



Idaho Department of Lands  
**Agency Guidance Document**  
Timber Management Bureau  
Coeur d'Alene Staff Office  
(208) 769-1525  
[comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)

## Land Board Timber Policies

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This guidance document is not a new law. This document is an interpretation of existing law, except as authorized by Idaho Code or incorporated into a contract.

### Agency Contact

Timber Management Bureau Chief

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## Timber

Attached Land Board Policy	Date	Remarks
1. 20,000 Cedar Poles per year	02/11/1986	Motion for adoption of the Cedar Pole Rules stated a commitment to harvest 20,000 poles per year, but that it was not appropriate to put it in the rules, but simply reflected in the annual sale plan.
2. Bankruptcy Policy	12/12/1989	No restrictions on bidding, purchaser required to notify, individuals in bankruptcy that purchase timber sales, those contracts must be presented to the board for approval to consummate. Note: The actual Bankruptcy Status Affidavit we currently is slightly different from the one attached to this Memo.
3. Clearcuts on State Timber Sales	11/19/1984	Clearcut policy; IDL has the authority to approve clearcuts up to 100 acres.
4. Contract Modifications	11/12/1990	The Board approved the department's recommendation that the director be authorized to modify timber sale contracts with up to a \$100,000 monetary impact and that modifications with a monetary impact of more than \$100,000 be presented to the Board for consideration.
5. Developments 50% of Sale Value	04/08/1986	Timber Sale development credits will be limited to a maximum of 50% of the net appraised sale value.
6. Financing Timber Sales	02/12/1985	Proceed with the amendments including Bid Deposits, Stumpage payments, interest charges, bonding, extension fees etc.
7. Firewood Policy, Charges, and Distribution	06/11/1985 12/15/1986 05/08/1990 08/14/1990 07/17/2008	6/11/1985 – Encourage use of material out there because the state benefits from having it removed from the woods. The policy allows a free-use area where the removal of this material will be beneficial to the lands and a charge for permits for any removal of firewood outside of these areas.  12/15/1986 – Unmerchantable dead and down timber, trees, or brush not required for water conservation may be sold and disposed of as firewood. Monies from wood permits be directly deposited into a suspense fund. Quarterly distribute into the proper endowment fund.

## TIMBER

Attached Land Board Policy	Date	Remarks
		<p>5/8/1990 – Raised price per cord to \$5.00 with a 4 cord minimum.</p> <p>8/14/1990 – Board set a 2 cord minimum.</p> <p>7/17/2008 – The Department has the authority to set prices for firewood and miscellaneous forest products.</p>
8. Incidental Take Coverage on Endowment Lands	04/13/2004	Authorize IDL to enter informal negotiations to acquire an incidental take coverage for ESA listed species on state endowment trust lands.
9. Minimum Bid Prices and Timber Sale Appraisal Method	<p>10/18/1972</p> <p>12/08/1987</p> <p>02/09/1988</p> <p>04/11/1995</p> <p>02/13/2001</p> <p>05/18/2010</p>	<p>10/18/1972 – Where there will be large scale development, a map of the area will accompany the timber sale appraisal so the Board members can acquaint themselves with the portion of the State involved.</p> <p>12/8/1987 – Timber Sale Appraisal Subcommittee Report</p> <p>2/9/1988 – Continue using the current timber appraisal methods to establish stumpage values for state timber sales. Minimum stumpage values will be 75% of the statewide average (weighted by volume excluding South Central and Southeast Idaho Supervisory Areas) for the past twelve months. These minimum stumpage rates will be used unless presented to the Board on a case-by-case basis for their consideration. The minimum prices do not apply to Eastern Idaho.</p> <p>4/11/1995 – Revise appraisal system by:</p> <ol style="list-style-type: none"> <li>1) Cease using the lumber tally appraisal method;</li> <li>2) Utilize the delivered log appraisal method;</li> <li>3) Establish minimum prices at 60% of average selling price by species for previous 4 calendar quarters;</li> <li>4) Establish a uniform system of gathering delivered log price and logging cost data;</li> <li>5) Set the minimum bid price at the higher of the minimum price or delivered log appraisal on a species-by-species basis.</li> </ol> <p>2/13/2001 – Establish minimum bid prices at 50% of the average selling price by species for the previous four calendar quarters. Maintain the current delivered log price appraisal system and continue to set the minimum bid price at the higher of the minimum price or delivered log</p>

## TIMBER

Attached Land Board Policy	Date	Remarks
		<p>appraised price on a species basis. The exceptions noted on the Board memo dated April 11, 1995, will still apply.</p> <p>5/18/2010 – Change the Department procedure for determination of minimum prices. Set minimum price for species with bid value equal to or greater than \$200/MBF at 50%, for values equal to or greater than \$150/MBF and less than \$200/MBF at 60%, and for values less than \$150 at 70%. The percentage values are based on statewide average bid price of the previous four quarters. Maintain the current delivered log price appraisal system and continue to set the minimum bid price at the higher of the minimum price or delivered log appraised price on a species basis. The exceptions (perishable, fire or insect killed material) noted on the Board memo dated April 11, 1995, will still apply.</p>
10. Non-reducing Interest Rate on Extensions	08/13/1991	Interest rates to be charged for scaled sales and costs for Lump Sum sales.
11. Pulpwood Policy	12/10/1985	Sales containing more than one-third the total volume in pulp try to sell in a favorable pulp market or advertise as a pulp sale. If less than 1/3 of the total volume removal is optional, skidding and decking shall not be required.
12. State Forest Lands	05/26/1950 12/21/1961	<p>5/26/1950 – State Forests Designated.</p> <p>12/21/1961 – Expansion of Payette Lakes State Forest.</p>
13. Termination of State Timber Sales	02/10/1987	Approved three procedures as a standard policy for terminating an uncanceled state timber sale, including a provision that the person who is turning back a timber sale contract not be eligible to rebid that particular sale "unless the provision is excused by action of the Board."
14. Timber Sale Assignments	08/13/1991 02/06/1996	<p>8/13/1991 – Timber sale contracts may be assigned at the discretion of the Land Board. Procedures listed. One specific provision was that any profit above and beyond the purchase of the sale to a third party would revert to the Endowment funds.</p> <p>2/6/1996 – action required affidavit stating that beneficiary would receive additional monies derived from assignment.</p> <p>Any extension or assignment of a state timber sale shall include a provision requiring compliance with the Timber Supply Stabilization Act of 1989 and the Forest Resources Conservation and Shortage Relief Act of 1990."</p>

## TIMBER

Attached Land Board Policy	Date	Remarks
15. Timber Sale Auction and Bidding Procedure	02/09/1970 04/13/1993	2/9/1970 – As a matter of policy and law "time of purchase" means "when the bid is let -- on an auction sale, you have a contract and the auction is complete, all that remains then is for both parties to execute and you have an enforceable contract when the bidding is closed."  4/13/1993 – Authorized bidding on total gross sale value per mbf, and apportion any bid increase within ten days of sale subject to certain limitations.
16. Timber Sale Extension Policy	02/11/1986 08/13/1991 06/14/2004 10/18/2007	Timber Sale Extension Policy
17. Timber Sale Performance Bond Reductions	04/10/1998	Performance bonds are to remain in place for the life of the sale. We allow reductions when harvest and road building activities are completed, only minor road maintenance, slash piling or misc. work remains prior to completion of the contract.
18. Timber Sale Public Involvement Policy	04/13/1993 05/11/1993 05/10/1994 11/18/2008	4/12/1993 – State Auditor Williams made recommendation to the Board that a proposed public involvement policy regarding state timber sales be tested for the 1995 State Timber Sale plan and evaluated in the summer of 1994.  5/11/1993 – Policy adopted, Subscription service, Annual timber sale plan. Exceptions- sales est. to be less than \$75,000 and est. volume less than 1,000 MBF, sales where wildfire, insects or disease, wind throw etc. Adopted for one year.  5/10/1994 – Follow policy through the normal timber sale procedures in establishing a timber sale plan. Department to contract for a survey of those on the subscription list to try to determine ways to make the process more effective.  11/18/2008 – Department was directed to publish a legal notice pointing people to a list of sales proposed for two years in the future that is posted on IDL websites. Removed the requirement to advertise the annual sales plan from January thru March in newspapers. Allowed for posting the sales plan on IDL websites and allowed exceptions to the published plan as before.
19. Reoffer Sales Without Additional Land Board Approval	02/17/2009	Allows the Department to reoffer a sale after unsuccessful auction attempt without seeking further board approval.

## TIMBER

Attached Land Board Policy	Date	Remarks
20. Signature Process on State Timber Sale Contracts	10/19/2010	Discontinued the need for Governor and Secretary of State to sign each timber sale contract and delegated authority to Director, Deputy Director, Division Administrators, and Timber Management Bureau Chief.
21. Timber Sale Approval Process for Emergency Salvage Sales	09/15/2015	Excludes salvage sales from the normal green sale Land Board approval policies to expedite sale and operations to capture value of timber as quickly as possible.

## **1. 20,000 Cedar Poles per Year**

Attachment

### **February 11, 1986 final minutes**

*Summary:* Motion for adoption of the Cedar Pole Rules stated a commitment to harvest 20,000 poles per year, but that it was not appropriate to put it in the rules, but simply reflected in the annual sale plan.

Jerry Evans moved that the Wapi land exchange, as proposed by the department and agreed to by the Bureau of Land Management, be approved. Jim Jones seconded the motion. The motion passed unanimously.

#### Cedar Pole Rules & Regulations

Joe Hinson, representing the Idaho Forest Industry, was present. Don Jones provided the background for these proposed rules which were before the Board for final adoption.

Mr. Jones said that following the Board meeting of November 1985, the department staff went back and worked with the various cedar pole companies and some of the sawmill operators to try to resolve some of the objections that had been raised on the original set of rules that were brought to the Board. They have succeeded in drafting a set of rules that seem to satisfy the department and industry's needs. The rules were developed and entered into the formal rule-making process. Comments were received from only two companies, and consequently no hearing was required. The comments were minor and did not substantially affect the content of the original rules. One comment that dealt with changing minor terms in the pole specification was adopted into the proposal. A suggestion that poles be sold based on bids on total lineal feet was not adopted because this was a big stumbling block in the original set of rules. The department feels the rules are now in good order and are ready for Board review and approval.

Joe Hinson commented that the sawmills and cedar pole industry along with the department have worked very hard in bringing about some compromise measures. This has been done and the parties are in agreement. The pole companies did ask him to emphasize that they would like some assurance that the historic level of 20,000 poles per year be maintained.

The Governor commended Don Jones for doing such good work.

Stan Hamilton commented that the department was advised by the Board and legislative counsel that the request that 20,000 poles per year be offered for sale was not appropriate to put in the rules. Jerry Evans said that he was one of the Board members that did not want that in the rules, but he thinks in the annual sale plan it should be reflected as policy of the Board.

Jerry Evans moved to adopt and approve the proposed rules and regulations. Pete Cenarrusa seconded. The motion passed unanimously.

#### Slash Rate

Mr. Hamilton explained that the hazard management or treatment of slash is an extremely complicated program with monies going to fund various programs such as insect and disease and erosion programs. About a year ago the department presented a draft set of rules that would have provided that the department get an increased portion of the slash rate for administrative costs. The slash program has also carried a large part of the fire program over the years. The department briefed IFC on the problems. As a result, over the last few months, department staff and industry representatives have spent a considerable amount of time in learning how the program worked. There are several programs involved, and now the Forest Practices Act is becoming involved. The department had drafted a bill that possibly could have gone to this session of the legislature, but there are too many unanswered questions about the slash program and the monies and how they are used. So that effort has been abandoned. The department is asking for the Board's advice and guidance in continuing to work on a program for the next session. Mr. Hamilton said, however, that the department is looking to going forward to this legislative session with legislation relating to the Forest Practices Act.

Joe Hinson, representing the Forest Industry Council, said that they have been working with the department since November on this. The first thing they learned was that the relationship between the department's slash/hazard management program and fire program and other programs was very complex. Their first objective was to save money which they think they can do best by treating only the slash which truly contributes to a fire hazard; second, to do a better job in dealing with private landowners in helping them with their forest management problems; third, to make some progress in improving their ability to protect water quality. He feels they are very close to putting all of that into one piece of legislation, but feels it would be best to wait until the next session. He thinks that Mr. Hamilton will be talking about some interim measures for now.

Mr. Hamilton said that the department would come back to the Board in March with interim measures to keep the program operating for the rest of the year without having an adverse impact on the fire program. He said that one of the major duties of the department is the administration of the Forest Practices Act. In order to deal with some of the water quality laws and to be responsive to those, the department is looking for some changes in the current Forest Practices Act that would provide the department with stronger enforcement rules. Over the last several years, the department has used woodland foresters as part-time FPA foresters. The department has already committed the use of some of the assistant fire wardens who are in the field all the time to train them as eyes and ears for the FPA. The department is already committed to bringing its own timber sales into full compliance with the FPA. He will ask Don Jones to go over various proposed changes.

Don Jones went over the specific changes to be included in the proposed legislation.



## **2. Bankruptcy Policy**

Attachment

### **December 12, 1989 approved memo**

*Summary:* The Board approved the department's recommendation. No restrictions on bidding, purchaser required to notify, individuals in bankruptcy that purchase timber sales, those contracts must be presented to the board for approval to consummate.

Note: The actual Bankruptcy Status Affidavit currently in use is slightly different from the one attached to this Memo.

STATE BOARD OF LAND COMMISSIONERS  
December 12, 1989

**SUBJECT**

Qualifications of Timber Sale Bidders Who Have Filed for Chapter 7 Bankruptcy Liquidation or Chapter 11 Bankruptcy Reorganization

**DISCUSSION**

The state has responsibility as a prudent contract maker in the timber sale market to ensure that potential endowment returns do not experience unrealistic liability. All risk cannot be eliminated, but timber sale bonding and administrative requirements are designed to protect the state's interest and minimize the risk of financial loss.

The Department does not currently investigate the financial viability of prospective timber sale purchasers. Any bidder who submits a certified check in the amount of the bid deposit is allowed to bid, and may purchase the sale. The state does not, however, accept bids from any person, party, or corporation who is delinquent on existing state contracts.

Occasionally, purchasers who are involved in Chapter 11 reorganization may wish to bid on state sales. In such cases, money owed on existing contracts may have been "discharged" according to a court approved reorganization plan.

Neither the Board nor the Department have ever had a specific written policy for dealing with prospective timber purchasers in bankruptcy. On May 1, 1989, the Department presented to the Board a contract won by Riley Creek Lumber Co., which was in chapter 11 reorganization. The board approved the contract with instructions to the department to carefully monitor and administer the sale. At that time, the department indicated that it would investigate the general bankruptcy question and prepare a policy recommendation for the Board.

**RECOMMENDATION**

1. No financial viability restrictions on bidding will be imposed on state timber sales.

2. Timber sale purchasers will be required to notify the state whether they are currently in bankruptcy court or operating under a plan of reorganization, prior to execution of the contract.
3. Should entities or individuals in bankruptcy purchase state timber sales, those contracts will be presented to the board on an individual basis along with whatever supplementary information the board needs to make a sound decision as to whether the contract should be consummated.
4. The Department shall maintain an extremely close watch on field activities and payment schedules for any timber sale contracted to a party in bankruptcy.

**BOARD ACTION**

Approved

DEC 12 1989

**ATTACHMENTS**

1. Bankruptcy Status Affidavit

Land Board Memorandum  
Timber Sale Bidders in  
Bankruptcy  
December 12, 1989  
Page 2 of 2

**BANKRUPTCY STATUS AFFIDAVIT**

I HEREBY certify that I [am/am not] currently in bankruptcy  
or operating under a bankruptcy reorganization plan.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Purchaser

\_\_\_\_\_  
By

\_\_\_\_\_  
Title

### **3. Clearcuts on State Timber Sales**

Attachment

**November 19, 1984 approved memo**

*Summary:* The Department has the authority to approve clearcuts up to 100 acres.

STATE BOARD OF LAND COMMISSIONERS  
November 13, 1984

SUBJECT

Proposed policy for the use of "clearcutting" in the management of state forest lands.

BACKGROUND

For the past ten or more years, the Department has limited the size of clearcuts on state forest lands to a maximum of 20 acres. This limitation was based on informal Board direction. Designing clearcut blocks to be 20 acres or less proved to be a most difficult task especially where terrain, timber type and logging chance made these small blocks unpractical and uneconomical.

DISCUSSION

The following guidelines would be used to determine if clearcutting should be used and further to establish the size of the clearcut area:

The decision to utilize clearcuts as a silvicultural management tool shall be the responsibility of the supervisory area subject to staff review and concurrence. Clearcuts will be small in size, normally 10 to 30 acres, except where these limits are not practical or economical. Then the areas shall have the latitude to design larger clearcut blocks with a maximum size of 100 acres.

The criteria listed below will be evaluated and discussed in the pre-sale management plan and impact statement to justify the use of clearcutting and the size of the blocks:

1. The clearcut treatment must be justified silviculturally considering stand age, species composition, insect and disease problems, habitat type, etc.
2. The clearcut size and design must conform to the terrain considerations, which would include aspect, percent of slope, length of slope, ridges, streams, draws and stability of soils.
3. Impact of the clearcut as related to scenic and aesthetic values should be described including the shape and design of the clearcut as viewed from travel influence zones, view sheds, recreation areas, etc.
4. The management statement must clearly explain the need for clearcutting and economic benefits as related to harvesting systems, site preparation and planting.

DEPARTMENT RECOMMENDATION

It is recommended that the guidelines for clearcutting as outlined above be adopted as Department of Lands policy.

RECOMMENDATION APPROVED: ✓ **NOV 19 1984**

RECOMMENDATION DENIED:

OTHER ACTION:

## **4. Contract Modifications**

Attachment

### **November 12, 1990 approved memo**

*Summary:* The Board approved the department's recommendation that the director be authorized to modify timber sale contracts with up to a \$100,000 monetary impact and that modifications with a monetary impact of more than \$100,000 be presented to the Board for consideration.



STATE BOARD OF LAND COMMISSIONERS  
November 12, 1990

SUBJECT

Approval of Timber Sale Contract Modification

DISCUSSION

It is sometimes necessary to modify timber sale contracts to accommodate unanticipated site conditions, more restrictive forest practices regulations, or environmental protection concerns. These changes are necessary when these developments occur following the date of sale, during the contract period, and generally take the form of road relocation, addition of drainage structures, or logging plan changes.

Where the modification results in a monetary benefit to the purchaser, they are required to make payments, either cash or work-in-kind, to the state. In cases where the change results in increased costs to the purchaser, they are allowed stumpage credits as compensation. Most modifications have minor monetary impacts (less than \$5,000), but in certain circumstances the impact can be significantly higher.

DEPARTMENT RECOMMENDATION

Authorize the director to modify timber sale contracts when the monetary impact does not exceed \$100,000. Modifications with impacts larger than \$100,000, would be presented to the Land Board for consideration.

BOARD ACTION

APPROVED

DEC 11 1990

ATTACHMENT

WAW/pks  
11/29/90

## **5. Developments 50% of Sale Value**

Attachment

**April 8, 1986 final minutes**

*Summary:* Timber sale development credits will be limited to a maximum of 50% of the net appraised sale value.

lands; ask the blue ribbon committee to meet again and for the subcommittee of the Board, following that meeting, to submit a report to the Land Board. Mr. Cenarrusa, hearing no objections, so ordered.

#### Proposed Change to Hazard Management Financing Procedures

Don Jones stated that at the last Board meeting, the department explained the dire straits that the hazard management program is headed towards in regard to the amount of money that is available to administer this program. The relationship between this program and the fire program also was pointed out, and the severe possible impacts to the fire program.

Mr. Jones said four proposals at that time were presented to the Board -- a temporary transfer of some district funds, not to exceed 5%; to raise the current withholding from three to five percent for the holdback account and along with that to go from seven to ten percent for the monies received in the forest management account; assess a five percent withholding on those operations now covered by the surety bond; and to reduce the ten percent reduction for soil erosion to five percent. As directed by the Board, the information was made available through a news release; the department met with landowner and industry groups; and ten different parties operating under the surety were contacted. No comments were received until last Friday, and one company had concerns with the surety operation. Comments were submitted in writing this morning by Steve Ahrens representing Boise Cascade. Mr. Jones pointed out the urgency of continuing with the proposal.

Mr. Hamilton explained that Joe Hinson had asked this matter be delayed, however, if the department goes much beyond another thirty days, it will cause problems for the state.

Hearing no objections, the chairman ordered this matter deferred to the next regularly scheduled meeting of the Land Board, May 13, 1986.

#### Mineral Base Lieu Selection Recommendation

Mr. Hamilton pointed out that Mr. Rick Mellon, representing the Idaho Mining Association, delivered a letter asking that the Board hear the position of the department and then defer action until the May meeting so that they can have further time to review it.

Linda Johnson briefed the Board on the lands that the department has selected. The state still has a little less than 2300 acres of mineral based lieu land to be selected. The selections were made where it is assumed that the state will receive mineral value -- the best area being the phosphate field. She pointed out the specific selections using a map to illustrate.

With no objections from the Board, the chairman ordered this matter be deferred to the May 13 Board meeting.

#### Legislative Update

Mr. Hamilton briefly reviewed the department's legislative program and those rules affecting the department. The department had sponsored ten bills of its own; all of them passed. A list was provided of all the bills passed that do affect the department. Most of them have minimal impact on the department.

#### Road Maintenance Proposal

Don Jones explained that the department is bringing this memorandum to the Board to present a problem that has been building over the past several years. There are about 4250 miles of roads that the state has built in managing the state lands, with a replacement investment value of about \$63,000,000. The dollars used to construct those roads came from allowances made in state timber sales. While the roads are being used as part of a timber sale, the operator can be asked to perform the necessary maintenance. However, when the activity ceases, there are no funds available to maintain these roads to protect that investment. Also, unattended roads could cause some serious water degradation problems. This proposal presents to the Board the concept of allowing the department to make some appraisal allowances and have some deposits made to a road maintenance account to provide the funds to perform this maintenance during periods of non-use. It also would enable the state to complete the cooperative road agreement executed with the U.S. Forest Service.

Jerry Evans said he found some words in the proposal he feels are totally inconsistent, such as "in periods of non-use"; keeping the roads in "usable condition"; and "road surfacing" so they can be used by the public during periods of non-use. He feels that really provides a way to use endowment funds to provide a road to serve public purposes and not the endowment land purpose.

April 8, 1986

Mr. Hamilton pointed out that there are situations where the department has to maintain roads in usable conditions for its own management purposes between sales, but not intended for public use. He said the department could make the suggested wording changes and bring the proposal back to the Board at the next meeting.

Jim Jones also said he would like to see clarified the amount of allowance be displayed to show how it is calculated.

In answer to a question from Jim Jones, Don Jones said that there is no formal policy on road building other than the department procedure manual and guideline to not exceed the 50% mark in development costs.

With no objections, the chairman ordered this matter to be brought back to the next meeting; the department to rewrite keeping in mind the comments from Board members today.

#### Proposed Co-op Agreement with USFS - Spray Project

Don Jones reviewed this matter for the Board. At the last meeting the Board discussed the designation of a zone of infestation for the Douglas fir tussock moth. The Forest Service has now completed their assessment of that project and they are proposing to move forward with a control project in the area north of Moscow within the declared zone of infestation. These lands will suffer severe damage without some type of control, and the proposal is to ask the Board to consider that the Department of Lands enter into a co-op agreement with the Forest Service for the control of the tussock moth. The cost for this project will be around \$158,000, with the state and private share being about \$95,000.

Jerry Evans moved to approve the department recommendation. Joe Williams seconded. The motion passed unanimously.

#### Amendments to Forest Practices Act Rules

Don Jones said that while enforcing the new rules last year, the Health & Welfare task force reported some weaknesses in the rules. The Forest Practices Act advisory committee reconvened and amended the rules. Mr. Jones reviewed those changes specifically. The first change was to further define the definition of a stream. They also clarified how far upstream the Class I definition would apply. Other concerns dealt with tractor skidding on steep slopes, when slash is to be removed from Class II streams, and seeding exposed soil. The department feels these rule changes are applicable and will help in the administration of these rules in the field.

Jerry Evans moved to approve the department recommendation to move this through the APA process. Joe Williams seconded. The motion passed unanimously.

#### State/Private Land Exchange - Inland Empire Paper Co.

Jay Biladeau briefed the Board on this exchange proposal. He said this package is part of a long-range exchange plan the department has been working on with the company for the past two years. This is the first package. It involves an exchange of 728.3 acres of state land for 825.06 acres of I.E.P. lands. The lands are very similar. The main advantage of this exchange to the state is to consolidate the ownership by exchanging several scattered parcels for one block to improve access and management. The department recommends approval.

Joe Williams moved to approve the department recommendation. Jim Jones seconded. The motion passed unanimously.

There being no further agenda items for discussion, the meeting of April 8, 1986, was adjourned.

STATE BOARD OF LAND COMMISSIONERS

By *John G. Evans*, President  
and Governor of the State of Idaho

COUNTERSIGNED:

*P. M. Carras*  
Secretary of State



*Stanley F. Hamilton*  
Director

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## **6. Financing Timber Sales**

Attachment

**February 12, 1985 approved memo**

*Summary:* Amended the method of financing timber sales, including bid deposits, stumpage payments, interest charges, bonding, and extension fees.

## STATE BOARD OF LAND COMMISSIONERS

### SUBJECT:

Financing of State Timber Sales

### BACKGROUND:

Chapter 4 of Title 58, Idaho Code, outlines the basic charges assessed on a state timber sales. Briefly stated, a purchaser must pay the full estimated value of the timber before he is allowed to cut the timber. In addition, he is required to pay periodic installments and interest on the unpaid balance whether he cuts the timber at that time or not. He is required to pay 10% of the sale price on the day of the sale, advertising costs, appraisal fees (\$0.20/acre) and furnish a performance bond in the amount of 30% of the sale price.

The attached chart shows the requirements which our neighboring states and the U.S. Forest Service have assigned to these various charges. It is quite evident that Idaho's requirements far exceed those imposed by our neighbors.

It has been alleged that Idaho's stringent monetary requirements impede bidding on state sales by the smaller mills and operators. This constraint is more evident when money is tight and credit difficult to obtain.

The Department has been reviewing this subject with Idaho's forest industry in an attempt to devise a method of timber sale financing that maintains fiscal accountability, contract control and interest income while at the same time reduces the amount of invested capital and simplifies accounting procedures.

Some of the changes being discussed would require changes to the Idaho Code. It can be expected that the proposed changes would encourage more bidders on state sales and that more could be bid since the interest paid for money would no longer be an operating expense on state sales.

### DISCUSSION:

The discussions with the forest industry have covered the major items in our fiscal requirements and the following suggestions made:

Bid Deposit and Cash Reserve: This amount would remain at 10% of the appraised value with the only change being that it would be retained for the term of the contract. The last payments due would be deducted from this amount.

Advertising Cost: No change, paid by purchaser.

Installments: This practice would be discontinued.

Stumpage Payments: The payment of stumpage and other associated charges would be guaranteed by a payment guarantee bond equal to the estimated value of 90 days of production. Billings for stumpage, scaling and slash would be made monthly with appropriate penalties for late payments.

Interest Charges: Interest would be charged on the value of stumpage harvested from the date billed back to the date of purchase. In this manner there is never any over-payment or under-payment of interest as its charged on the actual value. This eliminates the troublesome refunds and charges and does not materially diminish the amount of interest collected.

Bonding: The bonding could be reduced to 15% of the selling value as it would only be needed to guarantee performance of the contract terms. The payment guarantee bond would cover payment of all charges.

Extension Fees: Extensions would be considered on a year to year basis, however, the interest rate charge on timber harvested after the initial contract term would be increased from 6% to the discount rate in affect at the time of extension. In other words, the higher rate of interest would be charged on the value of timber harvested back to the date of sale.

SUMMARY:

If any or all of the above suggestions were adopted it is obvious that the purchasers cost would be reduced. These changes should allow more bidders to participate in state sales and since their up-front costs are less, stumpage prices could be bid higher. It is a case of the endowments benefiting rather than the various money lending agencies.

Memo to the Land Board  
Page 3

RECOMMENDATION:

Direct the Department to proceed with the proposed amendments to the timber sale financing policy.

BOARD ACTION:

**FEB 12 1985** *approval*



## **7. Firewood Policy, Charges, and Distribution**

### Attachments

#### **June 11, 1985 approved memo**

*Summary:* Encourage use of material out there because the state benefits from having it removed from the woods. The policy allows a free-use area where the removal of this material will be beneficial to the lands and a charge for permits for any removal of firewood outside of these areas.

#### **December 15, 1986 approved memo**

Unmerchantable dead and down timber, trees, or brush not required for water conservation may be sold and disposed of as firewood. Monies from wood permits be directly deposited into a suspense fund. Quarterly distribute into the proper endowment fund.

#### **May 8, 1990 approved memo**

Raised price per cord to \$5.00 with a 4-cord minimum.

#### **August 14, 1990 approved memo**

Board set a 2-cord minimum.

#### **July 17, 2008 approved memo**

The Department has the authority to set prices for firewood and miscellaneous forest products.

STATE BOARD OF LAND COMMISSIONERS  
June 11, 1985

SUBJECT:

Firewood policy for state endowment lands.

AUTHORITY:

Section 58-402, ICA. Disposal of dead and down timber.

Dead and down timber on state land and trees and/or brush growing thereon and which are not suitable for sawing, manufacture or processing, and which are not required for water conservation, may be sold and disposed of by the Director, Department of Lands for the use of any applicant when authorized so to do by any general or special resolution of the State Land Board, upon written application being filed therefore, and without necessity of advertising as is otherwise provided by law on sale of state-owned timber. The State Land Board may authorize the cutting and removal of an amount of such material, not to exceed fifteen (15) standard cords by an individual for his personal use.

DISCUSSION:

The demand and usage of firewood has increased dramatically during the last ten years. In order to maintain an orderly harvest operation virtually all landowners are now charging for the removal of firewood, including the federal government.

In an attempt to cooperate with adjoining landowners, continue to provide firewood for personal use, and to encourage use of hazardous wood waste material, the department proposes the following firewood policy.

- 1) "Free Use Firewood Areas" - These areas designated by the department would encourage the removal of firewood and would be a benefit to the management of endowment lands. Examples would be clearcuts, slashings under seed trees, precommercial thinnings, and logging debris adjacent to roads. Free permit for not more than 10 cords will be issued and will be valid in free use firewood areas only.
- 2) "Charge Permits" - Permits issued outside of "free use firewood areas" would be sold on a charge basis utilizing the same fee schedule as US Forest Service districts.

Charges for these permits will be as follows:

- a. Minimum charge of \$10.00 which would allow the removal of four cords of firewood.
- b. An additional fee of \$2.50 per cord for each additional cord, ten cord maximum per permit.

RECOMMENDATION:

Adopt the Department's proposed firewood policy allowing for both free-use and charge permits.

BOARD ACTION: JUN 11 1985 *Approved.*  
*Effective date July 1, 1985.*

STATE BOARD OF LAND COMMISSIONERS

December 15, 1986

SUBJECT

Distribution of receipts from personal use firewood "charge permits."

AUTHORITY

Section 58-402, Idaho Code - Disposal of Dead and Downed Timber.

DISCUSSION

Land Board approved a policy on June 11, 1985, outlining a firewood policy. Charges for firewood permits will be as follows:

- 1) Minimum charge of \$10.00 which would allow the removal of four cords of firewood.
- 2) An additional fee of \$2.50 a cord for each additional cord, ten cord maximum per permit. Currently the distribution of the monies received on these permits is accomplished by individual endowment by permit.

The individual processing of each permit is very time consuming when compared to the amount of revenue produced. During the period of July 1, 1985 through December 31, 1985, the department sold 5,670 cords of firewood for a total value of \$14,175.00.

The current percentage of state owned commercial forest land is as follows:

Public School	68.56
Ag. College	1.63
Charitable Institution	6.81
Normal School	4.17
Penitentiary	3.04
Public Building	0.74
School of Science	6.94
State Hospital South	2.94
University of Idaho	4.92
General Fund	0.26

This distribution could change periodically as a result of land exchange or sale activity.

RECOMMENDATION

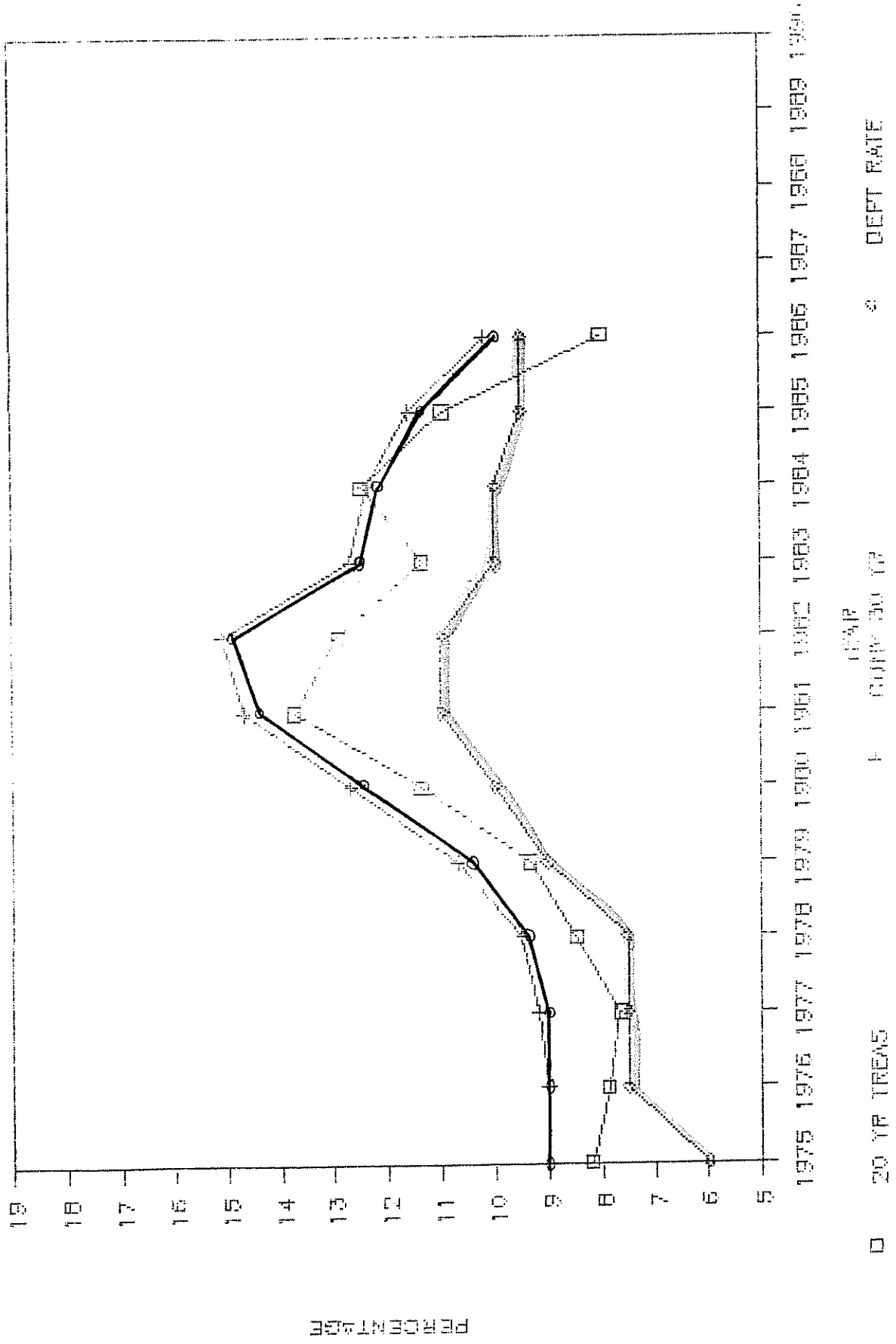
It is the recommendation of the department that all monies collected from wood permits be directly deposited into a suspense fund. On a quarterly basis these funds would then be allocated to the proper endowment fund based upon the latest available distribution of state owned commercial forest lands.

BOARD ACTION

Approved  
DEC 15 1986

# INTEREST RATE GRAPH II

1974-1986



o Conv 30 yr to  
next lower 0.25%

STATE BOARD OF LAND COMMISSIONERS

May 8, 1990

SUBJECT

Firewood policy for state endowment lands.

AUTHORITY

Section 58-402, Idaho Code. Disposal of dead and down timber.

Dead and down timber on state land and trees and/or brush growing thereon and which are not suitable for sawing, manufacture, or processing, and which are not required for water conservation, may be sold and disposed of by the Director, Department of Lands, for the use of any applicant when authorized to do so by any general or special resolution of the State Land Board, upon written application being filed therefore, and without necessity of advertising as is otherwise provided by law on sale of state-owned timber. The State Land Board may authorize the cutting and removal of an amount of such material not to exceed fifteen (15) standard cords by an individual for his personal use.

PRIOR BOARD ACTION

June 11, 1985, adopted a policy allowing for both free-use and charge permits. The charge permits required a minimum charge of \$10.00 for the removal of four cords of firewood and an additional fee of \$2.50 per cord with a ten cord maximum per permit (Attachment 1).

DISCUSSION

The federal agencies including the U.S. Forest Service and large private landowners have increased the fee schedules for firewood to \$5.00 per cord.

RECOMMENDATION

Continue the current firewood policy that allows for free-use and charge permits. Charges for permits will be as follows:

- 1) Minimum charge at \$20.00 which would allow the removal of four cords of firewood.

- 2) An additional fee of \$5.00 per cord for each additional cord, ten cord maximum per permit.
- 3) Authorize the use of issued load tickets by the department on an area-by-area basis as needed.

BOARD ACTION

*Approved*

MAY 8 1990

ATTACHMENT

- 1) Land Board Memorandum (June 11, 1985)

WRC:wm  
4/10/90

Land Board Memorandum  
Firewood Policy for State  
Endowment Lands  
May 8, 1990  
Page 2 of 2



STATE BOARD OF LAND COMMISSIONERS  
August 14, 1990

SUBJECT

Firewood Policy on State Endowment Lands

DISCUSSION

Governor Andrus has requested this matter be placed on the agenda for discussion of possible reconsideration of the policy.

ATTACHMENT

Land Board Memo of May 8, 1990

Board Action

\$5<sup>00</sup> cord with a 2-cord minimum.

AUG 14 1990

# STATE BOARD OF LAND COMMISSIONERS

July 17, 2008  
Regular Agenda

## SUBJECT

Firewood and Miscellaneous Forest Products Selling Rates

## DISCUSSION

Currently Land Board policy sets the rates at which firewood is to be sold (Land Board memo dated 8-14-1990). Firewood is currently being sold at below market values and the rate falls short of covering administration costs.

The current rate charged for firewood permits is \$5.00 per cord with a \$10.00 minimum. The USDA Forest Service is charging \$10.00 per cord with a minimum of 2 cords or \$20.00 permit.

The value of miscellaneous forest products has not been standardized and as a result the Areas are setting rates as a means of conducting business. The rates generally do not cover the cost of administration and vary greatly.

This means that the department is not recouping the cost of miscellaneous forest products and not covering administration costs.

## RECOMMENDATION

The Department recommends that the Land Board grant the Director the authority to set market prices and values for firewood and miscellaneous forest products.

## BOARD ACTION

A motion was made by Controller Jones to move that the Land Board grant the Director the authority to set market prices and values for firewood and miscellaneous forest products. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.



## **8. Incidental Take Coverage on Endowment Lands**

Attachment

**April 13, 2004 approved memo**

*Summary:* Authorize the department to enter informal negotiations to acquire an incidental take coverage for ESA listed species on state endowment trust lands.

STATE BOARD OF LAND COMMISSIONERS

April 13, 2004  
Regular Agenda

SUBJECT

Incidental Take Coverage under the Endangered Species Act (ESA)

DISCUSSION

A variety of wildlife species that are listed as either threatened or endangered under the ESA, inhabit Idaho State endowment trust lands. These include the Grizzly Bear (threatened), the woodland caribou (endangered) and the bull trout (threatened). The obligation of the State Board of Land Commissioners and the Department of Lands relating to these species is to avoid a take.

We are confident that our endowment land activities do not constitute a take of any listed species. We believe, however, that acquiring incidental take coverage under provisions of the ESA is a good business decision.

Since mid-2001 the Department of Lands has been engaged in discussions with the US Fish & Wildlife Service regarding the possibilities of incidental take coverage. The Land Board supported, and the 2004 Legislature approved, a Department budget proposal for a position and funding to pursue this coverage on a formal basis. In light of the availability of these resources, we propose to formally notify the Fish & Wildlife Service and NOAA Fisheries of our intent to seek incidental take coverage for listed species on the Priest Lake State Forest and on other endowment lands impacted by listed species.

The Land Board will be kept apprised of developments as we proceed with the negotiations. The Department will seek specific Land Board approval of any agreements reached as a result of the negotiations before they are implemented.

RECOMMENDATION

Authorize the Department to enter into formal negotiations with the US Fish & Wildlife Service and NOAA Fisheries with the objective of acquiring incidental take coverage for listed species on state endowment trust lands.

BOARD ACTION

**APPROVED APR 13 2004**



## 9. Minimum Bid Prices and Timber Sale Appraisal Method

### Attachments

**October 18, 1972 final minutes** – *Summary:* Where there will be large scale development, a map of the area will accompany the timber sale appraisal so the Board members can acquaint themselves with the portion of the State involved.

**December 8, 1987 memo** – Timber Sale Appraisal Subcommittee Report. No Board action on this item on December 8, 1987; Board action taken on February 9, 1988.

**February 9, 1988 final minutes and materials** – Continue using the current timber appraisal methods to establish stumpage values for state timber sales. Minimum stumpage values will be 75% of the statewide average (weighted by volume excluding South Central and Southeast Idaho Supervisory Areas) for the past twelve months. These minimum stumpage rates will be used unless presented to the Board on a case-by-case basis for their consideration. The minimum prices do not apply to Eastern Idaho.

**April 11, 1995 approved memo** – Revise appraisal system by:

- 1) Cease using the lumber tally appraisal method;
- 2) Utilize the delivered log appraisal method;
- 3) Establish minimum prices at 60% of average selling price by species for previous 4 calendar quarters;
- 4) Establish a uniform system of gathering delivered log price and logging cost data;
- 5) Set the minimum bid price at the higher of the minimum price or delivered log appraisal on a species-by-species basis.

**February 13, 2001 approved memo**

**May 18, 2010 approved memo**

1. Maintain the current delivered log price appraisal system and continue to set the minimum bid price at the higher of the minimum price or delivered log appraised price on a species basis. The exceptions (perishable, fire or insect killed material) noted on the State Board of Land Commissioners memo dated April 11, 1995, will still apply.
2. Change the Department procedure for determination of minimum prices from the current 50% for all species to the following:
  - a. For species with bid values equal to or greater than \$200 per MBF, retain the current formula at 50% of statewide average bid price for the previous four quarters.
  - b. For species with bid values equal to or greater than \$150 and less than \$200 per MBF, use 60% of the statewide average bid price for the previous four quarters.
  - c. For species with bid values less than \$150 use 70% of the statewide average bid price for the previous four quarters.

On August 22, 1972 two additional copies of the lease with the  $1\frac{1}{2}$  percent provision were sent by certified mail. A receipt dated 8-25-72 has been returned. A demand that the signed lease be returned by August 31, 1972 was included in the letter. The leases have not been returned. A rental payment of \$100 was received with the application. An additional sum of \$144.26 is due the State based on  $1\frac{1}{2}$  percent of the gross business as provided in the proposed lease for the calendar year 1972. This sum was requested in the letter of August 22, 1972.

It is the Department's opinion the quality of the business and the business itself are detrimental to the long range interests of the State. The lease is on the access road to the Shoshone Ice Caves which may one day be developed as a State park and recommended that the application be denied and that the Attorney General be asked to proceed with eviction of the tenants and removal of the improvements. Mr. Engelking moved to follow the Department's recommendation and Mr. Williams seconded the motion. The Board vote was unanimous.

\* \* \* \* \*

#### TIMBER SALE APPRAISALS

ISA #1538 - Trail Creek Sale. 112 acres Public School land located in Boundary County for a two-year contract. The area description is parts NWNE and parts NW $\frac{1}{4}$  Section 16, Twp 60 N, Rge 1 EBM appraised for a total of 1,320M bd.ft. valued at \$28,848.75. Total development costs \$4,026.20.

ISA #1539 - Trapper Creek Pole Sale. 331 acres Public School land located in Bonner County (32/A) and Boundary County (299/A) for a two-year contract. Area description is parts NW $\frac{1}{4}$ NE $\frac{1}{4}$ , parts N $\frac{1}{2}$ NW $\frac{1}{4}$  Section 5, Twp 63 N; parts SW $\frac{1}{4}$ NE $\frac{1}{4}$ , parts S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ , parts W $\frac{1}{2}$ SE $\frac{1}{4}$  Section 32, Twp 64 N, all in Rge 4 W. Appraised at 110M bd.ft. and Cedar poles 10,575 pieces for a total value of \$130,577.85. Total development costs \$94,471.98.

ISA #1540 - Lucky Creek No. 2 Sale. This sale involves 183 acres in Bonner and Boundary Counties. This is Public School land and the contract is for two years. Land description is parts of NW $\frac{1}{4}$  Section 6, Twp 62 N, Rge 3 WRM; parts SW $\frac{1}{4}$  Section 31, Twp 63 N, Rge 3 WRM; parts S $\frac{1}{2}$  Section 36 Twp 63 N; parts NE $\frac{1}{4}$  Section 1, Twp 62 N; parts W $\frac{1}{2}$  Section 1, Twp 62 N; parts SE $\frac{1}{4}$  Section 2, Twp 62 N, all in Rge 4 WRM. Appraised value of 5,305M bd.ft. totaling \$95,350.00. Total development costs \$39,689.95.

ISA #1541 - Danby Ridge Sale. 322 acres of Public School land in Kootenai County for a two-year contract. Sale area is E $\frac{1}{2}$ E $\frac{1}{2}$  Section 17; parts SW $\frac{1}{4}$ NW $\frac{1}{4}$ ; parts SW $\frac{1}{4}$ ; parts W $\frac{1}{2}$ SE $\frac{1}{4}$  Section 16, all in Twp 52 N, Rge 5 WRM. Appraised at 2,170M bd.ft. totaling \$50,098.00 and the development costs total \$3,703.90.

The Board considered each of the above sales individually and unanimously voted to approve. The original motion was made by Mr. Williams and seconded by Mr. Cenarrusa. In the Board discussion regarding the timber sales the development costs were reviewed. Some seemed excessive. Mr. Trombley and Mr. Gillette explained the terrain, the type of soil conditions, drainages and the timber that would be available in the future with the access. It was decided that in the future where there will be large scale development a map of the area will accompany the Timber Sale Appraisal so the Board members may acquaint themselves with that portion of the State involved.

\* \* \* \* \*

#### FINANCING EROSION CONTROL IN TIMBERED LANDS

This subject was also discussed at the previous meeting of the Board and held over until there was full attendance. The Board was made aware of Title 38 - Chapter 4, Fire Hazard Reduction which is quite explicit in the use of hazard management funds and it is doubtful that an Attorney General's opinion would allow broad expenditures for erosion control activities. However Paragraph 6 of Section 38-401 permits protection in lieu of disposal for road maintenance and construction in slash areas where a fire hazard exists. The Department wishes to know if it would not be reaching to permit expenditures for road maintenance within each district considering the many miles of road that do not service slash areas. Therefore it was the Department suggestion to obtain an amendment to Section 38-408, similar to the 5 percent pest abatement special account which would authorize up to 10 percent of collections to be placed in a special account for erosion control within each district on State and private lands. The actual percentage, up to 10 percent, would be determined by the Board.

Mr. Engelking made the motion to follow the Department suggestion to seek an amendment from the Legislature to Section 38-408. Mr. Williams seconded the motion and the Board voted unanimous approval.

\* \* \* \* \*

#### LEASE AGREEMENTS BETWEEN THE STATE OF IDAHO AND BOISE CITY

In order to acquaint themselves with the various land agreements between the State of Idaho and the City of Boise the Board requested, at a prior meeting, a list and description of leases between the two governmental entities that are now in existence.

##### Between City of Boise and State of Idaho

1. State Historical Museum Building
  - a. Entered into Lease Agreement 9-30-41
  - b. Consideration \$1.00
  - c. Terms of lease 99 years - to be used only for museum purposes or connected therewith

STATE BOARD OF LAND COMMISSIONERS  
December 8, 1987

SUBJECT

Minimum Stumpage Rates For State Timber Sales

BACKGROUND

The appraisal data furnished by the two regions of the US Forest Service in Idaho and the departments delivered log price appraisal has produced a wide variation in stumpage rates between north and south Idaho. Board members expressed concern about this variance and a subcommittee was appointed to study the matter. Governor Andrus and Superintendent Evans agreed to serve on this committee.

DISCUSSION

The subcommittee and members of the department staff met on November 30, 1987, to review this matter. Direction was given for the department to analyze the past 12 months of timber sale results and develop a mathematical way to establish a minimum stumpage level.

RECOMMENDATION

The department should continue using the current timber appraisal methods to establish stumpage values for state timber sales. Minimum stumpage values will be established for timber sales (salvage and direct sales will be excluded) by taking 75% of the statewide average for the past 12 months. These minimum rates will be prepared by the department on a quarterly basis for all commercial species and grouping of species commonly accepted by the forest industry. In order to recognize the major difference in products produced from ponderosa pine, two categories of this species will be used:

Bull Pine - The young ponderosa pine used for studs and other lower quality products.

Yellow Pine - The old growth pine used to produce veneers, molding stock and other quality products.

These minimum stumpage rates will be used unless the quality, quantity (per acre), location or condition of the timber justifies the lowering of these minimums. These exceptions will be presented to the board on a case by case basis for their consideration.

Due to poor quality of the timber and the limited markets these minimums will not be used in the Eastern Idaho Supervisor Area

BOARD ACTION

DDJ/pks



# STATE BOARD OF LAND COMMISSIONERS

April 11, 1995

## SUBJECT

Appraisal Procedures for Timber on Endowment Lands

## DISCUSSION

The timber appraisal process establishes the minimum bid value of forest products offered on state timber sales. These figures vary from sale to sale and from region to region within the state.

Land Board policy currently requires the use of two types of "residual value" appraisals. The residual value appraisal method deducts manufacturing costs from the finished product value. The result (residual value) is designed to approximate the value of a stand of trees on the stump (stumpage). The department uses two types of residual value appraisal:

In the **Lumber Tally Appraisal** (Attachment 1) the costs of logging and hauling, as well as the costs of sawmilling and a realistic profit margin, are deducted from the value of the finished lumber product (boards). For several reasons this method tends to yield unrealistic results:

- It is difficult to obtain accurate and current lumber prices - Although the department uses trade journals to determine these prices on a quarterly basis, volatile markets can render this information obsolete from day to day.
- Quarterly lumber prices are developed for broad geographic regions - For example, the inland region includes markets in Washington and Montana as well as Idaho. In reality, lumber prices tend to fluctuate in more localized regions or by county.
- It is difficult to accurately establish sawmilling costs - At one time, the USDA Forest Service conducted mill efficiency studies, and provided cost data. These studies were discontinued several years ago, and a reliable information source is no longer available. The department is not staffed or funded to conduct the necessary mill studies. In addition most manufacturers consider this information proprietary.

The **Delivered Log Appraisal** (Attachment 2) starts with the price lumber mills in the locale will pay for logs delivered to their manufacturing facility. Stumpage is established by deducting the costs of logging and hauling. This system typically produces more realistic stumpage figures than the lumber tally appraisal because:

- Rather than relying on lumber prices which are generated quarterly, log prices can be determined as each sale is prepared.
- Delivered log information is based on local data rather than data from large regions. For each appraisal center, several mills are often quoted, and an average log price is determined.

Board policy is to complete both a lumber tally and delivered log appraisal for each timber sale. The higher of the two figures on a species by species basis is then compared to department minimum prices.

The current **minimum pricing policy** was established by the State Land Board on February 9, 1988. Its purpose is to help ensure the endowments receive a fair value for timber sold at auction. This policy is especially important in markets where there is little bidding competition.

Minimum prices are set at seventy-five (75) percent of the average selling price of state timber for the previous four quarters for each species. The minimum pricing policy works well during periods of rising or slowly declining markets. During significant declining markets however, it establishes minimum prices that are above market demand. During the past several months we have experienced this type of market. This has been evident on state timber sales:

- The average price paid for sawlogs was essentially unchanged between calendar years 1993 and 1994;
- The average sawlog bid increase decreased from 94% to 19% between calendar years 1993 and 1994;
- Since July, 1995, ten timber sale proposals have failed to sell on initial offering, delaying the sale of 44,600 MBF.

If a sale does not sell, it is re-appraised and returned to the board for re-approval. Since the Board only meets once a month, the process can be slow. Some of the unsold timber has been damaged by fire, wind, or insects and disease and is highly perishable. Delays in selling this timber can greatly reduce its value due to increased susceptibility to decay, insects, or disease.

For example, an estimated 43,035 MBF of timber was damaged by fire on endowment land last summer. The fires were still smoking as field work began in October. Four proposals were ready for sale by the end of December. None of these proposals sold on the first offering. Falling markets and high minimum prices based on green, undamaged timber combined to make the sales "over priced". All four sales were re-appraised and returned to the Board for re-approval. A second offering was made in February with only one proposal selling. The other three sales were offered for the third time at the end of March, and all sold.

If these sales had been sold at the first offering, harvest operations could have already begun. Due to the delay in a successful auction, logging will not take place until after spring breakup. As a result some loss of recovery and value is expected.

In February department personnel met with representatives of the timber industry to discuss methods to make the timber appraisal system more accurate and more responsive to changing markets. The following recommendations were developed as a result of that discussion.

### RECOMMENDATIONS

Direct the department to revise the timber sale appraisal system as follows:

- 1) Cease using the lumber tally appraisal method;
- 2) Utilize the delivered log appraisal method;
- 3) Establish minimum prices at 60% of average selling price by species for the previous four calendar quarters. This represents a reduction from the current 75% figure. The effect of this change on current minimum prices is shown on Attachment 3;
- 4) Establish a uniform system of gathering delivered log price and logging cost data;
- 5) Set the minimum bid price at the higher of the minimum price or delivered log appraisal on a species by species basis, with the following exceptions:
  - a) Timber damaged by fire, wind, insects, disease, or other factors, to the point that expeditious removal is warranted due to a threatened loss in grade or recovery.

- b) Perishable timber that has failed to sell on initial offering. Allow the department to establish appropriate prices after a reason for the "no-sale" has been determined and adjustments were made to the sale package as needed. Allow re-auction without further action by the Land Board.
- 6) Re-appraise sales approved at the April 11, 1995, Land Board meeting using the above new policy without further action of the Board.

Since remaining FY-1995 sales are in various stages of preparation the change in policy may cause some development costs to exceed current board policy. The department will request variance from that policy as necessary on a sale-by-sale basis.

#### BOARD ACTION

APPROVED  
*Look at in  
one year.*  
APR 11 1995

#### ATTACHMENTS

- 1. Lumber Tally Appraisal
- 2. Delivered Log Appraisal
- 3. Minimum Stumpage Price Comparison

STATE BOARD OF LAND COMMISSIONERS  
February 13, 2001  
Consent Agenda

SUBJECT

Request by the Department of Lands to reduce the minimum stumpage rates for state timber sales.

AUTHORITY

Land Board Policy, February 9, 1988  
Land Board Policy, April 11, 1995

BACKGROUND

The Department uses a Delivered Log Appraisal to determine the approximate value of a stand of trees on the stump (stumpage). This starts with the price local lumber mills are paying for logs delivered to their facility. Stumpage is established by deducting the costs associated with logging (felling, yarding, loading, hauling, etc.). The residual price is then compared to the department minimum prices, with the higher price being used for the starting price at the oral auction. Minimum values are established by taking 60% of the statewide average (weighted by volume excluding South Central and Eastern Idaho Supervisory Areas) for the previous four quarters for each species.

The current policy is to establish minimum prices to help ensure the endowments receive a fair value for timber sold at auction. This policy is especially important in market areas where there is little bidding competition. In areas where bidding competition is prevalent, it is to the endowments' advantage to lower prices sufficiently enough to bring multiple bidders to the auction.

DISCUSSION

The market is currently in a declining trend as evidenced by the following trends in the Department's timber sale program:

- 1) Since November 2000, two timber sales offered for sale have failed to sell on initial offering, delaying the sale of 7,065 MBF;
- 2) Since August 2000, six timber sales (24,055 MBF) were sold for appraised prices without any competitive bidding;
- 3) The average price paid for sawlogs in calendar year 2000 was \$300.05 per MBF. For the last quarter in 2000, the average price paid for sawlogs dropped to \$230.98 per MBF.

These trends are further supported by data presented in Random Lengths, a weekly report on North American Forest Products Markets. Their data indicates a steady decline in the market through the first two quarters of last year and maintaining this stable low to the current period.

Idaho sawmills lowered their delivered log prices in November and December in response to the declining lumber market. Idaho mills have undergone numerous temporary curtailments and shift cutbacks, including one permanent closure in north central Idaho.

### RECOMMENDATIONS

- 1). Maintain the current delivered log price appraisal system and continue to set the minimum bid price at the higher of the minimum price or delivered log appraisal on a species basis. The exceptions noted on the State Board of Land Commissioners memo dated April 11, 1995, will still apply.
- 2). Establish minimum prices at 50% of the average selling price by species for the previous four calendar quarters. This represents a reduction from the current 60% figure. The effect of this change on current minimum prices is shown on Attachment 1.
- 3). The option to re-appraise sales approved at the February 13, 2001 Land Board meeting using the above new policy without further action of the Board.

### BOARD ACTION

Approved February 13, 2001



### ATTACHMENT

1. Minimum Stumpage Price Comparison

State Board of Land Commissioners  
May 18, 2010  
Regular Agenda

SUBJECT

Request by the Department of Lands to Change the Procedure for Determination of Minimum Stumpage Rates for State Timber Sales

AUTHORITY

Land Board Policy, February 13, 2001

BACKGROUND

The Department uses a delivered log appraisal method to determine the approximate value of trees on the stump (stumpage). The appraisal starts with the price local sawmills are paying for logs delivered to their facility. Appraised stumpage values are established by deducting the estimated costs associated with logging and other contractual obligations (felling, bucking, yarding, loading, hauling, interest, etc.) from the delivered log prices. The appraised price is then compared to the Department's minimum stumpage prices with the higher price being used as the starting price at the oral auction. Minimum stumpage prices are currently calculated at 50% of the weighted average four quarter selling price for each species or species group.

Given market declines over the last two years, current average quarterly stumpage prices are very low. Discounting these already low stumpage prices by 50% may not achieve fair market value for products sold in the absence of competitive bidding and may result in increased sales selling below management costs.

DISCUSSION

The Department's intent is to continue to advertise timber sales at reasonable minimum stumpage prices to encourage bidders to participate in the auction and allow competitive bidding to determine the fair market stumpage prices.

Since 1994, about 14% of the state sales sold at advertised stumpage rates with no competitive bidding. That figure jumped to 23% in 2009 due to the recent economic downturn, and the fact that there are fewer bidders today compared to 20 years ago due to mill closures and consolidation. Single bid sales purchased at advertised stumpage rates with no competitive bidding increases the importance of the timber sale appraisal and the minimum stumpage prices used by the Department.

RECOMMENDATION

1. Maintain the current delivered log price appraisal system and continue to set the minimum bid price at the higher of the minimum price or delivered log appraised price on a species basis. The exceptions (perishable, fire or insect killed material) noted on the State Board of Land Commissioners memo dated April 11, 1995, will still apply.

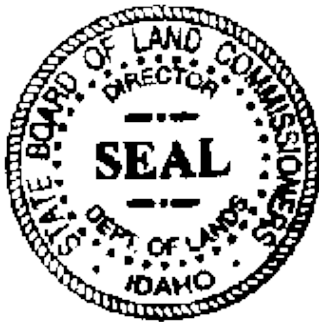
2. Change the Department procedure for determination of minimum prices from the current 50% for all species to the following:
  - a. For species with bid values equal to or greater than \$200 per MBF, retain the current formula at 50% of statewide average bid price for the previous four quarters.
  - b. For species with bid values equal to or greater than \$150 and less than \$200 per MBF, use 60% of the statewide average bid price for the previous four quarters.
  - c. For species with bid values less than \$150 use 70% of the statewide average bid price for the previous four quarters.

#### BOARD ACTION

A motion was made by Secretary of State Ysursa to adopt the Department's recommendation. Superintendent Luna seconded the motion. The motion carried on a vote of 5-0.

#### ATTACHMENT

1. Comparison of Current versus Proposed Stumpage Rate Determination Method





# ATTACHMENT 1

## EXAMPLE OF CURRENT AND PROPOSED METHOD OF CALCULATING MINIMUM STUMPAGE RATES

QUARTER	# OF SALES	PP							
		WP	YELLOW	BULL	DFL	GFH	CED	SPR	LPP
1stCY09	4	136.60	169.50	113.00	151.21	83.71	419.80	135.80	89.21
2ndCY09	21	141.12	117.98	78.66	127.36	120.21	456.78	68.14	91.29
3rdCY09	22	124.73	140.89	93.93	139.46	110.28	450.59	71.54	87.66
4thCY09	0	124.93	167.50	111.67	136.72	120.60	437.17	164.67	134.39
AVG QTR PRICE:		\$129.27	\$167.50	\$111.67	\$134.98	\$114.40	\$447.20	\$75.17	\$97.33
Current Method (50%):		\$64.64	\$83.75	\$55.83	\$67.49	\$57.20	\$223.60	\$37.59	\$48.67
New Method (50-70%):		\$ 90.49	\$ 100.50	\$ 78.17	\$ 94.49	\$ 80.08	\$ 223.60	\$ 52.62	\$ 68.13
% of Avg Qtrly Price:		70%	60%	70%	70%	70%	50%	70%	70%
ROUNDED MIN. STUMP.		\$ 90.50	\$ 100.60	\$ 78.20	\$ 94.50	\$ 80.10	\$ 223.60	\$ 52.70	\$ 68.20

## **10. Non-reducing Interest Rates on Extensions**

Attachment

**August 13, 1991 approved memo**

*Summary:* Interest rates to be charged for scaled sales and costs for Lump Sum sales.

STATE BOARD OF LAND COMMISSIONERS  
August 13, 1991

SUBJECT

Timber Sale Assignments and Extensions

BACKGROUND

Earlier this summer the department became aware of a invitation to bid being circulated within the forest industry (Attachment A). The proposal was issued by Northwest Management, Inc. on behalf of Kooskia, Inc. It offered assignment of four state timber sale contracts owned by Kooskia, Inc.

Apparently no bids were received, but several assignment/extension related issues were raised by the proposal. In response, the department has asked legal review of the following questions:

- 1) Should extensions of contracts predating the state and federal log export laws include provisions that prohibit export from Idaho or the United States? Such provisions would appear to be a substantial contract amendment, but existing code does not appear to prohibit such amendment upon extension.
- 2) Shall the assignment of state-owned timber by the original purchaser to a third party be limited only to a third party who is a "qualified bidder" under state law? If timber is sold to a party who is not a "qualified bidder", does the original holder of the contract then jeopardize his own "qualified bidder" status?
- 3) Does the federal export law relating to movement of state timber overseas apply to contracts dated prior to the effective date of the federal laws?

In light of the activity on the Kooskia contracts and the above questions, the department has delayed granting extensions on two Kooskia, Inc. contracts pending board guidance. Both contracts, TS-4-2494, Burnt Flats, and TS-4-2548, North Maggie, were sold prior to the July 1, 1989, effective date of Idaho's Timber Supply Stabilization Act. Burnt Flats has already been extended once.

Nothing in the current extension policy addresses extension requests as they relate to the Timber Supply Stabilization Act. At the same time, nothing in the policy appears to prohibit attaching special provisions to extension requests at the discretion of the board.

According to board policy, adopted February 12, 1985, (Attachment B) extensions are granted with an interest on stumpage increase "...from 6% to the discount rate in effect at the time of the extension." In the case of multiple extensions, the department interprets this to mean the rate in affect at the time of subsequent extensions, or the rate at the time of subsequent extensions, whichever is higher. (See information agenda item regarding interest rate on department transactions.)

#### RECOMMENDATION

The department recommends that the board authorize the extension of TS-4-2494, Burnt Flats, and TS-4-2548, North Maggie, to Kooskia, Inc., and other similar sales in the future on the following terms:

1. The interest on stumpage shall be the department interest rate in force at the time of extension, or the rate set during the prior extension, whichever is higher; and,
2. Any extension or assignment of a state timber sale shall include a provision requiring full compliance with the Timber Supply Stabilization Act of 1989 on State Forests (Idaho Code title 58, chapters 1 and 4), and the Forest Resources Conservation and Shortage Relief Act of 1990, Publ.L.No. 101-382, section 487, 104 Stat. 714, (1990), (16 U.S.C. 620).

#### BOARD ACTION

*Approved with additional Condition that as an additional consideration for the granting of the extensions requested that the purchaser has to agree that if in fact any of these sales are assigned to third parties, that any profit above & beyond the purchase price and sale price to third party, would revert to the State of Idaho endowment fund.*

WAW/pks  
8/6/91

AUG 13 1991



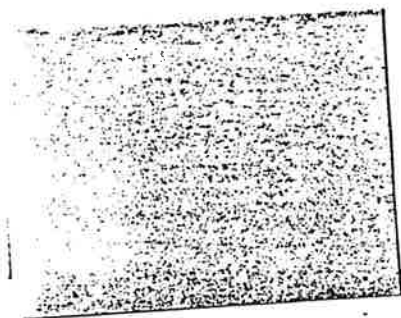
# NORTHWEST MANAGEMENT, INC.

## FOREST MANAGEMENT SERVICES

P.O. BOX 9748 • 233 PALOUSE RIVER DRIVE • MOSCOW, ID 83843 • (208) 883-4488

### TIMBER SALE NOTICE

### INVITATION TO BID



Northwest Management, Inc., agent for the seller, invites interested parties to bid on approximately 29,321 mbf of State of Idaho timber sales. Four (4) timber sales are included which are not subject to export restrictions due to the purchase date being prior to July 1, 1989. The seller intends to execute for assignment all four timber sales to one purchaser.

Sealed bids will be accepted on the enclosed bid form at Northwest Management, Inc. P.O. Box 9748, 233 Palouse River Drive, Moscow, ID 83843 until 4:30PM on July 23, 1991.

The enclosed information is to provide help for your evaluation process. No guarantees, representations, or warranties are made by the seller or Northwest Management, Inc. in regard to the timber volumes, quality, grade, or contract sale requirements. Bidders are urged to inspect each sale and inquire with the State of Idaho, Department of Lands, 10230 Highway 12, Orofino, ID. Contact Bob McKnight or Joe Eichert for more details on contract specifications.

### Terms of Sale

The minimum acceptable bid to execute an assignment is \$2,525,000. A bid deposit of 10% of the amount bid in the form of a Cashier's check made payable to Northwest Management, Inc. is to accompany the bid and is non refundable to the successful bidder. The successful bidder will be notified within 2 days from the bid date. All other bid deposits will be returned promptly upon rejection.

For more information contact: Vincent P. Corrao  
Northwest Management, Inc.  
(208) 883-4488

Seller reserves the right to reject any or all offers.

## BID SUMMARY INFORMATION

Minimum Acceptable Bid.....\$2,525,000.00

Bid deposit (Cashier's check) in the amount of 10% of the bid amount and is not refundable to the successful bidder. Seller will identify the successful bidder within 2 days after bidding and proceed to execute assignments. The transaction is expected to be completed in 30 days or less. If required by the State of Idaho an extension to 60 days may be necessary to close.

The State of Idaho, Department of Lands will retain all initial bid deposits and seller will transfer this amount to the assignee. Development cost will also be transferred to the assignee. The Department of Lands will reduce stumpage payment by 75% on each monthly payment until the development cost estimates have been reached.

Initial payments total.....\$346,039.08  
Development cost total.....\$224,473.79

The Department of Lands applies interest at a rate of 6% per annum from the date of sale until termination. Extensions are permitted but at an increased interest rate and are charged on the volume remaining on the sale.

The Department of Lands in addition to the initial payment requires a performance bond of 15% from the purchaser. The exact amounts have been identified by timber sale. The total performance bond, CD or letter of credit is approximately \$519,700.00.

The Department of Lands also requires a payment guarantee. This amount is identified within a 90 day logging plan that is developed by the purchaser. The expected stumpage times the rate must be submitted in full to the State before logging can begin. The State of Idaho timber must be scaled within the State of Idaho and will be scaled Scribner Decimal C East Side Region 1 Rules. For more information contact the Department of Lands in Orofino, ID (208) 476-4587.

## INDIVIDUAL TIMBER SALE INFORMATION

Each sale has the sale date and expiration date listed.

Note: The Timber Sale Master Record shows: the interest rate which is simple interest compounded annually, the performance bond amount, scaling, slash, and deferred maintenance cost that will be billed as the timber is removed. Stumpage and development costs are also identified on this summary.

## STATE BOARD OF LAND COMMISSIONERS

### SUBJECT:

Financing of State Timber Sales

### BACKGROUND:

Chapter 4 of Title 58, Idaho Code, outlines the basic charges assessed on a state timber sales. Briefly stated, a purchaser must pay the full estimated value of the timber before he is allowed to cut the timber. In addition, he is required to pay periodic installments and interest on the unpaid balance whether he cuts the timber at that time or not. He is required to pay 10% of the sale price on the day of the sale, advertising costs, appraisal fees (\$0.20/acre) and furnish a performance bond in the amount of 30% of the sale price.

The attached chart shows the requirements which our neighboring states and the U.S. Forest Service have assigned to these various charges. It is quite evident that Idaho's requirements far exceed those imposed by our neighbors.

It has been alleged that Idaho's stringent monetary requirements impede bidding on state sales by the smaller mills and operators. This constraint is more evident when money is tight and credit difficult to obtain.

The Department has been reviewing this subject with Idaho's forest industry in an attempt to devise a method of timber sale financing that maintains fiscal accountability, contract control and interest income while at the same time reduces the amount of invested capital and simplifies accounting procedures.

Some of the changes being discussed would require changes to the Idaho Code. It can be expected that the proposed changes would encourage more bidders on state sales and that more could be bid since the interest paid for money would no longer be an operating expense on state sales.

### DISCUSSION:

The discussions with the forest industry have covered the major items in our fiscal requirements and the following suggestions made:

Bid Deposit and Cash Reserve: This amount would remain at 10% of the appraised value with the only change being that it would be retained for the term of the contract. The last payments due would be deducted from this amount.

Advertising Cost: No change, paid by purchaser.

Installments: This practice would be discontinued.

Stumpage Payments: The payment of stumpage and other associated charges would be guaranteed by a payment guarantee bond equal to the estimated value of 90 days of production. Billings for stumpage, scaling and slash would be made monthly with appropriate penalties for late payments.

Interest Charges: Interest would be charged on the value of stumpage harvested from the date billed back to the date of purchase. In this manner there is never any over-payment or under-payment of interest as its charged on the actual value. This eliminates the troublesome refunds and charges and does not materially diminish the amount of interest collected.

Bonding: The bonding could be reduced to 15% of the selling value as it would only be needed to guarantee performance of the contract terms. The payment guarantee bond would cover payment of all charges.

Extension Fees: Extensions would be considered on a year to year basis, however, the interest rate charge on timber harvested after the initial contract term would be increased from 6% to the discount rate in affect at the time of extension. In other words, the higher rate of interest would be charged on the value of timber harvested back to the date of sale.

SUMMARY:

If any or all of the above suggestions were adopted it is obvious that the purchasers cost would be reduced. These changes should allow more bidders to participate in state sales and since their up-front costs are less, stumpage prices could be bid higher. It is a case of the endowments benefiting rather than the various money lending agencies.



Memo to the Land Board  
Page 3

RECOMMENDATION:

Direct the Department to proceed with the proposed amendments to the timber sale financing policy.

BOARD ACTION:

**FEB 12 1985** *approval*

## **11. Pulpwood Policy**

Attachment

### **December 10, 1985 approved memo**

*Summary:* Sales containing more than one-third the total volume in pulp try to sell in a favorable pulp market or advertise as a pulp sale. If less than 1/3 of the total volume removal is optional, skidding and decking shall not be required.

STATE BOARD OF LAND COMMISSIONERS  
December 10, 1985

SUBJECT

Proposed pulpwood removal policy recommendations - state timber sales.

DISCUSSION

Timber operators who hold state timber sale contracts which require either mandatory removal of pulp logs or mandatory skidding and decking of pulp logs are experiencing serious losses as a result of the falling pulpwood market.

In some cases, this loss can either be written off against profitable species or accounted for in the bid for the timber. However, on some sales, the margins are such that this is not possible. On these sales, the purchaser must either:

1. Sustain the loss;
2. Default the sale;
3. Postpone logging as long as possible in hopes of a rebounding pulp market;
4. Seek modification of the contract in a manner that mitigates the losses.

A set of guidelines has been developed which will allow purchasers to complete existing contracts and to bid on future contracts when pulp material is included.

RECOMMENDATION

The department recommends that the following guidelines be adopted as policy for handling pulp material on existing and future timber sale contracts.

1. For existing contracts with mandatory pulp removal and where pulp volume exceeds one-third the total volume, the contract should be continued as written, except as modified on a mutually agreeable, case-by-case basis.

2. For existing contracts with mandatory pulp removal and where the green pulp volume is estimated to be one-third or less of the total sale volume, the removal of the pulp logs will be made optional to the purchaser and the department shall not mandate skidding and decking. The department may, however, require the green pulp to be felled and limbed, if this would help meet silvicultural objectives for the stand.

If the purchaser elects not to remove the green pulp, the department shall collect the contracted stumpage rate for the estimated volume of pulp not removed from the sale. Once the purchaser begins pulp logging in a single cutting unit, that logging shall continue until all pulp in that unit is removed.

3. For existing contracts where pulp volume exceeds one-third of the total volume and requiring skidding and decking with optional removal and where an appraisal allowance has been made for the skidding and decking, the operator should be given the choice of:

a. The contract as written, or,

b. Leave the pulp standing and pay the state the total appraisal allowance for skidding and decking the green pulp prior to cancellation of the contract.

4) For existing contracts where pulp volumes is estimated to be one-third or less of the total sale volume and requiring skidding and decking with optional removal and where an appraisal allowance has been made for the skidding and decking, the operator should be given the choice of:

a. The contract as written, or,

b. Leave the pulp standing and pay the state the total appraisal allowance for skidding and decking the green pulp prior to cancellation of the contract, ~~and pay the state the total appraisal allowance for skidding and decking the green pulp prior to cancellation of the contract.~~

c. The department may, however, require the green pulp to be felled and <sup>limbed</sup> if this would help meet silvicultural objectives for the stand.

5) For new sales, the following options will be considered:

a. For sales that contain more than one-third the total volume in pulp attempt to delay the sale for favorable pulp market or advertise as pulp sale with mandatory removal.

b. For sales that contain less than one-third of the total volume in pulp.

- (1) The removal of the pulp shall be optional.
- (2) Skidding and decking shall not be required.
- (3) Felling and limbing of pulp trees may be required.
- (4) Attempt to delay sale until pulp markets are favorable.

c) All pulp must be removed from a single cutting ~~unit~~ <sup>unit</sup> once the purchasers begin to remove the pulp volume from that unit.

BOARD ACTION

DEC 10 1985

Approved

ATTACHMENT

- 1) IFIC's Pulp Log Removal Project

## **12. State Forest Lands**

Attachments

### **May 26, 1950 final minutes**

*Summary:* State Forests designated.

### **December 21, 1961 final minutes**

Expansion of Payette Lakes State Forest

The report of the State Forester designating certain areas for State Forests was distributed to the members, but in the absence of Mr. Guernsey, no action was taken.

\*\*\*\*\*

Whereupon the meeting adjourned subject to call.

\*\*\*\*\*

STATE BOARD OF LAND COMMISSIONERS

*C. A. Robins*  
President  
and Governor of the State of Idaho

Countersigned:

*Stacy*  
Secretary of State

*Edward Woodzley*  
State Land Commissioner

May 26, 1950

A meeting of the State Land Board of Commissioners was held in the office of the Governor on May 26, 1950, at 10:00 a.m., with the following members present:

Honorable C. A. Robins, Governor & President  
Honorable N. P. Nielson, State Auditor  
Honorable Alton B. Jones, Supt. Public Instruction  
  
Edward Woodzley, State Land Commissioner  
Roger L. Guernsey, State Forester

\*\*\*\*\*

Mr. Woodzley presented a letter from the United States Department of Agriculture, Soil Conservation Service regarding renewal of the cooperative agreement between the State of Idaho and Soil Conservation Service concerning State lands.

Unanimous approval was given to renewal of this agreement.

\*\*\*\*\*

Mr. Woodzley stated that a protest had been filed on behalf of George McMurdie by Attorney Robert H. Remaklus to the granting of a mineral lease on the NW $\frac{1}{4}$  Section 16, Twp. 13 N., Rge. 4 E. B.M. to the Warren Dredging Corporation of Centerville, Idaho.

The Board deferred action on this matter until a later date when Mr. Remaklus and the applicants could appear and a hearing could be held.

\*\*\*\*\*

Mr. Roger L. Guernsey presented his request for designation of State Forests, stating that by doing this it would constitute an aid to the state in the administration and preservation of the lands for the benefit of the public at large and would enhance the value of our harvests of merchantable timber.

The following were designated as State forests:

- (1) Priest Lake State Forest comprising 193,251 acres of timber land lying in Township 57 North Range 4 W. B.M..
- (2) Floodwood State Forest comprising 60,438 acres of timber land lying in Township 41 North, Range 3 East B.M..
- (3) Orofino State Forest comprising 95,613 acres of timber land lying in Township 36 North, Range 2 East B.M..
- (4) Lolo State Forest comprising 60,384 acres of timber land lying in Township 36 North, Range 2 East B.M..
- (5) Payette Lakes State Forest comprising 13,000 acres of timber land lying in Township 19 North, Range 3 East B.M..

The Land Board unanimously approved the designation of the above named State forests.

\*\*\*\*\*

The Board unanimously approved the request of E. F. Haworth, Commissioner, Department of Public Investments, for authority to purchase a proposed \$30,000.00 bond issue of North Gem Class "B" School District No. 149, Caribou County, the bonds to be issued for the purpose of erecting a new vocational agriculture building and carpenter shop with some additional classrooms.

The assessed valuation of the district was \$2,902,604.00, their bonded debt including this issue amounted to \$63,445.00.

\*\*\*\*\*

Following is the full legal description of the boundaries of lands to be designated as State Forests:

Unit#1: Priest Lake State Forest:

Comprising 193,251 acres. All commercial timber land now or hereinafter owned by the State of Idaho and lying within the following boundaries:

Beginning at a point on the south line of Section 31, Township 57 North, Range 4 West where line crosses Priest River, and running then east three and three-quarter miles, more or less, to the divide between Priest River and Pend d'Oreille River on the south line of Section 35, Township 57 North, Range 4 West; thence in a northerly and easterly direction following the divide between Priest River and Lake, and the Pend d'Oreille River to the divide between Pend d'Oreille River and the Kootenai River; thence on divide between Priest Lake and the Kootenai River to a point on the north line of Section 17, Township 64 North, Range 4 West; thence west on Section line four and one-half miles, more or less, to the quarter corner between Sections 10 and 15, Township 64 North, Range 5 West; thence south seven miles, more or less, to the quarter corner between Sections 15 and 22, Township 63 North, Range 5 West; thence east three miles, more or less, to where the south line of Section 18 intersects the shore line of Upper Priest Lake; thence down the center of Upper Priest Lake, the Thoroughfare, Priest Lake and Priest River to the place of beginning on the south line of section 31, Township 57 North, Range 4 West.

Unit#2: Floodwood State Forest:

Comprising 60,438 acres. All commercial timber land now or hereinafter owned by the State of Idaho and lying within the following boundaries:

Beginning at a point on the southwest corner Section 36, Township 41 North, Range 3 East and running east along the township line eight and one-half miles, more or less, to the intersection of the North Fork Clearwater River, then northerly and east along the river to its intersection with the range line common to Ranges 5 East and 6 East, thence north along the range line eleven miles, more or less, to the northeast corner Township 42 North, Range 5 East, thence west six miles, thence north one mile, thence west one mile, thence south one mile, thence west five miles to the northwest corner Township 42 North, Range 4 East, thence south eleven miles, thence west one mile, thence south one mile to the point of origin.

Unit#3: Orofino State Forest:

Comprising 95,613 acres. All commercial timber land now or hereinafter owned by the State of Idaho and lying within the following boundaries:

Beginning at Orofino Section 7, Township 36 North, Range 2 East and running easterly along Orofino Creek to its point of intersection with the range line common to Ranges 5 East and 6 East, thence north three miles to the northeast corner of Section 1, Township 36 North, Range 5 East, thence east two miles, thence north one mile, thence east one mile, thence north one mile, thence east 3 miles to the southeast corner of Section 24, Township 37 North, Range 6 East, thence north twenty-two and one-half miles, more or less, to the point of intersection with the North Fork Clearwater River along the east line of Section 36, Township 41 North, Range 6 East, thence southwest down the river to the junction with the main Clearwater River at Ahsahka, thence southeast up said river to the point of origin at Orofino.

Unit#4: Lolo State Forest:

Comprising 60,384 acres. All commercial timber land now or hereinafter owned by the State of Idaho and lying within the following boundaries.

Beginning at the town of Orofino, Section 7, Township 36 North, Range 2 East and running thence southeasterly along the Middle Fork of Clearwater River to the point of intersection with the range line common to Ranges 5 east and 6 east, thence north along said range line twenty-two and one-half miles, more or less, to the point of intersection with Orofino Creek at the northeast corner of Section 24, Township 36 North, Range 5 East, thence westerly down the creek to the point of origin at Orofino.



Beginning at a point at the southwest corner of Section 32, Township 19 North, Range 3 East and running east along the township line across the lake, across the peninsula and across more lake, a total of five miles, more or less, to the southeast corner Section 36, Township 19 North, Range 3 East, thence north one and one-half miles, thence west one mile, thence north two and one-half miles, thence east one mile, thence north four miles, to the southeast corner of Section 24, Township 20 North, Range 3 East, thence west one-half mile, thence north one mile, thence west one and one-half miles, thence south two and one-half miles, thence west one-half mile, thence south one-half mile, thence west one and one-half miles to the southeast corner Section 32, Township 20 North, Range 3 East, thence south three and one-half miles, thence west one-half mile, thence south one and one-half miles, thence west one-half mile, thence south one mile to the point of origin.

CANCELLATION OF MINERAL LEASE:

Mr. Walters presented for cancellation because of nonpayment of rental lease 3634, Ted S. and Ann M. Folk, Lapwai, Idaho, a placer lease covering S $\frac{1}{2}$ SW $\frac{1}{4}$  Sec. 15 and NE $\frac{1}{4}$ NW $\frac{1}{4}$  Sec. 22, all in Twp. 33 N., Rge. 5 E.B.M., comprising 160 acres of State Hospital South land in Idaho County.

Mr. Walters reported that the rental for the current year has become delinquent, lessee has been notified by registered mail but no response has been received. He recommended that the lease be cancelled for nonpayment of rental, and approval of such cancellation was unanimous.

\* \* \* \* \*

EASEMENT APPLICATIONS:

The Board considered individually the following applications for easements:

The application of Idaho Power Company, Boise, Idaho for a described strip of land 20 feet wide across a portion of the south boundary of the SE $\frac{1}{4}$  of Sec. 36, Twp. 15 S., Rge. 11 E.B.M., comprising 1.21 acre of Public School land in Owyhee County to be used for a power line. Consideration is \$18.15.

United States of America (St. Joe National Forest) for a described strip of land 66 feet wide across a portion of NW $\frac{1}{4}$  Sec. 12, Twp. 43 N., Rge. 4 E.B.M., comprising 1.87 acre of Indemnity School land in Shoshone County to be used for a roadway. Consideration is \$28.05.

State Highway Department, Boise, Idaho for a described strip of land 100 feet wide across a portion of Sec. 16, Twp. 65 N., Rge. 1 W.B.M., comprising 19.36 acres of Public School land in Boundary County to be used for highway purposes. Consideration is \$363.87, which will apply on sale contracts as follows:

Sale contract #22503, held by Percy Kelson	\$57.45
" " 20915, " " Byron Baker	29.37
" " 22247, " " " "	17.79
" " 21434, " " " "	49.11
" " 21839, " " Cecil L. Morris	10.40
	<u>\$164.12</u>

Consideration to the State	199.75
	<u>\$363.87</u>

State Highway Department, Boise, Idaho for a described strip of land 300 feet wide across a portion of Sec's. 11-13-14 & 24, Twp. 10 S., Rge. 25 E.B.M., comprising 96.64 acres of Charitable Institutions land in Cassia County to be used for Interstate Highway. Consideration is \$2,416.00.

State Highway Department, Boise, Idaho for an irregular tract of land in the northeast corner of the NW $\frac{1}{4}$  Sec. 29, Twp. 10 S., Rge. 26 E.B.M., comprising 2.99 acres of Penitentiary Foreclosure land in Cassia County to be used for highway construction. Consideration is \$24.13, which will apply on sale contract No. 22721, held by Taylor Land Company, Burley, Idaho.

No objections were heard and it was so ordered.

\* \* \* \* \*

DEPARTMENT OF PUBLIC INVESTMENTS:

Mr. Walters presented the request of J. L. McCarthy, Commissioner of Public Investments, for authority to purchase the following United States Treasury Bonds as Endowment Fund investments:

3-7/8% of 11-15-74:

\$50,000.00 Agricultural College
250,000.00 Charitable Institutions
50,000.00 Penitentiary
100,000.00 School of Science
80,000.00 University

3 $\frac{1}{4}$ % of 5-15-85:

\$650,000.00 Public School
90,000.00 State Hospital South

\$1,270,000.00 TOTAL

Mr. McCarthy also asked for authority to purchase with Normal School Endowment Funds \$100,000.00 of 3-3/8% Idaho State Building Bonds dated December 1, 1961 and maturing December 1, 1981.

It was moved, seconded and unanimously carried that such authority be granted.

\* \* \* \* \*

EXPANSION OF PAYETTE LAKES STATE FOREST:

Roger Guernsey, State Forester, reported as follows:

"In the original action dedicating the Payette Lakes State Forest, a large block of State land southeast of Payette Lake was omitted. The area omitted is of value primarily for forestry, recreation and watershed. The inclusion as a State Forest will constitute an aid to the state in the administration and management of these lands and increase public awareness of our State-owned forest resources." He proposed that the new boundaries be described as follows:

Beginning at the Southwest corner of Sec. 32, Twp. 19 N., Rge. 3 E.B.M., run East along the Township line across Payette Lake to a point at which the township line crosses the western shore

of the peninsula; from this point follow the shoreline South to a point at which the South line of the Lot 2 (NW $\frac{1}{4}$ SE $\frac{1}{4}$ ) Sec. 4, Twp. 18 N., Rge. 3 E.B.M. intersects the shoreline; thence proceed East to the East section line of Sec. 4; thence North  $\frac{1}{4}$  mile; thence East 1 mile to the East $\frac{1}{4}$  corner of Sec. 3, Twp. 18 N., Rge. 3 E.B.M.; then run North along the section line to the shore of the lake; thence East and North along the shoreline to a point of intersection of the North section line of Sec. 35, Twp. 19 N., Rge. 3 E.B.M. and the lake shore; thence East to the North-east corner Sec. 35; from this corner proceed South  $\frac{1}{4}$  mile; thence West  $\frac{1}{4}$  mile; thence South  $\frac{3}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence South approximately 900' to a point on the shore of Lake Fork Reservoir; thence North and East along the said reservoir to a point on the township line between ranges 3 & 4 E.B.M., 110 feet North of the E $\frac{1}{4}$  corner section 1, Twp. 18 N., Rge. 3 E.B.M., from this point run South to the Southeast corner Sec. 12, Twp. 18 N., Rge. 3 E.B.M.; from this corner proceed West  $\frac{1}{4}$  mile; thence South  $\frac{1}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence South  $\frac{1}{4}$  mile; thence West  $\frac{1}{4}$  mile; thence South  $\frac{1}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence South  $\frac{3}{4}$  mile to the West $\frac{1}{4}$  corner Sec. 19, Twp. 18 N., Rge. 4 E.B.M.; then proceed East  $\frac{1}{4}$  mile; thence South 1 mile; thence West  $\frac{1}{4}$  mile; thence South 1 mile; thence East  $\frac{1}{4}$  mile; thence South  $\frac{1}{4}$  mile to the township line between townships 17 and 18 N.; follow the township line East 2 miles; thence North  $\frac{1}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence South  $\frac{1}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence West 1 mile; thence North  $\frac{1}{4}$  mile to the South $\frac{1}{4}$  corner Sec. 21, Twp. 18 N., Rge. 4 E.B.M.; from this point proceed West  $\frac{1}{4}$  mile; thence North 1 mile; thence East  $\frac{3}{4}$  mile to the Southeast corner Sec. 16, Twp. 18 N., Rge. 4 E.B.M.; thence North 1 mile; thence West 1 mile; thence North  $\frac{1}{4}$  mile; thence East 1 mile; thence North 1 mile to the East $\frac{1}{4}$  corner Sec. 4, Twp. 18 N., Rge. 4 E.B.M.; from here run West 2 miles; thence North  $\frac{1}{4}$  mile; thence West  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence West  $\frac{3}{4}$  mile to the township corner, Twp. 18 and 19 N., Rges. 3 & 4 E.B.M.; from this corner proceed North  $1\frac{1}{2}$  miles; thence West 1 mile; thence North  $2\frac{1}{2}$  miles; thence East 1 mile to the Northeast corner Sec. 13, Twp. 19 N., Rge. 3 E.B.M.; then run North along the township line 3 miles to the Northeast corner Sec. 36, Twp. 20 N., Rge. 3 E.B.M.; from this point run West  $\frac{3}{4}$  mile; thence North  $\frac{3}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence North  $\frac{3}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence North  $\frac{3}{4}$  mile to the East $\frac{1}{4}$  corner Sec. 13, Twp. 20 N., Rge. 3 E.B.M.; thence West  $1\frac{1}{2}$  miles; thence South  $\frac{1}{4}$  mile; thence West  $\frac{1}{4}$  mile; thence South  $\frac{1}{4}$  mile; thence West  $\frac{1}{4}$  mile to the Northwest corner Sec. 23, Twp. 20 N., Rge. 3 E.B.M.; from this corner proceed South  $\frac{1}{4}$  mile; thence West  $\frac{1}{4}$  mile; thence South 1 mile; thence West  $\frac{1}{4}$  mile; thence South  $\frac{1}{4}$  mile to the township line between townships 19 and 20 N., Rge. 3 E.B.M.; thence West  $1\frac{1}{2}$  miles to the Northwest corner Sec. 4, Twp. 19 N., Rge. 3 E.B.M.; from this point proceed South 4 miles; thence West  $\frac{1}{4}$  mile; thence South 1 mile; thence West  $\frac{1}{4}$  mile to the Northwest corner Sec. 32, Twp. 19 N., Rge. 3 E.B.M.; thence South 1 mile to point of origin.

Also included will be Sec. 16, Twp. 20 N., Rge. 3 E.B.M. Acreage of the entire area involved is 24,738.08 acres.

It was recommended by Mr. Walters and Mr. Guernsey that the proposed areas, as described, be classified and dedicated as a State Forest.

Approval by the Board was unanimous.

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#### DEDICATION OF OTHER FORESTS:

Mr. Guernsey reported that "the following large blocks of State land are primarily of value for forestry, recreation and watershed and that dedication as State Forests will constitute an aid to the State in the administration and management of these lands and increase public awareness of our State-owned forest resource":

1. Lost Valley State Forest - 8,543.7 acres, described as follows:

Beginning at the Southeast corner of Sec. 36, Twp. 19 N., Rge. 1 W.B.M., run North 2 miles, following the township line between Rge. 1 W.B.M. and Rge. 1 E.B.M.; thence West  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence West  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence North along the township line between Rge. 1 W.B.M. and Rge. 1 E.B.M.,  $\frac{1}{4}$  miles to the Northeast corner Sec. 36, Twp. 20 N., Rge. 1 W.B.M.; from this point proceed West 1 mile; thence South 1 mile; thence West 2 miles; thence South 2 miles; thence West 1 mile; thence South 1 mile to the Southwest corner Sec. 16, Twp. 19 N., Rge. 1 W.B.M.; from this point run East  $2\frac{1}{4}$  miles; thence North  $\frac{3}{4}$  mile; thence East  $\frac{3}{4}$  mile; thence South  $1\frac{3}{4}$  mile to the Northeast corner Sec. 26, Twp. 19 N., Rge. 1 W.B.M.; from this point proceed West 1 mile; thence South 2 miles; thence East 2 miles along the township line between townships 18 and 19 N., Rge. 1 W.B.M. to the point of origin.

2. Hornet Creek State Forest - 11,099.9 acres, described as follows:

Beginning at the Southeast corner Sec. 36, Twp. 17 N., Rge. 3 W.B.M., run North along the Township line between Rges. 2 & 3 W.B.M.  $4\frac{1}{4}$  miles; thence West  $\frac{1}{4}$  mile; thence North  $\frac{3}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence North 2 miles to the Northeast corner Sec. 36, Twp. 18 N., Rge. 3 W.B.M.; from this point run West 1 mile; thence South  $1\frac{1}{2}$  miles; thence West  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence West  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence West 1 mile to the Northwest corner Sec. 3, Twp. 17 N., Rge. 3 W.B.M.; from this point proceed South 2 miles; thence West 1 mile; thence South 1 mile; thence East 1 mile; thence South 1 mile to the Northwest corner Sec. 27, Twp. 17 N., Rge. 3 W.B.M.; from this point proceed East  $\frac{1}{4}$  mile; thence South  $\frac{1}{4}$  mile; thence West  $\frac{1}{4}$  mile; thence South  $1\frac{1}{2}$  miles; thence East 3 miles along the township line between Townships 16 & 17 N., Rge. 3 W.B.M., to the point of origin.

3. Little Salmon State Forest - 9,822.43 acres, described as follows:

Beginning at the Southwest corner of Sec. 16, Twp. 22 N., Rge. 1 E.B.M., proceed East 1 mile to the Southeast corner of Sec. 16; thence North  $\frac{1}{4}$  mile; thence West  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence East  $1\frac{1}{2}$  miles; thence North  $\frac{1}{4}$  mile; thence East  $\frac{3}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence East 1 mile to the E $\frac{1}{4}$  corner Sec. 12, Twp. 22 N., Rge. 1 E.B.M.; from this point proceed North along the township line between Rges. 1 and 2 E.B.M.,  $6\frac{1}{2}$  miles to the Northeast corner Sec. 12, Twp. 23 N., Rge. 1 E.B.M., from which corner proceed West  $\frac{3}{4}$  mile; thence North 1 mile; thence East 1 mile; thence North  $\frac{1}{4}$  mile entering Sec. 31, Twp. 24 N., Rge. 2 E.B.M.; thence East  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile; thence East  $\frac{1}{4}$  mile; thence North  $\frac{1}{4}$  mile

to the  $\frac{1}{4}$  corner Sec. 29; from this point run East  $\frac{1}{2}$  mile; thence North  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile; thence North  $\frac{1}{2}$  mile; thence West 1 mile; thence North  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence South  $\frac{3}{4}$  mile; thence West  $\frac{1}{2}$  mile; (crossing the township line between Twp. 24 N., Rge. 1 E.B.M. and Twp. 24 N., to the Southeast corner of the NE $\frac{1}{4}$ NE $\frac{1}{4}$  Sec. 21, Rge. 2 E.B.M.); thence North  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence North  $\frac{1}{2}$  mile; thence West  $\frac{3}{4}$  mile; thence South  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile to the Southeast corner Sec. 23, Twp. 24 N., Rge. 1 E.B.M.; from this corner proceed South  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence North  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence West  $1\frac{1}{2}$  miles; thence South  $\frac{1}{2}$  mile; thence East 1 mile; thence South  $\frac{3}{4}$  mile; thence West  $\frac{1}{2}$  mile to the Southwest corner Sec. 35, Twp. 24 N., Rge. 1 E.B.M.; from this point enter Twp. 23 N., Rge. 1 E.B.M.; running South along the West section line of Sec. 2, for a distance of  $1\frac{1}{2}$  miles; thence East  $\frac{1}{2}$  mile; thence South  $\frac{3}{4}$  mile; thence East  $\frac{1}{2}$  mile; thence South 1 mile to the Southwest corner Sec. 13, Twp. 23 N., Rge. 1 E.B.M.; then run East  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence South 1 mile to the West  $\frac{1}{2}$  corner of Sec. 25, Twp. 23 N., Rge. 1 E.B.M.; then run West  $\frac{1}{2}$  mile; thence South 1 mile; thence East  $\frac{1}{2}$  mile; thence South  $\frac{3}{4}$  mile crossing the township line between Twp. 23 N., Rge. 1 E.B.M. and Twp. 22 N., Rge. 1 E.B.M.; thence West  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence West  $\frac{3}{4}$  mile; thence South  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile to the Northwest corner Sec. 11, Twp. 22 N., Rge. 1 E.B.M.; then run South  $\frac{3}{4}$  mile; thence West  $\frac{3}{4}$  mile; thence South  $\frac{1}{2}$  mile; thence West  $1\frac{1}{2}$  miles; thence South 1 mile along the West section line of Sec. 16, Twp. 22 N., Rge. 1 E.B.M., closing on the point of origin.

Also included in this State Forest will be Section 36, Twp. 22 N., Rge. 1 E.B.M.

4. Packer John State Forest - 26,873.74 acres, described as follows:

Block #1

Beginning at the Southeast corner Sec. 36, Twp. 9 N., Rge. 3 E.B.M., run North 13 miles along the township line between Rges. 3 & 4 East to the Northeast corner Sec. 36, Twp. 11 N., Rge. 3 E.B.M.; from this point proceed West 1 mile; thence South  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence West approximately 2 miles along the township line between Twp. 10 & 11 N., Rge. 3 E.B.M. to the North Fork of the Payette River; from this point follow the river South to the township line between Twp. 9 & 10 N., Rge. 3 E.B.M.; from this point run East approximately  $1\frac{1}{2}$  miles to the North  $\frac{1}{2}$  corner Sec. 3, Twp. 9 N., Rge. 3 E.B.M.; thence South  $1\frac{1}{8}$  mile; thence East  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence South  $\frac{3}{4}$  mile; thence East  $\frac{1}{2}$  mile; thence South  $\frac{3}{4}$  mile; thence West  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence East  $\frac{3}{4}$  mile to the Southeast corner Sec. 15, Twp. 9 N., Rge. 3 E.B.M.; from this point proceed North  $\frac{1}{2}$  mile; thence East 1 mile; thence South  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile; thence South 2 miles; thence West  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence West 2 miles to the Southwest corner Sec. 34, Twp. 9 N., Rge. 3 E.B.M.; from this point run South  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile; thence South  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence South 1 mile; thence East 1 mile; thence North 1 mile to the Northeast corner Sec. 16, Twp. 8 N., Rge. 3 E.B.M.; from this point proceed East  $\frac{1}{2}$  mile; thence North  $\frac{1}{2}$  mile; thence East  $\frac{3}{4}$  mile; thence South  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile; thence South  $\frac{3}{4}$  mile; thence East  $1\frac{1}{2}$  miles; thence North  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile; thence North 2 miles; thence East  $\frac{1}{2}$  mile to the Point of origin.

Block #2

Beginning at the Southwest corner Sec. 16, Twp. 11 N., Rge. 3 E.B.M., run East 1 mile; thence North 1 mile; thence East 844.2' to Tripod Creek; thence Northeasterly along Tripod Creek to the East side of State Highway 15; thence Southerly along the Highway to the South line Sec. 10, Twp. 11 N., Rge. 3 E.B.M.; thence East to the Southeast corner Sec. 10, Twp. 11 N., Rge. 3 E.B.M.; from this point run North  $\frac{1}{2}$  mile; thence East  $1\frac{3}{4}$  miles; thence North  $1\frac{1}{2}$  miles; thence East  $\frac{1}{2}$  mile; thence North  $2\frac{1}{2}$  miles to the Southwest corner Sec. 19, Twp. 12 N., Rge. 4 E.B.M.; from this point proceed East 9.60 chains; thence North  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile; thence North  $\frac{1}{2}$  mile; thence East  $\frac{1}{2}$  mile; thence North  $\frac{1}{2}$  mile; thence West 49.80 chains to the Northwest corner Sec. 19, Twp. 12 N., Rge. 4 E.B.M.; from this point run South 1 mile; thence West 1 mile; thence South  $2\frac{1}{2}$  miles to the  $\frac{1}{4}$  corner of Sec. 1, Twp. 11 N., Rge. 3 E.B.M.; thence West  $\frac{1}{2}$  mile; thence South 1 mile; thence West approximately 1 mile to the West side of the Payette River; from here proceed northerly along the river to a point 2303.9' East of a point 554.2' North of the West  $\frac{1}{2}$  corner Sec. 10, Twp. 11 N., Rge. 3 E.B.M., following this line to the West line Sec. 10; thence South 554.2' to the West  $\frac{1}{2}$  corner Sec. 10; from this point proceed South  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence North  $\frac{1}{2}$  mile; thence West  $\frac{1}{2}$  mile; thence South  $1\frac{1}{2}$  miles to the point of origin.

It was recommended by Mr. Walters and Mr. Guernsey that the proposed areas, as described, be classified and dedicated as State Forests.

Approval by the Board was unanimous.

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PENITENTIARY LEASE:

Mr. Walters reported that on May 5, 1959, the State Land Board approved and executed a lease between Alfred M. Popma and wife and State of Idaho on behalf of the Penitentiary. The lease covers 398.5 acres described as S $\frac{1}{2}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$  and S $\frac{1}{2}$  Sec. 3, Twp. 4 N., Rge. 1 E.B.M., Ada County, with water rights. This land is farmed by the Penitentiary. The lease provides for payment of 30% of all crops annually to the lessor. It will expire December 31, 1961. Warden Lou Clapp presents for execution by the Board a renewal lease containing the same terms and running to December 31, 1964.

It was unanimously approved that said lease be executed.

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MEMO TO THE LAND BOARD

Expansion of Payette Lakes State Forest

In the original action dedicating the Payette Lakes State Forest a large block of State land southeast of Payette Lake was omitted. The area omitted is of value primarily for forestry, recreation and watershed. The inclusion as a State Forest will constitute an aid to the state in the administration and management of these lands and increase public awareness of our State-owned forest resource.

It is recommended that the proposed areas as described be classified and dedicated as a State Forest.

John G. Walters, State Land Commissioner

and

Roger L. Guernsey, State Forester

12-13-61

MH:vl

APPROVED: \_\_\_\_\_

DENIED: \_\_\_\_\_

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MEMO TO THE LAND BOARD

Dedication of Four State Forests:

1. Little Salmon State Forest
2. Lost Valley State Forest
3. Hornet Creek State Forest
4. Packer John State Forest

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28716

The four areas described are large blocks of State land primarily of value for forestry, recreation and watershed. The dedication as State Forests will constitute an aid to the state in the administration and management of these lands and increase public awareness of our State-owned forest resource.

It is recommended that the proposed areas as described be classified and dedicated as State Forests.

John G. Walters, State Land Commissioner

and

Roger L. Guernsey, State Forester

12-13-61  
MH:vl

APPROVED: \_\_\_\_\_

DENIED: \_\_\_\_\_

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### **13. Termination of State Timber Sales**

Attachment

**February 10, 1987 approved memo**

*Summary:* Approved three procedures as a standard policy for terminating an uncanceled state timber sale, including a provision that the person who is turning back a timber sale contract is not eligible to rebid that particular sale "unless the provision is excused by action of the Board.

STATE BOARD OF LAND COMMISSIONERS  
February 10, 1987

SUBJECT

Policy for Terminating State Timber Sale Contracts

BACKGROUND

The recent uncertainties and difficulties that have faced Idaho's forest industry have caused a small number of state timber sale purchaser's to request termination of uncompleted contracts. This process required the purchaser to appear before the Board of Land Commissioners and present a hardship appeal. The board then rendered a settlement decision based on the circumstances presented by the purchaser.

DISCUSSION

In order to standardize this process, the following proposed policy guidelines are being presented for consideration by the board:

Upon a determination by the State Board of Land Commissioners that a hardship exists and that the timber sale contract should be terminated, the following action would be initiated.

1. The initial deposit would be retained. This would include the 10% bid deposit and the 10% collected on the overbid. It would not include any prepayments of stumpage, scaling or slash.
2. The purchaser would be charged the value of the overbid for the uncut residual volume. For example, if white pine had been bid up \$5.00/MBF over the appraised price and there were 100 MBF of white pine remaining on the sale area, the purchaser would have to pay \$500.00 upon termination.
3. If logging has occurred on the sale, the purchaser must complete the units that have been partially logged according to contract standards and complete all development work as specified in the contract to the extent of the allowances that have been credited to the purchaser.



These three conditions would insure that the endowments would be reimbursed for the loss of potential revenue created by the initial bidding and that caused by the delay in harvest. Furthermore, the sale area would be left in a condition that would permit resale at a later date.

Copies of this proposal were sent to members of the forest industry on December 16, 1986 for the purpose of soliciting their comments. This letter and the two responses are attached for your review.

#### RECOMMENDATION

That the State Board of Land Commissioners adopt the three procedures outlined above as standard policy for terminating uncanceled state timber sale contracts.


#### BOARD ACTION

*Approved and amended to include a provision that the person who is turning back a timber sale contract not be eligible to rebid that particular sale, unless the provision is excused by action of the Board.*

#### ATTACHMENTS

**FEB 10 1987**

1. Letter to Industry
2. Response from DAW
3. Response from McFarland Cascade

DDJ/pks  


LAND BOARD MEMORANDUM  
Terminating State TSC  
February 10, 1987  
Page 2 of 2

## **14. Timber Sale Assignments**

### Attachments

#### **August 13, 1991 approved memo**

*Summary:* Timber sale contracts may be assigned at the discretion of the Land Board. Procedures listed. One specific provision was that any profit above and beyond the purchase of the sale to a third party would revert to the Endowment funds.

#### **February 6, 1996 final minutes**

Action required affidavit stating that beneficiary would receive additional monies derived from assignment. Any extension or assignment of a state timber sale shall include a provision requiring compliance with the Timber Supply Stabilization Act of 1989 and the Forest Resources Conservation and Shortage Relief Act of 1990.

STATE BOARD OF LAND COMMISSIONERS  
August 13, 1991

SUBJECT

Timber Sale Assignments and Extensions

BACKGROUND

Earlier this summer the department became aware of a invitation to bid being circulated within the forest industry (Attachment A). The proposal was issued by Northwest Management, Inc. on behalf of Kooskia, Inc. It offered assignment of four state timber sale contracts owned by Kooskia, Inc.

Apparently no bids were received, but several assignment/extension related issues were raised by the proposal. In response, the department has asked legal review of the following questions:

- 1) Should extensions of contracts predating the state and federal log export laws include provisions that prohibit export from Idaho or the United States? Such provisions would appear to be a substantial contract amendment, but existing code does not appear to prohibit such amendment upon extension.
- 2) Shall the assignment of state-owned timber by the original purchaser to a third party be limited only to a third party who is a "qualified bidder" under state law? If timber is sold to a party who is not a "qualified bidder", does the original holder of the contract then jeopardize his own "qualified bidder" status?
- 3) Does the federal export law relating to movement of state timber overseas apply to contracts dated prior to the effective date of the federal laws?

In light of the activity on the Kooskia contracts and the above questions, the department has delayed granting extensions on two Kooskia, Inc. contracts pending board guidance. Both contracts, TS-4-2494, Burnt Flats, and TS-4-2548, North Maggie, were sold prior to the July 1, 1989, effective date of Idaho's Timber Supply Stabilization Act. Burnt Flats has already been extended once.

Nothing in the current extension policy addresses extension requests as they relate to the Timber Supply Stabilization Act. At the same time, nothing in the policy appears to prohibit attaching special provisions to extension requests at the discretion of the board.

According to board policy, adopted February 12, 1985, (Attachment B) extensions are granted with an interest on stumpage increase "...from 6% to the discount rate in effect at the time of the extension." In the case of multiple extensions, the department interprets this to mean the rate in affect at the time of subsequent extensions, or the rate at the time of subsequent extensions, whichever is higher. (See information agenda item regarding interest rate on department transactions.)

#### RECOMMENDATION

The department recommends that the board authorize the extension of TS-4-2494, Burnt Flats, and TS-4-2548, North Maggie, to Kooskia, Inc., and other similar sales in the future on the following terms:

1. The interest on stumpage shall be the department interest rate in force at the time of extension, or the rate set during the prior extension, whichever is higher; and,
2. Any extension or assignment of a state timber sale shall include a provision requiring full compliance with the Timber Supply Stabilization Act of 1989 on State Forests (Idaho Code title 58, chapters 1 and 4), and the Forest Resources Conservation and Shortage Relief Act of 1990, Publ.L.No. 101-382, section 487, 104 Stat. 714, (1990), (16 U.S.C. 620).

#### BOARD ACTION

*Approved with additional condition that as an additional consideration for the granting of the extensions requested that the purchaser has to agree that if in fact any of these sales are assigned to third parties, that any profit above & beyond the purchase price and sale price to third party, would revert to the State of Idaho endowment fund.*

WAW/pks  
8/6/91

AUG 13 1991



State Board of Land Commissioners

Philip E. Batt, Governor, and President of the Board  
Pete T. Cenarrusa, Secretary of State  
Alan G. Lance, Attorney General  
J. D. Williams, State Controller  
Anne C. Fox, Superintendent of Public Instruction

Stanley F. Hamilton, Secretary

MINUTES  
SPECIAL LAND BOARD MEETING  
February 6, 1996

A special meeting of the State Board of Land Commissioners was held on Tuesday, February 6, 1996, at 1:30 p.m. in the office of the Governor. Honorable Philip E. Batt presided.

The following members of the state board of land commissioners were present:

Honorable Philip E. Batt, Governor of the State of Idaho  
and President of the State Board of Land Commissioners  
Honorable Alan G. Lance, Attorney General  
Honorable J. D. Williams, State Controller  
Honorable Anne C. Fox, Superintendent of Public Instruction

Stanley F. Hamilton, Secretary to the Board

The meeting was called to order at 1:37 p.m.

Stan Hamilton introduced topics for discussion:

1. Assignment of twelve timber sales from Weyerhaeuser Company (assignor) to Three Rivers Timber Company (assignee).
2. Approve an assignee as qualified bidder.

Mr. Winston Wiggins, Assistant Director-Forestry and Fire, said the reason for the special meeting was to discuss a timber sale scheduled for February 9, 1996 in which the assignee and applicant to be considered a qualified bidder wished to participate.

Mr. Wiggins explained that upon assignment of the timber sale, the assignor would relinquish its interests - proceeds and obligations - and that assignee, Three Rivers Timber Company, would assume those responsibilities.

Attorney General Alan Lance questioned whether profits, if any, in excess of the sale would go to the endowment beneficiary.

Mr. Wiggins replied that additional monies would go to the beneficiary, but that in his experience, no company had ever declared such a surplus.

Mr. Lance questioned if an Affidavit by the assignor had been required.

Mr. Wiggins noted that a statement, not an affidavit, is required.

Mr. Lance requested that in the future, the department obtain an affidavit from parties in which they would be required, under an oath, to stipulate to the facts.

Superintendent of Public Instruction Anne Fox wanted information about the assignee.

Director Hamilton responded that the assignee is the same as the current operators and that they had been operating the mill for some time. The assignment effectively transfers ownership to those employees who have been operating the mill.

Mr. Hamilton also noted that the state is well protected in this kind of transaction due to the bonding requirements and ability to repossess logs.

Winston remarked that bonding exceeds the value of timber sales by 25% and that no execution of the assignment would transpire until bonds were in place.

Controller J.D. Williams moved to approve the assignment of the twelve timber sales from Weyerhaeuser Company to Three Rivers Timber Company and to add Three Rivers Timber Company to the qualified bidder list for timber sales.

Al Lance seconded the motion and the motion passed by a unanimous vote.

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There being no further business before the board, the meeting adjourned at 1:45 p.m.

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Controller J.D. Williams moved to approve the assignment of the twelve timber sales from Weyerhaeuser Company to Three Rivers Timber Company and to add Three Rivers Timber Company to the qualified bidder list for timber sales.

Al Lance seconded the motion and the motion passed by a unanimous vote.

There being no further business before the board, the meeting adjourned at 1:45 p.m.

## **15. Timber Sale Auction and Bidding Procedure**

Attachments

### **February 9, 1970 final minutes**

*Summary:* As a matter of policy and law "time of purchase" means "when the bid is let -- on an auction sale, you have a contract and the auction is complete, all that remains then is for both parties to execute and you have an enforceable contract when the bidding is closed."

### **April 13, 1993 approved memo**

Authorized bidding on total gross sale value per mbf, and apportion any bid increase within ten days of sale subject to certain limitations.



## 21. Timber Sale Auction and Bidding Procedure

### Attachments

February 9, 1970 final minutes

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April 13, 1993 approved memo

Authorized bidding on total gross sale value per mbf, and apportion any bid increase within ten days of sale subject to certain limitations.

Mr. Gillette raised a question in the case of a representative bidding for a large company; he will bring a check for ten percent of the appraised price but does not have the authority to write a large check, and the company will immediately get a check to the Land Department office within just a day or two. Should the Department then adhere strictly to statute and demand that the ten percent of purchase price be paid on day of sale, or allow them a day or two days?

Answering questions posed by Mr. Trombley and Mr. Gillette, the Attorney General said that in this instance, when the bidder didn't have the money to pay down, the procedure should have opened up again immediately, because it gives this man unfair advantage over the other bidders. If they are not prepared to execute at the time they come in, they should not be given the bid and the sale should be re-advertised to give everyone a fair chance at it. He mentioned that it might be well to include some provisions in the event that a bidder does not perform he will be charged with the expense of re-advertising. He suggested that Mr. Gillette and George Detweiler get together and work out something.

Mr. Trombley asked: If a sale is advertised for 10:00 o'clock, for example, and there are no bidders at that time, after the Department goes through the usual procedure of reading the advertisement and the necessary steps, is it then a closed sale and cannot be sold to somebody later that same day? Mr. Robson said this was correct.

The Attorney General interpreted "time of purchase" to mean "when the bid is let -- on an auction sale, you have a contract and the auction is complete, all that remains then is for both parties to execute and you have an enforceable contract when the bidding is closed."

Mr. Robson advised the Land Commissioner, as a matter of policy and law, not to permit this type of situation to occur again. In this instance, since the Department has the man's money, said they may as well proceed with the sale. No objections being heard, sale was approved.

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#### MINERAL LEASE APPLICATIONS:

The Board approved unanimously the application of Edgar F. Chew, Casper, Wyoming for mineral lease on lands applied for under the following applications for uranium exploration:

- 776: Portion Section 15, Twp. 20 North, Rge. 23 East, 480 acres, University Fund lands.
- 777: Portion Section 16, Twp. 20 North, Rge. 23 East, 560 acres, Public School lands.
- 778: All Section 22, Twp. 20 North, Rge. 23 East, 640 acres, University Fund lands.
- 779: All Section 27, Twp. 20 North, Rge. 23 East, 640 acres, University Fund lands.
- 780: All Section 36, Twp. 20 North, Rge. 23 East, 640 acres, Public School lands.
- 781: Portion Section 16, Twp. 21 North, Rge. 23 East, 520 acres, Public School lands.
- 782: Portion Section 36, Twp. 21 North, Rge. 23 East, 360 acres, Public School lands.
- 783: All Section 16, Twp. 20 North, Rge. 24 East, 640 acres, Public School lands.
- 784: Portion Section 36, Twp. 21 North, Rge. 21 East, 440 acres, Public School lands.

The area involved totals 4,920 acres in Lemhi county. Term of leases ten years. Consideration is \$1,230.00 annual rental; royalty on sliding scale for uranium. Prospecting and development of uranium ores requires acquisition of large areas. These applications cover all lands in Lemhi County not leased prior to this time. The standard uranium lease agreement will be used which has a safeguard for surface rights.

The Board considered the application of the Board of County Commissioners, Bonner County, for a sand and gravel lease on two acres Charitable Institutions land located in SE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$  Section 18, Twp. 54 N., Rge. 4 W.B.M., Bonner County. Term of lease five years at annual rental of \$1.00; royalty 5 cents per cubic yard. The Department recommends approval with certain conditions to be written into the lease relative to construction of access road, precautionary measures to prevent unauthorized use of pit or area, lease area boundary to be marked before commencement of operation. Bonner County will make payment for the merchantable timber at the following rates prior to opening the pit:

Douglas Fir and Larch	\$20.00/MBF
Ponderosa pine	\$25.00/MBF
All other species	\$15.00/MBF

The recommendation of \$1.00 rental is based on the fact that this application was made prior to the initiation of the \$50.00 minimum set by the Board at the October 16, 1969 meeting, and the application was held up pending field examination of the area and handling of any timber that might be involved. Mr. Trombley questioned whether or not under these circumstances the \$50.00 minimum should apply.

It was the consensus of the Board that they should stay with the policy which they had set and agreed unanimously that the lease be approved at the \$50.00 minimum rate.

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#### GEM HIGHWAY DISTRICT - HOMEDALE HIGHWAY DISTRICT:

There was considerable discussion relative to problems involving Gem Highway District and Homedale Highway District in connection with their gravel leases. Mr. Trombley defended the Department against the accusations being made by some members of the Highway District. He stated that their lease was drawn exactly on the basis of their formal application and the Board granted it upon the Department's recommendation, but they had inadvertently applied for the wrong piece of ground. Before they realized their error, the Homedale Highway District, made formal application to lease another piece of ground which actually was the tract that Gem District wanted and thought they were getting, but it was vacant and available for lease and on

STATE BOARD OF LAND COMMISSIONERS  
April 13, 1993

SUBJECT

Timber Sale Bidding Procedures

AUTHORITY

Idaho Code, Title 58, Chapter 4. Sale of Timber on State Lands

DISCUSSION

State timber and salvage sales are bid on a gross value per thousand board feet (Mbf) basis. Each tree species is bid separately and bidders accept all foregoing bids.

Although no bidding is permitted on optional "minor" volume species, unrealistically high bids are occasionally placed on species just above the minor volume limit. These "skewed" bids have been as high as \$7,000/Mbf. These bids inhibit reasonable bidding on other species, unrealistically inflate sale values, and lead to overbonding by purchasers. This situation is not in the best interests of the state or the timber industry.

With the input and approval of the timber industry, the Department has developed a new bidding methodology. Under this proposal, timber would be appraised as it is now, with a starting price per Mbf for each species and/or product. However, prospective purchasers would bid on the total gross sale value per mbf, rather than on the gross price per species.

Following award of the sale, the successful bidder will apportion any bid increase, on a species basis within ten days of the sale date. The amount of bid increase applied to each species will be limited to twice the sale wide bid increase per Mbf. Optional products will remain at the appraised price. Timber removed will be measured and billed using current procedures.

Total sale value bidding will allow purchasers to offer more realistic, and in many cases higher bids, since they will have some control over the final price of each species. Manufacturers of specialty products, or purchasers interested in certain species may be able to stay at the bidding table longer and target their bids to meet their specific market conditions. Skewed bidding will be eliminated.

RECOMMENDATION

Implement the new timber and salvage sale bidding proposal.

BOARD ACTION

APPROVED

APR 13 1993

ATTACHMENTS

Proposed Timber Sale Bidding Procedure

IDAHO DEPARTMENT OF LANDS  
PROPOSED TIMBER SALE BIDDING PROCEDURE  
APRIL 13, 1993

1. Sawlogs (including cedar products and pulp when their removal is mandatory) will be bid on the sale's gross value per thousand board feet. This value is determined using the following formula:

$$\text{GROSS SAWLOG VALUE} \div \text{TOTAL SALE VOLUME} = \text{GROSS VALUE/MBF}$$

2. Poles will be bid on the sale's gross value per lineal foot. This value is determined using the following formula:

$$\text{GROSS POLE VALUE} \div \text{TOTAL LINEAL FEET} = \text{GROSS VALUE/LINEAL FOOT}$$

3. Bidding will start at the appraised gross value per thousand board feet on sawlogs, or the appraised gross value per lineal foot on poles.
4. In cases where poles and sawlogs are biddable, bidding will be done separately on both.
5. The minimum acceptable bid will be ten cents per thousand board feet. No bid lower than one cent per lineal foot will be accepted on poles.
6. On sawlog sales, the successful bidder will assign the overbid to the species of his choice (including cedar products and pulp when their removal is mandatory) within ten days of the sale date. This is subject to the following constraints:
  - a. The overbid will be apportioned to the various species or products up to a maximum of twice the value of the overbid (ie. if the overbid is \$10.00 per thousand board feet, then the maximum amount that can be applied to any one species is \$20.00 per thousand board feet). Final prices must be rounded to the nearest whole cent.
  - b. Prices must be apportioned so the sum of the price extensions (PRICE x VOLUME) equals or exceeds the bid gross sale value.
  - c. Optional products and species or products with no volumes listed will remain at their appraised prices.

IDAHO DEPARTMENT OF LANDS  
PROPOSED TIMBER SALE BIDDING PROCEDURE  
APRIL 13, 1993

7. On pole sales, the successful bidder will assign the overbid to the sawlogs (including cedar products and pulp when their removal is mandatory) and poles within ten days of the sale date. This is subject to the following constraints:

- a. The overbid on sawlogs will be apportioned as outlined in number 6, above.
- b. The overbid on poles will be apportioned to the various pole size classes up to a maximum of twice the value of the overbid per lineal foot (ie. if the overbid is \$0.10 per lineal foot, then the maximum amount that can be applied to any one pole class is \$0.20 per lineal foot). Final prices must be rounded to the nearest whole cent.
- c. When the combined value of cedar poles and cedar sawlogs represents eighty percent or more of the total appraised value of a pole sale, the sawlog overbid can only be applied to cedar sawlogs. In such cases, bidding for sawlogs will be based on the appraised price per thousand board feet of cedar sawlogs only.
- d. If the successful bidder elects not to manufacture cedar poles, the bid values of cedar poles and cedar sawlog material shall be weighted as outlined in the RULES FOR THE METHOD OF SELLING POLE-QUALITY WESTERN RED CEDAR.

In such a case, the Purchaser will first apportion the overbid on sawlogs. Then, the pole values will be combined with the cedar sawlog values to determine a new weighted price per thousand board feet for cedar sawlogs. The following formula will be used:

$$\text{BID VALUE OF POLES \& CEDAR SAWLOGS COMBINED} \div \text{TOTAL CEDAR VOLUME (POLES \& SAWLOGS) EXPRESSED IN MBF} = \text{CEDAR SAWLOG PRICE (\$/MBF)}$$

- e. Optional size classes will remain at their appraised value.

IDAHO DEPARTMENT OF LANDS  
PROPOSED TIMBER SALE BIDDING PROCEDURE  
APRIL 13, 1993

EXAMPLE 1: SAWLOG SALE

SPECIES	MBF VOLUME	APPRAISED PRICE	VALUE EXTENDED	ASSIGNED PRICE	VALUE EXTENDED
WP	150	\$300.00	\$ 45,000.00	\$380.50	\$ 57,075.00
PP	100	80.00	8,000.00	160.50	16,050.00
DF/L	2,400	110.00	264,000.00	160.31	384,744.00
GF/H	800	115.00	92,000.00	115.00	92,000.00
C	250	200.00	50,000.00	280.50	70,125.00
*ES	0	105.00	0.00	105.00	0.00
LP	300	100.00	30,000.00	100.02	30,006.00
*C PROD	0	45.00	0.00	45.00	0.00
*PULP(OPT)	0	10.00	0.00	10.00	0.00
TOTALS	4,000	Appraised	\$489,000.00	Bid	\$650,000.00

\* - No price changes allowed

APPRAISED PRICE/MBF:	\$	122.25
BID PRICE/MBF:	\$	162.50
OVERBID/MBF:	\$	40.25
AMOUNT OF OVERBID:	\$	161,000.00

In this example, the Purchaser chose to double the average overbid per thousand board feet (\$40.25 doubled to \$80.50) and applied it to WP, PP, and C. The Purchaser then applied the remaining overbid to DF/L. This amounted to \$50.31.

After assigning the overbid, the total sale value was \$649,994.00. The purchaser must recalculate the assignment of the overbid so the sum of the extended values equals \$650,000.00 or greater. In this case, assigning \$0.02 per thousand to the price of LP makes the total sale value correct.

IDAHO DEPARTMENT OF LANDS  
PROPOSED TIMBER SALE BIDDING PROCEDURE  
APRIL 13, 1993

EXAMPLE 2: POLE SALE

SPECIES	MBF VOLUME	APPRAISED PRICE	VALUE EXTENDED	ASSIGNED PRICE	VALUE EXTENDED
*WP	5	\$300.00	\$ 1,500.00	\$300.00	\$ 1,500.00
*PP	0	80.00	0.00	80.00	0.00
*DF/L	50	110.00	5,500.00	110.00	5,500.00
*GF/H	10	115.00	1,150.00	115.00	1,150.00
C	250	200.00	50,000.00	250.00	62,500.00
*ES	0	105.00	0.00	105.00	0.00
*LP	0	100.00	0.00	100.00	0.00
*C PROD	10	45.00	450.00	45.00	450.00
*PULP	0	10.00	0.00	10.00	0.00

TOTALS      415      Appraised    \$ 58,600.00      |      Bid      \$ 71,100.00

APPRAISED PRICE/MBF:    \$    200.00                      OVERBID/MBF:                      \$           50.00  
BID PRICE/MBF:                \$    250.00                      AMOUNT OF OVERBID:    \$    12,500.00

POLE CLASS	LINEAL FEET	APPRAISED PRICE	VALUE EXTENDED	ASSIGNED PRICE	VALUE EXTENDED
*<30	0	\$ 0.29	\$       0.00	\$ 0.29	\$       0.00
35	3,500	0.96	3,360.00	0.96	3,360.00
40	8,000	1.18	9,440.00	1.46	11,680.00
45	13,500	0.88	11,880.00	1.16	15,525.00
50	10,000	0.96	9,600.00	0.96	9,600.00
* 60	0	1.33	0.00	1.33	0.00
* 65	0	1.57	0.00	1.57	0.00
* 70	0	2.60	0.00	2.60	0.00
* 75	0	4.06	0.00	4.06	0.00
* 80+	0	4.25	0.00	4.25	0.00

TOTALS    35,000      Appraised    \$ 34,280.00      |      Bid      \$ 41,280.00

\* - No price changes allowed

APPRAISED PRICE/LF:    \$       0.98                      OVERBID/LF:                      \$       0.20  
BID PRICE/LF:                \$       1.18                      AMOUNT OF OVERBID:    \$ 7,000.00

Poles and sawlogs are bid separately. Since cedar represents more than 80% of the sale value, only cedar is used to calculate the sawlog bidding. All the overbid on sawlogs is applied to cedar, and the Purchaser apportioned the lineal foot overbid among the pole classes as shown.



## **16. Timber Sale Extension Policy**

Attachments

**February 11, 1986 approved memo**

**August 13, 1991 final minutes**

**June 14, 2004 approved memo**

**October 18, 2007 approved memo**

STATE BOARD OF LAND COMMISSIONERS  
February 11, 1986

SUBJECT

Timber Sale Extensions - Additional Interest and/or Extension Fees.

AUTHORITY

Idaho Code § 58-413

DISCUSSION

The 1st Regular Session of the 48th Idaho Legislature amended Section 58-414, ICA, renumbering it to 58-413, ICA, and creating other charges that became effective July 1, 1985. Section 58-413, ICA, now reads in part as follows: "... upon payment of such additional interest and extension fees as the board may require."

The State of Idaho timber sale contract was therefore revised and states in part as follows: "Unless an extension is granted from year to year by the state as provided by Idaho Code § 58-413, upon payment by the purchaser of such additional interest and/or extension fees as determined by the state. Additional interest shall be computed from the date of sale to the date of the billing at the rate per annum as determined by the State Board of Land Commissioners."

Therefore, one purpose of this board agenda item is to establish an extension policy for the timber sales sold under the new timber sale procedures that became effective July 1, 1985.

At the present time there are 79 current timber sale contracts that were sold under the old procedures that required prepayment of both principle and interest based on estimated volumes and values. During the past several years there have been numerous occasions where it was necessary to make substantial refunds of both principle and interest. These unpredictable refunds create serious problems for the Endowment Investment Board and the various institutions that depend on the interest income.

Therefore, it would be beneficial to the state to convert these older contracts to the new procedures which would reduce the frequency of refunds. To encourage present contract holders to convert, the department has proposed an extension policy for converted sales that remains the same as presently in place.

#### PROPOSED EXTENSION POLICY

1. Lump Sum Sales or Prepaid Sales (New Sales after 7/1/85).

Since no interest will be collected on this type of sales the following per acre charge would be assessed:

<u>Extension</u>	<u>Dollar Rate Per Acre</u>
1st	\$ 4.00
2nd	\$ 8.00
3rd	\$16.00
4th	\$32.00
5th	To be set by director

2. Monthly Payment Sales (New Sales sold after 7/1/85).

As required by 58-413 the interest rate paid on the value of timber harvested during the extension period will be increased from 6% to a rate set by the board. The interest to be charged during the extension period will be the same as the Board adopts each December and June based on the current discount rate used by the Twelfth Federal Reserve District. The maximum interest set by the board will not exceed the interest rate of the twelfth district by more than 2 percent. The minimum rate set by the board will not be less than 8 percent.

If the sale should be extended more than once, the interest rate (as described above) in affect at the time of the subsequent extension will be used. Fourth and fifth extensions will be considered only when conditions are extraordinary and the purchaser has made every effort possible to complete the sale.

3. Sales Converted to the New Procedure (For sales sold prior to 7/1/85).

When these existing contracts are considered for conversion to the new procedure, the interest rate will remain at 6% through the extension period, and rates per acre are established in the 1973 policy will be assessed as follows:

<u>Extension</u>	<u>Dollar Rate Per Acre</u>
1st	\$ 2.00
2nd	\$ 4.00
3rd	\$ 8.00
4th*	\$16.00
5th or more*	(to be set by Commissioner)

\* Fourth and fifth extension will be considered when conditions are extraordinary and the purchaser has made every effort possible to complete the sale.

#### RECOMMENDATION

The department recommends that the proposed extension policy be adopted.

#### BOARD ACTION

**Approved**

FEB 11 1986

J. D. Williams moved to adopt the recommendation of the Attorney General and appoint a hearing officer to make a factual determination in this matter to be submitted to this board upon completion. Jerry Evans seconded the motion. The motion passed unanimously.

### Timber Sale Assignments and Extensions

Mr. Hamilton said that earlier this year there was a proposal being circulated which offered several state timber sales owned by Kooskia, Inc. for resale to the highest bidder. That proposal has raised a number of questions in the industry and has prompted the department to bring a couple of extensions that are currently being requested on these sales to the board for consideration.

Winston Wiggins briefed the board on the background. Mr. Wiggins said that one of the items highlighted in the request for bids was the fact that these state sales had been sold before the timber supply stabilization act had been implemented and therefore were available for export. Even though it turned out there were no bidders on that sale, it has raised several questions that have been referred to legal counsel in regard to the extension assignment process on state timber sales as they relate to the timber supply stabilization act and to the federal export law that was passed last fall. Those include whether extensions should have provisions that prohibit export from Idaho or the United States, whether assignment of sales sold prior to the timber supply stabilization act should be allowed only to qualified bidders, and whether the federal export law applies to contracts dated prior to the implementation of that law.

The department recommendation is that the board authorize the department to proceed with the extension of these contracts and with other similar sales in the future on the following terms -- first, that the interest on stumpage shall be at the department interest rate in force at the time of the extension or the rates in place during the prior extension, whichever is higher. Second, that any extension or assignment of state timber sale contracts include a provision requiring full compliance with the timber supply stabilization act and the forest resources conservation and shortage relief act.

Governor Andrus explained for the benefit of the public present that Kooskia, Inc. had beat out their competitors on four state timber sales, combined the 29 million board feet of sawlogs into one sale, that they then reoffered for a minimum bid of \$2-1/2 million to those same people. Somehow or other, there were no bids. Governor Andrus commented that he thinks the point is if the timber is worth that much, whether the board wants to let somebody else reap the profit of what should go to the school endowment fund.

Jerry Evans stated his concerns as well with someone else benefitting from that increase in value, and he asked what would happen if the department failed to extend the contract and whether the current successful bidders will go ahead and log it.

Mr. Wiggins explained that if the contract were not extended, it would become null and void. He was not certain if that would fall in the same category as under the turn-back policy involving some kind of an adjustment for the purchaser.

Jerry Evans said he thinks the board ought to continue the policy of allowing extensions, but also thinks they ought to be controlled so that those extensions will allow the purchaser to go ahead and harvest that timber, but anything beyond that, he thinks the benefit should accrue to the state of Idaho and not to the purchaser. Mr. Evans said he thinks the industry should be protected from this constant speculation. They should not be buying up sales and logging a portion or none of it during the prescribed time in the hopes of assigning it to someone else to make a profit.

J. D. Williams moved to approve the department's recommendation with an additional condition -- that as additional consideration for the granting of the extensions requested, that the purchaser has to agree that if in fact, any of these sales are

assigned to third parties, that any profit above and beyond the purchase and their sale price to the third party, would revert to the state of Idaho endowment funds. Jerry Evans seconded.

Mr. Cenarrusa stated that he sees nothing wrong with the profit motive as long as the state loses nothing from the sale.

Mr. Echohawk commented that he is in support of the department recommendation the way it stands. He thinks the issue about assignments and speculation needs to be addressed, but would want to give more careful thought to the language.

Mr. Williams said he thinks this is a very unusual circumstance because this company successfully bid to the exclusion of a lot of other companies at very high prices for four contracts and then tried to market the four contracts as a package at apparently a substantial profit. He said this really bothers him particularly because some of it was purchased before the restrictions on export were in place.

Mr. Hamilton brought up one more point of information. The one sale has already been extended at about a 10% interest rate. The interest rate on these goes from the date the stumpage is removed back to the original date of sale. The longer they let this run, the more it's going to cost them.

There being no further discussion on the motion, the motion passed on a 3-2 vote; Mr. Cenarrusa and Mr. EchoHawk opposed.

#### **Bear Lake -- Resolution to Close Lakebed to Motorized Vehicles**

Mr. Hamilton explained that the department has been approached by the Bear Lake County Commissioners about their concerns now that the waters of Bear Lake have receded to the point that there is approximately a quarter mile of sand exposed in many areas around the lake. Recreational users of the lake have taken that area over and local enforcement officials are having difficulty in maintaining the area in a sanitary manner and have asked for assistance in gaining control over what occurs on those exposed sands. Department staff has visited with the county commissioners and the recommendation is to take an action that would allow the local county authorities the ability to exercise enforcement control over it. The recommendation is for an order in which the State Board of Land Commissioners as trustees for the Public Trust, the owners of the bed of the lake, would close that except for specific purposes. They would close it for driving or parking of motorized vehicles except for the use of a vehicle for launching boats at authorized boat launches, for emergency law enforcement and government administrative vehicles, and other vehicles authorized by appropriate authority for specific purposes. Also, the county commissioners have requested the department to fund enforcement activities.

Bear Lake County Commissioner Ron Law, Montpelier, spoke to the board. He said that Rich County in Utah in which half the lake lies, has passed a fairly restrictive ordinance that bans most all vehicular use of the lakebed, etc. Bear Lake County is very concerned about the lake and wants to protect that resource, but they also want people to be able to utilize it. They think they can bring about protection and maintenance and still allow a certain amount of use. They do not want to prohibit any motorized vehicles from using the lake, but they are asking for some restrictions, and they are asking to ban overnight camping and parking of vehicles. They are not asking the state to fund the total enforcement, but they do feel the state has some responsibility as a partner.

Mr. Williams said that he has visited the area, visited with the county commissioners and with Lou Benedick, the department area supervisor; also, the legislative conference was held down there and it was discussed in great detail. Mr. Williams asked Mr. Law to review the document that is before the Land Board today.

STATE BOARD OF LAND COMMISSIONERS  
REGULAR AGENDA  
June 14, 2004

SUBJECT

Contract extensions – Timber, Salvage, and Direct Sales

AUTHORITY

Title 58, Chapter 4, Idaho Code

DISCUSSION

Idaho Code specifies that,

"The state board of land commissioners shall specify the time within which timber must be cut at the time of sale. If, at the expiration of the contract period named at the time of sale in which the timber must be removed, the purchaser desires further time for the removal of said timber... the state board of land commissioners may extend the time from year to year, for a period of not to exceed fifteen (15) years from date of sale, upon payment of such additional interest and extension fees as the board may require." Idaho Code 58-413, Time in which to cut timber – Extension of time.

The timber sale extension policy has evolved over the past thirty years (Attachment A). The current policy specifies that whenever a purchaser needs an extension of time to complete work specified under a timber sale contract:

- The purchaser must request the extension in writing thirty days prior to the contract expiration date.
- If the Department concurs with the request, an extension is granted. A one-year extension is granted.
- Extensions beyond the 3<sup>rd</sup> extension will only be considered when conditions are extraordinary and the purchaser has made every effort possible to complete the sale.
- By Department policy, extension requests beyond the fourth extension are referred to the Board for consideration.

When a scaled sale is extended, the interest rate paid on the value of timber harvested during the extension period increases from 6% to the greater of the current average monthly rate for conventional mortgages as quoted in the Federal Reserve statistical release; rounded downward to the nearest ¼ percent, or the rate set during the prior extension.

When a lump sum or prepaid sales is extended, the extension fees on Attachment A apply:

All extensions include a provision requiring full compliance with the Timber Supply Stabilization Act.

The Department has traditionally been liberal in considering extension requests on sales. The benefit is that as timber is harvested later in during contract, payments to the endowments are higher due to the interest accumulated during the contract period. It is also our belief that a more liberal policy is appealing to potential purchasers and likely results in higher bid prices. At the same

time, while under contract the land covered by the contract is not available for additional treatments that might be needed to increase productivity. There is also a danger that purchasers will buy sales under the mistaken assumption that extensions are automatic and factor them into bidding as if they were an entitlement. These bidders might therefore bid higher rates than are justified by markets in order to purchase sales they are unlikely to complete, putting them at risk of default, and leading to endowment revenue loss.

Of the 165 State timber sale contracts currently active, 125 are within the original contract period, 20 are in the first one-year extension, and the remaining 20 have been extended more than once.

In recent years the Department has become concerned that the current liberal extension policy is not in the best interests of the endowments for the reasons stated above. We believe a more restrictive extension policy should be formally adopted by the Board.

### RECOMMENDATION

That the Board adopt the following timber sale extension policy:

Policy on Existing Sales – For all timber sales contracts existing on or prior to June 13, 2004, the Department of Lands will utilize the contract extension policy in affect at the time, specifically that policy in effect on or before June 13, 2004 as stated in the Attachment A, History – Timber Sale Contract Extension Policy, appended to this document.

Policy on Sale Contracts Entered into beginning on or after June 14, 2004 –

1. The State expects purchasers of state timber sales to harvest said sales within the original contract period. Purchasers must recognize that extensions will be granted at the sole discretion of the State and are not automatic.
2. If a purchaser has made reasonable efforts to complete the sale within the original contract period, and still needs an extension of time to complete the sale, the Department may grant the purchaser an extension (1<sup>st</sup> extension) for up to one year, provided the purchaser has made a written request for said extension at least thirty days prior to the expiration date of the contract. The request must include a justification explaining why the sale could not be completed within the original contract period and must include a detailed logging plan with specific time lines for completing the sale within the 1<sup>st</sup> extension period.
3. In the event that a purchaser is unable to complete the sale within the 1<sup>st</sup> contract extension period due to unforeseen "extreme" circumstances beyond the purchaser's control, the Department may grant a 2<sup>nd</sup> extension for up to one year. The purchaser must make a written request for the 2<sup>nd</sup> extension at least thirty days prior to the expiration date of the 1<sup>st</sup> extension describing what unforeseen "extreme" circumstances precluded sale completion. The purchaser must also include a detailed logging plan with specific time lines for completing the sale within the 2<sup>nd</sup> extension period. "Extreme" circumstances include, but are not limited to, catastrophic acts of nature (fire, blowdown, floods, earthquakes, etc.) that physically restrict the purchaser's access to the sale area, destruction of a purchaser's milling facilities or equipment by fire or catastrophic acts of nature, or by a court order related to compliance with state or federal environmental laws that are out of the purchaser's control. Depressed market conditions will not be considered "extreme" circumstances.



4. Any sale contract extension, after the 2<sup>nd</sup> extension, will only be granted by a vote of the Idaho Board of Land Commissioners, may only be granted under the "extreme" circumstances outlined in paragraph 3 above, and may contain such conditions as the State Board of Land Commissioners may, at its sole discretion, impose. Such conditions may include, but are not limited to, restrictions on bidding on new state sales, establishing various operational schedules, and/or requiring additional financial assurances.

5. Extension fees will be as follows:

A. Prepaid or lump sum sales:

<u>Extension</u>	<u>Extension Fee</u>
1 <sup>st</sup>	\$2.00 per acre or \$80, which ever is greater
2 <sup>nd</sup>	\$4.00 per acre or \$160, which ever is greater
All other extensions	Established by the Board

B. Scaled Sales:

1) The interest rate for timber harvested during the 1<sup>st</sup> or 2<sup>nd</sup> extension period:

- a) Increase from the current sale interest rate to the current average monthly rate for conventional mortgages as quoted in the Federal Reserve statistical release, rounded downward to the nearest  $\frac{1}{4}$  percent, if it is greater than the current sale interest rate, or
- b) Remain at the current sale interest rate if the current average monthly rate for conventional mortgages as quoted in the Federal Reserve statistical release, rounded downward to the nearest  $\frac{1}{4}$  percent, is less than the current sale interest rate.

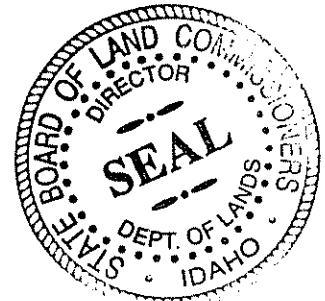
2) Fees associated with extensions granted after the 2<sup>nd</sup> extension will be set by the Land Board.

6. Any extension of a state timber sale shall include a provision requiring full compliance with the Timber Supply Stabilization Act.

BOARD ACTION

**APPROVED JUN 14 2004**

Attachment A: History – Timber Sale Contract Extension Policy



State Board of Land Commissioners  
Regular Agenda  
October 18, 2007

SUBJECT

Contract extensions – Timber, Salvage and Direct Sales

AUTHORITY

Title 58, Chapter 4, Idaho Code

DISCUSSION

Idaho Code states that,

The state board of land commissioners shall specify the time within which timber must be cut at the time of sale. If, at the expiration of the contract period named at the time of sale in which the timber must be removed, the purchaser desires further time for the removal of said timber... the state board of land commissioners may extend the time from year to year, for a period of not to exceed fifteen (15) years from date of sale, upon payment of such additional interest and extension fees as the board may require.

Idaho Code § 58-413

The timber sale extension policy has evolved over the past thirty years, with the most recent revision occurring on June 14, 2004. The current policy gives the Department the authority to grant a 1<sup>st</sup> and 2<sup>nd</sup> extension provided certain specific criteria are met. Extensions beyond a 2<sup>nd</sup> extension must be approved by the Board.

The current policy of only allowing a 2<sup>nd</sup> extension to be granted under “extreme circumstances” may be overly restrictive, especially when only a minor amount of volume remains to be removed. This proposal would allow a 2<sup>nd</sup> extension to be granted either for “extreme circumstances”, or if the Purchaser meets certain conditions, including making a cash payment for the remaining value on the sale at the time of the extension 2<sup>nd</sup>.

RECOMMENDATION

That the Board adopt the following timber sale extension policy:

1. The State expects purchasers of state timber sales to harvest said sales within the original contract period. Purchasers must recognize that extensions will be granted at the sole discretion of the State and are not automatic.
2. If a purchaser has made reasonable efforts to complete the sale within the original contract period, and still needs an extension of time to complete the sale, the Department may grant the purchaser an extension (1<sup>st</sup> extension) for up to one year, provided the purchaser has made a written request for said extension at least thirty days prior to the expiration date of the contract. The request must include a justification explaining why the sale could not be completed within the original contract period and must include a detailed logging plan with specific time lines for completing the sale within the 1<sup>st</sup> extension period.

3. In the event that a purchaser is unable to complete the sale within the 1<sup>st</sup> contract extension, the following will apply:
  - A. If the purchaser is unable to complete the sale within the 1<sup>st</sup> contract extension period, the Department may grant a 2<sup>nd</sup> one year extension provided:
    - i. The Purchaser has completed all development work.
    - ii. No more than 25% of the estimated sale volume remains to be harvested, as determined by the State.
    - iii. The Purchaser has made a written request for the 2<sup>nd</sup> extension at least thirty days prior to the expiration date of the 1<sup>st</sup> extension has been received. The request shall include a detailed logging plan with specific time lines for completing the sale within the 2<sup>nd</sup> extension period.
    - iv. The Purchaser has made a cash payment for the remaining estimated value on the sale, including interest calculated for the 12 month term of the extension and any associated charges. This payment will be applied to each monthly bill. If at the end of the sale a balance remains from this payment, that balance will be refunded to the Purchaser. The Purchaser will be responsible for all charges that exceed this payment.
  - By granting a 2<sup>nd</sup> extension, the Purchaser will not be entitled to:
    - i. Any performance bond reductions for the remainder of the contract.
    - ii. Apply the initial deposit to the final payment.
    - iii. Any additional extensions, except as noted in #4 below.
  - B. If the purchaser is unable to complete the sale within the 1<sup>st</sup> contract extension period due to unforeseen "extreme" circumstances beyond the purchaser's control, the Department may grant a 2<sup>nd</sup> extension for up to one year as follows:
    - i. The purchaser must make a written request for the 2<sup>nd</sup> extension at least thirty days prior to the expiration date of the 1<sup>st</sup> extension describing what unforeseen "extreme" circumstances precluded sale completion.
    - ii. The purchaser has submitted a detailed logging plan with specific time lines for completing the sale within the 2<sup>nd</sup> extension period.
4. "Extreme" circumstances include, but are not limited to, catastrophic acts of nature (fire, blowdown, floods, earthquakes, etc.) that physically restrict the purchaser's access to the sale area, destruction of a purchaser's milling facilities or equipment by fire or catastrophic acts of nature, or by a court order related to compliance with state or federal environmental laws that are out of the purchaser's control. Depressed market conditions will not be considered "extreme" circumstances.
5. Any sale contract extension, after the 2<sup>nd</sup> extension, will only be granted by a vote of the Idaho Board of Land Commissioners, may only be granted under the "extreme" circumstances outlined in paragraph 3B above, and may contain such conditions as the State Board of Land Commissioners may, at its sole discretion, impose. Such conditions

may include, but are not limited to, restrictions on bidding on new state sales, establishing various operational schedules, and/or requiring additional financial assurances.

6. Extension fees will be as follows:

A. Prepaid or lump sum sales:

<u>Extension</u>	<u>Extension Fee</u>
1 <sup>st</sup>	\$2.00 per acre or \$80, which ever is greater
2 <sup>nd</sup>	\$4.00 per acre or \$160, which ever is greater
All other extensions	Established by the Board

B. Scaled Sales:

- 1) The interest rate for timber harvested during the 1<sup>st</sup> or 2<sup>nd</sup> extension period:
  - a) Increase from the current sale interest rate to the current average monthly rate for conventional mortgages as quoted in the Federal Reserve statistical release, rounded downward to the nearest ¼ percent, if it is greater than the current sale interest rate, or
  - b) Remain at the current sale interest rate if the current average monthly rate for conventional mortgages as quoted in the Federal Reserve statistical release, rounded downward to the nearest ¼ percent, is less than the current sale interest rate.
- 2) Fees associated with extensions granted after the 2<sup>nd</sup> extension will be set by the Land Board.

7. This policy supersedes the previous policy established June 14, 2004.

BOARD ACTION

A motion was made by Secretary of State Ysursa to move the Department's recommendation that the Board establish this new policy on extensions. Secretary of State Ysursa noted this is a reasonable fine tuning to the previous policy. Controller Jones seconded the motion. Governor Otter asked for further discussion. Attorney General Wasden inquired if the Secretary of State would consider in his motion including the proviso that the policy provide notice to the party receiving a second extension that there would be a forfeiture of those moneys if they failed to perform under the contract. Governor Otter asked if Attorney General Wasden was offering that as an amended motion. Attorney General Wasden stated yes. Secretary of State Ysursa agreed with the amended motion. Controller Jones also concurred. The amended motion carried on a vote of 4-0, with Superintendent Luna being absent for this vote.



## **17. Timber Sale Performance Bond Reductions**

Attachment

**April 10, 1998 approved memo**

*Summary:* Performance bonds are to remain in place for the life of the sale. We allow reductions when harvest and road building activities are completed, only minor road maintenance, slash piling or misc. work remains prior to completion of the contract.

**STATE BOARD OF LAND COMMISSIONERS**  
**April 10, 1998**

**SUBJECT**

Timber Sale Performance Bond Reductions

**AUTHORITY**

Idaho Code §§ 58-407 to 58-415, Sale of Timber on State Lands  
IDAPA 20.02.10, Rules for Selling Forest Products

**BACKGROUND**

Idaho Code 58-407 states that the State Board of Land Commissioners shall require anyone cutting timber from state lands to provide a bond "...in a sufficient amount, with good and approved sureties, for the carrying out in good faith all the laws applicable thereto and all the terms and conditions imposed by the State Board of Land Commissioners". On February 12, 1985, the State Board of Land Commissioners established the performance bond at 15% of the net selling price.

In addition to the 15% performance bond, Idaho Code 58-411 requires a purchaser to provide a cash bid deposit equal to 10% of the net selling value to be held "...for the duration of the sale".

In addition, Idaho Code 58-412 requires the purchaser to provide a payment bond in the amount of the estimated value of the material to be cut and hauled within the next ninety days.

**DISCUSSION**

Our policy regarding performance bonds is that they remain in place for the life of the sale. We have allowed reductions when harvest and road-building activities are completed, only minor road maintenance, slash piling or other miscellaneous work remains prior to completion of the contract, and the purchaser cannot complete the work due to weather.

As stumpage prices have climbed over the last several years, so have the net values of State timber sales and the amount of bonding that is required. Purchasers find significant funds tied-up in performance bonds. Under our current policy, as timber is removed and development work is accomplished over the course of a contract, the bond amount increases as a percent of the residual net value of the sale.

Some timber sale purchasers have expressed an interest in establishing a system that would allow a reduction of the performance bond during the life of the contract. We have reviewed this required and have met with representatives of the forest products industry to discuss such a policy. Our criteria in these discussions have been that any bond reduction policy most fully protect the State's interests, minimize paperwork, and be based on measurable criteria.

Based on our discussions and analysis, we recommend that, at the discretion of the department, a one time reduction in the performance bond be allowed during the original contract period under the following conditions:

1. A minimum of one-half the advertised value of the sale had been removed, billed, and paid for;
2. All development work is complete and all development credits have been credited;
3. All contractual obligations are currently being met; and,
4. Accounts are current on all State sales under contract with the Purchaser.

Under these conditions the bond could be reduced by one-third to 10% of the original sale value.

The State will also consider a second reduction of the performance bond at any time during the life of the contract if only minor amounts of road maintenance, slash piling or other miscellaneous work remain to be completed, but cannot be accomplished in a timely manner because of weather. In such cases, the bond could be reduced to an amount double the value of the outstanding work as estimated by the State.

We believe this proposal offers relief to timber sale purchasers without compromising the interests of the State.

RECOMMENDATIONS

That the proposed performance bond reduction policy be implemented.

BOARD ACTION

**APPROVED** APR 10 1998



## **18. Timber Sale Public Involvement Policy**

### Attachments

#### **April 13, 1993 final minutes**

*Summary:* State Auditor Williams made recommendation to the Board that a proposed public involvement policy regarding state timber sales be tested for the 1995 State Timber Sale plan and evaluated in the summer of 1994.

#### **May 11, 1993 approved memo**

Policy adopted, Subscription service, Annual timber sale plan. Exceptions- sales est. to be less than \$75,000 and est. volume less than 1,000 MBF, sales where wildfire, insects or disease, wind throw etc. Adopted for one year.

#### **May 10, 1994 approved memo**

Follow policy through the normal timber sale procedures in establishing a timber sale plan. Department to contract for a survey of those on the subscription list to try to determine ways to make the process more effective.

#### **November 18, 2008 approved memo**

Department was directed to publish a legal notice pointing people to a list of sales proposed for two years in the future that is posted on IDL websites. Removed the requirement to advertise the annual sales plan from January thru March in newspapers. Allowed for posting the sales plan on IDL websites and allowed exceptions to the published plan as before.

## J.D. Williams -- Report on Public Involvement Hearings and Recommendations

Mr. Williams outlined a list of recommendations he has worked out after having held hearings on public involvement around the state. His recommendations are:

1. Provide subscription services for notices and agendas of Land Board meetings.
2. Areas will publish notice of proposed timber sale plan.
3. Areas will make recommendations to the state office who will prepare the sale plan and publish notice. The public will have four weeks to comment.
4. Department will bring the plan to the Land Board for approval.
5. The Land Board reviews and makes final decision. Interested parties may request to be on the agenda to discuss any sales prior to board decision. Once the board has approved a final plan, no further administrative appeals would be authorized.
6. Policy would provide exceptions for small sales, fire sales, bug kills, etc.
7. The policy would be evaluated at the end of one year to see if it worked.

Mr. Williams suggested that the department work up a draft policy to bring to the board and then for the board to adopt a policy for one year only in order to evaluate the process at the end of the year to see if it worked.

Governor Andrus commented that, historically, people can come to the board and appeal. The board has always followed a fair procedure and would do so in the future. However, he has no objections to the recommendation.

Mr. Hamilton said that he would have the department draft a proposal based on these recommendations and bring it back to the board for adoption.

Hearing no objections, Governor Andrus directed the department to follow along the lines of the Director's comments.



### Executive Session Agenda

#### Triumph Mine Site -- Pending National Priority Superfund Listing and State v. Howard -- Cottonwood Creek Fire

Clive Strong briefed the board on legal issues concerning the Triumph Mine site. No action was required or taken by the board.

Stephanie Balzarini updated the board on the status of State v. Howard. No action was required or taken by the board.

STATE BOARD OF LAND COMMISSIONERS  
May 11, 1993

SUBJECT

Timber Sale Public Involvement Policy

DISCUSSION

Public interest in how the department manages state endowment lands has increased steadily the past several years. The department has addressed questions and comments concerning specific timber sales informally and on a case-by-case basis. This method has not satisfied many special interest groups who are accustomed to the United States Forest Service process. A well-documented formal public involvement process would facilitate a more consistent servicing of these questions and concerns.

The proposed Public Involvement Policy will be used during the preparation of the Fiscal Year 1995 Annual Timber Sales Plan. At the end of one year, the State Board of Land Commissioners will review the cost to implement this policy, evaluate its impact on state timber sales, and make appropriate changes.

RECOMMENDATION

Implement the proposed timber sale public involvement policy.

BOARD ACTION

APPROVED

MAY 11 1993

ATTACHMENTS

Proposed Timber Sale Public Involvement Policy

STATE BOARD OF LAND COMMISSIONERS  
DRAFT PUBLIC INVOLVEMENT POLICY  
MEETING NOTICES AND TIMBER SALES

GUIDELINE 10. PUBLIC INVOLVEMENT POLICY -- MEETING NOTICES AND AGENDAS

10.a. Subscription Service. The Department of Lands will maintain a subscription service so that individuals and organizations may make a standing request, in writing, to receive notices of board meetings and agendas by mail.

10.b. Meeting Notices and Agendas. The Director's office will maintain a subscription list for selected information pertaining to notices and agendas of the State Board of Land Commissioners' meetings. Interested parties may be placed on this list by sending a written request including name, address, and telephone number to:

Director  
Idaho Department of Lands  
1215 West State Street  
Boise, Idaho 83720

10.c. Public Records. Additional information pertaining to the above items, if available, will be provided according to procedures governed by the Idaho Public Records Law, upon request, (Idaho Code 9-337 through 9-348) at prevailing Department costs.

GUIDELINE 11. PUBLIC INVOLVEMENT POLICY -- TIMBER SALES

11.a. Subscription Service. The Department of Lands will maintain a subscription service so that individuals and organizations may make a standing request in writing to receive selected information relating to timber sales by mail.

11.b. Annual Timber Sales Plan. The Bureau of Forest Management will maintain the subscription list for selected information pertaining to the Annual Timber Sales Plan. Interested parties may be placed on this list by sending a written request including name, address, and telephone number to:

Idaho Department of Lands  
P. O. Box 670  
Coeur d'Alene, Idaho 83816-0670

11.c. Local Timber sales. Respective supervisory areas will maintain the subscription list for selected information pertaining to their specific timber sales. Interested parties may be placed on these lists by sending a written request including name, address, and telephone number to the respective supervisory area offices (see attached map and addresses).

11.d. Public Records. Additional information pertaining to department timber sales, if available, will be provided, upon request, according to procedures governed by the Idaho Public Records Law (Idaho Code 9-337 through 9-348) at prevailing Department costs.

11.e. Notice of Proposed Future Timber Sales. On or about the month of May of each year, each Supervisory Area will publish a notice of timber sales tentatively planned for inclusion in the Annual Timber Sales Plan being developed for two years in the future. The notices will be published in the following newspapers:

Priest Lake Supervisory Area

Bonnors Ferry Herald  
Priest River Times  
Spokesman-Review

Pend Oreille Lake Supervisory Area

Bonnors Ferry Herald  
Coeur d'Alene Press  
Sandpoint Daily Bee  
Spokesman-Review

St. Joe Supervisory Area

Clearwater Tribune  
Shoshone County News-Press  
Spokesman-Review  
St. Maries Gazette Record

. Clearwater Supervisory Area

Clearwater Tribune  
Idaho County Free Press  
Idahonian/Daily News  
Lewiston Morning Tribune

Payette Lakes Supervisory Area

Central Idaho Star-News  
Idaho County Free Press  
Idaho Statesman

Southwest Idaho Supervisory Area

Idaho Statesman

Eastern Idaho Supervisory Area

Caribou County Sun  
Idaho State Journal  
Post Register

Each published notice shall include: (1) The sale name; (2) The general location of the sale area; (3) The estimated sale volume; (4) The estimated sale area in acres.

Interested parties may obtain additional information regarding the listed timber sales from the respective local supervisory area office pursuant to the Public Records Act. Comments and questions concerning these sales should be directed to the respective local supervisory area by September 1st. The Department will consider and respond to comments regarding the proposed sales.

11.g. Notice Of Annual Timber Sales Plan. On or about the month of January of each year, the Bureau of Forest Management will publish a notice in the newspapers listed in 11.e. explaining that the proposed Annual Timber Sales Plan for the following fiscal year is available for review and that copies may be obtained from the Bureau of Forest Management. Comments regarding the proposed Annual Timber Sales Plan will be accepted for a four-week period following publication of the notice. The Department will consider and respond to comments regarding the proposed sales.

11.h. Notice of Meeting to Approve Annual Timber sales Plan. On or about the month of March of each year, the Bureau of Forest Management will publish a notice in the newspapers listed in 11.e. The notice will indicate the date of the State Board of Land Commissioners' meeting that the proposed Annual Timber Sales Plan for the following fiscal year will be submitted to for their consideration. Interested parties wishing to appear before the State Board of Land Commissioners to comment on the proposed plan should send a written request to the Director's office prior to March 31.

11.i. Board Action on Annual Timber Sales Plan. On or about the month of April, the Department will present its final recommendations on the Annual Timber Sales Plan for the following fiscal year, along with respective public comments, to the State Board of Land Commissioners for their consideration and action. The Board's decision on the plan is final and there shall be no administrative appeal therefrom. Any person or group appearing at the meeting of the State Board of Land Commissioners or submitting comments pertaining to this issue will not be entitled to judicial review pursuant to the Administrative Procedures Act, Title 67, Chapter 52, Idaho Code.

11.j. Public Involvement Policy Exceptions. Exceptions to this public involvement policy are as follows:

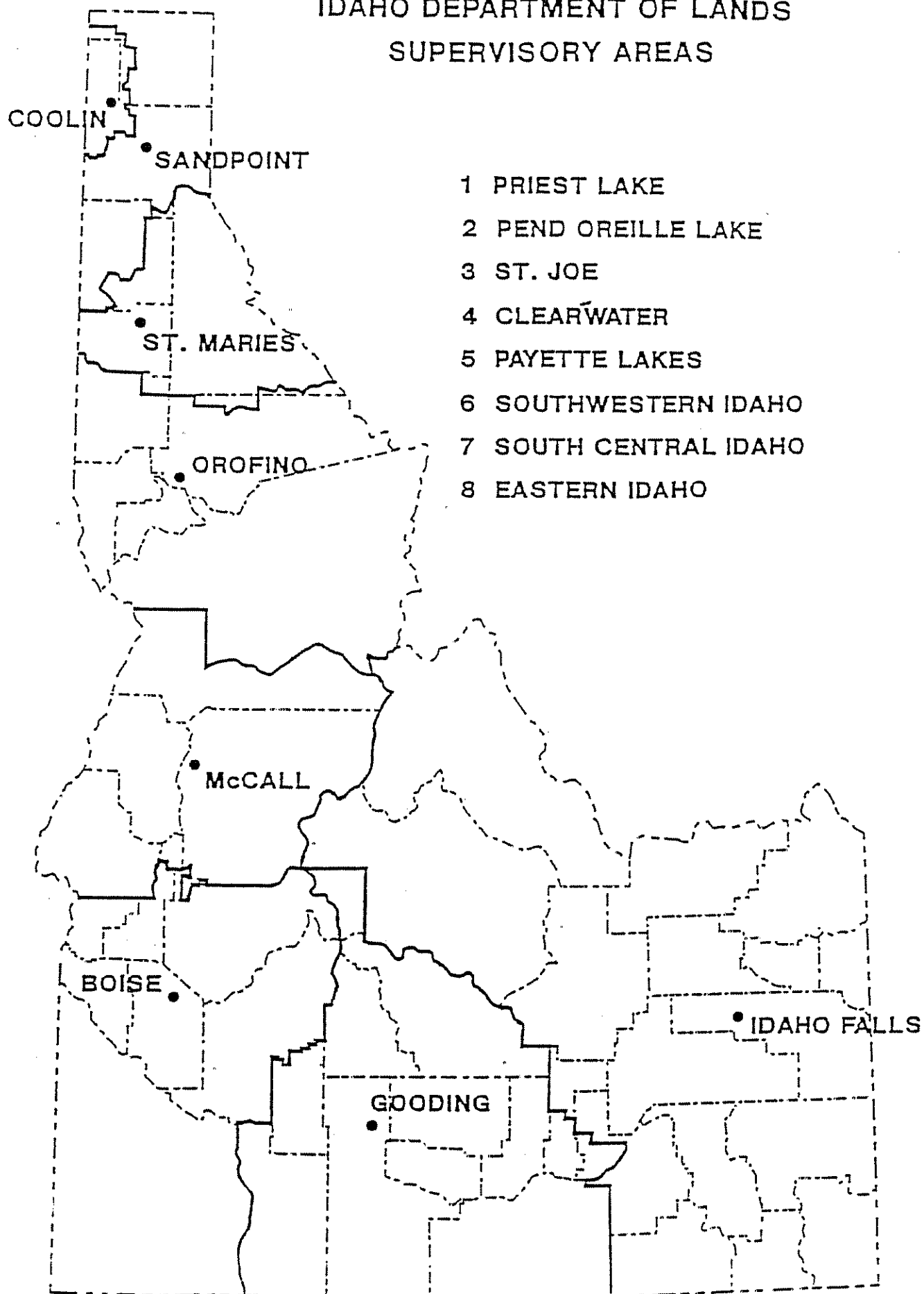
11.j.1. Sales with an estimated value of less than \$75,000 or an estimated volume of less than 1,000 MBF.

11.j.2. Sales where wildfire, insect or disease infestations, windthrow or other extreme weather events, or other extraordinary circumstances require the expeditious removal of the affected timber.

For Timber Sale Information, Contact the Pertinent Area Office as Shown in the List Below. See Following Page for Map of Supervisory Areas.

<u>Supervisory Area</u>	<u>Forest Area Manager</u>	<u>Phone</u>
Priest Lake Cavanaugh Bay #132 Coolin, ID 83821	Roger Jansson	(208) 443-2516
Pend Oreille Lake P.O. Box 909 Sandpoint, ID 83864 (Hwy. 200 at Westwood)	Larry Fryberg	(208) 263-5104
St. Joe 1806 Main Avenue St. Maries, ID 83861	Sam Charles	(208) 245-4551
Clearwater 10230 Highway 12 Orofino, ID 83544	Bob McKnight	(208) 476-4587
Payette Lakes P.O. Box AS McCall, ID 83638 (321 N. Third)	Sheldon Keafer	(208) 634-7125
Southwestern/South Central 8355 W. State Street Boise, ID 83703	John Roberts	(208) 334-3488
Eastern Idaho 3563 Ririe Highway Idaho Falls, ID 83401 (Hwy. 26 past junction of Hwy. 191)	Dennis Page	(208) 523-5398

# IDAHO DEPARTMENT OF LANDS SUPERVISORY AREAS





MEMO TO THE LAND BOARD  
May 10, 1994

SUBJECT

Timber Sale Public Involvement Policy

AUTHORITY

Land Board direction, May 11, 1993

DISCUSSION

Responding to public interest in how the department manages timber resources on endowment lands, the State Board of Land Commissioners implemented a Public Involvement Policy on May 11, 1993 (Attachment 1). This policy was used during the preparation of the FY-1995 Timber Sales Plan on a one year trial basis.

The department established the following subscription services:

- Director's Office: Land Board meeting and agenda information.
- Bureau of Forest Management: Annual Timber Sales Plan information.
- Each supervisory area: Specific timber sale information.

Publications and mailings of sales plan information were made as noted on the attached chronology (Attachment 2).

The public was asked to comment on the information in the May, 1993, publication (sample: Attachment 3) by September 1, 1993. Numerous requests to be placed on subscription lists were received. There were nine responses including seven requests for further information (Attachment 4). No comments on the design of specific sales were received.

In addition to the January 1994, advertisements, organizations and individuals on the Bureau of Forest Management subscription list (Attachment 5) received notification by mail. This spurred numerous requests for copies of the draft plan. Specific comments were received from the Kootenai Environmental Alliance, Selkirk-Priest Basin Association, Idaho Conservation League, and Mr. Mark Solomon (Attachment 6). Generally, these comments suggested the department provide more sale specific information, including topographic maps, cumulative effects analyses, and water quality statistics.

The cost of implementing the policy was approximately \$6,283.76 (Attachment 7). This figure includes the costs of newspaper advertising, postage, and photocopying, as well as personnel costs.

Despite the statewide effort to notify the public about the sales plan, we received relatively few comments. Continuing the policy unchanged for another year would allow us to examine its effectiveness under full implementation; i.e. the FY-95 plan has been through the process and will now be considered on a sale-by-sale basis by the board; the FY-96 plan, under development this year, will be available for comment.

In order to better determine the effectiveness of the policy, we recommend commissioning an opinion poll of organizations and individuals on the subscription lists to help the department and board determine if there are ways the process could be improved.

#### RECOMMENDATION

Direct the department to continue implementation of the Timber Sale Public Involvement Policy approved by the board on May 11, 1993, for another year. The department will commission a survey of those on the subscription lists to determine the relative merits and weaknesses of the new policy, and return with recommendations to the Land Board in May, 1995.

#### BOARD ACTION

APPROVED

MAY 10 1994

#### ATTACHMENTS

1. Timber Sale Public Involvement Policy, May 11, 1993.
2. Public Involvement Chronology
3. Sample Block Advertisement
4. Responses to May, 1994 publication
5. Bureau of Forest Management Subscription List
6. Responses to January 1994 publication
7. Implementation Cost Summary

State Board of Land Commissioners  
Timber Sale Public Involvement  
May 10, 1994

STATE BOARD OF LAND COMMISSIONERS  
November 18, 2008  
Regular Agenda

SUBJECT

Timber Sale Public Involvement Policy

AUTHORITY

Land Board Direction May 10, 1994

DISCUSSION

The State Board of Land Commissioners implemented a Public Involvement Policy on May 11, 1993, and reaffirmed the policy on May 10, 1994. The Board's policy has been followed since that time with slight modifications due to the move to 14 supervisory areas instead of eight and changes in newspapers used for advertisement.

The cost of meeting this policy has risen substantially since its implementation due to increased advertising, photocopying, postage and personnel costs. In May 1994 the estimated yearly cost for implementation of the policy was \$6,283.76. The cost estimate included newspaper advertising, postage, photocopying and personnel costs. At contemporary rates, the annual cost of newspaper advertising alone is over \$17,000.

The recommendations contained herein allows for more effective, and cost-efficient, public notification through the use of IDL websites and electronic communication. In the second quarter of 2008, the Department responded to industry requests for electronic, online timber sale information. The developed website has been well received.

The Department receives no more than two or three public comments on the sales plan annually.

RECOMMENDATION

Direct the Department as follows:

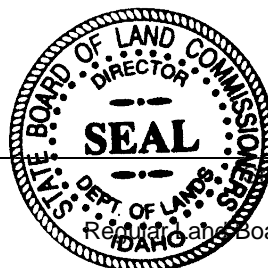
- publish statewide a legal notice that a list of sales proposed for two years in the future is posted on IDL websites;
- discontinue January and March newspaper advertising of the annual sales plan;
- continue to make the annual sales plan available on the IDL website as well as on the timber sale auction website;
- continue to allow exceptions to the published plan as outlined in the timber sale public information policy.

BOARD ACTION

A motion was made by Secretary of State Ysursa to move the Department's recommendation. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

ATTACHMENTS

1. Memo approved May 10, 1994
2. Timber Sale Public Involvement Policy



## **TIMBER SALE PUBLIC INVOLVEMENT POLICY**

### **Annual Timber Sales Plan.**

The Bureau of Forest Management will maintain information on IDL websites pertaining to the Annual Timber Sales Plan. Individuals and organizations interested in receiving a hard copy of the plan should make their request, in writing, to the Bureau of Forest Management office in Coeur d'Alene.

### **Specific Sale Information.**

Each Supervisory Area will maintain a list of individuals and organizations interested in receiving information pertaining to individual sales on their respective areas. Individuals and organizations interested in being placed on this list should make their request, in writing, to the appropriate Supervisory Area.

### **Public Notification Process.**

The Bureau of Forest Management will notify the public that a list of proposed timber sales being development for two years in the future is posted on IDL websites. The notification will be published in May of each year in the form of a legal notice published in newspapers throughout the state.

The Bureau of Forest Management will post the proposed Annual Timber Sales Plan to IDL websites in January of each year. Comments regarding the proposed plan will be accepted once the plan is posted to the IDL websites. The Department will consider and respond in kind to all comments received.

Interested parties wishing to appear before the Board to comment on the proposed plan will be requested to send a written request to the Director's Office prior to March 31 of each year.

At the April State Board of Land Commissioners' meeting, the Department will present its final recommendations on the Annual Timber Sales Plan for the following year, along with respective public comments received. The Board's decision on the plan is final and there shall be no administrative appeal.

### **Exceptions to this Public Involvement Policy.**

The following are exempt from this policy:

1. Sales with an estimated value of less than \$150,000 or an estimated volume of less than 1,000,000 board feet.
2. Sales where wildfire, insect or disease infestations, extreme weather events, or other extraordinary circumstances that require the expeditious removal of the affected timber.
3. Sales that capture dynamic or unique market opportunities.

## **19. Reoffer Sales Without Additional Land Board Approval**

Attachment

**February 17, 2009 approved memo**

*Summary:* Allows the Department to reoffer a sale after unsuccessful auction attempt without seeking further Board approval.

State Board of Land Commissioners  
Regular Agenda  
February 17, 2009

SUBJECT

Department of Lands Requests Authorization to Reoffer Sales Without Additional Land Board Approval.

AUTHORITY

Title 58, Chapter 4, Idaho Code

BACKGROUND

In the past, when timber sales approved by the Land Board did not sell at the first auction, the Department attempted to determine why the sale did not sell. If it was determined that the sale did not sell due to factors other than price, volume, or development costs, then the sale would typically be reoffered "as is" without further Land Board approval. If it was determined that the sale was unlikely to sell as originally offered, then the Department typically made adjustments (e.g. - lowered stumpage prices, adjusted volumes, modified development requirements, altered contract terms) and sought Land Board approval for those changes.

Currently when seeking Land Board approval on the second offering of a sale, language in the "Remarks" section of the Land Board memo typically states that, *"this is the second offering of the sale and the department requests, if the sale does not sell on the second offering, that the terms can be revised for a third offering without additional Board approval."*

DISCUSSION

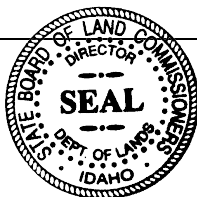
This re-approval process after the first offering can add 2-4 months of additional time from the original auction date to the new auction date. This delay can result in lost opportunities and the "bunching" of volume into certain months or even into the next fiscal year, thereby creating challenges in meeting annual sales plan objectives. Furthermore, purchasers have expressed support for streamlining and expediting the reoffering process.

RECOMMENDATION

Authorize the Department to reoffer sales that do not sell at the first auction without further Board approval as long as reappraised rates are not below minimum rates or development costs are not more than 50% of net sale value as per current Board policy. Sales where reappraised rates are below minimum rates or where development costs exceed 50% of net sale value will continue to be brought back to the Board for approval.

BOARD ACTION

A motion was made by Secretary of State Ysursa to adopt the Department's recommendation. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.



## **20. Signature Process on State Timber Sale Contracts**

Attachment

### **October 19, 2010 approved memo**

*Summary:* Discontinued the need for Governor and Secretary of State to sign each timber sale contract and delegated authority to Director, Deputy Director, Division Administrators, and Timber Management Bureau Chief.

# STATE BOARD OF LAND COMMISSIONERS

Consent Agenda

October 19, 2010

## SUBJECT

Revision of Signature Process on State Timber Sale Contracts

## DISCUSSION

The Idaho Department of Lands presents all proposed State of Idaho timber sales for Land Board review and approval at regularly scheduled monthly Land Board meetings. After Land Board approval, the timber sales are auctioned and awarded to the high bidder. Two hardcopies of the timber sale contract are sent to the Governor and Secretary of State for signature after being signed by the Purchaser. This routing of timber sale contracts back and forth from Coeur d'Alene to Boise takes a minimum of 7 to 14 business days.

Purchasers of state timber sales have recently suggested streamlining the signature process which would enable them to get started earlier on a sale and avoid paying stumpage interest for this routing time. In addition, the current process consumes valuable department staff time.

There is no known statutory, administrative rule, or Land Board policy requiring the current signature process on state timber sales. Salvage sale and direct sale contracts are currently signed by department staff and not by the Governor and Secretary of State.

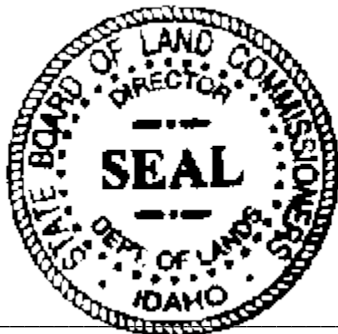
In response to purchasers' time concerns and the department's pursuit of efficiency and cost reduction, the department seeks the Board's approval to discontinue the Governor and Secretary of State's signature requirement to execute a timber sale contract. Since the Land Board approves each timber sale and the department is the administrative arm of the Land Board, the department recommends that timber sale contracts be signed by one of the following: Director, Deputy Director, Division Administrator of Forestry and Fire or the Forest Management Bureau Chief.

## RECOMMENDATION

Discontinue the current practice of having the Governor and Secretary of State sign each timber sale contract and allow one of the following: Director, Deputy Director, Division Administrator of Forestry and Fire or the Forest Management Bureau Chief to sign and execute timber sale contracts.

## BOARD ACTION

APPROVED 10/19/2010



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State Board of Land Commissioners  
Revision of Signature Process on State Timber Sale Contracts  
Regular Land Board Meeting – October 19, 2010

v2-20101008



## **21. Timber Sale Approval Process for Emergency Salvage Sales**

Attachment

**September 15, 2015 approved memo**

*Summary:* Excludes salvage sales from the normal green sale Land Board approval policies to expedite sale and operations to capture value of timber as quickly as possible.

STATE BOARD OF LAND COMMISSIONERS  
September 15, 2015  
Regular Agenda

SUBJECT

Modify Timber Sale Approval Process for Emergency Salvage Sales

AUTHORITY

Timber sale approval process as recommended by the Endowment Investment Governance Strategy Subcommittee (EIGS) and approved by the Land Board on December 15, 2014 (Attachment 1).

BACKGROUND

On December 15, 2014, the Land Board adopted the current process for approving timber sale contracts as recommended by the EIGS. Individual timber sales are no longer approved by the Land Board unless an individual sale falls outside of an approved Land Board policy such as:

1. Sales with clearcut units over 100 acres (Attachment 2);
2. Sales with development credits that exceed 50% of net appraised sale value; or
3. Sales where there are written citizen concerns.

This was done to clarify and streamline the timber sale approval process while maintaining Land Board governance oversight and rigorous internal controls to insure quality assurance and control (QA/QC). IDL Operations and Bureau personnel review each sale to ensure alignment with policy and procedures and to ensure QA/QC requirements before approval of the sale by the Director or the Director's designee (State Forester or Forest Management Bureau Chief).

DISCUSSION

Several thousand acres of forested endowment trust lands have burned this summer, requiring the need to expeditiously prepare and sell a number of salvage timber sales to recover the value of this burned timber and to start the forest recovery process. It is estimated that approximately 60 to 80 million board feet of burned timber will need to be salvaged.

Current administrative rule and Land Board policy clearly provide that the annual sale plan may be altered to respond to changing market conditions or to expedite the sale of damaged or insect infested forest products. Salvaging dead, burned trees within these fire areas will typically exceed the 100-acre clearcut threshold and, at times, may exceed the development credit threshold due to the reduced value of burned timber.

The 6000-acre Prairie Block that burned in 2013 is an example of a landscape-scale salvage effort. All merchantable burned and dead trees were harvested over the entire block except along drainages or other sensitive areas to provide large organic debris (LOD) recruitment and to minimize sediment movement. Planting will be completed this spring.

While clearcutting is a legitimate silvicultural prescription and setting a size threshold for approval is prudent for “green” timber sales, setting a size limit for salvage harvest units is arbitrary and nonsensical. When fires burn large landscape areas, keeping salvage units within the 100-acre size limit makes no biological or operational sense when most or all of the timber is dead and burned. The goal of fire salvage is to recover the value of these burned trees, reduce the threat of insect and disease outbreaks, protect the endowment asset from further environmental degradation and expedite forest recovery by planting.

It is often in the endowments’ best interest to harvest dead and dying timber as quickly as possible after a catastrophic event. Therefore, the Department recommends clarifying the current timber sale approval process to allow the Department to expeditiously approve salvage timber sales that exceed the 100-acre or development credit thresholds. While these individual salvage sales would not be approved by the Land Board, they would still go through the rigorous internal review process and be approved by the Director or State Forester. These salvage sales would also be included on the Director’s Monthly Timber Sale Activity Report that is presented to the Land Board each month.

### RECOMMENDATION

The Department recommends that the Land Board approve modification to the timber sale approval procedures as underlined below:

1. The Department will present the Annual Timber Sale Plan to the Land Board for approval at the April Land Board meeting.
2. 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:
  - a. Sales with clearcut silvicultural prescription units which exceed 100 acres.
  - b. Sales with development credits that exceed 50% of net appraised sale value (33% of gross sale value).
  - c. Sales to which the Department has received written public comment.
3. Fire, wind, and insect and disease salvage sales are exempt from Item 2 requirements above.
4. 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.

### BOARD ACTION

A motion was made by Attorney General Wasden that the Board adopt the Department recommendation as outlined in Item 12, page 2 of 2 (as stated above). Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

### ATTACHMENTS

1. December 15, 2014 Approved Land Board Memo – Governance Recommendation
2. Land Board Clearcut Policy, 1984

