Ongoing
Three Commercially Leased Pickup Trucks (4X4 1/2 ton)	\$0	\$30,000	\$0	\$0	\$30,000	OE	0.00	Ongoing
Contracted Forest and Watershed Restoration Projects	\$0	\$600,000	\$0	\$0	\$600,000	OE	0.00	Ongoing
Computer, Telephone, Table and Software for 5 FTEs	\$3,500	\$14,000	\$0	\$0	\$17,500	CO	0.00	One Time
Two Pickup Trucks (4X4 1/2 ton)	\$0	\$63,800	\$0	\$0	\$63,800	CO	0.00	One Time
	\$87,100	\$1,173,100	\$0	\$0	<b>\$1,260,200</b>		<b>5.00</b>	

Priority	Description	General Fund	Dedicated Fund	Federal Fund	Earnings Reserve Fund	Total	Object	FTPs	Ongoing or OneTime
<b>3</b>	<b><u>LAAC: Lands Resource Specialist, Sr. (Public Trust) + Program Rent</u></b>								
	This request is for a FTP 1.0 Lands Resource Specialist, Sr. in the Public Trust program to be located in the Mica office. The Mica office handles about 50% of the entire public trust program workload -- issuing encroachment permits and submerged land leases for docks and other lake facilities. Statewide, approximately 300 encroachment permits are issued annually with over 11,000 active permits administered by the program. A recent survey of Lake Pend Oreille and other north Idaho locations indicated a need for greater focus on non-compliant permitted and non-permitted encroachments. Also requested is spending authority to cover rising office space rental in the Boise staff office, legal services and hearing officers.								
	Land Resources Specialist, Sr. (Salary & Benefits)	\$0	\$76,200	\$0	\$0	\$76,200	PC	1.00	Ongoing
	Training, Travel and Supplies	\$0	\$5,000	\$0	\$0	\$5,000	OE	0.00	Ongoing
	Public Trust Office Space Rent in Boise	\$0	\$12,000	\$0	\$0	\$12,000	OE	0.00	Ongoing
	Computer, Telephone and Furniture	\$0	\$2,900	\$0	\$0	\$2,900	CO	0.00	One Time
		\$0	\$96,100	\$0	\$0	<b>\$96,100</b>		<b>1.00</b>	
<b>4</b>	<b><u>LAAB/LAAD: St. Joe Area Facility Replacement</u></b>								
	Demolish and rebuild St. Joe administrative offices (including soft costs). Total project cost is estimated at \$3,074,300. This request is contingent upon a PFBAC award of \$1,184,900. The facility in St. Maries, ID was build in the 1940's and has had three additions over time. The additions have created separate ineffective heating systems and workspace that is poorly designed for today's digital environment. A facility condition assessment was performed in 2016 and outlined approximately \$266,500 worth of deferred maintenance, repairs and ADA issues that need to be addressed. During the assessment it was recommended to scrape the structure and build new office space on the site.								
	Design Fees (50% PBFAC)	\$0	\$45,200	\$0	\$96,000	\$141,100	CO	0.00	One Time
	Furniture (0% PBFAC)	\$0	\$72,300	\$0	\$153,700	\$226,000	CO	0.00	One Time
	Information Technology (50% PBFAC)	\$0	\$36,600	\$0	\$77,800	\$114,500	CO	0.00	One Time
	Site Improvements (50% PBFAC)	\$0	\$45,200	\$0	\$96,100	\$141,300	CO	0.00	One Time
	Demolition (50% PBFAC)	\$0	\$18,100	\$0	\$38,400	\$56,500	CO	0.00	One Time
	Fire Operations Facility (0% PBFAC)	\$0	\$211,300	\$0	\$267,300	\$478,600	CO	0.00	One Time
	Contruction of Administration Facility (50% PBFAC)	\$0	\$247,600	\$0	\$483,800	\$731,400	CO	0.00	One Time
		\$0	\$676,300	\$0	\$1,213,100	<b>\$1,889,400</b>		<b>0.00</b>	

Priority	Description	General Fund	Dedicated Fund	Federal Fund	Earnings Reserve Fund	Total	Object	FTPs	Ongoing or OneTime
5	<b><u>LAAA: IT Business Analyst</u></b>								
	This request is for a FTP 1.0 Business Analyst (Grade M) and associated support costs. This position will provide business and systems analysis, project management, and help desk support for the Land Information Management System (LIMS Forestry) enterprise system. Staff will depend on a high percentage of "up" time for staff to perform their daily work and to maintain high levels of service to external customers interacting with IDL in a self-service way. Cybersecurity risk is also present with this system. This position will provide the appropriate level of KSAs to prevent security breaches and to maintain high problem resolution rates when staff is utilizing the system.								
	IT Business Analyst (Salary & Benefits)	\$12,600	\$12,600	\$0	\$59,000	\$84,200	PC	1.00	Ongoing
	Training, Travel and Supplies	\$2,000	\$2,000	\$0	\$6,000	\$10,000	OE	0.00	Ongoing
	Computer, Telephone and Furniture	\$900	\$900	\$0	\$2,500	\$4,300	CO	0.00	One Time
		\$15,500	\$15,500	\$0	\$67,500	<b>\$98,500</b>		<b>1.00</b>	
6	<b><u>LA AF: Check Scaler - Idaho Board of Scaling Practices</u></b>								
	Due to the retirement of both of the two IBSP check scalers, funding and .75 FTE is being requested for a two year period to train a replacement by the current incumbent.								
	Check Scaler (Salary & Benefits)	\$0	\$66,600	\$0	\$0	\$66,600	PC	0.75	
		\$0	\$66,600	\$0	\$0	<b>\$66,600</b>		<b>0.75</b>	
7	<b><u>LAAA: Software Maintenance</u></b>								
	This request is for ongoing funding to cover increased annual software license maintenance costs.								
	Microsoft Licensing	\$7,800	\$15,600	\$0	\$54,600	\$78,000	OE	0.00	Ongoing
	Cisco Smartnet	\$1,700	\$3,400	\$0	\$11,900	\$17,000	OE	0.00	Ongoing
	ESRI	\$1,100	\$2,200	\$0	\$7,700	\$11,000	OE	0.00	Ongoing
	Remsoft	\$0	\$0	\$0	\$12,000	\$12,000	OE	0.00	Ongoing
	Mobile Iron - MDM	\$500	\$1,000	\$0	\$3,500	\$5,000	OE	0.00	Ongoing
	Mason, Bruce and Girard (MBG)	\$0	\$0	\$0	\$59,000	\$59,000	OE	0.00	Ongoing
		\$11,100	\$22,200	\$0	\$148,700	<b>\$182,000</b>		<b>0.00</b>	

Priority	Description	General Fund	Dedicated Fund	Federal Fund	Earnings Reserve Fund	Total	Object	FTPs	Ongoing or OneTime
8	<b><u>LAAD: Timber Protective Associations</u></b>								
	This is a request on behalf of the Clearwater-Potlatch Timber Association and the Southern Idaho Timber Protective Association to fund a 1% change in employee compensation and a 1% inflation for operating expenses. In FY20, IDL has an ongoing GF appropriation of \$902,400 in T&B that is forwarded to fund the two TPAs.								
	CEC and Inflation	\$9,000	\$0	\$0	\$0	\$9,000	TB	0.00	Ongoing
		\$9,000	\$0	\$0	\$0	<b>\$9,000</b>		<b>0.00</b>	
	<b>Grand Totals:</b>	<b>\$122,700</b>	<b>\$ 2,049,800</b>	<b>\$0</b>	<b>\$2,194,300</b>	<b>\$4,366,800</b>		<b>7.75</b>	



# STATE BOARD OF LAND COMMISSIONERS

August 20, 2019  
Information Agenda

## Subject

Douglas-fir Tussock Moth Salvage Sales on the Packer John State Forest

## Background

The Idaho Department of Lands' Southwest Area forestry staff have been combating various insect issues on the Packer John State Forest for over ten years. For many years, spruce budworm killed the newest growth each year and drastically limited cone production and natural regeneration of Douglas-fir and grand fir trees in this area. According to historic Continuous Forest Inventory (CFI) reports and current Stand Based Inventory (SBI) data, grand fir has increased from 1.8% of the standing volume on Packer John in 1968 to 40% in 2018. Previous CFI reports mention presence and defoliation from spruce budworm over the same timeframe and an outbreak of Douglas-fir Tussock Moth (DFTM) in the 1980s. Since the 2009 Forest Asset Management Plan and additional fire-salvage operations, area personnel have begun implementing practices to establish faster growing, more insect-, disease-, and fire-resistant and resilient stands by converting species to ponderosa pine, lodgepole pine, Engelmann spruce, and western larch.

## Discussion

On December 15, 2015, the Land Board approved a clarification to the Governance Structure (Attachment 1), allowing the Department to conduct salvage sales due to fire, wind, insects, and/or disease that may exceed the 100-acre clearcut and development credit thresholds. Subsequently, on March 29, 2017, changes were made to IDAPA Rule 20.02.14 to eliminate the definition of salvage sales as small sales that could not exceed 1 million board feet (MMBF) or \$150,000 net appraised sale value. This change was necessary to more accurately describe the silvicultural intent of a salvage sale, regardless of sale volume or value. These changes have allowed the Department to successfully, and in a timely manner, sell fire-damaged timber from the 2015 fire season exceeding the 100-acre unit size restriction, and again in 2019 with the Sharp's Fire Salvage, which exceeded the development threshold.

The first Southwest Area DFTM salvage sale in the Packer John State Forest, Center Howell Salvage, was sold on July 31, 2019, to Woodgrain for the appraised amount. The second sale, Hidden Scriber Salvage, is scheduled for sale on August 20, 2019 (Attachment 2). These two sales will treat 1,946 acres and an estimated 26.1 MMBF of timber at an appraised value of \$2,764,565.50 (Attachments 3 and 4). The area's planned harvest for FY2020 is 10 MMBF; area staff should be commended for timely and professional response to this management issue.

Sales in southern Idaho are primarily sold by the ton, but these DFTM salvage sales will be scaled to provide lower risk for both the State and the purchaser due to the nature of the mortality and potential for decay over the contract term. These salvage sales coincide with a relatively soft log market. Limited availability of loggers and truckers also present challenges.

Conditions in the Packer John area will be monitored through this fall to determine the extent of damage outside the current sale areas, forecast the DFTM activity for the next growing season, and plan for potential additional salvage timber sales. Initial thoughts are that this is the last year of peak DFTM activity, but further examination will yield a better indication of what next year holds. In order to meet the Land Board's fiduciary duty, timing is of the essence to ensure that wood quality and value is not lost due to checking and decay.

With these planned sales, an estimated 720,000 seedlings will be planted after harvest, hazard management, and site preparation activities are complete. Seedlings will be a mixture of ponderosa pine, western larch, Engelmann spruce, and lodgepole pine.

Public outreach and information about this issue has been done through local and regional newspapers, social media, and local media outlets in the Boise area by the Department's public information officers working with staff across all levels of the agency (Attachment 5).

## **Attachments**

1. Governance Structure Review: December 15, 2015 Approved Memo
2. DFTM Sale Approval Memo
3. DFTM Impact Area Map
4. DFTM Sale Vicinity Maps
5. DFTM Public Outreach

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



DEPARTMENT OF LANDS  
**APPROVAL MEMO**  
TIMBER SALE PROPOSAL

DESCRIPTION				Sale Name	
SUBDIVISION	SECTION	TWP	RANGE	Center Howell Salvage	
Pts. S2NW, Pts. N2SW, Pts. SESW	10	10N	3E	Cruise No.	Sales Plan Fiscal Year
Pts. W2SW	14	10N	3E	CR600204	2020
Pts.	15	10N	3E	Acres	Duration (Yrs)
Pts. SESE	16	10N	3E	915	2 years
Pts. E2E2	21	10N	3E	Fund Public Schools	
Pts.	22	10N	3E		
Pts. W2W2	23	10N	3E	County	
Pts. N2NE, Pts. SWNE, Pts. E2NW	27	10N	3E	Boise	
				Fire Suppression Rate	MBF Ton
					\$0.12 \$0.021
				Sale Location	
				6 mile(s) N of Banks Idaho	

SPECIES or PRODUCT	RECOMMENDED PRICE PER UNIT MEASURE	QUANTITY (MBF)	VALUE EXTENDED
White Pine	\$0.00	0 MBF	\$0.00
Ponderosa Pine	\$188.40	0 MBF	\$0.00
Douglas-fir & Larch	\$132.00	3,489 MBF	\$460,548.00
Grand Fir, Hemlock, SAF	\$103.80	11,601 MBF	\$1,204,183.80
Cedar	\$0.00	0 MBF	\$0.00
Cedar Products	\$0.00	0 MBF	\$0.00
Spruce	\$103.80	0 MBF	\$0.00
Lodgepole Pine	\$103.80	0 MBF	\$0.00
Pulp (Optional)	\$10.00	0 MBF	\$0.00
			\$0.00
			\$0.00
Totals		15,090 MBF	\$1,664,731.80
		Less Developments	\$98,400.00
		Net Value	\$1,566,331.80

REMARKS:

Road developments include: open 13.30 miles, reconstruct 8.07 miles, and construct 1.81 of road. The Douglas-fir Tussock Moth epidemic, in combination with other forest insects and diseases, have killed or severely defoliated most of the grand fir and Douglas-fir within the sale area. The silvicultural prescription is to salvage all grand fir, Douglas-fir, and subalpine fir which will create a clearcut appearance across the sale area. Reforestation with ponderosa pine and western larch will create a more resilient and productive forest. Logging systems are tractor and off road jammer. This sale is recommended.

APPROVAL:		Name:	Date:
Forest Management Bureau		Jim Elbin	July 18, 2019

DEPARTMENT OF LANDS  
**APPROVAL MEMO**  
TIMBER SALE PROPOSAL

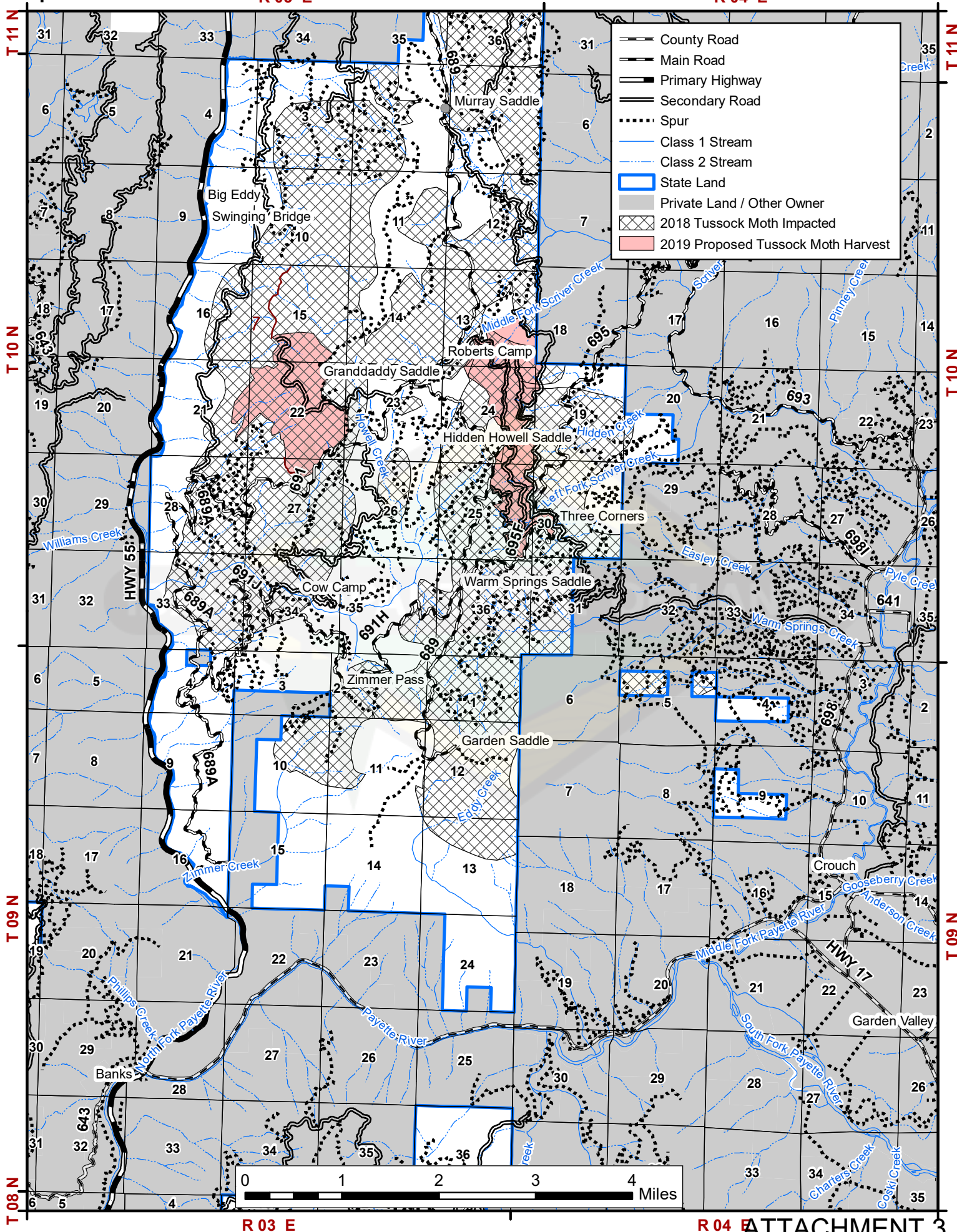
DESCRIPTION				Sale Name	
SUBDIVISION	SECTION	TWP	RANGE	Hidden Scriver Salvage	
Pts. Lot 4, Pts. SWSE	13	10N	3E	Cruise No.	Sales Plan Fiscal Year
Pts. Lots 1-4, Pts. W2E2	24	10N	3E	CR600208	2020
Pts. Lots 1-4, Pts. W2E2, Pts. W2	25	10N	3E	Acres	Duration (Yrs)
Pts. S2NE, Pts. SESW, Pts. SE	35	10N	3E	1031	2 years
Pts. W2E2, Pts. W2	36	10N	3E	Fund	Public Schools
Pts. Lot 3-4, Pts. SWNW	1	9N	3E	County	
Pts. Lots 1-3, Pts. S2NE	2	9N	3E	Boise	
Pts. NESW, Pts. Lots 3-4, Pts. SESW	30	10N	4E	Fire Suppression Rate	MBF Ton
Pts. NENW, Pts. Lot 1	31	10N	4E		\$0.12 \$0.021
				Sale Location	
				5 mile(s) NW of Crouch	Idaho

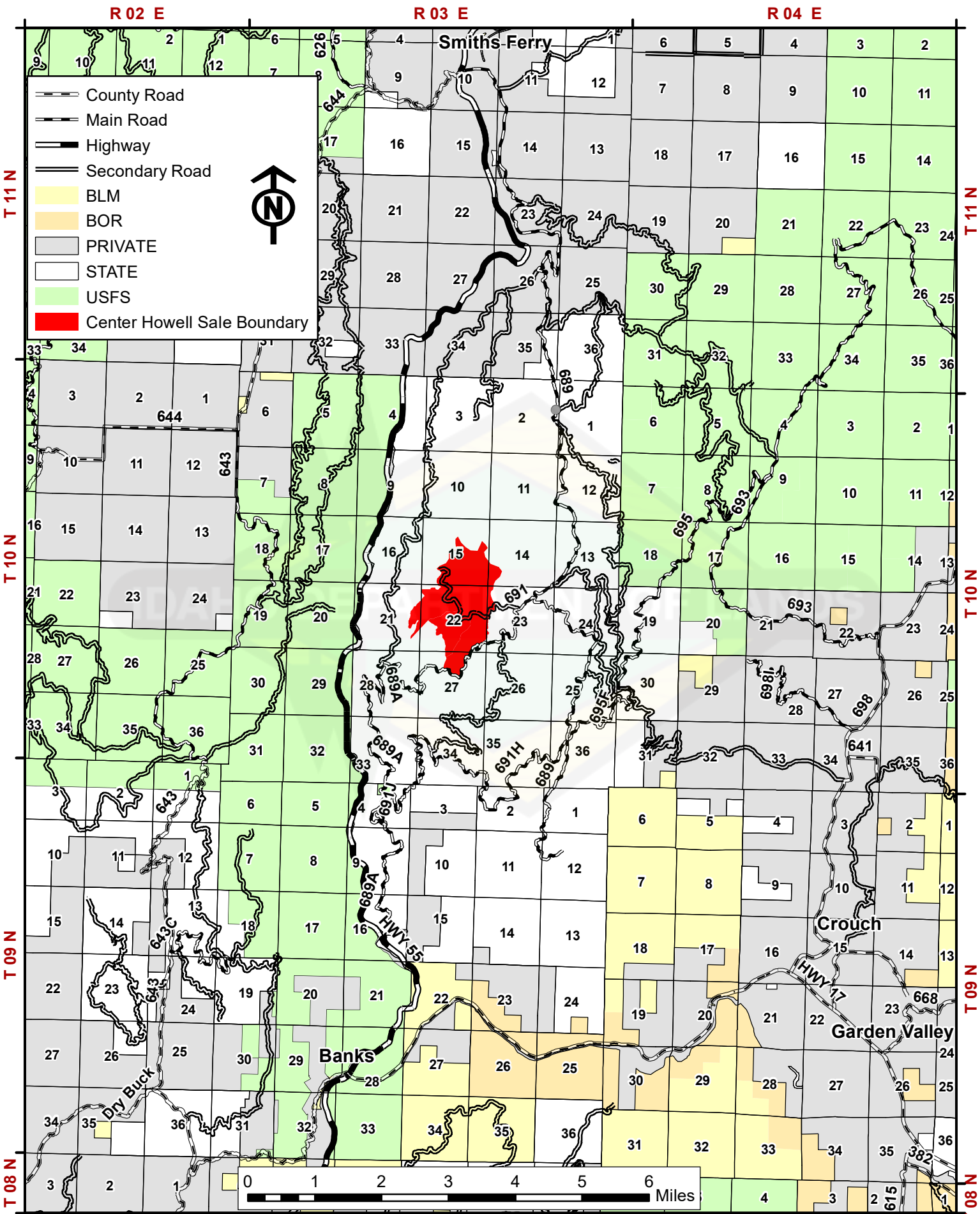
SPECIES or PRODUCT	RECOMMENDED PRICE PER UNIT MEASURE	QUANTITY (MBF)	VALUE EXTENDED
White Pine	\$0.00	0 MBF	\$0.00
Ponderosa Pine	\$181.50	164 MBF	\$29,766.00
Douglas-fir & Larch	\$125.10	2,849 MBF	\$356,409.90
Grand Fir, Hemlock, SAF	\$106.30	8,006 MBF	\$851,037.80
Cedar	\$0.00	0 MBF	\$0.00
Cedar Products	\$0.00	0 MBF	\$0.00
Spruce	\$96.90	0 MBF	\$0.00
Lodgepole Pine	\$96.90	0 MBF	\$0.00
Pulp (Optional)	\$10.00	0 MBF	\$0.00
			\$0.00
			\$0.00
Totals		11,019 MBF	\$1,237,213.70
		Less Developments	\$38,980.00
		Net Value	\$1,198,233.70

REMARKS:

Douglas-fir tussock moth outbreak has caused mortality and dead tops in grand fir, Douglas-fir, and sub-alpine fir trees throughout the sale area. The silvicultural prescription is to salvage harvest all grand fir, Douglas-fir, and subalpine fir, to capture the value of the dead and dying timber. Most sale acres will have a clearcut appearance, with spruce left along the streams and wet areas, and some ponderosa pine left on the ridges. Reforestation with ponderosa pine, and western larch will create a more resilient and productive forest. Developments include 1.96 miles of spur road reconstruction, and 25.23 miles of spur road opening. Logging systems are tractor and off road jammer. This sale is recommended.

APPROVAL:		Name:	Date:
Forest Management Bureau		Jim Elbin	August 1, 2019

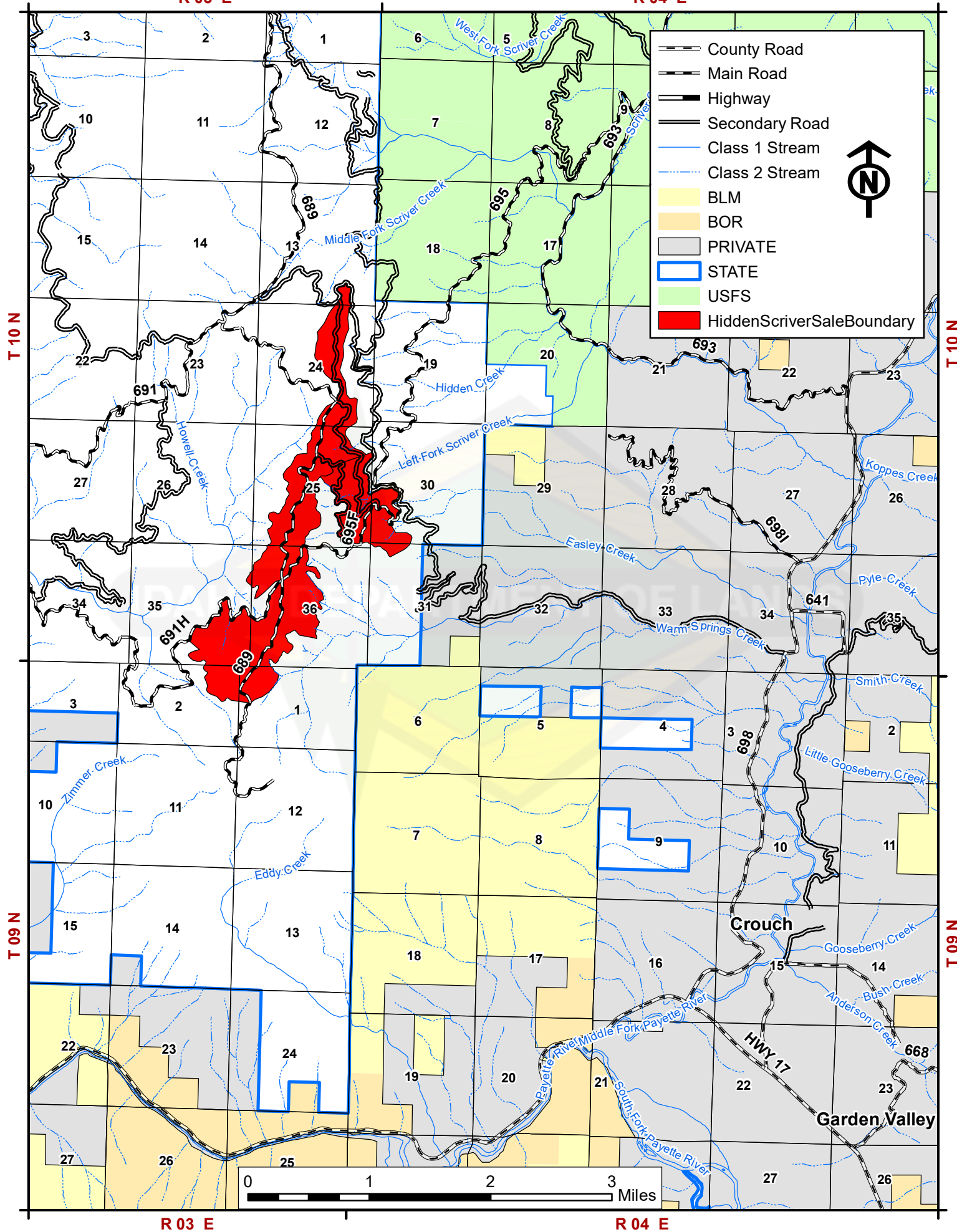




### Vicinity Map

R 03 E

R 04 E





## NEWS RELEASE

FOR IMMEDIATE RELEASE

July 29, 2019

### **Outbreak of Douglas-fir tussock moth requires salvage timber sales**

(Boise) – Idaho Department of Lands (IDL) is working to manage a major Douglas-fir tussock moth infestation in the Packer John State Forest. In an effort to contain the outbreak, reduce fire risk and safety concerns to the recreating public, and capture some value for the timber, IDL plans to conduct salvage timber harvests in the most impacted areas.

A recent drone flight conducted by IDL foresters provided dramatic video of the affected area and can be viewed [here](#). A map can be found [here](#) that allows you to click on points within the affected area and see the extent of the infestation 360 degrees. (Please note Internet Explorer must be used for viewing.)

It is not unusual to have a tussock moth outbreak every ten years or so, and often trees can recover. However, this infestation combined with several years of western spruce budworm defoliation and drought conditions in 2018, has resulted in extensive mortality. Making matters worse, bark beetles, ambrosia beetles and fir engravers are moving in to further attack weakened trees.

The dead and dying trees pose a significant fire danger especially to those who live or recreate near the affected area. There is also the danger of the dead and dying trees falling, creating further risk for the recreating public.

The trees still have economic value if harvested in a timely manner. However, that value will rapidly decrease if bark beetles and wood borers infest the dead trees, or if the wood dries and cracks due to delayed salvage harvests. The land is owned by the Public School Endowment, with money from the salvage supporting reforestation of the affected areas and revenue for public schools.

Two salvage sales are currently being prepared for sale and harvest. The Center Howell Salvage is estimated to be approximately 915 acres with an appraised value of \$1.67 million; it will be auctioned on July 31. The Hidden Scriver Salvage will be approximately 1,000 acres with an appraised value of \$1.13 million; it will be auctioned sometime in August. A map of the proposed salvage sales is attached.

All trees within the salvage sale areas will be harvested except for ponderosa pine and spruce trees which are not affected by tussock moth. Those species make up a small percentage of trees within the harvest areas.

Following salvage operations, the land will be treated with herbicide to control brush and weeds and will be replanted with a variety of tree species (ponderosa pine, lodgepole pine, Engelmann spruce and western larch) to make it less susceptible to this type of damage in the future.

For more information on the Douglas-fir tussock moth and this outbreak, please visit our website at [www.idl.idaho.gov](http://www.idl.idaho.gov) or follow us on Facebook [@IdahoDepartmentofLands](#).

###

Note to Editor: photos, b-roll and soundbites can be found here:

<https://www.dropbox.com/sh/8ytxtks8ig8eu53/AAC96Qg5m2vnLyNwFwOpllLka?dl=0>

Media Contacts:

Sharla Arledge, Idaho Department of Lands | 208-334-0286 | [pio@idl.idaho.gov](mailto:pio@idl.idaho.gov)

Robbie Johnson, Idaho Department of Lands | 208-334-0236 | [pio@idl.idaho.gov](mailto:pio@idl.idaho.gov)

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## **Douglas-fir Tussock Moth Frequently Asked Questions**

### **OUTBREAKS AND TUSSOCK MOTH BIOLOGY**

**Q: What is the Douglas-fir tussock moth (DFTM)?**

A: DFTM is a native defoliator (needle-eating caterpillar) that occurs throughout western North America. It often causes explosive outbreaks that can last for several years before subsiding. This moth overwinters as an egg, larvae hatch and caterpillars feed from June to August. Caterpillars then pupate and develop into adult moths in middle to late August. Female moths cannot fly, and after mating in the fall, lay eggs in hairy, gelatinous egg masses.

**Q: What species of trees are affected?**

A: Douglas-fir and grand fir are the primary hosts of the DFTM, with Engelmann spruce, ornamental spruce and subalpine fir occasionally being attacked. Ponderosa pine, lodgepole pine and western larch are rarely fed upon.

**Q: How often do these outbreaks occur?**

A: In southern Idaho, DFTM outbreaks have occurred in the Owyhee mountains approximately every 10 years. Outside of the Owyhee outbreaks, the last major outbreak in southern Idaho occurred between 1990 and 1993. At its peak, over 390,000 acres were defoliated. Most defoliation occurred on the Boise and Sawtooth National Forests in Boise, Elmore, and Camas Counties.

**Q: Where do the outbreaks occur?**

A: DFTM outbreaks can occur wherever the preferred host species (Douglas-fir and grand fir) grow, however defoliation tends to occur in the same general areas. In southern Idaho, the Owyhee Mountains, the Long Valley area of Valley and Adams Counties, the Wood River Valley and the Boise and Sawtooth National Forests have recorded periodic outbreaks. DFTM outbreaks regularly occur in northern Idaho (Latah, Benewah, Idaho, and Kootenai Counties) approximately every 8 to 12 years.

**Q: I have lived in Garden Valley for over 30 years, and I don't remember any damage due to DFTM. Where did this outbreak come from?**

A: Resident populations of DFTM occur in many of Idaho's forests, but outbreaks only occur when environmental conditions are favorable. Because female moths do not fly and caterpillars cannot spread very far, low-level populations have always been in the area. There was very limited defoliation of the Packer John State Forest in 1991; most of the damage in the immediate area was to the northwest of Smiths Ferry.

**Q: How do the outbreaks spread?**

A: Female DFTM moths are flightless and cannot fly from tree to tree to lay eggs. Young larvae are dispersed by the wind and can blow from tree to tree over short distances.

**Q: How long do the outbreaks last?**

A: Outbreaks usually last from 2 to 4 years. In southern Idaho, outbreaks typically cause three years of defoliation before natural controls cause the outbreaks to collapse.

**Q: What causes the outbreaks to collapse after 2 to 4 years?**

A: Because DFTM is a native insect, there are natural controls that keep the populations in check. These controls include predators (birds, ants, small mammals, predatory insects), parasites (wasps and flies that attack eggs, larvae and pupae), and a naturally occurring viral disease that is specific to DFTM. This virus is called a nucleopolyhedrosis virus (NPV), and it causes widespread mortality in DFTM populations usually within 3 years after the outbreak starts.

**Q: When will this outbreak end?**

A: Some areas of Valley and Boise counties experienced their second year of defoliation in 2018. Past history indicates that 2019 will be the last year of the outbreak. There is a chance that the outbreak will continue into 2020 and then collapse. Egg mass surveys will be conducted by IDL in September 2019 and will give us a better idea when the outbreak is anticipated to collapse.

**Q: Will a cold winter kill the tussock moth?**

A: DFTM is a native insect and has evolved with its hosts. It is adapted to the climate conditions in this area. Cold conditions in the spring when the eggs hatch, or a late frost that kills the new needles, can affect DFTM populations, but a cold winter will not kill the eggs.

## **DAMAGE AND MORTALITY**

**Q: What kind of damage can occur?**

A: Defoliation can damage trees by causing growth loss, top-kill or outright mortality. Mortality from 2018 defoliation on the Packer John State Forest and adjacent private lands has been extensive. High populations of larvae combined with very hot and dry conditions have contributed to extreme levels of mortality of Douglas-fir and grand fir. Douglas-fir tussock moth feeding does not always kill trees, but weakened trees can be attacked and killed by bark beetles later.

**Q: My trees are defoliated now; does that mean that the tree is dead?**

A: A tree is not necessarily dead after one year of defoliation. Even if the tree had red needles last summer, if the tree developed buds, it will usually form new needles the following spring. Repeated defoliation is most damaging to trees. Trees can be killed by DFTM, but they can also recover. Do not assume that trees defoliated in 2019 are dead. WAIT UNTIL SPRING 2020 to see if the tree develops a new flush of growth. Severely defoliated trees can be weakened enough that they are more susceptible to bark beetles in subsequent years.

**Q: How much damage does it take to kill trees?**

A: Most mortality and top-kill occur in trees that are heavily defoliated. Published research from the Blue Mountains of Oregon shows that most mortality occurs when a tree experiences defoliation of at least 90% of its crown. Experience in Idaho indicates that mortality can occur when defoliation reaches 75%. Hot, dry weather during the growing season can increase the likelihood of mortality.

**Q: Which trees are most vulnerable to being killed or damaged?**

A: Smaller trees are most susceptible to top-kill and mortality. Smaller trees have less stored energy to develop buds and re-foliate. Larger trees can tolerate more defoliation and have more stored reserves.

## **DOUGLAS-FIR TUSSOCK MOTH MANAGEMENT**

**Q: What is the best way to manage DFTM?**

A: Douglas-fir tussock moth prefers Douglas-fir and grand fir hosts. It will occasionally feed on Engelmann spruce, western larch and pines, but the feeding is usually incidental. The best option is to manage for these less-preferred species through forest management treatments.

**Q: Is there anything that I can spray to control DFTM?**

A: Several insecticides are registered for control of DFTM. Some insecticides from home centers have labeling for ornamental trees. As a private landowner, it is often impractical and expensive to aerially spray forest acreages. Consult with a forest entomologist, or Extension Agent for specific product recommendations.