

MINUTES
SENATE RESOURCES & ENVIRONMENT COMMITTEE

DATE: Wednesday, February 15, 2012

TIME: 1:30 P.M.

PLACE: Room WW55

MEMBERS PRESENT: Chairman Pearce, Vice Chairman Bair, Senators Cameron, Siddoway, Brackett, Heider, Tippetts, Werk, and Stennett

**ABSENT/
EXCUSED:** None

NOTE: The sign-in sheet, testimonies, and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CALL TO ORDER: **Chairman Pearce** called the meeting to order at 1:30 P.M., and the Committee Secretary took a silent roll call.

APPROVE MINUTES MOTION: **Senator Brackett** made a **motion, seconded by Senator Siddoway**, for the Committee to approve the February 1, 2012 minutes. Motion passed by **voice vote**.

APPROVE MINUTES MOTION: **Senator Tippetts** made a motion, seconded by **Senator Heider**, for the Committee to approve the February 3, 2012 minutes. Motion **passed by voice vote**.

Chairman Pearce invited **Page Ryan Chapman** to the microphone as this will be his last meeting with the Committee. **Mr. Chapman** shared with the Committee that he had learned many things, but the most important thing he learned, is that our elected officials are viewed as figureheads, but you are just ordinary people trying your best, to ensure the State of Idaho can be a great state. **Mr. Chapman** received a letter of recommendation and a gift from the Committee for his service.

CONFIRMATION HEARING: **Chairman Pearce** proceeded with the Confirmation Hearing of **Tom Schultz** as the Director of the Department of Lands and serving a term commencing September 26, 2011, to serve at the pleasure of the Governor.

Tom Schultz commented he spent the last 15 years in managing state lands for the Montana Department of Natural Resources of Lands, where he managed a lot of timber land, range land, oil and gas developments, coal development and other things. Prior to working for the state of Montana, he was a U. S. Air Force Ballistic Missile Launch Officer, working primarily in Wyoming. He earned several degrees, a Bachelor's degree in Government from the University of Virginia, a Master's degree in Political Science from the University of Wyoming, and a Master's degree in Forestry from the University of Montana.

Tom Schultz commented on three primary principles that the Department wanted to achieve: 1) to generate revenue; 2) to be stewards of the land; and 3) to develop leaders. In the fiscal year of 2011, the Department generated over \$67 million, being one of the few agencies that generates revenue that contributes to schools. Over the last 15 years, they generated over half a billion dollars for public schools and institutions from timber sales alone. Over the half last century, they have generated over a billion dollars in revenue. They have 250,000 inland units of range lands and other opportunities such as wind energy, oil and gas potential, and residential development. The Department provides different types of protection, such as fire protection. He further commented that other programs that will be overseen are forest management, forest resistance, fire management, community forestry, forestry legacy, the Service Mining Act, and the Land Protection Act. **Mr.**

Schultz stated the Department's vision is to focus on being a Premier Organization in the state of Idaho and the Western United States.

Senator Siddoway asked what are Idaho's strengths, in comparison to Montana. **Mr. Schultz** replied, one of Idaho's strengths is the opportunity to know people directly and to build relationships. The Department strives to work effectively with the people, organizations, and the state leaders of Idaho.

Senator Brackett asked if there were any particular initiatives or areas of interest the Department would like to pursue. **Mr. Schultz** commented that the Department is reviewing the structure, the policies and procedures, and the budget processing at this time. He stated that in terms of new issues, they are involved in the sage grouse issue, timber issue regarding Snake River Basin beautification, and the oil and gas issues.

Senator Heider asked if there were any areas to watch as we make our decisions. **Mr. Schultz** replied there are many concerns, like risk management concerns, but there is nothing we can do to eliminate all risks. He further commented that Idaho can learn from other States. The Department is communicating with other states, such as Texas and Wyoming, to learn from their expertise with oil and gas issues.

Senator Werk asked if the Department was considering having a specific set of ethics and conduct standards associated with the oil and gas industry. **Mr. Schultz** stated there was a State government code of ethics in place.

Chairman Pearce commented that **Senator Siddoway** will be presenting a couple of proposals to the Committee and no vote was required today. **Senator Siddoway** will be presenting these two proposals for discussion only.

Senator Siddoway presented two proposed Joint Resolutions regarding the "Disposition of School and University Endowment Lands." In 2010, there were two Constitutional Amendments that passed the Senate floor and went to the House floor, and there were some concerns, so these public school endowment plan proposals were given back. He commented there have been concerns about cottage sites on the lakes and land owners were frustrated with the increasing rental rates. The landowners contacted the Department of Lands for assistance. The Constitution has two provisions within the endowment plan: 1) to have a public auction; or 2) do a land exchange, which is very time-consuming. Many people have become frustrated with these two provisions.

Senator Siddoway stated that after reviewing the concerns, it was decided to change the language in these two proposed joint resolutions. Beginning with Section 1, Section 8, Article IX, page 1, that following language was stricken: "subject to disposal at public auction", line 38 and 39; and "the legislature shall provide" line 40 and 41, and to include the new language of "or other disposition," on line 41. On page 2, line 1 and 2, the following language was stricken, "and for the faithful application of," and to include the new language on line 2 through 5, "at public auction or through such other means a prudent investor would use while considering the purposes and terms of the trust and while exercising reasonable care, skill and caution." On line 5, the word "thereof," was stricken, and includes the new language of "from any disposition of lands shall be faithfully applied." On line 7 the words of "provided, that not to exceed," was stricken to include the new language, "No more than", continuing on line 7, "one hundred sections," was stricken, and includes the new language of "ten thousand acres" on line 8. On line 9 through 11, "and to be sold in subdivisions of not to exceed three hundred and twenty acres of land to any one individual, company or corporation" language was stricken and replaced with the new language of "other disposition," which would give a land owner an option of different types of sales to dispose of land, for example, private sale or a partnership contract sale.

Senator Siddoway commented on another concern, what is a prudent investor. A prudent investor is someone that is in charge of an endowment trust, making decisions on long range goals and returns, for the benefit of the trustees of the trust. The rules regarding a prudent investor would be faithful to the terms of the sale or exchange of the land.

Senator Siddoway stated that the timber constituents had concerns with the language regarding "the strike line of 100 sections, 320 acres." This language was changed to 10,000 acres.

Senator Siddoway commented on the next proposal that the language had been stricken "ten dollars per acre, and in subdivisions not to exceed one hundred and sixty acres, to any one person, company or corporation" and included the new language of "the appraised price." The remaining language for these two proposals are unchanged.

Senator Stennett asked when did you decide on the figure of 10,000 acres and is that still according to any one individual company or corporation like it was for the 320 acres. **Senator Siddoway** replied yes. **Senator Stennett** asked if the Department of Lands participated in these changes directly with you. **Senator Siddoway** commented, "yes they did." **Senator Stennett** asked did you envision 10,000 acres being a large tract of land an option to a landowner? **Senator Siddoway** stated, "I don't know of a company having a demand for that amount of land. Ranchers may consider these large tracts of land if the land is near their ranches." **Senator Stennett** asked if 10,000 acres being the cap, could there be several transactions made to meet that cap. **Senator Siddoway** replied yes, that was his understanding. **Senator Stennett** asked within the guidelines you proposed, who determines the price of those lands? **Senator Siddoway** commented the price will be determined by an appraisal reflecting the fair market value at that time.

Vice Chairman Bair asked if the closing costs showed up on the county records and would they be transparent. **Senator Siddoway** replied they would, but after the fact. **Vice Chairman Bair** asked when a prudent investor is participating in the sale, would there be good rule of policy that would be followed, using the prudent investor rule in the state code. **Senator Siddoway** stated exactly, this whole thing is driven by investors and all have to follow the rules.

Tom Schultz commented the Department, in 2010, supported this concept, coupled with an outreach policy that in order to move forward, a significant educational component, as well as working with stakeholders had to take place for all concerns to be addressed. He stated the Department has not been able to follow through with this outreach policy and the educational component at this time. At this point in time, the timing may not be right for our Department's perspective to move forward with this issue. He said we can learn from other states that have been through this process. The state of Montana, between 2006 to 2011, sold 50,000 acres which was roughly 10,000 acres per year. The primary client to acquire such large tracts of land were ranchers. In Idaho there have been 17 sales through land banking. The primary transactions have been exchanges.

Senator Siddoway asked what would the process be from beginning to end, and who was obligated to pay for the services of a land sale. **Mr. Schultz** replied there would be an application process at a regional office. An evaluation process would take place to see if the Department would want to dispose of the said land, then an appraisal would be the next step. The Department would direct the scope of the appraisal and the applicant would receive the funds to pay for the appraisal. The Department would receive the appraisal, listing the minimum price for which the land could be sold. There would be an auction process according to the state law.

S 1291:

Senator Brackett presented **S 1291**, Rangeland Center, University of Idaho. He stated this legislation creates a statute the Rangeland Center at the University of Idaho for the purpose of creating a new model for interdisciplinary research, education and outreach to fulfill the University's land grant mission. The faculty will have expertise in grazing, rangeland ecology, entomology, soil science, economics, rural sociology, fish and wildlife management, invasive plant management, forage production, animal science, fire ecology, restoration and the use of spatial technologies to understand and manage rangelands. The Center will have a director who will be responsible for fiscal and human resources. The Center will be under the control of the State Board of Regents, through the Deans' of the College of Natural Resources and Agriculture, and Applied Sciences at the University of Idaho. This legislation will provide an advisory council, with a variety of interests and expertise relating to rangelands. The modern challenges of rangeland management require integrative thinking and innovative practices to maintain and restore these lands and the human communities that rely on them. The Center will be comprised of researchers and educators from the College of Natural Resources, the College of Agricultural and Life Science, the University of Idaho Cooperative Extension, other colleges or units in the University of Idaho, and other agencies and academic institutions that may contribute.

Senator Werk asked if staff from the University of Idaho would speak to the Legislation. **Senator Werk** asked how there was no impact to the general fund. **Senator Brackett** commented the Rangeland Center has been created and it utilizes the staff and funds already in place. When it moves forward, there will be a request for funds. As of now, there are no funds being requested. **Senator Werk** asked why this was being requested to be in statutory language. **Senator Brackett** stated, by having this bill in statutory language, it would be institutionalized for longevity. He further commented that it has taken years to get to this point. It is vital the University of Idaho maintain its credibility.

Chairman Pearce asked if the University of Idaho was aware of what had been done, or was this about rangeland protection? **Senator Brackett** replied he has worked closely with the University of Idaho and the Range Department, combined with other units. **Chairman Pearce** asked if the University of Idaho was fully aware and supportive of this bill. **Senator Brackett** stated, "yes."

Joe Stegner, the University of Idaho Special System President for State Government Relations, stated **Senator Brackett** has had many conversations with the University staff, and the University is very excited about this proposal and offered all of its support. **Senator Werk** asked about the government's structure for this proposal Rangeland Center, how the work will be accomplished, who will be directing the operations, what kind of qualifications the University is looking for in a director for the Center. **Mr. Stegner** replied that he is not the appropriate person to give the assurance needed at this time. He stated there is a chain of command with the University of Idaho, each staff member was accountable and was asked to justify their actions to the University and the Legislation. **Senator Werk** asked **Mr. Stegner** if he was aware, or if the sponsor was aware of whether or not the Legislature had taken this step in the past, of placing in statutory language. **Mr. Stegner** stated the League of Forestry was a program placed in statute. Idaho has the opportunity to become a premier rangeland advancement research center in the United States, and this is a critical step for the University of Idaho to step forward in this area.

Wally Butler, Idaho Farm Bureau Range and Livestock Specialist and Vice President for the Society for Rangeland Management, and an alumni of the University of Idaho, commented Dr. Karen Laushbaun is currently the Director of this Rangeland Center and prepared the framework for the Center. The Society of Rangeland Management does accredited range management programs worldwide. In North America there are 13 accredited range management schools. Due to budget cuts and departments being in peril a few years ago, we have now six accredited range management schools. He further commented that the University of Idaho has always held a current accreditation. The state of Idaho is 67% federally-owned range land and most of the Western United States averages 70% owned.

MOTION: **Vice Chairman Bair** made the **motion, seconded** by **Senator Heider**, that the Committee forward **S 1291** with a "**do pass**" recommendation. **Chairman Pearce** commented that there was an ESA study on the wetlands and Everglades, and from that study many animals, such as raccoons, were removed to resolve some problems that arose. This data is very important when there are problems. Idaho can use all the help they can get and needs to move forward to be proactive in this movement. The motion **passed** by **voice vote**.

RS 21255: **Vice Chairman Bair** presented **RS 21255** to the Committee. This is the concurrent resolution rejecting a pending rule docket of the Idaho Fish and Game Commission, relating to Rules Governing Licensing as being not consistent with the Legislative intent. The effect of this concurrent resolution, if adopted by both Houses, would be to prevent the entire pending rule docket from going into effect. This Committee previously rejected **RS 21255**. **Vice Chairman Bair** asked the Committee for a vote to move **RS 21255** to the State Affairs for introduction to a print hearing.

Senator Werk said if this **RS 21255** is printed in State Affairs, will we see it again to discuss, or will it go to the Senate Floor? **Chairman Pearce** commented the Committee will request **RS 21255** to be returned to this Committee.

MOTION: **Senator Heider** made the **motion, seconded** by **Senator Siddoway**, that **RS 21255** to be sent to State Affairs for a print hearing. The motion **passed** by **voice vote**.

Chairman Pearce commented he was to appear before the Joint Finance Appropriations Committee (JFAC). He asked the Committee for input, and said his report would include the following items: Fish and Game, Department of Lands, Guides of Outfitters, Water Resources, Office of Species Conservation, and Department of Environmental Quality (DEQ). **Senator Werk** commented on the length of time the Committee spent on the oil and gas rules.

ADJOURNMENT: **Chairman Pearce** adjourned the meeting at 2:50 P.M.

Senator Pearce
Chairman

Linda Kambeitz
Secretary
