State Board of Land Commissioners Open Meeting Checklist

Meeting Date: July 20, 2021

Regular Meetings

7/1/2021	Meeting Notice posted in prominent place in IDL's Boise Director's office five (5) or more calendar days before meeting.
7/1/2021	Meeting Notice posted in prominent place in IDL's Coeur d'Alene staff office five (5) or more calendar days before meeting.
7/1/2021	Meeting Notice posted in prominent place at meeting location five (5) or more calendar days before meeting.
7/1/2021	Meeting Notice emailed/faxed to list of media and interested citizens who have requested such notice five (5) or more calendar days before meeting.
7/12/2021	Meeting Notice posted electronically on IDL's public website www.idl.idaho.gov five (5) or more calendar days before meeting.
7/15/2021	Agenda posted in prominent place in IDL's Boise Director's office forty-eight (48) hours before meeting.
7/15/2021	Agenda posted in prominent place in IDL's Coeur d'Alene staff office forty-eight (48) hours before meeting.
7/15/2021	Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
7/15/2021	Agenda emailed/faxed to list of media and interested citizens who have requested such notice forty-eight (48) hours before meeting.
7/15/2021	Agenda posted electronically on IDL's public website www.idl.idaho.gov forty-eight (48) hours before meeting.
5/6/2021	Land Board annual meeting schedule posted – Boise Director's office, Coeur d'Alene staff office, and IDL's public website www.idl.idaho.gov

Special Meetings

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

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

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

Renee Jacobsen — July 15, 2021

Recording Secretary — Date

Idaho State Board of Land Commissioners
Brad Little, Governor and President of the Board
Lawerence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D Woolf, State Controller
Sherri Ybarra, Superintendent of Public Instruction

Dustin T. Miller, Secretary to the Board

NOTICE OF PUBLIC MEETING JULY 2021

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, July 20, 2021 in the **State Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho**. The meeting is scheduled to begin at 9:00 AM (Mountain).

Please note location.

The State Board of Land Commissioners will conduct this meeting in person and by virtual means. This meeting is open to the public. No public comment will be taken.

Meeting will be streamed live via IPTV: https://www.idahoptv.org/shows/idahoinsession/
and via Facebook: https://www.facebook.com/IdahoDepartmentofLands

Members of the public may register to attend the Zoom webinar through this link:
https://idl.zoom.us/webinar/register/WN_9ICYq_N-RZKFSHEGN850FA

The Governor's Stage 4 Stay Healthy Guidelines dated 5/11/2021 allows for public meetings of any size with adherence to physical distancing and sanitation requirements. Individuals are encouraged to watch online or via webinar. All in-person attendees must comply with current COVID-19 safety protocols for public gatherings in the City of Boise, including but not limited to guidance regarding face coverings and social distancing. Physical distancing measures reduce the meeting room's normal attendance capacity.[1]

[1] www.cityofboise.org/departments/mayor/coronavirus-covid-19-information/ AND www.cdhd.idaho.gov/dac-coronavirus

Idaho State Board of Land Commissioners
Brad Little, Governor and President of the Board
Lawerence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D Woolf, State Controller
Sherri Ybarra, Superintendent of Public Instruction

Dustin T. Miller, Secretary to the Board

State Board of Land Commissioners Regular Meeting
July 20, 2021 – 9:00 AM (MT)
Final Agenda
Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho

The State Board of Land Commissioners will conduct this meeting in person and by virtual means. This meeting is open to the public. No public comment will be taken.

Meeting will be streamed live via IPTV: https://www.idahoptv.org/shows/idahoinsession/
and via Facebook: https://www.facebook.com/IdahoDepartmentofLands

Members of the public may register to attend the Zoom webinar through this link:
https://idl.zoom.us/webinar/register/WN_9ICYq_N-RZKFSHEGN850FA

The Governor's Stage 4 Stay Healthy Guidelines dated 5/11/2021 allows for public meetings of any size with adherence to physical distancing and sanitation requirements. Individuals are encouraged to watch online or via webinar. All in-person attendees must comply with current COVID-19 safety protocols for public gatherings in the City of Boise, including but not limited to guidance regarding face coverings and social distancing. Physical distancing measures reduce the meeting room's normal attendance capacity.[1]

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

   Trust Land Revenue
   A. Timber Sales – June 2021
   B. Leases and Permits – June 2021

   Status Updates
   C. Fire Season Report
   D. Land Bank Fund

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

   A. Manager's Report
   B. Investment Report

[1] www.cityofboise.org/departments/mayor/coronavirus-covid-19-information/ AND www.cdhd.idaho.gov/dac-coronavirus

Consent—Action Item(s)

3. **Disclaimer of Interest Request DI600302-6 Point Teaser Investments, LLC, Boise River** – *Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance*

4. **Disclaimer of Interest Request DI600307-Crispy Investments, LLC, Boise River** – *Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance*

5. **Disclaimer of Interest Request DI600314-U Got Action Investments, LLC, Boise River** – *Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance*

6. **Approval of Draft Minutes** – June 15, 2021 Regular Meeting (Boise)

Regular—Action Item(s)

7. **Acquisition of Title: Idaho Fish and Game Regional Office Administrative Sites in Jerome and Idaho Falls** – *Presented by Josh Purkiss, Bureau Chief-Real Estate Services, and Michael Pearson, Division Administrator, Idaho Department of Fish and Game*

8. **Land Bank Fund: Transfer of Past Earned Interest to Permanent Fund** – *Presented by Dustin Miller, Director*

9. **Proposed Legislation-2022 Session** – *Presented by Scott Phillips, Policy and Communications Chief*

Information

10. **Proposed Rule IDAPA 20.03.09, Easements on State-Owned Submerged Lands and Formerly Submerged Lands** – *Presented by Mick Thomas, Division Administrator-Minerals, Public Trust, Oil and Gas*

11. **Draft Grazing Rate Methodology Proposal** – *Presented by Dustin Miller, Director*

Executive Session

None

Idaho Statutes

Idaho Statutes are updated to the web July 1 following the legislative session.

TITLE 74
TRANSPARENT AND ETHICAL GOVERNMENT
CHAPTER 2
OPEN MEETINGS LAW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

History:

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

STATE BOARD OF LAND COMMISSIONERS
July 20, 2021
Trust Land Revenue

Timber Sales

During June 2021, the Department of Lands sold nine endowment timber sales at auction. The endowment net sale value represents a 15% up bid over the advertised value. The North Initial, Brush OSR, and North Ridge Salvage sales sold for the appraised value. The Pats Blowdown GNA Salvage sale did not sell at auction due to a four-month harvest timeline in order to salvage blowdown material. The Skyhigh Ton sale did not sell at auction due to a low logging cost allowance.

TIMBER SALE AUCTIONS								
Sale Name	**Area**	**Sawlogs MBF**	**Cedar Prod MBF**	**Pulp MBF**	**Appraised Net Value**	**Sale Net Value**	**Net $/MBF**	**Purchaser**
North Initial	Mica	6,585			$1,122,851.00	$ 1,122,851.00	$170.52	IFG Timber LLC
Trapline	PL	2,900			$ 446,805.00	$ 580,913.00	$200.31	IFG Timber LLC
Brush OSR	POND	6,055			$2,646,257.50	$ 2,646,257.50	$437.04	IFG Timber LLC
July Creek Ton	EI	3,620			$ 112,055.70	$ 475,648.50	$131.39	Sun Mountain
Lander Creek Ton	EI	1,400			$ 72,241.00	$ 190,933.00	$136.38	Jensen Lumber
North Line Ton	PAY	1,875			$ 445,871.62	$ 497,923.30	$265.56	Tamarack Mill
North Ridge Salvage	PAY	870			$ 76,821.00	$ 76,821.00	$88.30	Tramp Logging
Two Face Ton	PAY	2,205			$ 353,665.72	$ 358,787.20	$162.72	Woodgrain Inc
Smith Shacktor	SJ	4,755	20		$ 839,176.00	$ 1,083,107.00	$226.83	Stimson Lumber
Endowment		**30,265**	**20**	**0**	**$ 6,115,744.54**	**$ 7,033,241.50**	**$232.24**	

PROPOSED TIMBER SALES FOR AUCTION				
Sale Name	**Volume MBF**	**Advertised Net Value**	**Area**	**Estimated Auction Date**
North Operations				
Lookout Above	4,010	$ 1,508,039	St. Joe	7/8/2021
Pats Blowdown GNA Salvage	215	$ 43,722	IPNF/Pend Oreille	7/15/2021; 2nd Auction
Careywood GNA Ton Salvage	1,280	$ 39,069	IPNF/Pend Oreille	7/22/2021
TOTALS	**5,505**	**$ 1,590,830**		
South Operations				
Tripod GNA Ton	3,835	$ 539,795.92	Boise NF/Payette	7/1/2021
Trapper Shelter	8,250	$1,224,169.00	Clearwater	7/27/2021
TOTALS	**12,085**	**$ 1,763,964.92**		

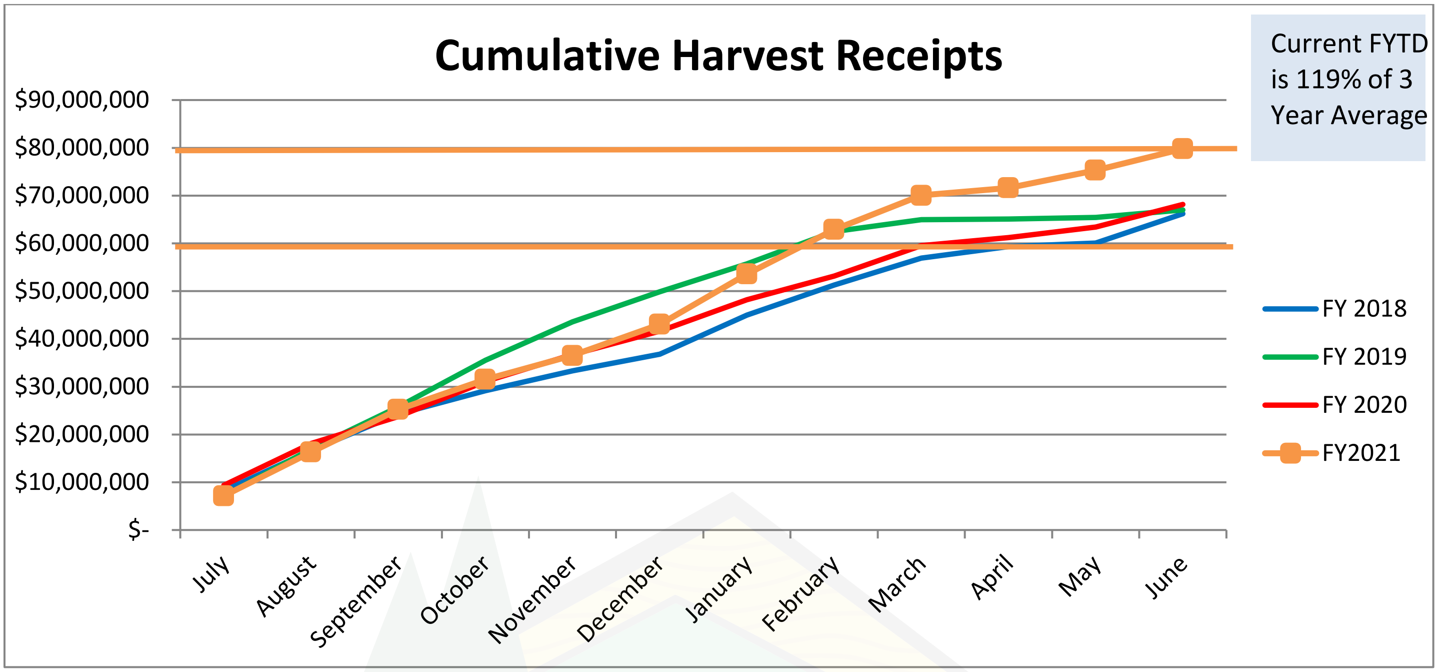
VOLUME UNDER CONTRACT as of June 30, 2021				
	Public School	Pooled	Total	3 Year Avg.
Active Contracts			180	177
Total Residual MBF Equivalent	370,549	221,395	591,944	558,168
Estimated residual value	$88,515,934	$61,201,487	$149,717,421	$153,730,161
Residual Value ($/MBF)	$238.88	$276.44	$252.92	$276.81

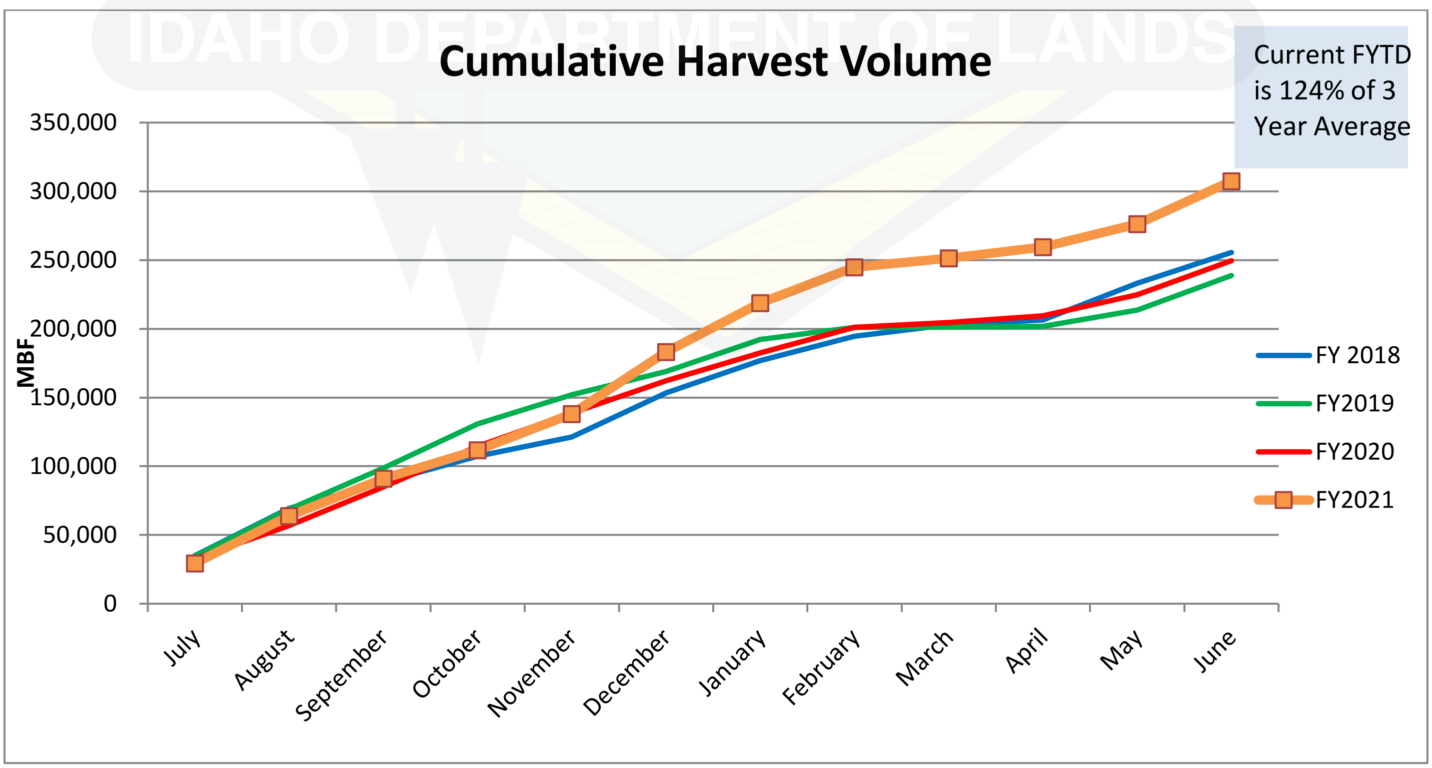
	TIMBER HARVEST RECEIPTS				
	June		FY to date	July Projected	
	Stumpage	Interest	Harvest Receipts	Stumpage	Interest
Public School	$ 2,462,301.52	$ 289,573.22	$ 45,981,575.62	$ 3,821,763.72	$ 484,469.55
Pooled	$ 1,545,937.91	$ 194,191.24	$ 33,794,132.75	$ 2,970,669.46	$ 343,175.70
General Fund	$ 3.10	$ 0.00	$ 13,095.74	$ 3.10	$ 0.00
TOTALS	$ 4,008,242.53	$ 483,764.46	$ 79,788,804.11	$ 6,792,436.28	$ 827,645.25

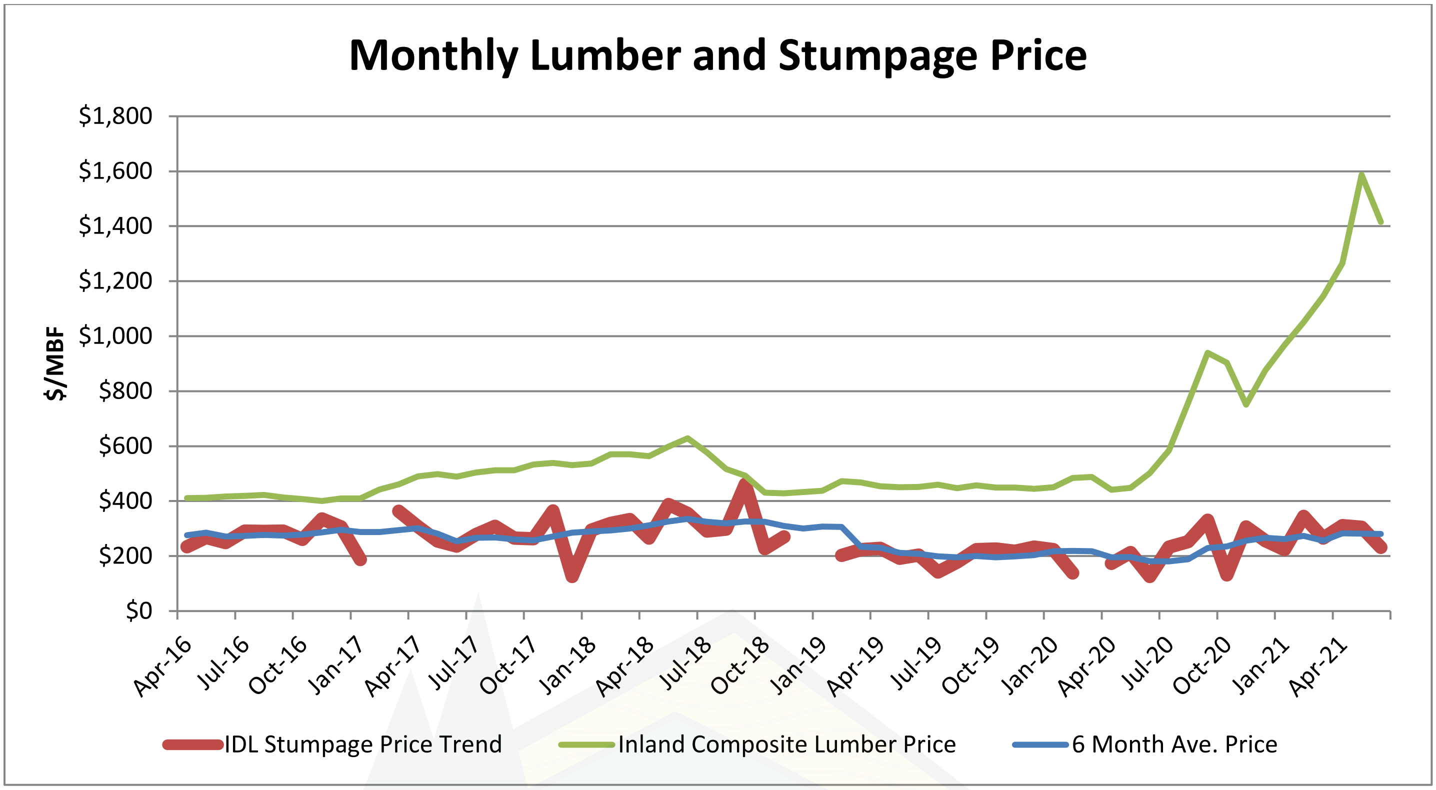
	Status of FY2021 Timber Sale Program						
	MBF Sawlog				Number Poles		
	Public School	Pooled	All Endowments		Public School	Pooled	All Endowments
Sold as of June 30, 2021	150,875	108,750	259,625		17,976	12,254	30,230
Currently Advertised	4,010	0	4,010		0	0	0
In Review	15,656	4,439	20,095		0	0	0
Did Not Sell[1]	0	0	0		0	0	0
TOTALS	**170,541**	**113,189**	**283,730**		**17,976**	**12,254**	**30,230**
FY2021 Sales Plan			284,238				28,810
Percent to Date			100%				105%

	Status of FY2022 Timber Sale Program						
	MBF Sawlog				Number Poles		
	Public School	Pooled	All Endowments		Public School	Pooled	All Endowments
Sold as of June 30, 2021	3,075	1,875	4,950		0	0	0
Currently Advertised	2,120	0	2,120		0	0	0
In Review	8,143	13,078	21,221		780	0	780
Did Not Sell[1]	0	0	0		0	0	0
TOTALS	**13,338**	**14,953**	**28,291**		**780**	**0**	**780**
FY2022 Sales Plan			311,195				20,600
Percent to Date			9%				4%

[1] After three attempts at auction.

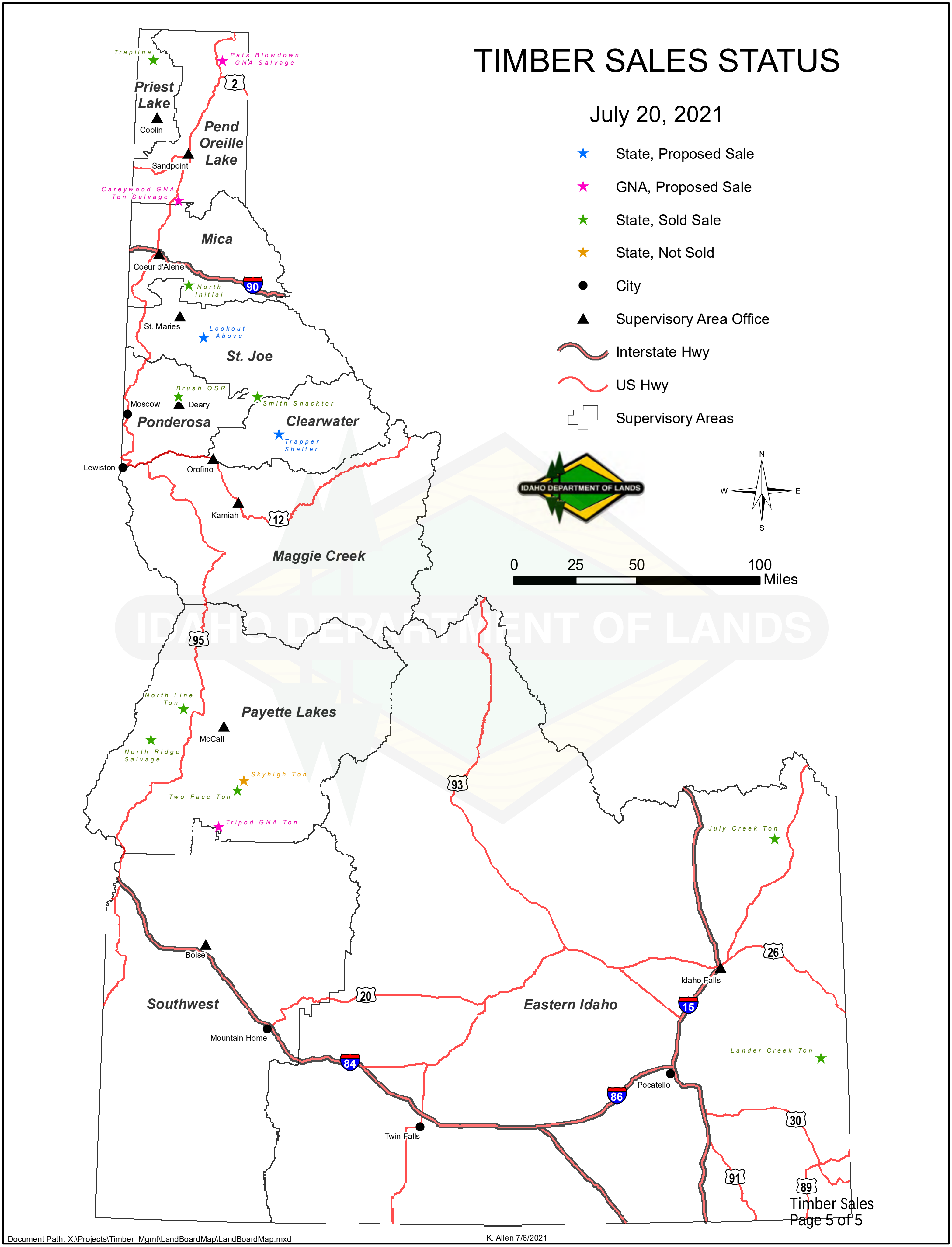

Cumulative Harvest Receipts
Current FYTD is 119% of 3 Year Average
$90,000,000
$80,000,000
$70,000,000
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$-
July
August
September
October
November
December
January
February
March
April
May
June
FY 2018
FY 2019
FY 2020
FY2021


Cumulative Harvest Volume
Current FYTD is 124% of 3 Year Average
MBF
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
July
August
September
October
November
December
January
February
March
April
May
June
FY 2018
FY2019
FY2020
FY2021



June 2021 6-month average price is $280.29.

June 2020 6-month average price was $181.37.



TIMBER SALES STATUS
July 20, 2021
State, Proposed Sale
GNA, Proposed Sale
State, Sold Sale
State, Not Sold
City
Supervisory Area Office
Interstate Hwy
US Hwy
Supervisory Areas
IDAHO DEPARTMENT OF LANDS
N
W
E
S
0
25
50
100
Miles
Trapline
Pats Blowdown GNA Salvage
Priest Lake
Coolin
Pend Oreille Lake
Sandpoint
Careywood GNA Ton Salvage
Mica
Coeur d'Alene
North Initial
St. Maries
Lookout Above
St. Joe
Brush OSR
Smith Shacktor
Moscow
Deary
Ponderosa
Clearwater
Trapper Shelter
Lewiston
Orofino
Kamiah
Maggie Creek
North Line Ton
Payette Lakes
McCall
North Ridge Salvage
Skyhigh Ton
Two Face Ton
Tripod GNA Ton
July Creek Ton
Boise
Southwest
Mountain Home
Eastern Idaho
Idaho Falls
Lander Creek Ton
Pocatello
Twin Falls
2
90
12
95
93
26
20
15
84
86
30
91
89
IDAHO DEPARTMENT OF LANDS
Document Path: X:\Projects\Timber_Mgmt\LandBoardMap\LandBoardMap.mxd
K. Allen 7/6/2021

STATE BOARD OF LAND COMMISSIONERS
July 20, 2021
Endowment Transactions

Leases and Permits

FISCAL YEAR 2021 – LEASING & PERMITTING TRANSACTIONS BY MONTH – through June 30, 2021														
ACTIVITY	**JUL**	**AUG**	**SEP**	**OCT**	**NOV**	**DEC**	**JAN**	**FEB**	**MAR**	**APR**	**MAY**	**JUN**	**EST**	**FYTD**
SURFACE														
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	1	0
Assignments	-	-	-	-	-	1	-	-	-	-	-	-	1	1
Communication Sites	-	-	-	-	-	-	-	-	-	2	-	2	31	4
Assignments	-	-	-	-	-	-	1	-	-	-	-	-	1	1
Grazing	7	2	1	1	1	1	-	2	1	-	1	1	14	18
Assignments	-	3	4	-	2	-	1	6	4	11	7	-	32	38
Residential	-	2	4	-	-	-	1	-	-	1	-	-	18	8
Assignments	-	1	1	2	-	1	-	-	1	3	-	-	18	9
COMMERCIAL														
Alternative Energy	-	-	-	-	-	-	-	-	-	-	-	-	1	0
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	6	0
Military	-	-	-	-	-	-	-	-	-	-	-	-	4	0
Office/Retail	-	-	-	-	-	-	-	-	-	-	-	-	2	0
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	11	0
Assignments	-	-	-	-	-	1	-	-	-	-	-	-	-	1
OTHER														
Conservation	-	-	-	-	-	-	-	-	-	-	-	-	0	0
Assignments	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Geothermal	-	-	-	-	-	-	-	-	-	-	-	-	4	0
Minerals	13	-	-	1	-	-	-	-	-	-	-	-	57	14
Assignments		-	-	-	3	1	-	-	-	2	-	-	-	6
Non-Comm Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Oil & Gas	-	-	-	-	-	-	-	-	-	-	-	-	0	0
Assignments	-	-	-	-	-	-	-	-	-	-	-	53		53
PERMITS														
Land Use Permits	10	5	12	6	7	1	3	10	12	12	8	5	NA	91
TOTAL INSTRUMENTS	30	13	22	10	13	6	6	18	18	31	16	61	NA	244

Real Estate

FISCAL YEAR 2021 – REAL ESTATE TRANSACTIONS BY MONTH – through June 30, 2021													
ACTIVITY	**JUL**	**AUG**	**SEP**	**OCT**	**NOV**	**DEC**	**JAN**	**FEB**	**MAR**	**APR**	**MAY**	**JUN**	**FYTD**
Deeds Acquired	-	-	-	-	-	-	-	-	-	-	-	-	0
Deeds Granted	-	-	9	6	3	-	-	-	-	-	-	-	18
Deeds Granted - Surplus	-	-	-	-	-	-	-	1	-	-	-	1	1
Easements Acquired	-	-	-	-	-	-	-	-	-	2	1	-	3
Easements Granted	-	-	-	-	-	-	-	-	1	2	-	-	3
Assignments	-	1	-	-	-	-	-	-	-	-	-	-	1

Land Exchange Update

Deatley LEX *Due diligence is nearly complete. Expect to bring to Land Board by August.*

Avimor LEX *Due diligence is nearly complete. Expect to bring to Land Board by August.*

Eastern Idaho Regional Solid Waste District LEX *Due diligence is nearly complete. Expect to bring to Land Board by August.*

Owyhee LEX *BLM gave a 30-day appeal extension window for two appellants. If appeals are received, they will go to the Interior Board of Land Appeals for review.*

Idaho Forest Group LEX *The LEX is going through the closing process.*

B

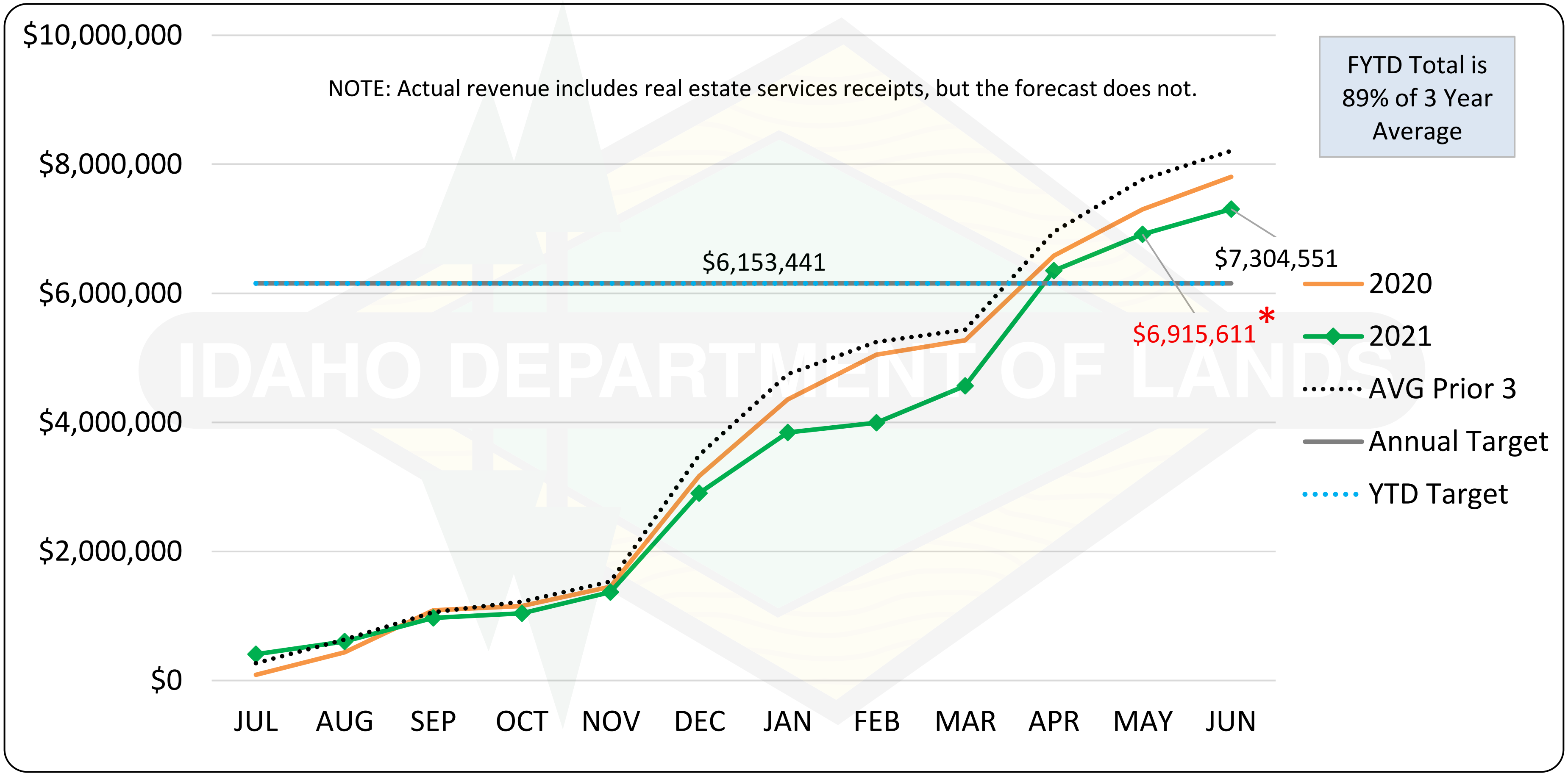
TRUST LAND MANAGEMENT DIVISION
FY2021 GROSS REVENUE (non-timber) - ACTUAL AND FORECASTED
through June 30, 2021

	ACTUAL RECEIPTS AS OF 06.30.2021	REVENUE EXPECTED BY 06.30.2021**	REVENUE EXPECTED BY 06.30.2021
SURFACE			
AGRICULTURE	$ 495,157	$ 471,740	$ 471,740
COMMUNICATION SITES	$ 926,518	$ 548,359	$ 548,359
GRAZING	$ 2,056,070	$ 1,822,510	$ 1,822,510
RESIDENTIAL	$ 1,415,355	$ 1,450,328	$ 1,450,328
COMMERCIAL			
COMMERCIAL ENERGY RESOURCES	$ 32,685	$ 12,715	$ 12,715
COMMERCIAL INDUSTRIAL	$ 131,752	$ 73,313	$ 73,313
COMMERCIAL MILITARY	$ 87,894	$ 62,438	$ 62,438
COMMERCIAL OFFICE/RETAIL	$ 916,102	$ 997,010	$ 997,010
COMMERCIAL RECREATION***	$ 776,516	$ 470,323	$ 470,323
OTHER			
CONSERVATION LEASES	$ 66,373	$ 103,951	$ 103,951
GEOTHERMAL	$ (1,000)	$ 5,000	$ 5,000
MINERAL	$ 90,652	$ 70,492	$ 70,492
NON-COMMERCIAL RECREATION	$ 106,744	$ 52,128	$ 52,128
OIL AND GAS LEASES	$ 8,983	$ 13,133	$ 13,133
Sub Total	**$ 7,109,800**	**$ 6,153,441**	**$ 6,153,441**
*LAND SALES/RECORDS	$ 177,297		
*REAL ESTATE SERVICES	$ 17,454		
Grand Total	**$ 7,304,551**		

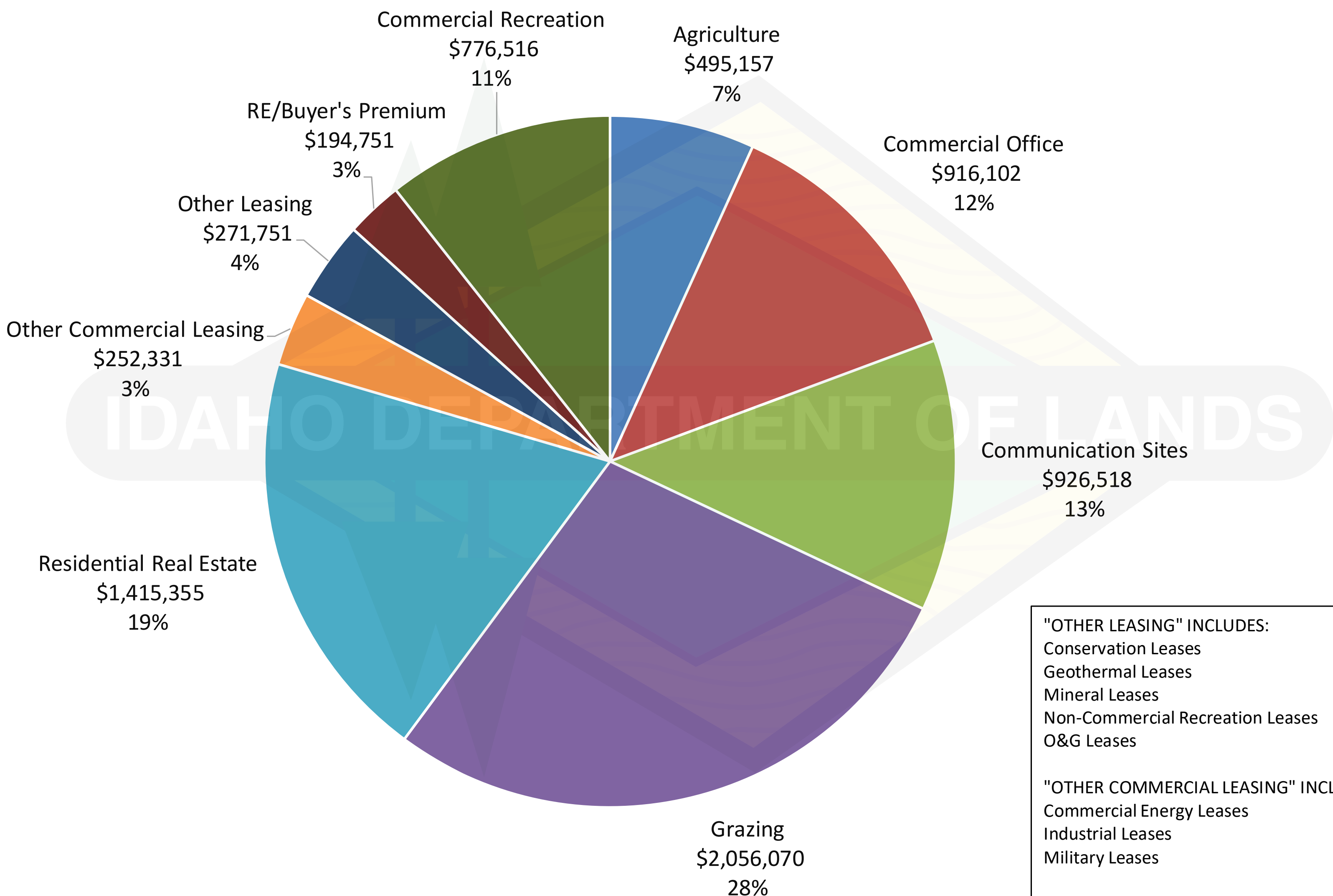
* These categories are not included in the annual forecast.
** These figures are based on "normal" timing of revenue/billing throughout the year.
*** $629,163 in Commercial Recreation for the Tamarack Lease covering FY21 and FY22 lease payments.

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

Cumulative Trust Land Program Receipts - Earnings Reserve - All Programs excluding Timber
FY2020 - FY2021
(*May 2021 data point below corrected from previous report.)



TRUST LAND - EARNINGS RESERVE REVENUE BY PROGRAM (non-timber)
TOTAL FY2021 = $7,304,551



"OTHER LEASING" INCLUDES:
Conservation Leases
Geothermal Leases
Mineral Leases
Non-Commercial Recreation Leases
O&G Leases

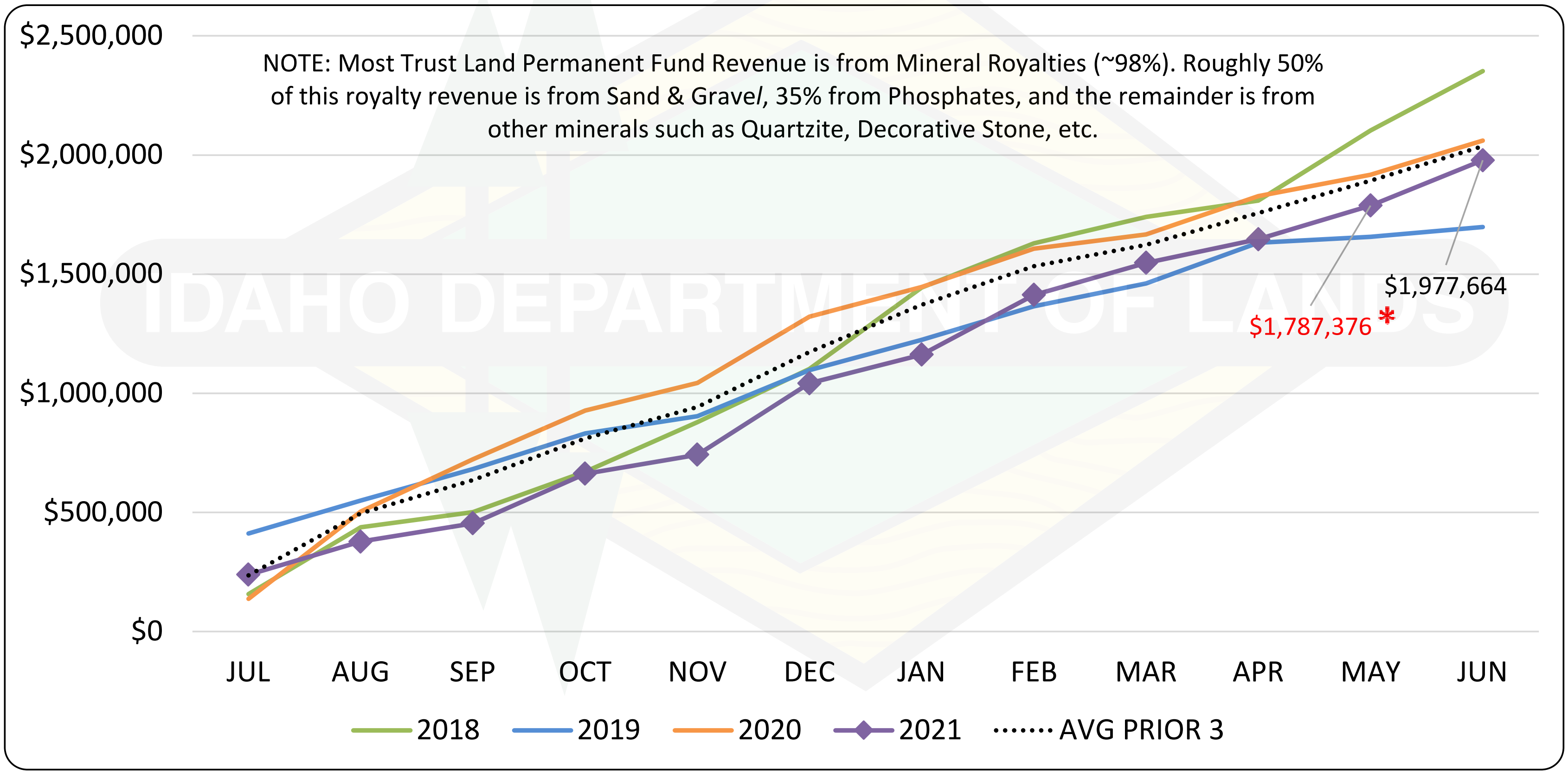
"OTHER COMMERCIAL LEASING" INCLUDES:
Commercial Energy Leases
Industrial Leases
Military Leases

Cumulative Trust Land Permanent Fund Revenue/Royalties

(Does NOT include Land Bank Revenue)

FY18 - FY21

(*May 2021 data point below corrected from previous report.)



STATE BOARD OF LAND COMMISSIONERS
July 20, 2021
Department Report

Subject

Fire Season Update

Background

As of July 14, Emergency Fire Suppression expenditures are estimated to be $21,700,000. The Suppression Account will recover an estimated $400,000 of reimbursable costs, for a net obligation of $21,300,000. The total obligation above includes the 2021 contracted aircraft costs, and prepositioned contract engines and crews to assist with resource scarcity. These engines are assigned across the state to boost initial attack resources.

Discussion

IDL had an extremely active week with dry lightning storms igniting numerous fires from Grangeville to the Canadian border. These incidents are emerging and information is rapidly changing. Limited resources and historically dry fuels are contributing to this critical fire activity.

The following is a list of IDL fires that are active in IDL protection.

- CPTPA FPD has 14 fires totaling 3,660 acres complexed (Cougar Rock Complex) under a Type 2 IMT.
- Craig Mountain FPD has four fires totaling 105,000 acres complexed (Snake River Complex) under a Type 2 IMT.
- Ponderosa FPD has three fires totaling 1,848 acres managed by a Type 2 IMT.
- Maggie Creek FPD has four fires totaling 1,341 acres managed by a Type 2 IMT.

As shown by the table below, fire occurrence to date for 2021 is 229 percent of the 20-year average, while the acres burned is 902 percent of the 20-year average.

Fire Season Comparison to Date

# of Fires				
Year	**Lightning**	**Human**	**Total**	**Acres**
2018	16	60	76	2,295
2019	32	65	97	562
2020	11	45	56	280
2021	62	142	204	101,942
20 Yr. Average			**89**	**11,306**

Numbers in table are YTD for prior years and YTD for the current year.

Weather conditions in IDL fire protection for the last three months have been far warmer and drier than normal. The weather forecast is for the hot dry conditions to continue. The fire season severity is expected to increase, perhaps to historic levels.

C

Significant Fires Outside of IDL Protection

Character Complex
Agency/Management: Idaho Panhandle National Forest
General Location: 8 miles north of Kellogg. Acres burned: 2,331 acres

Dixie-Jumbo Fires
Agency/Management: Nez Perce-Clearwater National Forests
General Location: Just north of Dixie. Acres burned: 12,830 acres

Mud Lick Fire
Agency/Management: Salmon-Challis National Forest
General Location: 24 miles west of Salmon. Acres burned: 700 acres

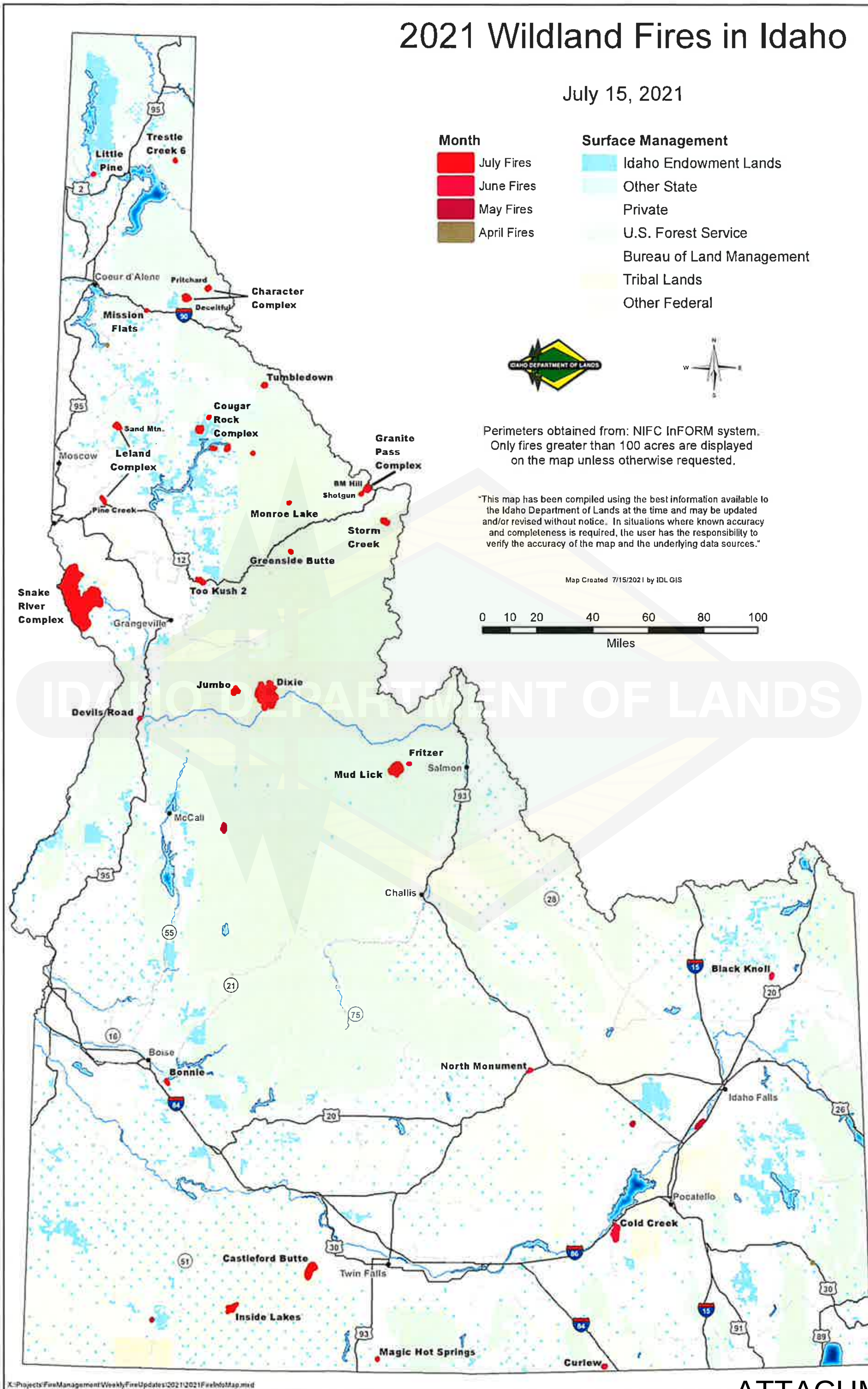
Total Acres Burned by Ownership	
7/16/2021	
Surface Owner	**Acres**
Idaho Department of Lands	6,268
Other State Lands	56,934
Private	14,319
Bureau of Land Management	34,279
Other Federal	3,799
U.S. Forest Service	42,504
Total Acres	**158,103**

Only fires with perimeters in the Fire Enterprise Geospatial Portal and the IDL Lands Resource Manager system have been included in the analysis.

Fire Deficiency Warrant Spending - 2021 Fire Season YTD		
Category	**Estimated Costs**	**Notes**
Aviation Resources	$2,000,000	4 SEATS, 2 Fire Bosses, 2 Type 2 Helicopters
Prepositioned Engines	$750,000	10 contract engines statewide to boost IA
Prepositioned Hand Crews	$400,000	Two 20-person Hand Crews to boost IA
IDL Team Fires	$14,000,000	Type 2 and Type 3 Fires
IDL Non-Team Fires	$1,300,000	IDL/Assn. fires including prepositioning
Other Suppression	$3,250,000	Reimbursable (IDL and Fire Department resources supporting non-IDL fires), Coeur d'Alene Cache, Dispatch
Total Estimate YTD	**$21,700,000**	

Attachments

1. Map—Significant Fires Throughout Idaho
2. Map—Current Fire Restrictions



ATTACHMENT 1

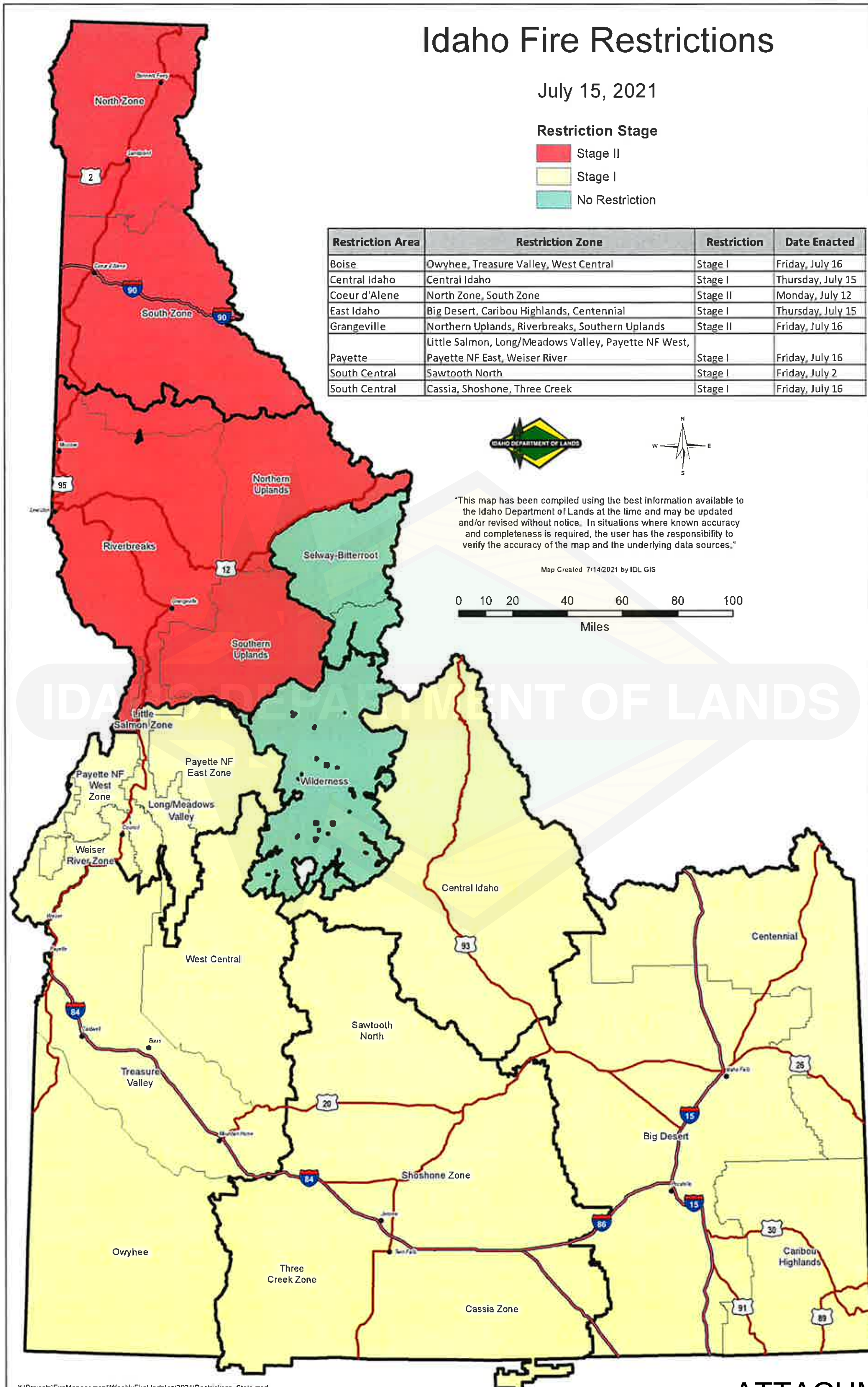
Idaho Fire Restrictions

July 15, 2021

Restriction Stage

- Stage II
- Stage I
- No Restriction

Restriction Area	Restriction Zone	Restriction	Date Enacted
Boise	Owyhee, Treasure Valley, West Central	Stage I	Friday, July 16
Central Idaho	Central Idaho	Stage I	Thursday, July 15
Coeur d'Alene	North Zone, South Zone	Stage II	Monday, July 12
East Idaho	Big Desert, Caribou Highlands, Centennial	Stage I	Thursday, July 15
Grangeville	Northern Uplands, Riverbreaks, Southern Uplands	Stage II	Friday, July 16
Payette	Little Salmon, Long/Meadows Valley, Payette NF West, Payette NF East, Weiser River	Stage I	Friday, July 16
South Central	Sawtooth North	Stage I	Friday, July 2
South Central	Cassia, Shoshone, Three Creek	Stage I	Friday, July 16



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

Map Created 7/14/2021 by IDL GIS

0 10 20 40 60 80 100

Miles

Y:\Projects\FireManagement\WeeklyFireUpdates\2021\Restrictions_State.mxd

ATTACHMENT 2

LAND BANK AGING REPORT

Current Remaining Principal Balance By Quarter Receipted - As of June 30, 2021

FY Quarter IN	Public School	Normal Schools	State Hospital South	University of Idaho	All Endowments	FY Quarter EXPIRES
2017-02	$ -	$ -	$ -	$ -	$ -	2022-02
2017-03	$ -	$ -	$ -	$ -	$ -	2022-03
2017-04	$ -	$ -	$ -	$ -	$ -	2022-04
2018-01	$ -	$ 3,331,000	$ 4,439,000	$ -	$ 7,770,000	2023-01
2018-02	$ 27,869,832	$ -	$ 125,500	$ -	$ 27,995,332	2023-02
2018-03	$ -	$ 2,000,712	$ 829,888	$ 5,650,029	$ 8,480,629	2023-03
2018-04	$ 10,500	$ -	$ -	$ -	$ 10,500	2023-04
2019-01	$ -	$ 2,428,000	$ 1,442,000	$ -	$ 3,870,000	2024-01
2019-02	$ 25,136,124	$ -	$ -	$ -	$ 25,136,124	2024-02
2019-03	$ -	$ -	$ -	$ -	$ -	2024-03
2019-04	$ -	$ -	$ -	$ -	$ -	2024-04
2020-01	$ -	$ 2,582,500	$ 1,670,000	$ -	$ 4,252,500	2025-01
2020-02	$ 12,793,400	$ -	$ -	$ -	$ 12,793,400	2025-02
2020-03	$ 866,000	$ -	$ -	$ -	$ 866,000	2025-03
2020-04	$ 52,134	$ -	$ -	$ -	$ 52,134	2025-04
2021-01	$ 5,159,720	$ -	$ -	$ -	$ 5,159,720	2026-01
2021-02	$ 6,595,000	$ -	$ -	$ -	$ 6,595,000	2026-02
2021-03	$ -	$ -	$ -	$ -	$ -	2026-03
2021-04	$ -	$ -	$ -	$ -	$ -	2026-04
TOTAL PRINCIPAL REMAINING	**$ 78,482,710**	**$ 10,342,212**	**$ 8,506,388**	**$ 5,650,029**	**$ 102,981,339**	

LAND BANK CASH BALANCE (with Interest)	**$ 83,793,056**	**$ 11,714,755**	**$ 9,914,596**	**$ 5,949,817**	**$ 111,372,225**

Monthly Report to the Board of Land Commissioners

Investment performance through June 30, 2021

Month: **1.1%** ***Fiscal year:*** **29.7%**

The endowment fund was up 29.7% during fiscal 2021, which is 3.8% above the benchmark. This surpasses our previous record of 24.6% that took place in fiscal year 2011 as financial markets recovered from the great financial crisis. Large growth stocks outperformed early in the fiscal year, as big technology companies were best positioned to support new ways of living and working from home due to COVID-19 induced quarantines. Small and value-oriented stocks outperformed in the second half of the fiscal year as effective vaccination efforts enabled a gradual and more broadly dispersed reopening of the economy. Our modest overweight to small and mid-cap stocks was beneficial during the fiscal year. The incredible speed of the financial market recovery would not have been possible without extraordinary monetary and fiscal support and outstanding efforts by the biotech and healthcare communities.

Despite the outstanding results, there were challenges in certain parts of the portfolio. The retail and office sectors of our real estate investments were hit hard by COVID-19 quarantines but are recovering and posted positive results in the last two quarters. Fixed income struggled, because interest rates increased after dropped to all-time lows just prior to the beginning of the fiscal year. Credit and TIPS performed well as the economic recovery resulted in spread tightening and inflation expectations escalated, but it was a difficult period for U.S. Treasuries giving the rising rate environment.

Our investment performance was complemented by strong performance from the Idaho Department of Lands. Timber revenue was about 20% above average due to strong lumber markets, a good operating season, solid stumpage prices, and increasing volume of timber under contract. In addition, $31.8 million was transferred into the permanent fund from the Land Bank. Strong investment performance combined with strong lands revenue, will allow us to provide a significant increase in beneficiary distributions in fiscal 2023, maintain solid reserves and grow the permanent fund. It was exciting to see the fund balance surpass $3 billion for the first time during the fiscal year.

Capital markets assumptions published by Callan and many other organizations, universally suggest that future investment returns face stiff headwinds due to low interest rates, high equity valuations and the likelihood that central banks and governments will soon begin the delicate process of scaling back accommodation. It could be some time before we see a year like this again.

Status of endowment fund reserves
Distributions for FY2021 and FY2022 are well secured.

Significant actions of the Endowment Fund Investment Board
None.

Compliance/legal issues, areas of concern
Material deviations from Investment Policy: None.

Material legal issues: None.

Changes in board membership or agency staffing: None.

Upcoming issues/events
Land Board Audit Committee – August 11, 2021
EFIB Board Meeting – August 12, 2021

INVESTMENT REPORT

IDAHO ENDOWMENT FUND INVESTMENT BOARD

Preliminary Report (Land Grant Fund) **June 30, 2021**

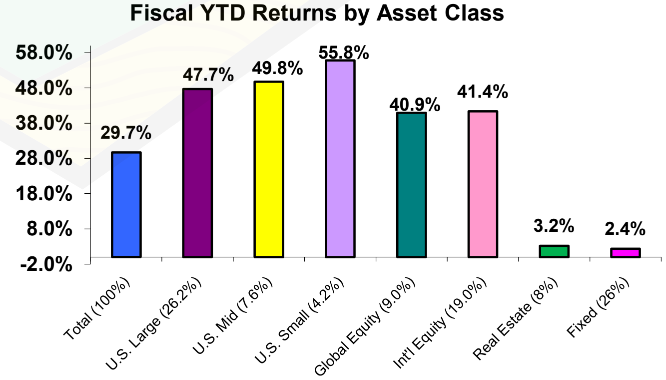
	Month		FYTD
Beginning Value of Fund	**$ 3,063,646,227**	**$**	**2,395,398,968**
Distributions to Beneficiaries	(7,293,400)		(86,970,800)
Land Revenue net of IDL Expenses (includes $31.8 Land Bank transfer)	5,557,602		89,533,229
Change in Market Value net of Investment Mgt. Expenses	34,774,273		698,723,305
Current Value of Fund	**$ 3,096,684,702**	**$**	**3,096,684,702**

Gross Returns	Current Month	Calendar Y-T-D	Fiscal Y-T-D	One Year	Three Year	Five Year	Ten Year
Total Fund	**1.1%**	**9.7%**	**29.7%**	**29.7%**	**13.7%**	**12.7%**	**9.9%**
*Total Fund Benchmark**	*1.3%*	*8.3%*	*25.9%*	*25.9%*	*12.2%*	*11.6%*	*9.3%*
Total Fixed	**0.8%**	**-0.8%**	**2.4%**	**2.4%**	**5.6%**	**3.2%**	**3.4%**
85% BB Agg, 15% TIPS	*0.7%*	*-1.1%*	*0.7%*	*0.7%*	*5.5%*	*3.2%*	*3.4%*
Total Equity	**1.3%**	**14.9%**	**45.7%**	**45.7%**	**17.8%**	**17.2%**	**12.6%**
38% R3 19% Ax 9% AC	*1.4%*	*13.0%*	*41.1%*	*41.1%*	*15.5%*	*15.5%*	*11.7%*
Domestic Equity	**1.5%**	**16.5%**	**49.2%**	**49.2%**	**19.1%**	**18.9%**	**15.0%**
Russell 3000 (R3)	*2.5%*	*15.1%*	*44.2%*	*44.2%*	*18.7%*	*17.9%*	*14.7%*
Global Equity	**2.3%**	**12.1%**	**40.9%**	**40.9%**	**17.9%**	**15.2%**	**9.8%**
MSCI ACWI (AC)	*1.3%*	*12.3%*	*39.3%*	*39.3%*	*14.6%*	*14.6%*	*9.9%*
Int'l. Equity	**0.4%**	**13.0%**	**41.4%**	**41.4%**	**15.1%**	**14.5%**	**7.3%**
MSCI ACWI ex-US (Ax)	*-0.6%*	*9.2%*	*35.7%*	*35.7%*	*9.4%*	*11.1%*	*5.4%*
Real Estate			**3.2%**	**2.4%**	**5.3%**		
			3.9%	*2.3%*	*4.9%*		

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

	Mkt Value	Allocation
Domestic Equity	**$ 1,211.4**	**39.1%**
Large Cap	835.5	27.0%
Mid Cap	242.1	7.8%
Small Cap	133.8	4.3%
Global Equity	**290.3**	**9.4%**
Int'l Equity	**596.7**	**19.3%**
Fixed Income	**785.6**	**25.4%**
Real Estate	**195.2**	**6.3%**
Cash	**15.3**	**0.5%**
Total Fund	**$ 3,096.7**	**99.9%**

Fiscal YTD Returns by Asset Class

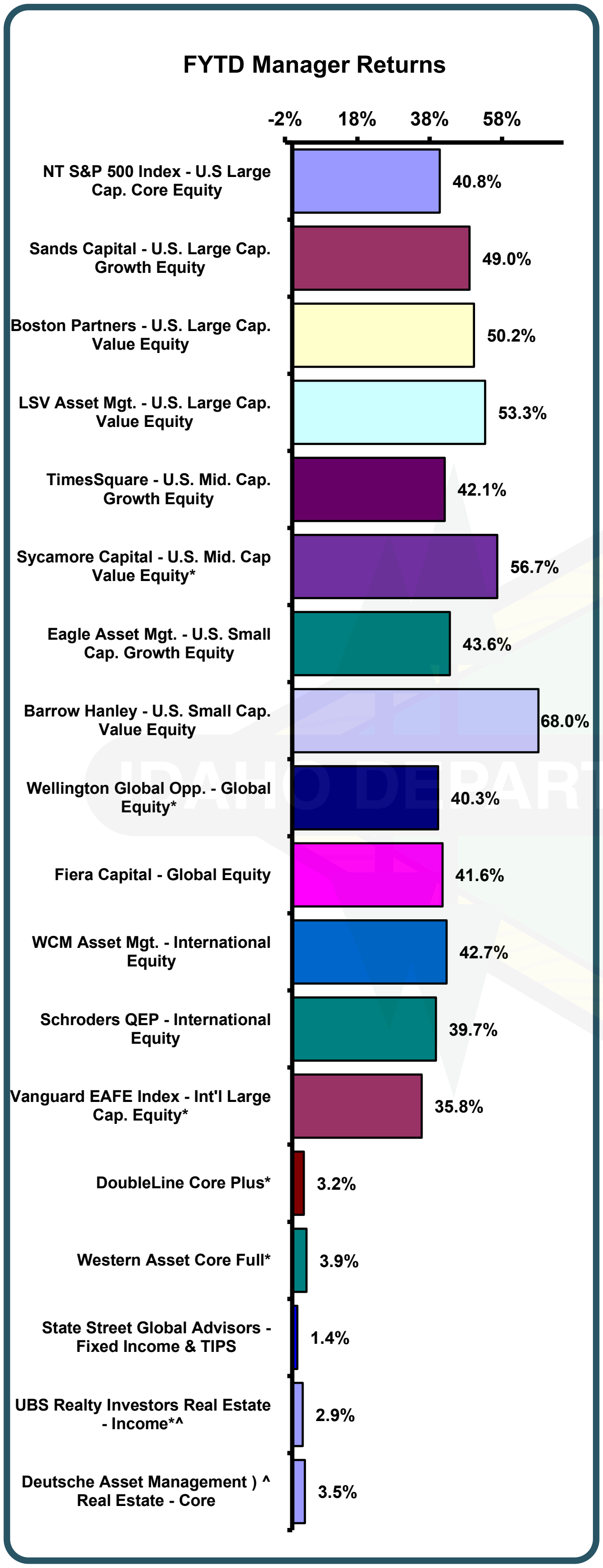


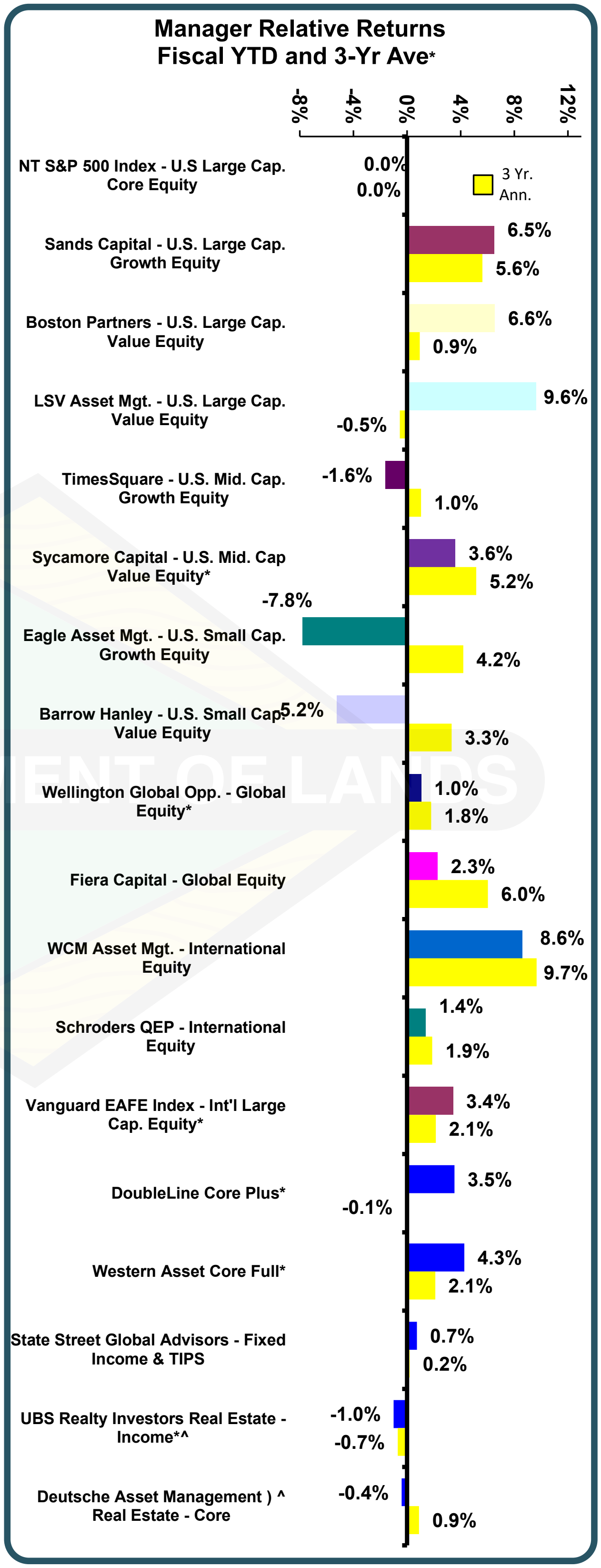
Endowment Fund Staff Comments:

The endowment fund was up 29.7% during fiscal 2021, which is 3.8% above the benchmark. This surpasses our previous record of 24.6% that took place in fiscal year 2011 as financial markets recovered from the great financial crisis. Large growth stocks outperformed early in the fiscal year, as big technology companies were best positioned to support new ways of living and working from home due to COVID-19 induced quarantines. Small and value-oriented stocks outperformed in the second half of the fiscal year as effective vaccination efforts enabled a gradual and more broadly dispersed reopening of the economy. Our modest overweight to small and mid-cap stocks was beneficial during the fiscal year. The incredible speed of the financial market recovery would not have been possible without extraordinary monetary and fiscal support and outstanding efforts by the biotech and healthcare communities. Despite the outstanding results, there were challenges in certain parts of the portfolio. The retail and office sectors of our real estate investments were hit hard by COVID-19 quarantines but are recovering and posted positive results in the last two quarters. Fixed income struggled, because interest rates increased after dropped to all-time lows just prior to the beginning of the fiscal year. Credit and TIPS performed well as the economic recovery resulted in spread tightening and inflation expectations escalated, but it was a difficult period for U.S. Treasuries giving the rising rate environment.

June 30, 2021

INVESTMENT REPORT





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

STATE BOARD OF LAND COMMISSIONERS
July 20, 2021
Consent Agenda

Subject

DI600302, Disclaimer of Interest for the former bed of the Boise River in Ada County.

Question Presented

Shall the Land Board approve Disclaimer of Interest DI600302?

Background

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

Discussion

6 Point Teaser Investments, LLC, of Boise, Idaho has applied for a disclaimer of interest for one parcel of accretion land totaling 0.61 acres, more or less. This parcel is located within the original surveyed river meander lines of the Boise River adjacent to the applicant's deeded property in Government Lot 8, Section 32, Township 4 North, Range 2 East (Attachment 1-Map).

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

6 Point Teaser Investments, LLC will grant the State of Idaho an easement 25 feet in width for a public use right of way along, and adjacent to, the OHWM of the Boise River.

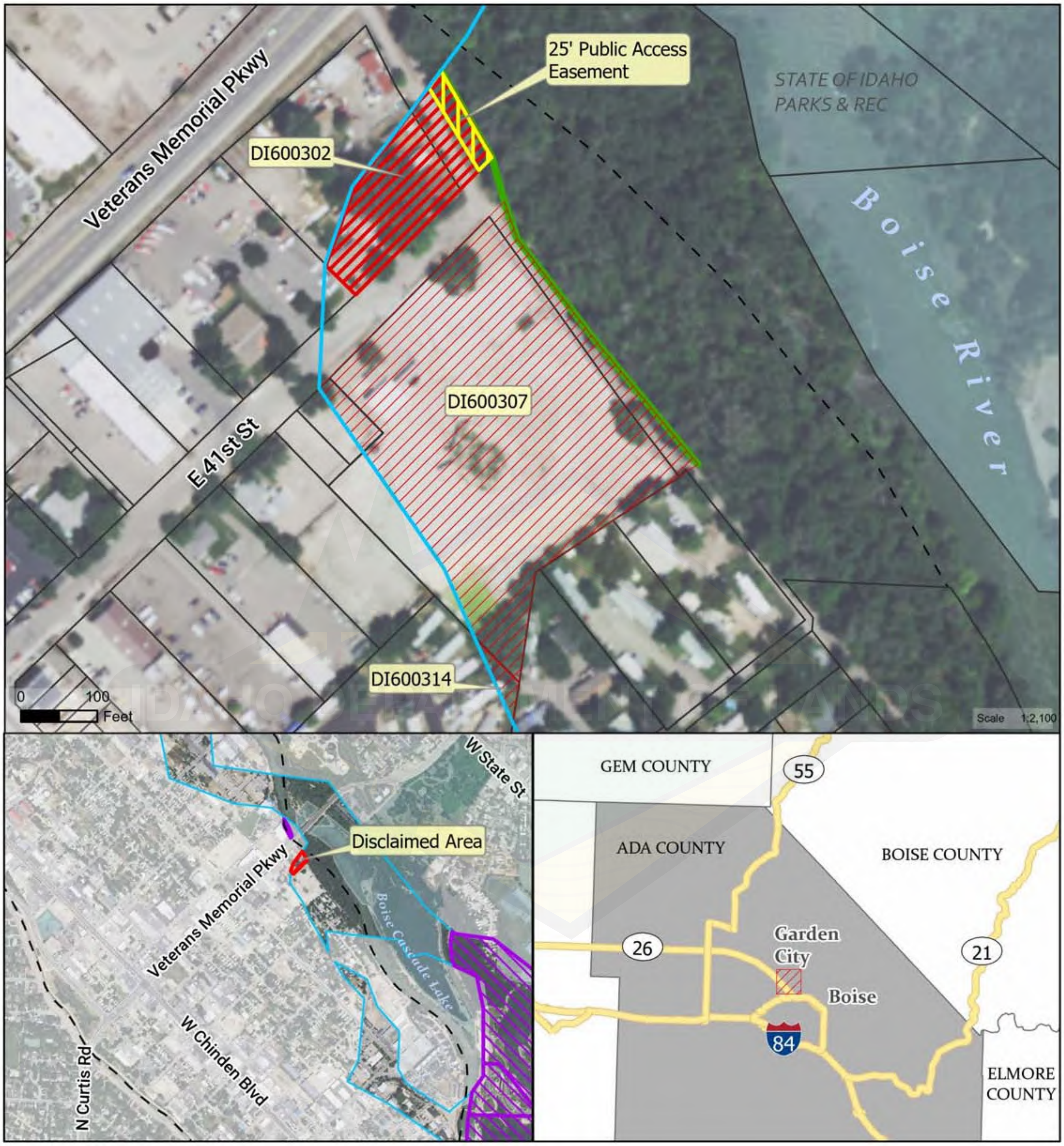
Recommendation

Direct the Department to issue Disclaimer of Interest DI600302 for one parcel totaling 0.61 acres of the former bed of the Boise River to 6 Point Teaser Investments, LLC following their payment to the Department of the remaining processing fee of $300.

Board Action

Attachments

1. Map



DI600302

DI600307 & DI600314

Existing Disclaimers

Access Easement

Meander Line

Ordinary High Water Mark

Parcels

Garden City Boundary

Disclaimer DI600302

S32 - T04N - R02E

N W E S

6/28/2021

Map Notes

Projection: Idaho Transverse Mercator, NAD 83

Map Notes and Data Sources

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

Document Path: X:\Projects\Lands_and_Waterways\Disclaimers\DI600302\DI600302.aprx

cmcintyre

ATTACHMENT 1

STATE BOARD OF LAND COMMISSIONERS

July 20, 2021

Consent Agenda

Subject

DI600307, Disclaimer of Interest for the former bed of the Boise River in Ada County.

Question Presented

Shall the Land Board approve Disclaimer of Interest DI600307?

Background

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

Discussion

Crispy Investments, LLC, of Boise, Idaho has applied for a disclaimer of interest for one parcel of accretion land totaling 3.17 acres, more or less. This parcel is located within the original surveyed river meander lines of the Boise River adjacent to the applicant's deeded property in Government Lot 8, Section 32, Township 4 North, Range 2 East (Attachment 1-Map).

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

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

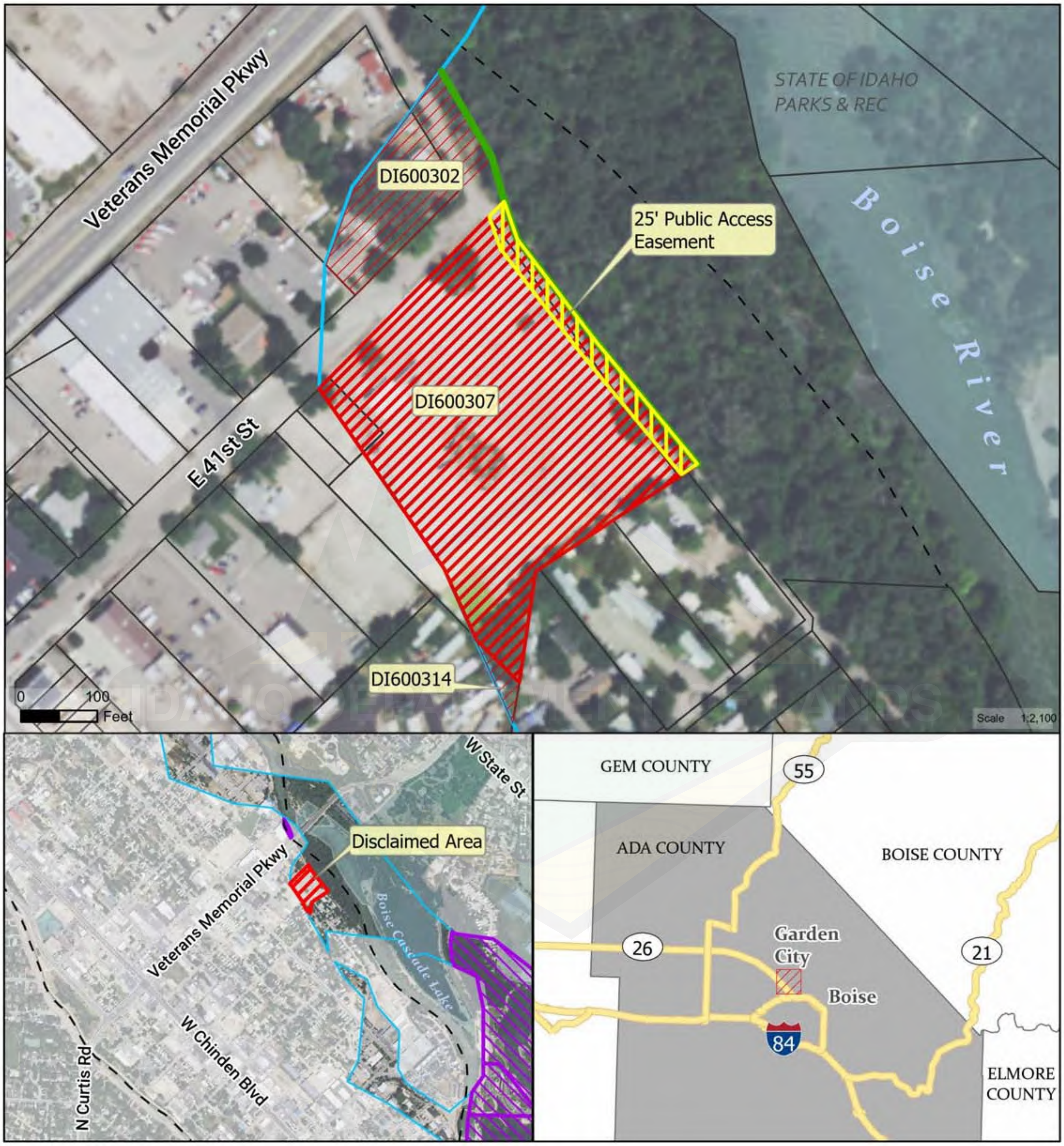
Recommendation

Direct the Department to issue Disclaimer of Interest DI600302 for one parcel totaling 3.17 acres of the former bed of the Boise River to Crispy Investments, LLC following their payment to the Department of the remaining processing fee of $300.

Board Action

Attachments

1. Map



- DI600307
- DI600302 & DI600314
- Existing Disclaimers
- Access Easement
- Meander Line
- Ordinary High Water Mark
- Parcels
- Garden City Boundary

Disclaimer DI600307

S32 - T04N - R02E

N W E S

6/28/2021

Map Notes

Projection: Idaho Transverse Mercator, NAD 83

Map Notes and Data Sources

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

Document Path: X:\Projects\Lands_and_Waterways\Disclaimers\DI600307\DI600307.aprx

cmcintyre

ATTACHMENT 1

STATE BOARD OF LAND COMMISSIONERS

July 20, 2021

Consent Agenda

Subject

DI600314, Disclaimer of Interest for the former bed of the Boise River in Ada County.

Question Presented

Shall the Land Board approve Disclaimer of Interest DI600314?

Background

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

Discussion

U Got Action Investments, LLC, of Boise, Idaho has applied for a disclaimer of interest for one parcel of accretion land totaling 0.04 acres, more or less. This parcel is located within the original surveyed river meander lines of the Boise River adjacent to the applicant's deeded property in Government Lot 8 of Section 32, Township 4 North, Range 2 East (Attachment 1-Map).

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

This parcel is not adjacent to the OHWM so no easement will be granted for a 25-foot wide public use right of way along, and adjacent to, the OHWM of the Boise River.

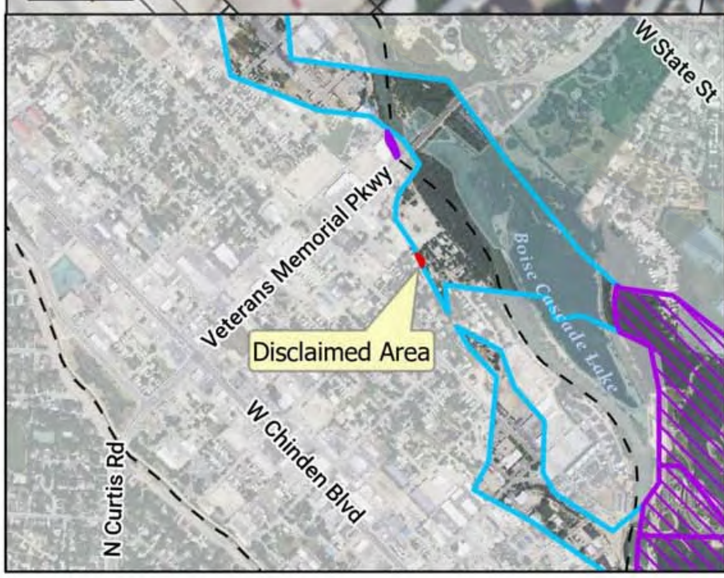
Recommendation

Direct the Department to issue Disclaimer of Interest DI600314 for one parcel totaling 0.04 acres of the former bed of the Boise River to U Got Action Investments, LLC following their payment to the Department of the remaining processing fee of $300.

Board Action

Attachments

1. Map



- DI600314
- DI600307 & DI600302
- Existing Disclaimers
- Meander Line
- Ordinary High Water Mark
- Parcels
- Garden City Boundary

Disclaimer DI600314

S32 - T04N - R02E

N W E S

6/28/2021

Map Notes

Projection: Idaho Transverse Mercator, NAD 83

Map Notes and Data Sources

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

Document Path: X:\Projects\Lands_and_Waterways\Disclaimers\DI600314\DI600314.aprx

cmcintyre

ATTACHMENT 1

Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board
Lawerence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D Woolf, State Controller
Sherri Ybarra, Superintendent of Public Instruction

Dustin T. Miller, Secretary to the Board

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

Draft Minutes
State Board of Land Commissioners Regular Meeting
June 15, 2021

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, June 15, 2021 in the Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W Jefferson St., Boise, Idaho, and via webinar. The meeting began at 9:01 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

Honorable Governor Brad Little
Honorable Secretary of State Lawerence Denney
Honorable Attorney General Lawrence Wasden
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Sherri Ybarra

For the record, the Governor's Stage 4 Stay Healthy Guidelines, dated 5/11/2021, allowed for public meetings of any size with adherence to physical distancing and sanitation requirements. Four Land Board members were present at the physical meeting location, and Attorney General Wasden joined via Zoom webinar.

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

   Trust Land Revenue

   A. Timber Sales – May 2021
   B. Leases and Permits – May 2021

   Discussion: Director Miller mentioned the press release and news on the Caldwell Area property disposition which was pretty exciting. The Department auctioned two adjacent Ag College endowment parcels for the University of Idaho, 282 acres adjacent to Vallivue High School and Middle School in the Caldwell area. The ground appraised for just under $6 million and was sold for roughly $36.6 million, including the buyer's premium of $1.4 million. That $36.6 million is quite an up bid from the appraisal, very pleased to see that. Director Miller said there was a lot of interest and high demand for this piece of ground. That land sold to Corey Barton Homes. The University of Idaho leased these parcels for Ag College research purposes since the 1940s; the university recently sold the training facility adjacent to these lands so the preference for the university is to reinvest this funding into its new Center for Agriculture, Food, and Environment, or CAFE facility, to be located in the Magic Valley.

Controller Woolf recalled that at previous Board meetings, the Leases and Permits report, page 1, included a potential exchange in Madison County and wondered why it is no longer listed. Director Miller replied that the proposed exchange is still moving forward and staff will make sure it is shown on the report in future.

Governor Little directed attention back to page 2 on the report, under Other; mineral leases show an actual of $85,000 but the graph on page 4 shows $1.64 million. Governor Little asked for a refresher on how the Department determines what goes into the category of mineral receipts on page 2 and revenue on page 4. Director Miller explained that some of the mineral revenue goes into the permanent fund and some goes into earnings reserve. The $85,000 referenced is only for the earnings reserve income. That comes from late fees, minimum rent, and application fees. There is also about $485,000 year-to-date in permanent fund earnings which is royalty revenue. Governor Little noted then that the $85,000 is not mineral income. Director Miller clarified that it is not income from mineral production. Governor Little restated that mineral production is in essence depletion and is deposited into the trust fund because a state asset is being depleted. In effect, the $1.6 million is actual revenue from minerals. Governor Little inquired how quickly EFIB is able to invest that money. Deputy Director Bill Haagenson answered that as soon as possible after those funds are received by the Department, they are moved over to EFIB which is then able to invest them almost right away. Governor Little stated the money is put right to work. Mr. Haagenson replied yes and reiterated that it is rentals versus royalties that separate those two numbers. Governor Little suggested placing an asterisk on Mineral because with 2 1/2 million acres and generating only $85,000, it looks a little anomalous.

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

A. Manager's Report
B. Investment Report

Discussion: Mr. Anton reported that equity markets continued their upward climb during May as the global economic recovery advanced once again. The fund was up 1.1% during the month of May and up 28.3% fiscal year-to-date as of May 31st. Through yesterday June 14th the fund was up 29.6%. Mr. Anton took a look back at the history and said 2012 was the record year coming out of the great financial crisis and the fund was up 24.6%. Optimistically, the markets will remain fairly stable the next couple of weeks and the fiscal year will end at a record high. Mr. Anton commented that vaccination efforts during the month of May, particularly in Europe which was lagging the U.S., allowed for broader reopening of economies and boosted the share prices of many economically sensitive companies. Investors seem to be focusing on two key things. One is inflation. Labor shortages have risen and wages have gone up for lower wages on the lower end of the scale. Commodity prices have increased; for example during the month of May oil prices were up 10% and as Director Miller indicated earlier timber prices have gone up significantly. There have been supply chain issues in numerous industries from semiconductors to automobiles, etc. The big debate has been whether inflation seen in the short term will be persistent or whether it is just temporary. Investors so far seem to be in line with the Federal Reserve's position that it is temporary which has kept interest rates fairly low. The yield on the 10-year treasury is about 1.5%. Should the perception change, that this is a persistent problem, interest rates will go up and that could really slow the economy. Hopefully, this is a short-term bubble in prices. Mr. Anton mentioned the other thing investors are really thinking about is when will the Federal Reserve and other central banks begin to withdraw their support which is provided in two ways. One is they continue to buy bonds every month in the bond market; some have analyzed that and say that bond buying has kept interest rates about 1 to 1.5% below where rates would be without that support. The second is they have kept interest rates very low. The current best thinking is that this fall as the Federal Reserve meets in Jackson Hole, they will begin talking about reducing their accommodation, their bond buying. Maybe in early 2022 they will slow that down and possibly in late 2022 interest rates will start to creep up. Who knows what will really happen, but that is what is priced into the bond market today. Any surprises from that, any more rapid increase in rates or more rapid withdrawal of support may cause rates to go up again. People are worried about rates going up because it will slow things down. So far things are looking good. Mr. Anton observed the markets will probably continue to move sideways until it is really known how everyone will emerge from the crisis. Mr. Anton shared that in May EFIB received the $31.8 million from the Land Bank that was approved last month and has put that money to work. Earnings reserves are in great shape. In August, EFIB has an Audit Committee meeting on the 11th, an Investment Board meeting on the 12th, and the Land Board meeting the following week. During that Land Board meeting, EFIB will discuss beneficiary distributions for FY2023 as well as moving money from the reserves into the permanent fund.

Consent—Action Item(s)

3. **Disclaimer of Interest Request DI600300-City of Boise, Boise River** – *Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance*

   Discussion: Governor Little asked if this is where the river is right below the road going up towards Barber? Mr. Wilson answered that is correct. There is a very large diversion dam that kayakers like to surf during the summertime and that is at the south end of that accretion land. Governor Little inquired if $300 is the totality of fees for the disclaimer. Mr. Wilson replied the Department receives the fee in two parts. In 1997 the Land Board approved a fee raise from $100 to $600. The Department requires a $300 application fee initially before sending people out on the ground to identify the ordinary high water mark; that gets the ball rolling. Then, before the applicants sign the documents at the end of the process, they must submit the remainder of the fee which is at least another $300. Department staff tracks time and expenses through this new process; if the total cost to the Department is more than that $600, the Department can charge more than that. Governor Little commented that a hundred bucks an acre is a pretty good buy in the city of Boise. Mr. Wilson remarked it is much cheaper than a quiet title action.

   Recommendation: Direct the Department to issue Disclaimer of Interest DI600300 for one parcel totaling 2.782 acres of the former bed of the Boise River to the City of Boise following their payment to the Department of the remaining processing fee of $300.

4. **State Participation as a Member of Clearwater-Potlatch Timber Protective Association (CPTPA) and Southern Idaho Timber Protective Association (SITPA)** – *Presented by Craig Foss, State Forester/Division Administrator-Forestry and Fire*

   Discussion: Governor Little asked Mr. Foss, at the start of the presentation, if there is any reason the Land Board needs to hear this report; it is the same report each year. Mr. Foss responded it is an annual routine report, as is the next agenda item; Mr. Foss offered to skip them at the Governor's direction. Governor Little said he would like to have discussion on the next topic and Mr. Foss moved to that report.

Recommendation: Direct the State to continue to participate as a member of the Clearwater-Potlatch Timber Protective Association and Southern Idaho Timber Protective Association.

5. **Authorization for Issuance of Deficiency Warrants to Pay Fire Suppression Costs in FY2022** – *Presented by Craig Foss, State Forester/Division Administrator-Forestry and Fire*

   Discussion: Governor Little remarked this is the second year in a row he has wondered why the Land Board approves this silly request and asked if in the package of proposed legislation the Department has a fix to this. Mr. Foss indicated this place holder has been a long established budgeting process for the state and it has worked well. The challenge faced by the Department is what is the right number, because fire costs are unknown from year to year. In 2015 Department fire costs exceeded $60 million; the next year they were about $10.5 million and the range is everywhere in between. What would that right number be has been part of the challenge. Governor Little stated it is not an issue with the number. The Land Board knows it has warrant authority; the legislature always honors it. The question is how much time and staff and paper the Department and Land Board spend on this inane legacy piece of legislation. Governor Little assumed the Department has already spent over $151,000 this year. Mr. Foss said that is correct. Governor Little requested that Director Miller make this a topic for discussion at a later date. Director Miller assented.

   Recommendation: Authorize the Department to issue deficiency warrants necessary to pay the fire suppression costs beyond the $151,600 appropriation for fiscal year 2022.

6. **Approval of Draft Minutes** – May 18, 2021 Regular Meeting (Boise)

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

Regular—Action Item(s)

7. **Omnibus Rulemaking – Adoption of Temporary Fee Rules** – *Presented by Scott Phillips, Policy and Communications Chief*

   Recommendation: Rescind the existing temporary fee rules with an effective date of July 1, 2021, set forth in Attachment 1, and adopt as temporary rules all of the Department's administrative fee rules, as set forth in Attachment 2, to become effective on July 1, 2021.

   Discussion: Superintendent Ybarra inquired if there were any changes made by the legislature from what the Land Board previously adopted until now. Mr. Phillips responded, no, this is a housekeeping issue at the direction of the Division of Financial Management.

   Board Action: A motion was made by Attorney General Wasden that the Land Board adopt the Department recommendation that is rescind the existing temporary fee rules with an effective date of July 1, 2021, set forth in Attachment 1, and adopt as temporary rules all of the Department's administrative fee rules, as set forth in Attachment 2, to become effective on July 1, 2021. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

8. Proposed Legislation – *Presented by Craig Foss, State Forester/Division Administrator-Forestry and Fire, and Scott Phillips, Policy and Communications Chief*

Recommendation: Approve these legislative proposals and direct the Department to proceed with the 2022 executive agency legislation process by submitting them to the Division of Financial Management.

Discussion: On the All Hazard Deficiency Warrants legislation, Governor Little asked if the request is for the cash or for spending authority. Mr. Foss clarified it is the authority to spend the cash. Governor Little heard Mr. Foss say the Department would not be reimbursed. It is always reimbursed by the Federal Emergency Management Agency (FEMA), or the state's emergency fund, or some other fund. This is just cleaning up the spending authority. Mr. Foss replied that is correct; he may have misstated earlier.

Regarding the Wildland Firefighter Hazard Differential Pay, Superintendent Ybarra thanked the Department for bringing this proposal forward. The Department needs its firefighters and this is a great retention and recruitment tool. Mr. Foss appreciated the Superintendent's support.

For the Wildland Firefighter Rest and Recuperation Compensation piece, Controller Woolf remarked that the Controller's office has worked closely with the Department on these two items, the hazard pay and the R&R, several times over the past few months. Controller Woolf appreciated the Department bringing these proposals forward and noted his office will continue working with staff on this to make sure it is done correctly. Controller Woolf concurred this will go a long way for recruitment and retention of Department staff. Mr. Foss thanked the Controller and Land Board members for their support.

Concerning the Preventing Damage to Endowment Land legislation, Superintendent Ybarra questioned the due process aspect. Superintendent Ybarra remarked the school building principal in her is coming out; it is a huge deal for the citizens of Idaho, not just students, when there is an issue. Will the Land Board get to see the due process, the piece that the Attorney General was working on for that, at any point? Mr. Phillips responded the Department could bring the text of the bills forward to the Land Board for approval next month prior to the August submission deadline, or Mr. Phillips could work with Land Board staff on bringing that forward. The Department's intention is to keep Land Board members and Land Board staff informed of the process and make sure that members are comfortable with any language brought forward. Attorney General Wasden noted this falls under the arena of criminal law and there are some very specific things that have to be met in order to pass constitutional muster. This cannot simply be drafted alone; it requires people who have expertise in criminal law to draft this. Mr. Phillips thanked Attorney General Wasden for the service, the work, and the assistance that his deputy attorneys general provided in drafting proposed legislation, going through an initial round of vetting on all of the bills. Mr. Phillips mentioned he is meeting this afternoon with one of the deputy attorneys general to discuss specifically the due process rights of individuals. Mr. Phillips is 100% committed and understands that it is essential to get this piece of legislation right and will work through the process appropriately.

About the Funding Fire Prevention Activities proposal, Attorney General Wasden questioned the use of Smokey Bear. The Attorney General's understanding is that Smokey Bear is a trademark or owned by the federal government and he suspects there would be some sort of payment to the federal government for the use of Smokey Bear. Attorney General Wasden also had concerns that since it is a federal symbol that the Department and Land Board will end up with some pushback regarding the use of that symbol. Mr. Phillips answered, regarding the ownership of the Smokey Bear trademark, Smokey Bear was created in 1951 and it is not just the U. S. Department of Agriculture (USDA) that owns a piece of that trademark. It is trademarked in a little different way. A federal law [P.L. 82-359] was passed that created a congressional trademark. That is owned by the USDA, the Ad Council, and the National Association of State Foresters, of which the state of Idaho is a member, so it is not just a federal entity that benefits from the Smokey image and the use of that image. Idaho is a licensee of the Smokey image and as such is allowed to use it for revenue-generating activities provided that 10% of the proceeds are paid back to the trademark holders, the Ad Council, USDA, and the State Foresters Association; those revenues are used for fire prevention activities. Mr. Phillips responded to concerns about legislative pushback for use of the symbol, saying he talked to legislators who tend to be more skeptical of the Forest Service and agrees there will be pushback on this issue. However, Mr. Phillips asserts it is worth moving forward with this proposal because revenue is needed to help fund fire prevention education work. The Department is operating on grant monies right now. There is much more that needs to be done; a bit of prevention could save a lot of money on the back end. It is worth the effort on the Department's part to shepherd this through the legislature.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve the legislative proposals and direct the Department to present the actual proposed language to the Land Board at the next meeting. Controller Woolf seconded the motion. Hearing no objections, Governor Little so ordered.

Information

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

9. **Pre-Season Fire Forecast/Update** – *Introduction by Craig Foss, State Forester/Division Administrator-Forestry and Fire*

   A. Predictive Services Forecast – *Nick Nauslar, Meteorologist, NIFC*
   B. Resource Readiness – *Josh Harvey, Bureau Chief-Fire Management*
   C. Rangeland Fire Protection Associations – *Rick Finis, South Idaho Fire Liaison*

   [Editor's note: Due to duration, the Discussion portion of this item is written in first-person format. This is not a verbatim transcript.]

   Discussion:

   Josh Harvey: Governor, members of the Land Board, my name is Josh Harvey, I'm the Fire Management Bureau Chief for the Department of Lands. It's always interesting following predictive services and doing our pre-season readiness when they throw a lot of red blobs up on the board, makes things very interesting. Very happy to be here this morning in person, to speak with you folks. In your binder you'll find three maps, three attachments. The first attachment is a summary of initial locations for our 2021 aviation resources. The second attachment is a map depicting the positions and locations of our aviation, engine resources, as well as the 10 IDL

FPDs, the Timber Protective Associations, and the RFPAs. The third and final map is a map of just the RFPAs. First thing I want to provide for you this morning – we were talking about deficiency warrants just a few minutes ago – as of yesterday, we have 96 fires in our fire reporting system, for 432 acres. Ninety-one of those fires are human caused. To put things into perspective, those fires are at 297% of our 20-year average. The 432 acres that have already burned is at 223% of our 20-year average.

Governor Little: And that's just on state land?

Mr. Harvey: State and private, sir.

Governor Little: State and private?

Mr. Harvey: Yes, within our response protection areas. Aircraft and staffing – IDL contracted for aviation resources to be initially located in Coeur d'Alene, Grangeville, and McCall. These resources throughout the summer will be available statewide and to be shared with our neighbors. Specific details for those resources are in your briefing packet, but I'll talk over those here quickly. For this year we brought on two type 2 medium helicopters; one will be located in Coeur d'Alene, the second will be based out of Lewiston and/or Grangeville as the need indicates. IDL staffs two 7-person crews to staff those ships, a helicopter manager plus six crew members for each one of the helicopters. The first helicopter will come on contract June 15th and we typically do our pre-season training with the helitack crew on that ship before the other ship comes on and the crew is deployed. Both those helicopters are capable of carrying seven personnel and/or dropping 300 gallons of retardant or water at a time. We also bring on two amphibious water scoopers; these are commonly known as Fire Bosses. Initially both of these aircraft will be located in Coeur d'Alene, but again, will be available to move statewide as the need arises. Both of these airplanes are capable of dropping up to 800 gallons of retardant or water. Initially when they take off from the airport they will be loaded with retardant unless specifically ordered otherwise. Both of these aircraft are capable of scooping water out of lakes, rivers, and reservoirs where they have enough runway to take off. They both are capable of mixing Blaze Tamer gel inside the tank after they've filled with water; Blaze Tamer makes the water essentially more effective. We like to say it makes the water wetter; it works well. It also weighs the water down, makes it more accurate for the pilots when they drop, and it also leaves a color on the ground so the trailing pilots know where to begin and end their drops. The single engine air tankers [SEAT], these are solely land-based aircraft. We have exclusive use contracts in place for four SEATs; two will be located in Grangeville, two will be located in McCall. All SEAT contracts will begin the first week of July, and similar to the Fire Boss, they are capable of carrying up to 800 gallons of water or retardant. Call when needed aviation resources – we have seven call-when-needed agreements currently in place; we're working to secure more. Those aircraft are available to support wildland fires as well as other project work as needed. A few years ago, IDL began investing in unmanned aerial systems (UAS). Currently, we have six aircraft. We have nine certified UAS pilots and we use those UAS aircraft only for wildland fire suppression purposes in the fire program. Our other programs within the agency use them for other work. These aircraft come capable with infrared cameras, and we fly those cameras early in the morning or late at night and they detect hotspots either near the fire line or outside the fire line where we typically can't see them during the day. It leads to a much more effective and efficient process in putting out our fires. Engines and staffing – IDL currently has 29 engines located at our 10 IDL offices. Timber protective associations are staffed with six engines. They're currently staffed about 60% with qualified engine bosses. This is a huge improvement over last year where our engines were only staffed up to about 40% with qualified engine bosses. We're currently recruiting for the ten .83 engine bosses that was approved through the legislature this year. That process is ongoing. If for some reason we're unable to fill those positions this spring, we'll begin recruitment again this fall. We anticipate that many engine bosses, especially from outside the organization, have already committed to their positions and we're anticipating that as an issue but we'll work this fall to fill those. Recruitment is also underway for a helicopter manager position and the Teakean crew boss position that was included in that decision unit. Each of our engines is staffed with a three-person engine crew and we provide extra engine crews at each district to ensure that we have seven-day-a-week coverage for response throughout the summer. At our districts, we typically staff type 5 and type 6 engines; we call these light engines. Our type 5 engines carry 550 gallons of water; our type 6 engines carry 325 gallons of water. Over the last few years, we've transitioned away from the heavy engines, the type 3s and 4s, simply because they're not very agile. They're hard to turn around on mountain roads and there are CDL requirements; with a seasonal workforce it is hard to maintain those CDL qualifications. We also staff a 10-person hand crew that is based out of the Ponderosa District, commonly referred to as the Teakean hand crew. This crew is a statewide resource as well as Crew 6 that is located here in Boise. We're working to expand that Teakean crew to 16 over the next couple of years to meet the minimum NWCG standards of a 20-man type 2 initial attack crew so IDL will have its own standing crew. These crews are considered a booster resource, and we move them as the need arises and share them quite frequently with our interagency partners and neighboring states. For this year, we've hired 140 firefighters for the 2021 fire season. Our firefighters travel nationally and internationally; we share with Canada and Canada shares their resources quite frequently with us. COVID has prevented that the last couple of years. In anticipation of this year, we're hoping to be able to reengage with our neighbors to the north. IDL is an active participant in the Great Basin Coordinating Group and the Northern Rockies Coordinating Group. As you're aware, the state is split into two different coordination groups. It makes for a challenge for my staff and myself, but we make it work. I represent IDL as the chairperson on the Northern Rockies Coordination Group, which is Idaho, Montana, Wyoming, and the Dakotas, and that involves several other federal interagency partners as well as the states and the Bureau of Indian Affairs. Questions that we have discussed heavily within the coordination group is how COVID, vaccines, and vaccinations are going to affect this fire season. We learned a lot of lessons from last year. We implemented a lot of protocols, especially our incident management teams in all the agencies to keep our firefighters safe. An example, the typical fire camp that you would normally see alongside the freeway, "tent city" – a thousand tents out there – chances are that you won't see those necessarily and if you do it will be a lot smaller in size. We went to dispersed camping and spike camps where firefighters are actually staying out on the line far more and rotated into camp for showering and hygiene purposes. Food wise, expenses related to COVID, this is where logistically we've seen the biggest uptick in expense. We've had to individually box food. Often times we're flying food out to these spike camps; obviously flying a helicopter to transport food is expensive. Virtual capabilities – our teams have had to change how they do business, but in a lot of cases, our incident management teams are able to check in and demobilize firefighters virtually over cell phone or laptop, as well as submitting time and other reports that have to be done. Minimal face to face contact has been implemented through all of the interagency partners and teams. As you remember from last year, we brought on 11 contract engines as well as a type 2 contract hand crew. This year we're anticipating bringing on seven contract engines and bringing that number down simply because we feel there will be more resource movement. After Nick's presentation, I am starting to wonder if we shouldn't be bringing on more engines just because the way the outlook is and that is something we will take back and discuss. And as we build the Teakean crew, our anticipation is that we won't be bringing on the contract crew next year in anticipation the Teakean crew will be up to minimum standards and will be bringing those folks on and make them available. Overall readiness for IDL – I would like to introduce Julia Sullens, she is our Deputy Chief Operations. She is not new to the Department; she has returned after a brief hiatus, and she is now in my previous role as operations. She has been out on the ground personally doing the readiness reviews at all of our districts and TPAs. By policy, we're required to review 50% of our districts every year. This year, in light that last year we were unable to visit any of our districts in person, we've been trying to do a 100% review of all of our districts. That review includes operations, equipment, and personnel readiness. This review is almost complete. There is only a couple more pieces to go with a couple of our districts and I fully anticipate and expect that all of our districts and TPAs will be fully ready for fire season 2021. With these reviews, they're tested on drills as far as testing their fire engine operations, hose lay deployment, small pump set up, chainsaw proficiency, fire line construction, and physical fitness. In relation to training – the last couple of years, as you're all aware, all of our training has been done virtually. There was discussion this winter as far as should we have our annual wildland firefighter training in person this year. The interagency partners still are not allowing much of their workforce into the workplace and so in anticipation of that we planned on not doing in person basic firefighter training this year and again it will be held virtually. Within the last few weeks, we have been holding classes within IDL for our firefighters in person and moving forward with that. Heavy equipment – to date, the IDL offices have not been able to provide a whole lot of training or signup opportunities for our heavy equipment operators but again that is opening up and they are working diligently to get equipment signed up. To date, we have seven contractors signed up for IDL contracts. IDL has worked with the Association of Logging Contractors over the years to provide training to meet the minimum requirements and also provide online resources for these contractors to meet those requirements. One of the benefits that we do have is when we have an emerging incident, we can sign a piece of equipment up on the spot under an emergency equipment rental agreement (EERA) and most of our contractors actually prefer that method. It is much simpler for them; the payment is relatively easy and it is quick. Additional contractors that are available to IDL this summer are through the VIPR [Virtual Incident Procurement] system. It is a federal system. Currently there are 93 pieces of equipment that are on the VIPR system: dozers, excavators, feller bunchers, water tenders, and engines. These contractors, they can work on federal fires or they are available for us to use. All the heavy equipment is dispatched through the interagency dispatch centers throughout the state. Two other pieces to this – the Idaho Cooperative Mobilization Agreement, commonly referred to as ICMA, that's where IDL has signed up and worked with the fire service organizations (FSO) across the state. It is a five year agreement that is currently in place; we currently have 78 FSOs that are signed up, trained and ready to fight fire this summer. The Idaho National Guard – last year we conducted training down in the Orchard Training Center where 50 guardsmen completed that training. This year nine guardsmen completed the refresher training and 14 new guardsmen went through basic guard school. This training brings those firefighters, those guardsmen, up to the same level of training as our entry-level firefighters and with the appropriate supervision, upon a declaration, those crews are available to use within the state. That ends my update and I stand for questions.

Governor Little: Josh, do you know how many red cards the loggers have? Not that we ranchers are better than the loggers or anything.

Mr. Harvey: Governor, members of the Land Board we typically don't red card our loggers, but the process that they went through, they got a yellow card which is a certification that said that they meet a minimum…

Governor Little: But has their equipment been inspected?

Mr. Harvey: Typically…so the seven pieces of equipment that I mentioned that is signed up, that wouldn't have a pre-season inspection on it. The emergency equipment rental agreement – the guys that go on a call when needed – they will receive an inspection on site. What they run into is their equipment is currently in the woods and to do that inspection we either have to go find it, or they have to haul it into town. On occasion what they'll try to do as they're passing through town moving to a job site, they'll pull it in and get their inspection.

Governor Little: I know everybody here is tired of me talking about this, but there's a time of year when all the loggers and all their equipment is in the shop and safety inspectors go out there and give them their safety inspection. My plea to the Department of Lands is that they go at that time or certify them. It's during break up, they're all there, because the issue on initial attack, just like the RFPAs, is not that somebody has to run out there and find a guy with a chainsaw or skidder and say you're blessed and then you're safe when you're not safe, which is what we did when Director Schultz was here at Orofino. We put everybody in the gym and said magically you're all firefighters. We're trying to keep them safe; we're trying get coordination, and I'm going to plead…it's too late this year, but I am going to plead one more time that next spring when they're getting their safety inspection that we inspect. The problem is we want them there on initial attack. If there's a logging job – there's one going on today on state land at South Mountain and if there's a lightning strike up there, those guys can't go, unless somebody blesses them. We, collectively, are spending unappropriated monies in deficiency warrants and we have an obligation to do all we can to get on initial attacks so that's my request for next year.

Mr. Harvey: Understood.

Director Miller: Governor, we appreciate that question and that plea. We'll continue to work with the Associated Logging Contractors to work through that situation and continue to gauge interest to try to get folks involved.

Governor Little: Okay. Follow up, Director, on COVID. Do we know what the cost is of helicopters flying lunches to spike camps from the base camp, and if we know that number, what do COVID protocols cost us? Can we take part of that number…it's too late now because the fire season starts Sunday officially in Idaho…a certain percent of that money as an incentive for people to get vaccinated? I don't see any COVID protocols in this room, except you guys are spread out. It's got to be enormous what the helicopter costs are for packing lunches to those people. And in the firefighters, if you were either an RFPA member or anybody else you could have started getting vaccinated in January. What have we done, what have other states done, and federal agencies to get people vaccinated so we don't have to spend this money?

Director Miller: Governor, we've continued to encourage all of our employees, including our fire crews and firefighters to get vaccinated. It's their choice, but we continue to encourage and stress the importance of vaccinations. With regards to fire camp and just how fire operations have gone, given the COVID protocols, you're right; additional slinging of resources up the hill to spike camps, the prepackaged meals, a lot of the things that Mr. Harvey talked about did add some cost, the additional wash stations, all of that. Our restrictions at IDL have been relaxed because we're confident looking at the infection rates and where things are with the state and continuing to encourage vaccinations that we feel comfortable to relax our COVID protocols and we've done that. However, when we bring other resources on to our fires, federal agencies – maybe we have a team that's predominately federal employees – they have a different set of standards and protocols that they are required to meet so we're trying to find ways to ensure COVID safety protocols continue at fire camp on our protection yet being very cognizant of those costs and realizing that we want to minimize those costs.

Governor Little: That's fair. I've got a call at noon with the Secretary of the Interior, I might bring it up.

Director Miller: We can share our protocols with you, Governor, and you can pass them along.

Governor Little: Further questions. Tell everybody to stay safe out there; this is going to be a real risky year and I worry about it because this call I have with other governors, other states are trying to get resources deployed into those other states that are a lot drier. I know Governor Cox is very, very concerned about the situation in Utah and with scarce resources…we're very lucky that we've got the Interagency Fire Center based here. I worry that there's going to be a lot of stuff elsewhere and given the fact that COVID protocols by other states are going to diminish the front line effectiveness, just out of an abundance of caution, that somebody gets hurt this summer and we lose a lot of resources and spend a lot of money. Everybody will need to be careful. I know the Land Board wants to support all of the firefighters out in the field as much as we can.

Director Miller: Governor, we certainly appreciate your support and the support of the Land Board for our firefighters, our fire program. I'm very proud of our program and our firefighters. They're highly trained specialists and I'd put them up against anybody else in the west. They will be safe; we really stress the training, the safety, and the strong fire line leadership. We're ready to go.

Executive Session

None

There being no further business before the Land Board, at 10:25 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

STATE BOARD OF LAND COMMISSIONERS
July 20, 2021
Regular Agenda

Subject

Acquisition by the State Board of Land Commissioners (Land Board) of title to the underlying land the subject of two leases held by the Idaho Department of Fish and Game (IDFG) as lessee and currently used by IDFG for administrative regional offices in Jerome and Idaho Falls. The Land Board would hold title to the two properties for the benefit of and use by IDFG.

Question Presented

Shall the Land Board acquire and hold title, for the benefit and use of IDFG, two properties currently leased by IDFG and used for administrative regional offices in Jerome and Idaho Falls?

Background/Discussion

In August 2004, IDFG agreed to lease from the Idaho Fish and Wildlife Foundation (Foundation), a non-profit Idaho corporation, certain real property located at 417 East Road, Jerome, Idaho to serve as the Jerome IDFG regional office (Attachment 1-Lease and Attachment 2-Map). The lease was initially a five-year lease effective June 1, 2005 but provided IDFG an option to extend the lease and included an option to buy the land for $1 if leased for 20 years. The payments for the lease were effectively a 20-year amortization of the purchase price. The lease provides an opportunity to acquire the property during the term of the lease by paying the unpaid balance. On April 15, 2021, IDFG provided the Foundation written notice of its intent to acquire the property, and with four years remaining, IDFG desires to exercise the option to acquire.

In May 2003, IDFG agreed to lease from the Foundation certain real property located at 4279 Commerce Circle, Idaho Falls, Idaho to serve as the Idaho Falls IDFG regional office (Attachment 3-Lease and Attachment 4-Maps). The lease was initially a five-year lease effective June 1, 2003 but provided IDFG an option to extend the lease and included an option to buy the land for $1 if leased for 20 years. The payments for the lease were effectively a 20-year amortization of the purchase price. The lease provides an opportunity to acquire the property during the lease term by paying the unpaid balance. On April 15, 2021, IDFG provided the Foundation written notice of its intent to acquire the property, and with two years remaining, IDFG desires to exercise the option to acquire.

IDFG has all necessary funds to purchase the real property, the subjects of the two identified leases in Jerome and Idaho Falls, in accordance with the terms of the leases and agreement of the Foundation without financial assistance from the Land Board. In addition to currently held appropriated funds, IDFG acquired funds in the amount of $1.5 million from the legislature pursuant to House Bill 313 for regional office lease payoff (Attachment 5).

The Land Board has the statutory authority to acquire administrative sites, such as the IDFG regional offices, in Idaho Code § 58-133. That section provides the "state board of land commissioners may select and purchase, lease, receive by donation, hold in trust, or in any manner acquire for and in the name of the state of Idaho such tracts or leaseholds of land as it shall deem proper…." Thus, IDFG requests that the Land Board acquire and hold title to the two properties for the benefit and use of IDFG. While IDFG has statutory authority to acquire and sell land for certain purposes, it does not possess the statutory authority to hold title to land for this type of administrative purpose.

Upon Land Board approval to hold title, IDFG will pay off the remaining balances of both leases, the Foundation's deed of trust will be released, and title would pass from the Foundation via warranty deed to the Land Board.

Recommendation

Approve acquisition of the two IDFG regional office properties in Jerome and Idaho Falls with title to be held by the Land Board for the benefit and use of IDFG, with all necessary funds and expenses for the purchase to be paid by IDFG.

Board Action

Attachments

1. Jerome Regional Office Lease Agreement
2. Map – Jerome Regional Office
3. Idaho Falls Regional Office Lease Agreement
4. Maps – Idaho Falls Regional Office
5. House Bill 313

LEASE AGREEMENT FOR SPACE

THIS LEASE AGREEMENT FOR SPACE ("Lease Agreement") is entered effective upon the date of the last required signature (the "Effective Date"), by and between **IDAHO FISH AND WILDLIFE FOUNDATION, POST OFFICE BOX 2254, BOISE, IDAHO 83701-2254, Tax ID #82-0439782** (the "Lessor"), and the STATE OF IDAHO, by and through the **IDAHO DEPARTMENT OF FISH AND GAME** (the "Lessee"), for the leasing of that real property described below and referred to as the "Premises." The Lessor and the Lessee may be referred to collectively as the "Parties." The Parties specifically agree and acknowledge that the approval signature of the Leasing Manager, Division of Public Works, Department of Administration, is a required signature.

WITNESSETH

WHEREFORE, in consideration of the mutual covenants, agreements, and conditions contained in this Lease Agreement, the Parties agree as follows.

1. Lease of Premises. The Lessor does hereby demise and lease to the Lessee the Premises situated in the City of **JEROME**, County of **JEROME**, State of Idaho, known and described as follows: **417 EAST ROAD, JEROME, IDAHO.**

2. Term. The term of this Lease Agreement is **SIXTY (60)** months. As time is of the essence, the term of this Lease Agreement shall begin on **JUNE 1, 2005** and shall end at midnight on **MAY 31, 2010**. The Parties agree that this Lease Agreement is subject to the termination, expiration and renewal rights set forth in this Lease Agreement. The Lessee may, at the expiration of the term of this Lease Agreement and without the necessity of renewing said Lease Agreement, continue in its occupancy of the Premises on a month to month basis upon the terms and conditions set forth in this Lease Agreement for a period not to exceed one (1) year. The Lessor may terminate the Lessee's month to month occupancy upon ninety (90) days' prior written notice to the Lessee.

3. Payment. The Lessee shall pay to Lessor a fixed payment for the term of this Lease Agreement in monthly installments of **$15,997.19** each. The lease payment shall be computed at a rate of **$10.65** per square foot, per year. The total square footage of the Premises is **17,858** subject to measurement using BOMA standard. The total yearly lease payment is **$191,966.25**. Upon election by the Lessee to pay in advance **N/A** quarterly, **N/A** semi-annually, or **N/A** annually, the Lessor shall allow Lessee a discount of **0 Percent**. The lease payments shall be paid pursuant to the Lessor's timely submission of invoices for payment. Upon receipt, Lessee shall forward Lessor's invoice to the State Controller for payment. Lessor specifically acknowledges that State vouchers are processed by the State Controller, not Lessee. Therefore, any payment that is made no later than sixty (60) days after it is actually due shall not be considered an event of default. Lessee shall use its best efforts to expedite payment. It is expressly covenanted and agreed that any prepayment of rent made by the Lessee under the terms of this Lease Agreement shall be considered as an advance payment of rent only and no part thereof shall be considered as a security or cash deposit.

4. *Acceptance of Premises*. Lessor shall deliver the Premises to Lessee in accordance with floor plans and specifications attached to this Lease Agreement as Exhibit A, and incorporated herein by reference. Prior to or at occupancy, Lessee shall provide Lessor with a written statement acknowledging inspection and acceptance of the Premises. Lessee's obligations under this Lease Agreement shall not commence until Lessee's acceptance of the Premises. Lessee's inspection and acceptance of the Premises are based upon what may be reasonably observed by one untrained or unfamiliar with building inspections. At Lessee's discretion, Lessee may have particular conditions or parts of the Premises inspected by one trained or familiar with building inspections. In no event shall Lessee's inspection, or inspection by any agent of Lessee, be deemed a waiver of any defects in the Premises.

5. No Waste; Repairs. Lessee will not commit waste on the Premises, nor will it disfigure or deface any part

of the building, grounds, or any other part of the Premises, including fixtures. Lessee further covenants that upon return, the Premises will be in the same condition as originally received, reasonable wear and tear excepted. Repairs, except those actually necessitated by Lessee's waste, disfigurement or defacement, and except for repairs required by the removal of Trade Fixtures as provided for in Paragraph 13 of this Lease Agreement, shall be made solely at the Lessor's expense. Any repairs shall be done in a workmanlike manner and must comply with all applicable codes, ordinances, rules and regulations.

6. Services and Parking. The Lessee covenants that it will provide, perform, and pay for the services, maintenance and parking as follows:

A. Utilities:
- Domestic water and sewer.
- Electricity.
- Natural Gas.
- Irrigation.

B. Facility Repair and Maintenance:
- General Building structure and related equipment (Interior and Exterior).
- Heating system and related equipment.
- Cooling and air handling system and related equipment.
- Electrical system and related equipment.
- Sewer and plumbing systems and related equipment.
- Exterior lighting, including landscaped areas, parking area and walkway.
- Cleaning ground and parking area of debris **X** weekly _ monthly _ other: ___________.
- Common area janitorial service **X** daily (excluding weekends and holidays) _ other: _______.
- Trash removal from property **X** weekly __ other: _________________.
- Furnishing of all washroom materials, including paper products, soap, cleaning supplies and equipment.
- Light bulb and fluorescent tube replacement.
- Outside ground maintenance shall be provided on an "as needed" basis.
- Ice and snow removal prior to the start of each business day
- Lawn and shrubbery care weekly during season.

C. Custodial Services:
- Complete Janitorial service **X** daily (excluding weekends and holidays) __ other: _
- Trash removal from Premises **X** daily (excluding weekends and holidays) __weekly __ other: _______
- Window cleaning **X** quarterly __ other: _________________________
- Carpet spot cleaning __ semi-annually __ annually **X** as needed.
- Shampoo carpet **X** as needed.

D. Parking: A total of **40** lighted and paved automotive parking spaces (including a **95,832 SQUARE FOOT FENCED PARKING AREA FOR STATE VEHICLES**) will be maintained with adequate ingress and egress available. Handicapped spaces will be provided equal to the requirements of the Americans With Disabilities Act (ADA).

7. Special Provisions.

A. Taxes. Lessor shall pay and discharge all taxes and assessments whatsoever charged against the Premises whether charged by federal, state, county, city or other public authority.

B. Additional Rent. In addition to the rental payment required and provided by Paragraph 3 of this Lease Agreement, the Lessee agrees to either provide Property Damage Insurance through the Department of Administration, Bureau of Risk Management, or pay as additional rent its Proportionate Share of Property Damage Insurance in accordance with this section.Capitalized terms used in this section shall have the meanings ascribed herein.

1. For the purposes of this section, the following definitions apply:

a. "Real Estate Taxes" shall mean all real estate taxes, ad valorem or excise, assessed or levied against the real property on which the Premises is located, before the addition of any fine, penalty, interest or cost for nonpayment and excluding any special improvement taxes or special assessments, franchise, corporate, estate, inheritance, succession, income or revenue taxes. In the event Lessor successfully protests the amount of the Real Estate Taxes, Lessee's proportionate share of Real Estate Taxes shall be reduced to the successfully protested amount. Lessee agrees to pay its proportionate share of the costs of said protest, provided that the proportionate share of the cost is less than the savings realized from the protest.

b. "Property Damage Insurance" shall mean public liability and property damage insurance, vandalism insurance and plate glass insurance for the paid on behalf of the real property on which the Premises is located, common area improvements and equipment before the addition of any fine, penalty, interest or cost for nonpayment.

c. "Proportionate Share" shall mean that fraction, the numerator of which is the total square footage leased by Lessee and the denominator of which is the total rentable square footage in the building in which the Premises is located. The parties agree that the applicable fraction is **17,858 /17,858** and shall be represented in percentage terms and the parties further agree that this percentage is **100**%.

2. No later than Ninety (90) days after each calendar year, Lessor shall provide Lessee a written statement setting forth the amount of Real Estate Taxes payable or paid by the Lessor for the Previous Calendar year. An invoice shall be included with this statement, together with a copy of the tax bill. Unless Lessee objects in writing within thirty (30) days after receipt by Lessee of such statement, Lessee shall submit for payment in accordance with Paragraph 2. If Lessee objects in writing, Lessee shall submit for payment that portion to which Lessee does not object.

3. No later than Ninety (90) days after each calendar year, Lessor shall provide Lessee a written statement setting forth the amount of Property Damage Insurance payable or paid by the Lessor for the Previous Calendar year. An invoice shall be included with this statement, together with a copy of the insurance bill. Unless Lessee objects in writing within thirty (30) days after receipt by Lessee of such statement, Lessee shall submit for payment in accordance with Paragraph 2. If Lessee objects in writing, Lessee shall submit for payment that portion to which Lessee does not object.

4. Lessee shall have thirty (30) days upon receipt of the statement required to object in writing to any part of such statement and to specify what portions are claimed to be incorrect. Lessee shall have the right, but not more than once per year, at any time within forty-five (45) days of receipt of the statement, and at its sole cost, to examine the Lessor's books and records relating to the determination of any claimed increase or decrease in Real Estate Taxes. No later than sixty (60) days after receipt of the statement, Lessee shall notify Lessor in writing of its determination with regard to any objection made pursuant to this section. Failure to pay a claimed portion pursuant to this section shall not be deemed a default in the payment of Rent.

5. Anything contained herein notwithstanding, failure by Lessor to provide the written statement required in the time frame set forth therein shall be deemed a waiver by the Lessor to any right to obtain any additional rent.

6. If this Lease Agreement begins on any day other than the first day of January or if this Lease Agreement ends on any day other than the last day of December, any payment due to the Lessor by reason of any increase in the Base Year Real Estate Taxes shall be prorated based on the number of days by which such partial year bears to 365.

C. Lessor's Improvements. Lessor shall, on Lessee's behalf, construct those certain improvements to the Premises detailed on Exhibit A attached hereto (the "Work"). Lessor hereby agrees to commence work upon receipt of an executed Lease Agreement and to substantially complete the Work on or before **JUNE 1, 2005**.

The Lessor agrees to maintain any and all insurance coverages applicable to this construction, including worker's compensation and liability insurance. The Lessor further agrees to indemnify, defend and save harmless the Lessee from and against any and all claims, damages, costs, legal fees, expenses, actions and suits whatsoever, including injury or death of others or any employee of the Lessor, subcontractors, agents or employees, caused directly or indirectly by the carrying out of the Work, or caused by any matter or thing done, permitted or omitted to be done by the Lessor, his agents, subcontractors or employees and occasioned by the negligence of the Lessor, his agents, subcontractors or employees.

All Work shall be done in a workmanlike manner and must comply with all applicable codes, ordinances, rules

and regulations. Lessor shall obtain any and all permits and inspections applicable to this Work which must comply with all applicable codes, ordinances, rules and regulations.
Lessee's inspection and acceptance of the Work are based upon what may be reasonably observed by one untrained or unfamiliar with building inspections. At Lessee's discretion, Lessee may have particular conditions or parts of the Work inspected by one trained or familiar with building inspections. In no event shall Lessee's inspection, or inspection by any agent of Lessee, be deemed a waiver of any defects in the Work.
Executive Order 99-06 requires that all buildings owned or maintained by any State government agency or entity, or constructed or renovated specifically for use or occupancy by any such agency or entity shall conform to all existing state codes, including but not restricted to, the IDAPA 17.10.01, the Idaho General Safety and Health Standards Code, the Uniform Building Code, the Uniform Mechanical Code and the Uniform Fire Code. If any conflict arises between applicable codes, the more stringent code shall take precedence. **Prior to construction, or remodeling** of such buildings, where appropriate, plans shall be reviewed and approved by the **Division of Building Safety** and the Permanent Building Fund Advisory Council. **Any cost associated with that review will be at the expense of the Lessor. A copy of the Division of Building Safety's Plan Review Application is attached to this Lease Agreement as Exhibit C.**
BUILDING STANDARDS/CODES: The following codes are the minimum building and safety codes adopted by the state of Idaho and the federal government. Local governments have jurisdiction over privately owned buildings in the target area. Lessors leasing space to the State must procure building permits, secure necessary inspections, and obtain a Certificate of Occupancy for the intended use prior to the lease taking effect.

1. Idaho Code Title 67, Chapter 57, Section 8
2. International Building Code, 2000 Edition
3. International Mechanical Code, 2000 Edition
4. Uniform Plumbing Code, 2000 Edition
5. International Fuel Gas Code, 2000 Edition
6. Uniform Mechanical Code, 1997 Edition
7. International Energy Conservation Code, 2000 Edition
8. NFPA 70, 2002 Revised, National Electrical Code
9. Handicap Accessibility, Americans with Disabilities Act
10. Section 612 Idaho Safety Code 1, Air Standards
11. 2000 International Fire Code
12. American National Standards Institute (ANSI) A17.1
13. Federal Regulations Applicable to the occupying agency
14. Electronic Industry Association/Telecommunication Industry Association Standard, 1995, EIA/TIA-568 Standard
15. All Local Codes

D. Option to Renew. Lessee shall have **three (3)** options to renew the Lease Agreement for a period of **five (5) years** per option. The lease payment shall increase according to the following schedule:

Period	Rent/Mo	Rent/Yr	Rent/Sq Ft
6/1/2010 to 5/31/2015	$15,997.19	$191,966.25	$10.65
6/1/2015 to 5/31/2020	$15,997.19	$191,966.25	$10.65
6/1/2020 to 5/31/2025	$15,997.19	$191,966.25	$10.65

Lessee shall give written notice to the Lessor of his intent to renew the Lease Agreement no later than ninety (90) days prior to the expiration of the Lease Agreement or any renewal period of the Lease Agreement.

E. Option to Purchase. Within specified dates during the term of this Lease Agreement, Lessee and/or its assigns shall have the right and option to purchase the Property which consists of the Premises, the land on which the Premises is situated and all improvements made to the Premises. The Lessee may exercise the right and option to purchase the Property by providing ninety (90) days' written notice to the Lessor. The Lessor hereby confirms that the Lessor of the Premises is the owner holding title to the Property.

Date of closing	Purchase Price
Between 6/1/2014 to 5/31/2015	$ 1,274,883.12
Between 6/1/2019 to 5/31/2020	$ 772,104.18
After 5/31/2025	$ 1.00

Within five (5) business day of Lessee's notice to Lessor of his intent to purchase the property, the Lessee shall hire an independent licensed commercial real estate appraiser, experienced with the JEROME real estate market, to estimate the market value of the Property. The market value of the Property shall not include any leasehold improvements or trade fixtures installed by Lessee at his sole cost and expense. In the event the market values shall exceed the purchase price, the Lessee shall have the right to purchase the property at the purchase price noted above. In the event the market value shall be less than the purchase price for that period, the Lessee shall have the option to negotiate the purchase price with the Lessor or to complete the purchase of the Property at the purchase price noted above, but the purchase price of the Property shall not be less then the balance of any mortgages and/or liens on the Property.
At the time the purchase option is exercised, a Contract for the Sale and Purchase of the Property shall be signed by all parties, enumerating the respective rights and responsibilities of the parties. Title to the Property shall be conveyed by the Lessor at the time of closing by general warranty deed and shall be marketable and insurable and free from liens, restrictions, encumbrances, assessments and tenancies (other than those tenancies where the State of Idaho is the Lessee), except for rights which may be reserved in federal patents, building or use restrictions, building and zoning regulations and ordinances of any governmental unit, and rights of way and easements established of record. Any other existing liens, mortgages, encumbrances or defects in title are to be discharged by the Lessor on or before the date of closing and may be paid out of purchase money on the date of closing. Warrantees shall be transferred to the State on the date of closing.
The Lessee shall be responsible for the following closing costs: appraisal, title insurance, septic tank inspection and pumping, survey, well inspection, flood certification, closing escrow fees, and recording fees. It is the intent of the parties that all closing costs shall be paid by the Lessee, aside from any costs incurred by the Lessor to discharge any existing liens, mortgages, or other such encumbrances. Neither parties shall have a real estate broker involved in the transaction. In the event that either party shall desire to secure legal representation, the party securing such legal representation shall bear the costs of any resultant legal fees and costs.
Prior to closing, the Lessee shall obtain the approval of the acquisition by the Idaho State Legislature and the Idaho Land Board.

F. *Other Special Provisions*. None.

8. *Failure to Repair, Maintain or Service*. In the event that the Lessor shall fail or refuse to make such repairs, perform such maintenance, provide such services, or to take any other action required of the Lessor pursuant to this Lease Agreement, Lessee shall give Lessor reasonable notice and time to cure and, failing such cure, Lessee may, at its option, make such repairs, perform such maintenance, provide such services, or take any such action, and deduct such sums expended doing so from the lease payments due to the Lessor. In the event that such failure or refusal prevents Lessee from occupying any or all of the Premises, Lessee may deduct a pro rata sum from its lease payments equal to the greater of the monthly cost per square foot of those Premises not acceptable for occupancy or the actual cost incurred by the Lessee to secure and occupy alternate premises. Lessee's decision to exercise this remedy shall not be deemed to limit its exercise of any other remedy available under this Lease Agreement, at law or in equity.

9. *Personal Injury Damages*. Subject to any applicable provisions of the Idaho Tort Claims Act, Lessee agrees to defend and hold Lessor harmless for any and all claims based on proven personal injury damages suffered by public business invitees of the Lessee, provided, however, that Lessee shall have such obligation only for injuries and damages resulting from the negligent acts or omissions of employees of the Lessee and shall have no such obligation related to acts or omissions of employees or invitees of the Lessor.

10. *Indemnification*. Lessor hereby agrees to defend, indemnify and save Lessee harmless from and against

any and all liability, loss, damage, cost, and expense, including court costs and attorneys' fees of whatever nature or type, whether or not litigation is commenced, that the Lessee may incur, by reason of any act or omission of the Lessor, its employees or agents or any breach or default of the Lessor in the performance of its obligations under this Lease Agreement. The foregoing indemnity shall not apply to any injury, damage or other claim resulting solely from the act or omission of the Lessee.

11. Use of Premises. Lessee shall use the Premises for the following purposes: **THE BUSINESS OF THE IDAHO FISH AND GAME DEPARTMENT**. Lessor warrants that, upon delivery, the Premises will be in good, clean condition and will comply with all laws, regulations or ordinances of any applicable municipal, county, state, federal or other public authority respecting such use as specified above. Lack of compliance shall be an event of default and shall be grounds for termination of this Lease Agreement.

12. Fire or Damage.

A. Damage or Destruction Renders Premises Unfit for Occupancy. If, during the term of this Lease Agreement, the Premises, or any portion thereof, shall be destroyed or damaged by fire, water, wind or any other cause not the fault of Lessee so as to render the Premises unfit for occupancy by Lessee, this Lease Agreement shall be automatically terminated and at an end. Lessee shall immediately surrender the Premises to Lessor and shall pay rent only to the time of such surrender. If comparable and acceptable office space can be provided by the Lessor within thirty (30) days of the date of destruction or damage, the Lessee may elect, at its sole option, to relocate to such substitute office space and all relocation costs shall be at the sole expense of the Lessor. Rents will be continued upon occupancy at the lesser of: (i) the current lease rate; or (ii) the market rate for the substitute space. Such relocation shall be for the remainder of this Lease Agreement or any extension.

B. Some Portion Fit for Occupancy.

(i) Notwithstanding any other provision of this Lease Agreement, if less than fifty percent (50%) of the Premises are destroyed or damaged, and if that portion of the Premises may be restored within ninety (90) days to as good a condition as originally received, the Lessee may elect to continue this Lease Agreement and Lessor shall have the option to restore the Premises. Lessee shall give written notice of its intention to continue this Lease Agreement within thirty (30) days after such damage or destruction occurs. If Lessor does not elect to restore the Premises, the Lessor shall provide the Lessee with written notice of that fact and this Lease Agreement shall automatically terminate effective as of the date of destruction or damage.

(ii) If the Lessor elects to restore or rebuild pursuant to the option provided in paragraph 12.B.(i), the rents otherwise due Lessor by Lessee shall be abated equal to the monthly cost per square foot of the unoccupied Premises for that period of time during which restoration or rebuilding of the Premises occurs. If the Lessee is unable to occupy all or part of the Premises during the restoration then, at the option of the Lessee, the Lessee may be relocated to comparable and acceptable office space and all relocation costs shall be at the sole expense of the Lessor. If such restoration or rebuilding exceeds ninety (90) days beyond the date of the destruction or damage to the Premises, Lessee may terminate this Lease Agreement without liability of any kind save payment for actual occupancy of the Premises prior to termination.

C. Prepaid Rent. In the event that this Lease Agreement is terminated as the result of damage or destruction to the Premises during any period of its term for which the Lessee has prepaid rent, the Lessor shall, within ten (10) days from the date of notification of termination by the Lessee, refund the full amount of any prepaid rent not then applied to a period of the Lessee's actual occupancy of the Premises. In the event that the Lessor does not timely remit the full amount of any prepaid rent to the Lessee, the Lessee shall be entitled to collect the full amount of its prepaid rent from insurance proceeds in the manner set forth in this Lease Agreement.

13. Alterations. Except as otherwise agreed, subsequent to the Effective Date and during the term of this Lease Agreement and any extension, neither Lessor nor Lessee shall make any alterations, additions or improvements to the Premises without the prior written consent of the other. Any and all alterations and improvements made by Lessee shall be made at Lessee's sole expense and, subject to the exception for Trade Fixtures provided below, shall, upon termination of this Lease Agreement, and without disturbance or injury, become the property of the Lessor, and shall remain in and be surrendered with the Premises. Any such alterations, whether performed by Lessor or Lessee, must be made in a workmanlike manner and must

comply with all applicable codes, ordinances, rules and regulations. Notwithstanding any other provision of this Lease Agreement, Trade Fixtures, as defined in this Lease Agreement, installed by Lessee shall, at the option of the Lessee, not become the property of the Lessor and, upon the termination of this Lease Agreement, the Lessee may remove such Trade Fixtures and return the Premises in as close to original condition as possible, reasonable wear and tear excepted. For purposes of this Lease Agreement, a Trade Fixture is defined as personal property used by the Lessee in the conduct of its business and includes items such as, but not limited to, shelves and reception counters.

14. Default. In the event that either party shall default in the performance of any material term, covenant, or condition of this Lease Agreement, the party not in default may at its option terminate this Lease Agreement. The party alleging default must provide written notice of said default, specifying the alleged default, and the receiving party shall have fifteen (15) business days to cure or shall immediately provide written documentation that it is proceeding to cure the default in an expedited manner (e.g., working overtime, express delivery, etc.). Should Lessee be in default by surrendering occupancy of the Premises in some manner violative of the terms of the Lease Agreement, Lessor may reenter the Premises without affecting its right of recovery of accrued rent therefor; provided, however, the Lessor shall exercise due diligence to mitigate any and all future losses of rent or damages that may result due to the failure of the Lessee to occupy the Premises.

15. Sufficient Appropriation by Legislature Required. It is understood and agreed that the Lessee is a governmental entity, and this Lease Agreement shall in no way or manner be construed so as to bind or obligate the State of Idaho beyond the term of any particular appropriation of funds by the State legislature as may exist from time to time. The Lessee reserves the right to terminate this Lease Agreement if, in its judgment, the legislature of the State of Idaho fails, neglects or refuses to appropriate sufficient funds as may be required for Lessee to continue such lease payments. All future rights and liabilities of the Parties shall thereupon cease within ten (10) days after the notice to the Lessor. It is understood and agreed that the lease payments provided for in this Lease Agreement shall be paid from State legislative appropriations.

16. Assignment by Lessee - Right to Terminate Lease Agreement at Direction of Idaho Department of Administration. The parties to this Lease Agreement recognize and agree that Lessee, as an agency of the State of Idaho, is subject to the direction of the Idaho Department of Administration pursuant to Title 67, Chapter 57, Idaho Code, and, specifically, the right of that department to direct and require Lessee to remove its operations from the Premises and relocate to other facilities owned or leased by the State of Idaho as agreed to by Lessee. Accordingly, it is agreed that, upon the occurrence of such event, Lessee may terminate this Lease Agreement at any time after a one-year period from the date of the commencement of the Lease Agreement as determined under Paragraph 2, provided that Lessor is notified in writing ninety (90) days prior to the date such termination is to be effective. Such action on the part of the Lessee will relieve the Lessee and the State of Idaho of liability for any rental payments for periods after the specified date of termination or the actual date of surrender of the Premises, if later. Additionally, the Department of Administration, at its option, upon providing thirty (30) days' written notice to the Lessor, may relocate the Lessee and assign the space to another state agency, department or institution. The provisions of the Lease Agreement will continue in full force and effect upon such assignment by the Department of Administration.

17. Officials, Agents and Employees of Lessee Not Personally Liable. It is agreed by and between the Parties that in no event shall any official, officer, employee or agent of the State of Idaho be in any way liable or responsible for any covenant or agreement contained in this Lease Agreement, express or implied, nor for any statement, representation or warranty made in or in any way connected with this Lease Agreement or the Premises. In particular, and without limitation of the foregoing, no full-time or part-time agent or employee of the State of Idaho shall have any personal liability or responsibility under this Lease Agreement, and the sole responsibility and liability for the performance of this Lease Agreement and all of the provisions and covenants contained in this Lease Agreement shall rest in and be vested with the State of Idaho.

18. Relation of Parties. The Parties agree and acknowledge that neither shall be considered the

employer, agent, representative, or contractor of the other by reason of this Lease Agreement.

19. Notices. Any notice required to be served in accordance with the terms of this Lease Agreement shall be sent by registered or certified mail. Any notice required to be sent by the Lessee shall be sent to the Lessor's last known address at **POST OFFICE BOX 2254, BOISE, IDAHO 83701-2254** and any notice required to be sent by the Lessor shall be sent to the address of the Premises and to the Lessee's address in Boise, i.e.,**POST OFFICE BOX 25, BOISE, IDAHO 83712**. A copy of any such notice shall also be sent to the Department of Administration, Division of Public Works, Attn: Leasing Manager, Post Office Box 83720, Boise, ID 83720-0072. In the event of a change of address by either Lessor or Lessee, the Parties agree to notify each other in writing within ten (10) days of the date of any such change.

20. Insurance. The Lessee shall maintain an insurance policy (or policies) for the purpose of insuring any property and liability risks regarding the Premises. Both parties acknowledge that Wells Fargo Bank Northwest, NA shall named as an additional named insured on all property and liability insurance policy(s) obtained by or for the Lessor. In the event that the Lessee shall prepay rent in the manner set forth in this Lease Agreement, any additional insurance policy (or policies) obtained and maintained by the Lessor shall identify the Lessee as a named insured under the terms of the policy. Any such insurance policy shall further state that the Lessee shall be entitled to receive insurance proceeds in the full amount of any prepaid rent prior to any distribution of insurance proceeds to the Lessor or any other third party not having an insurable interest in the Premises. The Lessee shall provide the Lessor with a copy of its insurance policy on or before the term this Lease Agreement commences. The Lessee acknowledges that its personal property is subject to coverage in accordance with state law.

21. Heirs and Assigns. The terms of this Lease Agreement shall apply to the heirs, executors, administrators, successors and assigns of both the Lessor and the Lessee in like manner as to the original parties. It is understood that Lessor may pledge and assign the rental payments it receives under this Lease Agreement (but not the Lease Agreement itself) to Wells Fargo Bank, National Association or to Wells Fargo Brokerage Services, LLC as security for Lessor's financing of the Property. Any assignment of this Lease Agreement must be approved by the State Board of Examiners in accordance with Idaho Code § 67-1027. If the Lessor assigns its interest in this Lease Agreement pursuant to a sale or other conveyance of the Premises (except a conveyance as contemplated by Paragraph 34) to a person or entity expressly assuming Lessor's obligations under this Lease Agreement, Lessee agrees, subject to obtaining the approval required by Idaho Code § 67-1027, to continue under this Lease Agreement and to recognize the new owner as the Lessor. This paragraph shall not in any way act as a release of any claim by Lessee as against the original Lessor nor shall it act as a waiver of any default under this Lease Agreement existing at the time of such sale or conveyance and assignment to the extent that any such default continues and remains uncured after such sale and assignment.

22. Nonwaiver. The failure of the Lessor or Lessee to insist upon strict performance of any of the covenants and agreements of this Lease Agreement or to exercise any option contained in this Lease Agreement shall not be construed as a waiver or relinquishment of any such covenant or agreement, but the same shall be and will remain in full force and effect unless such waiver is evidenced by the prior written consent of authorized representatives of the Lessor and Lessee.

23. Modification. This Lease Agreement may be modified in any particular only by the prior written consent of authorized representatives of the Lessor and Lessee. **Anything else contained herein notwithstanding, modifications to this Lease Agreement shall be of no force and effect until approved in writing by the Department of Administration, Division of Public Works.**

24. Renewal. In addition to the renewal provided for under Section 7.D., this Lease Agreement may be renewed by the written consent of the Lessor and Lessee provided such consent is rendered sixty (60) days in advance of the expiration of the term of this Lease Agreement. Notice of Lessor's offer to renew shall be given by the Lessor one hundred twenty (120) days prior to the expiration of this Lease Agreement, including any extension. Lessee will have thirty (30) days to respond to Lessor's offer. If agreement is not reached by sixty (60) days prior to the expiration of the Lease Agreement, Lessor may lease the Premises to another party, but not on more favorable terms than offered to Lessee, without first giving Lessee ninety (90) days to accept or reject those new terms.

25. Asbestos and Health Hazards. Lessor agrees to comply promptly with all requirements of any legally constituted public authority made necessary by any unknown or existing health hazard including, but not limited to, such hazards which may exist due to the use or suspected use of asbestos or asbestos products in the Premises. The Lessor warrants that it has inspected the Premises for health hazards, specifically for the presence of asbestos, and the inspection has not detected asbestos, or if Lessor's inspection has revealed asbestos, then Lessor warrants that it has been removed or been encapsulated in accordance with current law and regulations. In the event that asbestos or another health hazard is discovered on the Premises, the Lessor agrees to protect the Lessee and its employees and to take immediate corrective action to cure the problem. It is agreed that, in the event the Lessee is unable to continue occupancy of the Premises due to the presence of asbestos or any other health hazard, or because of any governmental, legislative, judicial or administrative act, rule, decision or regulation, the Lease Agreement may be terminated by the Lessee upon ten (10) days' written notice to the Lessor. Any asbestos abatement costs, and any other repair or renovation costs associated with asbestos or other health hazard, as well as moving costs and consequential damages, will be at the sole expense of the Lessor.

26. Non Discrimination. The Lessor hereby agrees to provide all services funded through or affected by this Lease Agreement without discrimination on the basis of race, color, national origin, religion, sex, age, physical/mental impairment, and to comply with all relevant sections of: Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; The Age Discrimination Act of 1975 and to comply with pertinent amendments to these acts made during the term of this Lease Agreement. The Lessor further agrees to comply with all pertinent parts of federal rules and regulations implementing these acts. The Lessor hereby agrees to provide equal employment opportunity and take affirmative action in employment on the basis of race, color, national origin, religion, sex, age, physical/mental impairment, and covered veteran status to the extent required by: Executive Order 11246; Section 503 of the Rehabilitation Act of 1973, as amended; Section 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974 and to comply with all amendments to these acts and pertinent federal rules and regulation regarding these acts during the term of the Lease Agreement.

27. Handicap Accessibility. Any space leased by the State of Idaho will meet or exceed standards for handicap accessibility as set out in the American National Standards Institute A117-1, 1992; Americans With Disabilities Act, Public Law 101-336 and applicable regulations; Uniform Building Code Chapter 11; and federal regulations applicable to the occupying agency.

28. Executive Order 99-06. All buildings owned or maintained by any state government agency or entity, or which are constructed or renovated specifically for use or occupancy by any such agency or entity shall conform to all existing state codes, including but not restricted to, the Idaho General Safety and Health Standards, the International Building Code, the International Mechanical Code and the 2000 International Fire Code. If any conflict arises between applicable codes, the more stringent code shall take precedence. Prior to construction or remodeling of such buildings, where appropriate, construction plans shall be reviewed and

approved by the Division of Building Safety and the Permanent Building Fund Advisory Council.

29. Executive Order 2001-04. Executive Order 2001-04 requires that long-term energy costs, including seasonal and peaking demands upon the suppliers of energy, are to be a major consideration in the construction of all state buildings and the execution of lease agreements. Special attention shall include energy conservation considerations including: (i) Chapter 13 of the Building Code, 1997 Edition; (ii) use of alternative energy sources; (iii) energy management systems and controls to include effective means to monitor and maintain systems at optimal operations; (iv) "state-of-the-art" systems and equipment to conserve energy economically.

30. Executive Order 2000-01. Executive Order 2000-01 requires that all state-owned or state-lease buildings, facilities or area occupied by state employees shall be designated as "non-smoking" except for custodial care and full-time residential facilities. The policy governing custodial care and full-time residential facilities may be determined by the directors of such facilities.

31. Material Representations. The Parties agree and acknowledge that the representations and acknowledgments made in this Lease Agreement are material and the Parties have relied upon them in entering this Lease Agreement.

32. Severability. If any term or provision of this Lease Agreement is held by the courts to be illegal or in conflict with any existing law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties shall be continued and enforced as if the invalid term or provision were not contained in this Lease Agreement.

33. Lessor's Right to Lease. The Lessor warrants that it is lawfully possessed of the Premises and has good, right and lawful authority to enter into this Lease Agreement and that the Lessor shall put the Lessee into actual possession of the Premises at the commencement of the term of this Lease Agreement and shall ensure to the Lessee the sole, peaceable, and uninterrupted use and occupancy of the Premises during the full term of this Lease Agreement and any extension.

34. Mortgages by Lessor. Lessee recognizes that Lessor may encumber the Premises by a mortgage(s) or other instrument securing Lessor's obligations to a lender. In such event, the following provisions apply as to the holder of any such mortgage or security instrument and to any person or entity acquiring an interest in the Premises through such mortgage or security interest:

A. In the event of a foreclosure or acquisition by the holder of such mortgage or security instrument, (or by a third party at a foreclosure sale), this Lease Agreement shall continue in full force and effect and the holder or other acquiring party shall be entitled to the benefits of the Lessee's performance under this Lease Agreement and shall have such remedies as are available to the Lessor under this Lease Agreement with respect to any default by the lessee then existing or thereafter occurring.

B. Upon written notification to Lessee of a completed foreclosure or other acquisition by the holder or third party purchaser at a foreclosure sale, Lessee will attorn to the acquiring party and shall thereafter perform.

C. In the event of a foreclosure or acquisition by the holder of such mortgage or other security instrument (or by a third party purchaser at a foreclosure sale), claims by Lessee against the Lessor arising prior to acquisition by the holder or third party purchaser shall not apply to such holder or third party purchaser, provided, however, that this shall not act as a waiver of any rights of Lessee by reason of default under this Lease Agreement existing at the time of such foreclosure sale or other acquisition or thereafter arising, to the extent that such default is not cured under the provisions of this Lease Agreement.

35. Estoppel Certificate. Lessee agrees, upon reasonable written request, and from time to time, to provide to Lessor an Estoppel Certificate in the form attached hereto as Exhibit B.

36. Complete Statement of Terms. No other understanding, whether oral or written, whether made prior to or contemporaneously with this Lease Agreement, shall be deemed to enlarge, limit or otherwise affect the operation of this Lease Agreement.

IN WITNESS WHEREOF, the Parties have executed this Lease Agreement as set forth above.

LESSOR: IDAHO FISH AND WILDLIFE FOUNDATION

STATE OF Idaho)
)ss.
COUNTY OF Ada)

On this 24 day of August, 2004, before me, the undersigned, a Notary Public in and for said State, personally appeared Gary Mumford, known or identified to me to be the person whose name is subscribed to the foregoing instrument on behalf of IDAHO FISH AND WILDLIFE FOUNDATION as Lessor, and acknowledged to me that he/she executed the same on behalf of the Lessor.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Commission expires on 11/20/06 Residing at BOISE

LANI CLIFFORD
NOTARY
PUBLIC
STATE OF IDAHO

LESSEE: IDAHO DEPARTMENT OF FISH AND GAME

STATE OF Idaho)
)ss.
COUNTY OF Ada)

On this 23rd day of August, 2004, before me, the undersigned, a Notary Public in and for said State, personally appeared Terry M. Mansfield, known or identified to me to be the person whose name is subscribed to the foregoing instrument on behalf of IDAHO DEPARTMENT OF FISH AND GAME as Lessee, and acknowledged to me that he/she executed the same on behalf of the Lessee.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Commission expires on 5-24-2010 Residing at Boise, Idaho

MARILYN L. WHITNEY
NOTARY
PUBLIC
STATE OF IDAHO

APPROVED BY:

______________________________ ______________________
Linda S. Miller, State Leasing Manager Date
Division of Public Works, Department of Administration

EXHIBIT A TO THE LEASE AGREEMENT
THE PREMISES
417 EAST ROAD, JEROME, IDAHO

EXHIBIT B TO THE LEASE AGREEMENT

ESTOPPEL CERTIFICATE

This Estoppel Certificate is made by ______________________________, (hereinafter "Lessee") the lessee of those certain premises located at ______________________________, [, Idaho], and described as ______________________________, and leased by Lessee from ______________________________ (hereinafter "Lessor").

NOW THEREFORE, Lessee certifies and represents to Lessor and its successors, mortgagees and assigns and their attorneys, representatives, with respect to the above described lease as follows:

1. The true, correct and complete copy of the lease, including all amendments or addendum thereto (hereinafter collectively referred to as the "Lease") is attached hereto.

2. The Lease contains the entire agreement between Lessor and Lessee, and to the best of Lessee's knowledge, as of the date hereof, Lessor is not in default in the performance of the terms and provisions of the Lease.

3. The Lease is for approximately ____________ square feet. The Lease began on ______________ and will end on ____________________.

4. Lessee has paid all rents due under the Lease for the period through and including ______________________________, and Lessee has paid no other rent or compensation in lieu of rent in advance beyond such date. As of the date hereof, rent due from Lessee to Lessor is in the amount of $ ____________________ per month plus such additional rent as called for in the Lease.

DATE: ________________________

LESSEE

____

State of Idaho
Department of Administration
Division of Public Works
502 N. 4th Street
PO Box 83720
Boise ID 83720-0072
Phone 208-332-1900 FAX 334-4031

TRANSMITTAL

DATE: July 20, 2004
Re: IDAHO DEPARTMENT OF FISH AND GAME JEROME

TO:	**IDAHO FISH AND WILDLIFE FOUNDATION**	**CC: STEVE BARTON**
	POST OFFICE BOX 2254, BOISE, IDAHO 83701-2254	**IDAHO DEPARTMENT OF FISH AND GAME**
		=W/ ENCLOSURES
FROM:	**Linda S. Miller, State Leasing Manager 208-332-1929**	

ENCLOSED PLEASE FIND:

Copies	Description

Please have the leases signed and notarized by IDAHO FISH AND WILDLIFE FOUNDATION

Please attach floor plan and tenant improvement specifications to lease as Exhibit A

Please have the leases signed and notarized by IDAHO DEPARTMENT OF FISH AND GAME

Please amend and return   Please review and affix comments   These are for your files

Other:____

Return _ copies to: Lessor @ **POST OFFICE BOX 2254, BOISE, IDAHO 83701-2254**

Return _ copies to: Lessee @ **POST OFFICE BOX 25, BOISE, IDAHO 83712**

Return _ copies to: Division of Public Works, Attn: State Leasing Manager

THANK YOU!

After execution of the Lease Agreement by all parties, the Lessor, the Lessee and the Division of Public Works should each have an executed copy of the agreement.

LEASE CHECKLIST

_______NEW LEASE _______LEASE RENEWAL _______LEASE MODIFICATION _______DEAD LEASE

LEASE LIST INFORMATION:

REPLACES LEASE @ __________

AGENCY: IDAHO DEPARTMENT OF FISH AND GAME

TYPE OF SPACE: __AGENCY__DEPT OF LANDS __RESID __STATE OWNED __WAREHSE __LIQUOR __MISC __TEMP

ADDRESS: 417 EAST ROAD CITY: JEROME

LESSOR: IDAHO FISH AND WILDLIFE FOUNDATION ADD: PO BOX 2254, BOISE, IDAHO 83701-2254 PHONE: 334-2648

ORIGINAL LSE DATE: __________ ENDING LSE DATE: MAY 31, 2010 AMEND DATE: __________

ESCALATION DATE: __________ ESCALATION $: __________

SQ. FT.: 17,858 BASE RENT/YR: 191,966.25 $/SQ FT: 10.65 EXCLUSIONS: __A __BASE YR __E __J __TI __U

COMMENTS: __________

LINK TO: __________

CONTACT PERSON: STEVE BARTON

PERMANENT BLDG FUND LEASE LETTER:

10.65 (1ST YR) __________COST PER SQ FT (EFFECTIVE) _______ COST IF FULL SERVICE

191,966.25 COST PER YR ESCALATIONS: __________

TYPE OF SPACE: __AGENCY__DEPT OF LANDS __RESID __STATE OWNED __WAREHSE __LIQUOR __MISC __TEMP

TYPE OF LEASE: FULL SERVICE EXCLUDES: ELEC UTILITIES JANITORIAL NNN WAREHSE RETAIL

LAND LSE RESIDENTIAL OTHER: __________

COST RATIO __________ LENGTH OF LEASE: __________

PREV RATE: ________ INCR FROM FORMER LSE: _____

OTHER COMMENTS FOR PBF LEASE LETTER: __________

MISCELLANEOUS LEASE INFORMATION:

LEASE/PURCHASE ANALYSIS REVIEWED: _____ NNN _______COST RATIO ________BREAKEVEN YR

FACILITY QUESTIONNAIRE REC'D? _____ 5 YR FACILITY PLAN: __________

RENT DISCOUNT: FTE: __________ SQ FT/FTE: __________

INCREASES IN BASE RENT: ADD'L RENT FOR OPERATING EXPENSES:

YEAR	$ OR %
______	______
______	______
______	______
______	______
______	______
______	______

OPERATING EXPENSES

BASE YR: __________

CAPS: __________

TAXES: __________

INSUR: __________

CAM: __________

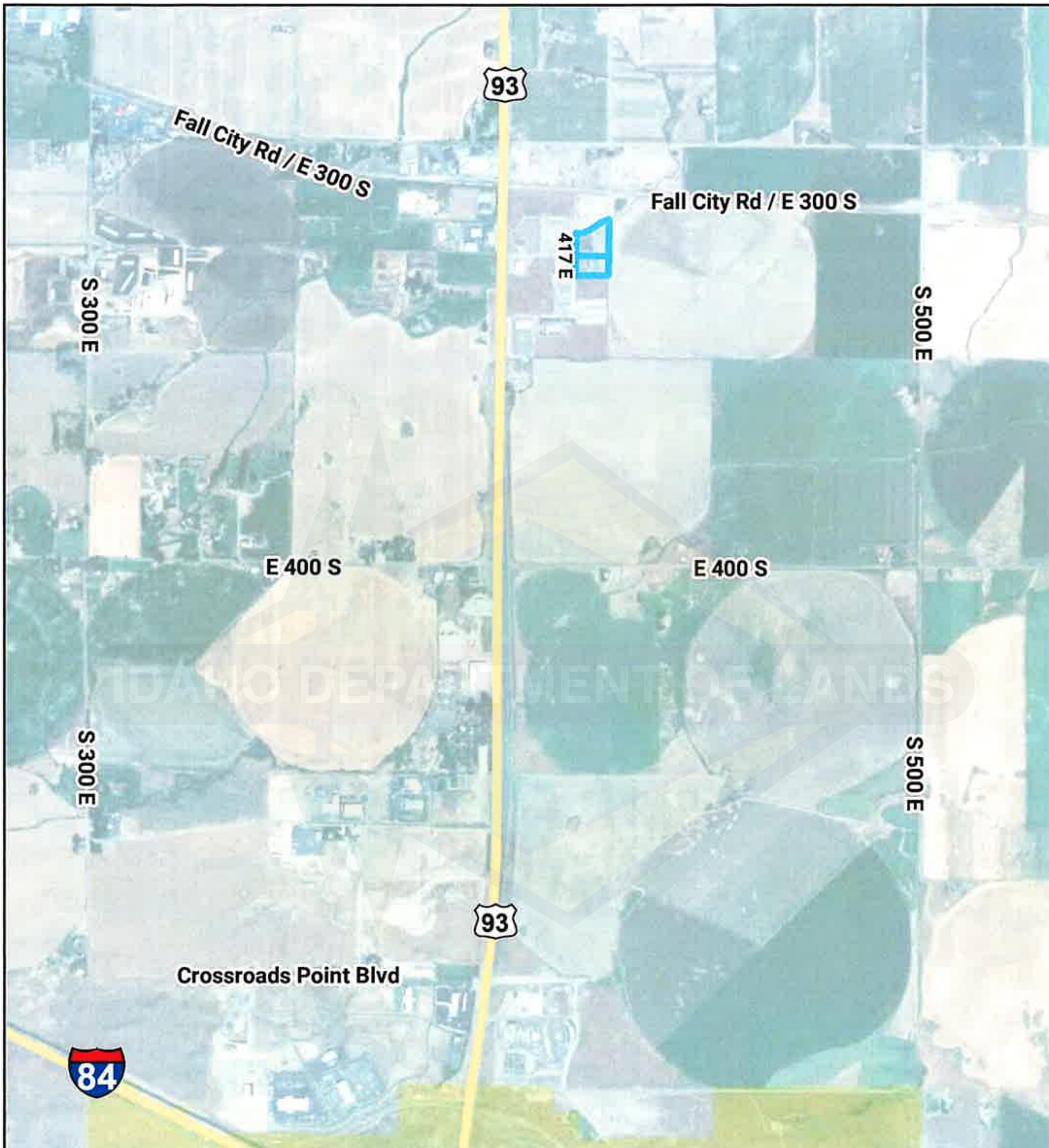
CAM: __________

AMORTIZED TENANT FINISH: __________

OPTIONS TO RENEW: __________

OTHER OPTIONS (CANCEL, PURCHASE, EXPAND, ETC.): __________

SPECIAL COMMENTS/ISSUES: __________



IDFG Regional Office Jerome

IDAHO FISH AND WILDLIFE FOUNDATION INC

Bureau of Land Management

Private

0 2,000
Feet

324 417 E #1
Jerome, ID 83338

7/1/2021

Scale 1:20,000

N
W E
S

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

Map Author - cmcintyre

ATTACHMENT 2

LEASE AGREEMENT FOR SPACE

THIS LEASE AGREEMENT FOR SPACE ("Lease Agreement") is entered effective upon the date of the last required signature (the "Effective Date"), by and between **IDAHO FISH AND WILDLIFE FOUNDATION, POST OFFICE BOX 2254, BOISE, IDAHO 83701-2254, Tax ID # 82-0439782** (the "Lessor"), and the STATE OF IDAHO, by and through **IDAHO DEPARTMENT OF FISH AND GAME** (the "Lessee"), for the leasing of that real property described below and referred to as the "Premises." The Lessor and the Lessee may be referred to collectively as the "Parties." The Parties specifically agree and acknowledge that the approval signature of the Leasing Manager, Division of Public Works, Department of Administration, is a required signature.

WITNESSETH

WHEREFORE, in consideration of the mutual covenants, agreements, and conditions contained in this Lease Agreement, the Parties agree as follows.

1. Lease of Premises. The Lessor does hereby demise and lease to the Lessee the Premises situated in the City of **IDAHO FALLS**, County of **BONNEVILLE**, State of Idaho, known and described as follows: **Lot 7, Block 4, St Leon Industrial Park, also known as 4279 COMMERCE CIRCLE, IDAHO FALLS, IDAHO 83401. The Premises are located on a Property consisting of approximately 1.35 acres.**

2. Term. The term of this Lease Agreement is **SIXTY (60)** months. As time is of the essence, the term of this Lease Agreement shall begin on **JUNE 1, 2003** and shall end at midnight on **MAY 31, 2008**. The Parties agree that this Lease Agreement is subject to the termination, expiration, and renewal rights set forth in this Lease Agreement. The Lessee may, at the expiration of the term of this Lease Agreement and without the necessity of renewing said Lease Agreement, continue in its occupancy of the Premises on a month to month basis upon the terms and conditions set forth in this Lease Agreement for a period not to exceed one (1) year. The Lessor may terminate the Lessee's month to month occupancy upon ninety (90) days' prior written notice to the Lessee.

3. Payment. The Lessee shall pay to Lessor a fixed payment for the term of this Lease Agreement in monthly installments of **$8,630.14** each. The lease payment shall be computed at a rate of **$6.00** per square foot, per year. The total square footage of the Premises is **17,257**, subject to measurement using BOMA standard. The total yearly lease payment is **$103,561.68**. Upon election by the Lessee to pay in advance **N/A** quarterly, **N/A** semi-annually, or **N/A** annually, the Lessor shall allow Lessee a discount of **N/A Percent**. The lease payments shall be paid pursuant to the Lessor's timely submission of invoices for payment. Upon receipt, Lessee shall forward Lessor's invoice to the State Controller for payment. Lessor specifically acknowledges that State vouchers are processed by the State Controller, not Lessee. Therefore, any payment that is made no later than sixty (60) days after it is actually due shall not be considered an event of default. Lessee shall use its best efforts to expedite payment. It is expressly covenanted and agreed that any prepayment of rent made by the Lessee under the terms of this Lease Agreement shall be considered as an advance payment of rent only and no part thereof shall be considered as a security or cash deposit.

4. Acceptance of Premises. Lessor shall deliver the Premises to Lessee in accordance with floor plans and specifications attached to this Lease Agreement as Exhibit A, and incorporated herein by reference. Prior to or at occupancy, Lessee shall provide Lessor with a written statement acknowledging inspection and acceptance of the Premises. Lessee's obligations under this Lease Agreement shall not commence until Lessee's acceptance of the Premises. Lessee's inspection and acceptance of the Premises are based upon what may be reasonably observed by one untrained or unfamiliar with building inspections. At Lessee's discretion, Lessee may have particular conditions or parts of the Premises inspected by one trained or familiar with building inspections. In no event shall Lessee's inspection, or inspection by any agent of Lessee, be deemed a waiver of any defects in the Premises.

5. No Waste; Repairs. Lessee will not commit waste on the Premises, nor will it disfigure or deface any part of the building, grounds, or any other part of the Premises, including fixtures. Lessee further covenants that upon return, the Premises will be in the same condition as originally received, reasonable wear and tear

ATTACHMENT 3

excepted. Repairs, except those actually necessitated by Lessee's waste, disfigurement or defacement, and except for repairs required by the removal of Trade Fixtures as provided for in Paragraph 13 of this Lease Agreement, shall be made solely at the Lessor's expense. Any repairs shall be done in a workmanlike manner and must comply with all applicable codes, ordinances, rules, and regulations.

6. <u>Services and Parking</u>. The Lessee covenants that it will provide, perform, and pay for the services, maintenance, and parking as follows:

A. Utilities:

Domestic water and sewer.
Electricity.
Natural Gas.
Irrigation.

B. Facility Repair and Maintenance:

General Building structure and related equipment (Interior and Exterior).
Heating system and related equipment.
Cooling and air handling system and related equipment.
Electrical system and related equipment.
Sewer and plumbing systems and related equipment.
Exterior lighting, including landscaped areas, parking area and walkway.
Cleaning ground and parking area of debris **X** weekly _ monthly _ other: ____________.
Common area janitorial service **X** daily (excluding weekends and holidays) _ other: _______.
Trash removal from property **X** weekly __ other: _________________.
Furnishing of all washroom materials, including paper products, soap, cleaning supplies and equipment.
Light bulb and fluorescent tube replacement.
Ice and snow removal prior to start of each business day.
Lawn and shrubbery care weekly during season.

C. Custodial Services:

Complete Janitorial service **X** daily (excluding weekends and holidays) __ other: _
Trash removal from Premises **X** daily (excluding weekends and holidays) _weekly __ other:
Window cleaning **X** quarterly __ other: __________________________
Carpet spot cleaning __ semi-annually __ annually **X** as needed.
Shampoo carpet **X** semi-annually _ annually _ as needed.

D. Parking: A total of **<u>42</u>** lighted and paved automotive parking spaces will be maintained with adequate ingress and egress available. Handicapped spaces will be provided equal to the requirements of the Americans With Disabilities Act (ADA). The Lessor shall provide the site work and foundation for a 5,500 square foot open front vehicle storage building at no cost to the Lessee. Lessee will provide move and install said vehicle storage shed onto the site

7. <u>Special Provisions</u>.

a. <u>Taxes</u>. Lessee shall pay and discharge all taxes and assessments whatsoever charged against the Premises whether charged by federal, state, county, city or other public authority.

b. <u>Additional Rent.</u> In addition to the rental payment required and provided by Paragraph 3 of this Lease Agreement, the Lessee agrees to pay as additional rent its Proportionate Share of Property Damage Insurance in accordance with this section. Capitalized terms used in this section shall have the meanings ascribed herein.

1. For the purposes of this section, the following definitions apply:

a. "Property Damage Insurance" shall mean public liability and property damage insurance, vandalism insurance and plate glass insurance paid on behalf of the real property on which the Premises is located, common area improvements and equipment before the addition of any fine, penalty, interest or cost for nonpayment.

b. "Proportionate Share" shall mean that fraction, the numerator of which is the total square footage leased by Lessee and the denominator of which is the total rentable square footage in the building in which the Premises is located. The parties agree that the applicable fraction is 17,257/17,257 and shall be represented in percentage terms and the parties further agree that this percentage is 100%.

2. No later than Ninety (90) days after each calendar year, Lessor shall provide Lessee a written statement setting forth the amount of Property Damage Insurance payable or paid by the Lessor for the Previous Calendar year. An invoice shall be included with this statement, together with a copy of the insurance bill. Unless Lessee objects in writing within thirty (30) days after receipt by Lessee of such statement, Lessee shall submit for payment in accordance with Paragraph 2. If Lessee objects in writing, Lessee shall submit for payment that portion to which Lessee does not object.

3. Lessee shall have thirty (30) days upon receipt of the statement required to object in writing to any part of such statement and to specify what portions are claimed to be incorrect. Lessee shall have the right, but not more than once per year, at any time within forty-five (45) days of receipt of the statement, and at its sole cost, to examine the Lessor's books and records relating to the determination of any billing for insurance. No later than sixty (60) days after receipt of the statement, Lessee shall notify Lessor in writing of its determination with regard to any objection made pursuant to this section. Failure to pay a claimed portion pursuant to this section shall not be deemed a default in the payment of Rent.

4. Anything contained herein notwithstanding, failure by Lessor to provide the written statement required in the time frame set forth therein shall be deemed a waiver by the Lessor to any right to obtain any additional rent.

5. If this Lease Agreement begins on any day other than the first day of January or if this Lease Agreement ends on any day other than the last day of December, any payment due to the Lessor by reason of any billings for Property Damage Insurance shall be prorated based on the number of days by which such partial year bears to 365.

c. Lessor's Improvements. Lessor shall, on Lessee's behalf, construct those certain improvements to the Premises detailed on Exhibit A attached hereto (the "Work"). The Work shall be built to the Lessee's and the Lessor's architects' specifications. Lessee shall review and approve the final plans and specification prior to commencement of the Work. Lessor will allow the Lessee to enter upon the Premises during the construction period for inspection purposes.

Lessor hereby agrees to commence work upon receipt of an executed Lease Agreement and to substantially complete the Work on or before **June 15, 2003**. The Lessor agrees to maintain any and all insurance coverages applicable to this construction, including worker's compensation and liability insurance. The Lessor further agrees to indemnify, defend and save harmless the Lessee from and against any and all claims, damages, costs, legal fees, expenses, actions and suits whatsoever, including injury or death of others or any employee of the Lessor, subcontractors, agents or employees, caused directly or indirectly by the carrying out of the Work, or caused by any matter or thing done, permitted or omitted to be done by the Lessor, his agents, subcontractors or employees and occasioned by the negligence of the Lessor, his agents, subcontractors or employees. All Work shall be done in a workmanlike manner and must comply with all applicable codes, ordinances, rules, and regulations. Lessor shall obtain any and all permits and inspections applicable to this Work which must comply with all applicable codes, ordinances, rules and regulations. Lessor shall warrant and guaranty all materials, equipment, and workmanship. Upon completion of the Work, Lessor shall furnish to the Lessee a listing of products, subcontractors, supplier and/or manufacturers and maintenance manuals relative to the Work. Lessor shall complete a final cleaning upon completion of the Work. Lessor shall perform the Work so as to minimize any disturbances to the day to day business activities of the Lessee.

Lessee's inspection and acceptance of the Work are based upon what may be reasonably observed by one untrained or unfamiliar with building inspections. At Lessee's discretion, Lessee may have particular conditions or parts of the Work inspected by one trained or familiar with building inspections. In no event shall Lessee's inspection, or inspection by any agent of Lessee, be deemed a waiver of any defects in the Work. All buildings renovated specifically for use or occupancy by any state government agency or entity shall conform to all existing state codes, including but not restricted to:

1. Idaho Code Title 67, Chapter 57, Section 8
2. International Building Code, 2000 Edition
3. International Mechanical Code, 2000 Edition

4. Uniform Plumbing Code, 2000 Edition
5. International Fuel Gas Code, 2000 Edition
6. Uniform Mechanical Code, 1997 Edition
7. International Energy Conservation Code, 2000 Edition
8. NFPA 70, 2002 Revised, National Electrical Code
9. Handicap Accessibility, Americans with Disabilities Act
10. Section 612 Idaho Safety Code 1, Air Standards
11. 2000 International Fire Code
12. American National Standards Institute (ANSI) A17.1
13. Federal Regulations Applicable to the occupying agency
14. Electronic Industry Association/Telecommunication Industry Association Standard, 1995, EIA/TIA-568 Standard
15. All Local Codes

If any conflict arises between applicable codes, the more stringent code shall take precedence. **Prior to construction or remodeling** of such buildings, where appropriate, plans shall be reviewed and approved by the **Division of Building Safety** and the Permanent Building Fund Advisory Council. **Any cost associated with that review will be at the expense of the Lessor. A copy of the Division of Building Safety's Plan Review Application is attached to this Lease Agreement as Exhibit C.**

d. Option to Renew. Tenant shall have **THREE (3)** options to renew this Lease Agreement for a period of **five (5) years** per option. The lease payment shall increase according to the following schedule:

Period	Rent/Mo	Rent/Yr	Rent/Sq Ft
6-01-2008 to 5-31-2013	$9,531.62	$114,379.44	$ 6.628
6-01-2013 to 5-31-2018	$9,872.09	$118,465.10	$ 6.865
6-01-2018 to 5-31-2023	$9,872.09	$118,465.10	$ 6.865

Lessee shall give written notice to the Lessor of his intent to renew the Lease no later than ninety (90) days prior to the expiration of the Lease or any renewal period of the Lease.

e. Option to Purchase. Within specified dates during the term of this Lease Agreement, Lessee and/or its assigns shall have the right and option to purchase the Property which consists of the Premises, the land upon which the Premises is situated, all improvements constructed upon the land and all improvements made to the Premises after a concurrent resolution authorizing such purchase has been approved by the Legislature. The Lessee may exercise the right and option to purchase the Premises by providing ninety (90) days' written notice to the Lessor. The Lessor hereby confirms that the Lessor of the Premises is the owner holding title to the Property.

Date of Closing	Purchase Price
June 1, 2013	$1,000,000.00
June 1, 2018	$ 750,000.00
June 1, 2023	$ 1.00

Within five (5) business days of Lessee's notice to Lessor of his intent to purchase the Property, the Lessee shall hire an independent licensed commercial real estate appraiser, experienced with the Idaho Falls area, to estimate the market value of the Property. The market value of the Property shall not include any leasehold improvements or trade fixtures installed by Lessee at his sole cost and expense. In the event the market value shall exceed the purchase price, the Lessee shall have the right to purchase the property at the purchase price noted above. In the event the market value shall be less than the purchase price for that period, the Lessee shall have the option to negotiate the purchase price with the Lessor or to complete the purchase of the Property at the purchase price noted above, but the purchase price of the Property shall not be less than the amount of any mortgages and/or liens on the Property. At the time the purchase option is exercised, a Contract for Sale and Purchase of the Property shall be signed by all parties, enumerating the respective rights and responsibilities of the parties. Title to the Property shall be conveyed by the Lessor at the time of closing by general warranty deed and shall be marketable, insurable and free from liens, restrictions, encumbrances, assessments and tenancies (other than those tenancies where the State of Idaho is the Lessee), except for rights which may be reserved in federal patents, building or use restrictions, building and zoning regulations and ordinances of any governmental unit, and rights of way and easements established of record. Any other existing liens, mortgages, encumbrances or defects of title are to be discharged by the Lessor on or before the date of closing and may be paid out of the purchase money on the date of closing. Warrantees shall be transferred to the Lessee on the date of closing.

The Lessee shall be responsible for the following closing costs: appraisal, title insurance, closing escrow fee, recording fees, and flood certification. It is the intent of the parties that all closing costs shall be paid by the Lessee. Neither parties shall have a real estate broker involved in the transaction. In the event that either party shall desire to secure legal representation, the party securing legal representation shall bear the costs of any resultant legal fees and costs.

Prior to closing, the Lessee shall obtain the approval of the acquisition by the Idaho State Legislature and the Land Board.

f. Other Special Provisions. No other special provisions exist.

8. Failure to Repair, Maintain or Service. In the event that the Lessor shall fail or refuse to Make such repairs, perform such maintenance, provide such services, or to take any other action required of the Lessor pursuant to this Lease Agreement, Lessee shall give Lessor reasonable notice and time to cure and, failing such cure, Lessee may, at its option, make such repairs, perform such maintenance, provide such services, or take any such action, and deduct such sums expended doing so from the lease payments due to the Lessor. In the event that such failure or refusal prevents Lessee from occupying any or all of the Premises, Lessee may deduct a pro rata sum from its lease payments equal to the greater of the monthly cost per square foot of those Premises not acceptable for occupancy or the actual cost incurred by the Lessee to secure and occupy alternate premises. Lessee's decision to exercise this remedy shall not be deemed to limit its exercise of any other remedy available under this Lease Agreement, at law or in equity.

9. Personal Injury Damages. Subject to any applicable provisions of the Idaho Tort Claims Act, Lessee agrees to defend and hold Lessor harmless for any and all claims based on proven personal injury damages suffered by public business invitees of the Lessee, provided, however, that Lessee shall have such obligation only for injuries and damages resulting from the negligent acts or omissions of employees of the Lessee and shall have no such obligation related to acts or omissions of employees or invitees of the Lessor.

10. Indemnification. Lessor hereby agrees to defend, indemnify and save Lessee harmless from and against any and all liability, loss, damage, cost, and expense, including court costs and attorneys' fees of whatever nature or type, whether or not litigation is commenced, that the Lessee may incur, by reason of any act or omission of the Lessor, its employees or agents or any breach or default of the Lessor in the performance of its obligations under this Lease Agreement. The foregoing indemnity shall not apply to any injury, damage, or other claim resulting solely from the act or omission of the Lessee.

11. Use of Premises. Lessee shall use the Premises for the following purposes: the general governmental operations of the Idaho Department of Fish and Game. Lessor warrants that, upon delivery, the Premises will be in good, clean condition and will comply with all laws, regulations or ordinances of any applicable municipal, county, state, federal or other public authority respecting such use as specified above. Lack of compliance shall be an event of default and shall be grounds for termination of this Lease Agreement.

12. Fire or Damage.

A. Damage or Destruction Renders Premises Unfit for Occupancy. If, during the term of this Lease Agreement, the Premises, or any portion thereof, shall be destroyed or damaged by fire, water, wind or any other cause not the fault of Lessee so as to render the Premises unfit for occupancy by Lessee, this Lease Agreement shall be terminated automatically and at an end. In the event of such termination, I In the event of such termination,essee shall immediately surrender the Premises to Lessor and shall pay rent only to the time of such surrender. If comparable and acceptable office space can be provided by the Lessor within thirty (30) days of the date of destruction or damage, the Lessee may elect, at its sole option, to relocate to such substitute office space and all relocation costs shall be at the sole expense of the Lessor. Rents will be continued upon occupancy at the lesser of: (i) the current lease rate; or (ii) the market rate for the substitute space. Such relocation shall be for the remainder of this Lease Agreement or any extension.

B. Some Portion Fit for Occupancy.

(i) Notwithstanding any other provision of this Lease Agreement, if less than fifty percent (50%) of the Premises are destroyed or damaged, and if that portion of the Premises may be restored within ninety (90) days to as good a condition as originally received, the Lessee may elect to continue this Lease Agreement and Lessor shall have the option to restore the Premises. Lessee shall give written notice of its intention to continue this Lease Agreement within thirty (30) days after such damage or destruction occurs. If Lessor does not elect to restore the Premises, the Lessor shall provide the Lessee with written notice of that fact and this Lease Agreement shall automatically terminate effective as of the date of destruction or damage.

(ii) If the Lessor elects to restore or rebuild pursuant to the option provided in paragraph 12.B.(i), the rents otherwise due Lessor by Lessee shall be abated equal to the monthly cost per square foot of the unoccupied Premises for that period of time during which restoration or rebuilding of the Premises occurs. If the Lessee is unable to occupy all or part of the Premises during the restoration then, at the option of the Lessee, the Lessee may be relocated to comparable and acceptable office space and all relocation costs shall be at the sole expense of the Lessor. If such restoration or rebuilding exceeds ninety (90) days beyond the date of the destruction or damage to the Premises, Lessee may terminate this Lease Agreement without liability of any kind save payment for actual occupancy of the Premises prior to termination.

C. Prepaid Rent. In the event that this Lease Agreement is terminated as the result of damage or destruction to the Premises during any period of its term for which the Lessee has prepaid rent, the Lessor shall, within ten (10) days from the date of notification of termination by the Lessee, refund the full amount of any prepaid rent not then applied to a period of the Lessee's actual occupancy of the Premises. In the event that the Lessor does not timely remit the full amount of any prepaid rent to the Lessee, the Lessee shall be entitled to collect the full amount of its prepaid rent from insurance proceeds in the manner set forth in this Lease Agreement.

13. Alterations. Except as otherwise agreed, subsequent to the Effective Date and during the term of this Lease Agreement and any extension, neither Lessor nor Lessee shall make any alterations, additions or improvements to the Premises without the prior written consent of the other. Any and all alterations and improvements made by Lessee shall be made at Lessee's sole expense and, subject to the exception for Trade Fixtures provided below, shall, upon termination of this Lease Agreement, and without disturbance or injury, become the property of the Lessor, and shall remain in and be surrendered with the Premises. Any such alterations, whether performed by Lessor or Lessee, must be made in a workmanlike manner and must comply with all applicable codes, ordinances, rules, and regulations. Notwithstanding any other provision of this Lease Agreement, Trade Fixtures, as defined in this Lease Agreement, installed by Lessee shall, at the option of the Lessee, not become the property of the Lessor and, upon the termination of this Lease Agreement, the Lessee may remove such Trade Fixtures and return the Premises in as close to original condition as possible, reasonable wear and tear excepted. For purposes of this Lease Agreement, a Trade Fixture is defined as personal property used by the Lessee in the conduct of its business and includes items such as, but not limited to, shelves and reception counters.

14. Default. In the event that either party shall default in the performance of any material term, covenant, or condition of this Lease Agreement, the party not in default may at its option terminate this Lease Agreement. The party alleging default must provide written notice of said default, specifying the alleged default, and the receiving party shall have fifteen (15) business days to cure or shall immediately provide written documentation that it is proceeding to cure the default in an expedited manner (e.g., working overtime, express delivery, etc.). Should Lessee be in default by surrendering occupancy of the Premises in some manner violative of the terms of the Lease Agreement, Lessor may reenter the Premises without affecting its right of recovery of accrued rent therefor; provided, however, the Lessor shall exercise due diligence to mitigate any and all future losses of rent or damages that may result due to the failure of the Lessee to occupy the Premises.

15. Sufficient Appropriation by Legislature Required. It is understood and agreed that the Lessee is a

governmental entity, and this Lease Agreement shall in no way or manner be construed so as to bind or obligate the State of Idaho beyond the term of any particular appropriation of funds by the State legislature as may exist from time to time. The Lessee reserves the right to terminate this Lease Agreement if, in its judgment, the legislature of the State of Idaho fails, neglects or refuses to appropriate sufficient funds as may be required for Lessee to continue such lease payments. All future rights and liabilities of the Parties shall thereupon cease within ten (10) days after the notice to the Lessor. It is understood and agreed that the lease payments provided for in this Lease Agreement shall be paid from State legislative appropriations.

16. Assignment by Lessee - Right to Terminate Lease Agreement at Direction of Idaho Department of Administration. The parties to this Lease Agreement recognize and agree that Lessee, as an agency of the State of Idaho, is subject to the direction of the Idaho Department of Administration pursuant to Title 67, Chapter 57, Idaho Code, and, specifically, the right of that department to direct and require Lessee to remove its operations from the Premises and relocate to other facilities owned or leased by the State of Idaho as agreed to by Lessee. Accordingly, it is agreed that, upon the occurrence of such event, Lessee may terminate this Lease Agreement annually after a one-year period from the date of the commencement of the Lease Agreement as determined under Paragraph 2, provided that Lessor is notified in writing ninety (90) days prior to the date such termination is to be effective. Such action on the part of the Lessee will relieve the Lessee and the State of Idaho of liability for any rental payments for periods after the specified date of termination or the actual date of surrender of the Premises, if later. Additionally, the Department of Administration, at its option, upon providing thirty (30) days' written notice to the Lessor, may relocate the Lessee and assign the space to another Idaho state agency, department or institution. The provisions of the Lease Agreement will continue in full force and effect upon such assignment by the Department of Administration.

17. Officials, Agents and Employees of Lessee Not Personally Liable. It is agreed by and between the Parties that in no event shall any official, officer, employee or agent of the State of Idaho be in any way liable or responsible for any covenant or agreement contained in this Lease Agreement, express or implied, nor for any statement, representation or warranty made in or in any way connected with this Lease Agreement or the Premises. In particular, and without limitation of the foregoing, no full-time or part-time agent or employee of the State of Idaho shall have any personal liability or responsibility under this Lease Agreement, and the sole responsibility and liability for the performance of this Lease Agreement and all of the provisions and covenants contained in this Lease Agreement shall rest in and be vested with the State of Idaho.

18. *Relation of Parties.* The Parties agree and acknowledge that neither shall be considered the employer, agent, representative, or contractor of the other by reason of this Lease Agreement.

19. Notices. Any notice required to be served in accordance with the terms of this Lease Agreement shall be sent by registered or certified mail. Any notice required to be sent by the Lessee shall be sent to the Lessor's last known address at **POST OFFICE BOX 2254, BOISE, IDAHO 83701-2254** and any notice required to be sent by the Lessor shall be sent to the address of the Premises and to the Lessee's address in Boise, i.e., **POST OFFICE BOX 25, BOISE, IDAHO 83712**. A copy of any such notice shall also be sent to the Department of Administration, Division of Public Works, Attn: Leasing Manager, Post Office Box 83720, Boise, ID 83720-0072. In the event of a change of address by either Lessor or Lessee, the Parties agree to notify each other in writing within ten (10) days of the date of any such change.

20. Insurance. The Lessor shall maintain an insurance policy (or policies) for the purpose of insuring any property and liability risks regarding the Premises. Both parties acknowledge that Wells Fargo Bank Northwest, NA shall named as an additional named insured on all property and liability insurance policy(s) obtained by or for the Lessor. In the event that the Lessee shall prepay rent in the manner set forth in this Lease Agreement, the insurance policy (or policies) obtained and maintained by the Lessor shall identify the Lessee as a named insured under the terms of the policy. Any such insurance policy shall further state that the Lessee shall be entitled to receive insurance proceeds in the full amount of any prepaid rent prior to any distribution of insurance proceeds to the Lessor or any other third party not having an insurable interest in the

Premises. The Lessor shall provide the Lessee with a copy of its insurance policy on or before the term this Lease Agreement commences. The Lessee acknowledges that its personal property is subject to coverage in accordance with state law.

21. Heirs and Assigns. The terms of this Lease Agreement shall apply to the heirs, executors, administrators, successors, and assigns of both the Lessor and the Lessee in like manner as to the original parties. It is understood that Lessor may pledge and assign the rental payments under this Lease Agreement to Wells Fargo Bank Northwest, NA or to Wells Fargo Brokerage Services, LLC as security for the financing of the Property. Any assignment of this Lease Agreement must be approved by the State Board of Examiners in accordance with Idaho Code § 67-1027. If the Lessor assigns its interest in this Lease Agreement pursuant to a sale or other conveyance of the Premises (except a conveyance as contemplated by Paragraph 34) to a person or entity expressly assuming Lessor's obligations under this Lease Agreement, Lessee agrees, subject to obtaining the approval required by Idaho Code § 67-1027, to continue under this Lease Agreement and to recognize the new owner as the Lessor. This paragraph shall not in any way act as a release of any claim by Lessee as against the original Lessor nor shall it act as a waiver of any default under this Lease Agreement existing at the time of such sale or conveyance and assignment to the extent that any such default continues and remains uncured after such sale and assignment.

22. Nonwaiver. The failure of the Lessor or Lessee to insist upon strict performance of any of the covenants and agreements of this Lease Agreement or to exercise any option contained in this Lease Agreement shall not be construed as a waiver or relinquishment of any such covenant or agreement, but the same shall be and will remain in full force and effect unless such waiver is evidenced by the prior written consent of authorized representatives of the Lessor and Lessee.

23. Modification. This Lease Agreement may be modified in any particular only by the prior written consent of authorized representatives of the Lessor and Lessee. **Anything else contained herein notwithstanding, modifications to this Lease Agreement shall be of no force and effect until approved in writing by the Department of Administration, Division of Public Works.**

24. Renewal. In addition to the renewal provided for under Section 7 (d), this Lease Agreement may be renewed by the written consent of the Lessor and Lessee provided such consent is rendered sixty (60) days in advance of the expiration of the term of this Lease Agreement. Notice of Lessor's offer to renew shall be given by the Lessor one hundred twenty (120) days prior to the expiration of this Lease Agreement, including any extension. Lessee will have thirty (30) days to respond to Lessor's offer. If agreement is not reached by sixty (60) days prior to the expiration of the Lease Agreement, Lessor may lease the Premises to another party, but not on more favorable terms than offered to Lessee, without first giving Lessee ninety (90) days to accept or reject those new terms. The Lessor and Lessee may also terminate this Lease Agreement upon their mutual written consent.

25. Asbestos and Health Hazards. Lessor agrees to comply promptly with all requirements of any legally constituted public authority made necessary by any unknown or existing health hazard including, but not limited to, such hazards which may exist due to the use or suspected use of asbestos or asbestos products in the Premises. The Lessor warrants that it has inspected the Premises for health hazards, specifically for the presence of asbestos, and the inspection has not detected asbestos, or if Lessor's inspection has revealed asbestos, then Lessor warrants that it has been removed or been encapsulated in accordance with current law and regulations. In the event that asbestos or another health hazard is discovered on the Premises, the Lessor agrees to protect the Lessee and its employees and to take immediate corrective action to cure the problem. It is agreed that, in the event the Lessee is unable to continue occupancy of the Premises due to the presence of asbestos or any other health hazard, or because of any governmental, legislative, judicial or administrative act, rule, decision or regulation, the Lease Agreement may be terminated by the Lessee upon ten (10) days' written notice to the Lessor. Any asbestos abatement costs, and any other repair or renovation costs associated with asbestos or other health hazard, as well as moving costs and consequential damages, will be at the sole expense of the Lessor.

26. Non Discrimination. The Lessor hereby agrees to provide all services funded through or affected by this Lease Agreement without discrimination on the basis of race, color, national origin, religion, sex, age, physical/mental impairment, and to comply with all relevant sections of: Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; The Age Discrimination Act of 1975 and to comply with pertinent amendments to these acts made during the term of this Lease Agreement. The Lessor further agrees to comply with all pertinent parts of federal rules and regulations implementing these acts. The Lessor hereby agrees to provide equal employment opportunity and take affirmative action in employment on the basis of race, color, national origin, religion, sex, age, physical/mental impairment, and covered veteran status to the extent required by: Executive Order 11246; Section 503 of the Rehabilitation Act of 1973, as amended; Section 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974 and to comply with all amendments to these acts and pertinent federal rules and regulation regarding these acts during the term of the Lease Agreement.

27. Handicap Accessibility. Any space leased by the State of Idaho will meet or exceed standards for handicap accessibility as set out in the American National Standards Institute A117-1, 1992; Americans With Disabilities Act, Public Law 101-336 and applicable regulations; Uniform Building Code Chapter 11; and federal regulations applicable to the occupying agency.

28. Executive Order 99-06. All buildings owned or maintained by any state government agency or entity, or which are constructed or renovated specifically for use or occupancy by any such agency or entity shall conform to all existing state codes, including but not restricted to, the Idaho General Safety and Health Standards, the Uniform Building Code, the Uniform Mechanical Code and the Uniform Fire Code. If any conflict arises between applicable codes, the more stringent code shall take precedence. Prior to construction or remodeling of such buildings, where appropriate, construction plans shall be reviewed and approved by the Division of Building Safety and the Permanent Building Fund Advisory Council.

29. Executive Order 2001-04. Executive Order 2001-04 requires that long-term energy costs, including seasonal and peaking demands upon the suppliers of energy, are to be a major consideration in the construction of all state buildings and the execution of lease agreements. Special attention shall include energy conservation considerations including: (i) Chapter 13 of the Uniform Building Code, 1997 Edition; (ii) use of alternative energy sources; (iii) energy management systems and controls to include effective means to monitor and maintain systems at optimal operations; (iv) "state-of-the-art" systems and equipment to conserve energy economically.

30. Executive Order 2000-01. Executive Order 2000-01 requires that all state-owned or state-lease buildings, facilities or area occupied by state employees shall be designated as "non-smoking" except for custodial care and full-time residential facilities. The policy governing custodial care and full-time residential facilities may be determined by the directors of such facilities.

31. Material Representations. The Parties agree and acknowledge that the representations and acknowledgments made in this Lease Agreement are material and the Parties have relied upon them in entering this Lease Agreement.

32. Severability. If any term or provision of this Lease Agreement is held by the courts to be illegal or in conflict with any existing law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties shall be continued and enforced as if the invalid term or provision were not contained in this Lease Agreement.

33. Lessor's Right to Lease. The Lessor warrants that it is lawfully possessed of the Premises and has good, right and lawful authority to enter into this Lease Agreement and that the Lessor shall put the Lessee into actual possession of the Premises at the commencement of the term of this Lease Agreement and shall ensure to the Lessee the sole, peaceable, and uninterrupted use and occupancy of the Premises during the

full term of this Lease Agreement and any extension.

34. Mortgages by Lessor. Lessee recognizes that Lessor may encumber the Premises by a mortgage(s) or other instrument securing Lessor's obligations to a lender. In such event, the following provisions apply as to the holder of any such mortgage or security instrument and to any person or entity acquiring an interest in the Premises through such mortgage or security interest:

A. In the event of a foreclosure or acquisition by the holder of such mortgage or security instrument, (or by a third party at a foreclosure sale), this Lease Agreement shall terminate, at the option of said holder, if Lessee is then in default under any provision thereof, but otherwise shall continue in full force and effect and the holder or other acquiring party shall be entitled to the benefits of the Lessee's performance under this Lease Agreement and shall have such remedies as are available to the Lessor under this Lease Agreement with respect to any default by the lessee then existing or thereafter occurring.

B. Upon written notification to Lessee of a completed foreclosure or other acquisition by the holder or third party purchaser at a foreclosure sale, Lessee will attorn to the acquiring party and shall thereafter perform.

C. In the event of a foreclosure or acquisition by the holder of such mortgage or other security instrument (or by a third party purchaser at a foreclosure sale), claims by Lessee against the Lessor arising prior to acquisition by the holder or third party purchaser shall not apply to such holder or third party purchaser, provided, however, that this shall not act as a waiver of any rights of Lessee by reason of default under this Lease Agreement existing at the time of such foreclosure sale or other acquisition or thereafter arising, to the extent that such default is not cured under the provisions of this Lease Agreement.

35. Estoppel Certificate. Lessee agrees, upon reasonable written request, and from time to time, to provide to Lessor an Estoppel Certificate in the form attached hereto as Exhibit B.

36. Complete Statement of Terms. No other understanding, whether oral or written, whether made prior to or contemporaneously with this Lease Agreement, shall be deemed to enlarge, limit or otherwise affect the operation of this Lease Agreement.

IN WITNESS WHEREOF, the Parties have executed this Lease Agreement as set forth above.

LESSOR: IDAHO FISH AND WILDLIFE FOUNDATION

Gail Siemen
____

STATE OF IDAHO)
)ss.
COUNTY OF ADA)

On this 14TH day of MAY, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared GAIL SIEMEN, known or identified to me to be the person whose name is subscribed to the foregoing instrument on behalf of IDAHO FISH AND WILDLIFE FOUNDATION as Lessor, and acknowledged to me that he/she executed the same on behalf of the Lessor.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Lani Clifford

Commission expires on 11/20/06 Residing at BOISE

LANI CLIFFORD
NOTARY
PUBLIC
STATE OF IDAHO

LESSEE: IDAHO DEPARTMENT OF FISH AND GAME

Steven Huffaker

STATE OF IDAHO)
)ss.
COUNTY OF ADA)

On this 14TH day of MAY, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared STEVEN HUFFAKER, known or identified to me to be the person whose name is subscribed to the foregoing instrument on behalf of IDAHO DEPARTMENT OF FISH AND GAME as Lessee, and acknowledged to me that he/she executed the same on behalf of the Lessee.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Lani Clifford

LANI CLIFFORD NOTARY PUBLIC STATE OF IDAHO

Commission expires on 11/20/06 Residing at BOISE

APPROVED BY:

Linda S. Miller 5/21/2003

Linda S. Miller, State Leasing Manager Date

Division of Public Works, Department of Administration

EXHIBIT A TO THE LEASE AGREEMENT
THE PREMISES
4279 COMMERCE CIRCLE, IDAHO FALLS, IDAHO 83401, IDAHO FALLS, IDAHO

Lessor to provide an allowance of $7,560 to Lesssee for phone and data wiring.
Floor plans and specifications to be attached later.

EXHIBIT B TO THE LEASE AGREEMENT

ESTOPPEL CERTIFICATE

This Estoppel Certificate is made by ____, (hereinafter "Lessee") the lessee of those certain premises located at ____________________________, [, Idaho], and described as __________________________________, and leased by Lessee from ____ (hereinafter "Lessor").

NOW THEREFORE, Lessee certifies and represents to Lessor and its successors, mortgagees and assigns and their attorneys, representatives, with respect to the above described lease as follows:

1. The true, correct and complete copy of the lease, including all amendments or addendum thereto (hereinafter collectively referred to as the "Lease") is attached hereto.

2. The Lease contains the entire agreement between Lessor and Lessee, and to the best of Lessee's knowledge, as of the date hereof, Lessor is not in default in the performance of the terms and provisions of the Lease.

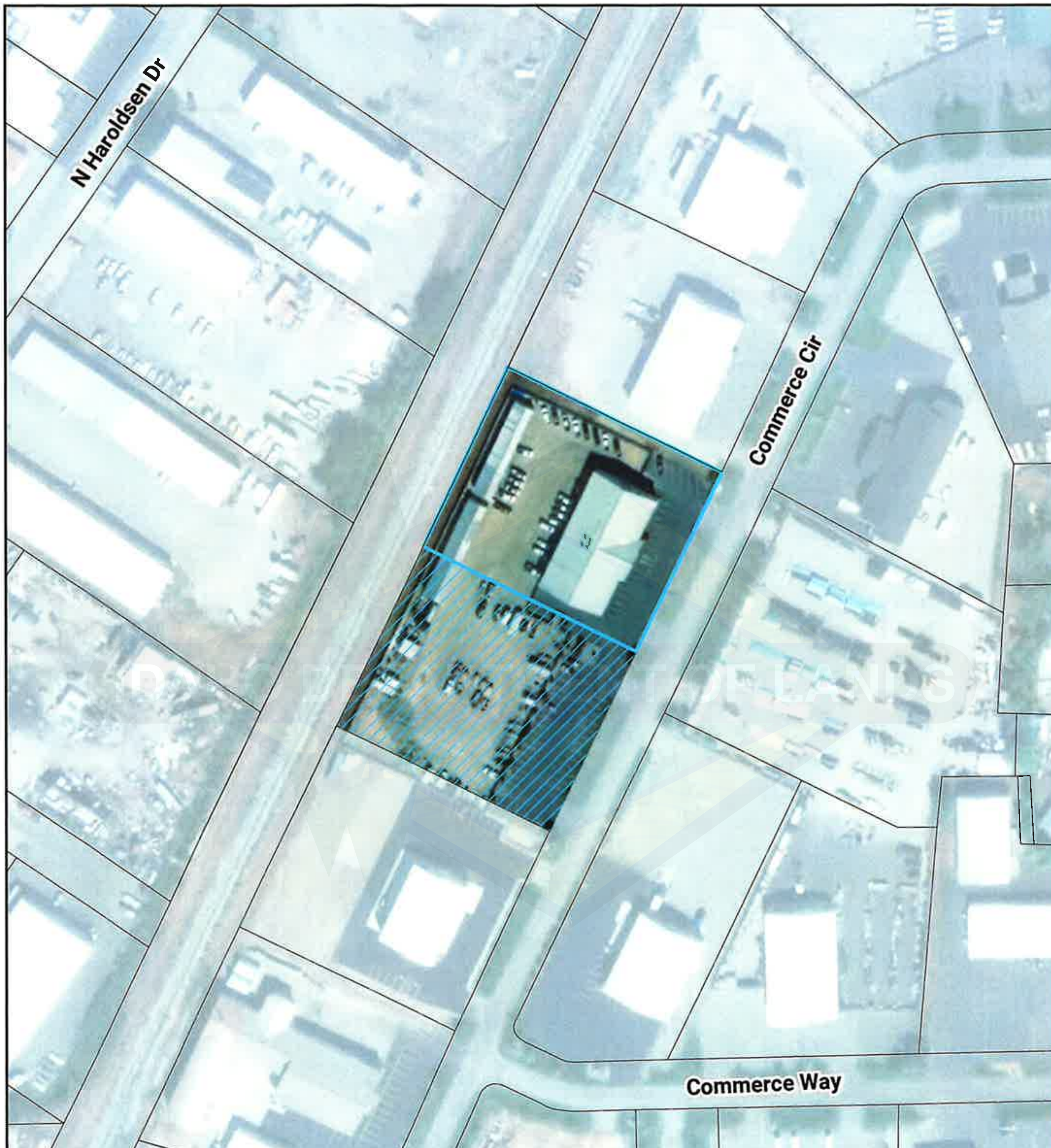
3. The Lease is for approximately _____________ square feet. The Lease began on ________________ and will end on ______________________.

4. Lessee has paid all rents due under the Lease for the period through and including ____, and Lessee has paid no other rent or compensation in lieu of rent in advance beyond such date. As of the date hereof, rent due from Lessee to Lessor is in the amount of $ ____________________ per month plus such additional rent as called for in the Lease.

DATE: __________________________

LESSEE

____



Parcels

- IDAHO FISH & GAME COMMISSION
- IDAHO FISH & WILDLIFE FOUNDATION INC
- Private

0 200
Feet

IDFG Regional Office Idaho Falls

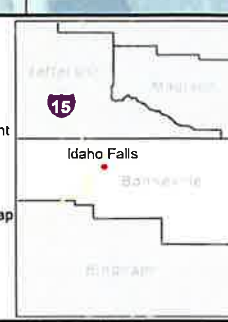
4279 Commerce Cir
Idaho Falls, ID 83401

7/1/2021

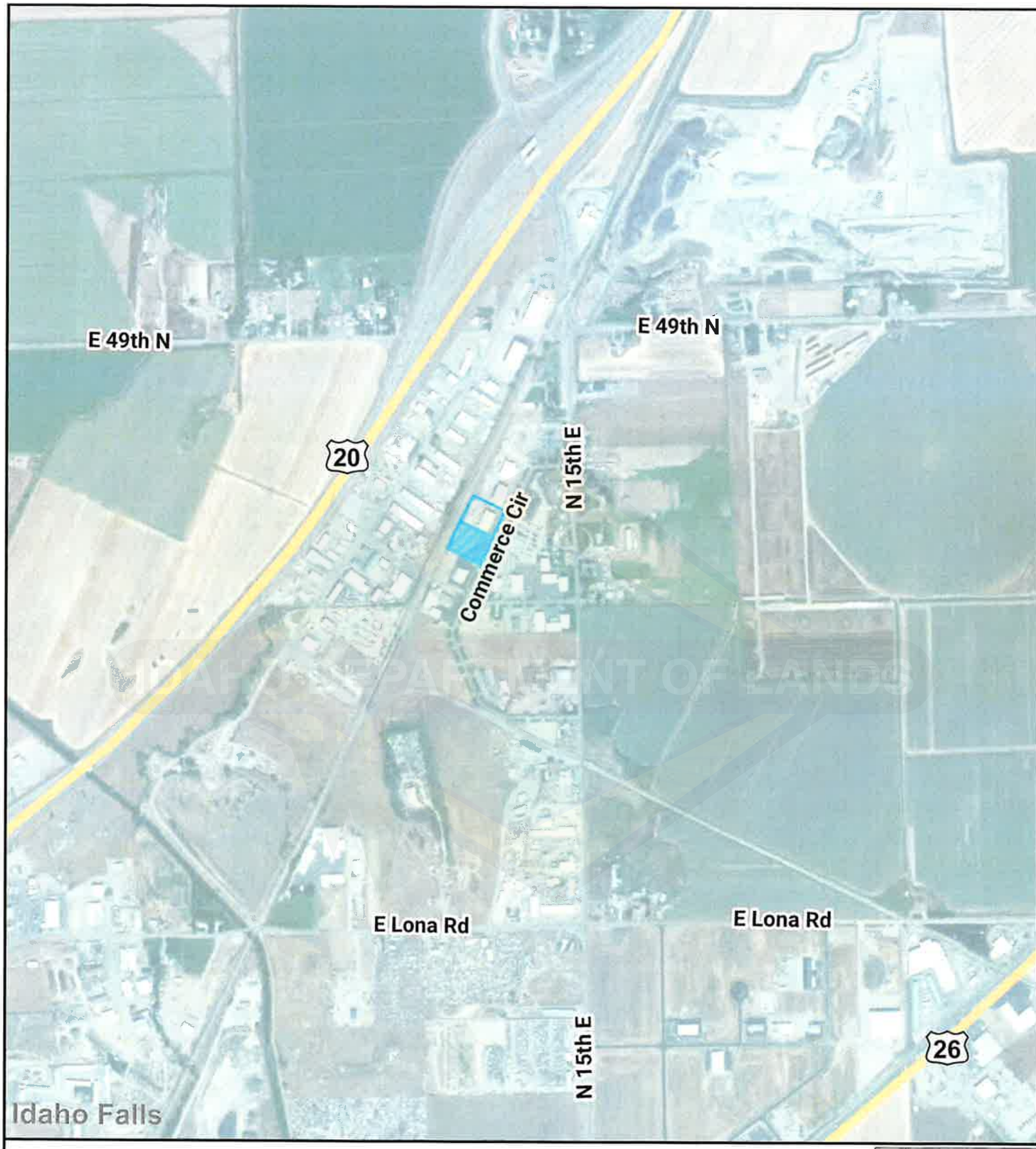
Scale 1:1,900

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

Map Author - cmcintyre



ATTACHMENT 4



IDAHO FISH & GAME COMMISSION

IDAHO FISH & WILDLIFE FOUNDATION INC

Ownership

Other State

Private

0 1,500 Feet

IDFG Regional Office Idaho Falls

4279 Commerce Cir
Idaho Falls, ID 83401

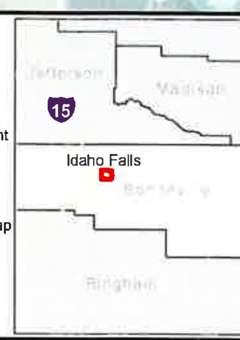
7/1/2021

Scale 1:12,670

N W E S

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

Map Author - cmcintyre



STATEMENT OF PURPOSE

RS28722 / H0313

This is the FY 2022 original appropriation bill for the Department of Fish and Game. It appropriates a total of $128,178,600 and caps the number of authorized full-time equivalent positions at 553.00. For benefit costs, the bill maintains the current appropriated amount for health insurance at $11,650 per eligible FTP, extends the holiday for the employer's sick leave contribution rate for another year, and restores funding for the employer's unemployment insurance contribution rate. Funding for replacement items includes $5,260,200 for computers, network and server equipment, raceway head gates at the Nampa Fish Hatchery, fleet replacement, four diesel-powered one-ton trucks, and various equipment. The bill also provides funding for the equivalent of a 2% change in employee compensation for permanent state employees. The bill funds four line items, which provide $1,500,000 to pay off regional office leases; $6,423,500 for Albeni Falls Mitigation projects; $175,000 for wildlife related analysis on Good Neighbor Authority projects; and $344,500 for salmon monitoring and evaluation.

FISCAL NOTE

	FTP	Gen	Ded	Fed	Total
FY 2021 Original Appropriation	553.00	0	67,230,300	56,375,000	123,605,300
Removal of Onetime Expenditures	0.00	0	(6,264,200)	(4,029,100)	(10,293,300)
Base Adjustments	0.00	0	(43,300)	43,300	0
FY 2022 Base	553.00	0	60,922,800	52,389,200	113,312,000
Benefit Costs	0.00	0	106,000	76,200	182,200
Replacement Items	0.00	0	5,182,200	78,000	5,260,200
Statewide Cost Allocation	0.00	0	112,900	76,300	189,200
Change in Employee Compensation	0.00	0	469,300	322,700	792,000
FY 2022 Program Maintenance	553.00	0	66,793,200	52,942,400	119,735,600
1. Regional Office Lease Payoff	0.00	0	939,400	560,600	1,500,000
2. Albeni Falls Mitigation	0.00	0	0	6,423,500	6,423,500
3. Good Neighbor Authority	0.00	0	50,000	125,000	175,000
4. Salmon Monitoring and Evaluation	0.00	0	0	344,500	344,500
FY 2022 Total	553.00	0	67,782,600	60,396,000	128,178,600
Chg from FY 2021 Orig Approp	0.00	0	552,300	4,021,000	4,573,300
% Chg from FY 2021 Orig Approp.	0.0%		0.8%	7.1%	3.7%

Contact:
Rob J Sepich
Budget and Policy Analysis
(208) 334-4742

LEGISLATURE OF THE STATE OF IDAHO

Sixty-sixth Legislature First Regular Session - 2021

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 313

BY APPROPRIATIONS COMMITTEE

AN ACT

RELATING TO THE APPROPRIATION TO THE DEPARTMENT OF FISH AND GAME FOR FISCAL YEAR 2022; APPROPRIATING MONEYS TO THE DEPARTMENT OF FISH AND GAME FOR FISCAL YEAR 2022; AND LIMITING THE NUMBER OF AUTHORIZED FULL-TIME EQUIVALENT POSITIONS.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. There is hereby appropriated to the Department of Fish and Game the following amounts to be expended according to the designated programs and expense classes from the listed funds for the period July 1, 2021, through June 30, 2022:

	FOR PERSONNEL COSTS	FOR OPERATING EXPENDITURES	FOR CAPITAL OUTLAY	FOR TRUSTEE AND BENEFIT PAYMENTS	TOTAL
I. ADMINISTRATION:					
FROM:					
Fish and Game (Licenses) Fund	$4,726,100	$4,738,400	$4,511,200		$13,975,700
Fish and Game (Other) Fund	858,900	122,000			980,900
Fish and Game Set-Aside (Licenses) Fund	200	35,200			35,400
Fish and Game Set-Aside (Other) Fund	18,000	21,200			39,200
Expendable Big Game Depredation Fund		2,900			2,900
Fish and Game Expendable Trust Fund		8,000			8,000
Fish and Game Nonexpendable Trust Fund		3,600			3,600
Fish and Game (Federal) Fund	3,804,300	5,108,500	78,000		8,990,800
TOTAL	$9,407,500	$10,039,800	$4,589,200		$24,036,500

	FOR PERSONNEL COSTS	FOR OPERATING EXPENDITURES	FOR CAPITAL OUTLAY	FOR TRUSTEE AND BENEFIT PAYMENTS	TOTAL
II. ENFORCEMENT:					
FROM:					
Fish and Game (Licenses) Fund	$10,284,800	$2,272,700	$164,100		$12,721,600
Fish and Game (Other) Fund	201,600	77,000			278,600
Fish and Game Set-Aside (Other) Fund		20,600			20,600
Fish and Game Expendable Trust Fund		26,400			26,400
Fish and Game (Federal) Fund	9,600	6,700	0		16,300
TOTAL	$10,496,000	$2,403,400	$164,100		$13,063,500
III. FISHERIES:					
FROM:					
Fish and Game (Licenses) Fund	$4,029,100	$3,636,900	$300,200		$7,966,200
Fish and Game (Other) Fund	2,988,400	5,944,400			8,932,800
Fish and Game Set-Aside (Licenses) Fund	364,700	566,800			931,500
Fish and Game Set-Aside (Other) Fund	39,800	3,500			43,300
Fish and Game Expendable Trust Fund	48,000	334,200			382,200
Fish and Game Nonexpendable Trust Fund		33,200			33,200
Fish and Game (Federal) Fund	13,140,300	13,833,700	0		26,974,000
TOTAL	$20,610,300	$24,352,700	$300,200		$45,263,200
IV. WILDLIFE:					
FROM:					
Fish and Game (Licenses) Fund	$4,849,200	$4,284,300	$113,000	$174,800	$9,421,300

	FOR PERSONNEL COSTS	FOR OPERATING EXPENDITURES	FOR CAPITAL OUTLAY	FOR TRUSTEE AND BENEFIT PAYMENTS	TOTAL
Fish and Game (Other) Fund	328,200	455,400			783,600
Fish and Game Set-Aside (Licenses) Fund		100,000			100,000
Fish and Game Set-Aside (Other) Fund	903,400	295,200			1,198,600
Fish and Game Expendable Trust Fund	347,500	723,600			1,071,100
Fish and Game Nonexpendable Trust Fund	11,500	2,300			13,800
Fish and Game (Federal) Fund	7,006,700	8,074,900	0	0	15,081,600
TOTAL	$13,446,500	$13,935,700	$113,000	$174,800	$27,670,000

V. COMMUNICATIONS:

FROM:

	FOR PERSONNEL COSTS	FOR OPERATING EXPENDITURES	FOR CAPITAL OUTLAY	FOR TRUSTEE AND BENEFIT PAYMENTS	TOTAL
Fish and Game (Licenses) Fund	$1,822,400	$811,200	$82,600		$2,716,200
Fish and Game (Other) Fund	19,700	154,000			173,700
Fish and Game Set-Aside (Other) Fund	800	16,100			16,900
Fish and Game Expendable Trust Fund	29,600	80,300			109,900
Fish and Game (Federal) Fund	1,463,400	892,900	0		2,356,300
TOTAL	$3,335,900	$1,954,500	$82,600		$5,373,000

VI. WILDLIFE MITIGATION AND HABITAT CONSERVATION:

FROM:

	FOR PERSONNEL COSTS	FOR OPERATING EXPENDITURES	FOR CAPITAL OUTLAY	FOR TRUSTEE AND BENEFIT PAYMENTS	TOTAL
Fish and Game (Licenses) Fund	$1,098,800	$287,600	$11,100		$1,397,500
Fish and Game (Other) Fund	53,400	7,800			61,200
Fish and Game Set-Aside (Licenses) Fund	117,200	3,078,900			3,196,100

	FOR PERSONNEL COSTS	FOR OPERATING EXPENDITURES	FOR CAPITAL OUTLAY	FOR TRUSTEE AND BENEFIT PAYMENTS	TOTAL
Fish and Game Set-Aside (Other) Fund	35,500	5,100			40,600
Expendable Big Game Depredation Fund				$1,100,000	1,100,000
Fish and Game (Federal) Fund	245,600	6,731,400	0	0	6,977,000
TOTAL	$1,550,500	$10,110,800	$11,100	$1,100,000	$12,772,400
GRAND TOTAL	$58,846,700	$62,796,900	$5,260,200	$1,274,800	$128,178,600

SECTION 2. FTP AUTHORIZATION. In accordance with Section 67-3519, Idaho Code, the Department of Fish and Game is authorized no more than five hundred fifty-three (553.00) full-time equivalent positions at any point during the period July 1, 2021, through June 30, 2022, unless specifically authorized by the Governor. The Joint Finance-Appropriations Committee will be notified promptly of any increased positions so authorized.

STATE BOARD OF LAND COMMISSIONERS
July 20, 2021
Regular Agenda

Subject

Transfer of Land Bank Funds Accrued Interest

Question Presented

Shall the Land Board authorize the State Treasurer to transfer $4,021,508 of accrued interest from the Land Bank to the appropriate endowments' permanent funds to be invested by the Endowment Fund Investment Board?

Background

Idaho Code § 58-133 (3) states that, "The state board of land commissioners may hold proceeds from the sale of land in the land bank fund for a period not to exceed five (5) years from the effective date of sale. If, by the end of the fifth year, the proceeds from the land sale have not been encumbered to purchase other land within the state, the proceeds shall be deposited in the permanent endowment fund of the respective endowment *along with any earnings on the proceeds from the land sale* [emphasis added], unless the period is extended by the legislature."

On May 18, 2021, the State Board of Land Commissioners (Land Board) authorized the transfer of $31,785,592 from the Land Bank to the appropriate endowments' permanent funds in line with a recommendation from the Land Board's Investment Subcommittee (Subcommittee). This figure represented the remaining FY2017 principal that if not transferred would have "expired" on various dates in FY2022. The transfer was completed by May 31, 2021.

On July 7, 2021, the Subcommittee met to discuss the transfer of interest earnings still held in the Land Bank that are attributable to principal funds that have been, (1) transferred to the permanent funds including the most recent $31,785,592 transfer, or (2) previously reinvested in land.

As of June 30, 2021, the Land Bank principal balance was $102,981,339 and the total interest balance was $8,390,886.

Discussion

The Subcommittee reviewed the methodology used to determine the total interest that must be transferred to comply with the statute and voted unanimously to recommend the $4,021,508 transfer ($2,221,170 to Public School; $955,667 to State Hospital South; $844,671 to Normal School). The Subcommittee also discussed an alternative approach whereby the Land Board may wish to set a policy authorizing an annual transfer of all accumulated interest earnings in the Land Bank account – not merely those set to "expire." This would ensure ongoing compliance with the statute. Finally, there is also an option to instruct the State Treasurer to forward monthly interest payments directly to the appropriate permanent funds automatically -- bypassing the Land Bank altogether.

Recommendation

Authorize the State Treasurer to transfer $4,021,508 in interest from the Land Bank to the appropriate endowments' permanent funds for investment by the Endowment Fund Investment Board.

Board Action

STATE BOARD OF LAND COMMISSIONERS
July 20, 2021
Regular Agenda

Subject

Proposed Legislation Text for 2022 Legislative Session

Question Presented

Shall the Land Board approve the bill language for the Department's five 2022 legislative priorities which were approved on June 15, 2021?

Background

At its June 15, 2021, meeting, the Idaho State Board of Land Commissioners (Land Board) directed the Idaho Department of Lands (Department) to finalize bill language for the five legislative priorities approved by the Land Board at that meeting, and present bill language for consideration at the Land Board's July 2021 meeting.

Language for all five bills was reviewed by the Department's Deputy Attorney General (DAG), Angela Kaufmann. Additionally, the bill referred to as Preventing Damage to Endowment Land was review by DAG Ken Jorgenson, Lead DAG for the Appellate Section of the Attorney General's Criminal Division, and the bills referred to as Wildland Firefighter Hazard Differential Pay and Wildland Firefighter Rest and Recuperation Compensation were reviewed by Leslie Hayes, a DAG from the Attorney General's Civil Litigation Division.

Discussion

All Hazard Deficiency Warrants
This legislative priority creates a new section of code:

38-131B. DEFICIENCY WARRANTS FOR COSTS OF PROVIDING EMERGENCY RESPONSE ASSISTANCE TO STATE AND FEDERAL DECLARED EMERGENCY DISASTERS. The state board of land commissioners may authorize the issuance of deficiency warrants for the purpose of paying the costs of providing emergency response support to an emergency disaster where a state of disaster emergency is declared by proclamation, executive order or similar disaster emergency declaration by a governor or the president of the United States of America. When so authorized, the state controller shall draw deficiency warrants against the general fund.

Wildland Firefighter Hazard Differential Pay

This legislative priority amends an existing section of code (amendments highlighted in red text):

67-5309D. OTHER PAY DELIVERY OPTIONS. (1) In addition to pay increases authorized in section 67-5309B, Idaho Code, the department director may grant a classified employee bonus pay not to exceed two thousand dollars ($2,000) in any given fiscal year based upon exemplary performance. Exceptions to the two thousand dollar ($2,000) limit provided in this subsection may be granted in extraordinary circumstances if approved in advance by the state board of examiners. Departments shall submit a report to the division of financial management and the legislative services office by October 1 on all bonuses granted in the preceding fiscal year.

(2) In addition to pay increases authorized in section 67-5309B, Idaho Code, the department director may grant a classified employee an award payment based upon suggestions or recommendations made by the employee that resulted in taxpayer savings as a result of cost savings or greater efficiencies to the department or to the state of Idaho in excess of the amount of the award, and in compliance with the rules for employee suggestion awards promulgated by the division of human resources. The award may be an amount up to twenty-five percent (25%) of the amount determined to be the dollar savings to the state, but not in excess of two thousand dollars ($2,000). Exceptions to the two thousand dollar ($2,000) limit provided in this subsection may be granted in extraordinary circumstances if approved in advance by the state board of examiners. Departments shall submit a report to the division of financial management and the legislative services office by October 1 on all employee suggestion awards granted in the preceding fiscal year. Such report shall include any changes made as a direct result of an employee's suggestion and savings resulting therefrom.

(3) In addition to pay increases authorized in section 67-5309B, Idaho Code, the department director may grant award pay to a classified employee for recruitment or retention purposes upon completion of at least six (6) months of achieving performance standards. The department director and the administrator of the division of human resources are authorized to seek legal remedies available, including deductions from an employee's accrued vacation funds, from an employee who resigns during the designated period of time after receipt of a recruitment or retention bonus. Departments shall submit a report to the division of financial management and the legislative services office by October 1 on all such awards granted in the preceding fiscal year.

(4) In addition to pay increases authorized in section 67-5309B, Idaho Code, department directors may provide a classified employee other nonperformance related pay as provided in this subsection. Departments shall submit a report to the division of financial management

and the legislative services office by October 1 on all such awards granted in the preceding fiscal year.

(a) Shift differential pay up to twenty-five percent (25%) of hourly rates depending on local market rates in order to attract and retain qualified staff.

(b) Geographic differential pay in areas of the state where recruitment and retention of qualified staff are difficult due to economic conditions and cost of living.

(c) Hazard differential pay up to twenty-five percent (25%) of hourly rates for Idaho department of lands wildland firefighting employees while working on the fireline of a fire incident not deemed controlled, or working at a fire incident helibase servicing active flights.

(~~c~~d) Employees in the same classification who are similarly situated shall be treated consistently in respect to shift differential and geographic pay differential.

(5) When necessary to obtain or retain qualified personnel in a particular classification, upon petition of the department to the administrator containing acceptable reasons therefor, a higher temporary pay grade may be authorized by the administrator that, if granted, shall be reviewed annually to determine the need for continuance.

(6) In unusual circumstances, with prior approval from the administrators of the division of human resources and the division of financial management, agencies may grant nonperformance related pay to employees, which in no case may exceed five percent (5%) of an employee's base pay. Departments shall submit a report to the division of financial management and the legislative services office by October 1 on all such awards granted in the preceding fiscal year.

(7) Specific pay codes shall be established and maintained in the state controller's office to ensure accurate reporting and monitoring of all pay actions authorized in this section.

Wildland Firefighter Rest and Recuperation Compensation

This legislative priority amends an existing section of code (amendments highlighted in red text) and creates a new section of code:

Amended Section

67-5302. DEFINITIONS. As used in this chapter, and other applicable sections of the Idaho Code, each of the terms defined in this section shall have the meaning given in this section unless a different meaning is clearly required by the context. Such terms and their definitions are:

(1) "Administrative employee" means any person, nonclassified or classified, appointed to a position that meets the criteria set forth in the federal fair labor standards act, 29 U.S.C. 201 et seq. Final designation of a classified position as "administrative" within this definition shall

be made by the administrator of the division of human resources. Exceptions to this designation that do not violate the federal fair labor standards act, 29 U.S.C. 201 et seq., may be made by the administrator.

(2) "Administrator" means the administrator of the division of human resources in the governor's office.

(3) "Appointing authority" means the officer, board, commission, person or group of persons authorized by statute or lawfully delegated authority to make appointments to or employ personnel in any department.

(4) "Class" means a group of positions sufficiently similar as to the duties performed, degree of supervision exercised or required, minimum requirements of training, experience or skill, and other characteristics that the same title, the same tests of fitness and the same schedule of compensation may be applied to each position in the group.

(5) "Classified officer or employee" means any person appointed to or holding a position in any department of the state of Idaho, which position is subject to the provisions of the merit examination, selection, retention, promotion and dismissal requirements of chapter 53, title 67, Idaho Code.

(6) "Commission" means the Idaho personnel commission.

(7) "Compensatory time" means approved time off from duty provided in compensation for overtime hours worked.

(8) "Computer worker" means any person, nonclassified or classified, appointed to a position that meets the criteria set forth in the federal fair labor standards act, 29 U.S.C. 201 et seq. Final designation of a classified position as "computer worker" within this definition shall be made by the administrator of the division of human resources. Exceptions to this designation that do not violate the federal fair labor standards act, 29 U.S.C. 201 et seq., may be made by the administrator.

(9) "Department" means any department, agency, institution or office of the state of Idaho.

(10) "Disabled veteran" is as defined in section 65-502, Idaho Code.

(11) "Eligible" means a person who has been determined to be qualified for a classified position and whose name has been placed on the register of eligibles.

(12) "Executive employee" means any person, nonclassified or classified, appointed to a position equivalent to a bureau chief or above as provided in section 67-2402, Idaho Code, or any employee meeting the following criteria:

(a) An individual whose primary duty is management of a department, division or bureau; and

(b) Who customarily and regularly directs the work of at least two (2) or more other employees therein; and

(c) Who has the authority to hire and fire, or to recommend hiring and firing; or whose recommendation on these and other actions affecting employees is given particular weight; and

(d) Who customarily and regularly exercises discretionary powers; and

(e) Who is classified to a position allocated to the pay grade equivalent to two hundred sixty (260) points or higher pursuant to the rating system established by rule.

(f) Final designation of a classified position as "executive" in this definition shall be made by the administrator. Exceptions to this designation that do not violate the federal fair labor standards act, 29 U.S.C. 201 et seq., may be made by the administrator.

(13) "Exempt employee" means any employee, classified or nonclassified, who is determined to be an executive, professional or administrative employee as defined herein, or who qualifies for any other exemption from cash compensation for overtime under applicable federal law. Final designation of a classified position as exempt shall be made by the administrator.

(14) "Full-time employee" means any employee working a forty (40) hour workweek.

(15) "Holiday" means the following:

January 1 (New Year's Day);
Third Monday in January (Martin Luther King, Jr.-Idaho Human Rights Day);
Third Monday in February (Washington's Birthday);
Last Monday in May (Memorial Day);
July 4 (Independence Day);
First Monday in September (Labor Day);
Second Monday in October (Columbus Day);
November 11 (Veterans Day);
Fourth Thursday in November (Thanksgiving);
December 25 (Christmas).

In addition, the term "holiday" shall mean any day so designated by the president of the United States or the governor of this state for a public fast, thanksgiving or holiday.

In the event that a holiday occurs on a Saturday, the preceding Friday shall be a holiday, and if the holiday falls on a Sunday, the following Monday shall be a holiday.

A holiday is a day of exemption from work granted to nonexecutive employees during which said employees shall be compensated as if they actually worked. Employees classified as executive exempt are entitled to ten (10) paid holidays per year. If such an employee works on one (1) of the official holidays listed in this subsection, then such employee may take an alternative day off but shall not receive additional compensation.

(16) "Hours worked" means those hours actually spent in the performance of the employee's job on any day including holidays and shall not include vacation or sick leave or other approved leave of absence.

(17) "Nonclassified employee" means any person appointed to or holding a position in any department of the state of Idaho, which position is exempted from the provisions of chapter 53, title 67, Idaho Code, as provided for in section 67-5303, Idaho Code.

(18) "Normal workweek" means any forty (40) hours worked during a particular one hundred sixty-eight (168) hour period as previously established by the employee's appointing authority.

(19) "Open competitive examination" means an examination that may be taken by qualified applicants to compete on an equal basis for listing on the register of eligibles.

(20) "Overtime work" means time worked on holidays and time worked in excess of forty (40) hours in a period of one hundred sixty-eight (168) consecutive hours, except that in the case of those employees engaged in law enforcement, correctional and fire protection activities characterized by irregular shift work schedules, time worked in excess of one hundred sixty (160) hours in a period of twenty-eight (28) consecutive days shall constitute overtime work within the meaning of this chapter. Such employees may also be paid overtime for specific hours worked in addition to their normal schedules upon emergency declaration by the governor or with the approval of the appointing authority and the board of examiners.

(21) "Participating department" means any department of the state of Idaho that employs persons in classified positions subject to the merit examination, selection, retention, promotion and dismissal requirements of this chapter.

(22) "Part-time employee" means any employee whose usually scheduled work is fewer than forty (40) hours in a period of one hundred sixty-eight (168) consecutive hours, and who shall not be entitled to sick leave accruals provided in section 67-5333, Idaho Code, vacation leave provided in section 67-5334, Idaho Code, nor holiday pay as defined in subsection (15) of this

section, unless contributions are being made to the public employee retirement system in accordance with chapter 13, title 59, Idaho Code, and rules promulgated by the public employee retirement system board.

(23) "Personnel system" means the procedure for administering employees in accordance with this chapter.

(24) "Political office" means a public office for which partisan politics is a basis for nomination, election or appointment.

(25) "Political organization" means a party that sponsors candidates for election to political office.

(26) "Position" means a group of duties and responsibilities legally assigned or delegated by one (1) or more appointing authorities and requiring the employment of one (1) person.

(27) "Professional employee" means any person, nonclassified or classified, appointed to a position that meets the criteria set forth in the federal fair labor standards act, 29 U.S.C. 201 et seq. Final designation of a classified position as "professional" within this definition shall be made by the administrator. Exceptions to this designation that do not violate the federal fair labor standards act, 29 U.S.C. 201 et seq., may be made by the administrator.

(28) "Provisional appointment" means appointment to a classified position pending the establishment of a register for such position, and employment shall not be continued in this status longer than thirty (30) days after establishment of a register.

(29) "Public education entity" means community colleges, public school districts, public charter schools and the Idaho digital learning academy.

(30) "Qualifying examination" means an examination or evaluation given to a selected person to determine eligibility for reclassification or appointment to a position in a classification.

(31) "Register" means a list of names of persons who have been determined to be eligible for employment in a classified position as determined on the basis of examination and merit factors as established by the administrator.

(32) "Rest and recuperation leave" means a period of exemption from work, up to two (2) consecutive days of paid time off, granted to for Idaho Department of Lands wildland firefighting employees after engagement in fourteen (14) consecutive days of fire suppression activities.

(3~~2~~3) "Seasonal appointment" means an appointment to a position that is permanent in nature but that has intermittent work periods throughout the year.

(3~~3~~4) "Service rating" means a recorded evaluation of work performance and promotional potential of an employee by his supervisor.

(3~~4~~5) "State educational agency" means the following state agencies and educational institutions supervised by the Idaho state board of education:

(a) Boise state university;
(b) Idaho state university;
(c) University of Idaho;
(d) Lewis-Clark state college;
(e) Idaho public television;
(f) The division of vocational rehabilitation;
(g) The division of career technical education;
(h) The office of the state board of education; and
(i) The department of education.

(3~~5~~6) "Temporary appointment" means appointment to a position that is not permanent in nature and in which employment will not exceed one thousand three hundred eighty-five (1,385) hours during any twelve (12) month period. No person holding a temporary appointment may work in excess of one thousand three hundred eighty-five (1,385) hours during a twelve (12) month period of time for any one (1) department, except upon petition by the appointing authority of the department of lands that demonstrates good cause, the administrator of the division of human resources may extend the one thousand three hundred eighty-five (1,385) hour limit for employees of the department who are required to perform fire suppression activities.

(3~~6~~7) "Vacation leave" means a period of exemption from work granted to employees during which time said employees shall be compensated. The term shall not include compensatory time for overtime work.

(3~~7~~8) "Veteran" is as defined in section 65-203, Idaho Code.

New Section

67-5329. REST AND RECUPERATION LEAVE. The director of the Idaho Department of Lands, or his designee, may grant employees of the Idaho Department of Lands rest and recuperation leave pursuant to Idaho Code 67-5302, provided that:

(a) The rest and recuperation leave must be taken after the employee returns to work at the employee's home duty station; and

(b) The rest and recuperation leave must be taken on a workday basis on the employee's regularly scheduled workdays; and

(c) The rest and recuperation leave must be taken on consecutive workdays.

Preventing Damage to Endowment Land

This legislative priority creates a new section of code:

58-156. PREVENTING DAMAGE TO ENDOWMENT LAND. (1) Whenever the state board of land commissioners has promulgated rules pursuant to Title 67, Chapter 52, Idaho Code for the closure of endowment lands, or restricting, regulating or prohibiting specified activities on state endowment land, the board shall cause notice of closures or restricted, regulated or prohibited activities to be provided to the public as follows:

(a) Notice of said closures, restrictions, regulations and prohibitions shall be posted on the Idaho Department of Lands website and made available at the department's supervisory area offices.

(b) Notices of closures, restrictions, regulations and prohibitions shall also be posted at gates or road or trail entry points onto the endowment land to which they apply, and shall include:

(i) "Use restrictions apply," or wording of like meaning; and

(ii) A website address and phone number for contacting the department.

(2) Violation of any properly posted closure, restriction, regulation, or prohibition of public lands promulgated by the state board of land commissioners pursuant to subsection (1) of this section shall be an infraction punishable by a fine of two hundred fifty dollars ($250). A second violation of this subsection within five (5) years of any prior conviction under this subsection shall be a misdemeanor and shall be punishable by a fine not exceeding one thousand dollars ($1,000) and imprisonment in the county jail for not more than six (6) months.

Funding Fire Prevention Activities

This legislative priority creates a new section of code:

49-420S. SMOKEY BEAR LICENSE PLATES. (1) Effective January 1, 2023, any person who is the owner of a vehicle registered under the provisions of section 49-402, Idaho Code, or registered under any other section of law for which the purchase of special plates is allowed, may apply for and, upon department approval, receive Smokey Bear license plates in lieu of regular license plates. The provisions of this section shall not apply to any vehicle with a registered maximum gross weight over twenty-six thousand (26,000) pounds. Availability of Smokey Bear license plates for other vehicles shall be subject to the rules, policies, and procedures of the department.

(2) In addition to the regular registration fee required in this chapter, the applicant shall be charged a fee of thirty-five dollars ($35.00) for the initial issuance of plates, and twenty-five dollars ($25.00) upon each succeeding annual registration. Thirteen dollars ($13. 00) of the initial fee and thirteen dollars ($13.00) of the renewal fee shall be deposited in the highway distribution account and shall be used to fund the cost of administration of this special license plate program. Twenty-two dollars ($22.00) of each initial fee and twelve dollars ($12.00) of each renewal fee shall be deposited by the state treasurer in the Idaho department of lands account used by the Idaho Department of Lands to help fund wildfire prevention activities.

(3) Whenever title or interest in a vehicle registered under the provisions of this section is transferred or assigned, the owner may transfer the special plates to another vehicle upon payment of the required transfer fees. The owner may display the plates on another vehicle only upon receipt of the new registration from the department.

(4) The Smokey Bear license plate shall be of a color and design in accordance with the provisions of section 49-402C, Idaho Code. The design and any slogan on the plate shall be acceptable to the Idaho department of lands, and shall be approved by the Idaho transportation department utilizing a numbering system as determined by the department. Initial costs of the plate program, including costs of plate design, shall be paid by the Idaho Department of Lands.

(5) Sample Smokey Bear license plates may be purchased for a fee of thirty dollars ($30.00), thirteen dollars ($13.00) of which shall be deposited in the highway distribution account and seventeen dollars ($17.00) of which shall be deposited in the Idaho department of lands account, to be used for the purpose stated in subsection (2) of this section.

Recommendation

Approve the bill language for the Department's five 2022 legislative priorities.

Board Action

THE FOLLOWING WAS DISPLAYED

AT THIS LAND BOARD MEETING

Sample Signage for Proposed Legislation: Preventing Damage to Endowment Land

STATE BOARD OF LAND COMMISSIONERS
July 20, 2021
Information Agenda

Subject

Proposed Rule for IDAPA 20.03.09 *Easements on State-Owned Submerged Lands and Formerly Submerged Lands*

Background

Negotiated rulemaking for these rules was approved by the State Board of Land Commissioners on February 16, 2021 (Attachment 1). Following Executive Order 2020-01, Zero-Based Regulation, this rule chapter is scheduled to be repealed and replaced in 2021 for review during the 2022 legislative session.

The Idaho Department of Lands (Department) manages the beds of navigable lakes and rivers for the benefit of the public. IDAPA 20.03.09 establishes a consistent process to authorize specific uses of state-owned submerged lands. These uses include bridges, utility crossings, and some dams.

Discussion

The Department's outreach for negotiated rulemaking included the following:

- Published the Notice of Negotiated Rulemaking in the Idaho Administrative Bulletin.
- Created a rulemaking webpage to post documents, scheduling information, and comments.
- Issued a press release.
- Emailed 51 customers and other interested parties.
- Mailed postcards to 81 customers.

Negotiated rulemaking meetings were held on April 28 and May 5, 2021. A total of three non-agency affiliated people attended these meetings. Some minor changes to the initial draft were made based on comments received and internal discussions.

The draft text posted on the rulemaking webpage on June 11 received no comments, and that will be the proposed rule submitted for publication in the Administrative Bulletin (Attachment 2). It is in legislative format to allow the reader to easily identify changes to the rule.

The proposed rule reduces the overall regulatory burden by reducing the total word count and the number of restrictive words. The proposed rule includes the following changes:

- The $300 application fee established in 1993 is increased to $500. This will cover the Department's cost of reviewing and issuing these easements.

- Appraisals, if needed, will now be paid for by the applicant and will not be performed by qualified Department staff.
- The Director's approval authority is raised from a compensation of $10,000 up to $25,000. This corresponds with the same approval authority for easements on endowment lands.

That is the extent of the substantive changes. The proposed rule will be open for public comment upon publication in the September Administrative Bulletin. The draft Notice of Proposed Rule is found in Attachment 3.

Attachments

1. Approved Board Memo - February 16, 2021
2. Proposed Rule
3. Draft Notice of Proposed Rule

STATE BOARD OF LAND COMMISSIONERS
February 16, 2021
Regular Agenda

Subject

Negotiated rulemaking for IDAPA 20.03.09 *Easements on State-Owned Submerged Lands and Formerly Submerged Lands*

Question Presented

Shall the Land Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.09 *Easements on State-Owned Submerged Lands and Formerly Submerged Lands*?

Background

The Idaho Department of Lands (Department) manages the beds of navigable lakes and rivers for the benefit of the public. IDAPA 20.03.09 establishes a consistent process to authorize specific uses of state-owned submerged lands. These uses include bridges, utility crossings, and some dams.

Following Executive Order 2020-01, Zero-Based Regulation, this rule chapter is scheduled to be repealed and replaced in 2021 for review during the 2022 legislative session.

Discussion

The Department anticipates reducing the overall regulatory burden by reducing both total word count and the number of restrictive words in the new rule chapter. The Department will review the rule with stakeholders to ensure that it is right-sized. Preliminary research justifies increasing the application fee and assignment fee to cover the actual costs of processing. These fees have not changed since they were approved in 1993.

A proposed timeline for the rulemaking process is provided in Attachment 1.

Recommendation

Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.09 *Easements on State-Owned Submerged Lands and Formerly Submerged Lands*.

Board Action

A motion was made by Attorney General Wasden that the Land Board adopt the Department recommendation that is the Land Board authorize the Department to initiate negotiate rulemaking for IDAPA 20.03.09 Easements on State-Owned Submerged Lands and Formerly Submerged Lands. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

STATE BOARD OF LAND COMMISSIONERS DIRECTOR SEAL DEPT. OF LANDS IDAHO

ATTACHMENT 1

Attachments

1. Draft rulemaking timeline

Draft Rulemaking Timeline

IDAPA 20.03.09

Easements on State-Owned Submerged Lands and Formerly Submerged Lands

February 16, 2021	Approval from Land Board to start negotiated rulemaking (regular agenda)
March 5, 2021	Last day to submit *Notice of Intent to Promulgate Rules* to the Office of the Administrative Rules Coordinator (OARC) for publication in April
March 2021	Post information on IDL website about this rulemaking
April 7, 2021	*Notice of Intent to Promulgate Rules* publishes in the Idaho Administrative Bulletin; public comment period opens
May 5, 2021	Negotiated rulemaking public meeting in Boise and via Zoom
May 12, 2021	Negotiated rulemaking public meeting in Boise and via Zoom
June 30, 2021	End of comment period for negotiated rulemaking
July 20, 2021	Present update on this rulemaking to the Land Board (information agenda)
August 16, 2021	Last day to submit proposed rule to DFM for the 2022 Legislature
August 30, 2021	Last day to submit *Notice of Proposed Rule* to OARC for the 2022 Legislature
October 6, 2021	Proposed rule publishes in the Idaho Administrative Bulletin and 21-day public comment period begins
October 13, 2021	Public hearing
October 27, 2021	End of public comment period on proposed rule
November 16, 2021	Request approval from Land Board to adopt pending fee rule (regular agenda)
November 26, 2021	Last day to submit *Notice of Pending Fee Rule* to OARC for publication in January 2022 Administrative Bulletin
	Pending fee rule to be reviewed during the 2022 legislative session

Note: All dates are subject to change.

20.03.09 – EASEMENTS ON STATE-OWNED ~~SUBMERGED LANDS AND FORMERLY SUBMERGED LANDS~~ NAVIGABLE WATERWAYS

000. LEGAL AUTHORITY.
These rules are promulgated pursuant to, and are to be construed in a manner consistent with, the duties and responsibilities of the ~~Idaho State~~ Board ~~of Land Commissioners~~ as set forth in Title 58, Chapters 1, 6, and 13, Idaho Code, and the Equal Footing Doctrine (Idaho Admission Act of July 3, 1890, 26 Stat. 215, Chapter 656).
~~(3-20-20)T~~(   )

001. ~~TITLE AND~~ SCOPE.

~~**01. Title**. These rules are titled IDAPA 20.03.09, "Easements on State-Owned Submerged Lands and Formerly Submerged Lands ." (3-20-20)T~~

~~**02. Purpose**. These rules set forth procedures concerning the issuance of easements on state-owned submerged and formerly submerged lands. (3-20-20)T~~

~~**03. Scope.**~~ These rules apply to the issuance of easements for all uses above, across, over, in, through, upon, and under the beds of navigable waterways, ~~other than irrigation facilities, diversion facilities, temporary irrigation berms, headgates, turnouts, and domestic water supply intake lines capable of drawing less than five (5) cubic feet per second of water; except that~~ including dams that span the entire width of a state-owned navigable ~~stream channel~~ waterway regardless of ~~their~~ the dam's purpose ~~are subject to these rules.~~, with the following exceptions:
~~(3-20-20)T~~(   )

01. Small Water Delivery Structures. Irrigation facilities, diversion facilities, temporary irrigation berms, headgates, and turnouts that do not span the entire width of the navigable waterway, and domestic water supply intake lines capable of drawing less than five (5) cubic feet per second of water; (   )

02. Uses Authorized by Lease. When a lease issued under IDAPA 20.03.17 is more usual and customary such as for marinas, docks, float homes, and similar facilities; and (   )

03. Short Term Uses. Temporary uses, facilities, and structures with a lifespan of ten (10) years or less that are authorized by revocable temporary permits. (   )

~~**04. Exceptions; Permits Required**. Easements will not be granted where temporary permits will serve the required purpose or when a lease is more usual and customary, such as for marinas, docks, float homes, and similar facilities. (see IDAPA 20.03.17, "Rules Governing Leases on State-owned Submerged Lands and Formerly Submerged Lands.") (3-20-20)T~~

~~**05. Exceptions; Temporary Structures**. These rules do not apply to uses, facilities, and structures considered to be temporary in nature; more specifically, those uses that will be in effect for a period of ten (10) years or less or those facilities or structures with a lifespan of ten (10) years or less. Such uses, facilities, and structures may be authorized by revocable temporary permits. (3-20-20)T~~

002. (RESERVED)

003. ADMINISTRATIVE APPEALS.
An applicant aggrieved by a decision of the Director under these rules may request a hearing before the ~~b~~Board, but must do so within thirty (30) calendar days after receipt of written notice of the Director's decision. Failure to make said request within the thirty (30) day period constitutes a waiver of the applicant's right to a hearing before the ~~b~~Board. Pursuant to Title 67, Chapter 52, Idaho Code, the applicant may appeal an adverse decision of the Board.
~~(3-20-20)T~~(   )

004. -- 009. (RESERVED)

ATTACHMENT 2

010. DEFINITIONS.

~~**01. Artificial High Water Mark**. The high water elevation above the natural or ordinary high water mark resulting from construction of man-made dams or control works and impressing a new and higher vegetation line (Section 58-1302(d), Idaho Code). (3-20-20)T~~

~~02~~01. Board. The Idaho State Board of Land Commissioners or ~~such representative as may be designated by the board~~ its designee. ~~(3-20-20)T~~( )

~~03~~02. Dam. Any artificial barrier~~,~~ placed across a navigable river or stream ~~channel or watercourse~~. ~~(3-20-20)T~~( )

~~04~~03. Department. The Idaho Department of Lands. (3-20-20)T

~~05~~04. Director. The Director of the Idaho Department of Lands or ~~such representative as may be designated by the Director~~ his designee. ~~(3-20-20)T~~( )

~~06~~05. Easement. A non-possessory interest ~~held by one person in land of another person whereby the first person is accorded use for a portion of such land~~ in land for a specific purpose including rights of way. Such interest may be limited to a specific timeframe. ~~(3-20-20)T~~( )

~~**07. Formerly Submerged Lands**. Formerly submerged beds of state-owned navigable lakes, rivers, and streams which have either been filled or have subsequently become uplands because of human activities, i.e., dikes, berms, seawalls, etc. Included are islands that have been created on submerged lands by natural processes or human activities since the date of statehood (July 3, 1890). (3-20-20)T~~

~~08~~06. Grantee. The party to whom the easement is granted and their assigns and successors-in-interest. ~~(3-20-20)T~~( )

~~09~~07. Grantor. The State of Idaho and its assigns and successors-in-interest. ~~(3-20-20)T~~( )

~~10~~08. Hydroelectric Facilities. The dam, diversion, penstock, transmission lines, water storage area, powerhouse and other facilities related to generating electric energy from water power. (3-20-20)T

~~11~~09. Market Value. ~~The amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would be sold by a knowledgeable owner willing but not obligated to sell to a knowledgeable purchaser who desired but is not obligated to buy.~~ The most probable price at a specified date, in cash, or on terms reasonably equivalent to cash, that the property should bring in a competitive and open market under all conditions requisite to an arm's-length sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. ~~(3-20-20)T~~( )

~~12~~10. Natural or Ordinary High Water Mark. The line ~~which~~ that the water impresses upon the soil by covering it for ~~a~~ sufficient periods of time to deprive the soil of its vegetation and destroy its value for agricultural purposes ~~(Section 58-104(9), Idaho Code)~~. When the soil, configuration of the surface, or vegetation has been altered by ~~man's~~ human activity, the natural or ordinary high water mark ~~shall~~ will be located where it would have been if this alteration had not occurred. ~~(3-20-20)T~~( )

~~13~~11. Person. ~~A~~ An individual, corporation, partnership, limited liability company, ~~an~~ association, ~~a joint venture or a corporation~~ trust, unincorporated organization or other legal entity qualified to do business in the ~~S~~state of Idaho, and any federal, state, county, or local unit of government~~, or an individual~~. ~~(3-20-20)T~~( )

~~**1412. Right-of-Way**. The privilege that one (1) person, or persons particularly described, may have of passing over the land of another in some particular line. Usually an easement over the land of another. (3-20-20)T~~

~~**15. Submerged Lands**. The state-owned beds of navigable lakes, rivers, and streams lying below the natural or ordinary high water marks. (3-20-20)T~~

12. State-Owned Navigable Waterways and Navigable Waterways. As used in these rules, the beds of all navigable waterways up to the natural or ordinary high water mark as of the date Idaho was admitted into statehood. This includes any such bed that was formerly submerged and subsequently filled, and is now uplands because of human activity (e.g., dikes, berms, jetties) or by natural processes, and includes islands within navigable waterways resulting from human activity or by natural processes. ( )

13. Temporary Permit. A revocable instrument authorizing a specific use on navigable waterways usually issued for five (5) years or less, but that may be issued for up to ten (10) years. ( )

~~16~~14. Uplands. The land bordering on navigable ~~lakes, rivers, and streams~~ waterways. ~~(3-20-20)T~~( )

011. POLICY.

01. Regulation of the Beds of Navigable Waters. It is the policy of the State of Idaho to regulate and control the use or disposition of ~~lands in~~ the beds of navigable ~~lakes, rivers, and streams to the natural or ordinary high water mark thereof,~~ waterways so as to provide for their commercial, navigational, recreational or other public use; provided, that the ~~b~~Board ~~shall~~ will take no action in derogation of or seeking to interfere with the riparian or littoral rights of ~~the owners of~~ upland ~~property abutting or adjoining such lands (Section 58-104, Idaho Code)~~ land owners. ~~(3-20-20)T~~( )

a. These rules ~~shall~~ will not be construed as adversely affecting any valid ~~existing rights~~ easement or other right granted by the Department prior to May 23, 1984. ~~(3-20-20)T~~( )

b. The ~~b~~Board or Director ~~shall~~ will not grant an easement for any use, facility, or structure that would impair those uses of ~~submerged and formerly submerged lands~~ navigable waterways protected under the public trust doctrine. ~~(3-20-20)T~~( )

02. Exercise of State Title. The ~~s~~State of Idaho exercises its title over the beds of all lakes, rivers, and streams that are navigable in fact. ~~The department will respond to requests or inquiries as to which lakes, rivers, and streams are deemed navigable in fact. Additional i~~Information about lakes, rivers, and streams deemed navigable by the ~~s~~State of Idaho is available from the Department. ~~(3-20-20)T~~( )

03. Stream Channel and Encroachment Permits. Issuance of an easement ~~shall be~~ is contingent upon the applicant first obtaining a stream channel alteration permit if required by the Idaho Department of Water Resources, pursuant to Title 42, Chapter 38, Idaho Code, or a lake encroachment permit if required by the Department, pursuant to ~~the Lake Protection Act, Section 58-1301, Idaho Code~~ Title 58, Chapter 13, Idaho Code. ~~(3-20-20)T~~( )

04. Other Permits. Issuance of an easement ~~shall~~ does not relieve an applicant of acquiring other permits and licenses that are required by law. ~~(3-20-20)T~~( )

05. Existing Easements. These rules apply to existing easements on ~~submerged or formerly submerged lands~~ navigable waterways. However, it ~~shall~~ is not ~~be~~ necessary for a person possessing a valid easement ~~on the effective date of these rules~~ obtained on or after May 23, 1984 to file a new easement application ~~pursuant to these rules~~ if the location or use of the easement has not changed. ~~(3-20-20)T~~( )

~~**06. Existing Permits**. Any person holding a permit, issued after May 23, 1984 during the pendency of the promulgation of these rules, for right-of-way on submerged or formerly submerged lands shall convert the permit to an easement upon payment of fees and compensation in the amount provided for by these rules. (3-20-20)T~~

~~07~~06. Limitation on Easement Grant. An easement grants only such interest to the grantee as is specified within the document, including the legal right to occupy and use the ~~submerged or formerly submerged lands~~ navigable waterways for the specified purpose in the easement without interference by the grantor, except as otherwise provided by law. The legal right to use the ~~submerged or formerly submerged lands~~ navigable waterways for all other purposes not inconsistent with the grantee's interest remains with the grantor. ~~(3-20-20)T~~( )

~~08~~07. **Minimum Width**. The minimum width of any easement granted ~~shall be~~ is eight (8) feet. ~~(3-20-20)T~~(   )

012. -- 019. (RESERVED)

020. FEES AND COMPENSATION.

01. Administrative Fee. ~~There shall be a one-time nonrefundable administrative fee of three hundred dollars ($300) for any use, facility, or structure requiring an easement under these rules.~~ Applications for easements must be accompanied by a one-time nonrefundable administrative fee of five hundred dollars ($500). No supplemental compensation~~,~~ in excess of ~~the one-time administrative~~ this fee~~,~~ ~~shall~~ is required for the following: ~~(3-20-20)T~~(   )

a. An easement for a use, facility, or structure for which the navigable ~~lake, river, or stream~~ waterway poses an obstacle or barrier for construction or operation of the use, facility, or structure, or where the applicant demonstrates, and the Director or Board concurs, that the impact of the use, facility, or structure on the navigable waterways is less than the impact on the other values associated with the adjacent upland such as conservation of resources, significant cost savings to the public, or accessibility. ~~(3-20-20)T~~(   )

b. An easement for a dam that does not produce hydroelectric power and is less than ten (10) feet in height ~~(~~as measured from the natural ~~stream~~ bed at the downstream side~~)~~. ~~(3-20-20)T~~(   )

02. Supplemental Compensation. In addition to the ~~one-time nonrefundable administrative~~ fee ~~of three hundred dollars ($300)~~ in Subsection 020.01, supplemental compensation ~~will be~~ is required for: ~~(3-20-20)T~~(   )

a. New and renewed easements for all dams of any size that produce hydroelectric power and all dams that are ten (10) feet and higher ~~(~~as measured from the natural ~~stream~~ bed at the downstream side~~)~~. Supplemental compensation for all such easements ~~shall be~~ is one thousand dollars ($1,000)~~,~~ and ~~for a dam including associated~~ hydroelectric facilities~~, there shall be~~ will also have an additional ~~one-time~~ payment of five dollars ($5) per megawatt of installed capacity ~~per~~ as determined by the nameplate rating of ~~said~~ that facility. If the facility is situated on a Snake River segment that is a common border with the state of Oregon or the state of Washington, the installed capacity ~~shall~~ will be prorated based on the location of the common border across the dam's centerline for the purpose of calculating the compensation. Total compensation for a new or renewed easement ~~issued~~ for a ~~dam including associated~~ hydroelectric ~~facilities shall not exceed~~ facility is a maximum of twenty thousand dollars ($20,000). If an easement for a hydroelectric facility has been issued prior to relicensing, the fee will be prorated based on a fifty (50) year use period. The fee for annual extensions that are frequently issued by United States Federal Energy Regulatory Commission (FERC) because of permitting delays prior to issuance of the major FERC license will be prorated based on a fifty (50) year use period. ~~(3-20-20)T~~(   )

b. An easement over ~~submerged and formerly submerged lands,~~ navigable waterways for any use, facility, or structure, that is not a dam or hydroelectric facility, ~~which~~ and would use navigable waterways as a substitute for, or to reduce or eliminate the use of, uplands. Supplemental compensation for such easements ~~shall~~ will be a one-time payment based on the market value of the ~~submerged or formerly submerged lands~~ adjacent uplands on which the use is avoided. In the case of filled lands, the value will be based on the highest and best use of the adjacent uplands. The compensation ~~shall~~ will be determined by appraisal. ~~For purposes of this subsection, the per acre value of the submerged or formerly submerged lands shall be the same as the per acre value of the adjacent uplands for which the submerged or formerly submerged lands shall serve as a substitute or in the case of filled lands, the per acre value shall be based on its highest and best use. Adjacent uplands are uplands bordered on one (1) side by the water body and extending landward at least one (1) lot in depth or three hundred (300) feet, whichever is greater~~. ~~(3-20-20)T~~(   )

03. Appraisal. The easement appraisal ~~of the easement normally will be performed by qualified Department staff. If so desired by the applicant and agreed to by the Director, the applicant may provide the appraisal, which must be acceptable to and meet the specifications set by the Director.~~ will be conducted by a licensed appraiser selected by the Department, although the applicant may propose an appraiser to the Department. The Department will provide appraisal instructions. The appraisal will be performed in a timely manner, and a copy sent to the Department and the applicant. The expense of the appraisal will be borne by the applicant. ~~(3-20-20)T~~(____)

~~**04. Cost of Appraisal**. Where the appraisal is performed by department staff, the appraisal costs shall be the actual cost and shall be charged to the applicant in addition to those costs outlined in Subsections 020.01 and 020.02. These costs shall include transportation, personnel costs (including per diem), and administrative overhead. An itemized statement of these costs shall be provided to the applicant. The appraisal fee shall be billed separately from the nonrefundable administrative fee established in Subsection 020.01. (3-20-20)T~~

021. -- 029. (RESERVED)

030. TERM OF EASEMENT.

01. Permanent Uses. A permanent easement will be issued for uses, facilities, and structures that are normally considered permanent in nature, such as bridges, utility crossings, highway fills, and dams. (3-20-20)T

02. Term Easements. A term easement will be issued for a specific time period of ten (10) to fifty-five (55) years and will be issued for those uses, facilities, and structures not normally considered permanent in nature. (3-20-20)T

03. Federally Licensed Facilities. The term of an easement for all federally licensed hydroelectric facilities on ~~submerged or formerly submerged lands shall be~~ navigable waterways will run concurrently with the term of such license issued by ~~the United States Federal Energy Regulatory Commission (~~FERC~~)~~, or its successor, authorizing the facility. Easements for hydroelectric facilities for which FERC has issued a conduit exemption ~~shall~~ will not exceed fifty-five (55) years. ~~(3-20-20)T~~(____)

031. -- 039. (RESERVED)

040. USE, FACILITY, OR STRUCTURE MODIFICATION.
Modification of an existing use, facility, or structure ~~shall~~ will require an easement or an amendment to an existing easement and ~~shall~~ will be processed in the same manner as a new application. Modification includes expanding the use or easement area~~,~~ or changing the location of the use or easement area. Modification does not include ordinary maintenance, repair, or replacement of existing structures such as poles, wires, and cables. ~~(3-20-20)T~~(____)

041. -- 049. (RESERVED)

050. ASSIGNMENTS.

01. Assignment Fee. Easements may be assigned upon prior approval of the Director. The assignor and assignee must complete the ~~d~~Department's standard assignment form and forward it and the nonrefundable assignment fee of fifty dollars ($50) to any ~~d~~Department office. ~~(3-20-20)T~~(____)

02. Prior Written Consent. An assignment is not valid without the written consent of the Director which ~~shall~~ will not be unreasonably withheld. The Department ~~shall~~ will work diligently to complete assignments within sixty (60) days after receipt of the standard assignment forms and all associated information. ~~(3-20-20)T~~(____)

~~**03. Multiple Assignments**. If all state easements held by a grantee are assigned at one time, only one (1) assignment fee shall be required. (3-20-20)T~~

051. -- 059. (RESERVED)

060. ABANDONMENT, RELINQUISHMENT, AND TERMINATION.

01. Section 58-603, Idaho Code. The provisions of Section 58-603, Idaho Code relating to rights-of-way apply to all easements over state-owned ~~submerged and formerly submerged lands~~ navigable waterways. ~~(3-20-20)T~~(____)

02. Non-Use. Upon termination of an easement for any ~~cause~~ reason, the Director ~~shall~~ will provide the grantee with a specific, but reasonable, period of time (up to twelve (12) months) to remove all facilities or structures. Failure to remove all facilities or structures within such time period established by the Director ~~shall~~ will be deemed a trespass on ~~submerged and formerly submerged lands~~ state-owned navigable waterways. ~~(3-20-20)T~~(____)

03. Voluntary Relinquishment. The grantee may voluntarily relinquish the easement at any time by submitting a letter or relinquishment form in recordable format to the ~~state of Idaho~~ Department. Voluntary relinquishment of an easement does not waive or forgive ~~the~~ any accrued obligation of the easement holder including the obligation to remove facilities as required in Subsection 060.02. ~~(3-20-20)T~~(____)

061. -- 069. (RESERVED)

070. PROCEDURE.

01. ~~Contents of~~ Application. An easement application ~~shall~~ submitted to the Department must contain: ~~(3-20-20)T~~(____)

a. A letter of request stating the purpose of the easement; (3-20-20)T

b. A ~~plat of right-of-way in triplicate~~ survey of the easement; and ~~(3-20-20)T~~(____)

c. One (1) copy of an acceptable written description based on a survey of the centerline or a metes and bounds survey of the easement tract. The applicant may also describe the area occupied by existing uses, facilities, or structures by platting the state-owned ~~submerged or formerly submerged lands~~ navigable waterways affected by the use and showing surveyed or scaled ties ~~(~~to a legal corner~~)~~ at the points where the use enters and/or leaves the ~~parcel~~ navigable waterways. ~~(3-20-20)T~~(____)

02. Engineer Certification. All maps, plans, and field notes attached to an application for rights-of-way for ditches and reservoirs governed by Section 58-601, Idaho Code, ~~shall~~ must be certified by the engineer under whose direction such surveys or plans were made and ~~four (4) copies~~ filed with the Department and ~~one (1) copy filed with~~ the Idaho Department of Water Resources. ~~(3-20-20)T~~(____)

03. Decision on Application. Upon proper application and payment of the ~~nonrefundable administrative~~ fees, appraisal costs, and supplemental compensation required pursuant to these rules, the Director may, after appropriate review and consideration of the facts and the law, grant an easement ~~on and over submerged or formerly submerged lands~~ encumbering navigable waterways for any public or private purpose. The Director may deny an application for easement upon a finding that issuance would not be consistent with law or these rules. Such denial or approval ~~shall~~ will be in writing within six (6) months of the receipt of ~~the~~ a complete application. ~~(3-20-20)T~~(____)

04. Director's Decision. The Director may grant and renew easements in all cases except when the compensation will exceed ~~ten~~ twenty-five thousand dollars ($~~10~~25,000), exclusive of the payment for any damage or impairment of rights to the remainder of the property. ~~(3-20-20)T~~(____)

05. Board Decision. Easement applications where compensation exceeds ~~ten~~ twenty-five thousand dollars ($~~10~~25,000), or that are of a complex and unusual nature as determined by the Director, ~~shall~~ will be presented to the Board for appropriate action. ~~(3-20-20)T~~(____)

~~**06. Where to Submit**. An easement application may be submitted to any office of the Department. (3-20-20)T~~

~~07~~06. Notification ~~of Approval~~. If the application is approved, the applicant ~~shall~~ will be notified in writing of the amount due to the Department. If the application is denied, the applicant will be notified in writing of the reasons for the denial. ~~(3-20-20)T~~(____)

~~**08. Denial of Application**. If the application is denied, the applicant shall be notified in writing of the~~

~~reasons for the denial.~~ ~~(3-20-20)T~~

071. -- 079. (RESERVED)

080. EASEMENT ACCESS AND EMERGENCY WORK.

01. Use of Land. The grantee has the right to use such portion of the ~~lands~~ navigable waterways adjacent to and along said easement as may be reasonably necessary in connection with the installation, repair, and replacement of the use, facility, or structure authorized by the easement. If such activities cause soil disturbance, the destruction of vegetation, and/or entering the ~~navigable stream~~ bed below the natural or ordinary high water mark, the grantee will obtain prior written authorization from the ~~grantor~~ Department. The grantee is responsible for any damage to lands or other resources outside the easement area. ~~(3-20-20)T~~( )

02. Emergency Work. The grantee is authorized to enter upon ~~lands~~ navigable waterways lying outside the easement area~~, including submerged or formerly submerged lands and other lands managed by the Department~~, for the purpose of performing emergency repairs on an easement for damage due to floods, high winds, and other acts of God, provided that the grantee provides written notice to the ~~Director~~ Department within forty-eight (48) hours of the time work commences. The grantee ~~shall be~~ is responsible for any damage to lands or other resources outside the easement area. ~~(3-20-20)T~~( )

081. -- 999. (RESERVED)

IDAPA 20 – IDAHO DEPARTMENT OF LANDS

20.03.09 - RULES GOVERNING EASEMENTS ON STATE-OWNED SUBMERGED LANDS AND FORMERLY SUBMERGED LANDS

DOCKET NO. 20-0309-2101

NOTICE OF RULEMAKING - PROPOSED RULE

AUTHORITY: In compliance with Section 67-5221(1), Idaho Code, notice is hereby given that this agency has initiated proposed rulemaking procedures. The action is authorized pursuant to Section 58-104(6), Idaho Code.

PUBLIC HEARING SCHEDULE: Public hearing(s) concerning this rulemaking will be scheduled if requested in writing by twenty-five (25) persons, a political subdivision, or an agency, not later than September 15, 2021.

The hearing site(s) will be accessible to persons with disabilities. Requests for accommodation must be made not later than five (5) days prior to the hearing, to the agency address below.

DESCRIPTIVE SUMMARY: The following is a nontechnical explanation of the substance and purpose of the proposed rulemaking:

Following Executive Order 2020-01, Zero-Based Regulation, this rule chapter is scheduled to be repealed and replaced in 2021 for review during the 2022 legislative session. The overall regulatory burden has been reduced by decreasing both total word count and the number of restrictive words in the new rule chapter. Application fees have been increased to cover the costs of reviewing applications. Appraisals, if needed, will now be paid for by the applicant and will not be performed by qualified Department staff. The Director's approval authority is raised from a compensation of $10,000 up to $25,000. This corresponds with the same approval authority for easements on endowment lands.

FEE SUMMARY: The following is a specific description of the fee or charge imposed or increased:

The $300 application fee established in 1993 is increased to $500.

FISCAL IMPACT: The following is a specific description, if applicable, of any negative fiscal impact on the state general fund greater than ten thousand dollars ($10,000) during the fiscal year resulting from this rulemaking: N/A

NEGOTIATED RULEMAKING: Pursuant to Section 67-5220(1), Idaho Code, negotiated rulemaking was conducted. The Notice of Intent to Promulgate Rules - Negotiated Rulemaking was published in the April 7, 2021 Idaho Administrative Bulletin, Vol. 21-4, pages 47-48.

INCORPORATION BY REFERENCE: Pursuant to Section 67-5229(2)(a), Idaho Code, the following is a brief synopsis of why the materials cited are being incorporated by reference into this rule: N/A

ASSISTANCE ON TECHNICAL QUESTIONS, SUBMISSION OF WRITTEN COMMENTS: For assistance on technical questions concerning the proposed rule, contact Eric Wilson at 208-334-0261 or ewilson@idl.idaho.gov. Anyone may submit written comments regarding this proposed rulemaking. All written comments must be directed to the undersigned and must be delivered on or before September 22, 2021.

DATED this 30th day of July, 2021.

Eric Wilson, Resource Protection and Assistance Bureau Chief
Idaho Department of Lands
300 N. 6th Street, Suite 103
P.O. Box 83720
Boise, Idaho 83720-0050
Phone: (208) 334-0261
Fax: (208) 334-3698

STATE BOARD OF LAND COMMISSIONERS
July 20, 2021
Information Agenda

Subject

Draft Grazing Rate Methodology Proposal

Background

The State Board of Land Commissioners (Land Board) and Idaho Department of Lands (Department) are reviewing the 1993 grazing rate formula for potential revision or replacement, ensuring the constitutional mandate to maximize long-term revenue is fulfilled. At the August 21, 2018 Land Board meeting, the Land Board approved the continued use of the status quo grazing rate formula and directed the Department to continue review of the grazing rate and seek to have a study completed regarding non-fee grazing costs. During this time, a study by the University of Wyoming was commissioned to determine the non-fee cost of grazing livestock on state endowment trust lands, but findings were inconclusive due to the low sample size and lessee response. As a result, the grazing rate has remained as calculated by the 1993 status quo formula, with a rate of $7.32/AUM in 2020 and $7.07/AUM in 2021. The Department projects the rate to be $6.86/AUM in 2022 under the status quo formula.

At the October 20, 2020 Land Board meeting, the Land Board passed a motion directing the Department of Lands to coordinate with Land Board staff, gather and review pertinent information, engage with stakeholders, and conduct any other work necessary to recommend a grazing rate method to the Land Board by July 2021.

Discussion

Since the October 20, 2020 Land Board meeting, the Department has made significant progress to fulfill the Land Board's directives. The Department has communicated extensively with Land Board staff as well as Land Board members to develop a new model for the grazing rate that is transparent, defensible, and achieves a fair-market rate for endowment beneficiaries.

The Department has also spent considerable time and resources reviewing new studies and analyses, as well as a thorough review of the historic body of research. The Department has made use of three key sources in the draft 2021 Grazing Rate Proposal (Attachment 1):

1) 2020 cow-calf beef budgets developed by the University of Idaho (Attachment 2).
2) 2014 University of Idaho Research Bulletin 185 regarding non-fee costs in private lease arrangements (Attachment 3).
3) An Oregon State University Extension Service special report that explores the costs incurred by permittees ranching on public and private rangelands (Attachment 4).

These valuable sources of information are the basis for the proposed model that nets the prorated sum of non-fee grazing costs paid by lessees against the USDA-NASS private lease rate for Idaho.

The Department is now in the process of conducting extensive public and stakeholder outreach. The Department's efforts include:

- Individual and meaningful outreach with key stakeholders including Idaho Cattle Association, Idaho Woolgrowers Association, Idaho Farm Bureau, Idaho Conservation League, and others.
- Initiation of a public comment period that began July 7, 2021 and will conclude September 3, 2021.
- Promotion of a new webpage that explains the rate methodology and provides the ability to submit written comments to the Department: https://www.idl.idaho.gov/leasing/grazing-farming-conservation-program/grazing-rate-review/
- Successful launch of a press release titled "Idaho Department of Lands seeks public input on new grazing rate proposal."
- Timely responses to media, stakeholder, and lessee inquiries.
- Over 800 letters sent to stakeholders and all lessees that hold grazing leases or crop leases with a grazing component.
- Over 500 emails sent to lessees, stakeholders, and interested parties containing an informational letter regarding the grazing rate review and instructions to submit comments.

The Department is currently collecting public comments, additional information, and suggestions and will continue to engage with the Land Board, public, and other stakeholders regarding the grazing rate methodology. The Department will review and consider all comments and new, pertinent information and make any necessary adjustments to the grazing rate methodology. The final methodology and associated data will be ready for presentation to the Land Board no later than the September 2021 Land Board meeting.

Attachments

1. Draft 2021 Grazing Rate Proposal
2. UI 2020 Costs and Returns Estimates, Cow-Calf Budgets
3. August 2014 UI Bulletin 185, Idaho Private Rangeland Grazing Lease Arrangements
4. OSU Report, Costs Incurred by Permittees Grazing Cattle on Public and Private Rangelands

Determining the Market Rate for Endowment Grazing Leases

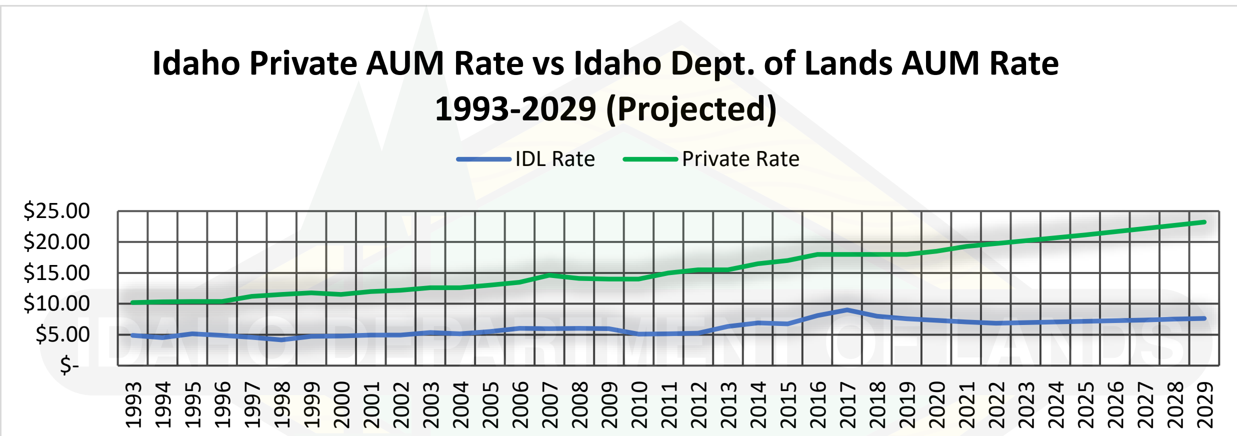
Idaho Department of Lands

June 28, 2021

DRAFT

Preface

With the constitutional obligation to maximize revenue for endowment beneficiaries, the Idaho Department of Lands (Department) analyzes rates of return and financial performance for our land assets. A decade ago, the Department commissioned a study to analyze grazing leases on Idaho endowment land, which determined that the grazing formula was likely not capturing market value (Attachment A). In recent years, the private grazing lease rate has increased faster than the rate for endowment lands, according to available data. In 1992 the Department rate was approximately 50% of the private lease rate; in 2022 the Department rate is projected to be about 37% of the private lease rate.



The Department and stakeholders have identified the need for a rate that is stable, tracks market trends, and is easy to understand. As directed by the State Board of Land Commissioners (Land Board), the Department has been evaluating the grazing rate, alternate formulas, and non-fee costs related to grazing on endowment land. Attempts to develop a fair, market-value grazing rate formula have been difficult due to limitations in the formulas brought before the Land Board. The Land Board has rejected formulas which contained arbitrary base rates and multipliers as key components and those which did not adequately demonstrate their ability to capture market value.

Prior work to collect data for extrapolating the market value of grazing on endowment rangeland has been inconclusive. Published research is limited, and efforts to ascertain a defensible rate by surveying our customers has failed. The price impacts of inholdings are anecdotal; lessees have indicated that if lease rates increase, they may simply forgo certain endowment leases, placing the cost of fencing out cattle on the endowments. Accurate and detailed data related to the carrying capacities of private and endowment rangeland does not exist; the Department does not have adequate staffing to undertake such a study for the entire rangeland asset class, and the cost may eclipse any potential gains in revenue. Studies of carrying capacity of certain high quality leased areas can be completed and may increase net revenue in some cases.

Central to the debate of choosing a proper base rate has been the determination of the actual cost of grazing on state endowment trust leases versus private leases. A recent analysis by the University of Idaho offers insight into the expenses incurred by the average ranching operation in Idaho, across various rangeland ownerships and grazing strategies. Using this information, a defensible, data-driven method for the grazing rate can be established.

Recent History

12/5/2017 – The Land Board held a special meeting to discuss the grazing rate review and alternatives presented by the Grazing Subcommittee. During this meeting, the Land Board voted 5-0 to defer a decision on the grazing rate methodology to allow further consideration of information regarding the alternatives (Attachment B).

8/21/2018 – The Land Board discussed the Grazing Rate Methodology Review agenda item. One topic of discussion related to the existing state grazing rate formula and alternatives previously presented by the Grazing Subcommittee was clarity regarding non-fee costs potentially incurred by state grazing lessees on state endowment trust lands versus private land grazing leases. The Land Board voted 4-1 to continue using the current Status Quo formula until a comprehensive, up-to-date third-party study was completed about non-fee grazing costs incurred by lessees on federal public or state trust lands versus private lands (Attachment C).

3/6/2019 – Per the August 21, 2018, Land Board meeting, the University of Wyoming initiated a non-fee grazing cost study (Attachment D).

10/17/2019 – As an informational item, the Land Board received an update on the 2020 grazing rate, as determined by the 1993 formula, and the University of Wyoming study (Attachment E).

3/31/2020 – The University of Wyoming Grazing Rate Study of non-fee grazing costs in Idaho was completed, but the findings were inconclusive due to the "low number of ranchers that participated." (Attachment F)

Fundamental Issue

Prior to the Land Board's deferral on revising the grazing rate methodology in December of 2017, the Land Board's Grazing Subcommittee had convened a working group of stakeholders, including representatives from the ranching industry, interest groups, conservation organizations, and Land Board staff members. This working group was led by an independent meeting facilitator and charged with developing alternatives to the grazing rate formula recommended by Dr. Rimbey and adopted by the Land Board in 1993 (Attachment G).

The proposed formulas submitted to the Land Board for consideration during the December 2017 meeting were predicated on arbitrary, indefensible variables (or multipliers) that ultimately determined the rates generated by the formulas. By charging the 2017 working group with developing alternatives to the status quo grazing rate formula, the fundamental issue was overlooked—developing a defensible methodology for determining the market rate for grazing on endowment land that is not based on an arbitrary multiplier.

Approach for Estimating Market Value

This new approach for determining the market rate for endowment grazing leases solves the decades old problems of formula complexity and volatility, meaning that the rate generated by the current formula is difficult to understand, its calculations are hard for the layman to replicate, and market forces can significantly skew the indices upon which it is based.

The proposed new model is based on two pillars: transparent, defensible, not arbitrary; and periodic review.

Pillar 1: Transparent, Defensible, Not Arbitrary

The new model is based on defensible and transparent datasets. It avoids using arbitrary numeric modifiers and assumptions. At its core, the model can be described as netting non-fee grazing costs against the USDA National Agricultural Statistic Services (NASS) published private Animal Unit Month (AUM) grazing fee for Idaho (Attachment H). The proposed new model expresses the endowment grazing lease rate as a percentage of the NASS published private lease rate for Idaho and bypasses the four indices used under the current 1993 formula.

Pillar 2: Periodic Review

The Department recommends the Land Board adopt a policy to review the new grazing rate model (if adopted) every five years and update the model's underlying non-fee costs (if needed) to ensure the model continues to track with the market. This review should also analyze the market sensitivity to endowment grazing lease rate changes, specific to the question of how rate changes might impact the demand for leasing endowment land for grazing.

Proposed New Model

The core of the proposed new model is derived from four non-fee grazing costs identified within three cow-calf beef livestock enterprise budgets published by the University of Idaho's College of Agricultural and Life Sciences in 2020 (Attachment I). The sums of each of the non-fee costs identified within the budgets were averaged, then prorated using data from the 2014 University of Idaho research bulletin Idaho Private Rangeland Grazing – Lease Arrangements to reflect non-fee costs under private leases likely borne by lessees (Attachment J, Table 10). The model also includes two non-fee grazing costs published in the 1992 University of Oregon Extension Service special report Costs Incurred by Permittees in Grazing Cattle on Public and Private Rangelands and Pastures in Eastern Oregon that were adjusted for inflation (Attachment K).

Model Rate as a Percentage of the Private Rate

The proposed new model nets the prorated sum of the non-fee grazing costs paid by lessees identified in the University of Idaho enterprise budgets and the non-fee costs identified in the University of Oregon Extension Service report (adjusted for inflation) against the prior-year USDA NASS private rate for Idaho, then divides this amount by the private rate to express the Idaho endowment grazing rate as a percentage of the USDA NASS private rate for Idaho. For purposes of simplicity, this percentage is rounded to the nearest one percent.

Calculating the Model Rate

Variables

A = NASS Idaho Private Rate (as published two years prior)
B = Sum of the Average Non-Fee Costs for Salt, Trucking, Labor and Repair (from 2020 UI Cattle Budgets)
C = % of Non-Fee Services Provided by Private Lessees (from budgets UI private lease arrangements study)
D = Sum of Non-Fee Costs for Lost Animals and Water (from 1990 OSU Extension study)

Formula

(A – (B x C) – D) ÷ A = Endowment Rate as % of Private Rate
($18.50 – $5.21 – $2.47) ÷ $18.50 = 58.49%
$10.82 ÷ $18.50 = 58.49%

Endowment Percentage Rate = 58% of the USDA NASS private Rate for Idaho (58.49% rounded to the nearest percent)

USDA NASS Private Rate for Idaho x Endowment Percentage Rate = Idaho Endowment AUM Rate
$18.50 x 58% = $10.73/AUM

Non-Fee Grazing Costs from UI Cattle Budgets

Non-Fee Services Lessor Provides	UI Cattle Budget EBB-CC1-20	UI Cattle Budget EBB-CC7-20	UI Cattle Budget EBB-CC8-20	Average Non-Fee Costs
Salt/Mineral	$0.50	$0.54	$0.37	$0.47
Trucking to & from Pasture	$1.50	$0.75	$0.83	$1.03
Hired Labor	$7.35	$2.80	$3.65	$4.60
Buildings & Improvements (Repair)	$0.90	$1.07	$0.90	$0.96

Prorated Non-Fee Grazing Costs

Non-Fee Grazing Services	Avg. $/AUM for Non-Fee Services		% of Non-Fee Services Paid by Lessee		Value of Non-Fee Services Provided by Lessee
Salt/Minerals	$0.47	x	84.4%	=	$0.40
Trucking to & from Pasture	$1.03	x	79.4%	=	$0.82
Hired Labor	$4.60	x	79.4%	=	$3.65
Buildings & Improvements (Repair)	$0.96	x	35.2%	=	$0.34
Total					**$5.21**

Non-Fee Grazing Costs from 1990 OSU Extension Study

Operation	Federal Grazing Permits, 1992	Private Leases, 1992	Difference, 1992	Adjusted for Inflation, 2021 $ ***
Lost Animals*	$2.81	$1.58	$1.23	$2.33
Water (Production Item)**	$.27	$.20	$.07	$.14
Total				**$2.47**

Data from Costs Incurred by Permittees in Grazing Cattle on Public and Private Rangelands and Pastures in Eastern Oregon, Obermiller, July 1992
* Data from page 13, Table 5
** Data from Page 7, Table 2
*** Inflation adjustments calculated using U.S. Bureau of Labor Statistics online calculator at https://www.bls.gov/data/inflation_calculator.htm

Rate Change Impacts

The current 2021 endowment grazing rate of $7.07/AUM is 38.2% of the USDA NASS private rate for Idaho. The model output rate for 2022 is 58% of the USDA NASS private rate for Idaho, or $10.73/AUM. This change represents a 51.8% increase in grazing rates from 2021 to 2022.

The Department manages 1,107 endowment grazing leases, which range from 1 AUM to 25,253 AUMs, with an average count of 232 AUMs. The largest endowment grazing lease encompasses 25,253 AUMs, while the median lease contains 86 AUMs (Attachment L).

	AUMs	Current Annual Rate	@ 58% of Private Rate	Net Change	% Change
Total	256703	$1,814,890.21	$2,754,423.19	$939,532.98	51.8%
Average	232	$1,639.47	$2,488.19	$848.72	
Median	86	$608.02	$922.78	$314.76	
Maximum	25253	$178,538.71	$270,964.69	$92,425.98	

Sheep Policy

This proposed new model incorporates the AUM fee policy for sheep as previously approved by the Land Board. For sheep, if the previous 12-month average lamb price is less than or equal to 70% of the price for calves under 500 pounds during the same period, the sheep AUM rate will be reduced 25%.

11-Western State Grazing Rates

Another metric that may validate this model is to compare the model rate to the 11-Western States private lease rates as reported by USDA-NASS and the rates each state charges for endowment grazing land. A rate of 58% of the USDA-NASS private rate is the average percent of private rates for state grazing rates of the Western States.

2021 Grazing Rates for 11 Western States - State vs Private

State	Private Lease Rate (2020)	State Lease Rate (2021)	% of Private Rate
Nevada*	$10.00	$13.37	134%
Colorado (avg.)**	$19.50	$17.00	87%
Washington (avg.)***	$14.50	$11.49	79%
Montana	$23.50	$13.41	57%
Oregon	$18.00	$9.84	55%
Utah (avg.)****	$18.00	$8.75	49%
Idaho	**$18.50**	**$7.07**	**38%**
New Mexico	$16.50	$4.85	29%
Wyoming	$22.50	$5.53	25%
Arizona	$10.00	$2.41	24%
California******	$23.50	NA	NA
11-State Averages:	**$17.10**	**$9.37**	**58%**

*Nevada private rate for 2020 not available, 2019 rate used

**Colorado sets dozens of regional rates ranging from $12 to $22/AUM, this represents a rough average of the range of fees

***Washington has a permit rate ($8.68) and a lease rate ($14.30). Permit rates are historical allotments grazed in conjunction with Federal lands. New permits are not issued

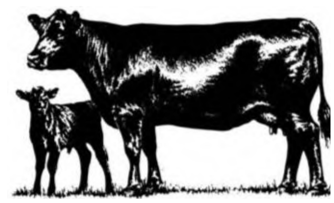
****Utah uses a tiered rate, $6.36 for lower tier (unblocked) and $11.13 for blocked leases

*****Lease rate data not available for CA state leases, each lease is calculated individually. Grazing lease rates can be charged in $/Acre or $/AUM

EBB-CC1-20 2020 Costs and Returns Estimate

Cow-Calf Budget: 250-head
Northern Idaho
Summer on Private Range, Winter Feeding Necessary

Ben Eborn and Jim Church



Background and Assumptions

University of Idaho costs and returns estimates use economic costs—all resources are valued based on market price or opportunity cost. This budget presents typical costs and returns per cow for a 250-head cow-calf operation plus total costs and returns for a northern Idaho ranch. The forage source is deeded range with some winter hay feeding.

Livestock Investment
The livestock investment consists of 250 cows, 10 bulls, and 2 horses. Cows have a useful life of 6 years after they enter the breeding herd. The culling rate is 17 percent and the cow herd has a 2 percent death loss. The ranch buys 2-year-old bulls and replaces them every 4 years. The weaned calf crop is 90 percent of the number of cows wintered. Of the 58 weaned heifer calves selected from the calf crop as replacements, 10 are culled because of non-breeding or poor quality, leaving an annual net replacement of 48 head.

Machinery and Equipment
The cow/calf enterprise uses a ¾-ton pickup (4x4), a 1-ton pickup, an ATV, an 80 HP tractor with a loader, a stock trailer, and a gooseneck trailer (see Table 4). This equipment complement is minimal but considered adequate. Values on these investments are calculated at 50 percent of new replacement cost to reflect typically aged but functional ranch equipment.

Haying equipment is not included in this budget as hay production is treated as a separate enterprise. See EBB1-AH-19 for costs and returns associated with grass hay production in northern Idaho. Hay and other feeds used as inputs in this cow-calf budget are valued at the market price received by growers FOB the farm.

Buildings and Improvements
The ranch has 35 miles of 4-wire fence, one barn, a hay shed, grain storage, two sets of corrals with working alleys, a squeeze chute, a calf table and a normal complement of veterinary equipment. Water is supplied from natural sources. Buildings and improvements are valued at 80 percent of new replacement cost.

Management Practices
The majority of cows calve between January 1 and late March, with some calves being born throughout the year. All cattle are fed alfalfa and grass hay from approximately December 1 to March 30. Replacement heifers also receive some supplemental barley.

In April, the cattle are trucked to private spring pasture where they remain until late May. They are then trucked to private summer pasture and left through October. By November 1, after gathering and working the cattle, they are pastured on stubble fields until winter feeding begins. Costs are included in the budget for all lands that are grazed.

The top 48 heifer calves are kept as replacements, while the remaining 65 heifers

ATTACHMENT 2

plus 113 steer calves are sold in November. Cull animals are sold in June, August, and November. The costs of selling cattle include checkoff/brand inspection, freight/trucking, and sales commissions. Checkoff/brand inspection costs pertain to all cattle sold in the enterprise including cull animals. Sales commission and freight costs pertain to cull animals only since they are sold through the sale yard. All steer and heifer calves are sold direct.

Veterinary Care
Veterinary care for calves includes viral treatments and 8-way vaccinations (given twice during the year), implants and selenium supplements. Heifer calves are also vaccinated for brucellosis. Cows, bulls, and replacement heifers receive vaccinations for viral infections, vibriosis and leptospirosis. The herd is treated annually for parasites and the cows are pregnancy checked in the fall. Bulls also receive a breeding soundness evaluation and trichomoniasis test.

Labor Costs
Labor provided by the operator is valued at $27.00 per hour, based on average wages for agricultural supervisors. Regular livestock labor is valued at $17.50 per hour. These hourly rates include all applicable payroll taxes and benefits.

Budget Format
In addition to the Background and Assumptions pages, this publication has three tables presenting a variety of costs and returns information.

Table 1 shows both expected revenue and expenses. Expenses are broken into two main categories: operating and ownership. Operating expenses are those that typically vary with the level of production and involve inputs that are used in a single production cycle. Ownership expenses include a systematic cost recovery over the useful life for inputs used in the production process that have a useful life of more than one year.

Table 2 is a monthly summary of the cash flow of revenues and expenses based on when the operation occurs and when inputs are purchased.

Table 3 is a monthly summary of feed requirements for the different classes of livestock. Daily feed quantities per animal are summarized below.

Table 4 lists the purchase price and salvage value of equipment used in this operation, as well as annual capital recovery and interest on retained livestock.

University of Idaho Extension

Table 1: Cow-Calf Budget, 250 Cow - 2020 EBB-CC1-20

Summer on Private Range, Winter Feeding Necessary **No. of Cows: 250**

	Weight Each	Unit	Total Number of Head or Units	Price or Cost/Unit	Total Value	Value or Cost/Head	Your Value
GROSS RETURNS							
Steer Calves	575	lbs	113	1.65	107,209	428.84	
Heifer Calves	525	lbs	55	1.60	46,200	184.80	
Cull Cows	1200	lbs	43	0.65	33,540	134.16	
Cull Bulls	1800	lbs	3	0.85	4,590	18.36	
Cull Replacement Heifers	900	lbs	10	1.10	9,900	39.60	
TOTAL GROSS RETURNS					**$201,439**	**$805.76**	
OPERATING COSTS							
Alfalfa/Grass Hay		ton	434	125.00	54,250	217.00	
Feed Barley		cwt	173	13.00	2,249	9.00	
Private Range		AUM	2,134	24.00	51,216	204.86	
Crop Aftermath		AUM	303	18.00	5,454	21.82	
Salt/Mineral		cwt	60	25.00	1,500	6.00	
Veterinary/Medicine		$	1	6,544.75	6,545	26.18	
Trucking to & from Pasture		head	250	18.00	4,500	18.00	
Trucking to Market		head	56	10.00	560	2.24	
Commission		head	56	21.44	1,201	4.80	
Checkoff/Brand Inspection		head	224	2.96	663	2.65	
Hired Labor		hour	1,260	17.50	22,050	88.20	
Owner Labor		hour	1,000	27.00	27,000	108.00	
Machinery (Fuel, Oil, Repair)		$	1	3,050.00	3,050	12.20	
Vehicles (Fuel, Repair)		$	1	7,000.00	7,000	28.00	
Equipment (Repair)		$	1	900.00	900	3.60	
Buildings & Improvements (Repair)		$	1	2,700.00	2,700	10.80	
Interest on Operating Capital		$	47,709	7.00%	3,340	13.36	
TOTAL OPERATING COSTS					**$194,177**	**$776.71**	
NET RETURNS ABOVE OPERATING COSTS					**$7,262**	**$29.05**	
OWNERSHIP COSTS							
Capital Recovery:							
Purchased Livestock		$	1	7,260	7,260	29.04	
Housing & Improvements		$	1	8,133	8,133	32.53	
Machinery		$	1	2,489	2,489	9.95	
Equipment		$	1	1,454	1,454	5.81	
Vehicles		$	1	5,045	5,045	20.18	
Interest on Retained Livestock		$	438,600	4.00%	17,544	70.18	
Taxes & Insurance		$	1	1,147	1,147	4.59	
General Overhead		$	1	5,000	5,000	20.00	
TOTAL OWNERSHIP COSTS					**$48,071**	**$192.28**	
TOTAL COSTS					**$242,248**	**$968.99**	
NET RETURNS ABOVE TOTAL COSTS					**($40,809)**	**-$163.24**	

Table 2: Monthly Summary of Returns and Expenses.													EBB-CC1-20
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Value**
Production:													
Steer Calves											107,209		**107,209**
Heifer Calves											46,200		**46,200**
Cull Cows						33,540							**33,540**
Cull Bulls		2,754						4,590					**4,590**
Cull Replacement Heifers											9,900		**9,900**
Total Receipts	**0**	**2,754**	**0**	**0**	**0**	**33,540**	**0**	**4,590**	**0**	**0**	**163,309**	**0**	**201,439**
Operating Inputs:													
Alfalfa/Grass Hay	13,563	13,563	13,563									13,563	**54,250**
Feed Barley	375	375	375	375							375	375	**2,249**
Private Range				7,317	7,317	7,317	7,317	7,317	7,317	7,317			**51,216**
Crop Aftermath											5,454		**5,454**
Salt/Mineral	125	125	125	125	125	125	125	125	125	125	125	125	**1,500**
Veterinary/Medicine	65	327		2,454	65	327		131	720	2,454			**6,545**
Trucking to & from Pasture				2,250						2,250			**4,500**
Trucking to Market		19				381		9			151		**560**
Commission		40				817		20			324		**1,201**
Checkoff/Brand Inspection		5				103		3			496		**663**
Hired Labor	3,150	3,150	3,150	3,150						3,150	3,150	3,150	**22,050**
Owner Labor	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	**27,000**
Machinery (Fuel, Oil, Repair)	254	254	254	254	254	254	254	254	254	254	254	254	**3,050**
Vehicles (Fuel, Repair)	583	583	583	583	583	583	583	583	583	583	583	583	**7,000**
Equipment (Repair)	75	75	75	75	75	75	75	75	75	75	75	75	**900**
Buildings & Improvements (Repair)	225	225	225	225	225	225	225	225	225	225	225	225	**2,700**
Interest on Operating Capital												3,340	**3,340**
Total Costs	**20,665**	**20,991**	**20,600**	**19,058**	**10,895**	**12,457**	**10,829**	**10,992**	**11,549**	**18,683**	**13,463**	**23,939**	**194,177**
Net Returns	**-20,665**	**-18,237**	**-20,600**	**-19,058**	**-10,895**	**21,083**	**-10,829**	**-6,402**	**-11,549**	**-18,683**	**149,846**	**-23,939**	**7,262**

Table 3: Monthly Feed Requirements.

Feed	**Units**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Feed Barley	cwt	29	29	29	29							29	29
Alfalfa/Grass Hay													
Cows	ton	94	94	94									94
Replacement Heifers	ton	9	9	9									9
Bulls	ton	5	5	5									5
Horses	ton	1	1	1									1
Private Range													
Cows	AUM				250	250	250	250	250	250	250		
Replacement Heifers	AUM				38	38	38	38	38	38	38		
Bulls	AUM				14	14	14	14	14	14	14		
Horses	AUM				2	2	2	2	2	2	2		
Crop Aftermath	AUM											303	
Salt/Mineral	cwt	5	5	5	5	5	5	5	5	5	5	5	5

Daily Feed Requirements by Livestock Category (lb fed/head/day)

Livestock Category	**Alfalfa or Grass Hay (lb)**	**Feed Barley (lb)**	**No. of Days**
Replacement Heifers		2	180
Replacement Heifers	13		120
Cows	25		120
Bulls	30		120
Horses	25		120

Table 4: Investment Summary.						EBB-CC1-20
	Total Value	Salvage/Cull Value	Livestock Share	Useful Life	Annual Taxes & Insurance	Annual Capital Recovery [1]
Buildings, Improvements and Equipment						
Fencing	70,000	0	100	25	245.00	$4,480.00
Hay Shed	30,000	5,000	100	40	105.00	$1,275.00
Grain Storage	8,500	1,500	100	30	29.75	$406.00
Working Corrals & Pens	20,000	3,000	100	30	70.00	$986.00
Barn	20,000	3,000	100	30	70.00	$986.00
Calf Table	1,500	500	100	10	5.25	$123.00
Squeeze Chute	3,500	1,000	100	10	12.25	$307.50
Vet Equipment	1,500	0	100	15	5.25	$135.00
Stock Trailer	5,000	1,000	100	20	17.50	$296.00
Gooseneck Trailer	12,000	4,000	100	20	42.00	$592.00
Total	**$172,000**				**$602.00**	**$9,586.50**
Purchased Livestock						
Horses	5,000	1,200	100	10		$467.40
Bulls	40,000	15,300	100	4		$6,792.50
Total	**$45,000**					**$7,259.90**
Retained Livestock						
Beef Replacement Heifers	63,600	54,855	100			$2,544.00 [2]
Beef Cows	375,000	192,500	100			$15,000.00 [2]
Total	**$438,600**					**$17,544.00**
Machinery and Vehicles						
Tractor Loader	40,000	8,500	100	18	140.00	$2,488.50
Pickup 4X4 3/4 ton	20,000	5,000	100	10	180.00	$1,845.00
Pickup 4X4 1 ton	25,000	6,000	100	8	225.00	$2,831.00
ATV	4,000	1,000	100	10	36.00	$369.00
Total	**$89,000**				**$545.00**	**$7,533.50**

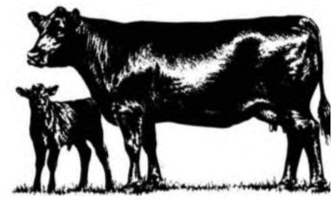
[1] Annual capital recovery is the method of calculating depreciation and interest recommended by the National Task Force on Commodity Costs and Returns Measurement Methods.
[2] Interest on average investment.

The Authors – Ben Eborn is an Extension Ag Economist in Bear Lake County, Montpelier. Jim Church is an Extension Educator in Idaho County, Grangeville.

Issued in furtherance of cooperative extension work in agriculture and home economics, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Barbara Petty, Interim Director of University of Idaho Extension, University of Idaho, Moscow, Idaho 83843. The University of Idaho provides equal opportunity in education and employment on the basis of race, color, religion, national origin, gender, age, disability, or status as a Vietnam-era veteran, as required by state and federal laws.

5-20 (revised) www.uidaho.edu/cals/idaho-agbiz

EBB-CC7-20 2020 Costs and Returns Estimate



Cow-Calf Budget: 500-head
Southwestern Idaho – Bruneau/Three Creek Area, Owyhee County
Summer on Federal, State & Private Range
Winter on Federal Range

Scott Jensen, Neil Rimbey and Ben Eborn

Background and Assumptions

University of Idaho costs and returns estimates use economic costs—all resources are valued based on market price or opportunity cost. This budget presents typical costs and returns per cow for a 500-head cow-calf operation in the Bruneau/Three Creek area of Owyhee County in southwestern Idaho plus total costs and returns for the ranch. The forage source is federal, state and private range.

Livestock Investment
The livestock investment consists of 500 cows, 25 bulls, and 10 horses. The culling rate is 15 percent and the cow herd has a 1 percent death loss. The ranch buys two-year-old bulls and replaces them every 4-5 years. The weaned calf crop is 87 percent of the number of cows wintered. Of the 88 weaned heifer calves selected from the calf crop as replacements, 10 are culled because of non-breeding or poor quality, leaving an annual net replacement of 80 head.

Machinery and Equipment
The cow/calf enterprise uses two 3/4-ton pickups (4x4), a 2-ton truck, a backhoe, a 160 HP tractor, a feed wagon, stock trailer and a UTV and an ATV (see Table 4). This equipment complement is minimal but considered adequate. Values on these investments are calculated at 50 percent of new replacement cost to reflect typically aged but functional ranch equipment.

Haying equipment is not included in this budget as hay production is treated as a separate enterprise. Hay and other feeds used as inputs in this cow-calf budget are valued at the market price received by growers FOB the farm.

Buildings and Improvements
The ranch has 25 miles of 4-wire fence, one barn, one set of corrals with working alleys, a set of portable panels, a squeeze chute, a calf table and an assortment of veterinary equipment. Water is supplied from natural sources. Buildings and improvements are valued at 80 percent of new replacement cost.

Management Practices
The cows calve between February 15 and April 15, but some will calve later in the year. The cows graze federal range on winter permits December through February. Replacement heifers are fed alfalfa hay during the winter months.

Cattle are moved from the ranch to federal or state range around March 15 and graze a combination of federal and state rangeland until August 31 (67% federal and 33% state). A grazing association fee is charged for range improvements, salt and range rider labor. On September 1 cattle are moved to private range for grazing through the end of October. After cattle have been gathered and worked, they are moved to crop aftermath until grazing begins around December 15.

The top 88 heifer calves are kept as replacements, while the remaining 130 heifers and 218 steer calves are sold in November. Calves are weaned and loaded on trucks the same day. All steer and heifer calves are sold direct.

The costs of selling cattle include checkoff/brand inspection, freight/trucking, and sales commissions. Checkoff/brand inspection costs pertain to all cattle sold in the enterprise including cull animals. Sales commission and freight costs pertain to cull animals only since they are sold through the sale yard in July and December.

Veterinary Care

Veterinary care for calves includes viral treatments and 8-way vaccinations (given twice during the year), implants and selenium supplements. Heifer calves are also vaccinated for brucellosis. Cows, bulls, and replacement heifers receive vaccinations for viral infections, including BVD and bacterial infections such as vibriosis and leptospirosis. The herd is treated annually for parasites and the cows are pregnancy checked in the fall. Bulls also receive a breeding soundness evaluation, fertility and trichomoniasis test in late winter/early spring.

Labor Costs

Labor provided by the operator is valued at $27.00 per hour, based on average wages for agricultural supervisors. Regular livestock labor is valued at $17.50 per hour. These hourly rates includes all applicable payroll taxes and benefits.

Budget Format

In addition to the Background and Assumptions pages, this publication has four tables presenting a variety of costs and returns information.

Table 1 shows both expected revenue and expenses. Expenses are broken into two main categories: operating and ownership. Operating expenses are those that typically vary with the level of production and involve inputs that are used in a single production cycle. Ownership expenses include a systematic cost recovery over the useful life for inputs used in the production process that have a useful life of more than one year.

Table 2 is a monthly summary of the cash flow of revenues and expenses based on when the operation occurs and when inputs are purchased.

Table 3 is a monthly summary of feed requirements for the different classes of livestock. Daily feed quantities per animal are summarized below.

Table 4 lists the purchase price and salvage value of equipment used in this operation, as well as annual capital recovery and interest on retained livestock.

Table 1: Cow-Calf Budget - Bruneau/Three Creek Area - Owyhee County, 500 Cow - 2020 EBB-CC7-20

Summer on Federal & State Range, Winter on Federal & Private Range **No. of Cows: 500**

	Weight Each	Unit	Total Number of Head or Units	Price or Cost/Unit	Total Value	Value or Cost/Head	Your Value
GROSS RETURNS							
Steer Calves	525	lbs	218	1.70	194,565	389.13	
Heifer Calves	485	lbs	130	1.65	104,033	208.07	
Cull Cows	1200	lbs	75	0.65	58,500	117.00	
Cull Bulls	1800	lbs	5	0.85	7,650	15.30	
Cull Replacement Heifers	1000	lbs	8	0.90	7,200	14.40	
TOTAL GROSS RETURNS					**$371,948**	**$743.90**	
OPERATING COSTS							
Alfalfa Hay		ton	108	150.00	16,200	32.40	
Meadow Hay		ton	50	110.00	5,500	11.00	
Protein Supplement		cwt	563	16.50	9,290	18.58	
Federal Range		AUM	5,624	1.35	7,592	15.18	
State Range		AUM	432	7.32	3,162	6.32	
Private Range		AUM	1,108	18.00	19,944	39.89	
Salt/Mineral		cwt	125	13.00	1,625	3.25	
Veterinary/Medicine		$	1	13,047.38	13,047	26.09	
Freight/Trucking to Market		head	88	10.00	880	1.76	
Freight/Trucking to & from Pasture		head	525	4.30	2,258	4.52	
Hired Labor		hour	480	17.50	8,400	16.80	
Owner Labor		hour	2,100	27.00	56,700	113.40	
Commission		head	88	20.84	1,834	3.67	
Checkoff/Brand Inspection		head	436	2.96	1,291	2.58	
Machinery (Fuel, Oil, Repair)		$	1	5,100.00	5,100	10.20	
Vehicles (Fuel, Repair)		$	1	10,200.00	10,200	20.40	
Equipment (Repair)		$	1	2,100.00	2,100	4.20	
Buildings & Improvements (Repair)		$	1	3,200.00	3,200	6.40	
Interest on Operating Capital		$	42,081	7.00%	2,946	5.89	
TOTAL OPERATING COSTS					**$171,268**	**$342.54**	
NET RETURNS ABOVE OPERATING COSTS					**$200,680**	**$401.36**	
OWNERSHIP COSTS							
Capital Recovery:							
Purchased Livestock		$	1	25,083	25,083	50.17	
Buildings & Improvements		$	1	6,052	6,052	12.10	
Machinery		$	1	3,705	3,705	7.41	
Equipment		$	1	1,120	1,120	2.24	
Vehicles		$	1	12,311	12,311	24.62	
Interest on Retained Livestock		$	746,000	4.00%	29,840	59.68	
Taxes & Insurance		$	1	1,500	1,500	3.00	
General Overhead		$	1	8,000	8,000	16.00	
TOTAL OWNERSHIP COSTS					**$87,610**	**$175.22**	
TOTAL COSTS					**$258,878**	**$517.76**	
NET RETURNS ABOVE TOTAL COSTS					**$113,069**	**$226.14**	

Table 2: Monthly Summary of Returns and Expenses.													EBB-CC7-20
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Value**
Production:													
Steer Calves											194,565		**194,565**
Heifer Calves											104,033		**104,033**
Cull Cows							17550					40950	**58,500**
Cull Bulls							7,650						**7,650**
Cull Replacement Heifers											7,200		**7,200**
Total Receipts	**0**	**0**	**0**	**0**	**0**	**0**	**25,200**	**0**	**0**	**0**	**305,798**	**40,950**	**371,948**
Operating Inputs:													
Alfalfa Hay	4,050	4,050	4,050	2,025								2,025	**16,200**
Meadow Hay	1,375	1,375	1,375	688								688	**5,500**
Protein Supplement	3,096										3,096	3,096	**9,290**
Federal Range			7,592										**7,592**
State Range			3,162										**3,162**
Private Range									9,972	9,972			**19,944**
Salt/Mineral	135	135	135	135	135	135	135	135	135	135	135	135	**1,625**
Veterinary/Medicine			3,262								9,786		**13,047**
Freight/Trucking to Market		88						528			264		**880**
Freight/Trucking to & from Pasture			1,129								1,129		**2,258**
Hired Labor	420	840	1,680	1,680	840	420	420	420	420	420	420	420	**8,400**
Owner Labor	4,725	4,725	4,725	4,725	4,725	4,725	4,725	4,725	4,725	4,725	4,725	4,725	**56,700**
Commission		37						238			1,559		**1,834**
Checkoff/Brand Inspection		26						168			1,097		**1,291**
Machinery (Fuel, Oil, Repair)	425	425	425	425	425	425	425	425	425	425	425	425	**5,100**
Vehicles (Fuel, Repair)	850	850	850	850	850	850	850	850	850	850	850	850	**10,200**
Equipment (Repair)	175	175	175	175	175	175	175	175	175	175	175	175	**2,100**
Buildings & Improvements (Repair)	267	267	267	267	267	267	267	267	267	267	267	267	**3,200**
Interest on Operating Capital												2,946	**2,946**
Total Costs	**15,519**	**12,993**	**28,827**	**10,970**	**7,417**	**6,997**	**6,997**	**7,931**	**16,969**	**16,969**	**23,928**	**15,752**	**171,268**
Net Returns	**-15,519**	**-12,993**	**-28,827**	**-10,970**	**-7,417**	**-6,997**	**18,203**	**-7,931**	**-16,969**	**-16,969**	**281,870**	**25,198**	**200,680**

Table 3: Monthly Feed Requirements.

Feed	**Units**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Alfalfa Hay													
Replacement Heifers	ton	36	36										36
Meadow Hay													
Bulls	ton	9	8	9									
Horses	ton	4	4	4	4							4	4
Federal Range													
Cows	AUM	470	470	470	470	470	470	470	470			470	470
Replacement Heifers	AUM			76	76	76	76	76	76	76	76	76	
Bulls	AUM			30	30	30	30	30	30	30	30		
State Range													
Cows	AUM	30	30	30	30	30	30	30	30	30	30		
Replacement Heifers	AUM			15	15	15	15	15	15	15	15		
Bulls	AUM									6	6		
Private Range													
Cows	AUM									500	500		
Bulls	AUM									24	24		
Horses	AUM					10	10	10	10	10	10		
Protein Supplement													
Cows & Heifers	cwt	96	96	96	93							96	96
Salt/Mineral	cwt	10	10	10	10	10	10	10	10	10	10	10	10

Daily Feed Requirements by Livestock Category (lb fed/head/day)

Livestock Category	**Alfalfa or Grass Hay (lb)**	**Protein Supple ment (lb)**	**No. of Days**
Replacement Heifers	20		90
Replacement Heifers		3	60
Cows	25		30
Cows		3	60
Bulls	30		90
Horses	25		120

Table 4: Investment Summary.						EBB-CC7-20
	Total Value	Salvage/Cull Value	Livestock Share	Useful Life	Annual Taxes & Insurance	Annual Capital Recovery [1]
Buildings, Improvements and Equipment						
Fencing	63,000	0	100	25	220.50	$4,032.00
Corrals & Pens	26,750	10,700	100	30	93.63	$930.90
Water System	5,900	0	100	20	20.65	$436.60
Barn	12,500	1,250	100	30	43.75	$652.50
Feed Wagon	800	0	100	10	2.80	$98.40
Squeeze Chute	1,800	180	100	10	6.30	$199.26
Vet Equipment	650	65	100	15	2.28	$52.65
Stock Trailer	11,550	1,155	100	20	40.43	$769.23
Total	**$122,950**				**$430.33**	**$7,171.54**
Purchased Livestock						
Horses	25,000	3,600	100	10		$2,632.20
Bulls	100,000	18,360	100	4		$22,451.00
Total	**$125,000**					**$25,083.20**
Retained Livestock						
Beef Replacement Heifers	96,000	56,700	100			$3,840.00 [2]
Beef Cows	650,000	234,000	100			$26,000.00 [2]
Total	**$746,000**					**$29,840.00**
Machinery and Vehicles						
Backhoe	30,000	7,100	20	18	105.00	$1,809.10
150 hpTractor	30,000	6,000	55	18	105.00	$1,896.00
2 Pickups 4X4 3/4 ton	60,000	5,000	100	10	540.00	$6,765.00
2 Ton Truck	40,000	10,000	50	10	360.00	$3,690.00
Car	10,000	2,500	25	8	90.00	$1,117.50
UTV	7,000	4,000	100	10	63.00	$369.00
1 ATVs	4,000	1,000	100	10	36.00	$369.00
Total	**$181,000**				**$1,200.00**	**$16,015.60**

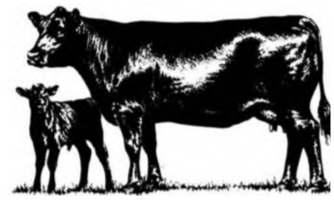
[1] Annual capital recovery is the method of calculating depreciation and interest recommended by the National Task Force on Commodity Costs and Returns Measurement Methods.

[2] Interest on average investment.

The Authors – Scott Jensen is an Extension Educator in Owyhee County, Marsing. Neil Rimbey is a retired Extension Economist. Ben Eborn is an Extension Ag Economist in Bear Lake County, Montpelier

5-20 (revised) www.uidaho.edu/cals/idaho-agbiz

EBB-CC8-20 2020 Costs and Returns Estimate



Cow-Calf Budget: 250-head
Eastern Idaho
Fall Calving
Summer Private Range & Pasture, Winter Feeding Necessary

Ben Eborn and Meranda Small

Background and Assumptions

University of Idaho costs and returns estimates use economic costs—all resources are valued based on market price or opportunity cost. This budget presents typical costs and returns per cow for a 250-head cow-calf operation in eastern Idaho plus total costs and returns for the ranch. The forage source is private range. Feeding is necessary in the winter.

Livestock Investment

The livestock investment consists of 250 cows, 10 bulls, and 4 horses. Cows have a useful life of 8 years after they enter the breeding herd. The culling rate is 12 percent and the cow herd has a 3 percent death loss. The ranch buys yearling bulls and replaces them every 4 years. The weaned calf crop is 90 percent of the number of cows wintered. Of the 43 weaned heifer calves selected from the calf crop as replacements, 5 are culled because of non-breeding or poor quality, leaving an annual net replacement of 38 head.

Machinery and Equipment

The cow/calf enterprise uses a 3/4-ton pickup (4x4), a 1-ton pickup (4x4), an 80 HP tractor with a loader, an ATV, a feed wagon and a stock trailer (see Table 4). This equipment complement is minimal but considered adequate. Values on these investments are calculated at 50 percent of new replacement cost to reflect typically aged but functional ranch equipment.

Haying equipment is not included in this budget as hay production is treated as a separate enterprise. See EBB4-AH-19 (www.uidaho.edu/cals/idaho-agbiz) for costs and returns associated with hay production in Eastern Idaho. Hay and other feeds used as inputs in this cow-calf budget are valued at the market price received by growers.

Buildings and Improvements

The ranch has 10 miles of 4-wire fence, one barn, a calving shed, a hay shed, one set of corrals with working alleys, a set of portable panels, a squeeze chute, a calf table and an assortment of veterinary equipment. Water is supplied from natural sources. Buildings and improvements are valued at 80 percent of new replacement cost.

Management Practices

The cows calve between September 1 and November 15. Cows are fed a protein supplement in October and November to support lactation and additionally begin preparing them for breeding season. In the winter months, cattle are fed alfalfa/grass hay. Replacement heifers are fed alfalfa hay.

Cattle are moved from the ranch to private range around May 1 until the end of August. In September cattle are moved to private pastures and crop aftermath for calving where they graze until winter-feeding begins around December 1.

The top 43 heifer calves are kept as replacements, while the remaining 67 heifers and 110 steer calves are sold in April. Calves are weaned and loaded on trucks the same day. The costs of selling cattle include checkoff/brand inspection, freight/trucking, and sales commissions. Checkoff/brand inspection costs pertain to all cattle sold in the enterprise including cull animals. Sales commission and freight costs pertain to cull animals only since they are sold through the sale yard. All steer and heifer calves are sold direct.

Veterinary Care

Veterinary care for calves includes viral treatments and 8-way vaccinations (given twice during the year), implants and selenium supplements. Heifer calves are also vaccinated for brucellosis. Cows, bulls, and replacement heifers receive vaccinations for viral infections, including BVD and bacterial infections such as vibriosis and leptospirosis. The herd is treated annually for parasites and the cows are pregnancy checked in the spring. Bulls also receive a breeding soundness evaluation, fertility and trichomoniasis test in late winter/early spring.

Labor Costs

Labor provided by the operator is valued at $27.00 per hour, based on average wages for agricultural supervisors. Regular livestock labor is valued at $17.50 per hour. These hourly rates includes all applicable payroll taxes and benefits.

Budget Format

In addition to the Background and Assumptions pages, this publication has three tables presenting a variety of costs and returns information.

Table 1 shows both expected revenue and expenses. Expenses are broken into two main categories: operating and ownership. Operating expenses are those that typically vary with the level of production and involve inputs that are used in a single production cycle. Ownership expenses include a systematic cost recovery over the useful life for inputs used in the production process that have a useful life of more than one year.

Table 2 is a monthly summary of the cash flow of revenues and expenses based on when the operation occurs and when inputs are purchased.

Table 3 is a monthly summary of feed requirements for the different classes of livestock. Daily feed quantities per animal are summarized below.

Table 4 lists the purchase price and salvage value of equipment used in this operation, as well as annual capital recovery and interest on retained livestock.

University of Idaho Extension

Table 1: Cow-Calf Budget - Eastern Idaho, 250 Cow - 2018 EBB-CC8-20

Fall Calving - Summer on Private Range & Pasture, Winter Feeding Necessary **No. of Cows: 250**

	Weight Each	Unit	Total Number of Head or Units	Price or Cost/Unit	Total Value	Value or Cost/Head	Your Value
GROSS RETURNS							
Steer Calves	550	lbs	112	1.75	107,800	431.20	
Heifer Calves	525	lbs	70	1.65	60,638	242.55	
Cull Cows	1300	lbs	38	0.65	32,110	128.44	
Cull Bulls	1800	lbs	3	0.85	4,590	18.36	
Cull Replacement Heifers	850	lbs	5	1.10	4,675	18.70	
TOTAL GROSS RETURNS					**$209,813**	**$839.25**	
OPERATING COSTS							
Alfalfa Hay		ton	65	150.00	9,750	39.00	
Alfalfa/Grass Hay		ton	695	125.00	86,875	347.50	
Protein Supplement		cwt	450	16.50	7,425	29.70	
Private Pasture		AUM	630	28.00	17,640	70.56	
Private Range		AUM	1,212	24.00	29,088	116.35	
Crop Aftermath		AUM	307	18.00	5,526	22.10	
Salt/Mineral		cwt	55	20.00	1,100	4.40	
Veterinary/Medicine		$	1	6,335.50	6,336	25.34	
Freight/Trucking		head	250	10.00	2,500	10.00	
Commission		head	46	22.49	1,034	4.14	
Checkoff/Brand Inspection		head	228	2.96	675	2.70	
Hired Labor		hour	625	17.50	10,938	43.75	
Owner Labor		hour	750	27.00	20,250	81.00	
Machinery (Fuel, Oil, Repair)		$	1	3,000.00	3,000	12.00	
Vehicles (Fuel, Repair)		$	1	6,800.00	6,800	27.20	
Equipment (Repair)		$	1	975.00	975	3.90	
Buildings & Improvements (Repair)		$	1	2,700.00	2,700	10.80	
Interest on Operating Capital		$	53,153	7.00%	3,721	14.88	
TOTAL OPERATING COSTS					**$216,332**	**$865.33**	
NET RETURNS ABOVE OPERATING COSTS					**($6,519)**	**-$26.08**	
OWNERSHIP COSTS							
Capital Recovery:							
Purchased Livestock		$	1	7,727	7,727	30.91	
Buildings & Improvements		$	1	7,346	7,346	29.38	
Machinery		$	1	2,489	2,489	9.95	
Equipment		$	1	1,654	1,654	6.62	
Vehicles		$	1	5,343	5,343	21.37	
Interest on Retained Livestock		$	426,600	4.00%	17,064	68.26	
Taxes & Insurance		$	1	991	991	3.97	
General Overhead		$	1	5,000	5,000	20.00	
TOTAL OWNERSHIP COSTS					**$47,614**	**$190.46**	
TOTAL COSTS					**$263,946**	**$1,055.78**	
NET RETURNS ABOVE TOTAL COSTS					**($54,134)**	**-$216.53**	

Table 2: Monthly Summary of Returns and Expenses.													EBB-CC8-20
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Value
Production:													
Steer Calves				107,800									**107,800**
Heifer Calves				60,638									**60,638**
Cull Cows					32,110								**32,110**
Cull Bulls		4,590											**4,590**
Cull Replacement Heifers		4,675											**4,675**
Total Receipts	**0**	**9,265**	**0**	**168,438**	**32,110**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**209,813**
Operating Inputs:													
Alfalfa Hay	1,950	1,950	1,950	1,950								1,950	**9,750**
Alfalfa/Grass Hay	17,375	17,375	17,375	17,375								17,375	**86,875**
Protein Supplement			3,713	3,713									**7,425**
Private Pasture					17,640								**17,640**
Private Range					29,088								**29,088**
Crop Aftermath									5,526				**5,526**
Salt/Mineral	92	92	92	92	92	92	92	92	92	92	92	92	**1,100**
Veterinary/Medicine												6,336	**6,336**
Freight/Trucking	208	208	208	208	208	208	208	208	208	208	208	208	**2,500**
Commission		207	207								621		**1,034**
Checkoff/Brand Inspection					337				337				**675**
Hired Labor	911	911	911	911	911	911	911	911	911	911	911	911	**10,938**
Owner Labor	1,688	1,688	1,688	1,688	1,688	1,688	1,688	1,688	1,688	1,688	1,688	1,688	**20,250**
Machinery (Fuel, Oil, Repair)	150	450	450	450	150	150	150	150	150	300	300	150	**3,000**
Vehicles (Fuel, Repair)	567	567	567	567	567	567	567	567	567	567	567	567	**6,800**
Equipment (Repair)	56	56	56	56	56	56	56	56	56	56	56	56	**975**
Buildings & Improvements (Repair)	81	81	81	81	81	81	81	81	81	81	81	81	**2,700**
Interest on Operating Capital	225	225	225	225	225	225	225	225	225	225	225	225	**3,721**
Total Costs	**23,303**	**23,810**	**27,522**	**27,316**	**51,044**	**3,978**	**3,978**	**3,978**	**9,842**	**4,128**	**4,749**	**29,639**	**216,332**
Net Returns	**-23,303**	**-14,545**	**-27,522**	**141,122**	**-18,934**	**-3,978**	**-3,978**	**-3,978**	**-9,842**	**-4,128**	**-4,749**	**-29,639**	**-6,519**

Table 3: Monthly Feed Requirements.													
Feed	**Units**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Alfalfa Hay													
Replacement Heifers	ton	13	13	13	13								13
Alfalfa/Grass Hay													
Cows	ton	132	132	132	132								132
Bulls	ton	5	5	5	5								5
Horses	ton	2	2	2	2								2
Protein Supplement													
Cows	cwt										225	225	
Private Range													
Cows	AUM					250	250	250	250				
Replacement Heifers	AUM					43	43	43	43				
Bulls	AUM					10	10	10	10				
Private Pasture													
Cows	AUM									250	250		
Replacement Heifers	AUM									43	43		
Bulls	AUM									10	10		
Horses	AUM					4	4	4	4	4	4		
Crop Aftermath													
Cows	AUM											250	
Replacement Heifers	AUM											43	
Bulls	AUM											10	
Horses	AUM											4	
Salt/Mineral	cwt	5	5	5	5	5	5	5	5	5	5	5	

Daily Feed Requirements by Livestock Category (lb fed/head/day)				
Livestock Category	**Alfalfa - Grass Hay (lb)**	**Alfalfa Hay (lb)**	**Protein Supple ment (lb)**	**No. of Days**
Replacement Heifers		20		150
Cows	35			150
Cows			3	60
Bulls	40			150
Horses	25			150

Table 4: Investment Summary.						EBB-CC8-20
	Total Value	Salvage/Cull Value	Livestock Share	Useful Life	Annual Taxes & Insurance	Annual Capital Recovery [1]
Buildings, Improvements and Equipment						
Fencing	40,000	0	100	25	140.00	$2,560.00
Working Corrals & Pens	15,000	3,000	100	30	52.50	$696.00
Pannels	2,000	1,000	100	15	7.00	$90.00
Barn	20,000	3,000	100	30	70.00	$986.00
Hay Shed	30,000	5,000	100	30	105.00	$1,450.00
Feed Wagon	2,000	500	100	10	7.00	$184.50
Calf Table	1,500	500	100	10	5.25	$123.00
Squeeze Chute	3,500	1,000	100	10	12.25	$307.50
Vet Equipment	1,500	0	100	15	5.25	$135.00
Stock Trailer	12,000	1,000	100	20	42.00	$814.00
Total	**$127,500**				**$446.25**	**$7,346.00**
Purchased Livestock						
Horses	10,000	2,400	100	10		$934.80
Bulls	40,000	15,300	100	4		$6,792.50
Total	**$50,000**					**$7,727.30**
Retained Livestock						
Beef Replacement Heifers	51,600	40,205	100			$2,064.00 [2]
Beef Cows	375,000	211,250	100			$15,000.00 [2]
Total	**$426,600**					**$17,064.00**
Machinery and Vehicles						
80 hpTractor with Loader	40,000	8,500	100	18	140.00	2,488.50
Pickup 4X4 3/4 ton	20,000	5,000	100	10	180.00	1,845.00
Pickup 4X4 1 ton	25,000	4,000	100	8	225.00	3,129.00
ATV	4,000	1,000	100	10	36.00	369.00
Total	**$89,000**				**$545.00**	**7,831.50**

[1] Annual capital recovery is the method of calculating depreciation and interest recommended by the National Task Force on Commodity Costs and Returns Measurement Methods.
[2] Interest on average investment.

The Authors – Meranda Small is an Extension Educator in Bingham, Blackfoot. Ben Eborn is an Extension Ag Economist in Bear Lake, Montpelier.

Issued in furtherance of cooperative extension work in agriculture and home economics, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Barbara Petty, Interim Director of University of Idaho Extension, University of Idaho, Moscow, Idaho 83843. The University of Idaho provides equal opportunity in education and employment on the basis of race, color, religion, national origin, gender, age, disability, or status as a Vietnam-era veteran, as required by state and federal laws.

Research Bulletin 185
August 2014

Idaho Private Rangeland Grazing—Lease Arrangements

Neil Rimbey, L. Allen Torell, Stephanie Kane, Julie Gustanski, Joseph Kennedy, David Scarsella

University *of* Idaho
College *of* Agricultural *and* Life Sciences

ATTACHMENT 3

Authors:
Neil Rimbey, Professor, University of Idaho; L. Allen Torell, Professor, New Mexico State University; Stephanie Kane, Institutional Research, Washington State University (former Manager, Social Science Research Unit, University of Idaho); Julie Gustanski, Principal/Senior Economist, Resource Dimensions, Inc.; Joseph Kennedy, Rural Appraiser, Resource Dimensions, Inc.; David Scarsella, Research Analyst, Resource Dimensions, Inc.

Acknowledgments:
Barbara Foltz and Monica Reyna, Social Science Research Unit at the University of Idaho, provided assistance with the telephone survey and data management during this project.

Cover: Courtesy of Idaho Rangeland Resource Commission.

Published and distributed by the Idaho Agricultural Experiment Station, Donn Thill, Director. University of Idaho College of Agricultural and Life Sciences, Moscow, Idaho 83844-2337.

Background

Rangelands encompass about half of Idaho's 52 million acres. These lands are not cultivated or irrigated and may include native and introduced trees, shrubs and herbaceous (grasses and forbs) vegetation. Much of this vegetation is grazed by domestic livestock and serves as habitat for wildlife. About two-thirds of the rangelands are in the public domain, under the management of agencies such as the Bureau of Land Management (BLM), the U.S. Forest Service (USFS) and other public agencies. Idaho Department of Lands (IDL) manages approximately 2 million acres of State Endowment Trust Lands, which generate income for the trust beneficiaries. These public and private rangelands help support an important segment of Idaho's economy -- domestic livestock production. Privately owned rangelands in Idaho amount to about 4.6 million acres (USDA-NASS, 2009) and provide important domestic livestock grazing resources as well as critical wildlife habitat. Private lands may be leased to others for grazing. Private grazing lease rates are gathered and published each year by the USDA National Agricultural Statistics Service (USDA-NASS 2014). These USDA lease rate estimates provide critical information used in the calculation of federal grazing fees and state land lease rates, as well as providing information to private landowners and lessees of the going lease rates in the state. However, little is known about the leasing details, services provided by the landowners and other critical factors that influence the rates.

This bulletin summarizes Idaho private rangeland grazing lease arrangements. The study was partially funded by the Idaho Department of Lands (IDL) and the survey results were first released as an internal IDL report (Resource Dimensions, Inc. 2012). An intensive lease-rate telephone survey was undertaken during the fall and winter of 2011-12. Data provided by the lessees and lessors of Idaho private rangelands were analyzed to determine frequency of responses, locational variation of lease rates and the services provided by the lessor, types of leases encountered and numerous other factors. Analyses revealed statistically significant factors that influence lease rates, along with regionally important differences.

Survey Procedures

The survey frame was obtained from a list of 4,365 individuals, businesses and organization who had paid an assessment fee or who had a relationship with the Idaho Rangeland Resource Commission (IRRC). Only 772 listings had phone numbers associated with them. Survey staff at the University of Idaho Social Science Research Unit (SSRU), whose primary role on the study was to develop and conduct the telephone survey, used online directories to look up phone numbers for every second and fifth listing without a number. Sample frames were then combined and checked for duplicates, resulting in 2,159 listings.

The final telephone survey instrument, as approved by IDL, went through several internal and external reviews and revisions prior to pre-testing. Survey research convention requires that when pre-testing survey instruments, they be administered to the types of respondents who would actually be participating in the study. A pre-test of 60 listings began on November 8, 2011. Once the survey instrument was finalized, a computer-assisted telephone interviewing (CATI) protocol was developed and pilot-tested, then finalized.

To increase the telephone survey response rate, one week prior to calls a postcard was mailed to potential respondents for whom a complete address was known. Postcards identified the survey's purpose, that calls would be from the SSRU, and provided a toll-free number to call regarding questions about the survey. Postcards for the first survey wave were mailed on December 2, 2011; survey calls began on December 5, 2011. Postcards for the second wave were mailed January 9, 2012 with calls beginning on January 13, 2012. February 8, 2012 was the final day of calls.

SSRU telephone interviewers were required to complete a 4-hour training session in survey methodology, the use of the CATI software and phone etiquette, and a 1.5-hour online training program in human subject research and confidentiality practices developed by the U.S. Department of Health and Human Services. Each calling session was monitored by trained supervisors. Data were collected on Wincati telephone interviewing software[1].

A total of 373 respondents were determined to be eligible for and agreed to participate in the lease rate survey. Survey dispositions included 550 ineligible respondents (individuals who did not lease their land to anyone, nor leased land from anyone, or they had recently sold their land), 254 potential respondents with disconnected phone numbers for whom no new listing could be obtained from online directory listings, 106 potential respondents who refused to participate, and 685 potential respondents who were not reached either because no phone number could be obtained, or because they could not be reached after nine call attempts. The final adjusted response rate (AAPOR RR2) was 32.7%.[2] For comparison, a similar study conducted in 1992 (Rimbey, et al. 1992) had a response rate of 39%, and a survey of agricultural lease rates in the state had a response rate of 38.3% (Resource Dimensions 2010).

[1] Sawtooth Technologies, Inc. 2011. Wincati Version 4.1. Northbrook, IL.
[2] The American Association for Public Opinion Research (AAPOR) (2009). Standards Definitions: Final Disposition of Case Codes and Outcome Rates for Surveys, 4th Edition. Lenexa, KS: AAPOR. Available at: http://www.aapor.org/AM/Template.cfm?Section=Standard_Definitions&Template=/CM/ContentDisplay.cfm&ContentID=1819

Overview of Idaho Private Grazing Land Leases

The distribution of respondents across each of the five study regions, by county, is shown in Table 1. Because the study was partially funded by IDL, study regions closely follow IDL administrative areas (IDL 2014).

Several factors played into low actual respondent counts in a number of counties. In particular, several counties had a moderately small pool of potential participants. This is indicative of the extent and quality of grazing within these regions. Further, according to discussions with several County Assessors, it is representative of the pattern of private grazing lands leased. Overall, however, the total number of respondents met initial project goals for statistical reliability.

Table 1. Survey respondents by region and county.

Region/County	Grand Total	Region/County	Grand Total
Eastern	**143**	**Southwest**	**52**
Bannock	3	Ada	6
Bear Lake	13	Boise	5
Bingham	12	Canyon	3
Bonneville	15	Elmore	18
Butte	8	Gem	6
Caribou	12	Owyhee	12
Clark	16	Payette	2
Custer	13	**Payette Lakes**	**41**
Franklin	3	Adams	20
Fremont	4	Valley	6
Jefferson	1	Washington	15
Lemhi	26	**Northern**	**30**
Madison	2	Bonner	3
Oneida	6	Boundary	2
Power	6	Clearwater	4
Teton	3	Idaho	10
South Central	**46**	Latah	3
Blaine	14	Lewis	3
Camas	5	Nez Perce	3
Cassia	15	Shoshone	2
Gooding	2		
Jerome	0	**Region Not Reported**	**3**
Lincoln	5		
Minidoka	1		
Twin Falls	4	**Grand Total**	**315**

Data Limitations

The study region and county where each lease is located were used to allocate leases to different regions of the state. Respondents were asked to pick the two most representative leases and provide additional detail. The question in the survey was "*In what Idaho county is the first (or second) lease held.*" The location of the lease(s) relative to a nearby town was given, however it was not always clear what county the selected lease(s) was in. When not clear about county location, the county where this nearby town was located was used to define county location. The region coding is correct; however, in a few instances the exact county within that region may be incorrectly recorded as an adjacent county.

Several issues were encountered for statistical analysis of the data and for evaluating factors influencing grazing lease rates. Most notably, while survey respondents reported how leases were structured and charged, 97 respondents did not report what they paid for the lease. Calculating a dollar per AUM lease rate when only a total payment was given proved to be problematic because acreages were very broadly defined and aggregated across multiple leases. This nonresponse in lease payment amount limited our ability to convert to a common measure or standard of payment ($/head, $/AUM, $/acre, etc.) for comparison and analysis purposes. Dollar per acre lease rates could not accurately be computed and were reported for only 16 leases. Further, given the problems in computing acreages on a particular lease, the number of acres per AUM could not be computed to use as an indicator of lease quality.

Total Number of Leases

Private grazing lease information was gathered for 315 lease parcels with data reported by 239 individuals. Lease statistics were reported by 163 individuals for one parcel of land only, 76 individuals for a second parcel of land, and two people described 3 leases as both a lessee and lessor. Of the total 315 leases, 211 (67%) were reported from the lessee perspective and 104 (33%) were lessors (Table 2).

The majority of leases were between non-related individuals or groups. Inclusion of subleasing provisions in the lease was not common.

Table 2. Number of grazing leases in the survey, by type.

Description	Eastern	Northern	Payette Lakes	South Central	Southwest	All Regions
Respondent Type						
Lessor	35.0%	40.0%	19.5%	28.3%	38.5%	33.0%
Lessee	65.0%	60.0%	80.5%	71.7%	61.5%	67.0%
Number reporting	143	30	41	46	52	315
Leases To/From?						
Non-related individual or group	80.4%	80.0%	97.4%	80.4%	92.3%	84.7%
Relative or related group	18.2%	20.0%	2.6%	19.6%	7.7%	14.7%
Other	1.4%	0.0%	0.0%	0.0%	0.0%	0.6%
Number reporting	143	30	39	46	52	313
Subleasing Provisions						
Yes	0.7%	3.3%	4.9%	0.0%	7.7%	2.5%
No	34.3%	33.3%	14.6%	28.3%	30.8%	30.2%
Refused	65.0%	63.3%	80.5%	71.7%	61.5%	67.3%
Number reporting	143	30	41	46	52	315

Private Grazing Lease Characteristics

The survey was developed to specifically identify the range of terms, characteristics, and conditions for private grazing land leases in the five study regions. Responses to these questions are summarized in tables separately by region and land type. Most responses were consistent across regions, though tests were not conducted to determine if statistical differences exist. Summary tables include all 315 leases with three of the leases unclassified as to the IDL region location. As described in more detail below, the amount of native rangeland, improved rangeland, cropland and irrigated land included with each lease varied both within and between regions; thus, statistics include leases with various mixtures of native and improved lands.

The majority of leases (67.8%) were structured with automatic annual renewal (Table 3). The average term for the lease varied from three to five years for the five study regions, averaging four years across all leases. Slightly more than 50% of the lease agreements were written. About 80% of the leases had been renewed within the past three years, at least with respect to lease rate. There was no correlation ($P = 0.84$) between the length of the agreement and whether the lease was written or verbal.

Table 3. Typical lease arrangements and renewal terms, by region

	Eastern	Northern	Payette	South Central	Southwest	All Regions
Last Year Lease Renewed (%)						
2012	7.1%	3.4%	10.3%	2.2%	5.9%	6.1%
2011	67.4%	65.5%	82.1%	67.4%	60.8%	68.0%
2010	7.8%	6.9%	0.0%	8.7%	9.8%	7.1%
2009	5.7%	6.9%	2.6%	2.2%	7.8%	5.5%
2008	4.3%	10.3%	2.6%	4.3%	3.9%	4.5%
2007	1.4%	0.0%	0.0%	2.2%	3.9%	1.6%
2006	1.4%	3.4%	0.0%	0.0%	0.0%	1.0%
2005	0.0%	0.0%	0.0%	2.2%	3.9%	1.0%
2004	0.7%	0.0%	0.0%	4.3%	2.0%	1.3%
Prior to 2004	4.3%	3.4%	2.6%	6.5%	2.0%	3.9%
Number reporting	141	29	39	46	51	309
Lease Arrangement						
Written	52.8%	50.0%	55.0%	58.7%	46.2%	52.4%
Verbal	47.2%	50.0%	45.0%	41.3%	53.8%	47.6%
Number reporting	142	30	40	46	52	313
Renewal Arrangement						
Automatic Renewal each Year	68.8%	73.3%	61.5%	71.7%	62.7%	67.8%
Specified Number of Years	31.2%	26.7%	38.5%	28.3%	37.3%	32.2%
Number reporting	138	30	39	46	51	307
Term of Lease (Years)						
Average	4.5	3.0	2.7	5.2	4.5	4.2
Standard Deviation	13.9	5.1	4.5	11.1	5.1	10.8
Number reporting	136	26	38	42	49	294
Distribution (Years)						
1	64.0%	76.9%	68.4%	54.8%	53.1%	62.6%
2	5.1%	0.0%	2.6%	0.0%	0.0%	2.7%
3	5.9%	3.8%	7.9%	11.9%	8.2%	7.5%
4	1.5%	0.0%	0.0%	4.8%	0.0%	1.4%
5	9.6%	3.8%	7.9%	4.8%	10.2%	8.2%
6	0.0%	3.8%	0.0%	0.0%	4.1%	1.0%
7	0.0%	0.0%	0.0%	4.8%	2.0%	1.0%
8	1.5%	3.8%	0.0%	2.4%	0.0%	1.4%
10	5.9%	3.8%	2.6%	7.1%	14.3%	6.8%
> 10 Years	6.6%	3.8%	5.3%	7.1%	8.2%	6.5%

Average distance from the respondent's base (i.e. ranch headquarters) to the lease was highly variable, averaging 26 miles ± 32 (Table 4). Distance to the lease was skewed to the low end.

Lessees and lessors indicated they held an average of four private land leases. The Eastern region had an average of six leases per individual (Table 4). Fifty survey respondents indicated some of their leases included IDL lands. Ninety-one leases also included lands leased from other agencies including the BLM and USFS. Information on the size or nature of lease characteristics with other public land agencies is outside the scope of this study and was not reported.

Table 4. Distance to lease and total number of leases held

Description	Eastern	Northern	Payette Lakes	South Central	Southwest	All Regions
Distance from base to lease (miles)						
Average	27	29	25	24	26	26
Standard Deviation	37	28	32	28	25	32
Minimum	0	0	0	0	0	0
Maximum	200	100	130	100	90	200
Number reporting	143	30	41	46	52	311
Private Leases in Idaho						
Average number of leases per lessee/lessor	6	2	1	4	3	4
Number reporting	143	30	41	46	52	315
Non-private leases in Survey						
Total number of IDL leases	21	4	6	8	10	50
Total number of other agency leases	44	7	12	13	14	91

On about 73% of total leases, lessors held the water rights (Table 5). Lessee responses were excluded from this calculation as we believe they would not be expected to have a thorough understanding of water right issues on parcels they lease. About 66% of total leases do not control public access to the property.

Table 5. Water rights and control for public access to lease

	Eastern	Northern	Payette Lakes	South Central	Southwest	All Regions
Lessor hold water rights?						
Yes	78.0%	75.0%	62.5%	76.9%	65.0%	73.1%
No	22.0%	16.7%	37.5%	23.1%	35.0%	26.0%
Refused	0.0%	8.3%	0.0%	0.0%	0.0%	1.0%
Is public access to lease controlled?						
Yes	30.8%	46.7%	26.8%	30.4%	30.8%	31.8%
No	68.5%	53.3%	65.9%	65.2%	67.3%	66.0%
Refused	0.7%	0.0%	7.3%	4.3%	1.9%	2.2%

Respondents indicated that the carrying capacity of a lease is principally determined by climatic conditions and vegetation availability, or through the use of historic records (Table 6). Some leases used multiple ways to calculate carrying capacity. Likewise, multiple water sources were reported on some leases. Typically, natural sources of water were used on reported leases; however, motor driven wells were used on about 14% of all leases. The location of the water source on native versus improved lands was not defined in the survey. However, there was a negative correlation (r = -0.41) between the percent of the leased land that was designated as native rangeland and the use of a well as a water source. Motorized wells tended to be used more often when improved or irrigated lands were also included with the lease.

Table 6. Carrying capacity and water sources, by type

	Total instances	% of total
How is carrying capacity determined?		
Climatic conditons and vegetation availability	144	40.6%
Use of historic property records	128	36.1%
Negotiated with lessor	59	16.6%
Other	24	6.8%
Water sources on lease		
River, stream or creek	68	36.4%
Spring	58	31.0%
Motor-driven well	27	14.4%
Lake or pond	23	12.3%
Other	5	2.7%
Haul water	4	2.1%
Wind-powered well	2	1.1%

Nearly 80% of all leases were only for beef cattle, specifically cow-calf pairs. Yearlings comprised an average of 12% of leases. Sheep are grazed primarily in the South Central and Southwest regions (Table 7). The grazing system types were split about evenly with season-long, rest-rotation and short duration each employed on about 30% of leases in each region. Most lease structures do not require the lessee to report range conditions after grazing.

Table 7. Livestock and grazing system, by type

Description	Eastern	Northern	Payette Lakes	South Central	Southwest	All Regions
Livestock Type						
Cow-calf	83.0%	86.2%	82.5%	67.4%	70.6%	78.7%
Cow-calf, Sheep	2.1%	3.4%	0.0%	10.9%	7.8%	4.2%
Cow-calf, Yearlings	0.7%	0.0%	2.5%	2.2%	2.0%	1.3%
Yearlings	12.8%	10.3%	15.0%	10.9%	7.8%	11.9%
Sheep	0.7%	0.0%	0.0%	8.7%	9.8%	3.2%
Horses	0.7%	0.0%	0.0%	0.0%	2.0%	0.7%
Grazing System Type						
Season-long	28.7%	30.0%	26.8%	21.7%	26.9%	27.3%
Deferred	6.3%	6.7%	4.9%	10.9%	5.8%	6.7%
Rest-rotation	28.0%	30.0%	29.3%	26.1%	23.1%	27.3%
Short duration	28.7%	26.7%	34.1%	28.3%	34.6%	30.2%
Other	3.5%	3.3%	0.0%	10.9%	3.8%	4.1%
Refused	4.9%	3.3%	4.9%	2.2%	5.8%	4.4%
Report range conditions required after grazing?						
Yes	17.5%	16.7%	26.8%	13.0%	11.5%	17.1%
No	82.5%	83.3%	70.7%	87.0%	88.5%	82.5%
Refused	0.0%	0.0%	2.4%	0.0%	0.0%	0.3%

Length of the grazing season varied from less than 30 days to yearlong. The majority of grazing animals were on the lease for less than 150 days (Table 8). Most of the grazing occurred during Q2 (i.e. 2nd quarter) and Q3 with 4% of the grazing days in Q1, 33% in Q2, 45% in Q3, and 18% in Q4. These percentages were consistent across cow-calf, yearling, and sheep producers except none of the sheep producers grazed the leased parcel during Q1.

Table 8. Length of grazing season

Length of Grazing Season (days)	Eastern	Northern	Payette	South Central	Southwest	All Regions
0-30	21.0%	23.3%	22.0%	13.0%	13.5%	18.7%
30-60	12.6%	3.3%	12.2%	10.9%	19.2%	12.4%
60-90	8.4%	3.3%	9.8%	13.0%	21.2%	11.1%
90-120	11.2%	23.3%	4.9%	17.4%	7.7%	11.7%
120-150	23.1%	20.0%	14.6%	8.7%	11.5%	17.5%
150-180	14.7%	16.7%	14.6%	21.7%	13.5%	16.2%
180-210	5.6%	6.7%	17.1%	10.9%	11.5%	8.9%
210-240	2.8%	0.0%	0.0%	2.2%	0.0%	1.6%
240-270	0.7%	0.0%	2.4%	0.0%	1.9%	1.0%
270-300	0.0%	0.0%	2.4%	2.2%	0.0%	0.6%
360-390	0.0%	3.3%	0.0%	0.0%	0.0%	0.3%

Native rangeland was the predominant category of land on the leases in each region (Table 9). About 45% of the leases included only native rangeland while 22% of the leases did not include any native rangeland acreage. The majority of the leases had a mixture of native rangeland, improved seeded species, cropland and irrigated pasture. Twenty of the 315 leases were comprised of over 90% irrigated pasture.

Table 9. Categories of land, by region

Study Region	Native Rangeland	Improved Rangeland	Crop aftermath	Irrigated Pasture	Other
Eastern					
Average (%)	62.9	12.6	7.0	13.9	2.9
Standard Deviation	43.1	29.1	21.6	28.9	14.6
Northern					
Average (%)	68.4	15.3	5.1	0.8	6.7
Standard Deviation	38.5	27.7	11.6	4.6	21.7
Payette Lakes					
Average (%)	64.1	11.2	9.6	14.1	1.0
Standard Deviation	38.0	23.9	22.2	33.5	4.5
South Central					
Average (%)	57.4	28.6	5.4	8.4	0.0
Standard Deviation	43.1	39.3	21.7	24.7	0.0
Southwest					
Average (%)	72.7	15.0	2.0	4.3	5.3
Standard Deviation	37.9	31.3	8.9	16.0	20.6

Only 16 leases reported a cost share agreement for property maintenance or operation expenses. For the respondents providing detail, the cost sharing ranged from 10% to 90%, with a 50/50 split most prevalent. No leases were reported to have a minimum guaranteed weight gain, and two leases were reported to have a death loss guarantee or adjustment.

Table 10 provides the expense share each party paid. Real estate taxes were largely the responsibility of the lessor. Equipment maintenance, cattle doctoring, salt costs and nutritional supplements and liability insurance were largely paid by the lessee. Noxious weed control was not reported, or respondent refused to address, for two-thirds of leases. It is likely that noxious weed control was not of major concern for those not responding to this question, but we are unsure of the cause for the high nonresponse rate for the question. Responses to all service related questions were very similar by region.

Table 10. Cost allocation / share for improvements and management expenses

Description	Lessor Provides	Lessee Provides	Both provide	Irrelevant to the lease	Refused or Not reported	Total Reporting
Provide building/replace equipment (e.g. fence, water)	36.8%	35.2%	6.7%	20.3%	1.0%	315
Maintain equipment (e.g. fence, water)	26.0%	48.9%	4.1%	20.0%	1.0%	315
Control livestock, pasture moves, doctor cattle	13.7%	79.4%	2.9%	3.2%	1.0%	315
Provide salt	11.4%	84.4%	1.6%	1.6%	1.0%	315
Provide nutritional supplements	8.6%	78.1%	1.3%	11.1%	1.0%	315
Haul water	20.3%	14.0%	2.5%	61.9%	1.3%	315
Provide utilities	15.9%	19.0%	0.6%	63.5%	1.0%	315
Provide liability insurance	27.9%	46.7%	7.0%	17.1%	1.3%	315
Provide noxious weed control	15.6%	7.0%	3.8%	6.7%	67.0%	315
Pay land taxes	92.1%	3.8%	1.3%	1.9%	1.0%	315
Other	1.0%	1.0%	0.3%	82.2%	15.6%	315

Some type of rate on a $/livestock unit basis was the arrangement for over half of the leases. A lump sum payment was also common whereas charging on a $/acre basis was not. Lump sum payments were employed most in the Eastern, Southwest and Northern regions (Table 11). The majority of lease payments are made after grazing, but a significant number of respondents in each region report that payments are split (before and after grazing). Typically, the lease rate is established through market conditions and negotiation.

Table 11. Lease characteristics, by region

	Eastern	Northern	Payette	South Central	Southwest	All Regions
How do you charge/pay for lease?						
$/animal basis	45%	40%	66%	65%	48%	51%
$ per head per month	18%	7%	24%	39%	29%	23%
$ per AUM	20%	33%	15%	17%	17%	19%
$ per head per day	7%	0%	27%	9%	2%	8%
Other						
Lump sum payment	46%	47%	22%	22%	40%	38%
$ per acre	6%	3%	2%	4%	6%	5%
Trade of commodity	1%	7%	5%	4%	2%	3%
$ per lb of gain	0%	3%	5%	2%	0%	1%
Refused	1%	0%	0%	2%	4%	2%
When is the lease for the parcel paid?						
Before grazing	14%	20%	10%	20%	25%	17%
After grazing	52%	57%	56%	50%	44%	51%
Split payment	29%	13%	27%	24%	23%	26%
Other	5%	10%	5%	7%	6%	6%
Refused	0%	0%	2%	0%	2%	1%
How was the lease rate established?						
Going rate in area	31%	17%	41%	46%	35%	33%
Historic rate	8%	13%	5%	7%	12%	9%
Negotiated rate	54%	57%	54%	37%	48%	51%
Other	7%	10%	0%	11%	4%	6%
Refused	0%	3%	0%	0%	2%	1%

The average 2011 $/AUM lease rate across the five IDL management regions was $16.04/AUM (Table 12). The $/AUM rate reported by NASS (USDA-NASS 2012) during 2011 was $16.00/AUM across the 11 western states and $14.50/AUM in Idaho. Lease rates were highly variable, ranging from $7/AUM to over $30/AUM. Only five leases reported a rate less than $10/AUM and six leases had a rate over $25/AUM. The survey average and NASS-reported rates for Idaho were not statistically different. Lease rates in the Eastern and Payette Lakes areas were statistically higher than the other three areas.

Table 12. Mean lease prices reported, by region

	Reported AUM	Average of AUM reported	Standard Deviation of AUM reported
Study Region			
Eastern	54	$17.17	$4.48
Northern	13	$14.58	$6.05
Payette Lakes	22	$17.36	$3.70
South Central	25	$14.43	$3.45
Southwest	18	$14.13	$3.27
Not Reported	2	$18.25	$13.79
Grand Total	*134*	*$16.04*	*$4.53*
Livestock Type			
Cow-Calf	110	$15.73	$4.04
Cow-Calf, Sheep	4	$14.25	$3.30
Cow-Calf, Yearlings	1	$18.30	-
Sheep	3	$8.93	$1.20
Yearlings	16	$19.84	$5.75
Grand Total	*134*	*$16.04*	*$4.53*

Private Grazing Sublease Characteristics

Respondents were also asked questions relative to subleasing in Idaho. Specifically, we were concerned with those who leased forage from an individual or other entity, who then leased that forage to or managed the livestock for another individual or entity. Thirty-three respondents (8.8%) indicated that they subleased properties to or from another individual or entity.

Relative to the type of land included in the sublease, the majority of respondents indicated the land as privately owned (14), while 12 respondents identified another ownership pattern; seven did not respond to the question. Average private land parcel size was 416 acres ($n = 13$). Three respondents identified other land ownerships included in the lease (with an average parcel size of 656 acres). Only one sublease respondent identified IDL lands as included in the sublease.

The majority of the subleases were seasonal in nature ($n = 18$) as opposed to year-long subleases ($n = 7$). There were eight non-responses to this question.

Services or tasks undertaken with subleases of grazing lands are important considerations in determining comparable lease rates and understanding terms of a lease. Commonly, manager-provided tasks corresponded to items that you would expect with private landowners (Table 13). Land managers paid land taxes, provided noxious weed control, allowed access to buildings and other facilities on the parcel, supplied salt and maintained and replaced equipment. Items such as providing nutritional supplements, utilities, liability insurance and irrigation water were fairly evenly split between land manager-provided and not being a component of the sublease. Water hauling, marketing of livestock, winter feeding, branding/marking livestock and transportation of livestock were generally not provided by the manager or not included with the lease. The lack of lease rate information and minimal responses to this set of questions precluded further analysis, as respondents were not queried regarding fees charged for subleasing. However, it is indicative that subleases have a very minor presence in the Idaho rangeland grazing markets (as evidenced by only 33 sublease respondents from the total survey sample of 373 private grazing leases). Lease rates paid and ranch location of the sublease were not provided by those responding to questions about subleasing.

Table 13. Sublease services provided

Description	Manager Provides	Manager Does Not Provide	Not Provided or Not Reported
Access to buildings, corrals, etc.	57.6%	12.1%	30.3%
Replaced equipment	54.5%	15.2%	30.3%
Maintained equipment	57.6%	12.1%	30.3%
Provided salt	48.5%	21.2%	30.3%
Provided nutritional supplements	33.3%	36.4%	30.3%
Hauled water	18.2%	45.5%	36.4%
Provided utilities	30.3%	33.3%	36.4%
Provided liability insurance	33.3%	30.3%	36.4%
Provided noxious weed control	51.5%	15.2%	33.3%
Provided irrigation water	30.3%	30.3%	39.4%
Paid land taxes	60.6%	6.1%	33.3%
Branded/marked livestock	27.3%	39.4%	33.3%
Provided winter feed for livestock	24.2%	39.4%	36.4%
Transported/shipped livestock	30.3%	39.4%	30.3%
Marketed livestock	18.2%	51.5%	30.3%
Other services	0.0%	30.3%	69.7%

Lease Rate Analysis

Data gathered through the survey were analyzed to determine statistically significant factors that influence private grazing lease rates and their magnitude. This section summarizes the analysis and results of this component of the study. The goal of the statistical analysis was to determine how grazing lease rate (dependent variable expressed in $/AUM) is influenced by services provided or undertaken with the lease, regions of the state and other independent variables specified in the statistical analysis. We used a commonly-accepted technique known as regression analysis to estimate the statistically significant independent variables and the magnitude their influence on the lease rate.

Econometric Model Variable Definitions

Sample size, limited variability of some explanatory variables, and the data limitations detailed earlier meant that the statistical model could consider only $/AUM lease rates as the dependent variable, and some potential explanatory variables could not be considered. Numerous variables were recorded in the survey that measured relevant potential lease price-influencing factors. It would be expected, for example, that grazing lease rates would increase depending on the type and productivity of land included on the lease (native rangeland versus other more productive land types); regional location of the lease; type of livestock grazing the lease; season of grazing; cost influencing factors such as distance to the lease; and especially landowner services provided. These are potential explanatory variables in the statistical model. Previous studies have considered only the landowner services component and regional lease rate differences (Torell and Bledsoe 1990, Rimbey et al. 1992, Bioeconomics Inc. 2011). In this study a systematic analysis of many factors potentially influencing lease rates was made for key variables recorded in the lease rate survey. Potential explanatory variables are discussed by general category, starting with what has been shown to be a consistent and important factor, landowner services provided.

Landowner Services Provided

Eleven different categories of services were recorded in the survey, ranging from the provider of buildings, fencing and equipment; maintenance of facilities, equipment, and range improvements; control and daily management of cattle; to hauling water. As shown in Table 10, four of these service categories were for the most part irrelevant on the lease (noxious weed control, water hauling, provision of utilities, and other). Further, the landowner nearly always paid the land taxes. No attempt was made to include these services in the model because there were not enough observations and variability in the sample to obtain meaningful and reliable results. Dummy variables were assigned to the other services (DPEQUIP = provide equipment, DMEQUIP = maintain equipment, DCONTROL = control livestock movement, DSALT = provide salt, DSUPPL = provide supplements, DINSUR = provide insurance). The service dummy variables were coded as a 1 when the lessor provided the service, a zero when the lessee provided it, and a 0.5 when both the lessee and lessor jointly provided it. This assumes any joint effort was equally split between the landlord and tenant. If the landlord provided these services to the tenant, a positive sign for the parameter estimate would be expected, and numerous studies have found landlord-provided services to be an important determinant of private grazing lease rates. As described by Bartlett et al. (2002, p. 429), six different New Mexico studies and two in Idaho considered the value of landlord-provided services using regression models. A recent study developed a similar model for Montana (Bioeconomics Inc. 2011).

Quality of Lease

Data limitations described earlier regarding acreage calculations precluded calculation of the pre-planned variable for measuring the grazing quality of the lease, which was to calculate the average number of acres required per AUM of grazing capacity. Other variables in the survey that provided indications of lease quality were the proportion of the lease designated as native rangeland (NATIVE), improved rangeland (IMPROVED), crop aftermath (CROP), and irrigated pasture (IRRIGATED). The land type variables sum to 100 percent. Excluding NATIVE from the model (i.e. no dummy variable is included for NATIVE) means parameter estimates for other land type variables reflect an adjustment in AUM price when a larger proportion of the acreage was in that land class.

Parcel Size and Distance

Similar to land values in general, per head lease rates might be expected to decrease with lease size while total payments for the lease increases. The number of AUMs included with the lease was used to evaluate potential price influences for size of lease. Both linear and log specifications were considered in the analysis. In this type of analysis, alternative specifications of the model are undertaken. In some cases (as detailed here in the final model specification) a linear relationship exists and is the best formulation of the relationship between the dependent variable and the independent variables. In other cases, non-linear (logarithmic, or log) specifications provide for better specification of the relationship. These non-linear specifications were determined to be not as appropriate in this in this analysis.

Inconvenience and operating costs increase as distance to the lease increases, and tenants far from the leased parcel may be more inclined to pay the landlord for daily care of livestock, the effect of which would be captured in the service variables. The distance variable was considered in both linear and log form to evaluate whether there were additional lease rate influences when the tenant resided further from the lease. Expectations were that distance would not have a price influence with 64% of the leases located within 20 miles of the leased parcel (Table 4).

Lease Renewal, Length and Terms of Lease

The length of time that the lease agreement was made or renewed may influence lease rates if older leases fall behind the current market. This could not be evaluated in this study because most leases were recently negotiated. Current year renewal (2011-12) included 75% of the leases studied and over 90% had been renewed since 2008 (Table 3). Sixty-four percent of the leases were negotiated on an annual basis (Table 3). The sample had little variability in lease renewal terms and lease length. Given limited variability in the length of the leases, this factor was not considered in the regression analysis.

A dummy variable (DWRITTEN) was used to evaluate whether having a written or oral lease arrangement affected the lease price (written = 1, oral = 0). A written agreement might indicate a more professional lease arrangement with an expected positive sign for the regression parameter.

Related individuals are usually thought to receive a price discount relative to the market (Libbin et al. 1993). A dummy variable was defined to be one if the lease was between related individuals or groups and zero otherwise. A dummy variable was also defined to evaluate whether reported lease rates were different when a landlord (DLANDLORD = 1) reported for the parcel instead of the tenant (DLANDLORD = 0).

Grazing Season, Length of Grazing Period and Livestock Class

Survey respondents were primarily cow-calf producers (Table 7). Of the 132 leases considered in the statistical analysis only 7 leases included sheep on the leased parcel and 17 had yearlings. We considered a separate dummy variable for when yearlings were present and when sheep were present on the lease.

We considered the percentage of days that grazing occurred in each of the four quarters as potential explanatory variables. The 3rd quarter was excluded so seasonal variables measured price differences relative to this quarter. It might be expected that a premium price would be paid for the lease when winter grazing was allowed. Winter feed is a major production expense and grazing alternatives to feeding hay may justify a premium lease price. Similar premiums might also occur in periods in which hay is the only alternative feed source (e.g. early spring and late fall seasons). The total number of days grazed on the lease was also considered as a potential explanatory variable.

Lease Regions

Regional differences in lease rates were tested in the multiple regression model by assigning dummy variables for each area (DEAST, DSW, DSC, DNORTH, and DPAYETTE). The dummy variables were coded as a one when the lease was located in the designated region, zero otherwise. The south central area was initially excluded from the regression model such that included regional dummies measured price differences relative to this area. Statistically insignificant dummy variables were then removed and any remaining regional dummies measure value relative to all excluded regions. When regional dummy variables were not statistically different, this suggests lease rates were not different between regions and no regional adjustment is needed or warranted.

Control of Recreation Access

We considered two alternative dummy variables for restricted lease access. LACCESS was set to one when the landlord indicated he/she controlled access, 0 otherwise. Similarly, TACCESS was one when the respondent was a tenant and indicated that they controlled access, 0 otherwise. Potential interpretation problems exist given the separate questions asked the landlord and tenant. Just because the tenant indicated he/she did not control access does not mean the landlord did, or vice versa. It would be expected that when access was restricted, a higher lease rate would be paid. It is widely stated that one of the reasons a lower grazing fee is justified on public lands is because of multiple uses and the nuisance that creates for grazing on the allotment or lease.

Results

The dependent variable of the hedonic model was the $/AUM lease rate. Missing values for some of the explanatory variables meant 127 leases were included in the final regression model. The final model did not have problems with multicollinearity (independent or explanatory variables are correlated) or heteroscedasticity (unequal variance) based on statistical tests available in the SAS™ software. Residual plots indicated, however, that the regression model tended to over-predict relatively cheap leases and under-predict the most expensive leases. This has potential serious consequences with potential bias in the regression parameter estimates. We believe the necessary exclusion of a quality variable like average acres/AUM for the lease caused this statistical problem. It would be expected that higher price leases would be of superior quality but as noted earlier, data limitations precluded calculation of the carrying capacity rating (AUMS/acre) for each lease. It should be noted that none of the earlier hedonic models about grazing lease rates included rangeland productivity or lease quality as an explanatory variable. This may partly explain why all of the studies had statistically significant regression results but a major amount of lease price variation remained unexplained by the model. Consistently low R^2 values across lease rate studies (< 30%) suggest that the market for forage leasing is not well-structured and precise, with many different criteria used by individuals when they agree on a lease rate.

The R^2 of the final model was estimated to be 26% (Table 14). Only six variables were found to be statistically significant at the 0.10 level. All of the other potential explanatory variables detailed above were systematically considered in alternative regression models but the other potential explanatory variables were not statistically significant.

Of the five lessor service categories that were relevant for the leases and had enough variability in the data to be considered in the model (DPEQUIP, DMEQUIP, DCONTROL, DSALT, and DSUPP), only DCONTROL was statistically significant. The hypothesis that the regression parameters for the other four service variables are jointly equal to zero could not be rejected. Significance of the DCONTROL variable suggests that when the lessor managed, moved and tended the livestock on the lease, the lease rate increased by $2.21/AUM. As a percentage of the mean lease rate paid ($16/AUM) this is a 14% increase in lease rate. DCONTROL was positively correlated with the four other service variables, with correlation coefficients ranging between 26% for provision of equipment to 66% for providing supplements. The DCONTROL variable likely captured some of the other service provision effects. As shown in Table 10, only 17% of the time was the landlord involved in the daily care of livestock, but a higher lease rate was charged when they did provide this service.

Statistical significance of service variables in other lease rate studies has varied, but service variables have not been consistently defined. Similar to the findings of this study, Torell and Bledsoe (1990) found daily control and care of cattle to be an important factor influencing lease rates, along with provision of livestock water on the lease. Rimbey et al. (1992) found two services to be statistically important for Idaho leases, lessor provision of improvement maintenance and liability insurance. A later study that combined data from Idaho, New Mexico and Wyoming (Rimbey et al. 1994) found care of cattle and maintenance of the water supply by the lessor to be important lease rate determinants. Bioeconomics Inc. (2011) found two service variables to be statistically significant, landowner participation in water development costs and fence maintenance activities. It is not clear what other service categories were considered in the Montana study that were not statistically significant and excluded from the model. While the definition of service categories and significance has varied across studies, results are consistent; if the lessor had a significant input in providing daily livestock care and improvement maintenance then lease prices are higher.

Table 14. Linear regression model results

Dependent Variable: Reported $/AUM lease rate	
Number of Observations Read	132
Number of Observations Used	127
Number of Observations with Missing Values	5

		Analysis of Variance			
Source	DF	Sum of Squares	Mean	F Value	Pr > F
Model	6	654.27774	109.04629	7.17	<.0001
Error	120	1825.40359	15.21170		
Corrected Total	126	2479.68133			

Root MSE	3.90022	R-Square	0.2639
Dependent Mean	16.00511	Adj R-Sq	0.2270
Coeff Var	24.36857		

Variable	Label	DF	Parameter Estimate	Standard Error	t Value	Pr > |t|
Intercept	Intercept	1	14.03544	0.58915	23.82	<.0001
Dcontrol	Daily Livestock Management	1	2.20824	0.85539	2.58	0.0110
DPayette	Payette Region	1	1.86688	1.03056	1.81	0.0726
Deast	Eastern Region	1	1.42954	0.81094	1.76	0.0805
Dyearlings	Yearlings on the lease	1	3.52751	1.07336	3.29	0.0013
Dsheep	Sheep on the lease	1	-2.58727	1.55796	-1.66	0.0994
Irrigated	% of land Irrigated	1	0.02161	0.01317	1.64	0.1035

Average lease rates in the Northern, South Central, and Southwest regions were not statistically different (Table 12). The regression results indicated this as well. The Eastern and Payette regions were found to have higher lease rates than the three other areas ($\alpha < 0.10$). The Payette region had lease rates that were \$1.86/AUM more than the Southwest, South central and Northern areas. The Eastern region was \$1.43/AUM higher in price than the three excluded areas.

Leases that were totally on irrigated lands were supposedly excluded from this survey. However, ranch units are included with the leases and include different kinds of land including BLM, USFS, IDL lands, seeded areas, and irrigated lands. Of the 315 leases included in the survey 64 leases included some percentage of the land area that was irrigated. Of the 127 leases included in the regression analysis, 24 had irrigated land on the lease and 7 were over 90% on irrigated land. The percentage of the lease that was irrigated was statistically significant ($\alpha = 0.10$). This would be expected given the superior production and reliability of irrigated lands relative to native rangeland. Initial design of the survey included a component to gather information on irrigated land. However, IDL requested that the survey be limited to rangeland leases. Further, NASS-reported pasture rents appear to be inflated for Idaho relative to other intermountain states because the state has a relatively high percentage of irrigated pasture and the increased amount and higher value of irrigated land in the state inflates reported pasture values. The parameter estimate for the IRRIGATED variable indicates that a 10% increase in the amount of irrigated land would increase \$/AUM lease rates by about \$0.22/AUM. A lease that was 100% on irrigated land would have an average lease rate that was \$2.16/AUM more than a lease with native rangeland. As a very similar estimate for Montana, Bioeconomics Inc. (2011) found an irrigated lease to add an additional \$2.27/AUM to lease price. Other variables that defined the percentage of the lease on improved (seeded) rangeland, or on crop aftermath, were not statistically significant ($\alpha > 0.39$) and excluded from the final model.

Excluding the animal class dummy variables (Dyearlings and Dsheep) from the model reduced the R^2 of the model to 18% (not shown in detail). Significance of the animal class dummy variables and the large change in R^2 means even with limited occurrence, when present, the \$/AUM lease price was consistently higher when yearlings were included on the lease (\$3.53/AUM) and lower when sheep were on the lease (-\$2.59/AUM). The likely reason for this finding is that little attention is actually paid by forage lessees and lessors to the size and animal unit equivalency (AUE) level of the animals. That is, while it is standard to adjust for equivalency levels between animal classes (especially for sheep), in practice people may pay a per head rate without regard to size and forage consumption equivalency. In the analysis a cow/calf pair was considered to be 1 AUE, a yearling was 0.7 AUE and a sheep was 0.2 AUE (5 sheep per AU). Unless the survey respondent indicated they paid based on an AUM rate the conversion to an AUM rate used these equivalencies. Survey respondents may have had some other equivalency in mind and we expect that many yearling operators paid by the head with no adjustment in price for the reduced size of yearling cattle. This is explored in greater detail below where the model is used to estimate lease rates when various conditions exist. Nearly all of the yearling operators reported the lease rate on a \$/head basis, with an average per head price of \$13.83. Sheep producers generally reported the lease rate on a per sheep basis or as a lump sum payment (an average of \$2.39/head). Other lease rate studies have adjusted to a \$/AUM price basis (Bartlett et al. 2002, Bioeconomics Inc. 2011) but none of these studies considered whether the animal class on the lease influenced lease price.

Including the dummy variable for landlord control of recreation access was not significant ($\alpha = 0.11$), the parameter estimate was -1.55 and not positive as expected a priori. Tenant restriction of access was not significant ($\alpha = 0.17$). Thus, control of parcel access by either the landlord or tenant individually was not found to be an important factor in determining lease prices. A more direct question about whether outside uses were controlled on the lease, regardless of the person responsible for the monitoring, may have had a different result.

Many alternative price-influencing factors were also considered as additional explanatory variables in the hedonic analysis. Some of these factors may be significant with a larger and more varied sample, but in many cases lack of significance provides information as well. Most tenants lived close enough to the leased parcel that distance to the lease was not considered in price negotiations ($\alpha = 0.22$) and, may in fact explain why the parcel was leased by this individual. Season of grazing ($\alpha < 0.12$) and length of the grazing season ($\alpha = 0.49$) were not found to influence rental rates. Lease rates were apparently not biased by whether a landlord or tenant responded ($\alpha = 0.23$), and leases negotiated between related individuals were not found to be discounted relative to the market ($\alpha = 0.17$). It did not matter whether the lease was verbal or written ($\alpha = 0.55$).

The size of the lease as measured by AUMs on the lease did not appear to influence lease price when specified in either linear ($\alpha = 0.86$) or log form ($\alpha = 0.89$). But, lack of complete information necessary to calculate AUMs on some of the leases limit the reliability of that conclusion. Other studies have also not found a discount in per AUM lease rates as lease size increases, though Torell and Bledsoe (1990) did find per acre rates were discounted as acreages increased. This may be because larger acreages were less productive and adjusting to a $/AUM basis accounts for these productivity differences. Rimbey et al. (1994) included a lease-price discount for the number of AUMs on the lease but it was not statistically significant in the model.

Pre-or post-payment of the lease made no difference to negotiated lease prices ($\alpha = 0.34$). This is in contrast to the $0.33/AUM payment timing adjustment included by Rimbey et al. (1992) for a 185-day grazing season when interest charges were in the 10% range. Similarly, in contrast to the findings of this study, in a major study about western public lands grazing, Tittman and Brownell (1984) found that rental rates were generally less when the payment was made prior to grazing.

For the most part Idaho grazing leases were not found to be negotiated as a sophisticated business arrangement. The leases were nearly evenly split between oral and written and most of the leasing agreements were negotiated annually (Table 3). Not surprising, and similar to the findings of other lease rate studies, a large amount of variation in lease prices remained unexplained. A significant equation was estimated but the R^2 of the model was only 26%. This is not unlike the findings of other statistical models about private grazing leases. One would have expected many of the other variables measured in the survey to play a role in lease prices. However, these variables are not present in the final regression model because they do not add additional explanatory power to the model beyond knowing the leasing region, the amount of irrigated land, the class of livestock on the lease, and whether the lessor provided a significant role in the daily care and management of livestock. We anticipate that had we been able to include a measure of rangeland productivity as originally planned[3] that this would have improved the predictive power of the model.

Model Estimates of Lease Rates

The hedonic model can be used to estimate lease rates located in different regions with different animal classes and with or without daily livestock care provided. As an example, using the model parameter estimates from Table 14, consider the estimated 2011 lease rate for a 100% native range lease in Eastern Idaho with daily care of cattle not provided by the lessor, and running cow/calf pairs on the lease:

$$\text{Predicted \$/AUM lease rate} = \widehat{\beta_0} + \widehat{\beta_1}\,\text{Dcontrol} + \widehat{\beta_2}\text{DPayette} + \widehat{\beta_3}\,\text{Deast} + \widehat{\beta_4}\text{DYearlings} + \widehat{\beta_5}\,\text{DSheep}$$

$$+ \widehat{\beta_6}\text{Irrigated}$$

$$= 14.04 + 2.21\,(0) + 1.87\,(0) + 1.43\,(1) + 3.53\,(0) - 2.59\,(0) + 0.022\,(0) = \$15.46/\text{AUM}.$$

The estimated \$/AUM lease rate would increase by \$3.53/AUM to \$18.99/AUM if yearlings were on the lease. Recognizing that the analysis considered a yearling to be 0.7 AUE, the predicted \$/head lease rate for yearling cattle would then be \$13.29/AUM (\$18.99/AUM × 0.7 = \$13.29/head). This suggests, as noted above, that yearling cattle are in fact discounted in the market place but not by nearly as much as the 0.7 AUE commonly used for animal class conversion. The implied discount is 14% (1-(\$13.29/\$15.46)). In a similar way the estimated per AUM lease rate with sheep on the lease would be \$12.88/AUM and with 5 sheep per AUM the average per head lease rate would be \$2.58/head (\$12.88/AUM × 0.2 = \$2.58/head). If 6 sheep per AUM were used in the conversion the average \$15.46/AUM lease rate paid by cow/calf producers would be obtained. It appears that statistical significance of the animal class dummy variables is because common AUE conversion factors are not what is reflected in the private leased forage market.

Regional differences in lease rates can be estimated from the model by assigning a regional dummy variable a coding of one. Assuming cow/calf pairs on the lease, the \$/AUM lease rates estimate for the Payette Lakes area would be \$15.90/AUM while the Northern, South Central, and Southwestern areas would have the same lease rate estimate of \$14.04/AUM for a non-serviced lease (Table 15). If 10% of the land base on the lease was irrigated the estimated lease rate would increase by an estimated \$0.22/AUM (0.02246×10).

The model results are similar, but lease rates are less than what others have previously found as it relates to landlord services. Bartlett et al. (2002) summarized previous New Mexico and Idaho grazing lease studies and concluded that to estimate net forage value (excluding the value of landlord services) a downward adjustment to about 70% of the average reported NASS rate was required to account for the contributory value of lessor provided services. Hedonic models and competitively bid leases for Montana state trust lands supported that conclusion (Bioeconomics Inc. 2011). The hedonic results of this study suggest a lease discount to 12-14% when lessor services are not provided (Table 15).

---

[3]/An unanticipated survey response was that many survey respondents reported acreage totals across multiple leases such that the acreage included with each particular lease was not obtained so that a valid productivity rating could be computed.

Table 15. Estimated lease price ($/AUM) based on daily livestock care provided/not provided.

Daily Livestock Management	Eastern	Payette	South central	South West	Northern
Not Provided (a)	$15.46	$15.90	$14.04	$14.04	$14.04
Provided (b)	$17.67	$18.11	$16.24	$16.24	$16.24
Ratio (a/b)	88%	88%	86%	86%	86%

Summary and Conclusions

This bulletin summarizes findings from a major study on Idaho private rangeland grazing lease arrangements conducted in 2011-12. Lessees and lessors of private rangeland grazing were contacted in a telephone survey during the winter of 2011-12. Responses to the survey are summarized in this document. Results from the study indicate key factors related to Idaho grazing lease arrangements that should be of interest to lessees and lessors of rangeland forage, along with policy makers and public and private rangeland managers. Key results from the study reveal:

1. Idaho private rangeland grazing leases are generally informal, year-to-year arrangements. Grazing leases are about evenly split between written and oral arrangements. Lease terms are negotiated mostly on an annual basis.
2. The bulk of Idaho grazing leases that occur on native rangelands, are season-long or include some type of rotational grazing system (e.g. rest-rotation or short duration) and cover the grazing season, ranging from 1-6 months in duration. Most of the leases were cow-calf production systems.
3. Services provided by the lessor or undertaken by the lessee can impact the lease rate. In this study, the only statistically significant service was daily care of livestock and when the lessor provided care, lease rates increased by $2.20/AUM (about 20%).
4. The average rate charged for Idaho grazing leases in 2011 was $16.04/AUM, which was not statistically different from the published USDA-NASS rate of $14.50/AUM. There is large variability in rates reported in our study, although those in the Eastern and Payette Lakes regions were higher than the rest of the state ($1.42 and $1.86/AUM, respectively). Leases with yearling cattle and some amount of irrigated land showed increased lease rates.
5. Leases were paid on a $/head or lump sum basis and the terms generally favored payment occurring after the grazing season or a split between pre- and post-grazing.
6. Based upon the relative lack of sophistication in relation to grazing leases, it would appear that major educational efforts for livestock producers and others are appropriate to emphasize the importance of: a) written leases and, b) understanding common lease characteristics such as AU's, AUM's and animal weights or class of livestock grazing.

References

Bartlett, E. T., L. A. Torell, N. R. Rimbey, L. W. Van Tassell, and D. W. McCollum. 2002. Valuing grazing use on public land. *Journal of Range Management* 55:426-438.

Bioeconomics Inc. 2011. Montana trust land grazing lease rate valuation analysis: a report prepared for state of Montana Department of Natural Resources and Conservation, Trust Management Division. Missoula, MT: Bioeconomics, Inc. 69 p.

IDL. 2014. *Idaho Department of Water Resources Administrative Basins*. Available at: http://www.idwr.idaho.gov/WaterManagement/AdministrativeBasins/default.htm. Accessed March 13, 2014.

Libbin, J. D., W. B. Word, and L. Riley. 1993. New Mexico cash lease rates for 1992. Research report / New Mexico State University, Agricultural Experiment Station; 676: Las Cruces, N.M., New Mexico State University, Agricultural Experiment Station. p. 16.

Resource Dimensions Inc. 2010. State of Idaho Department of Lands Agriculture Market Rent Study. Gig Harbor, WA: Resource Dimensions Inc. Consulting Report prepared for Idaho Department of Lands. 136 p.

Resource Dimensions Inc. 2012. Idaho Department of Lands Grazing Market Rent Study. Gig Harbor, WA: Resource Dimensions Inc. Consulting Report prepared for Idaho Department of Lands. 188 p.

Rimbey, N. R., R. Krebill-Prather, and J. E. Carlson. 1992. Range and pasture forage: what's it worth? Moscow, ID: Univ. of Idaho Agr. Exp. Sta. Res. Ser. No. 92-3. 10 p.

Rimbey, N. R., L. A. Torell, E. T. Bartlett, and L. W. Van Tassell. 1994. Private grazing lease arrangements and their application to market price comparisons. *J. American Society of Farm Managers and Rural Appraisers* 58:125-129.

Tittman, P. B., and C. E. Brownell. 1984. Appraisal report estimating fair market rental value of public rangelands in the western United States administered by USDA-Forest Service and USDI-Bureau of Land Management: Volumes 1 and 2. Washington, D.C.: USDA-FS and USDI-BLM. 282 p.

Torell, L. A., and F. N. Bledsoe. 1990. 1989 New Mexico private grazing lease arrangements and costs. Las Cruces, NM: New Mexico State University Agricultural Experiment Station Research Report 651. 12 p.

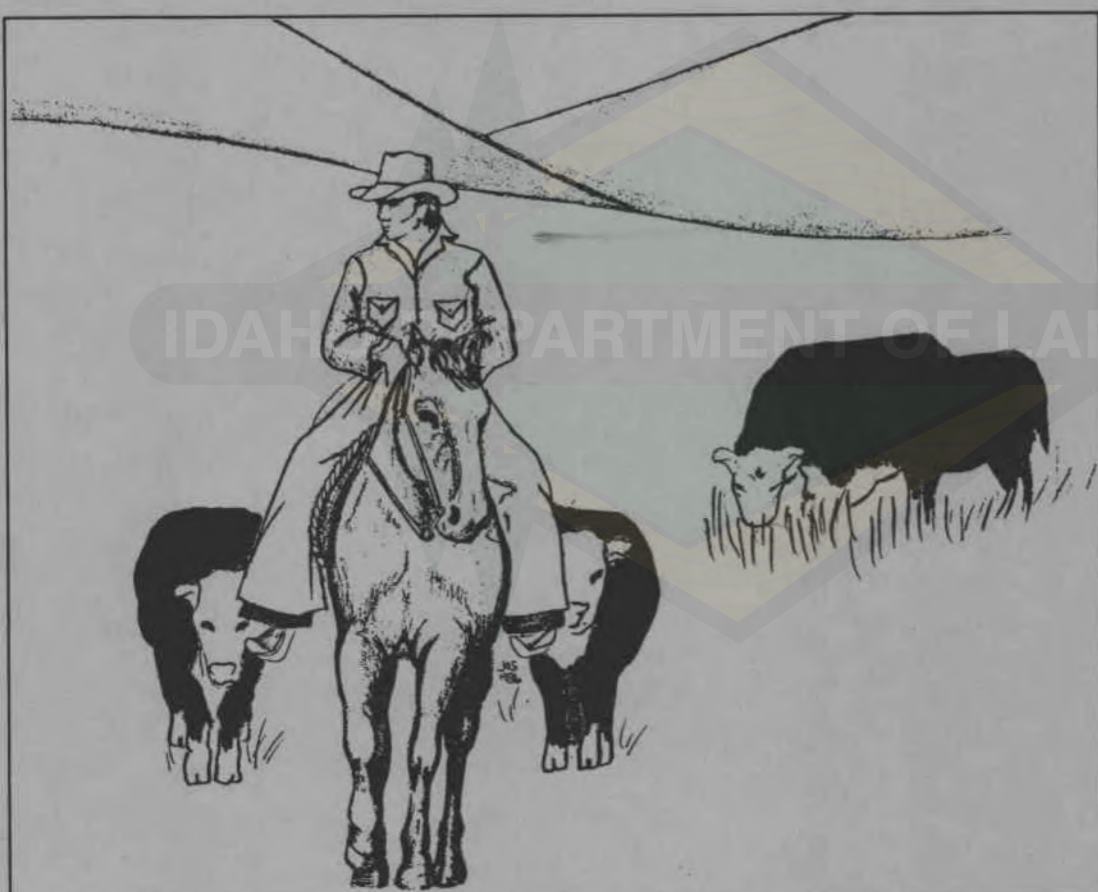
USDA-NASS. 2009. *2007 Census of Agriculture, Volume 1, Chapter 2, state level data*. Available at: http://www.agcensus.usda.gov/Publications/2007/Full_Report/Volume_1,_Chapter_2_US_State_Level/index.asp. Accessed October 23, 2011.

USDA-NASS. 2014. *Agricultural Prices Monthly, January issue*. Available at: http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1002. Accessed March 13, 2014.

Special Report 903
July 1992

1982 and 1990

Costs Incurred by Permittees in Grazing Cattle on Public and Private Rangelands and Pastures in Eastern Oregon



OREGON STATE UNIVERSITY EXTENSION SERVICE

ATTACHMENT 4

Costs Incurred by Permittees in Grazing Cattle on Public and Private Rangelands and Pastures in Eastern Oregon: 1982 and 1990

Frederick W. Obermiller
Extension Economist, Resource Policy
Oregon State University

TABLE OF CONTENTS

	Page
Introduction	1
The Relationship Between Grazing Costs and Grazing Fees	2
The Need for More Recent Grazing Cost Data	4
Western University Grazing Cost Surveys in the 1980s	5
Price Updated Eastern Oregon Grazing Costs	6
1990 Updated Eastern Oregon Grazing Survey Results	9
Combined Federal Versus Private Grazing Cost Results	12
Comparing the 1966 and 1982 Price Updated Data Bases	14
Differences in the Updated Survey Results	16
Summary: Differences and Similarities in Updated Total Costs	16
Policy Implications	17

Appendix

The Eastern Oregon Grazing Survey: A Cast Study Approach	18
Survey Procedures	18
Strategic Bias Control Procedures	18
Overview of 1983 Eastern Oregon Grazing Survey Results	19
Procedures Following in Estimating 1982 Grazing Season Costs	21
Differences in Average Grazing Costs by Cost Activity	27
Sources of Differences in Grazing Costs	27
Factors Significantly Affecting Per AUM Grazing Costs	28
Conclusions from the 1982 Eastern Oregon Grazing Survey	30
References	31

LIST OF TABLES

Table 1: Summary of Adjusted Combined Public Land (National Forest and Bureau of Land Management) and Private Land Grazing Costs in the 11 Western States in 1966 Dollars Per AUM	3
Table 2: Grazing Costs Per AUM on Public Versus Private Rangelands: 1966 Costs Price Updated to 1990	7
Table 3: Price Indices and Values Used to Update the 1982 Eastern Oregon Grazing Costs to 1990 Equivalent Prices	10

Table 4: Per AUM Grazing Costs and Costs by Activity in 1990 Dollars for Grazing on Bureau of Land Management, Forest Service, and Privately Leased Lands in Eastern Oregon 11

Table 5: Per AUM Grazing Costs and Costs by Activity in 1990 Dollars for Grazing on Combined Bureau of Land Management, Forest Service, Combined Federal, and Privately Leased Lands in Eastern Oregon 13

Table 6: Differences in Major Categories of Grazing Costs Per AUM in 1990 Dollars for Federal Grazing Permits and Private Grazing Leases from Updated 1966 Westwide and 1982 Eastern Oregon Data Bases 15

Appendix

Table A-1: Sampling Information for 1982 Survey of Eastern Oregon Permittees' Cash and Noncash Grazing Costs 20

Table A-2: Number of Animal Unit Months (AUMs) Included in the 1982 Survey of Eastern Oregon Permittees 21

Table A-3: Per AUM Grazing Costs and Costs by Activity in 1982 Dollars of Grazing on Bureau of Land Management Lands in Eastern Oregon, by County or Region 23

Table A-4: Per AUM Grazing Costs and Costs by Activity in 1982 Dollars of Grazing on Forest Service Lands in Eastern Oregon by County or Region 24

Table A-5: Per AUM Grazing Costs and Costs by Activity in 1982 Dollars of Grazing on Privately-Owned Leased Lands in Eastern Oregon, by County or Region 25

Table A-6: Per AUM Grazing Costs and Costs by Activity in 1982 Dollars for Grazing on Bureau of Land Management, Forest Service, and Privately Leased Lands in Eastern Oregon 26

Table A-7: Regression Results for Per AUM Total Cash and Noncash Grazing Costs, in 1982 Dollars, Incurred by Permittees in Grazing on Bureau of Land Management, Forest Service, and Privately Leased Lands in Eastern Oregon and Eastern Oregon Subregions 29

LIST OF FIGURES

Figure 1: Significant Federal Grazing Land Regions in Eastern Oregon 8

COSTS INCURRED BY PERMITTEES IN GRAZING CATTLE ON PUBLIC AND PRIVATE RANGELANDS AND PASTURES IN EASTERN OREGON: 1982 & 1990

by

Frederick W. Obermiller*

Introduction

The relative costs of grazing livestock on privately owned and leased versus publicly owned and federally administered lands in the western United States is a key part of the federal grazing fee policy debate. The purpose of this report is to provide an updated estimate of grazing costs on federal and private rangelands in one state: Oregon.

The three objectives are practical, technical and policy oriented. First, ranchers as prudent businessmen and women need to understand and minimize both the cash and noncash components of their grazing costs if they are to succeed, since the individual rancher is unable to influence the price of the beef, lamb, or wool he or she sells. The full costs of grazing on certain private and federal rangelands are presented here. Second, an alternative to a more commonly used method of projecting grazing costs is presented, and a comparison of differences in results using the two methods is made. Third, this report has a public policy education objective. Federal grazing fees are the subject of intense public debate, and the current fee system is based on the notion of equalization in total grazing costs, given the differences in the costs of forage use on private and public rangelands in the western United States. Little current information on those cost differentials is available. The present report adds to the knowledge base available to policy makers.

---

* The author is a rangeland resource economist, Professor of Agricultural and Resource Economics and Courtesy Professor of Rangeland Resources, at Oregon State University. This report is an expansion and update of an earlier Oregon State University Extension Service publication (Lambert and Obermiller 1983) in which the results of a 1982 Eastern Oregon grazing cost survey were summarized. The results reported in 1983 were developed from survey data obtained under the auspices of a USDA/SEA Extension Project, "Federal Rangeland Management: Improving Citizen Understanding" for which Obermiller and Extension range management specialist Thomas E. Bedell of the Department of Rangeland Resources, Oregon State University, served as co-leaders. The comments and suggestions on earlier drafts by Ludwig M. Eisgruber and Stanley D. Miles of the Department of Agricultural and Resource Economics, and by William C. Krueger and Bedell of the Department of Rangeland Resources, are greatly appreciated.

The Relationship Between Grazing Costs and Grazing Fees

The current grazing fee system involves the use of a formula, called the PRIA formula because it was established by Congress in the passage of the Public Rangelands Improvement Act in 1978.[1] The PRIA formula consists of a "base fee" of $1.23 per animal unit month (AUM) modified by three indices representing changes in average westwide private grazing land rental rates, costs of production for western range livestock operations, and prices received for beef cattle. The indices are updated annually, so the formula-based federal grazing fee changes from year to year. The indices keep the $1.23 per AUM base fee in line with changes in short and long term forage market conditions.[2]

The 1966 Western Livestock Grazing Survey

The $1.23 per AUM base fee was calculated from the results of a massive Western Livestock Grazing Survey conducted by the government in 1966 (Table 1).[3] The $1.23 per AUM base fee represented the amount that would have been charged in 1966 to bring the total (fee plus nonfee) per AUM costs of grazing on federal lands up to a level equal to the total (lease plus

---

[1]Public Law 95-514 (October 25, 1978), Sec. 6(a), 43 USC 1905.

[2]There has been considerable confusion as to the intent of the three indices. The "Forage Value Index" (FVI) reflects changes in average private pasture rental rates in the 11 western states. The intent of the FVI is to capture the effect of "long-term adjustments taking place in the western range livestock industry [by duplicating] economic adjustments in the competitive private sector, and [incorporating] changes in technological efficiency" (Secretary of Agriculture and Secretary of the Interior 1977, pp. 3-34 and 3-35). The intent of the remaining two indices (the Beef Cattle Prices Index or BCPI and an index of costs of production in the western range livestock industry or PPI) was to reflect "short-run instabilities that result during periods of demand, supply, and price disequilibrium" not otherwise accounted for in the FVI (Federal Register 1977, p. 6081). The Technical Committee that recommended the use of the BCPI and PPI noted that short run instabilities "have a significant effect on the value of resources used in production" (Secretary of Agriculture and Secretary of the Interior 1977, p. A-11). Inclusion of the BCPI and PPI in the PRIA formula would measure changes in the short run value of the federal forage resource (ibid, pp. A-25 and A-26) and mitigate short run windfall gains and losses otherwise accruing to permittees (ibid, p. A-ll). Over time, the BCPI and PPI have come to be known as "ability to pay" indices measuring the "profitability" of the western public land ranching industry (General Accounting Office 1991, p. 6) rather than measuring short run changes in federal forage values. The confusion exists because the PRIA formula and its indices were intended to estimate the value of an input (forage) rather than the value of an output (beef or wool) as is implied in the recent General Accounting Office report and elsewhere.

[3]In the course of the 1966 Western Livestock Grazing Survey, grazing cost data were collected from over 10,000 ranch operations (Secretary of Agriculture and Secretary of the Interior 1977, Appendix C, Part 2; Houseman et al. 1968). Some held federal grazing permits. Others operated on private lands only. In addition, permit value estimates were collected from 500 financial institutions in the western United States. The grazing cost data were used to estimate "base fees" for the year 1966. Base fees of $1.23 per AUM were estimated for combined Forest Service and Bureau of Land Management grazing allotments in the 11 western states, and $1.33 per AUM for National Grasslands (administered by the Forest Service) in nine Great Plains states. These base fees are defined as the average amounts that, if charged as federal grazing fees in 1966, would have promoted equality among public land and private land ranchers in total grazing costs on a per AUM basis in the two regions. The base fees reflect the differences in structures of grazing costs on federal grazing allotments and leases vis-a-vis private leased grazing lands.

nonlease) per AUM costs of grazing on privately-owned and leased grazing lands in the 11 western states. The $1.23 per AUM was a westwide average. At that price some federal grazing allotment costs would be higher, and others would be lower, than the average private grazing cost level.

Table 1. Summary of Adjusted Combined Public Land (National Forest and Bureau of Land Management) and Private Land Grazing Costs in the 11 Western States in 1966 Dollars Per AUM

	Cattle		Sheep	
Cost Items	Combined Public Costs	Private Costs	Combined Public Costs	Private Costs
Lost Animals	.60	.37	.70	.65
Association Fee	.08	---	.04	---
Veterinary	.11	.13	.11	.11
Moving Livestock To & From	.24	.25	.42	.38
Herding	.46	.19	1.33	1.16
Salt and Feed	.56	.83	.55	.45
Travel To & From	.32	.25	.49	.43
Water	.08	.06	.15	.16
Horse	.16	.10	.16	.07
Fence Maintenance	.24	.25	.09	.15
Water Maintenance	.19	.15	.11	.09
Development Depreciation	.11	.03	.09	.02
Other Costs	.13	.14	.29	.22
Private Lease Rate	---	1.79	---	1.77
Total Operating Costs[a]	$3.28	$4.54	$4.53	$5.66
Difference between private/public	$1.26		$1.13	
Combined cattle and sheep		$1.23[b]		

[a] Excludes the amount of the grazing fee charged in 1966.

[b] Weighted by 80% cattle and 20% sheep AUMs. All column and row headings are as reported to Congress in 1969. "Public costs" as used here refer to grazing costs on public lands, and "private costs" refer to grazing costs on privately owned rangelands.

The 1966 survey data as originally published contained 14 cost activities,[4] a format that Nielsen has continued to follow. These are (1) lost animals, (2) association fees, (3) veterinary services (incurred while the livestock were grazing on the allotment or pasture), (4) moving livestock to and from the allotment or pasture, (5) herding within the allotment or pasture, (6) salting and supplemental feeding, (7) travel to and from the allotment or pasture to check on livestock and perform other management functions, (8) provision of water, (9) maintenance of horses (used in herding and other activities while the livestock were on the allotment or pasture), (10) fence maintenance, (11) maintenance of structural water developments, (12) depreciation of permittee (lessee) financed developments and improvements on the allotment (privately leased pasture or range), (13) other costs, and (14) private grazing land lease rate.

The private grazing land lease rate would be a positive value for private grazing leases and zero for federal grazing permits and leases. The 14 cost activities intentionally excluded the federal grazing fee.[5] The underlying logic was that the new "base fee" would be an amount which, when added to the average federal permittee nonfee grazing costs, would bring total average (per AUM) permittee costs up to the total average private grazing land grazing costs--taking into account the differences in nonfee and nonlease costs incurred in the first 13 cost activities.

The Need for More Recent Grazing Cost Data

Since 1966, the government has not done any grazing cost surveys. The PRIA formula was reviewed by the major western federal land management agencies in the 1980s, but that review did not include collection of data on the relative costs of grazing livestock on federal and private lands in the west. For this reason, in part, the federal grazing fee issue remains highly visible in the public policy arena.[6]

---

[4]Cost data were collected for a 15th cost activity: permit value, or the amortized cost associated with federal permit portion of the total resources of a ranch property, part of which was the commensurate land or water base for the grazing permit. The results reported in Table 1 do not include permit value, or more precisely permit cost. Permit cost data were collected and analyzed, but a policy decision subsequently was made and the permit cost was excluded from the array of federal grazing costs. This led to considerable controversy, as the 1969 House and Senate hearing records attest. In 1966, the average amortized permit cost was $0.87 per AUM on BLM allotments and $1.52 per AUM on National Forest allotments. The corresponding costs were not reported for National Grasslands grazing allotments, but records maintained by the Association of National Grasslands suggest that the average National Grasslands permit cost was $1.88 per AUM in 1966.

[5]In 1966 the BLM grazing fee was uniform at $0.33 per AUM westwide while the Forest Service grazing fee varied among and sometimes within National Forests, with an average value of $0.51 per AUM in 1966.

[6]A recurring theme in the establishment of efficient, equitable, and stable federal grazing fees has been the differences, if any, in costs experienced by livestock operators who lease private, versus federal, western grazing lands. From 1981 through 1985 the Forest Service and the Bureau of Land Management conducted a review of the existing federal grazing fee formula pricing system (the PRIA formula fee system). Section 12(b) of PRIA (43 USC 1908) required the Secretaries to report to Congress their recommendations relative to the retention, revision, and/or abandonment of that formula fee system by December 31, 1985. The required report, without recommendations, was submitted to Congress in March 1986 (Secretary of Agriculture and Secretary of the Interior 1986). Before the required evaluation and report was submitted to Congress, President Reagan signed an

> Throughout the history of public rangeland management, no question has remained so long and so persistently in the public eye as the question of grazing use fees. This continuing controversy has been complicated by changing national goals, changing economic and social conditions, regional influences, confusing congressional action, and increasing public interest in multiple use philosophy (Secretary of Agriculture and Secretary of the Interior 1977, p. 2-1).

Since there have been many changes in public resource law, agency grazing regulations and restrictions, court decisions, and other institutions as well as changes in relative prices and production technologies since 1966, it is difficult to rely simply on price indices as a means of updating the "cost equalization" charge, i.e., the federal grazing fee.[7]

Western University Grazing Cost Surveys in the 1980s

For this reason, the USDA/SEA Extension Service sponsored grazing cost surveys in Oregon in 1983 (for the 1982 grazing season).[8] The Eastern Oregon survey was conducted by Oregon State University range economists with the assistance of range scientists and county agricultural Extension agents (Lambert and Obermiller 1983). The following year, these same individuals supervised similar surveys in various other western and Northern Great Plains states in 1984 for the 1983 grazing season (Obermiller and Lambert 1984).

The purpose of these surveys was to gather more recent data comparable to those obtained in the 1966 Western Livestock Grazing Survey and thus contribute to a review of the PRIA formula fee system being conducted by the Forest Service and the Bureau of Land

---

Executive Order (Number 12548 on February 14, 1986) freezing the PRIA formula fee system--but adding a $1.35 per AUM "floor" value below which the fee could not fall--pending further action by Congress. Various grazing fee bills were debated in Congress in 1987, 1989, and 1991 (Obermiller 1991a). Late in 1991 a Senate/House Conference Committee agreement resulted in a directive that the Forest Service and BLM update the reported 1986 data and provide Congress with their findings by April 30, 1992. As submitted, the update contains little information beyond that appearing in the original 1986 report (Secretary of Agriculture and Secretary of the Interior 1992).

[7]Legislative efforts over the years have sought to identify the policy goals of federal land management, including the identification of factors relevant to the design of the federal grazing fee structure. Administrative and academic considerations of the issue have concentrated on analyzing the efficiency and equity implications of different fee levels and on technical details involved in designing a fee schedule appropriate to the legislative intent. Livestock production interests, often in alliance with local governments and agricultural lending institutions, have sought to have a fee implemented that does not exceed the economic value of public land forage available for use in their ranch operations and promotes the stability of the Federal grazing land dependent western livestock industry. These interests and arguments are conveniently summarized by Smits (1984). For a more recent discussion of the issues, see Obermiller (1991a).

[8]Independently, Bartlett et al. (1984) conducted a parallel grazing cost survey in Colorado.

Management (Secretary of Agriculture and Secretary of the Interior 1986).[9] That original purpose applies to the present update as well.

The Oregon findings from the original 1983 report are summarized in the Appendix to the present report.[10] The 1982 Oregon survey data are updated to 1990 prices following the same general methodology used by Nielsen (1982 and 1991) to update the 1966 data base. The most recent available index numbers are for 1990, and hence the price index updated forage use costs reported by Nielsen and reproduced in Table 1 are for the 1990 grazing year.

With some modification, the updating procedures outlined by the Secretaries of Agriculture and the Interior (1977, Appendix C)[11] have been followed by Nielsen and are followed here. The primary differences between the costs reported here and those reported elsewhere by Nielsen (1991, reproduced in Table 2) are (1) the present results are for Eastern Oregon only and are not necessarily indicators of westwide average forage use cost differentials, and (2) the base data updated to 1990 values are of more recent vintage--1982 versus 1966. The latter difference is important in that the 1982 Eastern Oregon data would be expected to reflect at least some of the institutional changes in agency grazing regulations and restrictions, etc. between 1966 and 1982, while the updates provided by Nielsen would not.

Price Updated Eastern Oregon Grazing Costs

During the spring of 1983, 1982 grazing season cost information was collected from nearly 100 Eastern Oregon rangeland livestock operators (Figure 1). All of the interviewed operators had relatively large federal grazing permits on either Forest Service allotments or on BLM Section 3 permits or Section 15 leases. Many also leased other privately owned or publicly managed grazing lands.

In the Eastern Oregon grazing survey, some of the 1966 survey cost activities were combined due to (1) similarities in management activities and (2) the relatively low value of some of

---

[9]Rather than evaluating the relative differences in per AUM grazing costs on federal and private grazing lands as was done in the 1966 study, thereby providing a consistent basis for updating the $1.23 and $1.33 per AUM base fees, the 1980s evaluation of the PRIA formula placed exclusive reliance on a "mass appraisal" of private sector grazing leases (Tittman and Brownell 1984). The mass appraisal technique and results have been criticized as an inappropriate basis for verification of the PRIA formula, given the intent of Congress in the establishment of that formula (Nielsen et al. 1984).

[10]The original report entitled "Costs Incurred by Permittees in Grazing Cattle on Public and Private Rangeland in Eastern Oregon" (Special Report 692, Oregon State University Extension Service) is out of print. Since the present update derives from the original findings, it seems appropriate to provide the reader with a summary of the original results.

[11]The Secretaries identified various indices published, or to be published, by the USDA Statistical Reporting Service (since 1986 the National Agricultural Statistics Service or NASS) as a basis for price updating the various components of the PRIA grazing fee formula. The indices were and are published in the NASS *Agricultural Prices* series.

Table 2. Grazing Costs Per AUM on Public Versus Private Rangelands: 1966 Costs Price Updated to 1990.

OPERATION	FEDERAL GRAZING PERMITS	PRIVATE LEASES
Lost Animals	$ 1.82	$ 1.12
Association Fees	.27	- 0 -
Veterinary	.45	.53
Moving Livestock To and From	1.11	1.16
Herding within Operation	1.86	.77
Salt and Feed	2.32	3.09
Travel To and From Operation	1.49	1.19
Water (Production Items)	.27	.20
Horse	.50	.31
Fence Maintenance	.89	.92
Water Maintenance	.69	.55
Development Depreciation	.37	.10
Other	.44	.47
TOTALS	**$ 12.48**	**$ 10.41**

Federal Grazing Fee (1990)	1.81	- 0 -
Private Lease Rate (excludes any services provided by lessor) (1990)	- 0 -	4.35
Total Operating Costs/AUM	**$ 14.29**	**$ 14.79**

Source: Nielsen (1991).

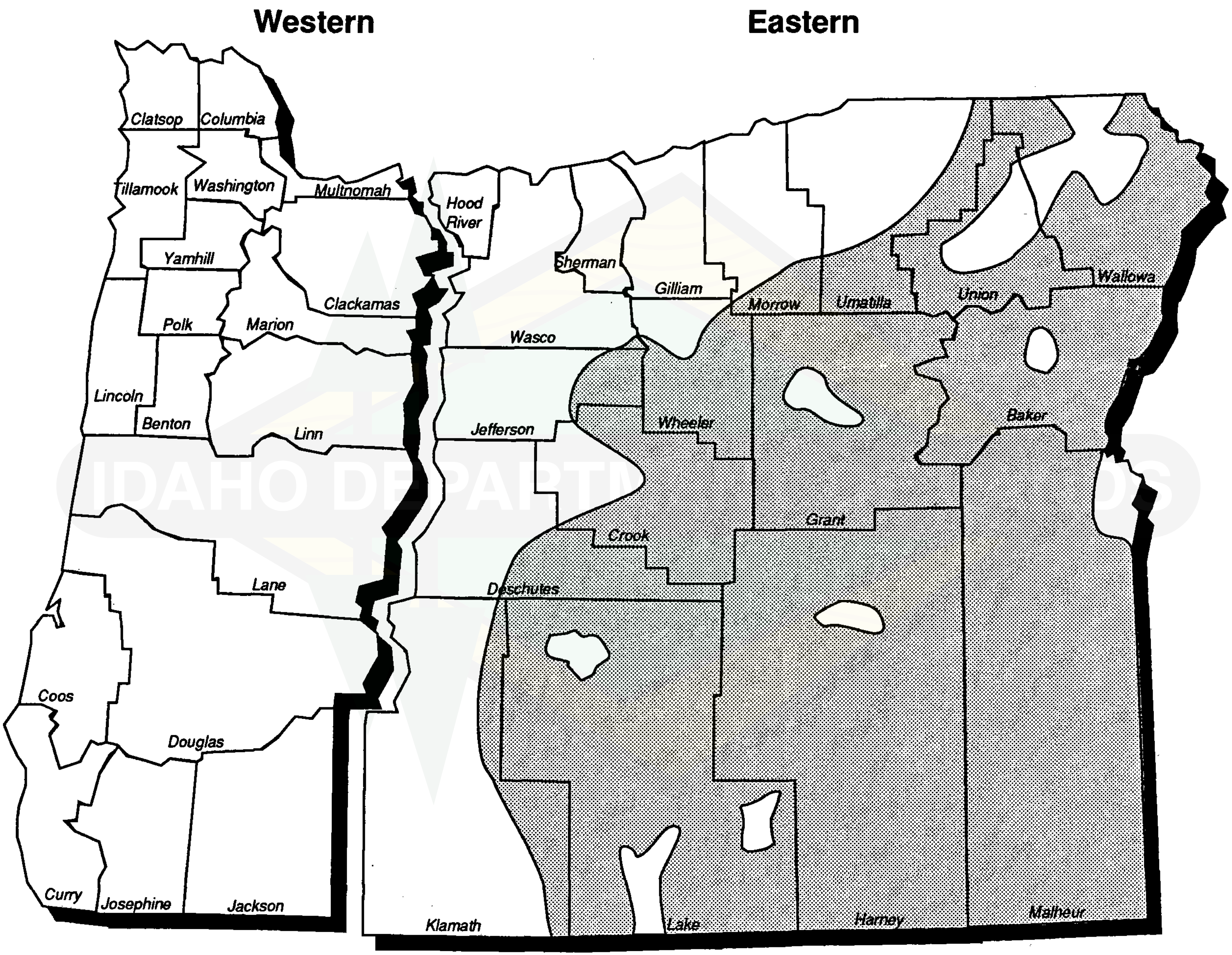


Figure 1. Significant Federal Land Grazing Regions in Eastern Oregon

the itemized 1966 costs. Specifically, veterinary services (item 3) were combined with salt and supplemental feeding costs (item 6). Fence (item 10) and structural water maintenance costs (item 11) were combined and defined simply as "maintenance" costs in the Eastern Oregon grazing study. Costs of water provision (item 8) were added to the other costs (item 13) category. Horse costs (item 9) were added to herding costs (item 5) and defined as"routine management" costs in the Eastern Oregon survey results. In the Eastern Oregon survey, a new cost activity "meetings and paperwork" was separated from the "other costs" category as defined in 1966 because of the perception on the part of many permittees that this type of overhead cost had increased measurably since 1966. Since depreciation (item 12 in the 1966 survey) was included in the "other costs" category in the 1982 Eastern Oregon results along with other types of costs specific to the use of the allotment, a "miscellaneous" cost activity as identified in the Eastern Oregon survey corresponded to nonallotment miscellaneous costs in the 1966 Western Livestock Grazing Survey.

These differences in categorization notwithstanding, the sum of all grazing costs in the 1982 Eastern Oregon survey was inclusive of and conceptually equivalent to the sum of all grazing costs in the original 1966 Western Livestock Grazing Survey--and in the various updates provided by Nielsen. Therefore, the reported per AUM grazing costs in the 1966 survey as updated to 1990 equivalent prices by Nielsen could be directly compared with the 1982 Eastern Oregon costs updated to 1990 prices.

Because the Eastern Oregon data were categorized somewhat differently than the 1966 data, as noted, the *Agricultural Prices* indices used to adjust the Oregon data differ slightly from those used by Nielsen. The indices selected for the Oregon grazing costs update are consistent with the 1977 recommendations of the two Secretaries, and are as shown in Table 3. The indices are derived from the "Indexes of Prices Received and Paid by Farmers, United States, 1979-90" appearing on page A-3 of the Annual Price Summary (June 1991). The index values have been recalculated using 1982 as the base year (1982=100) to correspond to the year for which the Eastern Oregon grazing survey results apply.

1990 Updated Eastern Oregon Grazing Survey Results

In Table 4, the price index updated grazing costs, by activity, from the 1982 Eastern Oregon grazing survey are expressed in 1990 dollars. With two exceptions, each activity cost is self-explanatory since each is the product of its 1990 index value times the corresponding 1982 activity value. The two exceptions are maintenance and license/lease costs. Maintenance costs on BLM allotments were increased by $1.00 per AUM in 1982 dollars to reflect the Bureau's policy change (see footnote 13 in the Appendix), then updated to 1990 prices. License/lease costs on federal allotments were updated using the 1982 fee to license/lease cost ratio. The ratio was applied to the $1.81 per AUM federal grazing fee actually paid in 1990 to reflect exchange of use relationships (as were discussed in footnote 19 in the Appendix).

As in 1982, the 1990 Eastern Oregon grazing costs on BLM allotments vary among regions. Among the surveyed permittees, those holding BLM allotments in Southeastern Oregon incur lowest per AUM grazing costs. The primary sources of these cost advantages are lower turn-out, gathering and take-off, and routine management costs, all of which are understandable given the fairly flat topography and, in some areas, large acreage of improved rangelands in Southeast Oregon. Conversely, Forest Service and BLM Baker/Eastside Cascades allotments are more costly due to higher gathering/take-off and routine management costs, again due largely to topographical factors.

Table 3. Price Indices and Values Used to Update 1982 Eastern Oregon Grazing Costs to 1990 Equivalent Prices.

	Reported Values by Year[a]			
Index	1982	1990	Equivalent 1990 Value 1982=100	Cost Activity for Which Index Value Applies
Meat animals	155	193	124.5	Death loss
Production items	153	171	111.8	Miscellaneous
Feed	122	128	104.9	Salt, feed, vet.
Fuels & energy	210	204	97.1	Maintenance
Farm & motor supplies	152	154	101.3	Maintenance
Autos & trucks	159	231	145.3	Turn-out, Gathering/take-off
Building & fencing	135	144	106.7	Maintenance
Farm services/cash rent	169	166	98.2	Turn-out, Gathering/Take-off, Maintenance, Meetings/paperwork, Association fees, License/lease, Other
Wage rates	144	191	132.6	Management, Maintenance, Other
Composite maintenance[b]	160	173	108.1	Maintenance, Other
Composite hauling[c]	164	199	121.0	Turn-out, Gathering/Take-off

[a] 1977=100.

[b] The mix of activities in the "maintenance" and "other" categories required the use of an appropriate composite maintenance index. The indices used to construct that index included farm and motor supplies, fuels and energy, building and fencing, and wages—all of which were equally weighted.

[c] The mix of activities in the "turn-out" and "gathering/take-off" categories required the use of an appropriate composite hauling index. The indices used to construct that index included farm services/cash rent and autos and trucks—both of which were equally weighted.

Table 4. Per AUM Grazing Costs and Costs by Activity in 1990 Dollars for Grazing on Bureau of Land Management, Forest Service, and Privately Leased Lands in Eastern Oregon.

		Group									
		Malheur/Grant n=15		Baker/Eastside Cascade n=18		Harney/Lake n=45		Forest Service n=64		Private Leases n=23	
Activity[a]	1990 Index Value	Cost ($/AUM)	% of Total Cost	Cost ($/AUM)	% of Total Cost	Cost ($/AUM)	% of Total Cost	Cost ($/AUM)	% of Total Cost	Cost ($/AUM)	% of Total Cost
Turn-out	121.0	.65	6.4	1.04	4.8	1.54	10.9	1.20	6.3	2.43	9.5
Gathering and take-off	121.0	.98	9.7	3.53	16.4	2.01	14.2	3.92	20.7	1.56	10.4
Management	132.6	1.52	15.0	5.69	26.5	2.28	16.2	5.62	29.6	1.54	10.2
Maintenance[b]	108.1	1.61	15.9	2.98	13.9	1.89	13.4	1.97	10.4	.69	4.6
Meetings/paperwork	98.2	.47	4.6	.32	2.4	.18	1.3	.22	1.2	.03	0.2
Salt, feed, med.	104.9	.30	3.0	.42	2.0	.44	3.1	.34	1.8	.38	2.5
Death loss	124.5	2.56	25.3	3.09	14.4	3.34	23.7	2.42	12.8	1.58	10.5
Other	108.1	.18	1.8	2.14	10.0	.65	4.6	.67	3.5	.05	0.3
Miscellaneous	111.8	.01	0.1	.03	0.1	.01	0.1	.02	0.1	.00	0.0
Association fees	98.2	.13	1.3	.49	2.3	.00	0.0	.79	4.2	.00	0.0
License/lease[c]	98.2	1.72	17.0	1.73	8.1	1.77	12.5	1.80	9.5	7.77	51.7
Total Cost		**10.13**	**100.0**	**21.46**	**100.0**	**14.11**	**100.0**	**18.97**	**100.0**	**15.03**	**100.0**

[a] All activities are defined and described in Lambert and Obermiller (1983, Appendix II, Part II).
[b] Includes $1.00 per AUM estimated increase in maintenance costs due to BLM policy change in 1982 (see footnote 21).
[c] The federal grazing fee in 1990 was $1.81 per AUM versus $1.86 per AUM in 1982. Hence, the ratio of 1982 license/lease costs to $1.86 was used to adjust the 1990 updated forage use costs consistent with exchange of use arrangements. For further elaboration see footnote 20.

Sources: Tables 3 and A-6.

Grazing costs on private leased lands are equivalent to average grazing costs on BLM permits and leases, and lower than average grazing costs on Forest Service allotments. The structure of the private grazing costs is markedly different however. The lease rate itself constitutes over half of the total grazing cost on private grazing lands, while the grazing fee represents only eight to 17 percent of the total grazing cost on federal allotments. In both absolute and relative terms, death loss and improvement maintenance costs are lower on private grazing leases as are various incidental costs: meetings and paperwork, other, miscellaneous, and association fees. Many of these cost items are not incurred directly by the lessee, but rather are provided by the landlord and incorporated in the price of the lease in private grazing lease arrangements. In summary, the lease to nonlease cost ratio on private grazing leases is much higher than the fee to nonfee cost ratio incurred by federal permittees.

Combined Federal Versus Private Grazing Cost Results

In their 1968 report, Houseman et al. justified the derivation of a single westwide average "base fee" of $1.23 per AUM as follows:

> Differences among ranching areas, as shown by the data, were not large enough in relation to the wide variation that existed within areas to provide a basis for recommending differential base fees among ranching areas (ibid., p. 2).

In their 1977 Report to Congress, the Secretaries of Agriculture and the Interior amplified on the Houseman report as follows:

> The wide variation of grazing cost [sic] among individual allotments should be interpreted as a reflection of the actual situation and not as an indication of inaccurate data...The committee concluded there was no statistical support from the survey data for differential base fees between BLM and FS ranges...Because of the variation involved, the committee concluded that the grazing cost data did not provide a basis for establishing differential base fees between cattle and sheep (ibid., pp. C-28 and C-29).

Applying this same logic to the price updated results of the 1982 Eastern Oregon grazing survey yields the combined per AUM grazing costs given in Table 5. Total per AUM grazing costs on BLM allotments and private grazing leases in the Oregon survey are nearly the same in 1990 prices at $15.07 per AUM (BLM) and $15.03 per AUM (private) respectively. Forest Service allotment grazing costs in 1990 prices are higher, at $18.97 per AUM.[12] Weighted by the number of BLM and Forest Service allotments in the 1982 Oregon survey (78 and 64, respectively), the combined federal agency allotment grazing costs in 1990 prices in

[12]Most of the difference in BLM and Forest Service grazing costs is explained by the higher average "gathering/take-off" and "management" costs on Forest Service grazing allotments. The higher Forest Service "gathering/take-off" costs probably are a function of terrain: gathering livestock on forested, mountainous country typical of Forest Service allotments requires more effort than in open allotments (as are characteristic of BLM grazing lands). Terrain was mentioned as influencing the gathering effort by many of the Forest Service permittees who were interviewed in 1983. For much the same reason, time spent in herd management and relatively more horse use on Forest Service allotments may explain the higher Forest Service grazing costs.

Table 5. Per AUM Grazing Costs and Costs by Activity in 1990 Dollars for Grazing on Combined Bureau of Land Management, Forest Service, Combined Federal, and Privately Leased Lands in Eastern Oregon.

	Group							
	Bureau of Land Management n=78		Forest Service n=64		Combined Federal n=142		Private Leases n=23	
Activity[a]	Cost ($/AUM)	% of Total Cost	Cost ($/AUM)	% of Total Cost	Cost ($/AUM)	% of Total Cost	Cost ($/AUM)	% of Total Cost
Turnout	1.25	8.3	1.20	6.3	1.23	7.3	1.43	9.5
Gathering and take-off	2.16	14.3	3.92	20.7	2.95	17.5	1.56	10.4
Management	2.92	19.4	5.62	29.6	4.14	24.6	1.54	10.2
Maintenance	2.09	13.9	1.97	10.4	2.04	12.1	.69	4.6
Meetings/Paperwork	.31	2.1	.22	1.2	.27	1.6	.03	.02
Salt, feed, med.	.41	2.7	.34	1.8	.39	2.3	.38	2.5
Death loss	3.13	20.8	2.42	12.8	2.81	16.7	1.58	10.5
Other	.90	6.0	.67	3.5	.80	4.8	.06	0.3
Miscellaneous	.01	0.1	.02	0.1	.01	0.1	.00	0.0
Association fees	.14	.09	.79	4.2	.43	2.6	.00	0.0
License/lease	1.75	11.6	1.80	9.5	1.77	10.5	7.77	51.7
Total Cost	**15.07**	**100.0**	**18.97**	**100.0**	**16.83**	**100.0**	**15.03**	**100.0**

[a] All activities are defined and described in Lambert and Obermiller (1983, Appendix II, Part II).

Eastern Oregon are $16.83 per AUM, or $1.80 per AUM higher, on average, than comparable grazing costs on private grazing leases.[13]

Where are the significant differences in combined federal and private grazing lease costs in the Eastern Oregon data? On average, the direct fee/lease cost is much higher on private grazing leases, averaging $7.77 per AUM in 1990 prices and representing 51.7 percent of the total grazing cost on private leased grazing lands. In contrast, the grazing fee (adjusted for exchange of use agreements) on federal grazing lands was $1.77 per AUM in 1990 prices, representing 10.5 percent of the total grazing cost per AUM on combined federal grazing allotments.

The $7.77 per AUM lease cost in the Eastern Oregon survey data included the value of services provided by the landlord. Consequently, private grazing nonlease costs were, in many cases, substantially less than the corresponding federal grazing nonfee costs. Costs incurred by private lessees were notably lower for the following grazing cost activities: gathering and take-off ($1.56 versus $2.95 per AUM), management ($1.54 versus $4.14 per AUM), maintenance ($0.69 versus $2.04 per AUM), death loss ($1.58 versus $2.81 per AUM), and others.

Private lease agreements often include provisions for herd management and gathering prior to take-off by the lessor. Maintenance of structural improvements usually is done by the landlord--the lessor. A private lease arrangement may provide for the replacement by the lessor of livestock that die or are lost while on the private pasture or range. The aggregate value of these lease conditions is included in the lease rate. Therefore, on average, it would be expected that certain nonlease costs on private grazing leases would be less than the same types of nonfee costs on federal grazing permits.

Comparing the 1966 and 1982 Price Updated Data Bases

As has been discussed, the original 1966 Western Livestock Grazing Survey data are now 26 years old. Since 1966, there have been major changes in public law, agency regulations, public participation in federal land management planning, and other institutions, all of which would be expected to affect the structure of federal grazing land grazing costs. Simply price updating the 1966 data, as has been done by Nielsen (1982, 1991) and the Public Lands Council (1991), cannot be expected to capture the influence of institutional change on relative grazing costs.

---

[13]The price updated 1990 Eastern Oregon grazing costs include the grazing fee charged for the use of federal allotments. In 1990, the grazing fee was $1.81 per AUM, one cent per AUM higher than the grazing cost differential on federal versus private grazing leases. In other words, given the results of the Eastern Oregon grazing survey and the price updating methodology, if the grazing fee on the surveyed Eastern Oregon federal grazing allotments had been zero in 1990, the total forage use costs on combined federal and private grazing lands in the survey would have been the same.

For this reason, certain cost activities were combined in the 1966 westwide data base update (given in its original form in Tables 1 and 2) and the 1982 Eastern Oregon update (Table 5) to facilitate comparisons of structural change as manifest in per AUM grazing costs. In Table 1, "herding within operation" and "horse" costs were combined to form "routine management" costs in Table 6; "veterinary" costs were combined with "salt and feed" costs to become "salt, feeding, and vet" costs in Table 6; "fence maintenance" and "water maintenance" were combined to form "maintenance" costs in Table 6; "association fees" were combined with "federal grazing fee" to become "fees and rents" in Table 6; and "water", "development depreciation", and "other" costs were combined to form "other" costs in Table 6. The recombinations from Table 5 to create the cost activities listed in Table 6 are fewer and similar.

For at least two reasons, the comparisons by cost category in Table 6 are difficult to interpret. First, the updated 1966 data are westwide averages, while the updated 1982 data are for the Eastern Oregon survey only. For the two to be directly comparable, the "average" Eastern

Table 6. Differences in Major Categories of Grazing Costs Per AUM in 1990 Dollars for Federal Grazing Permits and Private Grazing Leases from Updated 1966 Westwide and 1982 Eastern Oregon Data Bases.

	Cost Per AUM in 1990 Dollars					
	Federal Grazing Permits			Private Grazing Leases		
Cost Category	1966 Data	1982 Data	1982 as % of 1966	1966 Data	1982 Data	1982 as % of 1966
Turn-out[a]	.29	1.23	424	.48	1.43	298
Gathering/Take-off[a]	.82	2.95	360	.64	1.56	244
Routine Management	2.36	4.14	175	1.08	1.54	143
Maintenance	1.58	2.04	129	1.47	.69	47
Salt, Feeding, & Vet	2.77	.39	14	3.62	.38	10
Death Loss	1.82	2.81	154	1.12	1.58	141
Fees and Rents	2.08	2.20	106	4.35	7.77	179
Other	1.08	1.08	100	.67	.06	9
Total Cost	**14.29**	**16.83**	**118**	**14.79**	**15.03**	**102**

[a] "Gathering/take-off" costs and "turn-out" costs are combined in Table 1 and expressed as "moving livestock to and from." They are separated in Table 6 based on the proportional contributions of the two activities observed in the Eastern Oregon data set.

Oregon surveyed rancher would have to run an operation structurally similar to the "average" westwide rancher. Second, the 1966 private land rental value ($1.79 per AUM in Table 1) updated to $4.35 per AUM in Tables 2 and 6 is a land charge only and does not include the value of the average bundle of services provided by the lessor in a private grazing lease arrangement. Consequently, several of the nonlease costs in the 1990 update of the 1966 data base would be expected to be higher than the corresponding values in the update of the 1982 data base--even if the westwide and Eastern Oregon survey data are comparable.

Differences in the Updated Survey Results

Looking first at the private lease data, the 1990 updated total grazing costs per AUM are remarkably similar. Using Nielsen's approach, the updated 1966 data base results in a 1990 value of $14.79 per AUM, while using the alternative approach, the updated 1982 data base yields a 1990 value of $15.03 per AUM--a 24 cent per AUM or two percent difference in the two estimates. This suggests that the basic structure of the private grazing land market may have changed little since 1966, and that in contemporary prices the total cash plus noncash grazing cost for privately owned and leased grazing lands is about $15 per AUM. The structures of the activity costs from the updated 1966 and 1982 data bases are quite different. With the exception of the very high supplemental feed and medicine cost from the 1966 survey update, most of the structural differences may be due to the "bare ground" nature of the lease rate in the 1966 data versus the land plus lessor services value in the 1982 Eastern Oregon survey.

The structural differences in the combined federal grazing cost data are less easily explained. In Eastern Oregon, it apparently is much more expensive to move livestock to and from the federal grazing allotment than is the case westwide, assuming both updated costs are reasonably accurate. However, in subsequent parallel analyses in other western states (Obermiller and Lambert 1984), results similar to those obtained in Eastern Oregon were observed. This suggests that the price index updated livestock movement costs from the 1966 study may understate current livestock movement costs by a substantial margin.

Another major difference is the smaller routine management cost in the 1966 grazing survey data base update. This may reflect structural change. Restrictions on livestock placement and herding within allotments have increased due to changes in regulations and restrictions since 1966. These changes would not be reflected in simple price updates of the 1966 survey results. The same logic applies to the lower death loss costs in the updated 1966 data. Since 1966, changes in predator control policy, noxious and poisonous weeds and associated control practices, and other factors probably have led to a higher incidence of livestock loss on federal grazing allotments. The much higher supplemental feeding and medicine cost in the 1966 update is enigmatic and is not consistent with contemporary rangeland livestock grazing management practices.

Summary: Differences and Similarities in Updated Total Costs

These structural differences notwithstanding, the overall per AUM grazing costs derived from the updates of the 1966 and 1982 data bases are similar. The updated Eastern Oregon survey data results are higher, by $2.54 per AUM, at $16.83 per AUM (versus $14.29 per AUM from the 1966 data base update). The Eastern Oregon grazing cost estimate is 18 percent higher than the updated 1966 value. This difference is consistent with the institutional sources of change in death loss and routine management as just discussed.

The results of the price updates of the 1966 Western Livestock Grazing Survey results and the 1982 Eastern Oregon grazing survey suggest that structural changes since 1966 have occurred in the western public land dependent livestock industry. These changes may have been sufficient to alter the relative proportions of various sources of grazing costs on BLM and Forest Service grazing permits and leases.

Policy Implications

Since 1966, it may have become relatively more costly to graze livestock on federal versus private leased, pastures and rangelands in Eastern Oregon, and possibly in the western United States. If so, the relative increases in federal allotment grazing costs may have caused permit values to decline relative to deeded base property and private grazing land values. This would imply that the values of ranches with federal grazing permits may have declined relative to the values of ranches without grazing permits as a consequence of changes in agency grazing regulations and associated public policies (Torell and Doll 1991; Obermiller 1991b). Put differently, changes in federal grazing policies and regulations may have led to relative asset devaluation in the federal land dependent sector of the western livestock industry in Eastern Oregon. The Eastern Oregon case study does not provide comprehensive results applicable to all federal land dependent ranches. However, the results suggest a shift in relative grazing costs worthy of further study.

A second implication has current public policy overtones. Federal grazing fees, and perhaps the underlying permit system, will be the subject of Congressional inquiry in 1992--and probably for years to come. The intent of PRIA was to establish an administered pricing system using a formula that would maintain cost equality between permittees and nonpermittees in grazing livestock on federal and private rangelands. The Eastern Oregon case study results suggest that permittees' total grazing costs have increased relative to private sector total grazing costs since the Western Livestock Grazing Survey of 1966--even with PRIA in effect. Again, these case study findings need broader confirmation.

If the public policy in setting grazing fees is to maintain average cost equality in federal and private rangeland livestock grazing operations, it is necessary to repeat the 1966 public versus private land grazing cost survey using appropriate sampling techniques and statistical methodology. Structural changes in federal grazing policy and related resource administration since 1966 call to question the accuracy of current cost estimates based exclusively on changes in relative prices over the past 26 years.

Appendix

Summary of Results from the 1983 Eastern Oregon Grazing Survey

The Eastern Oregon Grazing Survey: A Case Study Approach

The questionnaire used in the 1983 Eastern Oregon grazing survey was patterned after that used in the 1966 Western Livestock Grazing Survey[14] and was designed to gather information that would allow Oregon State University Extension Service economists to calculate the permittees' cash and noncash costs associated with grazing livestock on land under four ownership patterns. Those four ownerships included grazing lands managed (1) by the Bureau of Land Management, (2) by the Forest Service, (3) by the U.S. Fish and Wildlife Service, and (4) by privately owned rangelands leased from other operators. The questionnaire used in the 1982 Eastern Oregon study is reproduced in Appendix I of the original report (Lambert and Obermiller 1983).

Survey Procedures

The grazing survey was not designed to gather information from a random sample of Eastern Oregon ranchers. Agricultural Extension agents in all Eastern Oregon counties with significant amounts of federal grazing lands were asked to compile lists of 10 to 15 ranchers in their areas who operated on federal grazing allotments, some of whom also ran livestock on privately leased grazing lands. The ranchers so identified were believed to keep detailed cost and ranch records. Therefore, the 1982 grazing cost estimates could not be statistically applied to all Eastern Oregon permittees, nor to all ranchers without reference to the holding of a federal grazing permit or license. The results reported in 1983 more nearly conform to a "case study" of federal and private grazing costs incurred by selected Eastern Oregon permittees.

Strategic Bias Control Procedures

In any survey in which the results may affect, or may be perceived to affect, the respondent's welfare, the possibility of "strategic bias" exists. While this possibility is of considerable concern in the valuation of public goods for which there is no market and for which "willingness to pay or sell" values are sought, it also may be relevant in the present instance (see, for example, Desvousger et al. 1983, and Schultz et al. 1982). Since the results of the grazing cost survey could be perceived by ranchers as influencing the amount they would pay for federal land forage, specifically the federal grazing fee, it is possible that ranchers could have strategically overstated the costs of utilizing federal forage supplies while understating the costs of utilizing private land forage supplies.

---

[14]The 1966 Western Livestock Grazing Survey form is reproduced on pages 421-451 of the 1969 "Review of Grazing Fees" House hearing conducted by the Subcommittee on Public Lands of the Committee on Interior and Insular Affairs.

In an effort to minimize the possibility of strategic bias, and based on experience gained in similar survey efforts in the past, answers which seemed unduly high or low were scrutinized in the course of the interview both on the particular question of concern and on subsequent questions dealing with similar categories of costs. In the coding of data, remaining "outlier" cost estimates were discarded.[15]

These procedures, as well as the survey results, suggested that bias in the reported results was not a significant problem. However, this did not imply that further attempts to evaluate the extent of possible bias in the reported results were unwarranted. Similarly, if the Eastern Oregon grazing cost study were to be repeated elsewhere, as subsequently was done, it would be important to provide cross-checks and objective verification of noncash cost estimates provided by respondents as in the original Eastern Oregon study.

Overview of the 1983 Eastern Oregon Grazing Survey Results

Of the 179 federal allotments and privately leased pastures for which data were gathered in the original Eastern Oregon grazing cost study, 14 questionnaires were found to be unusable for various reasons.[16] Statistical analysis was conducted on the data for the remaining 165 allotments. Characteristics of the surveyed population of Eastern Oregon ranchers are presented in Tables A-1 and A-2.

The 142 BLM and Forest Service cattle permits for which usuable data were collected represented about six percent of all active cattle permits authorized in Oregon by the two federal agencies in 1982. The 191,154 surveyed cattle AUMs constituted about 12 percent of all cattle AUMs used on Oregon BLM and Forest Service grazing lands in 1982, meaning that the ranchers who were interviewed had larger than average grazing permits. On average, the 78 BLM permittees had permits for 1,711 AUMs and the 64 Forest Service permittees had permits for 901 AUMs. Since in 1982 the average number of AUMs for both Oregon Forest Service and BLM permittees was about 700, it can be concluded that the surveyed Forest Service permittees were slightly larger than average while the surveyed BLM permittees were substantially larger than average.[17]

---

[15]This is a standard procedure in the analysis of grazing costs. See, for example, Houseman et al. (1968) and Tittman and Brownell (1984).

[16]These numbers are exclusive of the four U.S. Fish and Wildlife Service surveyed allotments, of which two yielded otherwise usable data.

[17]This observation may be significant since as Houseman et al. (1968) demonstrated in their statistical analysis of the 1966 westwide grazing survey data, and as was demonstrated in the statistical analysis of the 1982 Eastern Oregon data, per AUM forage use costs decline as the size (in either AUMs or AUs) of the Federal grazing permit increases due to economies of size and spreading of fixed costs. As was shown in the analysis of the Oregon data for the 1982 grazing season, BLM livestock operators in Southeast Oregon who ran larger than average cattle operations (in terms of both the population of Oregon BLM permittees and the BLM permittees in the 1983 Eastern Oregon grazing survey), had per AUM forage use costs that were significantly lower than the comparable costs for BLM, National Forest, and private grazing land leases elsewhere in the state.

Table A-1. Sampling Information for 1982 Survey of Eastern Oregon Permittees' Cash and Noncash Grazing Costs.

County or Area	Number of Ranchers Interviewed	Number of Allotments/Pastures for Which Data Were Collected							
		Total				Usable			
		BLM	USFS	Private	USF&WS[a]	BLM	USFS	Private	USF&WS
Malheur	14	15	0	3	0	14	0	0	0
Baker	13	14	7	4	0	12	7	4	0
Grant	10	2	11	4	0	1	9	4	0
Harney	13	24	4	3	3	23	3	3	1
Lake	16	22	13	4	1	22	13	4	1
Northeastern Oregon (Wallowa, Union, Umatilla, & Morrow Counties)	10	0	12	6	0	0	12	5	0
Eastside Cascades	10	5	8	3	0	5	6	3	0
Crooked River National Grasslands (Gray Butte Grazing Association)	11	1	14	0	0	1	14	0	0
Total	**97**	**83**	**69**	**27**	**4**	**78**	**64**	**23**	**2**

[a] Fish and Wildlife Service, United States Department of the Interior.

Table A-2. Number of Animal Unit Months (AUMs) Included in the 1982 Survey of Eastern Oregon Permittees.

	Ownership		
County or Area	Bureau of Land Management	Forest Service	Private
Malheur	25,799	------	-----
Baker	7,027	7,863	2,766
Grant	680	10,145	4,370
Harney	35,324	2,336	3,127
Lake	60,291	9,588	4,839
Northeastern Oregon	-----	15,366	3,959
Eastside Cascades	4,352	6,552	1,260
Crooked River National Grasslands	42	5,809	-----
Total	**133,495**	**57,659**	**20,318**

Procedures Followed in Estimating 1982 Grazing Season Costs

Information on the noncash (as well as cash) components of grazing land use was collected, and therefore a common means had to be developed to convert information such as family (unpaid) labor, horse use, and lost animals into dollar values. The assumptions underlying these conversions appear in Appendix II of the original report.

The costs of using an allotment (or pasture) were converted to a dollar cost per permitted (or leased) animal unit month (AUM). Eleven line items were included in the grazing cost calculations, as described in Appendix II of the original report. These roughly corresponded to turnout activities at the beginning of the grazing season, gathering and take-off activities at the end of the grazing season, management and animal care associated with the cattle while they are on the allotment, maintenance of range improvements, costs resulting from livestock death losses while on the allotment or pasture, fees and rents, and other relatively minor activities.

After the various grazing activities were converted to their corresponding costs, the 167 usable cost records itemized in Table A-1 were placed in 22 groups distinguished on the basis of land ownership (BLM, Forest Service, U.S. Fish and Wildlife Service, private) and geographic region (Malheur County, Baker County, Grant County, Harney County, Lake County, four Northeastern Oregon counties, a north-south strip along the east flank of the Cascades, and the Crooked River National Grassland in Central Oregon.

Average costs on a per AUM basis in 1982 dollars, by land ownership classification, are presented in Tables A-3, A-4, and A-5.[18] The standard deviations listed next to these average figures indicates the amount of variation that was present among the observed costs within each group.[19]

Rather than dealing in detail with the small numbers of observations in each of the 22 different groups, analysis of variance was employed to determine if aggregation of the data across counties would be appropriate. Results of this analysis indicated that, for the grazing cost observations on Forest Service allotments as well as private leased lands, the differences among counties were not statistically significant. Therefore, for all eight areas in which 64 Forest Service allotments were encountered, and for the six areas containing 23 private leases, the overall cost figures could be considered representative of all the Forest Service permittees, and of all those who leased private rangelands and pastures, in the survey.

Tests for the statistical equivalence of the grazing cost means over all of the BLM grazing districts and leases failed to exhibit the same similarities. Aggregation across all BLM grazing districts and leases therefore was unwarranted. Further tests on the 78 BLM observations supported grouping the observations into the following three categories aggregated on statistical (and tentatively geographical) grounds: (1) Malheur County and the one observation from the Grant County operator, and (2) Baker County and the scattering of observations along the east slopes ofthe Cascades from Klamath County northward to Crook County, and (3) Harney and Lake Counties.

Per AUM, grazing costs in 1982 prices for all five resultant groups (three BLM, one Forest Service, and one private) were as presented in Table A-6. Analysis of variance tests were conducted to see if there were significant differences among these five groups in the average grazing cost on Forest Service, BLM, or private grazing lands. The results showed no statistically significant differences among the costs of grazing on privately leased land, on Forest Service land, and on the BLM allotments in the Baker/Eastside Cascades group. However, costs were found to be significantly lower in the BLM allotments in Harney and Lake Counties and in Malheur County (including the one observation from the Grant County operator). The lower cost grazing areas are high desert terrain with "blocked in" federal land holding and scattered improved ranges.

---

[18]Groups containing only one observation were excluded from Tables A-3, A-4, and A-5 to avoid the possible disclosure of privileged information. These observations were, however, included in the reported aggregation of results (Table A-6).

[19]The average costs reported in Tables 4a-4c and 5 were unweighted by permit size. It is a reasonable hypothesis that the size of the permit should influence forage use costs due to economies of size. Using the unweighted averages permitted explicit testing of the significance of this relationship, as subsequently discussed.

Table A-3. Per AUM Grazing Costs and Costs by Activity in 1982 Dollars of Grazing on Bureau of Land Management Lands in Eastern Oregon, by County or Region.

	County or Area									
	Malheur n=14		Baker n=12		Harney n=23		Lake n=22		Eastside Cascades n=5	
Activity	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.
Turn-out	.56	.44	.89	.73	1.06	1.12	1.49	1.95	.86	.08
Gathering and take-off	.83	.60	2.70	2.76	1.46	1.09	1.84	1.32	3.57	2.70
Management	1.08	.80	4.63	4.09	1.93	1.42	1.50	1.30	3.61	3.56
Miscellaneous	.40	.71	1.81	2.04	.78	.74	.72	1.11	1.49	.88
Meetings/paperwork	.52	.49	.65	.80	.19	.33	.17	.21	.35	.19
Salt, feed, med.	.24	.15	.50	.85	.41	.73	.43	.57	.20	.11
Death loss	2.15	.95	2.60	2.09	2.72	2.59	2.64	1.72	2.68	2.53
Other	.18	.31	2.81	5.86	.67	1.45	.53	1.15	.09	.18
Miscellaneous	.01	.05	.02	.06	.05	.04	0.00	0.00	.05	.09
Associate fees	.14	.39	0.00	0.00	0.00	0.02	0.00	0.00	1.80	2.20
License/lease	1.82	.10	1.73	.30	1.84	.10	1.86	0.00	1.86	0.00
TOTAL COST	**7.95**	**1.99**	**18.35**	**9.99**	**11.08**	**5.39**	**11.17**	**5.55**	**16.55**	**3.90**

Table A-4. Per AUM Grazing Costs and Costs by Activity in 1982 Dollars of Grazing on Forest Service Lands in Eastern Oregon, by County or Region.

Activity	County or Area													
	Baker n=7		Grant n=9		Harney n=3		Lake n=13		Northeastern Oregon n=12		Eastside Cascades n=6		Crooked River National Grasslands n=14	
	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.
Turn-out	2.40	1.80	.83	.39	.71	.01	1.27	.86	.78	.62	.46	.47	.60	.69
Gathering and take-off	4.73	4.59	4.56	3.06	2.06	.65	4.70	2.96	3.07	2.87	2.17	1.50	1.14	1.00
Management	4.33	3.52	3.63	1.79	2.68	.63	3.90	4.43	6.33	6.53	1.75	.61	4.50	5.74
Maintenance	3.65	3.42	2.36	1.61	1.38	.51	1.57	1.96	2.12	2.34	1.65	.67	.71	1.22
Meetings/paperwork	.26	.30	.07	.08	.26	.16	.20	.22	.28	.33	.13	.06	.27	.47
Salt, feed, med.	.18	.04	.14	.12	.14	.09	.34	.29	.40	.49	.28	.08	.47	.78
Death loss	2.59	11.97	1.58	.97	1.32	.46	2.82	2.15	1.86	2.27	3.20	1.40	.71	1.38
Other	.28	.34	1.40	3.75	.56	.80	.33	.45	.37	1.03	.10	.13	1.02	3.55
Miscellaneous	.09	.18	.02	.05	0.00	.00	0.00	0.00	.01	.04	.03	.06	0.00	0.00
Association fees	0.00	0.00	.64	.92	.41	.58	0.00	0.00	.34	.64	0.00	0.00	2.85	.20
License/lease	1.86	0.00	1.79	.12	1.86	.00	1.86	0.00	1.86	0.00	1.86	0.00	1.86	0.00
TOTAL COST	**20.38**	**8.85**	**17.04**	**8.10**	**11.38**	**.69**	**17.00**	**10.23**	**17.42**	**12.64**	**11.62**	**3.23**	**14.12**	**7.95**

Table A-5. Per AUM Grazing Costs and Costs by Activity in 1982 Dollars of Grazing on Privately-Owned Leased Lands in Eastern Oregon, by County or Region.

	County or Area											
	Baker n=4		Grant n=4		Harney n=3		Lake n=4		Northeastern Oregon n=5		Eastside Cascades n=3	
Activity	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.	Cost ($/AUM)	Std. Dev.
Turn-out	.77	.35	1.77	1.87	2.70	3.15	.60	.37	.85	.57	.73	.21
Gathering and take-off	.93	.69	2.41	1.67	.45	.43	1.21	.59	1.26	1.26	1.23	.30
Management	.17	.17	.90	.52	.76	.12	2.03	1.43	1.79	1.08	1.03	.44
Maintenance	0.00	0.00	.08	.13	.81	.57	.54	.14	1.73	1.64	.39	.39
Meetings/paperwork	.11	.17	.03	.04	0.00	0.00	.04	.07	.01	.02	0.00	0.00
Salt, feed, med.	.30	.51	.52	.75	.10	.10	.38	.22	.40	.34	.28	.16
Death loss	.95	1.07	1.80	.82	2.54	.63	1.22	.82	.75	.64	.69	.82
Other	0.00	0.00	.12	.21	.03	.05	0.00	0.00	.10	.19	0.00	0.00
Miscellaneous	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Association fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
License/lease	9.63	1.85	9.81	2.91	2.91	6.58	2.72	.40	11.27	6.69	6.38	1.49
TOTAL COST	**12.85**	**3.58**	**17.44**	**6.28**	**6.28**	**9.06**	**8.74**	**1.79**	**18.16**	**5.41**	**10.73**	**1.26**

Table A-6. Per AUM Grazing Costs and Costs by Activity in 1982 Dollars for Grazing on Bureau of Land Management, Forest Service, and Privately Leased Lands in Eastern Oregon.

	Group														
	Bureau of Land Management									Forest Service n=64			Private Leases n=23		
	Malheur/Grant n=15			Baker/Eastside Cascade n=18			Harney/Lake n=45								
Activity[a]	Cost ($/AUM)	% of Total Cost	Std. Dev.	Cost ($/AUM)	% of Total Cost	Std. Dev.	Cost ($/AUM)	% of Total Cost	Std. Dev.[b]	Cost ($/AUM)	% of Total Cost	Std. Dev.	Cost ($/AUM)	% of Total Cost	Std. Dev.
Turn-out	.54	6.8	.43	.86	4.9	.61	1.27	11.4	--	.99	6.2	1.02	1.18	8.4	1.59
Gathering and take-off	.81	10.2	.58	2.92	16.7	2.70	1.66	14.9	--	3.24	20.2	3.08	1.29	9.2	1.16
Management	1.15	14.5	.82	4.29	24.5	3.86	1.72	15.5	--	4.24	26.4	4.76	1.16	8.3	1.06
Maintenance	.49	6.2	.76	1.76	10.1	1.74	.75	6.7	--	1.82	11.3	2.13	.64	4.6	1.03
Meetings/ paperwork	.48	6.1	.49	.53	3.0	.68	.18	1.6	--	.22	1.4	.31	.03	0.2	.09
Salt, feed, med.	.29	3.4	.22	.40	11.3	.71	.42	3.8	--	.32	2.0	.46	.35	2.5	.44
Death loss	2.06	26.0	.98	2.48	2.3	2.25	2.68	24.1	--	1.94	12.1	1.95	1.27	9.1	1.02
Other	.17	2.2	.30	1.98	14.2	4.93	.60	5.4	--	.62	3.9	2.28	.05	0.4	.14
Miscellaneous	.01	0.1	.05	.03	0.2	.07	.01	0.1	--	.02	0.1	.07	0.00	0.0	0.00
Association fees	.13	1.6	.37	.50	2.9	1.41	0.00	0.0	--	.80	5.0	1.20	0.00	0.0	0.00
License/lease	1.77	22.4	.20	1.78	10.2	.25	1.82	16.6	--	1.85	11.5	.05	8.06	57.5	5.14
Total Cost	**7.92**	**100.0**	**1.92**	**17.52**	**100.0**	**8.54**	**11.12**	**100.0**	**5.53**	**16.06**	**100.0**	**9.50**	**14.02**	**100.0**	**6.26**

[a] All activities are defined and described in Lambert and Obermiller (1983, Appendix II, Part II).

[b] Due to a computer space memory limitation, standard deviations could not be computed for the Harney/Lake permittee activity costs.

Differences in Average Grazing Costs by Cost Activity

Even with the similarities in the average grazing costs among three of the five groupings, the distributions of these costs by activity appeared to vary. The greatest proportion of the per AUM cost of private leased rangeland was attributable to the cost of the lease itself--slightly more than $8.00 per AUM, on average, in 1982. The cost of the federal allotment grazing lease was close to the $1.86 per AUM grazing fee charged by the federal agencies in 1982.[20] Major cost savings associated with private leases were reduced death losses of stock , fewer requirements for lessee management of the animals, and lower costs of maintenance of structural improvements on private leased grazing lands.

Turn-out costs were relatively low across all five groups of Eastern Oregon ranchers. In many cases, turn-out required only the opening of gates or the driving of cattle a short distance from their last pasture. Gathering and take-off costs were generally much higher than turn-out costs. For the 64 Forest Service observations, an average of about 20 percent of the total grazing cost was due to the gathering and take-off activity.

In all of the groups except for the Malheur County area, cattle management costs were much higher on the federal grazing lands than on the privately leased lands. Average number of trips to the allotment during the grazing season, distance travelled to the allotment, and horse use were usually greater when cattle grazed on federal allotments.

An issue of much concern to the livestock industry since the adoption of the BLM's rangeland improvement policy in the fall of 1982 had been the future cost to the permittees of maintaining structural improvements on their public land allotments. Unfortunately, the grazing data collected in Eastern Oregon were for the 1982 grazing season, and hence the effect of the change in improvement policy was not reflected in the original Eastern Oregon data set.[21]

Sources of Differences in Grazing Costs

An explanation was sought for the wide variation in costs seen in the observations. Among the factors which were felt to have an influence on the per AUM grazing costs were the size of the permit or lease, the number of animals in the allotment, the length of the grazing season, the distance of the allotment from the headquarters ranch, and the distance from the

[20]Reported values were slightly less than $1.86 because of exchange of use AUMs available to some permittees.

[21]Elsewhere, the BLM has estimated that the policy change, on average, increased BLM permittees' maintenance costs by $1.00 per AUM in 1982 prices. If this estimate applies in the Eastern Oregon case, the implication is that the total forage use costs per AUM for BLM permittees, as appear in Tables A-3, A-4, and A-5, understated actual costs in subsequent years by $1.00 per AUM in 1982 prices.

last pasture or allotment in which the cattle grazed.[22]

Preliminary analysis of the data showed that the size of the permit in AUMs did not exert as great an influence on grazing costs as did the number of animals grazed (AUs).[23] Results were further improved when the length of the permitted grazing season was included as an explanatory variable. Similarly, even though the distance the animals had to travel from their last pasture did exert a statistically significant positive influence (at the 95 percent level of confidence) on the per AUM grazing cost, the distance from the home ranch to the allotment was found to have been an even more important factor.

Thus, the analysis examined the extent to which the observed variation in per AUM grazing costs could be explained by the number of animal units in the allotment or pasture (AUs), the length of the grazing season (WEEKS), and the distance from the headquarters ranch (DISTHQ). All of these independent variables were initially modified by the locational and ownership characteristics of the different groups. Upon testing, however, it was found that these characteristics had little significant impact on the influences of the explanatory variables. Therefore, these interaction effects were deleted from the model. Locational and ownership characteristics of the data were only retained to test their influence on the intercepts of the regression equations.

Factors Significantly Affecting Per AUM Grazing Costs

The results of the regression analysis on the 1982 Eastern Oregon grazing cost data are reported in Table A-7. The dependent variable in all cases was the grazing cost per AUM associated with the permit or of the private grazing lease. The constant term represented the intercept of the regression plane and was, in all cases, significantly different from zero. Since the interaction effects were deleted from the model, the coefficients on the three dependent variables were the same for all models (as were the associated t-values reported in parentheses). The following interpretations could be placed on the coefficients listed in Table A-7.

(1) For the sample of 165 allotments and pastures included in the 1982 Eastern Oregon survey, increasing the number of animal units in the allotment by one animal would have caused a decrease in the grazing cost per AUM of using that allotment by \$0.0034 (or 0.34 cents) in 1982 prices;

(2) Similarly, the grazing cost per AUM was inversely related to the length of the grazing season. A one week increase in the length of the permitted grazing season reduced the grazing cost per AUM by \$0.1861 (or about 19 cents) in 1982 prices;

[22] The factors responsible for differences in grazing costs have been recognized elsewhere. See, for example, the Bureau of the Budget (1964), Houseman et al. (1968), and the Secretaries of Agriculture and the Interior (1977).

[23] Ordinary least squares (OLS) regression analyses were conducted on various combinations of these variables. In addition, dummy variables were introduced to account for the geographical and land ownership groupings in which the data were placed.

Table A-7. Regression Results for Per AUM Total Cash and Noncash Grazing Costs, in 1982 Dollars, Incurred by Permittees in Grazing on Bureau of Land Management, Forest Service, and Privately Leased Lands in Eastern Oregon and Eastern Oregon Subregions.

	Variable (T-Value in Parentheses)				
	Constant	AUs	WEEKS	DISTHQ	Number of Observations
	--- Ordinary Least Squares Parameter Estimates----				
Bureau of Land Management					
Malheur/Grant	12.4707 (4.655)	-.0034 (-2.054)	-.1861 (-2.359)	.0742 (3.015)	15
Harney/Lake	14.0879 (7.774)	-.0034	-.1861	.0742	18
Baker/Eastside Cascades	19.9420 (8.961)	-.0034	-.1861	.0742	45
Private Leases	15.7526 (7.548)	-.0034	-.1861	.0742	23
Forest Service	18.6093 (11.195)	-.0034	-.1861	.0742	64
	-----Weighted Least Squares Parameter Estimates-----				
Forest Service	16.0890 (5.33)	-.0060 (1.659)	-.1792 (1.379)	.1495 (3.409)	64

(3) The distance from the headquarters ranch exerted a positive influence on grazing costs. When the other variables were held constant, each additional mile of distance between the ranch headquarters and the allotment or pasture added $0.0742 (or about 7 cents) to the grazing cost per AUM in 1982 prices.

The results just reported did not accurately describe the cost relationships on Forest Service allotments due to a statistical problem that is commonly found with data of the sort collected in the Eastern Oregon grazing survey. That problem (heteroskedasticity) was overcome by applying a more advanced form of analysis (weighted least squares) to the Forest Service data.[24] Coefficients derived using this alternative approach also are reported in Table A-7.

Since the data were transformed by this procedure, direct comparison of the Forest Service coefficients with those obtained for the remaining four groups was not possible. However, the same general relationships held. Costs per AUM declined with increases in the number of animal units (at the 90 percent level of confidence) and increased with the distance from the home ranch. Although not significant, there appeared to be a slight negative relationship between the length of the grazing season and the average grazing costs on Forest Service grazing allotments.

The results of the 1983 Eastern Oregon grazing survey may be summarized as follows. Grazing costs per AUM for the 165 pastures and allotments in the study were influenced by three factors. Costs tended to decline (1) with increases in the number of animals in the allotment and/or (2) with increases in the length of the grazing season. (3) Increasing distance from the home ranch to the grazed federal allotment or private pasture increased the costs associated with the use by livestock of these allotments and pastures.

Conclusions from the 1982 Eastern Oregon Grazing Survey

The results reported by Lambert and Obermiller in 1983 suggested avenues for further inquiry. Factors were identified that influenced cash and noncash grazing costs, and these costs were found to vary, on either an activity or an average grazing cost basis, among certain areas in Eastern Oregon. On economic grounds, this finding gave cause for questioning either the efficiency (in the sense of maximization of producer and consumer surplus) or the distributional equity among all permittees of a single federal grazing fee uniformly charged to all Forest Service and BLM permittees. The results offered no evidence that the surveyed permittees uniformly enjoyed appreciably lower costs of grazing on their federal grazing allotments than they did on their leased, privately owned rangelands. As would be expected, with a single grazing fee charged on federal grazing allotments that differ in productivity, topography, accessability, etc., average federal rangeland grazing costs could be higher or lower than corresponding costs on private leased grazing lands on a case-by-case basis.

---

[24]Each observation was multiplied by the square root of the number of animal units associated with that observation.

References

Bartlett, E.T., R.G. Taylor, and R. Gruen. 1984. *Costs of Grazing on Federal Lands: A Survey of Colorado Ranchers.* Bulletin 532A. Colorado State University Extension Service, Ft. Collins, Colorado. December.

Bureau of the Budget. 1964. *Natural Resources User Charges: A Study.* Executive Office of the President. June.

Desvousger, W.H., V.K. Smith, and M.P. McGivney. 1983. "A Comparison of Alternative Approaches for Estimating Recreation and Related Benefits of Water Quality Improvements." U.S. Environmental Protection Agency, Office of Policy Analysis. EPA-230-05-83-001. March.

Federal Register. 1977. "Grazing Fee Task Force: Charter and Requests for Comments," Bureau of Land Management and Forest Service. Friday, February 4, Part II. 42(24):6980-6989.

General Accounting Office. 1991. *Rangeland Management: Current Formula Keeps Grazing Fees Low.* GAO/RCED-91-185BR. June.

Houseman, E.E., et al. 1968. "Special Report on the Grazing Fee Survey," Statistical Reporting Service, United States Department of Agriculture. November.

Lambert, D.K. and F.W. Obermiller. 1983. *Costs Incurred by Permittees in Grazing Cattle on Public and Private Rangeland in Eastern Oregon.* Special Report 692. Oregon State University Extension Service, Corvallis, Oregon. November.

National Agricultural Statistics Service. *Agricultural Prices.* (various years)

Nielsen, D.B. 1982. "Grazing Fees for Public Lands: What's Fair?" *Utah Science.* 43(1):1-5. Utah State University Agricultural Experiment Station, Logan, Utah. Spring.

Nielsen, D.B. 1991. "Total Cost of Grazing Public Land" *Western Livestock Journal*, 70:11. January 14, p. 10.

Nielsen, D.B., E.B. Godfrey, and F.W. Obermiller. 1984. *An Evaluation of the Forest Service and Bureau of Land Management Grazing Appraisal Report.* Research Report 104. Utah State University Agricultural Experiment Station, Logan, Utah. August.

Obermiller, F.W. 1991a. "Elements of the 1991 Federal Grazing (Fee) Debate." Written Testimony. Field Hearing: Burns, Oregon. August. In United States Congress. 1992. House of Representatives. Committee on Agriculture, Subcommittee on Livestock, Dairy, and Poultry. Hearing Record, August 19 and 20, 1991. *Proposed Federal Grazing Fee Increases.* Serial No. 102-35:84-145.

Obermiller, F.W. 1991b. "Relative Values of Public and Private Rangelands." Written Testimony. Field Hearing: Burns, Oregon. August. In United States Congress. 1992. House of Representatives. Committee on Agriculture, Subcommittee on Livestock, Dairy, and Poultry. Hearing Record, August 19 and 20, 1991. *Proposed Federal Grazing Fee Increases.* Serial No. 102-35:146-160.

Obermiller, F.W. and D.K. Lambert. 1984. *Costs Incurred by Permittees in Grazing Livestock on Public Lands in Various Western States.* EM 8283. Oregon State University Extension Service, Corvallis, Oregon. November.

Public Lands Council. 1991. "Public Lands Grazing Fees: A White Paper." June.

Schulze, W.D., R.C. d'Arge, and D.S. Brookshire. 1982. "Valuing Environmental Commodities: Some Recent Experiments." *Land Economics.* 57/2(May):151-173.

Secretary of Agriculture and Secretary of the Interior. 1977. *Study of Fees for Grazing Livestock on Federal Lands: A Report from the Secretary of Agriculture and the Secretary of the Interior.* Final Report to Congress. October.

Secretary of Agriculture and Secretary of the Interior. 1986. *Grazing Fee Review and Evaluation 1979-1985: A Report from the Secretary of Agriculture and the Secretary of the Interior.* Final Report to Congress. February.

Secretary of Agriculture and Secretary of the Interior. 1992. *Grazing Fee Review and Evaluation: Update of the 1986 Report.* April.

Smits, J.H. (ed). 1984. *Federal Grazing Fees: What Is Fair Market Value?* Washington, D.C.: Public Lands Committee, National Cattlemen's Association.

Tittman, P.B. and C.E. Brownell. 1984. *Appraisal Report Estimating Fair Market Value of Public Rangelands in the Western United States Administered by USDA-Forest Service and USDI-Bureau of Land Management: Volumes 1 and 2.* July.

Torell, L.A. and J.P. Doll. 1991. "Public Land Policy and the Value of Grazing Permits." *Western Journal of Agricultural Economics.* 16/1(July):174-184.

United States Congress. 1969. House of Representatives. Committee on Interior and Insular Affairs, Subcommittee on Public Lands. Hearing Record, March 4 and 5. *Review of Grazing Fees.* Serial No. 91-1.

United States Congress. 1978. House of Representatives. Committee on Interior and Insular Affairs. *Report on Public Rangelands Improvement Act of 1978.* 95th Cong., 2d Sess., H. Rept. 95-1122.

United States Congress. 1987. House of Representatives. Committee on Interior and Insular Affairs, Subcommittee on National Parks and Public Lands. Hearing Record, September 22. *Grazing Fees and Public Rangeland Management.* Serial No. 100-18.

United States Congress. 1969. Senate. Committee on Interior and Insular Affairs, Subcommittee on Public Lands. Hearing Record, February 27 and 28. *Grazing Fees on Public Lands.* 91st Cong., 1st Sess., S. Rept. 27-989.

United States Congress. 1978. Senate. Committee on Energy and Natural Resources. *Report on Public Rangelands Improvement Act of 1978.* 95th Cong., 2d Sess., S. Rept. 95-1237.

Extension Service, Oregon State University, Corvallis, O.E. Smith, director. This publication was produced and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914. Extension work is a cooperative program of Oregon State University, the U.S. Department of Agriculture, and Oregon counties.

Oregon State University Extension Service offers educational programs, activities, and materials—*without regard to race, color, national origin, sex, age, or disability*—as required by Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, and Section 504 of the Rehabilitation Act of 1973. Oregon State University Extension Service is an Equal Opportunity Employer.