



Idaho State Board of Land Commissioners

Brad Little, 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

Dustin T. Miller, Director and 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

April 21, 2020

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, April 21, 2020 via teleconference.¹ The meeting began at 9:07 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

Honorable Governor Brad Little
Honorable Secretary of State Lawrence Denney
Honorable Attorney General Lawrence Wasden
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Sherri Ybarra

For the record, all Board members were present via conference call.

Attorney General Wasden made a unanimous consent request that the Land Board send condolences to Brian Wonderlich for the recent loss of his mother.

Attorney General Wasden made a second unanimous consent request that item 6 on the Consent agenda be moved to the Regular agenda. Attorney General Wasden noted the reason for his request is that this matter should be considered independently of the Consent agenda because it has elements that the Land Board should discuss as a body. There being no objection, Governor Little directed that item 6 move right in front of item 8 on the Regular agenda.

Director Miller commented that teleconference is certainly a different way of doing this meeting; it is important that everyone stay safe with the current COVID-19 situation. Director Miller mentioned that two-thirds of Department employees are currently teleworking or are in the field or in an office where minimal interaction with staff is occurring. Social distancing guidelines are being adhered to and precautions are in place to minimize any exposure. All Department facilities are staffed with minimal personnel; all buildings and facilities are closed to the public and customers except by appointment. Director Miller noted that the Department is currently onboarding seasonal firefighters; many eight-month and five-month employees are being hired. Protocols will be in place to ensure their safety during training processes and fire and field season. Operations at the Department continue albeit in a different way under these circumstances. Work is getting done and practices are in place to ensure the safety of employees during these challenging times.

¹ Pursuant to Governor's proclamation, March 18, 2020.

1. Department Report – Presented by Dustin Miller, Director

Endowment Transactions

- A. Timber Sales – March 2020
- B. Leases and Permits – March 2020

Discussion: None.

Status Updates

- C. Legislative Summary – Final
- D. Land Bank Fund

Discussion: None.

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 that the endowment fund portfolio was down 10.9% for the month of March and down 9.5% fiscal year-to-date. The world has changed dramatically since the outbreak of COVID-19 earlier this year. As of the end of March, there were about 877,000 confirmed cases worldwide in 180 countries resulting in over 43,000 deaths. The rate of change is such that through this morning there were about 2.5 million confirmed cases in 185 countries resulting in over 171,000 deaths. Massive efforts are underway to test those with symptoms, treat those in need, and slow the spread of the virus. The world is just starting to come to grips with the human and economic toll. As everyone is aware, efforts to slow the spread of the virus are focused on isolation including travel restrictions, school and business closures, and other forms of social distancing. These efforts have shown to be effective and are slowing the spread of the virus. There has been significant improvement in Europe; the United States is starting to see the same. Those efforts come at the cost of slowing the economy dramatically. Many have predicted that the GDP [Gross Domestic Product] will contract more quickly over the next two quarters than it did during the financial crisis. Unemployment claims have ticked up rapidly; the number now over the last four weeks is around 22 million. Industrial output is slowing, and individuals and businesses are beginning to feel the financial stress. There are conversations commencing about how to return to normal and how to restart the economy. Governments around the world are providing monetary and fiscal support to help those who have been affected by the virus. The financial markets are struggling; experts do not know how to quantify the impact of the crisis or the duration because the magnitude is really unclear. It is unlikely that the financial markets will stabilize until the spread of the virus is contained and a vaccine is developed. The recent \$2 trillion stimulus package by the U.S. government and the extraordinary efforts by the Federal Reserve and other central banks to provide liquidity in the credit markets has certainly helped.

Mr. Anton remarked that at the low point, the fund was down about 18%; through yesterday [April 20] it is now down only 4.3%; the day before it was down 3.6%. The fund has come back considerably off the bottom as a result of efforts to help stabilize the economy. A look at the first calendar quarter, which is the State's third fiscal quarter, the Dow Jones had its worst quarter since 1987, it was down 23%; the S&P its worst drop since the financial crisis,

down 20%; and the Russell 2000, which are small cap stocks, the worst quarter ever, down 31%. Oil prices have just tanked; the worst quarter in history. Both Brent and WTI lost almost two-thirds of their value. The futures contracts for the month of March for oil were actually negative. Historically, global consumption is about 100 billion barrels a month; with the crisis, demand has dropped to about 70 billion. Even with OPEC's [Organization of the Petroleum Exporting Countries] cut of about 10 million barrels, and the United States' cut of about 10 million barrels, more oil is being produced than is being consumed and now almost all of the reserves worldwide are full. Oil prices continue to collapse and there is nowhere to even store oil. That is helping consumers at the gas pumps, but certainly hurting the oil industry that employs a considerable number of people in the United States.

Mr. Anton stated that reserves at the end of March were estimated at 5.3 years for public schools and 5.8-7.1 years for the other endowments. As of yesterday, when the fund was only down 4.3%, reserves were 5.6 years for public schools and 6.1-7.5 years for all the other funds. While reserves are down modestly, and down is never good, it has not been as bad as one may have thought. The next Investment Board meeting is on May 19.

Governor Little remarked that the wisdom of the Investment Board and previous Land Board to put those reserves in those funds looks pretty good today compared to some other states.

Consent—Action Item(s)

- 3. Timber License Plate Fee Recommendation** – *Presented by Dustin Miller, Director, and Jennifer Okerlund, Director, Idaho Forest Products Commission*

Discussion: Ms. Okerlund added assurance that the activities that are outlined within the formal request and recommendation are continuing, although in most cases with creative modification due to the COVID-19 impacts, and many are already in progress given the time of year. Arbor Day is this Friday [April 24]. The only significant modification is the sustainable forest tour which is going to be rescheduled. Governor Little noted that the leadership forest tour is about \$24,000. Governor Little asked if the revenue does not come in are there contingencies to be sure and balance up revenue. Ms. Okerlund replied that additional funds would be sought; sponsorships are typically pursued for that important tour.

Recommendation: Direct the Department to proceed with the recommended educational projects developed jointly with the Idaho Forest Products Commission.

- 4. Results of February 2020 Grazing Live Auctions** – *Presented by Dustin Miller, Director*

Discussion: None.

Recommendation: Direct the Department to award grazing leases to Whitebird Grazing Association (G430031) and Janet and Jason Klement (G430029).

- 5. Placer Permit P800353, Doloughan Construction LLC** – *Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance*

Discussion: None.

Recommendation: Approve issuance of the attached permit subject to the plan submitted in the application, compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho, and submission of the \$86,300 bond to the USFS.

6. Approval of Minutes – February 18, 2020 Regular Meeting (Boise)

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

Regular—Action Item(s)

7. Proposed Relocation of Parks Department Maintenance Facility to City of McCall's Central Idaho Historical Museum Property² – Presented by Sid Anderson, Program Manager-Real Estate, and Kurt Wolf, Parks and Recreation Director, City of McCall

Discussion: Governor Little shared his knowledge of this project. At that time, Governor Little represented the livestock industry; the Idaho timber industry and livestock industry were quite involved in preserving this historical building to make sure it served as a location for people to understand much of the history and the culture of the Long Valley and McCall area. Governor Little said this was before the new Idaho Department of Lands office in McCall was built, and the move of SITPA from where it was to there. Knowing the intent of the originators and legislative action, the Governor concurred that this is a good idea. Attorney General Wasden commented that he had asked Darrell Early, counsel for the Board and Deputy Attorney General, to conduct a review of this matter. Attorney General Wasden asked Mr. Early what is the limitation of the Land Board's authority here and does this proposal fit with the deed restriction language. Mr. Early explained that a brief legal analysis was done of the effect of the reservation in the deed. As mentioned earlier by Mr. Anderson, the reservation does not give the Land Board any control over the property, and the City of McCall is free as a matter of its legal rights under the deed to go ahead with this project regardless of whether or not the Board does or does not approve of this particular proposal. Mr. Early supposed that the City is seeking an acknowledgement by the Board that the project as proposed does not violate the condition that would trigger the reversionary clause in the deed restriction. Mr. Early stated that looking at it from a substantive standpoint, the City's proposal to move the maintenance building and build a maintenance building on the site, coupled with the additional proposal made with respect to improvements might be found to meet the conditions of the clause. The reversionary clause has two purposes within it: one is educational purposes and the other is to maintain the site. The proposal, coupled with the additional educational improvements such as the interpretive trail and those matters, might be found by a court to be within the scope of the reversionary clause. Attorney General thanked Mr. Early.

Recommendation: Approve the City of McCall's proposed park and interpretive center, and relocation of the Parks Department's maintenance facility, on City-owned Central Idaho Interpretive Museum property.

Board Action: A motion was made by Attorney General Wasden to approve the proposal on the condition that the educational aspects of this proposal be carried out by the City of McCall. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

² By unanimous consent action, this item moved from Consent agenda to Regular agenda.

8. FY2021 Timber Sales Plan – Presented by Jim Elbin, Bureau Chief-Forest Management

Recommendation: Direct the Department to proceed with implementation of the FY21 Timber Sales Plan.

Discussion: Controller Woolf asked if most of the mills only have ability to cut trees with diameters of 20 inches or less. Mr. Elbin said that most mills have capability of 28 inches or less; the preferred diameter is 20 inches or less at many of the smaller fully optimized mills. Controller Woolf noted that the Board approved the 2019 FAMP [Forest Asset Management Plan] in August 2019 that included fiscal years 2021, 2022, 2023, and 2024. Controller Woolf inquired if, although the Board already approved the FAMP that has 290 million board feet, this is just more details of the specific timber sales for FY21. Mr. Elbin replied the purpose of his presentation was to provide background information; even though the state, the nation, is entering a rougher economic period it is important for the Department to continue as planned for long-term returns to the beneficiaries.

Governor Little remarked that the increase will send a signal that endowment timber sales will continue to have ample bidders. The Department is different than other landowners – a certain amount of timber is sold every year to try to maintain that sales base; an increase in bidders is needed to comply with constitutional long-term obligation. Governor Little noted that for an existing mill looking to upgrade, or somebody looking to establish a new mill, which would be wonderful particularly in some parts of the state, this is a good message to signal and proper for the Board and the Department to do.

Controller Woolf recalled that Mr. Elbin mentioned this is the last year for the cedar poles pilot project, with more information to follow in the coming months. Controller Woolf noted that in FY21 there is a split of just under 14,000 poles for a dual-entry sale and almost 15,000 poles for the single-entry; Controller Woolf inquired if the Department has been able to gather sufficient data needed for the cedar pole plans going forward. Mr. Elbin replied yes, the Department does have enough data, and has talked with industry. Between delivered log products and traditional sales, the Department has a plan going forward. The Department wants to avoid, from an internal management perspective, the continual dual- and single-entry sales and would prefer to do more single-entry, or another way would be to do delivered-product type of sales. That would be the recommendation the Department brings forward. Another piece is the 20,000 poles; the Department would like to just offer the amount planned for each fiscal year; having that set number can be difficult.

Controller Woolf asked if there is anything with the Good Neighbor Authority that the Land Board can assist with, or any key points regarding the Good Neighbor Authority (GNA). Mr. Foss stated that the Department is moving that program forward in the direction as presented to the Board in the past. GNA is projecting to sell 12 million board feet in the coming fiscal year. Markets are definitely impacting that program as well. Mr. Foss noted that there is not anything needed at this time from the Board. The Department is in the same boat with the GNA program as with endowment timber sales; the sooner the state can come out of this COVID-19 crisis and get building and the regular economy back on track, that is going to benefit the Good Neighbor program as well. The Department will be glad to come at a point in the future and present, specific to Good Neighbor, the different projects planned for the coming year.

Secretary of State Denney commented that in earlier visits with logging contractors, one of their big concerns was permanent road improvements. Secretary of State Denney asked how the Department handles those permanent improvements and how those are paid for. Mr. Foss replied that permanent road improvements are not something that the Department is able to address through Good Neighbor. Mr. Foss offered that in conversations with some of the contractors through Associated Logging Contractors, there have been concerns with permanent road improvements on endowment lands for endowment timber sales. The Department has conducted a number of meetings with contractors, several in the past year down in the Clearwater area; Shawn Keough, the executive director of ALC, was part of those meetings, and they were constructive conversations. One of the concerns contractors have is that the equipment that they are purchasing now for logging operations is wider, and one of their requests to the Department is the consideration of widening some permanent roads as well as the surfacing put on those roads. The Department is looking for opportunities to address their concerns.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the recommendation to implement the FY21 Timber Sale Plan. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

Information

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

9. Central Idaho Land Exchange Update – Presented by Dustin Miller, Director

Discussion: Governor Little remarked that land exchanges are always a little dicey. It is always somebody's favorite hunting spot. The Department has done a really good job in developing this proposal. In this particular instance, there is mature timberlands near markets that the state could acquire. The Department, the Attorney General's Office, and the tribe have diligently worked to move this exchange forward. Time will tell what the final conclusion is, but the efforts that have been put in to resolve this issue, it most importantly is a win for the endowment beneficiaries. Governor Little said he looks forward to seeing more progress on it. There are numbers that need to be run, and the Department and Land Board need to continue to be sensitive to the tribe.

Executive Session

None

There being no further business before the Board, at 10:24 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

