



Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board

Phil McGrane, Secretary of State

Raúl R. Labrador, Attorney General

Brandon D Woolf, State Controller

Debbie Critchfield, Superintendent of Public Instruction

Dustin T. Miller, 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

March 19, 2024

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, March 19, 2024 at the Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise, Idaho, and via webinar. The meeting began at 9:00 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

Honorable Governor Brad Little
Honorable Secretary of State Phil McGrane
Honorable Attorney General Raúl Labrador
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Debbie Critchfield

All members were present at the physical location. Governor Little, Attorney General Labrador, Controller Woolf, and Superintendent Critchfield were in attendance for the entire meeting. Secretary of State McGrane was addressing official State business at the Legislature and arrived after the meeting started.

1. **Department Report** – *Presented by Dustin Miller, Director*

Trust Land Revenue

- A. Timber Sales – February 2024
- B. Leases and Permits – February 2024

Discussion: None.

Status Updates

- C. Legislative Summary

Discussion: Attorney General Labrador remarked on Senate Bill 1292 noting that it is likely unconstitutional. Comments from the constitutional drafters indicate the attorney general is on the Land Board because they wanted the attorney general to be the attorney for the Land Board. Unless there is a constitutional amendment, the attorney general cannot be removed as the attorney for the Land Board. Attorney General Labrador further stated that when the Department of Lands was created, it was created as an instrumentality of the Land Board, which

makes it unconstitutional to remove the attorney general from the Department of Lands. Attorney General Labrador noted there will be a constitutional concern and perhaps even litigation if the bill is passed.

2. Endowment Fund Investment Board Report – Presented by Chris Halvorson, Investment Officer

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

Discussion: Mr. Halvorson reported that in the month of February the fund was up 3.1%, making the fiscal year return at 8.3%. March has been a good month; equities are up again. Through yesterday [3/18] the fund is up 9.4%, another 1.1% in March. The economy continues to be very resilient. Corporate profits are great and there is evidence that corporate profits are strong beyond just the tech and AI stocks. The labor market is solid, and consumer spending has been resilient as well. Although all this news is positive, the Federal Reserve has a mandate to lower inflation. Their target is 2% and inflation is about 3.2% right now. It is doubtful there are going to be any great reductions by the Federal Reserve at their meeting this week. Late this year, or early next year, is probably the first chance for rate decreases. Mr. Halvorson mentioned that EFIB has discretion to rebalance the portfolio and, with the stronger markets, took an opportunity recently to rebalance, moving approximately \$80 million from large cap stocks into fixed income. Governor Little asked why Dodge & Cox is below benchmark. Mr. Halvorson replied that their county allocation is different than most global managers. They are lower weighted, for example, to the U.S. and more weighted to Asia and Europe. The U.S. is continuing to outperform, so Dodge & Cox is slightly behind the benchmark because of their weighting in specific countries. Controller Woolf noticed that on the fiscal year-to-date manager returns, William Blair and Dodge & Cox did not have any percentage, and he asked is that because they have not reported or is it timing? Mr. Halvorson explained that both companies started after the fiscal year began and their performance will not show up until next fiscal year. It is not an annualized period, but EFIB records their inception to date performance.

Consent—Action Item(s)

3. Timber License Plate Fund – Presented by Jennifer Okerlund Frederickson, Director, Idaho Forest Products Commission

Discussion: Controller Woolf pointed out there is also a funding request from the Department in the packet and inquired if that is in addition to the Forest Products Commission request of \$68,000. Ms. Okerlund responded it is in addition, and still significantly under what is available in the account balance right now.

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

4. Forest Legacy Program—MRC-JTO and East Dawson Easements – Presented by Archie Gray, Bureau Chief-Forestry Assistance

Discussion: Governor Little observed that the memo lists Idaho Department of Fish and Game (IDFG) and The Nature Conservancy (TNC) as contributors and wondered what that meant. Mr. Gray replied that when a conservation easement is set up, the Department does a preliminary appraisal of the property and estimates what the value of those properties will be;

that is what goes in the grant request. Then two or three years later when the actual appraisal is done at the time the transaction is going to happen, those values may jump considerably more than anticipated. With this project, there was a gap that had to be filled. Governor Little asked if IDFG and TNC put money in and how much. Mr. Gray answered that IDFG contributed \$300,000 and TNC contributed \$259,600.

Recommendation: Authorize the Idaho Department of Lands to accept the MRC-JTO and East Dawson tracts into the Forest Legacy Program by way of conservation easements.

5. Approval of Draft Minutes – February 20, 2024 Regular Meeting (Boise)

Consent Agenda Board Action: A motion was made by Controller Woolf that the Land Board approve and adopt the Consent Agenda. Superintendent Critchfield seconded the motion. The motion carried on a vote of 4-0.

Regular—Action Item(s)

Secretary of State McGrane joined the meeting at 9:29 a.m., during presentation of agenda item 6.

6. Approval to Proceed with Due Diligence for Saraceno Land Exchange – Presented by Zane Lathim, Section Manager-Real Estate

Recommendation: The Department recommends the Land Board approve proceeding with due diligence for the Saraceno land exchange proposal.

Discussion: Governor Little remarked that this exchange results in land coming off tax rolls in Clearwater County and land going on tax rolls in Idaho County, and commented that the Land Board and Department need to be sensitive when doing these real estate transactions to try not to select the same county or counties every time. Governor Little said that Benewah County has frequently been in that circumstance of losing tax receipts. Director Miller said the Department will keep that in mind as it looks at underperforming pieces of ground that are more difficult to manage, and when compiling a list to bring to the Land Board occasionally for possible disposal. Controller Woolf referred to two easements shown on the second and third maps in Attachment 3 and asked if those had anything to do with the exchange. Mr. Lathim replied no.

Board Action: A motion was made by Controller Woolf that the Land Board approve the Department's recommendation to proceed with due diligence for the Saraceno land exchange proposal. Superintendent Critchfield seconded the motion. The motion carried on a vote of 5-0.

7. Approval of West Latour Timber Sale with Clearcut Harvest Unit – Presented by Jeremy Shawver, Section Manager-Timber Sales and Contract Administration

Recommendation: Approve the West Latour Timber Sale.

Discussion: Controller Woolf inquired if there is an impact to the viewshed from Highway 3. Mr. Shawver responded no, the harvest unit is really low on the hillside and is fairly hidden topography from other areas.

Board Action: A motion was made by Controller Woolf that the Land Board approve the West Latour Timber Sale. Secretary of State McGrane seconded the motion. The motion carried on a vote of 5-0.

Information

8. **Endowment Land Alternative Energy Leasing Policy** – *Presented by Roger Hall, Bureau Chief-Real Estate*

Discussion: Attorney General Labrador recognized his staff for a fantastic job going over the legal issues that were raised by the policy and doing their best to address them and protect the State legally, but stated the policy itself is concerning. It is not known what wind turbines are going to do to the environment and what may happen on endowment land. A quick internet search about turbine landfills shows they are all over the United States, deteriorating the environment, and there is a cost attached. Attorney General Labrador recommended the Land Board tread lightly on this policy because it may bring a lot of money right now, but the cost of remediation is not known if the company that leases it goes out of business or decides to abandon the project. The Attorney General said he is not keen on it and will probably be voting against any kind of policy like this; he hopes the Land Board members look at not only the potential revenue, but what the cost to the State of Idaho might be in the future if these projects fail. Secretary of State McGrane asked if there is a current policy in place that is just outdated. Governor Little noted the policy on most everything else is that somebody comes with an application that may be a good investment for the trust, but it can be hit or miss. The Department to their credit is trying to put in place some guidelines. It makes it difficult for somebody to say they are interested in something if they do not know what the rules are; that is what this policy is trying to do. Secretary of State McGrane commented that is one of the things that the Department is trying to do, how to mitigate in the event somebody puts up the infrastructure and then goes belly up right there after. Governor Little commented that it is done with mining; a bond is required. Secretary of State McGrane noted the question is are there ways to better take steps to potentially mitigate, because this is largely mitigation effort for the risks identified. Part of it is to see the opportunities that may come up but also to be wary of the risks. Attorney General Labrador reiterated his concern; with mining, costs are known, and the Department can appropriately plan for risks. With this particular technology, costs are not known. There are questions that are unanswered right now, what the future cost is going to be if, for example, there are 200 acres of land filled with these windmills and it fails, what is going to be the cost to the State. Superintendent Critchfield indicated that she has personal feelings about this and wants to be cautious going forward. The policy is not an automatic that if an application is submitted it is approved. The request to put any type of wind energy onto any Idaho lands will still come before the Land Board. The ultimate decision is here. The policy is intended to provide guidance: if an entity applies, and if it should be successful in being able to establish on Idaho land, this is what that looks like. Mr. Hall indicated that in developing this policy the Department attempted to address decommissioning and reclamation plans, provide discretion to the Land Board to approve or deny these plans, and have a third party review of the plans to make sure they are keeping up with costs of these reclamations as they go on and that the bonding is up to snuff. There are review periods, too. Director Miller said that section IV.H. of the policy, on the last page, lists the decommissioning requirements, bonding and security requirements, in the amount of least 150% of the estimated cost of full decommissioning and reclamation. That was an important component to include if a company fails and the State is left dealing with the clean-up of the site. The Superintendent is correct, this is a document that the Department will use, upon approval of the Land Board, to vet wind, solar, and other alternative energy projects. It is not by any means a slam dunk for any project. Secretary of State McGrane added that he supports the overall effort of trying to define this policy; better to figure this out now than when a difficult request comes. Any more due diligence that can be done is appreciated.

9. 2025 Grazing Lease Rate – Presented by Addie Faust, Program Manager-Natural Resources Leasing

Discussion: None.

Executive Session

None

Prior to adjournment, Director Miller informed the Land Board of a survey conducted by the Idaho Forest Products Commission (IFPC) regarding Idahoans' knowledge and perception of forest management. Ms. Okerlund reported that Idahoans really do support what the Department is doing, support the efforts for wildlife, mitigation, suppression, and they know what forest management is, so they are learning. Idahoans' impression and respect for the great work that the Department does has steadily increased; they support what the Land Board is doing. Ms. Okerlund offered to provide the survey results to the Land Board. Governor Little asked if the format of the survey is the same as has been done since IFPC started, so there is baseline data. Ms. Okerlund replied, yes, questions have had very few minor tweaks and IFPC has wonderful trend data since its inception in 1992.

There being no further business before the Land Board, at 9:51 a.m. a motion to adjourn was made by Controller Woolf. Superintendent Critchfield seconded the motion. The motion carried on a vote of 5-0.

Idaho State Board of Land Commissioners

/s/ Brad Little

Brad Little
President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/ Phil McGrane

Phil McGrane
Secretary of State

/s/ Dustin T. Miller

Dustin T. Miller
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the April 16, 2024 Land Board meeting.