



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

David Groeschl, Secretary to the Board

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*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 19, 2018

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, June 19, 2018, in the Capitol, Lincoln Auditorium, Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho. The meeting began at 9:06 a.m. The Honorable Secretary of State Lawrence Denney presided in place of Governor C.L. "Butch" Otter who was attending to state business elsewhere. The following members were present:

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

For the record, Secretary of State Denney recognized the presence of four Board members, and noted that Attorney General Wasden and Superintendent Ybarra were joining via conference call.

**1. Director's Report**

- A. Timber Sale Activity and Information Report – May 2018
- B. Lands and Waterways Activity and Information Report – May 2018

*DISCUSSION:* Secretary of State Denney noticed that the second grazing assignment listed the same name for assignor and assignee, and asked if that was a transfer within the same family. Director Groeschl explained that the assignment was to the same entity because the lease for that land was split from one into two leases.

- C. Cottage Site Update

D. Return on Asset (ROA) Biannual Review

*DISCUSSION:* Attorney General Wasden expressed concerns about the report in that it does not compare asset classes in an 'apples-to-apples' manner for several reasons as stated by Director Groeschl, and the percentage of assets held in timberland relative to timberland returns does not seem to support Callan's assertion that the asset portfolio favors timber. Attorney General Wasden stated the Board's constitutional requirement is to obtain maximum long-term returns and this report does not provide proper comparison of assets to assist or assure the Board that endowment land investments are where they will yield the most income. Attorney General Wasden asked for Director Groeschl's comments and help in getting appropriate number comparisons. Director Groeschl remarked that the timberland return looks low given Callan's recommendation due to a couple of factors: one, only half of the fiscal year's timber revenue is reported, and two, there is no land appreciation added to timberland. Timberland return expected for FY2018 will be in the 5-6% range, which is very comparable to the last two-and-a-half year's returns as shown in this report. Director Groeschl elaborated that timberland returns are almost pure income return; some other asset types include appreciation—capital return. Director Groeschl offered to provide income returns by asset type in July or August, after fiscal year-end, and noted that it would provide a clearer 'apples-to-apples' comparison. Attorney General Wasden made a formal request for that information. Controller Woolf appended that request with an appeal to have a representative from Callan speak to the concerns conveyed by Attorney General Wasden. Director Groeschl said the Department will make those arrangements.

**2. Endowment Fund Investment Board Report** – Presented by Chris Anton, EFIB Manager of Investments

- A. Manager's Report; and
- B. Investment Report

*DISCUSSION:* Mr. Anton reported the Endowment Fund was up 1.2% through the month of May, which makes it 10% fiscal year-to-date. Through the close of financial markets yesterday, the Fund was up 11.4%. Mr. Anton commented that equity markets remained remarkably resilient during the month of May despite a political crisis in Italy, ongoing trade wars between the U.S. and China, and signs the global economy is slowing down, particularly in Europe, Japan, and China. The U.S. seems to be the bright spot in the global economy at this point in time. Fiscal and monetary policy remain accommodative, corporate profits are very strong and the unemployment rate has now declined to 3.8%. There appears to be growing disparity between growth in the U.S. and the rest of the world which has resulted in a stronger dollar. Mr. Anton voiced optimism that the Fund will end the fiscal year strong to stock up reserves and provide robust distributions for FY2020. Mr. Anton noted that as of the end of May reserves are well-secured for FY2018 and FY2019.

Mr. Anton mentioned that the Investment Board met on May 15th and made one change to its investment policy; members approved moving 8% out of the Bloomberg Barclays Aggregate Bond Index into an actively managed fixed income strategy. Mr. Anton explained that 26% of the portfolio is in fixed income and that will remain the case. Of that 26%, 22% is in the

Barclays Aggregate Bond Index. That index reflects the overall U.S. bond market; it is roughly 40% U.S. Treasuries, 30% mortgages that are backed by the government, and 30% investment grade bonds. Mr. Anton said an advantage to having it in an index is the fees are extremely low but a drawback is having no flexibility in being responsive to changes taking place in interest rates and in the fixed income environment. Over time, the duration of the Barclays Index has moved from about 4 years to 6.2 years, which creates more interest rate risk in a growing interest rate environment. The Investment Board believes an active manager will look at interest rate risks, look at the mix of assets held in the bond portfolio and provide enhanced returns for the Fund going forward. Mr. Anton remarked that over the next month the Investment Board will be working with Callan and expects to interview fixed income managers in late July then make a hiring decision in August for this new fixed income strategy. Mr. Anton commented that EFIB staff will present the FY2020 beneficiary distribution recommendations at the August Land Board meeting, as well as any recommendations for transfers from the reserves back into the permanent fund.

- **CONSENT (ACTION)**

**3. Application for Dredge/Placer Permit No. P300351, Emerald Creek Garnet, Ltd. – Staffed by Todd Drage, Program Manager-Minerals**

*RECOMMENDATION:* Approve issuance of the draft permit (Attachment 2) subject to the plan submitted in the application, submission of the required \$6,408 bond and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

*DISCUSSION:* None.

**4. Application for Dredge/Placer Permit No. P300352, Emerald Creek Garnet, Ltd. – Staffed by Todd Drage, Program Manager-Minerals**

*RECOMMENDATION:* Approve issuance of the draft permit (Attachment 2) subject to the plan submitted in the application, submission of the required \$18,000 bond and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

*DISCUSSION:* Secretary of State Denney clarified that this permit is not on endowment land. Director Groeschl confirmed that it is on private land.

**5. Disclaimer of Interest Request DI600283-Iupatis, Boise River – Staffed by Eric Wilson, Bureau Chief-Resource Protection and Assistance**

*RECOMMENDATION:* Direct the Department to issue a disclaimer of interest for the parcel totaling 0.82 acres of the former bed of the Boise River, and to require Michael and Ashley Iupati to pay the remaining processing fee of \$300 or actual cost, whichever is greater, to the Department of Lands for this transaction.

*DISCUSSION:* None.

**6. Strategic Plan FY2019-FY2022** – Staffed by Kari Kostka, Strategic Planning Manager

*RECOMMENDATION:* Direct the Department to submit the FY2019-FY2022 Strategic Plan to the Division of Financial Management by July 1, 2018.

*DISCUSSION:* Secretary of State Denney wondered with the federal government now funding fire suppression for the Forest Service, would it have any impact on Good Neighbor Authority (GNA) sales. Director Groeschl stated that the change in how fires will be funded and the level of funding for fire suppression on federal lands will have a positive effect. It will allow federal agencies to focus on using land management budgets to perform land management work. Director Groeschl added that passage of the omnibus bill and the road fix it contains will open up more project work for the Department and federal partners. The combination of the fire funding adjustment, GNA project implementation, revenue generated from those timber sales, and additional GNA projects now that there is no constraint associated with road reconstruction will help increase the pace and scale of restoration on federal lands, with the Department and federal agencies working together.

**7. State Participation as a Member of Clearwater-Potlatch Timber Protective Association (CPTPA) and Southern Idaho Timber Protective Association (SITPA)** – Staffed by Craig Foss, Division Administrator-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:* None.

**8. Authorization for Issuance of Deficiency Warrants to Pay Fire Suppression Costs in FY2019** – Staffed by Craig Foss, Division Administrator-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 2019.

*DISCUSSION:* None.

**9. Approval of Minutes** – May 15, 2018 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 4-0.

• **REGULAR (ACTION)**

NONE

- **INFORMATION**

*Background information was provided by the presenter indicated below. No Land Board action is required on the Information Agenda.*

**10. Pre-Season Fire Forecast/Update** – Presented by Fire Bureau

A. Predictive Services Forecast – *Jeremy Sullens, Wildland Fire Analyst, NIFC*

B. Resource Readiness – *Craig Foss, Division Administrator-Forestry and Fire, IDL*

*DISCUSSION:* Controller Woolf shared that in his travels across the state, visiting the different supervisory areas, one thought frequently communicated to him has been the ability to hire and retain employees, both permanent and temporary staff. Controller Woolf asked what challenges the Department has faced in hiring, and what has helped mitigate them. Mr. Foss noted that the Department has not struggled much with regard to hiring full-time staff; hiring part-time staff varies by area. Mr. Foss shared that the Department is looking into housing, statewide across the agency, because it seems that many federal partners do provide housing. The Department does look for every opportunity to provide housing for seasonal staff. Right now the Department is conducting an analysis; if a determination is made to invest in housing it will come forward as a decision unit and housing will be strategically based on locations with the greatest need. Mr. Foss stated this year the Department is sufficiently staffed. A third booster crew was added this year, at the Ponderosa area. Quite a few students come out of the University of Idaho; they can live in Moscow in the summer and work out of the Deary office. The Department is also cognizant of pay, recognizing some challenges in competing with federal resources. Mr. Foss said that Department salaries are currently competitive.

Secretary of State Denney relayed that his curiosity was piqued that the FireBoss [amphibious water scooper] is capable of loading retardant while in flight. Mr. Foss described that the fire retardant manufacturer has a system that the Department put in place on the FireBoss that can load retardant mixed with water in flight. The SEATs [single-engine air tankers] and helicopters have to be loaded at the tanker bases.

C. Rangeland Fire Protection Associations – *Rick Finis, South Idaho Fire Liaison, IDL*

*DISCUSSION:* Controller Woolf inquired about the size of acres for the 54 fires that were responded to by RFPAs in 2017. Mr. Finis replied that they ranged in size from 1/10th of an acre to 10,000 acres. Mr. Finis noted that Three Creek, Notch Butte, and Mountain Home were the three most-active associations.

For the record, at 10:14 a.m. Attorney General Wasden excused himself from the conference call to attend another meeting.

