



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board

Lawrence E. Denney, Secretary of State

Lawrence G. Wasden, Attorney General

Brandon D. Woolf, State Controller

Sherri Ybarra, Superintendent of Public Instruction

Tom Schultz, 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.

FINAL Minutes
State Board of Land Commissioners' Regular Meeting
June 21, 2016

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, June 21, 2016, in the State Capitol, Lincoln Auditorium, Lower Level, West Wing, 700 W Jefferson St., Boise, Idaho. The meeting began at 9:02 a.m. The Honorable Governor Brad Little presided in place of Governor C. L. "Butch" Otter who was attending to business out of state. The following members were present:

Honorable Secretary of State Lawrence Denney
Honorable Attorney General Lawrence Wasden (*via teleconference*)
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Sherri Ybarra

1. Director's Report

- A. Interest Rate on Department Transactions – June 2016
- B. Timber Sale Activity and Information Report – May 2016
- C. Division of Lands and Waterways Activity and Information Report – May 2016

2. Endowment Fund Investment Board Manager's Report – *Presented by Larry Johnson, EFIB Manager of Investments*

A. Manager's Report

DISCUSSION: Mr. Johnson reported that distributions for FY2017 continue to be well-secured. Mr. Johnson stated that on May 17 the Investment Board reviewed the Land Board's current distribution policy and recommends that no changes be made at this time. The Investment Board also reviewed a preliminary estimate of FY2018 distributions based on current policy. If the fiscal year had ended in March, it is estimated that FY2018 Public School distributions would increase 29% from FY2017 and the other seven endowments would show no increase for a 17% increase in total distributions. Mr. Johnson noted that a final recommendation from the Investment Board on FY2018 distributions will be provided at the Land Board meeting in August. That recommendation will reflect actual Fund and land income through June as well as an updated land revenue forecast from the Department of Lands.

B. Investment Report

DISCUSSION: Mr. Johnson stated that during the month of May the Fund was up modestly, almost a percentage point; the Fund ended May just below breakeven at minus 0.3%. Through yesterday the Fund lost another tenth of a basis point and at this point is down 0.4%. Mr. Johnson commented that if the market holds up at the levels it has to date the Fund should be back above zero. Mr. Johnson noted that the Fund was down minus 2% when the preliminary FY2018 distribution estimates were determined. If the Fund were to end the year at today's level the distribution numbers provided would perhaps be a little bit higher. Governor Little thanked Mr. Johnson and EFIB staff for a job well done.

• **CONSENT**

3. Strategic Plan FY2017-FY2020 – Staffed by Bill Haagenson, Strategic Planning Manager

RECOMMENDATION: Direct the Department to submit the FY2017 – FY2020 Strategic Plan to the Division of Financial Management by the July 1, 2016 deadline.

4. State Participation as a Member of Clearwater-Potlatch Timber Protective Association (CPTPA) and Southern Idaho Timber Protective Association (SITPA) – Staffed by David Groeschl, State Forester and Deputy Director-Forestry and Fire

RECOMMENDATION: The Department recommends that the State continue to participate as a member of the Clearwater-Potlatch Timber Protective Association and Southern Idaho Timber Protective Association.

DISCUSSION: Governor Little mentioned that SITPA has a new fire warden. Director Schultz commented that Mark Woods was the fire warden at SITPA for more than 10 years and he recently retired. Ken Stump was hired as the new fire warden; he is a former IDL employee and also a retired Forest Service employee. Director Schultz remarked that the Department works very closely with the Timber Protective Associations and has a good working relationship that will continue going forward.

5. Authorization for Issuance of Deficiency Warrants to Pay Fire Suppression Costs in FY 2017 – Staffed by David Groeschl, State Forester and Deputy Director-Forestry and Fire

RECOMMENDATION: Authorize the Department to issue deficiency warrants necessary to pay the fire suppression costs beyond the \$151,600 appropriation for fiscal year 2017.

DISCUSSION: Director Schultz mentioned that the 2016 legislature for the first time looked at several years' average fire cost and prefunded the deficiency warrant account in the amount of \$30 million plus. Director Schultz explained that, with the Land Board's permission, this would allow the Department to spend into that deficiency fund when costs in FY2017 are incurred. The Department would then return to the legislature at the end of the season and provide details on those costs. In this case the legislature prefunded that account; if the Department has suppression costs under \$30 million there would be no action needed on behalf of the legislature because it was preauthorized through the budgeting process.

Governor Little remarked that budgeting \$151,000 out of \$30 million seems to be substantial undershooting. Governor Little noted that the code section referenced [Idaho Code § 38-131] is from 1976 and asked if the Board or the Department has thought about updating the code section. Director Schultz replied that the Department has not proposed any changes. Director Schultz stated that the Department thinks the deficiency warrants process works well in terms of funding. Governor Little mentioned that he and State Forester David Groeschl visited and Mr. Groeschl explained that if the Department does not have even one fire to suppress, it still incurs an annual cost of \$10 million. Director Schultz stated that is correct. The Department has a preparedness budget to hire and train staff, and maintain equipment, all of which costs are incurred whether the Department is called to suppress a fire or not. The Department's preparedness budget is built into the base budget. Typically the Department has not had a budget for suppression because it spends under this deficiency fund and comes back to the legislature every year with actual fire suppression expenses for the fiscal year. The legislature then appropriates the necessary funds.

Anita Hamann, the Department's budget analyst with Division of Financial Management, stated it is a policy issue whether the suppression is funded up front or the deficiency warrant process is used. Ms. Hamann commented that part of the reason the deficiency warrant account was prefunded was because of the end of year bill that the legislature changed [S1331], which states if there is general fund money left over at the end of the year it goes into the Budget Stabilization Fund. The legislature wanted to make sure the deficiency warrant money was retained at the end of the year.

6. Approval of Minutes – May 17, 2016 Regular Meeting (Boise)

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

- **REGULAR**

7. Organizational Structure – Presented by Tom Schultz, Director

RECOMMENDATION: The Department recommends hiring a Deputy Director and implementing the new organizational structure upon Board approval.

DISCUSSION: None.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board adopt and approve the Department recommendation that is hiring a Deputy Director and implementing the new organizational structure upon Board approval. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

