



Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board

Lawrence E. Denney, Secretary of State

Lawrence G. Wasden, Attorney General

Brandon D Woolf, State Controller

Sherri Ybarra, Superintendent of Public Instruction

Dustin T. Miller, Director and Secretary to the Board

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

Final Minutes
State Board of Land Commissioners Regular Meeting
August 20, 2019

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, August 20, 2019 in the State Capitol, Lincoln Auditorium (WW02), 700 W Jefferson Street, Boise, Idaho. The meeting began at 9:01 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

Honorable Secretary of State Lawrence Denney

Honorable Attorney General Lawrence Wasden

Honorable State Controller Brandon Woolf (*via teleconference*)

Honorable Superintendent of Public Instruction Sherri Ybarra (*via teleconference*)

For the record, all Board members were present, with Controller Woolf and Superintendent Ybarra joining via conference call.

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

Endowment Transactions

A. Timber Sales – July 2019

Discussion: None.

B. Leases and Permits – July 2019

Discussion: Governor Little asked if lessees pay early. Director Miller said not usually, but it does happen on occasion. Some lease payments are split into two payments each year, in December or January, and again in June. However, late payments also occur, as happened with residential leases this month. Director Miller mentioned that the Land Board was provided with a memo, as requested at the July meeting, concerning revenue collected from delinquent communication site payments in the latter part of FY2019. Governor Little inquired if there is language in the contracts that calls for a penalty if the payment is late. Director Miller replied that there is such language.

Status Updates

C. Land Revenue Forecast

Discussion: Governor Little asked how accurate the Department was when this forecast was made four years ago. Director Miller indicated the Department would provide that information to the Board after the meeting.

D. Fire Season

Discussion: Superintendent Ybarra thanked Director Miller and his staff for the great collaboration with the Superintendent's office, and fellow Board members, to produce a series of five fire prevention public service announcements (PSA) for social media in June. Superintendent Ybarra remarked it was a successful joint effort to help prevent forest fires through education; Superintendent Ybarra looks forward to working with the Department to continue that effort. Director Miller appreciated the Superintendent's comments, and mentioned the PSAs have been well-received.

E. Resource Protection and Assistance Bureau

Discussion: Attorney General Wasden noted the reference to buoys on the Spokane River, and recalled that has been a problem in the past. Attorney General Wasden observed the problem appears to have subsided some, and asked if there is anything more the Land Board or Department needs to do in that regard. Mr. Wilson mentioned that the Department sent out postcards to over 600 landowners along the Spokane River; a patrol will go out in the next week or two to see if there are still any buoys remaining. As needed, Department staff will contact landowners and have more follow-up with them. Mr. Wilson noted that buoys are also becoming an issue on Hayden Lake. The Department did a joint patrol with the sheriff's office to help get those issues addressed. Additionally, the county is applying for a permit to set out some more no-wake buoys on Hayden Lake. Mr. Wilson said his understanding is they are trying to do the same thing along the Spokane River, which will help. Mr. Wilson concurred that the problem is much less than it was in 2018.

Governor Little recalled at the April meeting, the Land Board discussed a gravel pit on Highway 55 that the Department was going to try and resolve with the eventual purchaser. Governor Little asked for an update. Mr. Wilson replied the Department has been working on a number of deadline-driven activities, such as negotiated rulemaking, omnibus rulemaking, Triumph Mine and Midas Gold projects. The Department has not followed up on the former Prime Earth property, but intends to have discussions with the landowner, Idaho Transportation Department, and the Pioneer Irrigation District to get a better handle on access and what reclamation is going to be done. Governor Little remembered the Land Board authorized up to \$120,000 to reclaim the property and inquired if the Department has committed any of those resources. Mr. Wilson said no; that project is important but does not have deadlines driving to a specific goal.

F. Cottage Sites Auction – Priest Lake Results

Discussion: None.

Consent—Action Item(s)

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

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

Regular—Action Item(s)

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

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

Discussion: Mr. Anton reported that in terms of investments the portfolio was up half a percent during the month of July, the first month of fiscal year 2020. Investors welcomed the fact that the Federal Reserve joined central banks around the world and cut interest rates by 0.25% at the end of the month, due to weak global growth, particularly in China and in Europe. Germany is now technically in a recession. Mr. Anton remarked that manufacturing is slowing in other parts of the world, and there is possibility of a disruptive Brexit and uncertainty surrounding trade negotiations. The interest rate cut was intended to stimulate economic growth in the U.S., which has seen a slowdown, although consumer demand has been very strong. The hope is to keep a strong economy in the U.S. and bring inflation up to target levels.

Mr. Anton stated that early August was fairly volatile in the financial markets, but through the close of the market yesterday, the portfolio was only down 1%. The imposition of new tariffs was a big driver, and then those were delayed until December, so the market came back. There was a lot of discussion surrounding the inversion of the yield curve. Essentially, the yield on shorter duration bonds like two-year Treasuries is now higher than on ten-year Treasuries, which has historically been a forward-looking indicator of possible recession a year and a half or two years down the road. There are a number of reasons for that. First of all, the Federal Reserve has been fairly slow to reduce rates. Additionally, there is about \$15 trillion of bonds outstanding globally now that have negative yields. Many foreign investors had been buying U.S. treasuries in an attempt to get a little extra yield and have driven down rates.

Overall, the fund is in a healthy position. The Investment Board used the higher bond prices as an opportunity to rebalance the portfolio, and the fund is at target allocation at this point.

Reserves are above target for all the funds at fiscal year-end. In other business, Mr. Anton noted that the Land Board Audit Committee met on August 14th and approved EFIB's audit report. EFIB will present that report to the Land Board during the November meeting. The Investment Board held a meeting on August 15th, and the investment consultant presentations from Callan and RVK are scheduled on September 19th.

C. FY2021 Distributions and Transfers

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

Discussion: Mr. Anton reviewed Attachment 1 and began with a reminder of the distribution policy, which is to distribute 5% of the three-year average of each of the beneficiary's permanent fund balances, with the exception of State Hospital South, which is a 7% distribution. The policy allows for adjustments in case reserves are inadequate or if the fund is below the gain benchmark. The recommendation this year is to follow the policy with no adjustments. Policy also is to maintain earnings reserves at adequate levels based on target years of reserves, and to consider transferring any excess earnings reserves back into the permanent fund.

In fiscal year 2019, the endowment fund generated a return of 7.7%, which represented a real return of 5.6% above inflation of 2.1%, which pushed all the funds above their gain benchmark. While that may not sound like a large number in terms of absolute return, in terms of relative return, the fund ranked in the top 11% of all public funds and the top 8% of all endowments and foundations, so had solid performance during the fiscal year.

The current year and the next year beneficiary distributions are well-secured. In addition, the Department ended the year with solid backlog in terms of timber sales, with \$160.6 million of timber presold, as Director Miller indicated earlier in his presentation.

Mr. Anton explained page four shows the coverage ratio – the years of earnings reserves for each of the beneficiaries calculated based on what is being recommended for FY2021 beneficiary distributions. All of the reserve levels are at or above the target levels.

Page five provides some historical perspective of distributions to the beneficiaries since 2017. The amount distributed in 2019 was \$78.2 million. The amount that the Land Board approved previously for fiscal year 2020 is \$80.9 million, and what is being recommended today for fiscal year 2021 is \$84.5 million. EFIB also recommends returning earnings reserves above target levels back to the permanent fund, which totals \$57.8 million. Page six of the report provides the detail more granularly by beneficiary.

EFIB recommends for the Land Board's consideration fiscal year 2021 beneficiary distributions totaling \$84,520,800, a 4.5% increase from fiscal year 2020, transfer of \$57,803,000 back into the permanent fund, and designate the transfer amounts as additions to the gain benchmarks.

Attorney General Wasden thanked Mr. Anton for the report, and made a point of clarification that the efforts the Land Board is putting forward have to accommodate two things. One of them is increasing inflation. The other is increasing population. Attorney General Wasden shared his perspective that taking in monies in excess of the number of years' reserve is actually the gift that keeps on giving because it accommodates those two variables, increase in inflation and increase in population. Mr. Anton stated that is correct. Moving excess reserves back into the permanent fund adds to the permanent fund balance,

which grows distributions in future years. EFIB is trying to create that balance between supporting current needs of the beneficiaries and the long-term needs. EFIB just completed its strategic plan analysis that includes that very specific goal to grow the endowment, both at the rate of inflation and population growth. EFIB has been able to do that primarily because of the excess earnings that have transferred back into the permanent fund.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the proposed Fiscal Year 2021 distributions and transfers. Secretary of State Denney seconded the motion. The motion carried on a vote of 5-0.

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

Recommendation: Direct the Department to sell 1.3 miles of easement over an existing road at an appraised price of \$44,000 to Idaho Forest Group (IFG).

Discussion: None.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation, that is direct the Department to sell 1.3 miles of easement over an existing road at an appraised price of \$44,000 to IFG. Secretary of State Denney seconded the motion. The motion carried on a vote of 5-0.

5. Forest Asset Management Plan (FAMP) – *Presented by Bill Haagenson, Division Administrator-Operations*

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

Discussion: Attorney General Wasden complimented Mr. Haagenson and Department staff for the work that went into this excellent report. Having more accuracy in understanding what growth rates are is very significant in terms of the Department's management ability. Attorney General Wasden asked a question in reference to the second sentence in the last paragraph of page 2, "Assuming relative market and price stability, the Department expects gross revenue from timber sales would increase proportionately." Attorney General Wasden noted that is a rational statement; is that an appropriate assumption in terms of whether the Land Board should adopt this 20-year plan. Mr. Haagenson replied that when the Department forecasts, when it does the economic analysis, the Department is looking at past trends of timber prices over a five-year period. There have been some ups and downs even during that five-year period, and there will be more as time goes on. The market will move up and down. Mr. Haagenson stated the Department is focused on doing what is right for the timber resource and for the beneficiaries. The Department is confident that the industry can absorb the volume and that endowment sales are high enough quality that they are valued by the industry, and the Department will continue to receive top dollar, based on the dollar at that time.

Attorney General Wasden noted that the Department has a couple of safeguards in here that are really important; that is, the five-year interval review and the four-year phase-in. Department staff has thought that through, and it is a good plan. Attorney General Wasden also noted that a report earlier in this meeting stated that there were two proposed timber sales that did not sell. That is just a temporary aberration, but the timing of this appropriate, given the fact that there is a weakening timber market, housing starts are lower and so forth; what is the Department's

thoughts on that. Mr. Haagenson replied that the Department started this process early to begin to capture the revenue as soon as possible; the annual sales plan has already been ramped up to 271 million. The Department sees this as likely a temporary dip in the market and temporary softness in the market. The Department thinks this is the right time to start this process because of the four-year phase-in period and the ability to make changes if needed. If circumstances change, and it is no longer in the best interest of the endowments to continue down this path, the Department can come back to the Board and make changes. The Department would try to avoid a major increase and a major decrease, to be more predictable and more flat with the volume being put on the market; the Department does have the ability to make changes in the safeguards if necessary.

Attorney General Wasden remarked that this is a 20-year program, that the cut rate is going to increase for 20 years, so there is increase in revenues, that there will be some kind of a cliff at the end of that 20-year program. What happens at the cliff? Mr. Haagenson explained that as the Department selected model alternatives for each area, bureau staff tried to avoid that large cliff. The Department tried to make sure that it was addressing inventory issues in the near term—that 20-year window—and then avoid a major drop-off at that point. The Department will see some response in terms of increased growth with increased management. As more of these mature and over-mature stands are converted to younger, faster-growing stands, there will be more response out there, and inventory data will continue to improve, and there may not be a major drop-off. Mr. Haagenson commented that harvest levels will come down, but it will not be like falling off a cliff. The Department will address the inventory issues, and then ease that back over time to the level that is right based on the growth that is happening on endowment lands.

Attorney General Wasden stated that one of the things the Land Board is contemplating is what to do with the levels of money received from the cottage site sales. One of the recommendations has been to acquire more timberland. In light of the Land Board contemplating acquiring more timberland, and also increasing the cut rate, Attorney General Wasden wondered what the relationship is between the FAMP, as proposed, and the intention to acquire more timberland. Is the Land Board undermining its own market position? Mr. Haagenson responded that everything the Department is doing for the FAMP is based on the ownership that the endowments have today. The Department is not assuming any additional acquisitions in these numbers. If more acquisitions do occur, they would be lands that are already part of the productive timberlands within the state of Idaho. The Department would not be adding to the growing land base out there but simply bringing more of that growing land base into endowment ownership. Any harvest that would come from those lands would shift from private harvests to endowment.

Attorney General Wasden noted that this analysis covers a lot of forest health issues, which is significant. Maintaining that forest health is critical in order for the Land Board to fulfill its duty to current beneficiaries and to future beneficiaries. Attorney General Wasden emphasized he was asking about the economic analysis, not just the forest health aspect. Mr. Haagenson indicated the Department would see an increase in net present value for the beneficiaries under this proposal compared to the previous harvest level. As harvest moves closer to the present day, the beneficiaries will recover more. Additionally, the Department would see those increased growth rates that will benefit the beneficiaries for the long term. That is the focus really; what is happening out there for future staff to manage 20, 30, and 40 years down the road. The Department believes in the best interests of the future for the endowments. Attorney General Wasden commented that the Land Board's responsibility is to current beneficiaries and to future

beneficiaries to obtain the maximum long-term return. Attorney General Wasden asked if this FAMP, the proposed FAMP, is fulfilling that fiduciary responsibility. Mr. Haagenson replied that he, and the Department, believe it is. It is very important to the Department to stay focused on its fiduciary responsibility. It is talked about every day, and it certainly is a key part of this analysis as well. Mr. Haagenson said he previously mentioned average of past return or past income, and then an increase in the percentage of harvests moving forward; what does that mean? That means right now between \$21 and \$22 million annually in increased gross income for the beneficiaries during this term. The Department is focused on long-term fiduciary responsibility, and producing revenue in the short term; the Department needs to continue to play the role that lands have always played in the ultimate distributions to the beneficiaries.

Attorney General Wasden inquired if it is critical for the Land Board to make this decision today, recognizing that this is a 20-year proposal with alterations, four-year phase-in, and five-year review. Attorney General Wasden did not suggest that the Board should not make a decision today, but would it be appropriate for the Land Board to take a little time to think about those economic issues. Mr. Haagenson answered the Department does think that time is important here—to delay a decision ultimately delays revenue received in the short term and delays important management on the ground. There is risk to maintaining a mature and over-mature inventory on endowment lands. The Department is seeing some of that, for example, at the Packer John block with the Douglas-fir tussock moth. If too much of that inventory out there is maintained, there will be damaging agents at some point in time that is going to require action. The Department thinks it is prudent to take action sooner and increase the pace of management as soon as possible. Attorney General Wasden said some of those agents would be fire, insects, storm damage, and also the growth that is happening. There is an ideal size and logs actually become less marketable because of the carriage sizes of the processing facilities. All of those elements go into this analysis and delaying for too long ends up damaging the Department's own economic best interest. Mr. Haagenson remarked that Attorney General's statement was very well said. There is risk of holding trees on the landscape for, exactly as mentioned, outgrowing their prime merchantable size—still merchantable, but at decreased value. In very general terms, the size of the log that is becoming more desirable to industry is smaller than it used to be, and the Department is moving endowment stands to try to address that.

Attorney General Wasden professed some trepidation with the FAMP, but with the planned four-year roll-up, five-year review, if the Department keeps the Land Board informed, it will be a very helpful thing. Course corrections can be made if necessary. Attorney General Wasden acknowledged one of the important elements here is the Department does not know precisely what the additional growth is going to be; it could be more and it could be less than predicted. That element, and market conditions, are items that the Department needs to pay attention to. Mr. Haagenson agreed with the Attorney General. The Department has a keen interest in the growth rates of the younger stands—collecting enough data and accurate data, because they are key to the long-term sustainability of the proposed management plan. It is an area of focus between now and the next FAMP revision.

Secretary of State Denney inquired about the average annual growth rate on endowment timberlands. Mr. Haagenson replied that it varies based on site, but in terms of board feet per acre, it can be anywhere from the low 200s to over 400 board feet per acre per year. Secretary of State Denney asked when the Department talks about harvesting 328 million board feet, is that adding to the 4 or 8 billion board feet inventory. Mr. Haagenson stated it is the Department's

intent to bring that level of inventory down with these increased harvest levels. If growth increases more than expected, that will be revisited down the road. Secretary of State Denney asked if the sales like the Packer John and the fire salvage are included in the 328 million board feet. Mr. Haagenson answered those would typically be included in the Department's annual sale plan. A major event may be handled differently; if, for example, something affected 75 million board feet that could change the plan moving forward.

Governor Little said he understands increasing the volume; is this increased volume number, this increased top line, going to increase net return to the beneficiaries. Mr. Haagenson commented that another area of significant focus for the Department is improving net return. One example is that at past prices, revenues could be expected to increase between \$21 million and \$22 million annually on the gross side. That is happening without adding staff. The Department is really focused on increasing the net and getting as much of that gross netted income to the beneficiaries as possible. Governor Little mentioned the presentation about a Douglas-fir forest health issue that is on the agenda momentarily, some of which is going to be a shared stewardship project. Considering head rig and capacity of logging contractors with those wildcards thrown in—more timber available off forest ground and forest health projects than historically typical—does this model have flexibility in the event there is not sufficient head rig or contractor capacity. Mr. Haagenson responded that Idaho's forest products industry infrastructure can utilize more volume coming on the market. In informal conversations the Department has had, increased harvest is welcomed. The Department is very proud of what is happening with GNA and shared stewardship and the chance to help restore the past role of federal lands in supplying infrastructure, and perhaps take some pressure off of private lands as that happens. Mr. Haagenson noted the Department does have flexibility to adjust its forest management plan if there is not mill capacity at some point in the future.

Public comment was provided by Tom Schultz, Vice President, Government Affairs and Community Outreach, Idaho Forest Group. Mr. Schultz remarked that (IFG) is one of the largest customers for endowment timber sales; IFG appreciates the work done by the Department and supports the FAMP. Mr. Schultz noted that the planned four-year phase in is key to the plan. Another piece that has not been discussed is substitution. About 8% to 10% of what IFG purchases is from out of state in Oregon, Washington, and out of country in Canada. When considering this proposed increase in volume, 80 million board feet over the next four years, do not discount the substitution effect where IFG can buy more state volume locally as opposed to having to procure wood from outside the state. One factor that was mentioned is the decrease in federal timber; that decrease is 80% since the late '80s. The volume used to be about 800 million board feet a year around 1988-90. That volume now fluctuates between 100 to 150 million board feet a year, so there is an increase, but there has been a significant pressure put on private lands. Mr. Schultz spoke to the question asked about capacity. IFG has made some significant investments at Lewiston recently, and its procurement of timber on just public lands has increased between 2015 and 2018 by about 17%. IFG has seen an increase in volume purchased, and has made significant investments, particularly in Lewiston, but at other mills as well.

Mr. Schultz commented on additional revenue to the endowments. Mr. Haagenson indicated approximately \$20 million in additional revenue likely to be generated for the endowments, and a comment was made by Director Miller that 97% of the net income is from timber sales. Accordingly, the only way the Land Board and Department really has to increase revenue from the land management side is on the timber program. There are safeguards needed in place to

evaluate what the Department is doing. Idaho Forest Group is ready to procure the additional volume. IFG purchased a couple of log trucks that are coming in in October to help develop the trucking workforce. A question was asked about capacity, not just of the battery capacity, but also the workforce. IFG is working on all of those ends to increase the capacity both within the mills and the workforce. Governor Little and Attorney General Wasden thanked Mr. Schultz for his comments.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation, that is adopt the revised Forest Asset Management Plan, and direct the Department to implement the new annual sale volume of 328 MMBF with a four-year phase-in period. Attorney General Wasden also requested updates on this process. Secretary of State Denney seconded the motion. The motion carried on a vote of 5-0.

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

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

Discussion: Attorney General Wasden pointed out that the Department's labor force is aging as endowment trees are aging as well. Attorney General suggested that the Land Board and Department have a discussion about transitioning some of these positions, such as the scaling positions and others that are critical to maintaining the Department's mission.

Governor Little mentioned that a letter was issued from Division of Financial Management (DFM) to all state agencies with a request to temper budget requests, given certain situations happening nationally and internationally, as well as personal income tax receipts. Governor Little indicated DFM will likely follow up with agencies. Governor Little stated he will not vote on this agenda item.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation to include the enhancement requests as outlined in Attachment 1 in the Fiscal Year 2021 budget proposal due on August 30, 2019. Secretary of State Denney seconded the motion. For the record, Governor Little recused himself from this vote. The motion carried on a vote of 4-0.

Information

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

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

Discussion: Mr. Eckberg went through the Douglas-fir tussock moth presentation. Attorney General Wasden asked what the solution is. Mr. Eckberg replied that the solution is to have more stands with less inventory of Douglas-fir and grand fir. It is not plausible to eliminate tussock moth; there are reports of infestation going back to the 1920's. Back then, it was less of a concern because white pine was the king up in northern Idaho, but it will always be an issue, and it is difficult to predict when an infestation will hit. It may or may not hit Packer John in ten years. The last time it hit Packer John was 1991, and it was minimal. If the Department has endowment

stands with more non-host species like pines and larch, or less suitable hosts—even Engelmann spruce, and move away Douglas-fir and grand fir, the stands will be in better shape.

Governor Little commented that it was approximately \$50-60 per acre to spray insecticide, based on Mr. Eckberg's presentation, and asked what it costs today. Mr. Eckberg said he did not have that figure. In 2001-2002, with that economy of scale, it was about \$30 an acre. The Department administered a small-scale spray program for 11 landowners in 2012; it was about \$60 an acre from a helicopter. Governor Little questioned, if there was a critical area right outside of Idaho City or someplace, where there is endowment land and the Department also bears the fire suppression costs, would the Department calculate into its metrics different places and different locations to spray such that it does not present a hazard to that community and still save some of the timber. Mr. Eckberg replied that with the outbreak in northern Idaho in 2010 through 2012, because of those new spray regulations, the Department decided not to spray as a state entity because another series of restrictions or regulations would kick in if the state administered a spray program or sprayed one acre. The restrictions had to do with reporting, putting the proposal on websites, and it also had to do with any areas that had anadromous fish. Some of these recordkeeping requirements were quite onerous. The Department decided not to spray in northern Idaho because of that reason, and also because endowment timber was not extremely impacted. Governor Little inquired about the effect on the natural predators if stands are sprayed; does it have a counter-effect. Mr. Eckberg responded that the DDT¹ sprayed back then had a large impact. Mr. Eckberg added that in 2001-2002 the products that used were called BT, which is *Bacillus thuringiensis*. It is a naturally occurring bacterial insecticide that will only kill Lepidoptera, or butterflies and moths. The other product that used was Dimilin; that is an insect growth regulator, and it does have some effect on other insects. It causes them to die when they molt. When the Department sprayed in 2012, it used a product called Mimic, which is also an insect growth regulator and is specific to Lepidoptera as well, only moths and caterpillars. It had no effect on predacious insects, beetles, or the parasitic wasps.

Governor Little wondered if there is anything in the science; does anybody go out when these populations occur and try to introduce or increase bio-controls. Mr. Eckberg stated that there was work in that direction back in the 1970s. There was a lot of work done on this insect, in part due to outbreaks that occurred in the Blue Mountains of northeastern Oregon. However, when augmenting natural enemies is considered, they typically increase in response to the insects. Rearing the number of insects that would be required to have a lasting impact would be prohibitively expensive. Again, as mentioned, the products that are available now that would likely be used would have almost no effect on these parasitic wasps.

For the record, at 10:41 a.m., Controller Woolf excused himself from the meeting.

Governor Little mentioned that there are two sales that the Department is going to do, and time is of the essence, as with any bug-killed tree, as far as the value to be harvested. Governor Little visited the site on Monday, August 19th; there is a lot of mortality and Governor Little inquired if there is enough mill capacity to handle the salvage sales. Governor Little asked how the Department is going to generate some cash and keep the forest from burning up. Mr. Eckberg deferred to Mr. Elbin. Mr. Elbin replied that the Department will sell them. The first salvage sale sold for appraised value. The second sale will be auctioned at 11 o'clock today. If it does not sell,

¹ Dichlorodiphenyltrichloroethane (DDT)

