

MINUTES
HOUSE RESOURCES & CONSERVATION COMMITTEE

DATE: Tuesday, January 23, 2018

TIME: 1:30 P.M.

PLACE: Room EW40

MEMBERS: Chairman Gibbs, Vice Chairman Gestrin, Representatives Moyle, Raybould, Shepherd, Wood, Boyle, Vander Woude, Miller, Burtenshaw, Mendive, Youngblood, Kauffman, Giddings, Blanksma, Erpelding, Rubel, Jordan (Wolf)

**ABSENT/
EXCUSED:** Representative(s) Vander Woude

GUESTS: Mike Murphy, Eric Wilson, Roger Seiger, Idaho Department of Lands; Ben Davenport, Idaho Mining Association; Elizabeth Criner, JR Simplot; Trent Clark, Monsanto

Chairman Gibbs called the meeting to order at 1:30pm.

MOTION: **Rep. Kauffman** made a motion to approve the minutes of the January 15, 2018 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Kauffman** made a motion to approve the minutes of the January 17, 2018 meeting. **Motion carried by voice vote.**

Jon Younce, Vice President, Operations, McFarland Cascade, presented an update on the cedar pole pilot program since it began last year. Mr. Younce stated Idaho is in the heart of the cedar resource in the United States, and in the North American utility market, Idaho supplies 10-15% for just the endowment portion of that resource. Many of the Idaho utility companies depend on Idaho's cedar for utility poles. The cedar pole pilot program was proposed by the Idaho Department of Lands in 2017 as a method to determine the best way to sell cedar, and that includes cedar poles to generate the highest returns for the endowments.

The proposal was developed using two methods; single and dual entry. The single entry method targets a stand with a high volume of cedar with a normal forestry prescription and packages the sale to attract cedar bidders. The dual entry method resembles the historic pole policy with a prescription targeting cedar poles that would require an additional entry to take the remaining timber to a forestry facility. The final step is the new method of sale, which is on a board foot basis rather than by pole volume. He stated both methods, single and dual entry, are considered valuable tools depending on the situation; the key is to package cedar to attract bidders to create competition. In summary, **Mr. Younce** stated it is too early to tell how successful the pilot program will be since they just wrapped up the first year, but is confident after another year they could make a better determination.

H 373: **Mike Murphy**, Endowment Leasing Bureau Chief, Idaho Department of Lands, stated this legislation would eliminate the option for new mineral lessees to apply annual rental payments as credit against monthly royalty payments. He stated this crediting option, which is not allowed in other endowment leasing programs like oil and gas leasing, requires significant administrative time to manage. The Department currently collects annual lease payments and monthly lease royalty payments based on production. Annual rental payments are deposited by the Department into the Earnings Reserve Fund and can be applied towards mineral leasing program expenses or distributed to endowment beneficiaries. Royalty payments based on production are deposited by the Department into the Permanent Fund which is managed by the Endowment Fund Investment Board and

cannot be used to cover administrative costs. Mr. Murphy explained by removing the last sentence of **47-704(1), Idaho Code**, this legislation will maximize the Earning Reserve Fund revenue to better support the mineral leasing program. He also stated it is important to note this legislation only affects new leases issued by the Department, and that the Department is contractually obligated to continue business under the original process for all existing mineral leases until they expire.

Elizabeth Criner, representing the JR Simplot Company, stated Simplot did not have any issues initially with this proposed legislation, but now has concerns about passing one piece of the puzzle without fully understanding the bigger picture. She stated the Department has been looking at a wide variety of changes to their leasing program documents, creating uncertainty with potential changes. As a result, they request the committee hold the bill in order to have more time for discussions with the Department to clear up concerns.

In response to clarification questions from several committee members, **Ms. Criner** stated there is too much uncertainty with this change and how it relates to other changes on the horizon not included in this bill.

Trent Clark, representing Monsanto, stated their view is in line with **Ms. Criner's** position.

Mike Murphy returned to the podium to clarify the Department has no other legislation pending other than the bill next on the agenda, which is a completely different matter. He stated this is a clean-up bill to what they believed is an antiquated process, is completely separate from any other issues the Department is currently working on, and would not have any impact on those ongoing issues.

Vic Conrad, representing JR Simplot, stated **Ms. Criner** spoke directly on point regarding discussion with the Department concerning changes to the mineral lease forms, so believes it is premature to proceed with these legislative changes on something that is a piece of a much larger picture. He stated additionally, there are questions regarding how the State tracks payments, why the costs are what they are, and if there is a more efficient way to handle these payments.

MOTION: **Rep. Raybould** made a motion to **HOLD H 373** in committee. **Motion carried by voice vote.**

Chairman Gibbs requested a meeting be set up to discuss the concerns raised today and will hold this bill until after February 7, 2018.

H 374: **Eric Wilson**, Resource Protection and Assistance Bureau Chief, Idaho Department of Lands, stated the purpose of this legislation is to make minor changes to both the Idaho Dredge and Placer Mining Protection Act and the Idaho Surface Mining Act modifying the requirement for mining exploration notifications. He stated currently notification is required by certified mail. The change would allow for notification by regular or certified mail, delivery in person, or through a web-based interface.

Chairman Gibbs requested the record reflect there were no questions from the committee and there were no requests from the public to testify.

MOTION: **Rep. Wood** made a motion to send **H 374** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Blanksma** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:17pm.

Representative Gibbs
Chair

Tracey McDonnell
Secretary