Optimizing the Timber Trust NASTL 2024

Jim Elbin
Division Administrator
Trust Lands

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Foundational Concepts

- Idaho Admissions Act
- Idaho Constitution – Article IX
- Idaho Statutes – Title 38 (regulatory) and Title 58 (Lands specific)
- IDAPA Rules
- Land Board Policies
- Agency Guidance Documents
  - Asset Management Plan
    - Forest Asset Management Plan
- Endowment Reform at turn of 21st century

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IDL's Dual Mission

- *To professionally and prudently manage Idaho's endowment assets to **maximize long-term** financial returns to the public schools and other trust beneficiaries*
  - Unique role of government to run much like a business
  - Land Board given broad authority in this respect
  - Also, work alongside legislature for budgeting and updating legislation and rules
- *and to provide professional assistance to the citizens of Idaho to use, protect, and sustain their natural resources.*
  - Regulatory, protection, and assistance; traditional government agency role

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Trust Land Beneficiaries

- Established at statehood to fund various institutions – each parcel of state land is owned by an endowment (sometimes surface is different than subsurface and some other weird situations)

1. ***Public School Fund***, K-12 Education (84.91% total/ 71.48% timberland)
2. ***Agricultural College Fund,*** University of Idaho (1.35%/1.45%)
3. ***Charitable Institutions Fund,*** Idaho State University, State Juvenile Corrections Center, School for the Deaf and Blind, Idaho Veterans Home, and State Hospital North (3.09%/6.03%)
4. ***Normal School Fund*** Idaho State University Department of Education and Lewis-Clark State College (2.51%/4.47%)
5. ***Penitentiary Fund*** (1.15%/2.58%)
6. ***School of Science Fund,*** University of Idaho (3.01%/6.06%)
7. ***State Hospital South Fund*** (1.48%/3.18%)
8. ***University Fund,*** University of Idaho (2.2%/4.07%)
9. ***Capitol Permanent Fund*** (0.29%/0.69%)

97.08%/93.55% lands managed for education purposes.

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Forest Asset Management Planning

Purpose of FAMP Process

- Strengthen one of IDL’s core trust land businesses
- Tied to State Trust Land Asset Management Plan (AMP)

Broad Goals of FAMP Process

- Continue to maximize returns to the trust beneficiaries
- Address market changes & risk
- Reduce biological risks to trust land forests
- Maintain or improve important forest functions

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Sustainability Goals of FAMP

- Address market and milling changes by shifting diameter classes to smaller sizes
- Reduce holding and biological risks:
  - Shorter rotations
  - Protection from insects, disease, and wildfire loss
  - Still provide other forest functions of watersheds, carbon sequestration, and genetic diversity
- Highlight areas for land changes through disposal and acquisition and revenue diversification
- Endowments benefit from helping maintain industry and local economies
- Manage forests to get to "regulation"
  - Reduced standing volume from ~10 Billion BF to around 5 Billion BF

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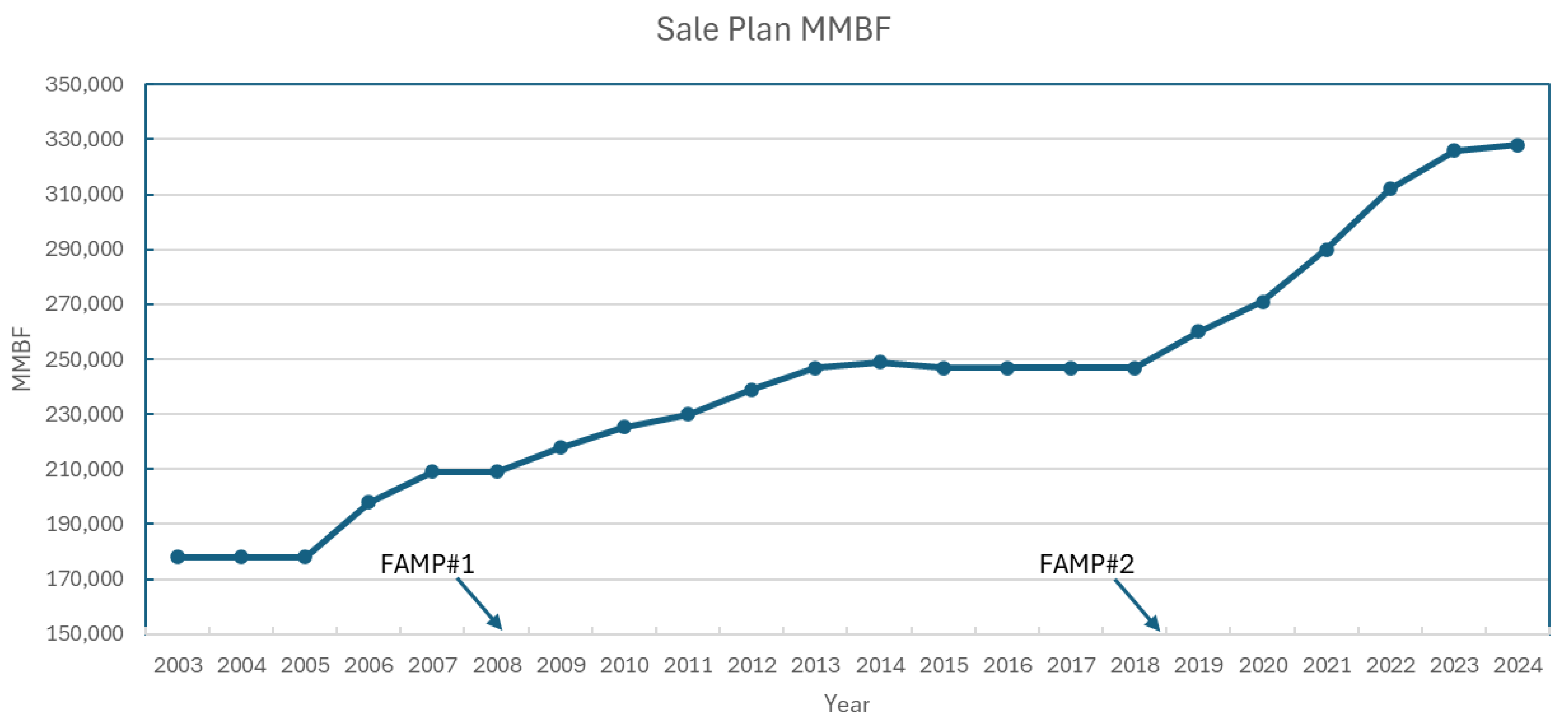
Impact of FAMP on IDL Sale Volume



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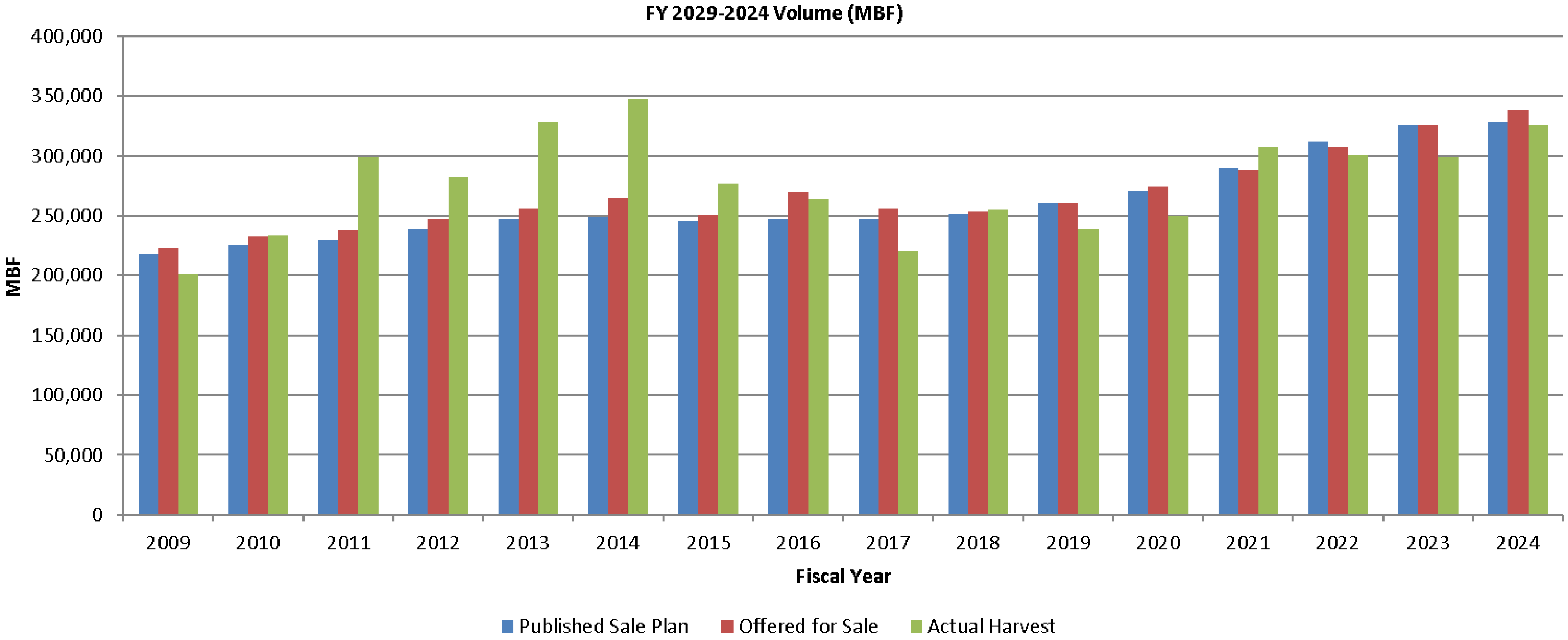
IDL Timber Sale Plan Performance



Gross Timber Revenue by Fiscal Year

2020	2021	2022	2023	2024
$68,146,916	$79,788,804	$75,795,509	$74,009,280	$82,879,483

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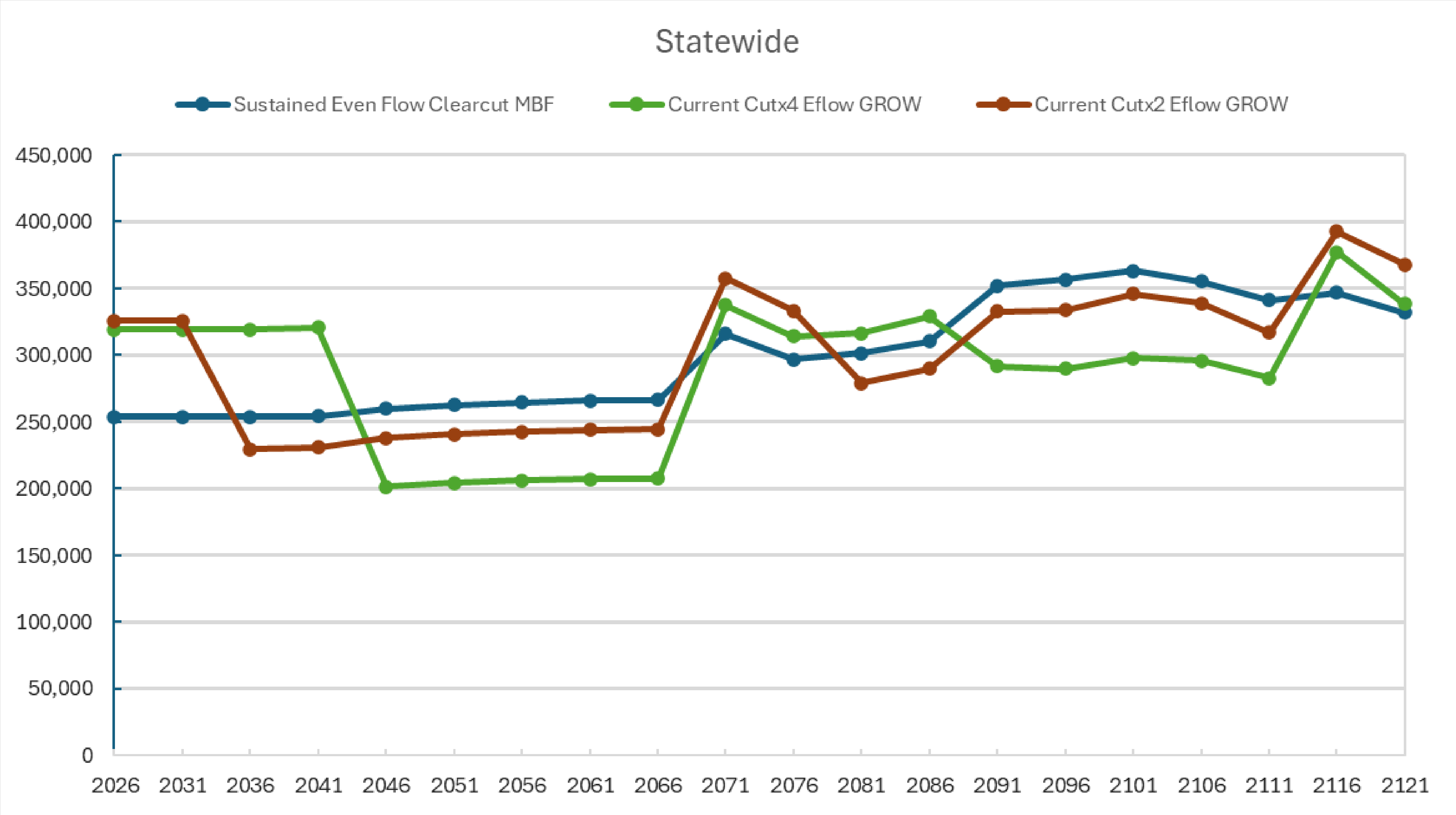
Current FAMP Modeling Efforts



Timber Sale Program Highlights

VOLUME UNDER CONTRACT as of July 31, 2024		
	Total	3 Year Average
Active Contracts	166	180
Total Residual MBF Equivalent	528,711	552,602
Residual Value ($/MBF)	$278.67	$280.49

Contracts represent 19 different purchasers.

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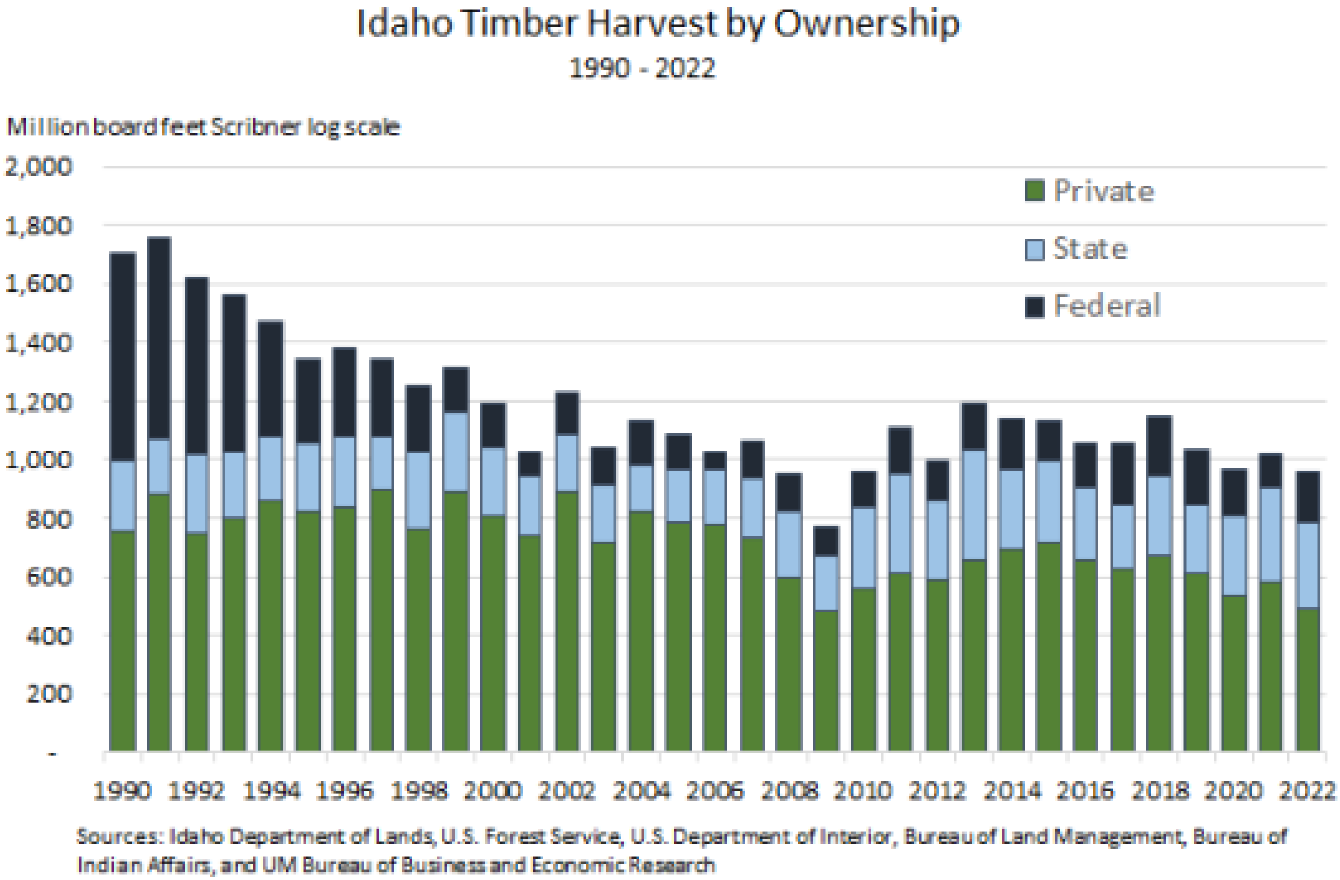
Timber Harvest and Supply

TIMBER HARVEST



1.0
billion board feet
-6% from 2021

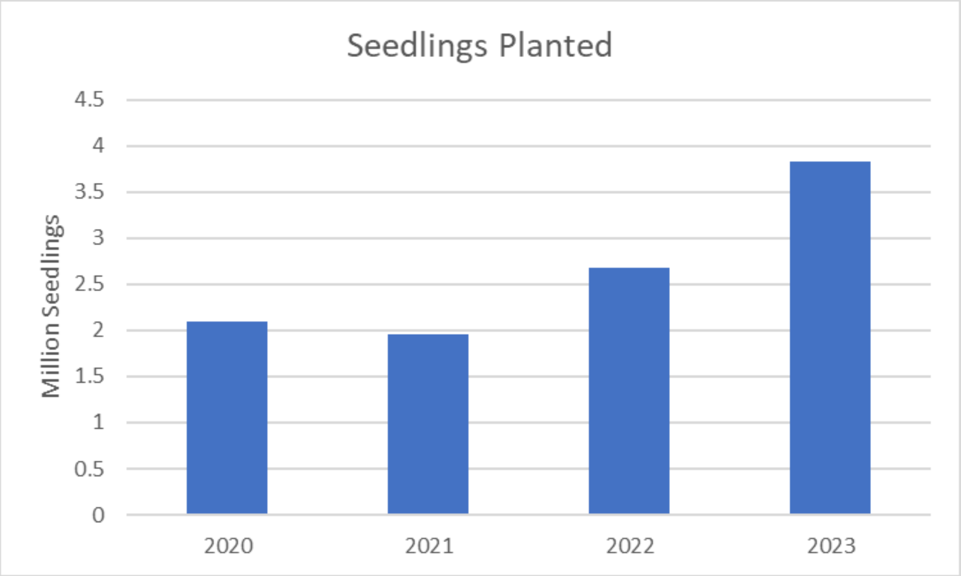
51%
from **Private** lands

30%
from **State** lands

19%
from **Federal** lands

Silviculture

- Stand Initiation - Planting
  - Fiscal year 2023
    - 11,022 acres
    - 3,971,500 seedlings

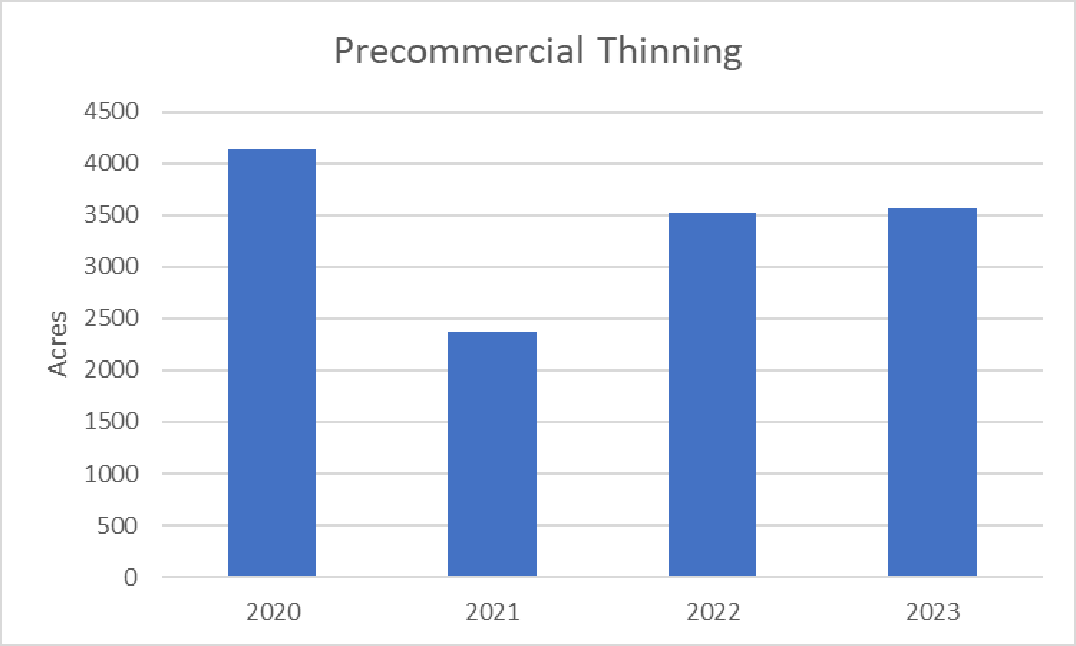


Elk Peak Planting - SJS

Mashburn Herbicide Treatment- SJS

Silviculture (cont.)

- Precommercial Thinning
  - FY 2023 – 3,568 acres treated



Sand Mountain PCT - POL

Syringa PCT – St. Joe

Infrastructure Investments

- 3-year average - $9.5 million
- Fiscal Year 2023 – $11.5 million
- Bridge Inventory
  - Completed 2022
  - Identified location and priority

Cottonwood Bridge New Location - Eastern

Floodwood Bridge Replacement – St. Joe

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Economic Challenges

- Remote parcels can increase transportation costs to major markets
  - Upwards of 7-hour one-way haul times.
- Operational Costs: High costs of labor, equipment, and fuel, combined with the need for specialized machinery on steep slopes.
  - Approximately 35% of acreage on IDL ownership has been cable yarded
- Industry-wide aging work-force with low recruitment
- Adjacent land values on the rise due to the higher and better use
  - Primarily residential development

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The Future

- Continue to develop better growth and yield estimates
- Continue work utilizing technology for efficiency gains
  - LiDAR, PhoDAR, GIS, etc.
- Change land classifications to optimize timberland ownership, diversify revenue portfolio, and divest of underperforming lands with opportunity to reinvest or transfer to EFIB
- Deploy more genetically improved seedlings and continue to hone early rotation investment strategies
- Join with partners in training and attracting highly skilled workforce

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