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January 21, 2022

Honorable Chairman Jeff Agenbroad
Honorable Chairman Rick Youngblood
Joint Finance-Appropriations Committee

via e-mail: jagenbroad@senate.idaho.gov

via email: ryoungblood@house.idaho.gov

Dear Chairmen Agenbroad and Youngblood:

Thank you for the opportunity to present Idaho Department of Lands' FY2023 budget request to the Joint Finance-Appropriations Committee this morning. I'm writing to provide additional details about the questions asked by committee members.

Defining Endowment Beneficiaries

The endowment beneficiaries are defined by Idaho's admission bill. Adding or removing beneficiaries would likely require congressional action and perhaps constitutional amendment. Revenue is generated by land management activities on parcels specific to each beneficiary, or by financial assets which are also specific to each beneficiary. Distributions to the beneficiaries result from land management and financial asset income and are determined by the Endowment Fund Investment Board with the approval of the State Board of Land Commissioners.

Paying for Fire Suppression with Endowment Earning Reserves Funds

Like other private and industrial timberland owners in Idaho, IDL pays a fire protection assessment annually for endowment timberland, charged on a per acre basis and paid with earnings reserve funds. The assessments paid by all forestland owners help fund Idaho's fire preparedness and pre-suppression activities. IDL manages approximately one million acres of timberland for the endowment beneficiaries but provides fire protection across 6.2 million acres on endowment, privately owned, and federal land. It would be inequitable and likely violate the constitution for the endowments to fully fund IDL's fire suppression activities, or to pay more than its fair share of expenses. Idaho has made a policy decision to utilize the general fund to cover fire suppression costs; charging actual costs to landowners would significantly depart from current state policy.

Exempting Endowment Land Used for Recreation from Disposition

Per the admissions bill and Idaho Constitution, endowment land exists to generate revenue for the beneficiaries. Nearly 98% of net revenue generated from endowment lands is derived from the timberland asset class. Recreation is a minor contributor to endowment revenue. Should

the Idaho Constitution be amended to prohibit the disposition of endowment land used by the public for recreational purposes, or change the revenue mandate for endowment lands, such a change may profoundly impact the revenue generating capacity of endowment land, resulting in reduced beneficiary disbursements and higher costs borne by the general fund. The Idaho Constitution already places limits on disposition of land. The Idaho Department of Lands strives to generate revenue from the land before considering disposition.

Fire Business System Lifespan, Interoperability

With regular maintenance, we estimate the Gold's Fire Business System will remain viable for at least 20 years. Across the west, states including Utah, Colorado, Wyoming, Nevada, Arizona, and New Mexico have either fully implemented or are in the process of implementing electronic fire business systems. The Gold's system was developed in Utah, integrates with core fire information systems and GIS, and meets our specific fire-billing and transactional needs. Idaho's paper-based approach to fire business is rapidly becoming obsolete and results in the delayed receipt of payment for reimbursable costs from other jurisdictions and the federal government, frequently by periods spanning multiple years. The effort required to pay Idaho's fire cooperators in a timely manner – rural and municipal fire departments, and private contractors – is herculean and likely unsustainable without implementing an electronic system; these small public entities and private firms cannot bear the financial strain caused by delayed reimbursements. Additionally, given the complexity of fire billing transactions, shifting paper-based records between cooperators and various jurisdictions increases the likelihood of records required for receiving payment to be lost and makes auditing transactions difficult. The spending authority requested covers the software, configuration, and integration with Navision.

Software Licensing

A portion our \$105,000 funding request for software licensing is driven by increased vendor costs. For example, the cost for Microsoft Priority Support has increased by \$20,000. When we renegotiated a three-year agreement with ESRI, overall license costs increased but we also will seek to add 20-25 additional licenses to the contract. Mobile Iron (MDM), software required for mobile device security, encompasses 225 new devices and helps us maintain system security in the new "work from home" environment. As our work to implement M-Files for electronic document management continues, upgrading to M-Files Enterprise Edition for \$15,000 provides 24/7 support, maintenance, test environments and crucial integrations with other applications. As IDL's phone system moves to ITS, licensing costs are eliminated for IDL but overall costs will increase by \$15,000.

Justifying the Need for an Additional GNA Truck

In FY22 we received funding for three trucks for use with GNA projects which met some, but not all program needs. Prior to receiving that appropriation, the program had borrowed

vehicles from other programs, which was not a sustainable solution. The funding for a half-ton truck for GNA requested in FY23 meets the program's current transportation needs. It is worth noting that IDL typically replaces ½ ton or lighter vehicles at 90,000 miles, ¾ ton at 100,000 miles, and one ton or greater at 110,000 miles. The vehicles we use in the field are driven in harsh conditions across rough terrain. We maintain them well, but they wear out from use.

Need to Reestablish the Cottonwood Fire Protection District

We are not requesting funding to reestablish the Cottonwood Fire Protection District in our FY23 budget request. Fire protection responsibilities in Idaho are allocated based on a statewide master fire agreement. IDL is presently renegotiating this agreement with the federal government. There are significant timber resources in eastern Idaho, which the Cottonwood district, before it was disbanded, protected. That responsibility now falls on the federal government. We will continue to evaluate the need to reestablish the Cottonwood district as a complement to our negotiation strategy in the future, within the context of enabling Idaho to achieve other critical objectives in a new statewide master fire agreement.

At IDL, our most important core value includes taking actions today that positively affect long-term financial returns for the trust beneficiaries now and into the future. We focus both on increasing the revenue generating capacity of the land we manage and its equally important counterpart, controlling costs. If you or members of your committee have additional questions, we will gladly answer them.

Sincerely,



Dustin T. Miller
Director