

State Board of Land Commissioners Open Meeting Checklist

Meeting Date: December 17, 2024

Regular Meetings

Date	Action
12/4/2024	Meeting Notice posted in prominent place in Idaho Department of Lands (IDL) Boise Director's office five (5) or more calendar days before meeting.
12/4/2024	Meeting Notice posted in prominent place in IDL Coeur d'Alene staff office five (5) or more calendar days before meeting.
12/4/2024	Meeting Notice posted in prominent place at meeting location five (5) or more calendar days before meeting.
12/4/2024	Meeting Notice posted electronically on IDL website (https://www.idl.idaho.gov) five (5) or more calendar days before meeting.
12/4/2024	Meeting Notice published on Townhall Idaho website (https://townhall.idaho.gov) five (5) or more calendar days before meeting.
12/12/2024	Agenda posted in prominent place in IDL Boise Director's office forty-eight (48) hours before meeting.
12/12/2024	Agenda posted in prominent place in IDL Coeur d'Alene staff office forty-eight (48) hours before meeting.
12/12/2024	Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
12/12/2024	Agenda posted electronically on IDL website (https://www.idl.idaho.gov) forty-eight (48) hours before meeting.
12/12/2024	Agenda published on Townhall Idaho website (https://townhall.idaho.gov) forty-eight (48) hours before meeting.
11/13/2024	Land Board annual meeting schedule posted – Boise Director's office, Coeur d'Alene staff office, and IDL website (https://www.idl.idaho.gov).

Certification



Recording Secretary

December 12, 2024



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

NOTICE OF PUBLIC MEETING DECEMBER 2024

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, December 17, 2024 in the **State Capitol, Hearing Room WW55**, Lower Level, West Wing, 700 W. Jefferson St., Boise. The meeting is scheduled to begin at **2:00 PM (MT)**.

Please note meeting location and start time.

The State Board of Land Commissioners will conduct this meeting in person and by virtual means. This meeting is open to the public. No public comment will be taken.

[View live streaming via Idaho Public Television:](#)

<https://www.idahoptv.org/shows/idahoinsession/>

[Register to attend the Zoom webinar:](#)

https://idl.zoom.us/webinar/register/WN_NLODt9yDR_6WNTM_yxBtlg

Garden Level entrances into the Capitol from 6th Street and 8th Street are closed.

Open public entrances are located on Jefferson Street and State Street, as well as first and second floor entries on the east and west sides of the Capitol.

Notice Posted: 12/4/2024 Boise; 12/4/2024 Coeur d'Alene

This notice is published pursuant to Idaho Code § 74-204. For additional information regarding Idaho's Open Meeting Law, please see Idaho Code §§ 74-201 through 74-208.

Idaho Department of Lands, 300 N 6th Street, Suite 103, Boise ID 83702, 208.334.0200



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State Board of Land Commissioners Regular Meeting

December 17, 2024—2:00 PM (MT)

Final Agenda

State Capitol, Hearing Room WW55, Lower Level, West Wing,
700 W. Jefferson St., Boise, Idaho

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Reports

1. Department Reports—presented by Dustin Miller, Director
 - A. Timber Sales Revenue—November 2024
 - B. Leases/Permits Transactions and Revenue—November 2024
2. Endowment Fund Investment Board—presented by Chris Anton, EFIB Manager of Investments
 - A. FY2024 Annual Report
 - B. Land Board Audit Committee Report
 - C. Manager's Monthly Report
 - D. Janet Becker-Wold's Planned Retirement (no materials)
3. Performance Review of Total Endowment—presented by Dustin Miller, Director

Consent—Action Item(s)

4. Results of October 16, 2024 Mineral Lease Live Auction—presented by Jason Laney, Section Manager-Leasing
5. Results of November 1, 2024 Residential Cottage Site Lease Live Auction—presented by Kemp Smith, Program Manager-Commercial/Residential

6. Approval of Draft Minutes—October 15, 2024 Regular Meeting (Boise)
7. Approval of Draft Minutes—November 14, 2024 Special Meeting (Boise)

Regular—Action Item(s)

8. Statement of Investment Policy Annual Review—presented by Jim Elbin, Division Administrator-Trust Lands
9. Asset Management Plan Review—presented by Jim Elbin, Division Administrator-Trust Lands
10. Negotiated Rulemaking for IDAPA 20.03.08, Easements on State-Owned Lands—presented by Roger Hall, Bureau Chief-Real Estate

Information

11. Fire Strategic Plan Update—presented by Dustin Miller, Director

Executive Session

None

This agenda is published pursuant to Idaho Code § 74-204. The agenda is subject to change by the Land Board. To arrange auxiliary aides or services for persons with disabilities, please contact Idaho Department of Lands at (208) 334-0200. Accommodation requests for auxiliary aides or services must be made no less than five working days in advance of the meeting. Land Board meeting materials are [available on Idaho Department of Lands website](https://www.idl.idaho.gov/about-us/land-board/) at <https://www.idl.idaho.gov/about-us/land-board/>.



Idaho Statutes

Idaho Statutes are updated to the website July 1 following the legislative session.

TITLE 74
TRANSPARENT AND ETHICAL GOVERNMENT
CHAPTER 2
OPEN MEETINGS LAW

74-206. EXECUTIVE SESSIONS — WHEN AUTHORIZED. (1) An executive session at which members of the public are excluded may be held, but only for the purposes and only in the manner set forth in this section. The motion to go into executive session shall identify the specific subsections of this section that authorize the executive session. There shall be a roll call vote on the motion and the vote shall be recorded in the minutes. An executive session shall be authorized by a two-thirds (2/3) vote of the governing body. An executive session may be held:

(a) To consider hiring a public officer, employee, staff member or individual agent, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need. This paragraph does not apply to filling a vacancy in an elective office or deliberations about staffing needs in general;

(b) To consider the evaluation, dismissal or disciplining of, or to hear complaints or charges brought against, a public officer, employee, staff member or individual agent, or public school student;

(c) To acquire an interest in real property not owned by a public agency;

(d) To consider records that are exempt from disclosure as provided in chapter 1, title 74, Idaho Code;

(e) To consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations;

(f) To communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. The mere presence of legal counsel at an executive session does not satisfy this requirement;

(g) By the commission of pardons and parole, as provided by law;

(h) By the custody review board of the Idaho department of juvenile corrections, as provided by law;

(i) To engage in communications with a representative of the public agency's risk manager or insurance provider to discuss the adjustment of a pending claim or prevention of a claim imminently likely to be filed. The mere presence of a representative of the public agency's risk manager or insurance provider at an executive session does not satisfy this requirement; or

(j) To consider labor contract matters authorized under section 74-206A (1) (a) and (b), Idaho Code.

(2) The exceptions to the general policy in favor of open meetings stated in this section shall be narrowly construed. It shall be a violation of this chapter to change the subject within the executive session to one not identified within the motion to enter the executive session or to any topic for which an executive session is not provided.

(3) No executive session may be held for the purpose of taking any final action or making any final decision.

(4) If the governing board of a public school district, charter district, or public charter school has vacancies such that fewer than two-thirds (2/3) of board members have been seated, then the board may enter into executive session on a simple roll call majority vote.

History:

[74-206, added 2015, ch. 140, sec. 5, p. 371; am. 2015, ch. 271, sec. 1, p. 1125; am. 2018, ch. 169, sec. 25, p. 377; am. 2019, ch. 114, sec. 1, p. 439.]

STATE BOARD OF LAND COMMISSIONERS

December 17, 2024

Trust Land Revenue

Timber Sales

During November 2024, the Department of Lands (IDL) sold four endowment timber sales at auction. Two sales had competitive bidding. The net sale value represents a 14% up bid over the appraised value. One endowment timber sale did not sell at auction. IDL also sold one Idaho Department of Parks and Recreation sale with competitive bidding. The net sale value represents a 41% up bid over the appraised value.

TIMBER SALE AUCTIONS								
Sale Name	Area	Sawlog MBF	Cedar Prod MBF	Pulp MBF	Appraised Net Value	Sale Net Value	Net \$/MBF	Purchaser
Willow Salvage	PAY	1,340	0	0	\$ 62,238.00	\$ 63,042.70	\$ 47.05	Tamarack Mill
Deer Divide Cedar	CLW	7,950	0	0	\$2,504,921.50	\$ 3,037,161.00	\$382.03	IFG Timber LLC
Whiskey Pieces	CLW	3,370	0	0	\$ 519,975.00	\$ 519,975.00	\$154.30	IFG Timber LLC
Upper Deer	SW	8,715	0	0	\$ 761,009.50	\$ 761,009.50	\$ 87.32	Woodgrain Inc
Endowment		21,375	0	0	\$3,848,144.00	\$ 4,381,188.20	\$204.97	
Scott Field East (IDPR)	MICA	500	0	0	\$ 62,821.00	\$ 88,668.00	\$177.34	IFG Timber LLC
Non-Endowment		500	0	0	\$ 62,821.00	\$ 88,668.00	\$177.34	

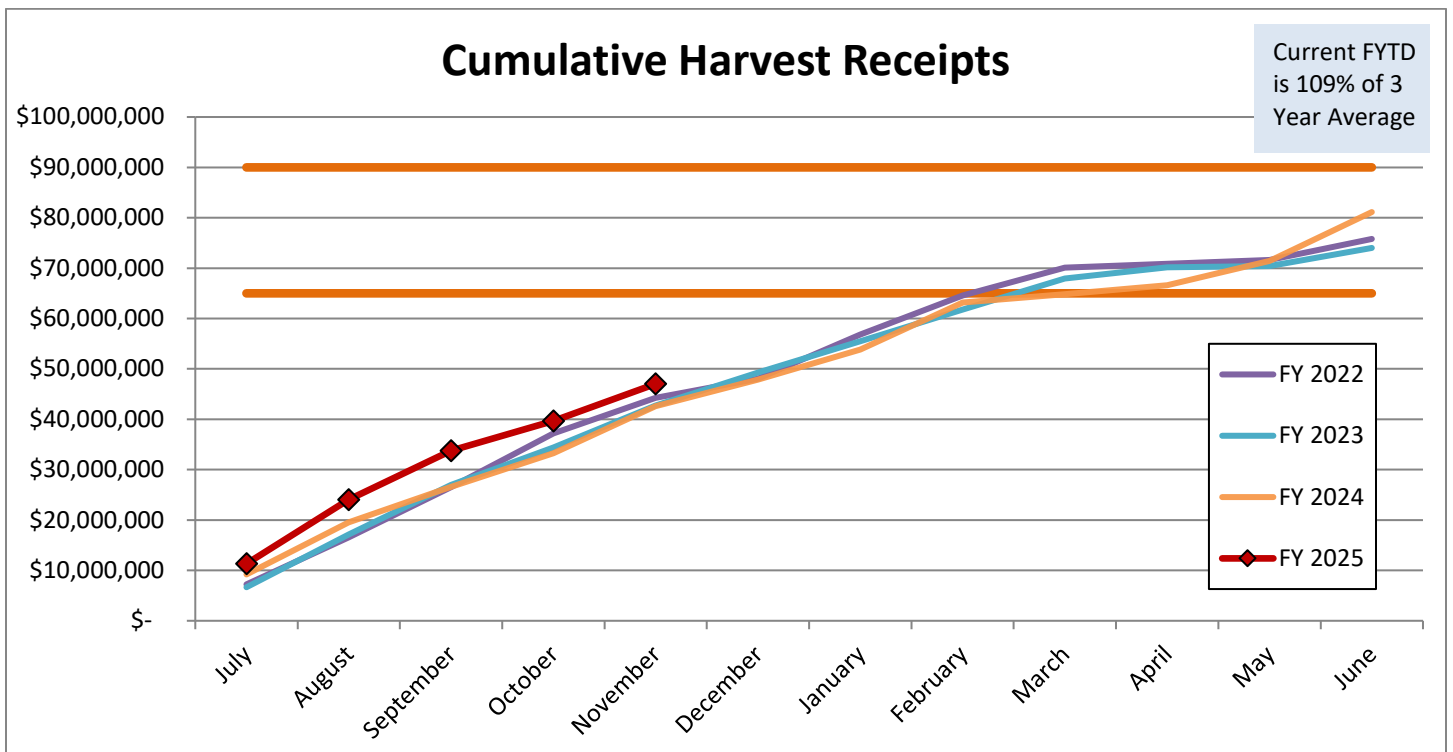
PROPOSED TIMBER SALES FOR AUCTION				
Sale Name	Volume MBF	Advertised Net Value	Area	Scheduled Auction Date
North Operations				
Cedar Trap	1,860	\$ 561,204.00	PL	12/17/2024
TOTALS	1,860	\$ 561,204.00		
South Operations				
Dog Shorts Ton	3,200	\$ 262,676.52	PAY	12/3/2024
Back Again Cedar	3,025	\$ 702,840.50	CLWR	12/9/2024
Gotham Ridge Cedar	5,140	\$ 1,102,679.50	MC	12/11/2024
TOTALS	11,365	\$ 2,068,196.52		

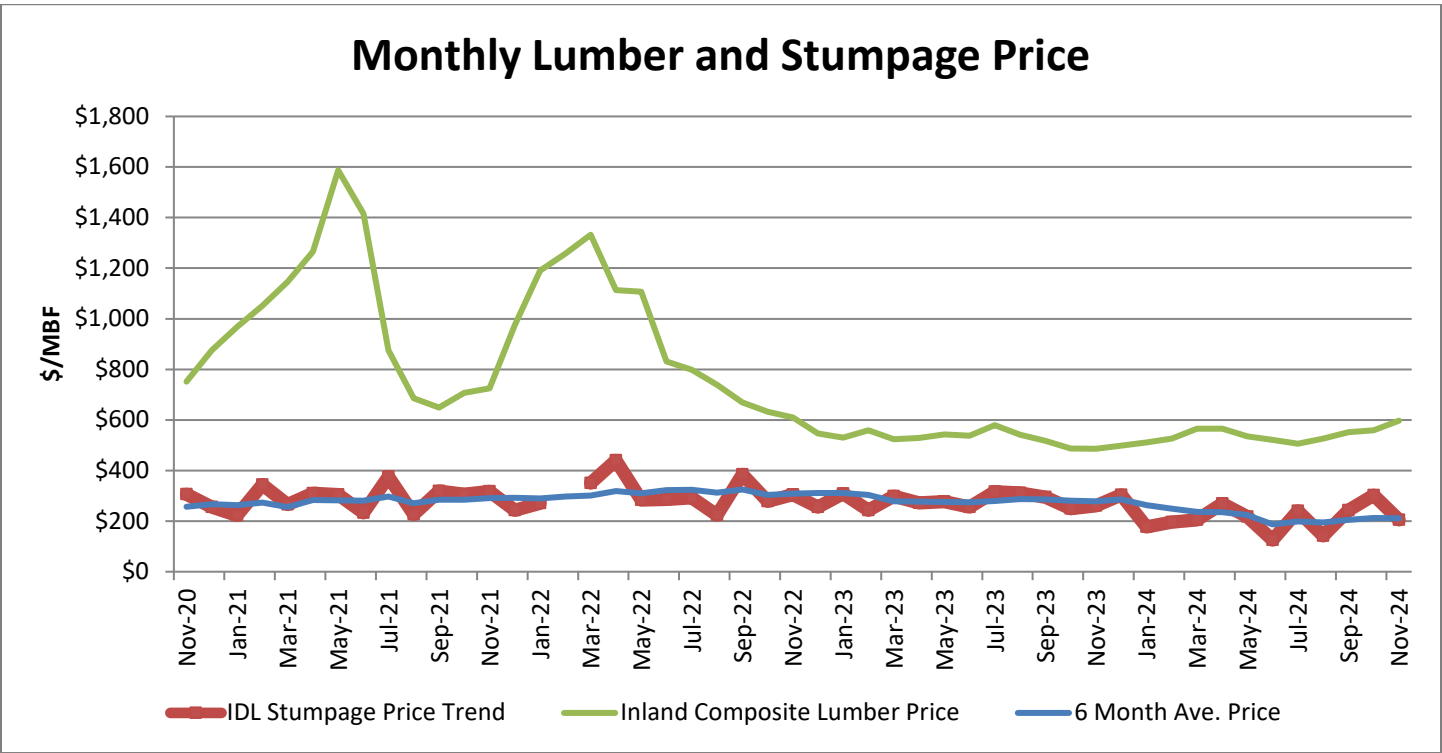
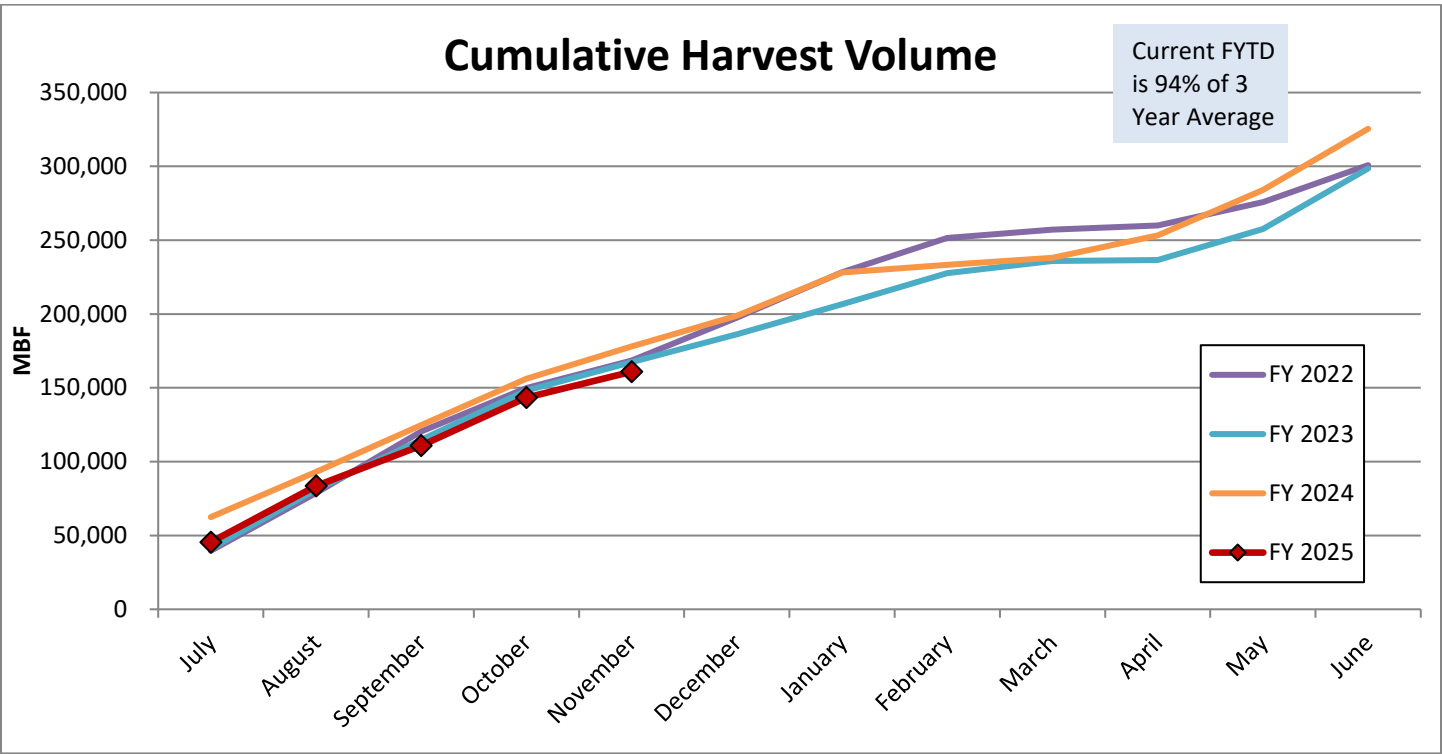
VOLUME UNDER CONTRACT as of November 30, 2024				
	Public School	Pooled	Total	3 Year Avg.
Active Contracts			173	173
Total Residual MBF Equivalent	322,533	178,184	500,718	521,707
Estimated residual value	\$86,367,585	\$49,152,475	\$135,520,060	\$148,071,476
Residual Value (\$/MBF)	\$267.78	\$275.85	\$270.65	\$283.82

	TIMBER HARVEST RECEIPTS				
	November		FY to date	December Projected	
	Stumpage	Interest	Harvest Receipts	Stumpage	Interest
Public School	\$ 4,262,184.51	\$ 463,112.66	\$ 29,558,600.13	\$ 2,549,537.64	\$ 215,133.01
Pooled	\$ 2,339,798.33	\$ 262,557.47	\$ 17,471,906.40	\$ 1,742,628.71	\$ 187,850.52
General Fund	\$ 382.09	\$ 25.20	\$ 4,163.32	\$ 0.54	\$ -
Totals	\$ 6,602,364.93	\$ 725,695.33	\$ 47,034,669.85	\$ 4,292,166.89	\$ 402,983.53

	Status of FY2025 Timber Sale Program					
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of November 30, 2024	23,768	58,102	81,870	2,548	6,992	9,540
Currently Advertised	14,440	0	14,440	1,500	0	1,500
In Review	20,987	20,043	41,030	965	2,565	3,530
Did Not Sell*	0	0	0	0	0	0
TOTALS	59,195	78,145	137,340	5,013	9,557	14,570
FY2025 Sales Plan			328,000			20,000
Percent to Date			42%			73%

* After three attempts at auction.





November 2024 6-month average price is \$210.89.
November 2023 6-month average price was \$278.55.

Endowment Timberland Fire Impacts 2024

During the 2024 fire season, a total of 1,398 acres of Endowment Timberland burned at varying levels of intensity. Of the 1,398 acres that burned, 882 acres were productive for growing and harvesting timber. The other 516 acres were classified as timber assets but classified non-commercial. This type of ground is either rocky, steep, or lacking access, making the ground not a part of IDL's modeling process. Payette Lakes Supervisory Area was affected the most by fire. In the 2024 fire season, 96% of the acres burned in the timber asset classification and 99.9% of the acres burned in the productive timberland classification were in Payette Lakes. This analysis focuses on the 882 acres of productive timberland where the fires occurred.

Ninety-three (93) acres of the burned timberland were in the seedling, sapling, and pole sized stands. These stands hold no commercial value as they do not meet merchantability specifications for commercial mills. However, these stands have a value associated with them due to the time lost for growth and silviculture costs. Using a net present value (NPV) analysis, the stands were assigned a value per acre based on the age and species present. The value per acre ranges from \$2,000 to \$3,600 per acre. The total loss for the 2024 fire season on these acres is estimated to be \$190,030.12.

The remaining 789 acres burned on productive timberland was on merchantable timber. These acres vary in density and species composition. Some of the stands were less than five thousand board feet (MBF) per acre. IDL's timber program assessed these acres for salvage sales. Of the 789 acres, 403 acres were set up for salvaging burnt timber (51%). The remaining acres were not operationally feasible to harvest due to the light volume per acre on cable ground which is more expensive than ground-based operations. Other portions of the remaining acres were not accessible as IDL does not have permanent access and was not granted temporary access. The total estimated value of the 789 acres if fire did not occur and IDL had access would have been \$1.26 million. The green value of the accessible timber is approximately \$640,000. IDL is planning to salvage 403 acres from the 2024 fire season with an appraised value of \$215,700. To date, IDL has sold one direct sale from fire and one salvage sale totaling \$96,461 in anticipated revenue.

IDL can calculate the total loss of the 2024 fire season in two ways. One being the total loss of all productive timberland burned, and two being the total loss of the accessible and operationally feasible timberland. Both scenarios will have the loss from growth and silviculture included along with the revenue from salvage efforts. Scenarios 1 and 2 can be found in Table 1. For Scenario 1, IDL was able to salvage 17.1% of the green timber value. Scenario 2 shows that IDL was able to salvage 33.5% of the green timber value for the accessible/operationally feasible ground. Overall, fire is an inherent risk for forest landowners. IDL implemented its catastrophic events procedures to efficiently and prudently salvage the value of IDL's timber asset for endowment beneficiaries this fire season.

Fire Salvage Efforts - 2024 Fire Season					
Scenario	Stumpage Value (Green)	Loss of Growth/Silviculture Costs	Salvage Value	Net Loss	% Stumpage Value Salvaged
1	\$ 1,262,195.47	\$ 190,030.12	\$ 215,701.00	\$ (1,236,524.59)	17.09%
2	\$ 643,719.69	\$ 190,030.12	\$ 215,701.00	\$ (618,048.81)	33.51%
Scenario 1 - Comparison of the total loss (green timber) of all acres compared to the salvaged volume.					
Scenario 2 - Comparison of the total feasible harvest acres (green timber) compared to the salvage volume.					

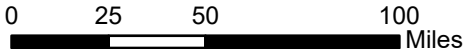
Table 1 – Two scenarios comparing the net value lost for the 2024 fire season.

TIMBER SALES STATUS

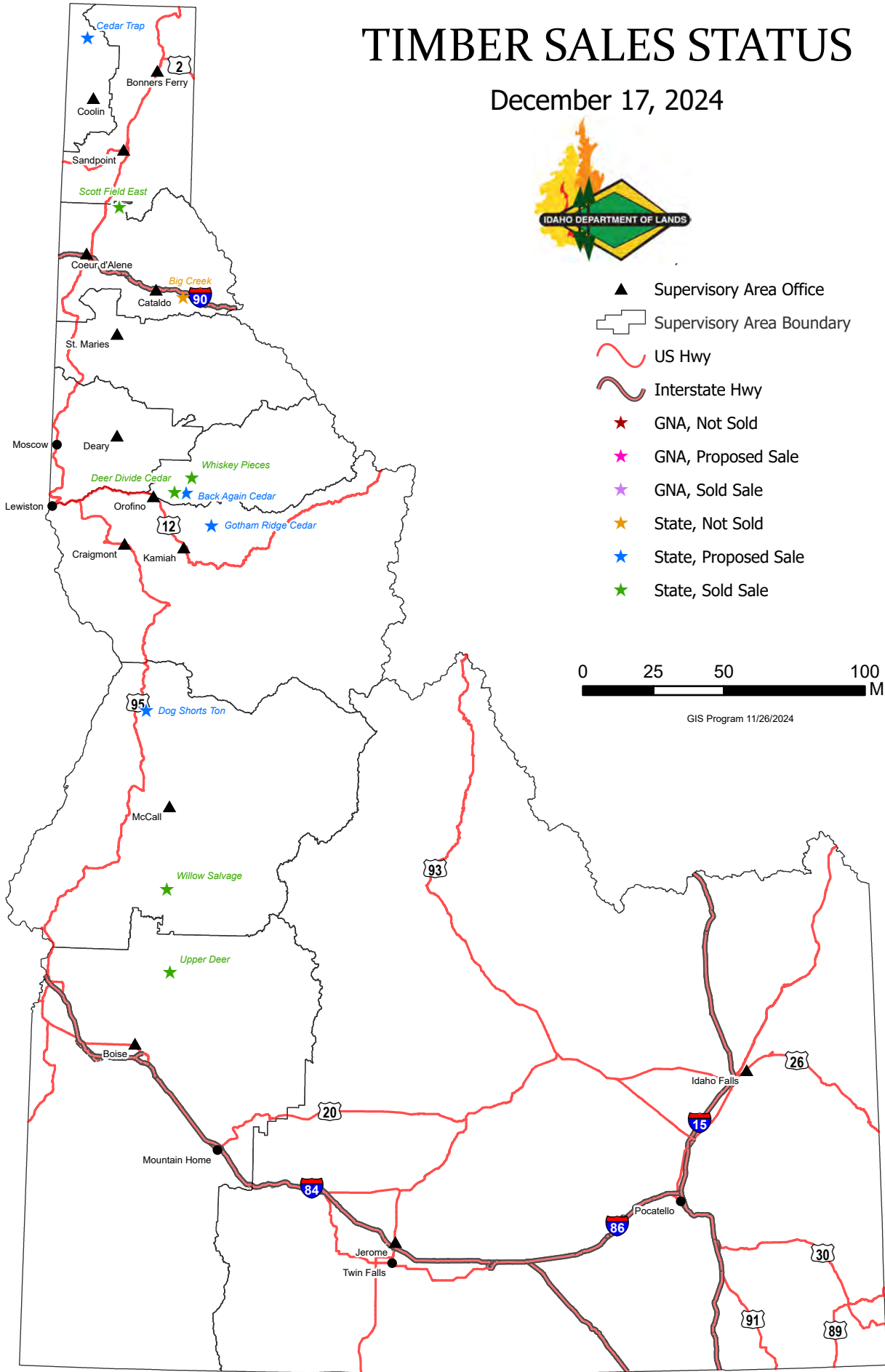
December 17, 2024



- ▲ Supervisory Area Office
- ▭ Supervisory Area Boundary
- US Hwy
- Interstate Hwy
- ★ GNA, Not Sold
- ★ GNA, Proposed Sale
- ★ GNA, Sold Sale
- ★ State, Not Sold
- ★ State, Proposed Sale
- ★ State, Sold Sale



GIS Program 11/26/2024



STATE BOARD OF LAND COMMISSIONERS

October and November 2024

Endowment Transactions

Leases and Permits

FISCAL YEAR 2025 – LEASING & PERMITTING TRANSACTIONS BY MONTH through November 30, 2024													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
SURFACE													
Agriculture		-	-	-	-	-	-	-	-	-	-	-	0
<i>Assignments</i>	-	-	-	-	-	-	-	-	-	-	-	-	0
Communication Sites	1		-	-	-	-	-	-	-	-	-	-	1
<i>Assignments</i>	-	4	-	-	-	-	-	-	-	-	-	-	4
Grazing	-	3	-	2	-	-	-	-	-	-	-	-	5
<i>Assignments</i>	4	2	11	2	3	-	-	-	-	-	-	-	22
Residential	-	9	1	8	3	-	-	-	-	-	-	-	21
<i>Assignments</i>		2	2	1	-	-	-	-	-	-	-	-	5
COMMERCIAL													
Alternative Energy	-	-	-	-	-	-	-	-	-	-	-	-	0
Industrial		-	-	-	-	-	-	-	-	-	-	-	0
Military	-	-	-	-	-	-	-	-	-	-	-	-	0
Office/Retail	-	-	-	-	-	-	-	-	-	-	-	-	0
Recreation	-	-	-	1	-	-	-	-	-	-	-	-	1
<i>Assignments</i>	1	-	-	-	-	-	-	-	-	-	-	-	1
OTHER													
Conservation	-	-	-	-	-	-	-	-	-	-	-	-	0
Geothermal	-	-	-	-	-	-	-	-	-	-	-	-	0
Minerals	2		-	2	-	-	-	-	-	-	-	-	4
<i>Assignments</i>	-	-	-	-	-	-	-	-	-	-	-	-	0
Non-Comm Recreation		-	-	-	-	-	-	-	-	-	-	-	0
Oil & Gas	-	-	-	-	-	-	-	-	-	-	-	-	0
PERMITS													
Land Use Permits	9	11	10	7	2	-	-	-	-	-	-	-	39
TOTAL INSTRUMENTS	17	31	24	23	8	0	0	0	0	0	0	0	103

Real Estate

FISCAL YEAR 2025 – REAL ESTATE TRANSACTIONS BY MONTH through November 30, 2024													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
Deeds Acquired	-	1	-	-	-	-	-	-	-	-	-	-	1
Deeds Granted	-	-	-	4	8	-	-	-	-	-	-	-	12
Deeds Granted - Surplus	-	1	-	2	-	-	-	-	-	-	-	-	3
Easements Acquired		-	-	1	-	-	-	-	-	-	-	-	1
Easements Granted	-	-	-	-	1	-	-	-	-	-	-	-	1
Notes <u>October</u> <i>Surplus Property Deeds: Two Greer Road Access Point Sales</i> <i>Cottage Site VAFO Deeds: 1 site Priest Lake, 3 sites Payette Lake</i> <u>November</u> <i>Cottage Site VAFO Deeds: 7 sites Priest Lake, 1 site Payette Lake</i>													

TRUST LAND MANAGEMENT DIVISION
FY2025 GROSS REVENUE (non-timber) - ACTUAL AND FORECASTED
through November 30, 2024

	REVENUE YTD AS OF 11.30.2024	REVENUE EXPECTED BY 11.30.2024*	REVENUE EXPECTED BY 06.30.2025
SURFACE			
AGRICULTURE	\$ 65,636	\$ 388,710	\$ 678,710
COMMUNICATION SITES	\$ 105,828	\$ 50,000	\$ 1,100,000
GRAZING	\$ 99,895	\$ 109,000	\$ 2,089,000
RESIDENTIAL LEASES	\$ 96,495	\$ -	\$ 1,557,115
COMMERCIAL			
COMMERCIAL ENERGY RESOURCES	\$ 1,500	\$ -	\$ 117,340
COMMERCIAL INDUSTRIAL	\$ 65,550	\$ -	\$ 130,000
COMMERCIAL MILITARY FACILITIES	\$ 111,775	\$ -	\$ 150,000
COMMERCIAL OFFICE/RETAIL LEASES	\$ 650,621	\$ 690,000	\$ 950,000
COMMERCIAL RECREATION	\$ 640,069	\$ 315,000	\$ 1,150,000
OTHER			
CONSERVATION LEASES	\$ 76,382	\$ 10,095	\$ 73,595
GEOTHERMAL	\$ -	\$ 5,006	\$ 5,006
MINERAL LEASES	\$ 120,734	\$ 2,811	\$ 110,494
OIL AND GAS LEASES	\$ 1,527	\$ 258	\$ 3,029
Sub Total	\$ 2,036,010	\$ 1,570,879	\$ 8,114,289
REAL ESTATE SERVICES (ER)	\$ -		**
Grand Total - Earnings Reserve	\$ 2,036,010		

PERMANENT FUND REVENUE

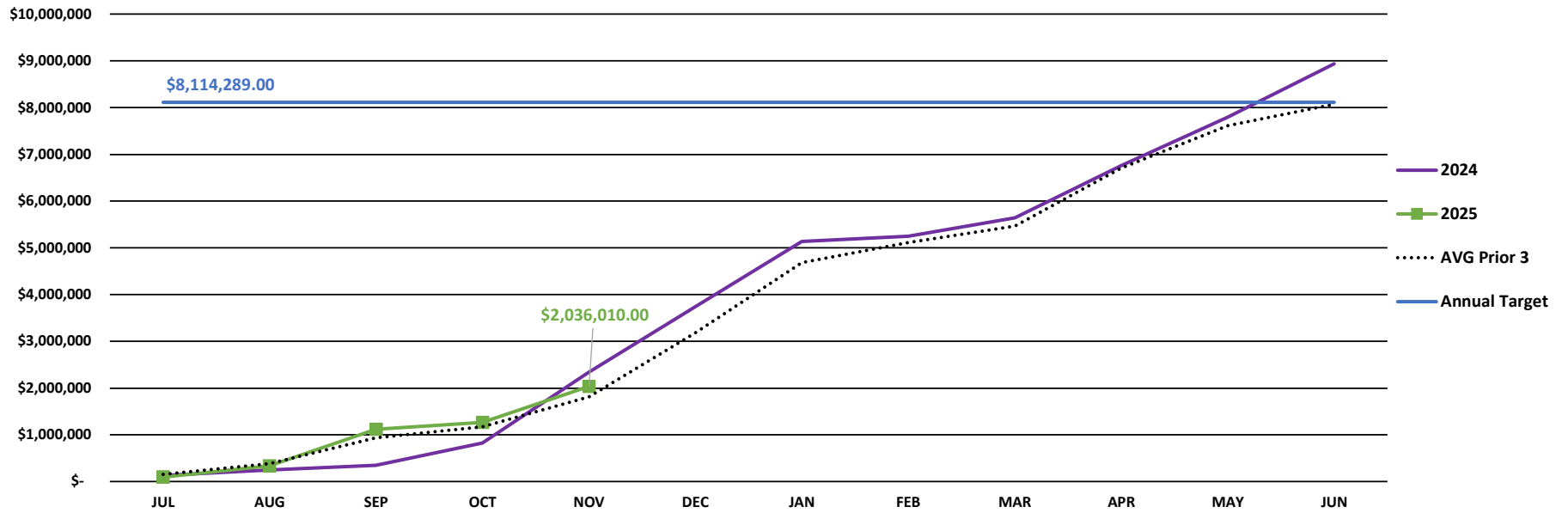
MINERALS (PF) \$ 1,193,701 ***

*These figures are based on historic timing of revenue/billing as well as estimates of upcoming lease and permit revenue.

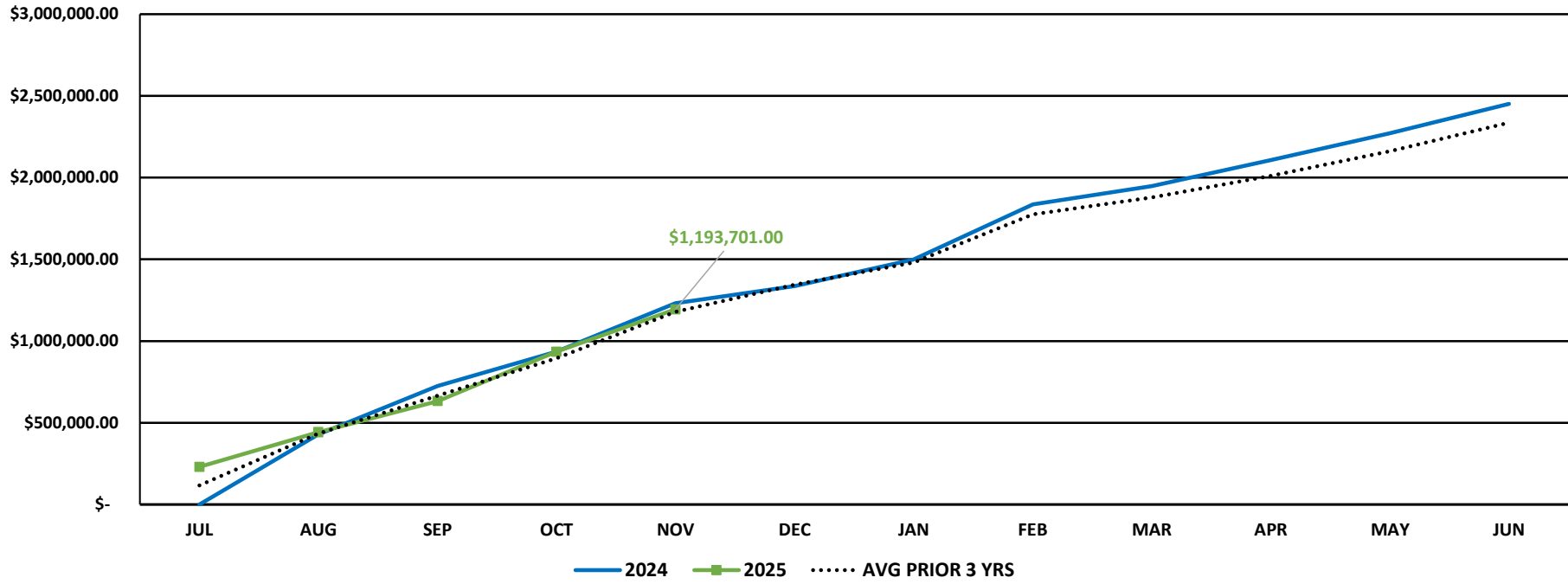
** This category is not included in the annual forecast.

***This category is not included in the annual forecast and represents minerals revenue to the permanent fund.

Cumulative Trust Land Program Receipts
Earnings Reserve - All Programs Excluding Timber
FYTD 2025



**Trust Land Permanent Fund Revenue & Royalties
(Excluding Land Bank and Timber Program)
FYTD 2025**



Annual Report to the Board of Land Commissioners



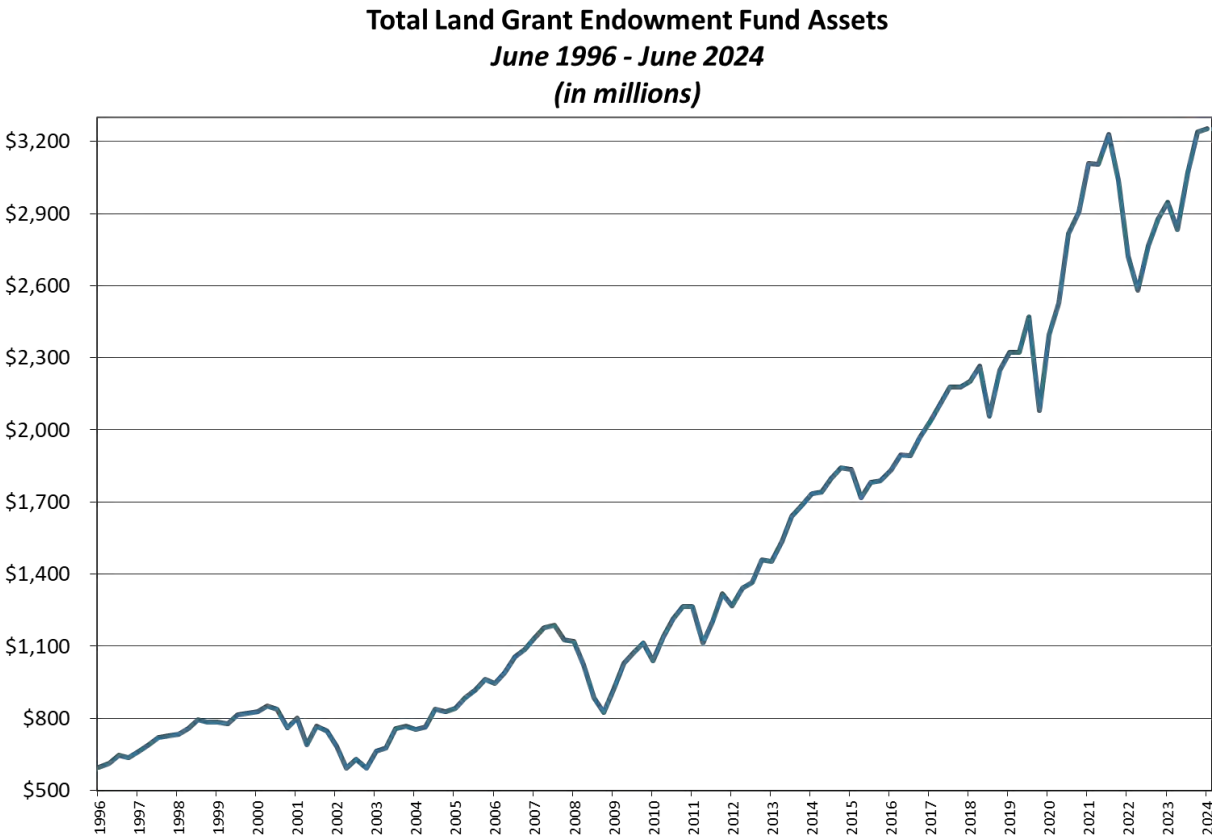
December 17, 2024

SUMMARY OF RESULTS

The Endowment Fund grew by 10.4% or \$307.4 million to \$3,254.0 million during the fiscal year ended June 30, 2024. Earnings reserve levels were above target at fiscal year-end which enabled the Idaho Board of Land Commissioners to approve the transfer of \$134.3 million from earnings reserves into permanent funds. The Endowment Fund had investment gains of 12.0%, which ranked in the top 36th percentile in the Callan Public Fund Sponsor Database. Costs to manage the fund totaled \$11.1 million or 0.34% of assets. Net land revenue increased by 14.3% to \$60.8 million and beneficiary distributions were \$100.3 million.

CHANGES IN FUND BALANCES

Changes in the fund balance of the Endowment Fund are the result of investment gains or losses in the Endowment Fund portfolio, revenue generated from land assets, beneficiary distributions and Department of Lands and Investment Management expenses. The Endowment Fund balance changed by \$307.4 million, \$223.0 million and -\$384.3 million during the fiscal years ended June 30, 2024, 2023 and 2022, respectively. The fund balance totaled \$3,254.0 million, \$2,946.6 million and \$2,723.6 million as of June 30, 2024, 2023 and 2022, respectively.

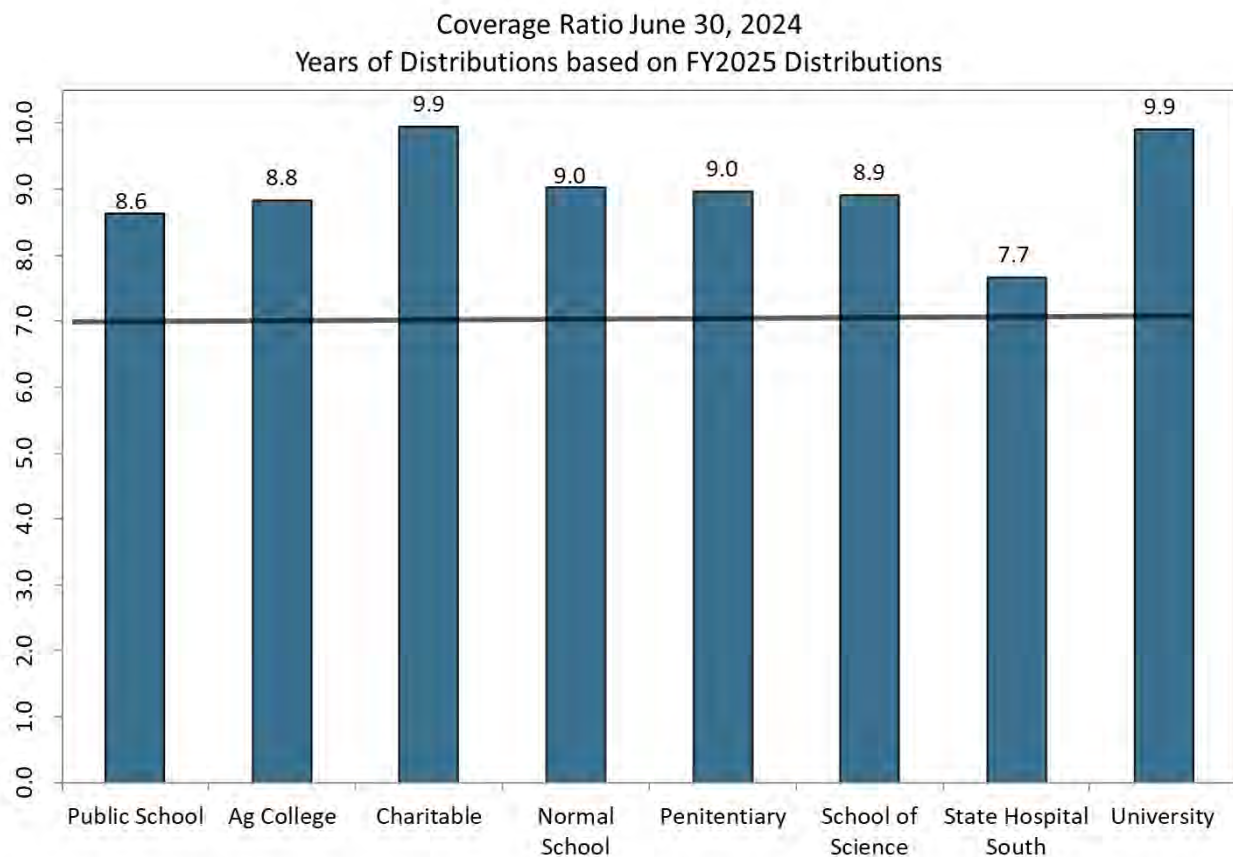


EARNINGS RESERVES

The Idaho State Board of Land Commissioners has established target earnings reserve levels for the Earnings Reserve Funds. The target earnings reserve levels equate to seven years of beneficiary distributions for Public Schools, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and the University of Idaho. When actual earnings reserve balances exceed the target earnings reserve levels, excess amounts may be transferred from Earnings Reserve Funds into the corresponding Permanent Funds.

Total earnings reserve levels were \$921.8 million, \$719.9 million and \$593.2 million as of June 30, 2024, 2023 and 2022, respectively. As of June 30, 2024, the earnings reserve balances for all of the Endowment Funds were above target earnings reserve levels.

The table below highlights the earnings reserve levels expressed in years of distributions for each beneficiary.

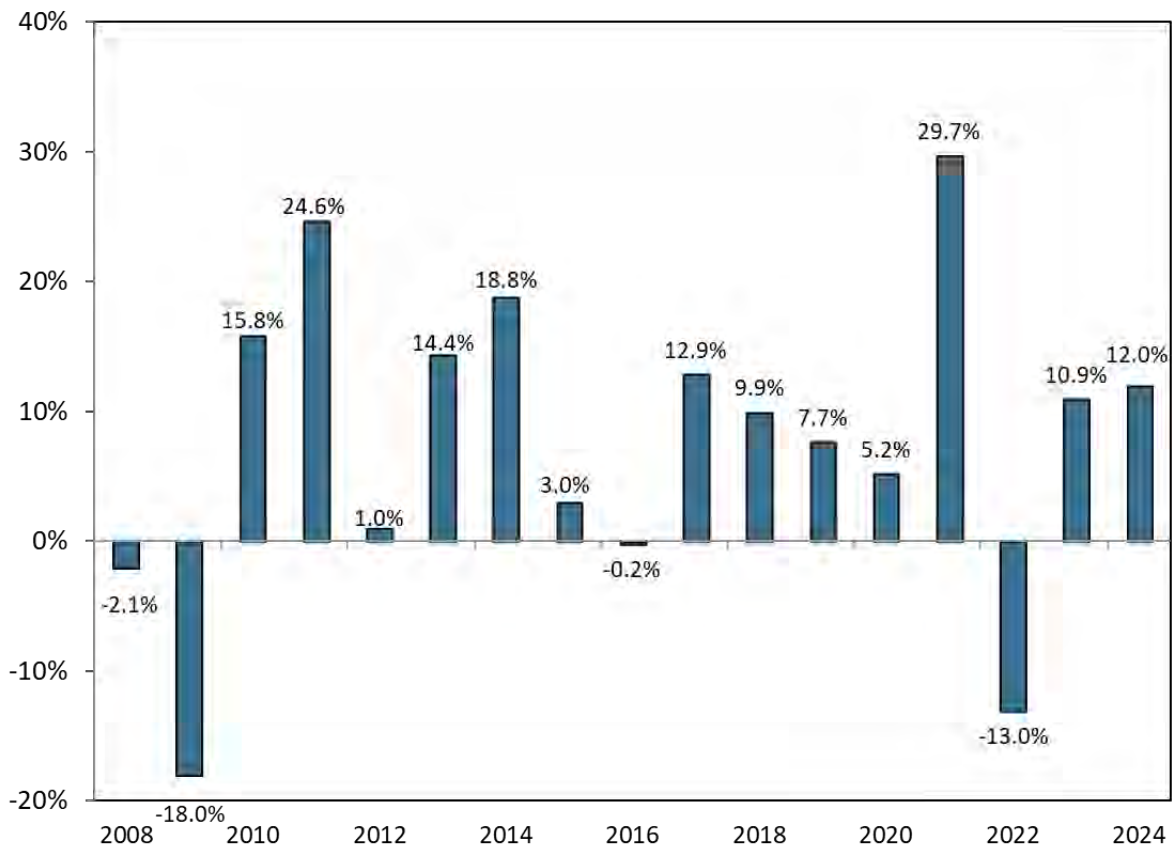


INVESTMENT RESULTS

The Endowment Fund portfolio generated investment returns before fees of 12.0%, 10.9% and -13.0% in fiscal years end June 30, 2024, 2023 and 2022, respectively. The average annual investment returns were 12.0%, 2.6%, 8.1%, and 7.3% during the last one, three, five and ten-

year periods. These investment returns ranked in the top 36th, 68th, 35th and 29th percentile in the Callan Public Fund Sponsor Database for the one, three, five and ten-year periods.

Annual Gross Fund Returns



Annualized Gross Fund Returns, Ending June 30, 2024					
	FY 2024	3 Years	5 Years	7 Years	10 Years
Total Fund	12.0%	2.6%	8.1%	8.3%	7.3%
<i>Benchmark (38% Russell 3000, 19% ACWI ex-US, 9% ACWI, 10% ODCE, 24% BBC Aggregate)</i>	11.9%	3.2%	7.7%	7.7%	7.0%
Total Equity	18.5%	4.8%	11.8%	11.5%	9.8%
Domestic Equity	21.6%	6.2%	13.5%	13.1%	11.7%
Large Cap.	25.3%	7.0%	13.8%	13.5%	12.1%
Mid Cap.	14.3%	5.7%	13.0%	12.9%	10.9%
Small Cap.	11.4%	1.2%	11.3%	10.8%	10.1%
International Equity	14.0%	1.9%	8.8%	8.4%	6.4%
Global Equity	16.0%	5.1%	11.6%	10.9%	8.2%
<i>MSCI ACWI Index</i>	19.4%	5.4%	10.7%	10.0%	8.4%
Total Real Estate	-10.0%	1.8%	2.5%	3.7%	
<i>NCREIF ODCE Index</i>	-11.3%	3.4%	3.4%	4.7%	
Total Fixed Income	3.0%	-2.7%	0.1%	1.2%	1.5%
<i>Fixed-Income Benchmark (BBC U.S. Aggregate)</i>	2.6%	-2.7%	0.1%	1.1%	1.4%

ASSET ALLOCATION

The target asset allocation for the Endowment Fund portfolio is 66% equity, 24% fixed income, and 10% real estate. The equity portion of the portfolio currently includes 37% U.S. equity, 17% international equity and 12% global equity. The fixed income portion of the portfolio includes 11% in the Bloomberg Barclay's Aggregate Index and 13% in an actively managed core plus strategies. The real estate portion of the portfolio is invested in private core real estate strategies.

INVESTMENT MANAGEMENT

The EFIB engages the services of an investment consultant who acts as an independent fiduciary and provides advice in areas such as investment policies and guidelines, asset allocation strategies, portfolio risk/return modeling and hiring and monitoring of investment managers. Callan has served as EFIB's investment consultant since 2007. They were reappointed in 2019 after a national consultant search.

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The EFIB engages Northern Trust Company for custodial services. Northern Trust Company is responsible for the safekeeping of assets, trade settlement, accounting, security valuation, investment performance reporting and proxy voting.

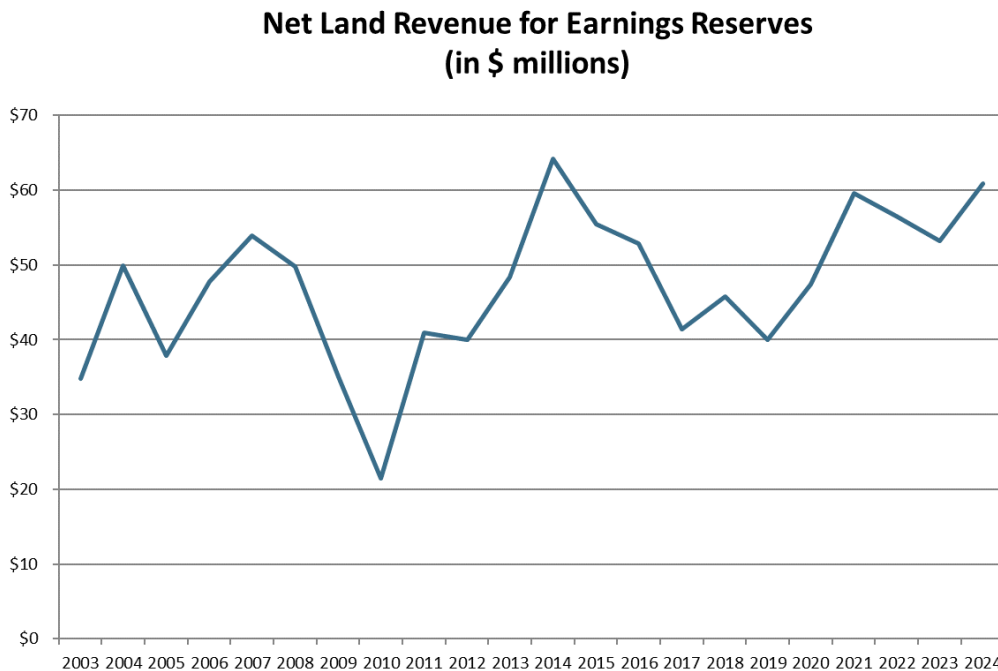
COST OF INVESTMENT MANAGEMENT

The cost for investment management was \$11.1 million, \$11.4 million and \$12.7 million in fiscal years 2024, 2023 and 2022, respectively. Investment management expenses as a percentage of year-end Endowment Fund balances equates to 0.34%, 0.39% and 0.47% in fiscal years 2024, 2023 and 2022, respectively. The table below provides a breakdown of investment management expenses.

Cost of Investment Management			
Investment Management Operating Costs	2024	2023	2022
Internal Investment Costs	\$ 645,655	\$ 605,128	\$ 564,256
Outside investment manager and legal fees	9,266,676	9,538,882	11,303,231
Custody Expense	1,012,950	977,025	934,350
Consultant and auditor fees	284,412	269,620	271,944
Total expenditures	11,209,693	11,390,656	13,073,781
Change in Manager Fee Accrual	(68,968)	32,183	(365,920)
Total Accrual Basis Expense	\$ 11,140,725	\$ 11,422,839	\$ 12,707,861

NET LAND REVENUE

Net land revenue (land revenue less Department of Lands expenses) totaled \$60.8 million, \$53.2 million and \$56.5 million in fiscal years 2024, 2023 and 2022, respectively. Net land revenue increased in fiscal year 2024 due to an increase in the annual volume of timber harvests.



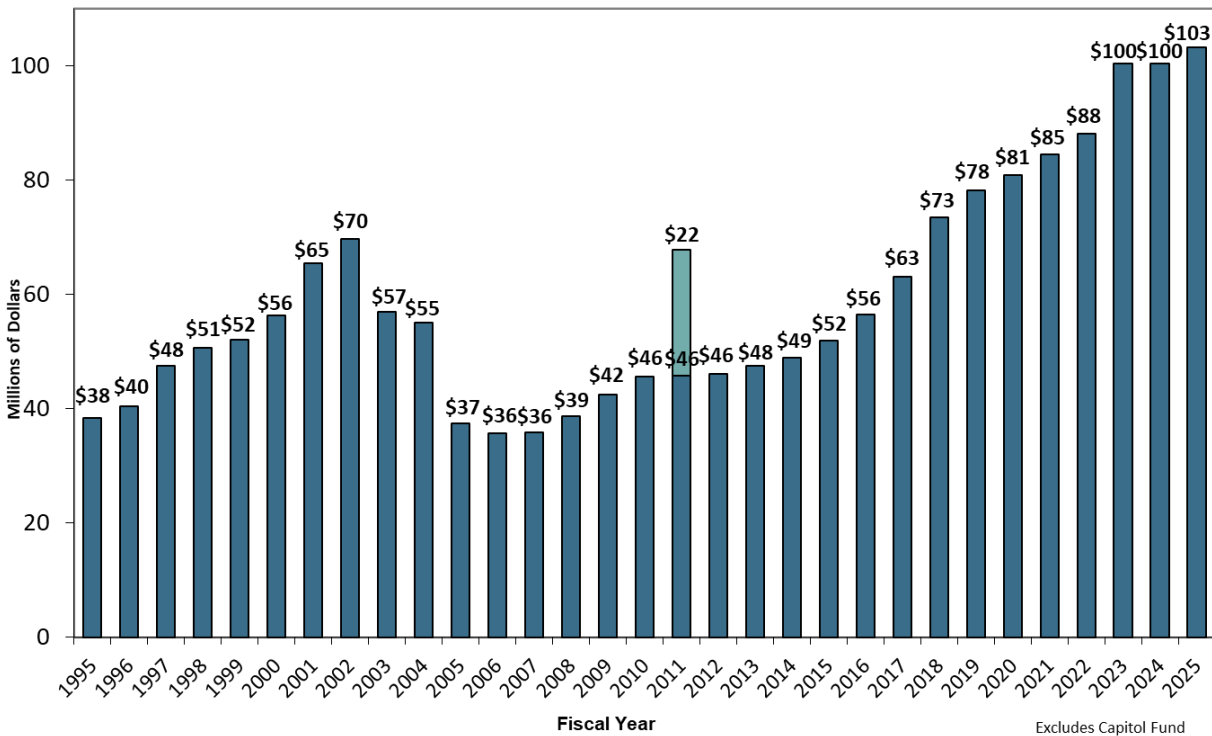
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The Endowment Fund exists to provide distributions to beneficiaries in perpetuity. For all endowments, except Capitol Permanent, the Idaho State Board of Land Commissioners has established a beneficiary distribution policy. The current policy provides for annual distributions at a rate of 5% of the three-year moving average of the Permanent Fund balance (with the exception of State Hospital South which is 7%) and allows for adjustments to distributions based on factors including the level of Earnings Reserve Funds and transfers to Permanent Funds.

Distributions to land-grant beneficiaries totaled \$100.3 million, \$100.3 million and \$88.1 million in fiscal years 2024, 2023 and 2022, respectively. The Board of Land Commissioners approved distributions of \$103.2 million and \$110.4 million in fiscal years 2025 and 2026, respectively. The table below provides a summary of land-grant beneficiary distributions.

Beneficiary Distributions 1995-2025

(includes special Public School distribution in 2011 of \$22M)



On July 1, 2004, the Capitol Permanent Fund was pooled with the Endowment Fund for investment purposes. Additions to the Capitol Permanent Fund include revenue from timber lands, license plate royalties, and investment income. The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund. Distribution from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund totaled \$1.87 million, \$1.83 million and \$1.63 million in fiscal years 2024, 2023 and 2022, respectively. Distributions from the Capitol Maintenance Reserve Fund are determined by the Capitol Commission, subject to legislative appropriation. Distributions from the Capitol Maintenance Reserve Fund to the Capitol Commission were \$250,000, \$1,021,819, and \$125,000 in fiscal years 2024, 2023 and 2022, respectively.

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On July 1, 2002, the State of Idaho's Credit Enhancement Program for school district bond financing was established. This program, in accordance with Idaho Code Section 57-728 and in conjunction with Idaho Code Chapter 53, Title 33, requires the Public School Endowment Fund to purchase up to \$300 million in notes of the State that may be issued to avoid default on school district bonds. This credit enhancement allows eligible voter-approved school bonds to be issued with AAA ratings, which historically has been above the State's AA+ rating. The enhanced credit

rating results in lower borrowing costs for Idaho school districts. EFIB has committed to provide credit enhancement on up to \$1.2 billion in school bonds, with a limit of \$40 million per school district. There were \$521.2 million, \$538.9 million, and \$596.5 million in bonds guaranteed by the Credit Enhancement Program as of June 30, 2024, 2023 and 2022, respectively.

RISKS

The Endowment Fund is aware that macroeconomic and geopolitical risks broadly affect financial markets, and it works closely with its consultant and investment managers to monitor important trends and address risks assumed in the portfolio. It also recognizes the recent escalation of cyber security risk and consistently reviews and monitors best practices used to mitigate these risks.



State of Idaho Endowment Fund

*REPORT OF
INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023*

Administered by the Endowment Fund Investment Board



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IDAHO ENDOWMENT FUND
INVESTMENT BOARD



Independent Auditor's Report

To the Endowment Fund Investment Board
State of Idaho Endowment Fund
Boise, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the State of Idaho Endowment Fund administered by the Endowment Fund Investment Board (the EFIB), a permanent fund of the State of Idaho, as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the State of Idaho Endowment Fund as of June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Idaho Endowment Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of statements of the State of Idaho Endowment Fund, administered by the Endowment Fund Investment Board (the EFIB), a permanent fund of the State of Idaho, as of and for the year ended June 30, 2023, were audited by another auditor, who expressed an unmodified opinion on those statements on August 15, 2023.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the State of Idaho Endowment Fund, and do not purport to, and do not, present fairly the financial position of the State of Idaho, as of June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Idaho Endowment Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State of Idaho Endowment Fund's basic financial statements. The supplementary schedules of statements of fund balance by endowment are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary schedules of statements of net position by endowment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedules of the gain benchmark but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2024, on our consideration of the State of Idaho Endowment Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Idaho Endowment Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Idaho Endowment Fund's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
August 20, 2024

The Management Discussion and Analysis highlights the financial performance of the State of Idaho Land Grant Endowment Fund (“Endowment Fund”) for the fiscal years ended June 30, 2024, 2023 and 2022.

BACKGROUND

When Idaho became the 43rd state in 1890, the Congress of the United States endowed certain lands to be used to generate income for education and other important purposes. At statehood, 3.6 million acres of land were granted to the State of Idaho (“State”) and 2.5 million acres remain. Proceeds from the sale of land and income generated by the land have accumulated in the Endowment Fund which provides financial support for its beneficiaries.

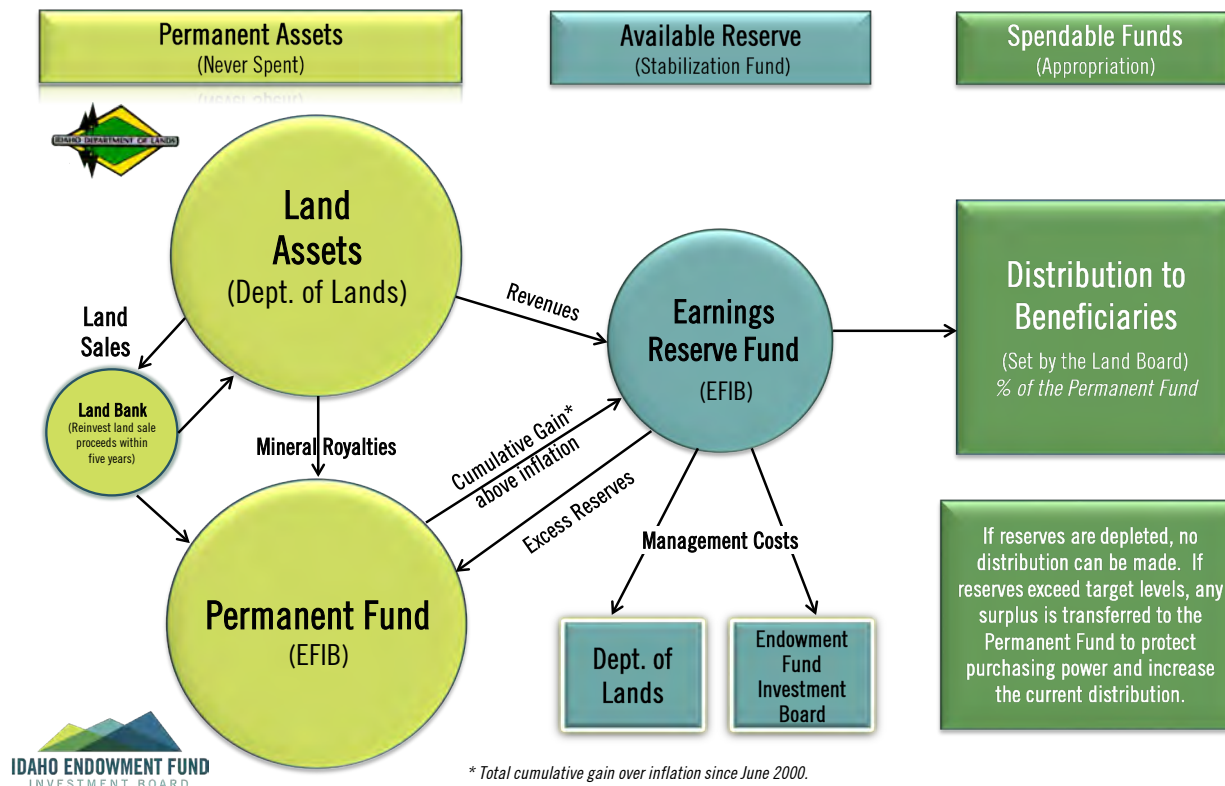
The Endowment Fund supports the following beneficiaries: Public Schools, University of Idaho Agricultural College, Charitable Institutions (Idaho State University, Juvenile Corrections Center, State Hospital North, Veterans’ Home, School for the Deaf and Blind), Normal School (Idaho State University, Lewis-Clark State College), Penitentiary, University of Idaho School of Science, State Hospital South, University of Idaho and the Capitol Permanent Fund.

The Endowment Fund Investment Board (“EFIB”) was created by the Idaho Legislature in 1969 and is charged with administration and investment management responsibilities for the Endowment Fund according to policies established by the Idaho State Board of Land Commissioners. In addition, EFIB provides investment management services for funds associated with other state agencies including SIF (formerly known as the State Insurance Fund), Idaho Department of Environmental Quality, Idaho Department of Fish and Game, Idaho State Parks & Recreation and the Idaho Department of Lands. Financial results related to non-Land Grant Endowment Funds are not included in these financial statements.

THE ENDOWMENT FUND STRUCTURE

The Endowment Fund is structured to include Permanent Funds and Earnings Reserve Funds for each beneficiary. Permanent Funds are to remain intact and grow at least at the rate of inflation. Under legislation passed by the Idaho Legislature in 1998, Earnings Reserve Funds were established to pay distributions to beneficiaries and cover expenses for the Idaho Department of Lands and EFIB. Most land revenue is considered an addition to the Earnings Reserve Funds, while distributions to beneficiaries and the payment of Idaho Department of Lands and EFIB expenses are considered depletions. Each June 30, the proportionate change in market value of the Endowment Fund portfolio is allocated to each endowment’s Earnings Reserve Fund and gains up to the rate of inflation to each endowment’s Permanent Fund. This allocation methodology is specified in Idaho Code Section 57-720 and reflected in the following table.

STRUCTURE OF IDAHO'S ENDOWMENT ASSETS



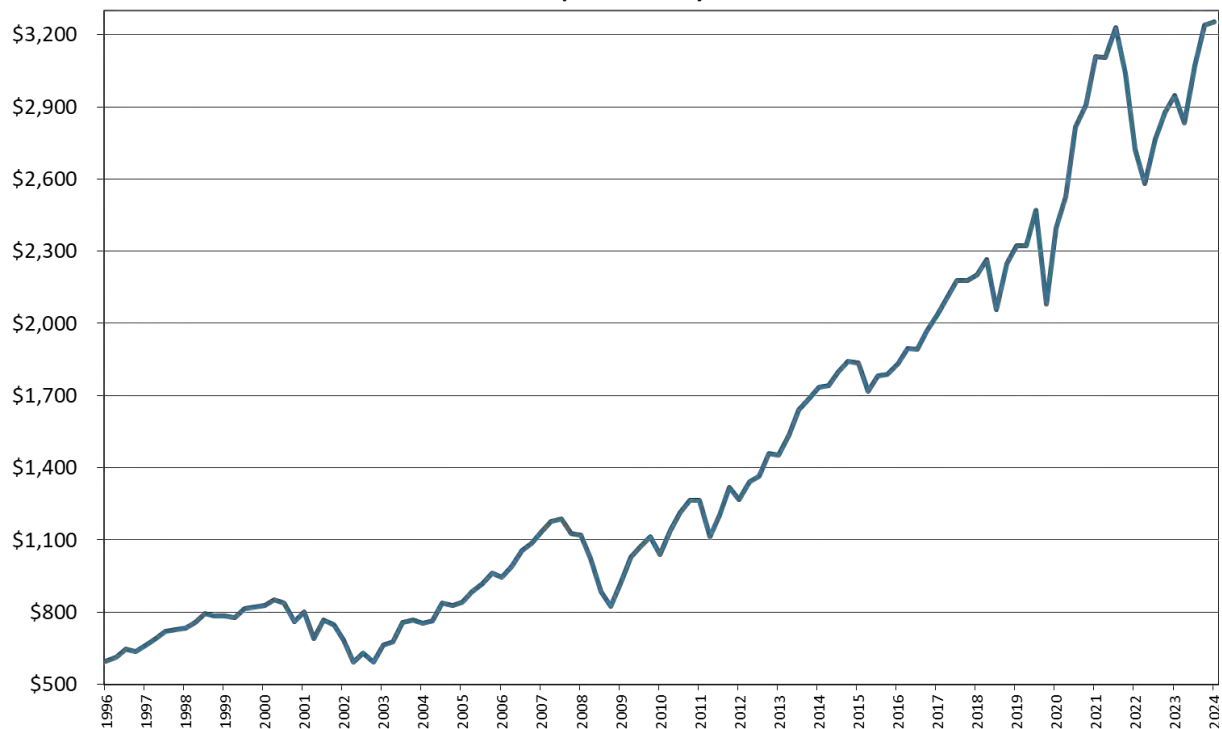
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FINANCIAL HIGHLIGHTS:

CHANGES IN FUND BALANCES

Changes in the fund balance of the Endowment Fund are the result of investment gains or losses in the Endowment Fund portfolio, revenue generated from land assets, beneficiary distributions and Department of Lands and Investment Management expenses. The Endowment Fund balance changed by \$307.4 million, \$223.0 million and -\$384.3 million during the fiscal years ended June 30, 2024, 2023 and 2022, respectively. Fund balance and fund balance totaled \$3,254.0 million, \$2,946.6 million and \$2,723.6 million as of June 30, 2024, 2023 and 2022, respectively.

Total Land Grant Endowment Fund Assets
June 1996 - June 2024
(in millions)



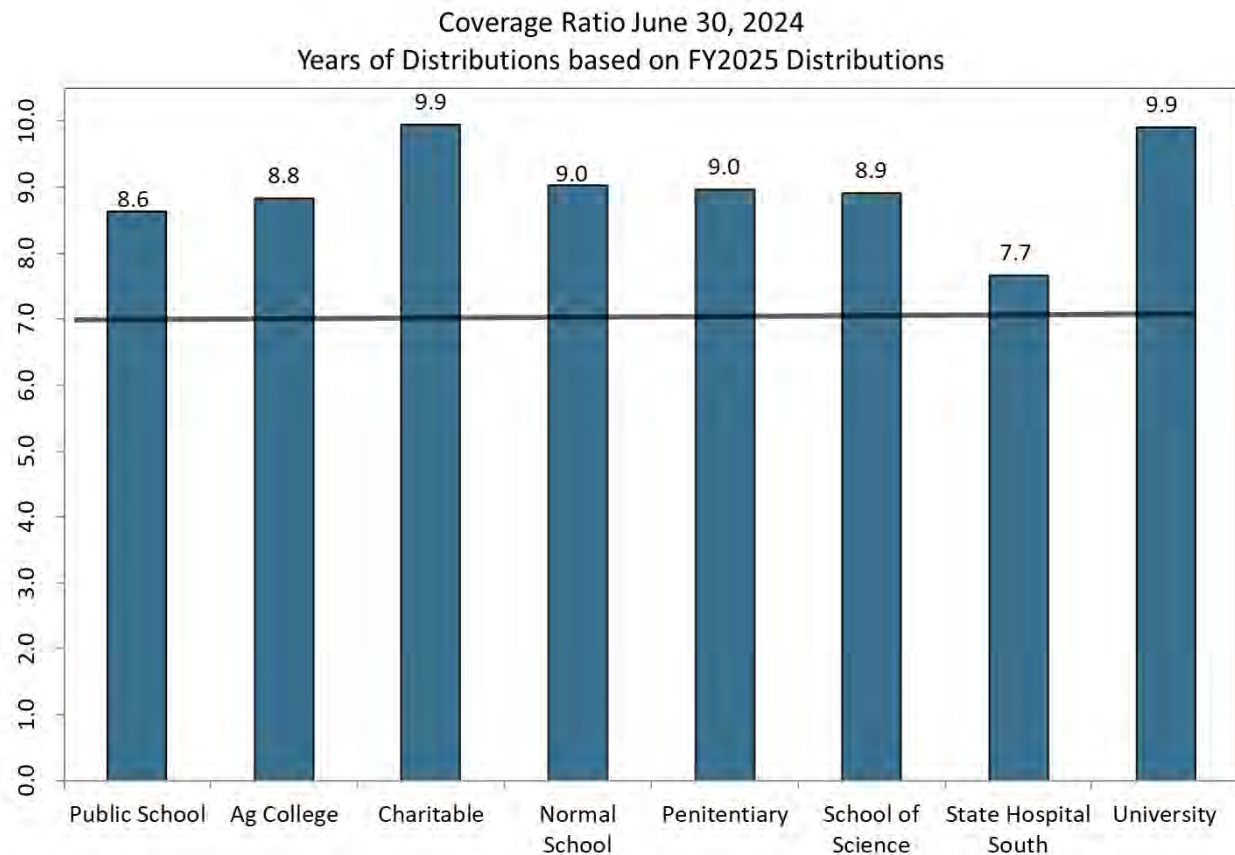
EARNINGS RESERVES

The Idaho State Board of Land Commissioners has established target earnings reserve levels for the Earnings Reserve Funds. The target earnings reserve levels equate to seven years of beneficiary distributions for Public Schools, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and the University of Idaho. When earnings reserves exceed the target earnings reserve levels, excess amounts may be transferred from Earnings Reserve Funds into the corresponding Permanent Funds.

Total earnings reserve levels were \$921.8 million, \$719.9 million and \$593.2 million as of June 30, 2024, 2023 and 2022, respectively. As of June 30, 2024, the earnings reserve balances for all of the Endowment Funds were above target earnings reserve levels.

Earnings Reserves cont.:

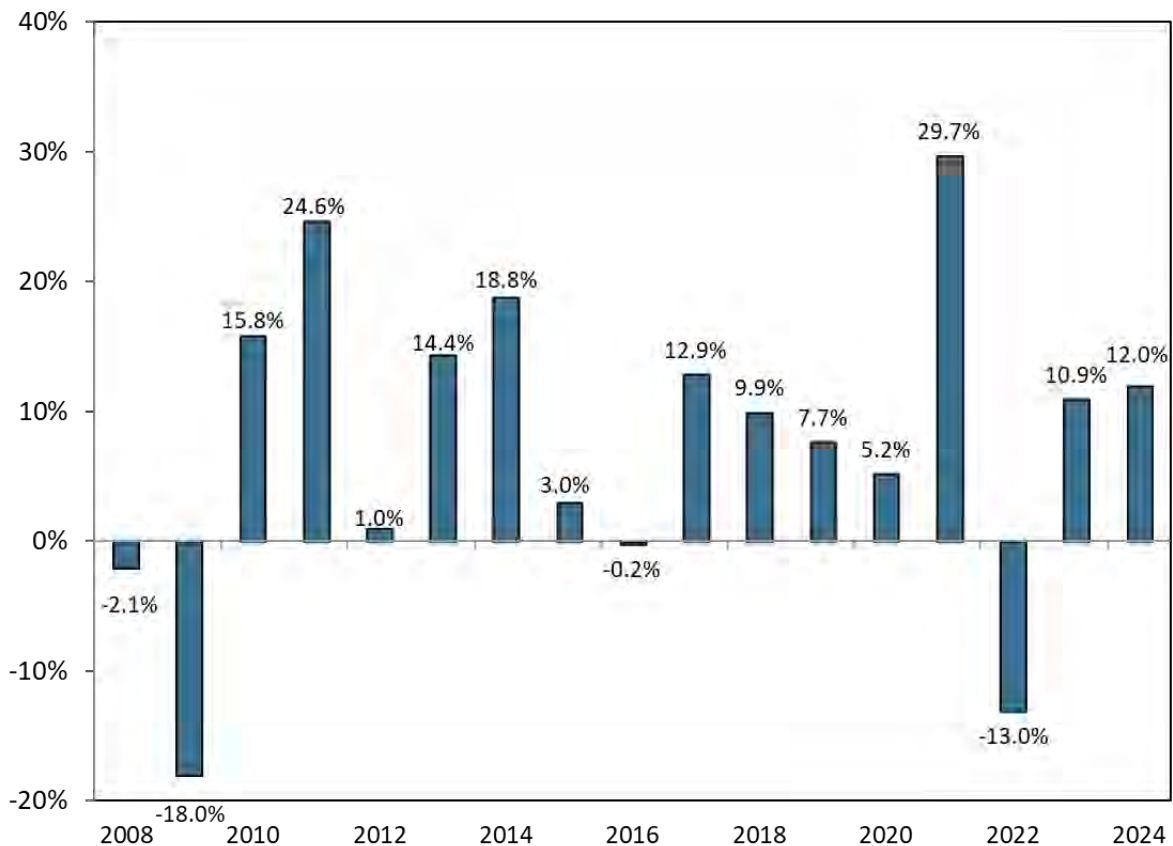
The table below highlights the earnings reserve levels expressed in years of distributions for each beneficiary.



INVESTMENT RESULTS

The Endowment Fund portfolio generated investment returns before fees of 12.0%, 10.9% and -13.0% in fiscal years end June 30, 2024, 2023 and 2022, respectively. The average annual investment returns were 12.0%, 2.6%, 8.1%, and 7.3% during the last one, three, five and ten-year periods. These investment returns ranked in the top 36th, 68th, 35th and 29th percentile in the Callan Public Fund Sponsor Database for the one, three, five and ten-year periods.

Annual Gross Fund Returns



Annualized Gross Fund Returns, Ending June 30, 2024

	FY 2024	3 Years	5 Years	7 Years	10 Years
Total Fund	12.0%	2.6%	8.1%	8.3%	7.3%
<i>Benchmark (38% Russell 3000, 19% ACWI ex-US, 9% ACWI, 10% ODCE, 24% BBC Aggregate)</i>	11.9%	3.2%	7.7%	7.7%	7.0%
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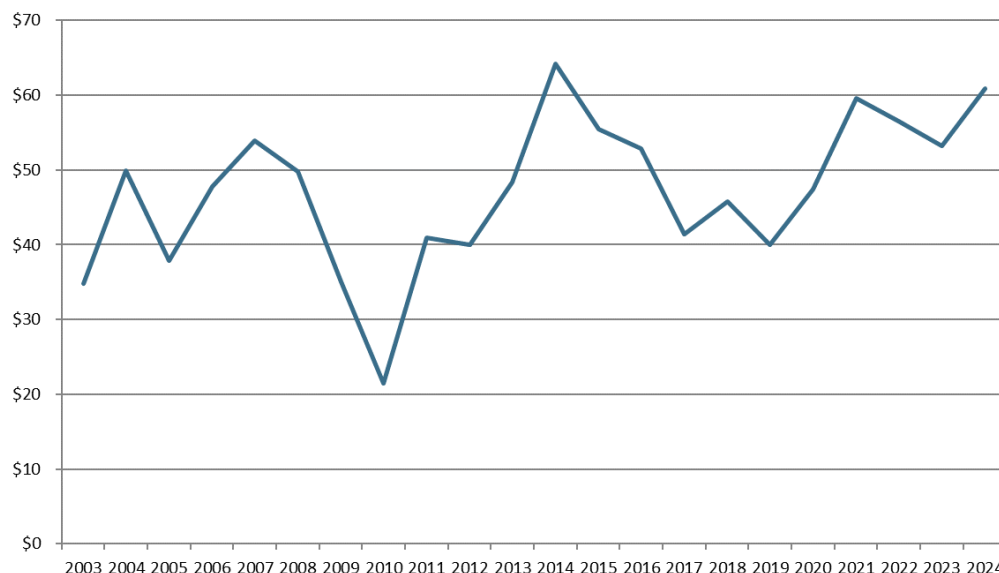
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Net Land Revenue for Earnings Reserves (in \$ millions)



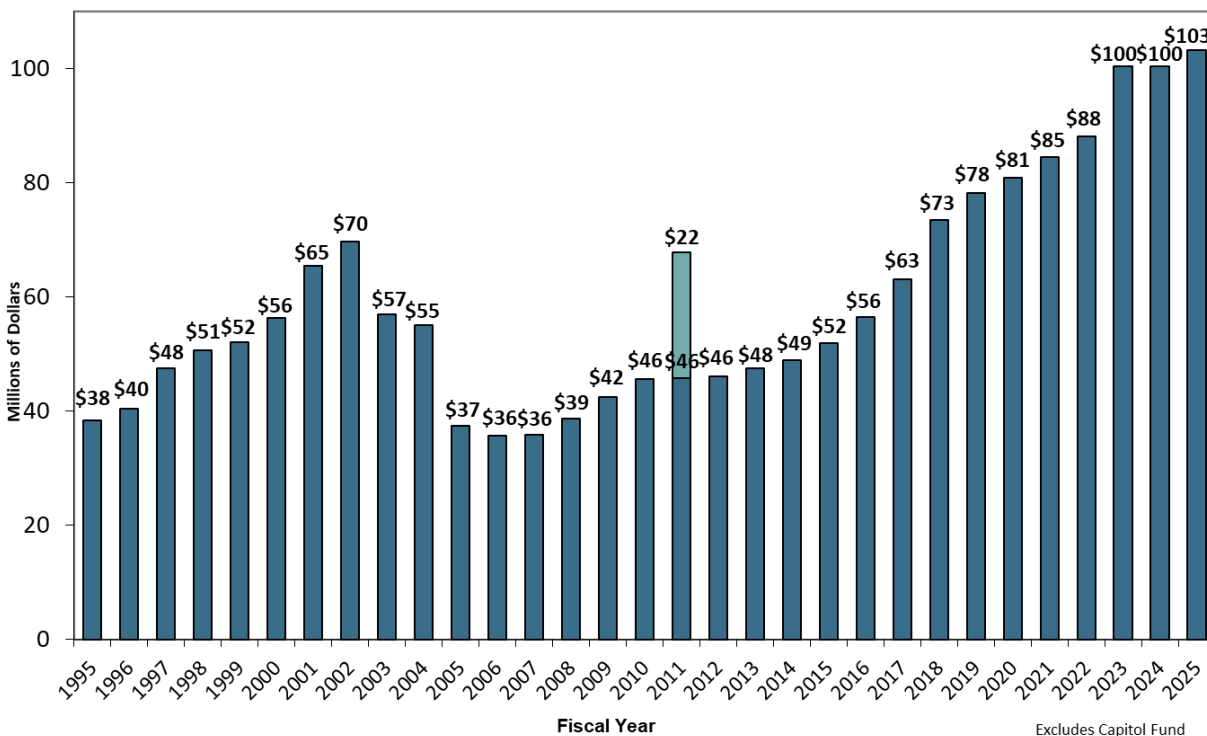
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(includes special Public School distribution in 2011 of \$22M)



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Permanent Fund to the Capitol Maintenance Reserve Fund totaled \$1.87 million, \$1.83 million and \$1.63 million in fiscal years 2024, 2023 and 2022, respectively. Distributions from the Capitol Maintenance Reserve Fund are determined by the Capitol Commission, subject to legislative appropriation. Distributions from the Capitol Maintenance Reserve Fund to the Capitol Commission were \$250,000, \$1,021,819, and \$125,000 in fiscal years 2024, 2023 and 2022, respectively.

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USING THIS ANNUAL REPORT

The annual report consists of the independent auditors' report, financial statements, notes to the financial statements, supplementary information and other information. The financial statements, notes to the financial statements and supplementary schedules are prepared by the EFIB staff and are intended to give the reader a complete understanding of the Endowment Fund. The financial statements consist of the Governmental Balance Sheets, the Governmental Statements of Revenues, Expenditures and Changes in Governmental Fund Balances. The notes to the financial statements are an integral part of the financial statements and provide additional information on the Endowment Fund and its operations.

STATE OF IDAHO ENDOWMENT FUND
GOVERNMENTAL BALANCE SHEETS
JUNE 30, 2024 AND 2023



	2024	2023
Assets:		
Investments, at Fair Value	\$ 3,252,367,492	\$ 2,946,748,491
Receivable for Unsettled Trades	42,807,567	37,138,694
Receivable From Idaho Department of Lands	4,118,934	1,433,240
Accrued Interest and Dividends Receivable	9,210,941	7,292,932
Prepaid Expenses to the Department of Lands	6,321,575	6,283,786
Total Assets	\$ 3,314,826,509	\$ 2,998,897,143
Liabilities:		
Payable for Unsettled Trades	\$ 58,411,757	\$ 49,788,543
Investment Manager Expenses Payable	2,412,053	2,506,505
Total Liabilities	60,823,810	52,295,048
Fund Balances:		
Nonspendable - Permanent Funds	2,332,223,197	2,226,677,101
Restricted - Earnings Reserve Funds	921,779,502	719,924,994
Total Fund Balances	3,254,002,699	2,946,602,095
Total Liabilities and Fund Balances	\$ 3,314,826,509	\$ 2,998,897,143

See Notes to Financial Statements

STATE OF IDAHO ENDOWMENT FUND
GOVERNMENTAL STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
GOVERNMENTAL FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023



Revenues:	<u>2024</u>	<u>2023</u>
Receipts from the Department of Lands		
Permanent Receipts	\$ 2,666,347	\$ 6,399,138
Earnings Reserve Receipts	91,706,237	81,279,200
Net Income from Investments	<u>355,605,148</u>	<u>276,203,901</u>
Total Revenues	449,977,732	363,882,239
Expenditures:		
Department of Lands	30,871,403	28,083,290
Investment Management	<u>11,140,725</u>	<u>11,422,840</u>
Total Expenditures	42,012,128	39,506,130
Revenues Over Expenditures	407,965,604	324,376,109
Other Financing Uses		
Distributions to Beneficiaries	<u>100,565,000</u>	<u>101,336,819</u>
Net Increase in Fund Balance	307,400,604	223,039,290
Fund Balance - Beginning of Year	<u>2,946,602,095</u>	<u>2,723,562,805</u>
Fund Balance - End of Year	<u>\$ 3,254,002,699</u>	<u>\$ 2,946,602,095</u>

See Notes to Financial Statements

NOTE 1 - GENERAL DESCRIPTION OF THE FUND

The Endowment Fund Investment Board (the EFIB) is charged with administration and investment management responsibilities for the State of Idaho Endowment Fund (the “Endowment Fund”), which is comprised of Permanent and Earnings Reserve Funds for state beneficiaries including Public School, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and University of Idaho Endowment Funds, as well as the Capitol Permanent Fund and Capitol Maintenance Reserve Fund.

The Endowment Fund is part of the State of Idaho’s financial reporting and is included in the State’s Annual Comprehensive Financial Report (ACFR). The Endowment Fund is invested according to investment policies recommended by the EFIB Board and established by the Idaho State Board of Land Commissioners.

The EFIB has no control over assets held by the Idaho Department of Lands (IDL); therefore, the EFIB gives accounting recognition only when transactions related to endowment land assets are completed by IDL.

Endowment Fund Investment Reform Legislation

On July 1, 2000, the EFIB significantly changed operations and reporting of the Endowment Fund, under legislation enacted by the Idaho Legislature in 1998.

The legislation provides that:

- (1) The EFIB, as trustees, will control, manage and invest the Endowment Fund according to policies established by the Idaho State Board of Land Commissioners.
- (2) The application of the Uniform Prudent Investor Act replaces the previous, more restrictive, investment criteria.
- (3) An Earnings Reserve Fund was established to create a buffer to preserve the Permanent Fund balances.
- (4) Administrative costs are to be paid from earnings of the Endowment Fund instead of from annual General Fund appropriations.
- (5) Distributions to beneficiaries are determined by the Idaho State Board of Land Commissioners and are to be paid from the Earnings Reserve Funds, which include investment earnings, net capital gains and certain receipts from IDL.

In March 2004, legislation was enacted which establishes an objective that the Permanent Funds of each endowment grow from June 2000 levels at least at the cumulative rate of inflation plus deposits. Further, it provides that any income and market appreciation of the Permanent Funds can only be transferred to the Earnings Reserve Funds if that objective has been achieved.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The financial statements include only the assets of the Endowment Fund Investment Board (EFIB) and conform to the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The Endowment Fund is part of the State of Idaho reporting entity based on certain GASB criteria. These statements present only the Endowment Fund and are not intended to present the financial position and results of operations of the State of Idaho in conformity with generally accepted accounting principles in the United States of America.

Fund Accounting

The operations of the Endowment Fund are accounted for and reported as Non-spendable Permanent Fund and Restricted Earnings Reserve Fund as defined by GASB and uses the modified accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenditures are recognized when they are incurred. These statements report all activities of the Endowment Fund as a governmental type activity.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

According to policies established by the State Board of Land Commissioners, the EFIB is authorized to invest the Endowment Fund in certain fixed income, real estate and equity investments as defined by the investment policy of the EFIB and consistent with Idaho Code Section 57-723. This section states in part, "The EFIB and its investment manager(s) or custodian(s) shall be governed by the Idaho Uniform Prudent Investor Act (Chapter 5, Title 68, Idaho Code), and shall invest and manage the assets of the respective trusts in accordance with that act and the Idaho constitution." In accordance with this code section, the EFIB's investment policy, specifies that the Endowment Funds may be invested in equities (61% to 71% of the investment portfolio, with a target of 66%), fixed income (21% to 27% of the investment portfolio, with a target of 24%), and real estate (7% to 13% of the investment portfolio, with a target of 10%).

The following is a list of investments by asset class allowed by the general investment policy:

- (1) Cash Equivalents: Treasury bills; money market funds; STIF funds; commercial paper; banker's acceptances; repurchase agreements; certificates of deposit.
- (2) Fixed Income: U.S. government and agency securities; bank loans; corporate notes and bonds; residential mortgage backed bonds; commercial mortgage backed bonds; municipal bonds, infrastructure securities, USD and non-USD fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other "early tranche" CMO's; Sequential pay CMO's; collateralized loan obligations, asset backed securities; convertible notes and bonds; Securities defined under Rule 144A and Section 4(2) of Securities Act of 1933; or securities eligible for inclusion in the Bloomberg Barclays Aggregate Bond Index.
- (3) Equities: Common stocks; convertible preferred stocks; preferred stocks; REITS; American depository receipts (ADRs); stocks of non-U.S. companies (ordinary shares).
- (4) Real Estate: Domestic, private, open-end, core comingled funds, REITS.
- (5) ETFs, Mutual Funds and Collective Funds which invest in securities as allowed in this statement or as permitted in Investment Manager Guidelines. Investment managers will advise the MOI of their intent to utilize ETFs prior to their purchase, what specific ETFs they intend to use and the purposes they serve.
- (6) Futures, Options and Swaps: The EFIB may use financial index futures and options in order to adjust the overall effective asset allocation of the entire portfolio or it may use swaps, futures or options to hedge interest rate or currency exposure. For example, S&P 500 and 10-Year Treasury futures may be used to equitize idle cash and to passively rebalance the portfolio. Futures and options positions are not to be used for speculation, and the EFIB must specifically approve the program for each type of use. Derivative exposure must have sufficient cash, cash equivalents, offsetting derivatives or other liquid assets to cover such exposures. Investment securities are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. Purchase and sale transactions are recorded on the trade date.
- (7) Derivative securities: Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, and interest rate swaps, among others. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. Unless a specific type of derivative security is allowed in the Investment Manager Guidelines, the Investment Manager(s) must seek written permission from the EFIB to include derivative investments in the Fund's portfolio. The Investment Manager(s) must present detailed written information as to the expected return and risk characteristics of such investment vehicles.

Investment securities are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. Purchase and sale transactions are recorded on the trade date.

In fiscal years 2024 and 2023, the EFIB utilized index futures for cash equitization and passive rebalancing. Index futures obligate the buyer to purchase an asset (or the seller to sell an asset) at a predetermined future date and price. Futures contracts detail the quality and quantity of the underlying asset and are standardized to facilitate trading on a futures exchange.

The table below summarizes the various contracts in the portfolio as of June 30, 2024. The notional value of these instruments is not recorded in the financial statements.

Derivatives	Expiration Date	Contracts	Notional Value	Fair Value
Swaps	Various	13	\$59,637,207	\$420,786
Equity Contracts	Various	1	\$55	\$0
Foreign Exchange Contracts	Various	95	\$0	(\$217,792)
Options on Futures	Various	22	(\$131)	\$83,976
Interest Rate Contracts	Various	9	\$678	\$0

The table below summarizes the various contracts in the portfolio as of June 30, 2023. The notional value of these instruments is not recorded in the financial statements.

Derivatives	Expiration Date	Contracts	Notional Value	Fair Value
Swaps	Various	11	\$46,164,530	\$762,700
Equity Contracts	Various	1	\$7	\$0
Foreign Exchange Contracts	Various	27	\$0	(\$590,443)
Options on Futures	Various	10	(\$109)	\$7,249
Interest Rate Contracts	Various	14	\$703	\$0

Non-spendable and Restricted Fund Balance

The fund balance of the Earnings Reserve Funds is the spendable assets of the Endowment Fund, which are restricted by law, constitutional provisions, or enabling legislation as to the use. These spendable assets are used for distributions to beneficiaries and distributions for expenses of the EFIB and the IDL. The fund balance of the Permanent Funds is the nonspendable assets, which cannot be spent because they are legally required to be maintained intact.

Income from Investments

Income from investments is recognized when earned and includes interest, dividends, other income, and market appreciation (realized and unrealized). Income from investments is allocated and distributed to each fund participating in the investment pool in the same ratio that each fund's

average daily balance bears to the total daily balance of all funds. Income from investments is recorded on an accrual basis.

Within each endowment, income from investments is further allocated to its Permanent Fund and Earnings Reserve Fund in accordance with Idaho Code Sections 57-723A and 57-724A. The definition of “income” to be allocated depends on whether or not the Permanent Fund portion of an endowment fund has exceeded its “Gain Benchmark” as defined in statute at the end of the fiscal year.

The Gain Benchmark, as specified in Idaho Code Section 57-724, represents the desired or targeted value of principal or corpus in each endowment fund (excluding Capitol Permanent). It is determined by starting with the balance at June 30, 2000, and adding deposits (mainly extracted minerals from endowment land and the sale of endowment land), the annual impact of inflation based on the twelve month average of the Consumer Price Index – All Urban (CPI), and certain reinvested income transfers from Earnings Reserve that are designated by the Land Board as a permanent increases in corpus. The level of the Gain Benchmark determines whether income from investments in the Permanent Fund should be retained to offset inflation and previous losses or is eligible to be transferred to the Earnings Reserve as distributable income. The Permanent Funds at the end of FY2024 and FY2023 had balances that were in excess of the gain benchmark.

Losses in Principal of the Permanent Funds

At the end of each fiscal year, the EFIB is required to calculate whether the fair market values of the Permanent Funds are below the principal or Loss Benchmark level as defined in statute (June 30, 2000 value adjusted for deposits – primarily revenues from extracted minerals and proceeds of land sales).

A loss in principal of the Public School Permanent Fund is made up as follows:

- (1) The State Board of Land Commissioners may transfer any funds in the Public School Earnings Reserve Fund that they determine will not be needed for administrative costs or scheduled distributions in the following fiscal year to the Public School Permanent Fund, to make up for any prior losses in value.
- (2) If funds transferred from the Earnings Reserve Fund are insufficient to make up all losses in value to the Public School Permanent Fund, the remaining loss shall be made up, within ten years, by legislative transfer or appropriation. If subsequent gains, as determined pursuant to the statute, or transfers from the Earnings Reserve Fund, make up for any remaining loss before this ten-year period expires, then no legislative transfer or appropriation shall be necessary.

A loss in principal of the Permanent Funds other than the Public School Permanent or Capitol Permanent Funds shall be made up from Earnings Reserve Fund monies that the State Board of

Land Commissioners determines will not be needed for administrative costs or scheduled distributions to each endowment's respective beneficiary.

Federal law requires that losses to the Agricultural College fund must be made up by the State, but the requirement to restore losses to that endowment has not been established in statute.

There is no statutory requirement to make up losses or calculate a Gain or Loss Benchmark in the Capitol Permanent Fund.

Distributions to State Beneficiaries

With the exception of the Capitol Funds, distributions to the other eight beneficiaries are authorized annually by the State Board of Land Commissioners and are made in equal installments on approximately the 10th of each month. Distributions to the Capitol Maintenance Reserve Fund from the Capitol Permanent Fund are authorized by the EFIB and distributed in July of each fiscal year. Distributions from the Capitol Maintenance Reserve Fund are authorized by the Capitol Commission.

Other

Investments have risks that the other parties to securities transactions do not fulfill their contractual obligations. The EFIB attempts to minimize such risks by diversifying the portfolio investments, monitoring investment grade and quality, and purchasing primarily investment grade fixed income securities.

The EFIB does not intend to use market timing as an investment strategy. However, the investment policy provides the flexibility for tactical asset allocation and rebalancing using capitalizations, investment styles, sectors, and other factors.

NOTE 3 - INVESTMENTS

Investments at June 30, 2024 and 2023:

Fund Investments	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Barrow, Hanley	\$ 53,657,704	\$ 64,129,169	\$ 53,846,187	\$ 65,250,185
Boston Partners	120,016,833	161,937,154	114,550,891	141,406,860
CBRE	139,807,349	120,291,243	101,551,610	91,728,401
Clearwater Advisors	469,121	469,121	2,150,181	2,150,181
Dodge & Cox Global Equity	117,026,345	126,791,992	-	-
DoubleLine Capital - Core Plus	218,613,110	207,018,733	197,962,808	178,188,875
Eagle Asset Management	52,916,237	65,628,641	50,447,865	60,448,832
LSV Asset Management	25,494	25,494	117,611,075	141,525,561
Northern Trust Money Market Fund*	18,096,682	18,096,682	10,776,158	10,776,159
NTGIS&P 500 Index	270,768,792	531,781,298	168,950,924	347,514,425
Pinestone Global Equity	77,820,078	134,396,183	89,093,845	139,354,287
RREEF America REIT II IN	142,601,498	144,506,128	142,575,544	163,792,620
Sands Capital Management	126	126	139,645,393	153,403,996
Schroders QEP International Value	258,368,705	276,654,865	221,519,311	229,686,780
State Street Global Advisors	404,501,375	369,689,583	350,726,496	314,942,090
Sycamore Capital Mid Cap	101,804,805	112,709,704	101,166,952	114,449,849
TimesSquare Capital Management	80,688,389	109,996,710	97,194,645	120,649,612
UBS Trumbull Property	11,339,651	11,221,901	12,082,097	13,304,529
Vanguard Dev Market Index Fund	-	-	89,428,737	96,861,605
WCM Focused Growth	204,762,558	269,033,765	176,931,274	234,925,635
Wellington Global	100,199,559	134,229,657	125,691,225	141,202,444
Western Asset Management - US Core	211,089,538	204,707,613	183,198,324	172,535,716
William Blair	122,164,165	173,447,540	-	-
Total Fund Investments	2,706,738,114	3,236,763,302	2,547,101,542	2,934,098,642
Pending Trades:				
Receivable for Investments Sold	(42,807,567)	(42,807,567)	(37,138,694)	(37,138,694)
Payable for Investments Purchased	58,411,757	58,411,757	49,788,543	49,788,543
Total Net Investments	\$ 2,722,342,304	\$ 3,252,367,492	\$ 2,559,751,391	\$ 2,946,748,491

*This is cash that is not allocated to an investment manager

CUSTODIAL CREDIT RISK - The EFIB minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to EFIB ownership and further to the extent possible, be held in the EFIB's name. At June 30, 2024 and June 30, 2023, all Endowment Fund investments were insured or registered investments, or investments held by the EFIB or their agent in the EFIB's name.

The State Treasurer, per the State Constitution, is the custodian of the investments of the Public School Endowment Fund. Investments for the Endowment Fund are held under a safekeeping agreement with the Trust Department of the Northern Trust Company.

STATE OF IDAHO ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023



CONCENTRATION OF CREDIT RISK – The EFIB minimizes exposure to concentration of credit risk by establishing concentration of credit risk limits in investment manager portfolio guidelines. As of June 30, 2024 and 2023, the Endowment Fund did not hold any credit positions exceeding 5% of the total portfolio, other than securities issued or guaranteed by the United States government.

As of June 30, 2024 and 2023, the Endowment Funds held \$79.5 million and \$71.8 million, respectively, in a comingled Treasury-only money market fund rated AAAM by S&P with a average maturity date of 35 days. These balances as of June 30, 2024 and 2023, include \$17.1 million and \$10.8 million of general cash and \$62.4 million and \$61.0 million of cash held in accounts allocated to the Funds' bond and equity managers, respectively.

As of June 30, 2024 and 2023, the Endowment Fund's fixed income investments had the following characteristics:

Credit Ratings Summary by Market Value-Moody's
As of June 30, 2024

Investment Type	Modified Duration	Aaa	Agy	Aa	A	Baa	Ba	B	>B	NR/Not Available	Total
Asset Backed Securities	2.9	\$ 5,235,927	\$ -	\$ 1,856,284	\$ 6,236,212	\$ 6,721,014	\$ 2,012,640	\$ -	\$ 3,200,718	\$ 1,631,004	\$ 26,893,799
Bank Loans	0.0	-	-	-	-	-	967,317	693,785	-	-	1,661,102
Commercial Mortgage-Backed	3.4	11,322,350	-	3,593,612	2,503,368	4,881,836	354,631	143,801	103,765	1,492,589	24,395,952
Corporate Bonds	6.4	2,733,685	-	9,273,555	73,001,627	95,800,156	11,799,648	4,892,814	1,549,035	1,154,683	200,205,203
Corporate Convertible Bonds	4.8	-	-	14,903	101,197	501,102	440,464	-	-	1	1,057,667
Funds - Corporate Bond	0.0	-	-	12,775,052	-	-	-	-	-	-	12,775,052
Funds - Government Agencies	0.0	-	2,524,941	-	-	-	-	-	-	-	2,524,941
Funds - Other Fixed Income	0.0	7,009,820	-	-	-	-	13,298,684	15,009,930	-	-	35,318,434
Government Agencies	4.1	9,989,904	206,400	685,810	545,655	542,131	460,958	108,290	24,684	332,071	12,895,903
Government Bonds	7.5	212,465,073	12,366,929	77,652	686,787	9,418,124	293,498	279,867	81,149	-	235,669,079
Government Mortgage Backed Secur	7.1	43,794	195,778,451	-	-	-	-	-	-	82,878	195,905,123
Govt-issued Commercial Mortgage-B	5.6	178,085	3,426,168	-	-	-	-	-	-	-	3,604,253
Index Linked Government Bonds	6.6	505,490	-	-	-	116,866	-	-	-	-	622,356
Municipal/Provincial Bonds	7.6	381,321	-	1,719,393	397,023	-	-	-	172,602	79,966	2,750,305
Non-Government Backed C.M.O.s	3.3	2,283,783	-	-	666,480	1,779,991	3,732,735	1,886,121	4,861,502	3,264	15,213,876
Total		\$ 252,149,232	\$ 214,302,889	\$ 29,996,261	\$ 84,138,349	\$ 119,761,220	\$ 33,360,575	\$ 23,014,608	\$ 9,993,455	\$ 4,776,456	\$ 771,493,045

Credit Ratings Summary by Market Value-Moody's
As of June 30, 2023

Investment Type	Modified Duration	Aaa	Agy	Aa	A	Baa	Ba	B	>B	NR/Not Available	Total
Asset Backed Securities	2.8	\$ 1,301,214	\$ -	\$ 1,754,622	\$ 3,240,394	\$ 7,589,991	\$ 1,449,339	\$ -	\$ 3,406,641	\$ 2,227,935	\$ 20,970,136
Bank Loans	0.2	-	-	-	-	-	351,778	400,560	-	-	752,338
Commercial Mortgage-Backed	3.5	7,283,903	-	2,144,500	2,758,176	1,696,910	485,640	209,159	201,850	1,119,180	15,899,318
Corporate Bonds	5.8	3,031,848	-	7,099,527	65,805,053	83,599,032	11,748,856	4,313,149	987,214	809,542	177,392,221
Corporate Convertible Bonds	-0.5	-	-	-	45,938	331,364	306,431	-	-	-	683,733
Funds - Corporate Bond	0.0	-	-	12,324,505	-	-	-	-	-	-	12,324,505
Funds - Government Agencies	0.0	-	2,548,961	-	-	-	-	-	-	-	2,548,961
Funds - Other Fixed Income	0.0	-	-	-	-	-	17,482,864	13,174,508	-	-	30,657,372
Government Agencies	3.7	8,415,770	203,907	838,736	531,044	263,285	144,308	162,567	-	127,234	10,686,851
Government Bonds	8.3	178,663,778	5,297,423	78,549	521,326	11,185,424	1,153,336	156,279	69,526	-	197,125,641
Government Mortgage Backed Secur	7.9	-	166,133,428	-	-	-	-	-	-	-	166,133,428
Govt-issued Commercial Mortgage-B	6.1	305,987	4,019,427	-	-	-	-	-	-	-	4,325,414
Index Linked Government Bonds	5.8	1,960,941	-	-	-	-	-	-	-	-	1,960,941
Municipal/Provincial Bonds	8.4	377,216	-	1,349,669	491,615	-	-	-	47,689	138,338	2,404,527
Non-Government Backed C.M.O.s	3.4	4,312,576	-	774,188	231,150	748,165	637,319	-	5,094,353	3,184,340	14,982,091
Total		\$ 205,663,233	\$ 177,203,146	\$ 26,364,296	\$ 73,624,686	\$ 105,414,171	\$ 33,757,871	\$ 18,416,222	\$ 9,807,273	\$ 7,606,569	\$ 657,847,477

*The Ba column includes bonds that are split rate and meet the minimum requirement of one of the two ratings agencies specified in the EFIB Statement of Investment Policy.

CREDIT RISK - EFIB Investment policy limits fixed income securities to: U.S. government and agency securities; bank loans; corporate notes and bonds; residential mortgage backed bonds; commercial mortgage backed bonds; municipal bonds, infrastructure securities, USD and non-USD fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other “early tranche” CMO’s; Sequential pay CMO’s; collateralized loan obligations, asset backed securities; convertible notes and bonds; Securities defined under Rule 144A and Section 4(2) of Securities Act of 1933; or any other fixed income securities eligible for inclusion in the Bloomberg Barclays U.S. TIPS Index or Bloomberg Barclays Aggregate Bond Index.

INTEREST RATE RISK - Managers will provide EFIB with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

FOREIGN CURRENCY RISKS – The EFIB’s Investment Policy Statement permits investments in international securities. The Endowment Fund’s exposure to foreign currency risk is as follows:

Investment and Country	Currency	2024	2023
		Fair Value	Fair Value
Argentina	ARS	\$ 170	\$ 605
Australia	AUD	12,541,663	14,198,263
Brazil	BRL	5,534,367	5,261,807
Canada	CAD	22,501,353	22,497,983
Chinese Yuan (HK)	CNH	(453,062)	(951,596)
Czech Republic	CZK	-	103,482
Denmark	DKK	25,749,435	22,721,952
European Monetary Union	EUR	145,983,722	119,523,788
Great Britain	GBP	103,042,539	81,534,313
Hong Kong	HKD	19,609,766	25,062,662
Hungary	HUF	1,937,850	756,310
India	INR	1,374,531	215,767
Indonesia	IDR	831,285	3,514,800
Israel	ILS	879	893
Japan	JPY	49,124,158	64,231,796
Malaysia	MYR	1,549,255	557,390
Mexico	MXN	8,295,035	7,782,086
Norway	NOK	5,522,119	3,356,401
Philippines	PHP	674,277	-
Poland	PLN	2,896,908	337,902
Russia	RUB	15,600	15,710
Singapore	SGD	5,507,241	5,663,746
South Africa	ZAR	2,572,419	1,763,114
South Korea	KRW	13,631,096	10,214,784
Sweden	SEK	2,489,631	17,303,661
Switzerland	CHF	25,273,292	38,768,809
Taiwan	TWD	19,157,109	11,133,813
Thailand	THB	979,444	1,575,465
Turkey	TRY	108	135
Uruguay	UYU	116,865	-
Total		<u>\$ 476,459,055</u>	<u>\$ 457,145,841</u>

NOTE 4 – INCOME FROM INVESTMENTS

Per Idaho Code Section 57-724A, income distributed to the Earnings Reserve Fund includes the Permanent Fund's total cumulative income (interest, dividends and market appreciation/depreciation) above its Gain Benchmark (original principal, adjusted for deposits and inflation). The Permanent Fund retains any income to the extent of inflation and any cumulative losses carried forward from the previous year.

The Components of net income from investments for Fiscal Year 2024 and their allocation are shown below:

Permanent Fund Income For the Fiscal Year Ended June 30, 2024

Endowment	Net Increase in Fair Value	Income Retained to Offset Inflation or Losses *	Cap Perm Fund Interest and Dividends	Total Investment Income
Public School	\$ -	\$ 45,408,680	\$ -	\$ 45,408,680
Agricultural College	-	1,377,833	-	1,377,833
Charitable	-	4,923,260	-	4,923,260
Normal School	-	5,144,589	-	5,144,589
Penitentiary	-	2,138,504	-	2,138,504
School of Science	-	4,611,201	-	4,611,201
State Hospital South	-	4,290,276	-	4,290,276
University of Idaho	-	4,284,727	-	4,284,727
Capitol Permanent **	3,492,414	-	1,009,865	4,502,279
Total	\$ 3,492,414	\$ 72,179,070	\$ 1,009,865	\$ 76,681,349

* For all Permanent funds (except Capitol Permanent), any cumulative total income vs. the Gain Benchmark is allocated to the Earning Reserve Fund as part of Allocation of Permanent Fund Gain in the table below).

**The Capitol Permanent Fund retains its interest and dividends.

Earnings Reserve Fund Income For the Fiscal Year Ended June 30, 2024

Endowment	Net Increase in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain *	Total Investment Gain
Public School	\$ 39,186,707	\$ 48,400,983	\$ 82,478,862	\$ 170,066,552
Agricultural College	1,281,561	1,468,640	2,495,719	5,245,920
Charitable	5,220,020	5,473,636	9,236,033	19,929,689
Normal School	4,719,626	5,712,159	10,063,162	20,494,947
Penitentiary	2,032,630	2,444,190	4,318,704	8,795,524
School of Science	4,351,679	5,033,876	8,593,418	17,978,973
State Hospital South	4,392,786	4,719,965	7,771,591	16,884,342
University of Idaho	4,437,692	4,878,569	8,624,099	17,940,360
Capitol Maintenance **	1,265,332	322,161	-	1,587,493
Total	\$ 66,888,033	\$ 78,454,179	\$ 133,581,588	\$ 278,923,800

* All Endowments (except Capitol Permanent), are allocated the Permanent Fund's total cumulative income over the Gain Benchmark.

**The Capitol Maintenance Fund retains its proportionate share of interest and dividends and the net increase or decrease in fair value.

The Components of income from investments for Fiscal Year 2023 and their allocation are shown below:

Permanent Fund Income
For the Fiscal Year Ended June 30, 2023

Endowment	Net Increase in Fair Value	Income Retained to Offset Inflation or Losses *	Cap Perm Fund Interest and Dividends	Total Investment Income
Public School	\$ -	\$ 79,783,966	\$ -	\$ 79,783,966
Agricultural College	-	484,353	-	484,353
Charitable	-	2,556,416	-	2,556,416
Normal School	-	5,630,267	-	5,630,267
Penitentiary	-	(2,705,122)	-	(2,705,122)
School of Science	-	(1,083,429)	-	(1,083,429)
State Hospital South	-	3,985,852	-	3,985,852
University of Idaho	-	(513,169)	-	(513,169)
Capitol Permanent **	2,993,266	-	595,070	3,588,336
Total	\$ 2,993,266	\$ 88,139,134	\$ 595,070	\$ 91,727,470

* For all Permanent funds (except Capitol Permanent), any cumulative total income vs. the Gain Benchmark is allocated to the Earning Reserve Fund as part of Allocation of Permanent Fund Gain in the table below).

**The Capitol Permanent Fund retains its interest and dividends.

Earnings Reserve Fund Income
For the Fiscal Year Ended June 30, 2023

Endowment	Net Increase in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain *	Total Investment Gain
Public School	\$ 29,244,338	\$ 28,402,006	\$ 29,753,227	\$ 87,399,571
Agricultural College	849,107	876,742	3,002,893	4,728,742
Charitable	3,378,518	3,181,039	9,834,433	16,393,990
Normal School	4,037,824	3,359,088	7,067,703	14,464,615
Penitentiary	1,438,273	1,457,730	8,409,577	11,305,580
School of Science	2,854,026	2,994,466	12,982,638	18,831,130
State Hospital South	3,223,757	2,809,876	6,663,411	12,697,044
University of Idaho	3,177,843	2,843,070	11,528,222	17,549,136
Capitol Maintenance **	916,816	189,807	-	1,106,623
Total	\$ 49,120,502	\$ 46,113,824	\$ 89,242,105	\$ 184,476,431

* All Endowments (except Capitol Permanent), are allocated the Permanent Fund's total cumulative income over the Gain Benchmark.

**The Capitol Maintenance Fund retains its proportionate share of interest and dividends and the net increase or decrease in fair value.

NOTE 5 – CLIENT EXPENDITURES

Four clients, representing twelve additional perpetual funds in Fiscal Year 2024 and 2023, are included in the same comingled investment pool as the Endowment Fund and their assets totaled \$193 million and \$176 million as of June 30, 2024 and 2023, respectively. These balances are not included in the EFIB financial statements.

In fiscal year 2024, expenses of the EFIB were paid from the Earnings Reserve Funds and by the EFIB's other clients. The portions paid by the other clients were paid under investment management contracts and are not considered an expenditure of the Endowment Funds and are therefore not included as expenditures or as reimbursements in these financial statements. Total expenditures were \$670,271 and \$681,222 for the fiscal years ended June 30, 2024 and 2023, respectively.

NOTE 6 – BENEFICIARY DISTRIBUTIONS

Distributions to beneficiaries for the Fiscal Years ended June 30, 2024 and 2023 are shown below.

Total Fund Distributions		
Beneficiary	2024	2023
Public School	\$ 61,532,200	\$ 61,532,200
Agricultural College	1,927,500	1,927,500
Charitable Institutions	7,008,000	7,008,000
Normal School	6,568,700	6,568,700
Penitentiary	3,139,600	3,139,600
School of Science	6,672,700	6,672,700
State Hospital South	7,586,400	7,586,400
University of Idaho	5,879,900	5,879,900
Subtotal	100,315,000	100,315,000
Capitol Maintenance	250,000	1,021,819
Total Distributions	<u>\$ 100,565,000</u>	<u>\$101,336,819</u>

Pursuant to Idaho Code Section 66-1106, the Charitable Institutions Endowment Fund income is distributed to five institutions according to the factors shown below. Distributions to these sharing institutions for the years ended June 30, 2024 and 2023, were as follows:

Charitable Institutions			
Beneficiaries	Factor	2024 Distribution	2023 Distribution
Idaho State University Fund	8/30	\$ 1,868,800	\$ 1,868,800
State Juvenile Corrections Institutions	8/30	1,868,800	1,868,800
School for the Deaf and Blind Fund	1/30	233,600	233,600
Veterans Home Fund	5/30	1,168,000	1,168,000
State Hospital North Fund	8/30	1,868,800	1,868,800
Total		<u>\$ 7,008,000</u>	<u>\$ 7,008,000</u>

Pursuant to Idaho Code Section 33-3301B, the Normal School Endowment Fund Income is distributed to the two institutions shown below. Distributions to these sharing institutions for the years ended June 30, 2024 and 2023:

Normal School			
Beneficiaries	%	2024 Distribution	2023 Distribution
Idaho State University, Pocatello	50%	\$ 3,284,350	\$ 3,284,350
Lewis-Clark State College, Lewiston	50%	3,284,350	3,284,350
Total		<u>\$ 6,568,700</u>	<u>\$ 6,568,700</u>

NOTE 7 – CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICT BONDS

On July 1, 2002, the State of Idaho's Credit Enhancement Program for school district bonds became effective. This program, in accordance with Idaho Code Section 57-728 and in conjunction with Idaho Code Chapter 53, Title 33, currently requires the Public School Endowment Fund to purchase up to \$300 million in notes of the State of Idaho that are issued to avoid the default of a voter-approved school district bond that has been guaranteed by the program.

The capacity of the School Bond Credit Enhancement Program to guaranty payments on general obligation school bonds is \$300 million and the bond principal that can be guaranteed is \$1.2 billion. The maximum available to any one district for bond principal is \$40 million.

As of June 30, 2024, \$521.2 million of bonds guaranteed by the Credit Enhancement Program remained outstanding. Expected principal and interest payments in the coming year total \$60.2 million. As of June 30, 2023, \$538.9 million of bonds guaranteed by the Credit Enhancement Program remained outstanding.

The Public School Endowment Fund would only be required to loan monies to the State to make payments on school bonds after several other potential funding sources have been exhausted. If a

school district does not make timely prepayment of debt service on guaranteed bonds, the State Treasurer is required to make the payment, if possible, by intercepting monies due to that school district from the State, including General Fund payments and distributions from the Public School Endowment Fund. If these funds are not sufficient to meet the debt service payment, the State Treasurer is required to utilize any available funds from the state sales tax account. If all these sources prove insufficient to make the payment, the Treasurer may borrow the remaining amount from the Public School Endowment Fund, at a rate of 400 basis points above one-year Treasury Bills. This loan from the Endowment Fund would be repaid by the intercept of future state funds due to the school district and other sources.

Since July 2009, the EFIB has charged an application fee to offset administrative costs and a guaranty fee that is deposited in the Public School Endowment Fund for providing the ongoing credit enhancement. Application fees for fiscal year 2024 totaled \$1,500 and guaranty fees, included in Income from Investments, totaled \$13,727. Application fees for fiscal year 2023 totaled \$500 and guaranty fees, included in Income from Investments, totaled \$1,327.

NOTE 8 – BUDGETARY COMPARISON

Budgets are adopted on a cash basis for the Endowment Fund. The budget for administrative expenses (personnel, operating and capital outlay) from the Earnings Reserve Funds is approved by the legislature on an annual basis. Expenses for consulting fees, bank custodial fees, and portfolio-related external costs are continually appropriated by the Idaho Legislature on an annual basis. The EFIB is not required by law to adopt or publish an overall budget for operations.

NOTE 9 – MISCELLANEOUS REVENUE

By law, certain miscellaneous State revenue is required to be deposited in the Public School Permanent Fund:

- Unclaimed estates, dividends and stock certificates from Idaho corporations (Idaho Constitution Section 4 Article IX)
- Five percent of federal land sales, net of sale expenses (Section 7 of the Idaho Admission Bill)
- Anonymous political contributions in excess of \$50 (Idaho Code Section 67-6610)
- Unqualified election expenses of political parties paid from state income tax funds (Idaho Code Section 34-2505)
- Royalties arising from extraction of minerals from navigable waterways (Idaho Code Section 58-104)

In fiscal 2024, the Public School Permanent Fund received 1 donation of \$644.

In fiscal year 2023, the Public School Permanent Fund received \$1,268 from 6 anonymous political contributions over \$50 and 1 donation of \$360. These miscellaneous revenues are included in Receipts from the Department of Lands.

The Capitol Maintenance Reserve Fund receives a portion of the additional fees charged for the special Idaho Capitol vehicle license plate (Idaho Code Section 49-420A). In fiscal 2024 and 2023, this revenue totaled \$292,100 and \$203,475, respectively and is included in Receipts from Department of Lands.

NOTE 10 – LAND BANK

The Land Bank Fund was established under Idaho Code Section 58-133 to allow the State Board of Land Commissioners to hold proceeds from the sale of state endowment land pending the purchase of other Idaho land for the benefit of the beneficiaries of that endowment. These proceeds may be held for a period not to exceed five years from the effective date of the sale. Funds in the Land Bank are invested in the State Treasurer’s Idle Pool and any investment earnings are added to the original proceeds. Land Bank Fund assets are not included in the balances of the Endowment Funds since they are being held primarily for purchase of land that will be managed by IDL. The authority to acquire land using Land Bank assets rests with the State Board of Land Commissioners.

As of June 30, 2024 and 2023, the Land Bank Fund balances were \$73.6 million and \$74.5 million, respectively. No funds were transferred out of the Land Bank Fund during fiscal year 2024. The Land Bank balances by endowment, as of June 30, 2024 were as follows:

FY Quarter Received	Land Bank As of June 30, 2024					FY Quarter Expires
	Public School	Agriculture College	Normal School	State Hospital South	Total	
2021-01	\$ 1,639,575	\$ -	\$ -	\$ -	\$ 1,639,575	2026-01
2021-02	6,595,000	-	-	-	6,595,000	2026-02
2021-03	-	-	-	-	-	2026-03
2021-04	-	-	-	-	-	2026-04
2022-01	1,500,720	-	-	-	1,500,720	2027-01
2022-02	10,140,720	7,245,615	-	-	17,386,335	2027-02
2022-03	9,890,500	-	-	-	9,890,500	2027-03
2022-04	-	-	-	-	-	2027-04
2023-01	6,125,000	-	-	-	6,125,000	2028-01
2023-02	9,848,000	-	-	432,187	10,280,187	2028-02
2023-03	9,800,000	-	-	-	9,800,000	2028-03
2023-04	-	-	-	-	-	2028-04
2024-01	-	-	-	-	-	2029-01
2024-02	6,006,000	-	-	-	6,006,000	2029-02
2024-03	-	-	-	-	-	2029-03
2024-04	2,099,820	-	-	-	2,099,820	2029-04
Total Principal Remaining	63,645,335	7,245,615	-	432,187	71,323,137	
Interest	1,201,448	1,040,015	12,244	21,475	2,275,182	
Land Bank Cash Balance with Interest	\$ 64,846,783	\$ 8,285,630	\$ 12,244	\$ 453,662	\$ 73,598,319	

These balances relate to land sales made in fiscal years 2021, 2022, 2023 and 2024. If by the end of the fifth year, the proceeds from a land sale have not been spent or encumbered to purchase

other land within the State, the proceeds are deposited in the Permanent Fund along with accumulated investment earnings.

NOTE 11 - INVESTMENTS MEASURED AT FAIR VALUE

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement. There were no Level 3 assets to report.

STATE OF IDAHO ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023



	Fair Value Measurements Using 6/30/2024 (value before accruals)			
	Total Investments	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Asset Backed Securities	\$ 26,893,799	\$ -	\$ 26,893,799	\$ -
Bank Loans	1,661,102	-	1,661,102	-
Commercial Mortgage-Backed	24,395,952	-	24,395,952	-
Corporate Bonds	200,205,203	-	200,205,203	-
Corporate Convertible Bonds	1,057,667	-	1,057,667	-
Funds - Corporate Bond	12,775,052	-	12,775,052	-
Funds - Government Agencies	2,524,941	-	2,524,941	-
Funds - Other Fixed Income	35,318,434	-	35,318,434	-
Government Agencies	12,895,903	-	12,895,903	-
Government Bonds	235,669,079	-	235,669,079	-
Government Mortgage-Backed Securities	195,905,123	-	195,905,123	-
Gov't-issued Commercial Mortgage-Backed	3,604,253	-	3,604,253	-
Index Linked Government Bonds	622,356	-	622,356	-
Municipal/Provincial Bonds	2,750,305	-	2,750,305	-
Non-Government Backed C.M.O.s	15,213,876	-	15,213,876	-
Total Debt Securities	771,493,045	-	771,493,045	-
Preferred Stock Securities				
Consumer Discretionary	197,814	197,814	-	-
Consumer Staples	1,250,504	1,250,504	-	-
Energy	483,590	483,590	-	-
Financials	309,003	309,003	-	-
Industrials	93,738	93,738	-	-
Materials	142,633	142,633	-	-
Utilities	495,063	495,063	-	-
Total Preferred Stock Securities	2,972,345	2,972,345	-	-
Equity Securities				
Common Stock Funds	126,791,992	126,791,992	-	-
Communication Services	131,677,877	131,677,877	-	-
Consumer Discretionary	232,636,133	232,636,133	-	-
Consumer Staples	100,177,735	100,177,735	-	-
Energy	84,175,628	84,175,628	-	-
Financials	308,171,705	308,171,705	-	-
Health Care	237,416,644	237,416,644	-	-
Industrials	271,153,166	271,153,166	-	-
Information Technology	481,769,589	481,769,589	-	-
Materials	79,962,776	79,962,776	-	-
MISCELLANEOUS	4,023	4,023	-	-
Real Estate	28,564,055	28,564,055	-	-
Utilities	36,258,362	36,258,362	-	-
Funds - Equity ETFs	2,110,072	2,110,072	-	-
Stapled Securities	156,536	156,536	-	-
Total Equity Securities	2,121,026,293	2,121,026,293	-	-
Derivatives				
Swaps	420,786	420,786	-	-
Foreign Exchange Contracts	(217,792)	(217,792)	-	-
Options on Futures	83,976	83,976	-	-
Total Derivatives	286,970	286,970	-	-
Total Investments by Fair Value Level	\$ 2,895,778,653	\$ 2,124,285,608	\$ 771,493,045	\$ -
Investments Measured at amortized cost				
Money Market Fund	80,569,567			
Investments Measured at the Net Asset Value (NAV)				
Real Estate (private)	276,019,272			
Total Investments	\$ 3,252,367,492			

STATE OF IDAHO ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023



	Fair Value Measurements Using 6/30/2023 (value before accruals)			
	Total Investments	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Asset Backed Securities	\$ 20,970,136	\$ -	\$ 20,970,136	\$ -
Bank Loans	752,338	-	752,338	-
Commercial Mortgage-Backed	15,899,318	-	15,899,318	-
Corporate Bonds	177,392,221	-	177,392,221	-
Corporate Convertible Bonds	683,733	-	683,733	-
Funds - Corporate Bond	12,324,505	-	12,324,505	-
Funds - Government Agencies	2,548,961	-	2,548,961	-
Funds - Other Fixed Income	30,657,372	-	30,657,372	-
Government Agencies	10,686,851	-	10,686,851	-
Government Bonds	197,125,641	-	197,125,641	-
Government Mortgage-Backed Securities	165,133,428	-	165,133,428	-
Gov't-issued Commercial Mortgage-Backed	4,325,414	-	4,325,414	-
Index Linked Government Bonds	1,960,941	-	1,960,941	-
Municipal/Provincial Bonds	2,404,527	-	2,404,527	-
Non-Government Backed C.M.O.s	14,982,091	-	14,982,091	-
Total Debt Securities	657,847,477	-	657,847,477	-
Preferred Stock Securities				
Consumer Discretionary	211,443	211,443	-	-
Financials	1,017,106	1,017,106	-	-
Materials	508,701	508,701	-	-
Total Preferred Stock Securities	1,737,250	1,737,250	-	-
Equity Securities				
Common Stock Funds	96,861,605	96,861,605	-	-
Communication Services	107,413,901	107,413,901	-	-
Consumer Discretionary	229,073,331	229,073,331	-	-
Consumer Staples	100,054,438	100,054,438	-	-
Energy	71,285,585	71,285,585	-	-
Financials	283,653,373	283,653,373	-	-
Health Care	253,168,279	253,168,279	-	-
Industrials	277,734,967	277,734,967	-	-
Information Technology	376,211,858	376,211,858	-	-
Materials	85,124,755	85,124,755	-	-
MISCELLANEOUS	74,831	74,831	-	-
Real Estate	34,803,444	34,803,444	-	-
Utilities	30,283,499	30,283,499	-	-
Equity ETFs	619,075	619,075	-	-
Total Equity Securities	1,946,362,941	1,946,362,941	-	-
Derivatives				
Swaps	762,700	762,700	-	-
Foreign Exchange Contracts	(590,443)	(590,443)	-	-
Options on Futures	7,249	7,249	-	-
Total Derivatives	179,506	179,506	-	-
Total Investments by Fair Value Level	\$ 2,606,127,174	\$ 1,948,279,697	\$ 657,847,477	\$ -
Investments Measured at amortized cost				
Money Market Fund	71,795,766			
Investments Measured at the Net Asset Value (NAV)				
Real Estate (private)	268,825,550			
Total Investments	\$ 2,946,748,491			

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is described below.

NET ASSET VALUE (NAV)

Real estate investment fund - This type includes three real estate funds; UBS TPI, CBRE and DB RAR II invest primarily in U.S. commercial real estate. Net Asset Value (NAV) is determined in accordance with accounting principles generally accepted in the United States, NCREIF Real Estate Information Standards, and market-based accounting rules where appropriate and applicable. Net Asset Value (NAV) is based on the fund's gross asset value less the value of any debt or other outstanding liabilities, whether held directly or indirectly through another entity or entities, anticipated distributions and similar items, as determined by the Advisor at its discretion.

Investments Measured at the NAV for 2024:

Investments Measured at the NAV 6/30/2024				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<i>Real Estate Funds</i>				
UBS TPI	\$ 11,221,901	-	Quarterly	60 Days
CBRE	120,291,243	-	Quarterly	60 Days
DB RAR II	144,506,128	-	Quarterly	45 days
Total Investments measured at the NAV	<u>\$ 276,019,272</u>			

Investments Measured at the NAV for 2023:

Investments Measured at the NAV 6/30/2023				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<i>Real Estate Funds</i>				
UBS TPI	\$ 13,304,529	-	Quarterly	60 Days
CBRE	91,728,401	-	Quarterly	60 Days
DB RAR II	163,792,620	-	Quarterly	45 days
Total Investments measured at the NAV	<u>\$ 268,825,550</u>			

NOTE 12 - COMMITMENTS

For endowments other than the Capitol Funds, the Board of Land Commissioners has approved, and the legislature has appropriated, the following distributions to beneficiaries for FY 2025.

	FY 2025
Public School	\$ 63,039,600
Agricultural College	1,993,200
Charitable Institutions	7,116,000
Normal School	7,273,200
Penitentiary	3,154,800
School of Science	6,722,400
State Hospital South	7,776,000
University of Idaho	6,146,400
Total	<u>\$ 103,221,600</u>

The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund, effective July 1 of each fiscal year. For fiscal year 2025, the EFIB authorized a regular distribution of \$1,945,000 based on approximately 5% of the Capitol Permanent Fund balance.

NOTE 13 - SUBSEQUENT EVENTS

On August 20, 2024, the Board of Land Commissioners approved beneficiary distributions for fiscal year 2026. Fiscal year 2026 beneficiary distributions have not yet been appropriated by the legislature and will be considered by the legislature in its 2025 session.

<u>Beneficiaries</u>	<i>Distributions Proposed</i> FY 2026
Public School	\$ 68,224,800
Agricultural College	2,102,400
Charitable Institutions	7,502,400
Normal School	7,783,200
Penitentiary	3,322,800
School of Science	7,084,800
State Hospital South	7,776,000
University of Idaho	6,574,800
Total	<u>\$ 110,371,200</u>



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Endowment Fund Investment Board
State of Idaho Endowment Fund
Boise, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the State of Idaho Endowment Fund administered by the Endowment Fund Investment Board (the EFIB), a permanent fund of the State of Idaho, as of and for the year ended June 30, 2024, and the related notes to the financial statements and have issued our report thereon dated August 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Idaho Endowment Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Idaho Endowment Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Idaho Endowment Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the State of Idaho Endowment Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Idaho Endowment Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Idaho Endowment Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Idaho Endowment Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
August 20, 2024



Supplementary Schedules

STATE OF IDAHO ENDOWMENT FUND
SUPPLEMENTARY SCHEDULE OF STATEMENT OF FUND BALANCE BY ENDOWMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024



	Public School	Agricultural College	Charitable Institutions	Normal School
PERMANENT FUND BALANCE				
Permanent Fund Balance, beginning of year	\$ 1,376,650,039	\$ 41,771,619	\$ 149,257,925	\$ 155,967,940
Program Revenues:				
Receipts from Dept. of Lands	2,468,803	145	33,630	30,022
Income from Investments	45,408,680	1,377,833	4,923,260	5,144,589
Total Program Revenue	47,877,483	1,377,978	4,956,890	5,174,611
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	-	-	3,400,000	8,000,000
Increase in Fund Balance	47,877,483	1,377,978	8,356,890	13,174,611
Permanent Fund Balance, end of year	1,424,527,522	43,149,597	157,614,815	169,142,550
EARNINGS RESERVE FUND BALANCE				
Earnings Reserve Fund Balance, beginning of year	405,236,027	13,904,999	53,212,934	58,911,356
Program Revenues:				
Receipts from Dept. of Lands	58,700,920	1,058,497	10,487,942	3,169,341
Income from Investments	170,066,552	5,245,920	19,929,690	20,494,947
Total Program Revenues	228,767,472	6,304,417	30,417,632	23,664,288
Program Expenses:				
Dept. of Lands Expenses	21,438,451	478,463	1,706,612	1,528,153
Investment Management Expenses	6,784,085	206,023	768,035	800,308
Distributions to Beneficiaries	61,532,200	1,927,500	7,008,000	6,568,700
Total Program Expenses	89,754,736	2,611,986	9,482,647	8,897,161
Net Program Revenue	139,012,736	3,692,431	20,934,985	14,767,127
Transfer to Permanent Fund	-	-	(3,400,000)	(8,000,000)
Transfer from Permanent Fund	-	-	-	-
Increase/(Decrease) in Net Position	139,012,736	3,692,431	17,534,985	6,767,127
Earnings Reserve Fund Balance, end of year	544,248,763	17,597,430	70,747,919	65,678,483
TOTAL FUND BALANCE	\$ 1,968,776,285	\$ 60,747,026	\$ 228,362,734	\$ 234,821,034

STATE OF IDAHO ENDOWMENT FUND
SUPPLEMENTARY SCHEDULE OF STATEMENT OF FUND BALANCE BY ENDOWMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024



Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol	Total
\$ 64,832,799	\$ 139,797,307	\$ 130,067,845	\$ 129,899,601	\$ 38,432,026	\$ 2,226,677,101
701	29,191	5,398	7,114	91,344	2,666,347
2,138,504	4,611,201	4,290,276	4,284,727	4,502,279	76,681,349
2,139,205	4,640,392	4,295,674	4,291,841	4,593,623	79,347,697
-	-	-	-	(1,871,600)	(1,871,600)
4,800,000	2,570,000	-	9,300,000	-	28,070,000
6,939,205	7,210,392	4,295,674	13,591,841	2,722,023	105,546,097
71,772,004	147,007,699	134,363,520	143,491,442	41,154,049	2,332,223,197
26,876,292	49,626,916	48,054,848	52,330,156	11,771,466	719,924,994
1,613,877	4,281,940	4,353,911	7,747,709	292,100	91,706,237
8,795,525	17,978,972	16,884,341	17,940,360	1,587,493	278,923,800
10,409,402	22,260,912	21,238,252	25,688,069	1,879,593	370,630,037
732,397	2,066,332	1,509,192	1,236,684	175,119	30,871,403
342,801	705,889	662,029	684,484	187,071	11,140,725
3,139,600	6,672,700	7,586,400	5,879,900	250,000	100,565,000
4,214,798	9,444,921	9,757,621	7,801,069	612,190	142,577,128
6,194,604	12,815,991	11,480,631	17,887,001	1,267,403	228,052,909
(4,800,000)	(2,570,000)	-	(9,300,000)	-	(28,070,000)
-	-	-	-	1,871,600	1,871,600
1,394,604	10,245,991	11,480,631	8,587,001	3,139,003	201,854,509
28,270,896	59,872,907	59,535,479	60,917,156	14,910,469	921,779,502
\$100,042,900	\$ 206,880,606	\$ 193,898,998	\$ 204,408,598	\$ 56,064,518	\$ 3,254,002,699

STATE OF IDAHO ENDOWMENT FUND
SUPPLEMENTARY SCHEDULE OF STATEMENT OF FUND BALANCE BY ENDOWMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023



	Public School	Agricultural College	Charitable Institutions	Normal School
PERMANENT FUND BALANCE				
Permanent Fund Balance, beginning of year	\$ 1,292,281,595	\$ 41,193,785	\$ 146,681,656	\$ 149,887,990
Program Revenues:				
Receipts from Dept. of Lands	4,584,478	93,481	19,853	449,683
Income from Investments	79,783,966	484,353	2,556,416	5,630,267
Total Program Revenue	84,368,444	577,834	2,576,269	6,079,950
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	-	-	-	-
Increase in Fund Balance	84,368,444	577,834	2,576,269	6,079,950
Permanent Fund Balance, end of year	1,376,650,039	41,771,619	149,257,925	155,967,940
EARNINGS RESERVE FUND BALANCE				
Earnings Reserve Fund Balance, beginning of year	356,112,597	11,237,360	39,802,020	43,952,169
Program Revenues:				
Receipts from Dept. of Lands	50,217,420	410,971	6,254,020	9,273,327
Income from Investments	87,399,571	4,728,742	16,393,990	14,464,615
Total Program Revenues	137,616,991	5,139,714	22,648,010	23,737,942
Program Expenses:				
Dept. of Lands Expenses	20,016,167	328,624	1,447,794	1,393,817
Investment Management Expenses	6,945,195	215,951	781,302	816,238
Distributions to Beneficiaries	61,532,200	1,927,500	7,008,000	6,568,700
Total Program Expenses	88,493,561	2,472,075	9,237,096	8,778,755
Net Program Revenue	49,123,430	2,667,639	13,410,914	14,959,187
Transfer to Permanent Fund	-	-	-	-
Transfer from Permanent Fund	-	-	-	-
Increase/(Decrease) in Net Position	49,123,430	2,667,639	13,410,914	14,959,187
Earnings Reserve Fund Balance, end of year	405,236,027	13,904,999	53,212,934	58,911,356
TOTAL FUND BALANCE	\$ 1,781,886,066	\$ 55,676,618	\$ 202,470,859	\$ 214,879,296

STATE OF IDAHO ENDOWMENT FUND
SUPPLEMENTARY SCHEDULE OF STATEMENT OF FUND BALANCE BY ENDOWMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023



Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol	Total
\$ 67,537,001	\$ 140,867,184	\$ 125,737,265	\$ 130,395,997	\$ 35,794,320	\$ 2,130,376,793
920	13,553	344,728	16,773	875,669	6,399,138
(2,705,122)	(1,083,429)	3,985,852	(513,169)	3,588,336	91,727,470
(2,704,202)	(1,069,876)	4,330,580	(496,396)	4,464,005	98,126,609
-	-	-	-	(1,826,300)	(1,826,300)
-	-	-	-	-	-
(2,704,202)	(1,069,876)	4,330,580	(496,396)	2,637,705	96,300,309
64,832,799	139,797,307	130,067,845	129,899,601	38,432,026	2,226,677,101
18,434,164	37,722,333	40,979,495	34,922,124	10,023,747	593,186,010
1,358,523	2,122,471	3,972,980	7,466,002	203,485	81,279,200
11,305,580	18,831,130	12,697,043	17,549,136	1,106,623	184,476,431
12,664,103	20,953,601	16,670,024	25,015,138	1,310,108	265,755,631
723,799	1,639,247	1,321,938	1,036,397	175,507	28,083,289
358,576	737,071	686,333	690,810	191,362	11,422,839
3,139,600	6,672,700	7,586,400	5,879,900	1,021,819	101,336,819
4,221,975	9,049,018	9,594,671	7,607,107	1,388,688	140,842,947
8,442,128	11,904,583	7,075,352	17,408,031	(78,580)	124,912,684
-	-	-	-	-	-
-	-	-	-	1,826,300	1,826,300
8,442,128	11,904,583	7,075,352	17,408,031	1,747,720	126,738,984
26,876,292	49,626,916	48,054,848	52,330,155	11,771,467	719,924,994
\$ 91,709,091	\$ 189,424,223	\$ 178,122,693	\$ 182,229,756	\$ 50,203,492	\$ 2,946,602,095



Other Information

STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF THE GAIN BENCHMARK
FOR THE FISCAL YEAR ENDED JUNE 30, 2024



<i>Endowment</i>	<i>Fiscal Year</i>	<i>Beginning Benchmark</i>	<i>Deposits</i>	<i>Reinvested Income</i>	<i>Inflation Impact</i>	<i>Ending Benchmark</i>
Public School	2001-2023	555,954,750	116,100,950	207,877,000	496,717,339	1,376,650,039
	2024	1,376,650,039	2,468,803	-	45,408,680	1,424,527,522
Agricultural College	2001-2023	14,787,041	155,582	12,643,000	14,185,996	41,771,619
	2024	41,771,619	145	-	1,377,833	43,149,597
Charitable Institutions	2001-2023	54,513,960	433,329	42,134,000	52,176,636	149,257,925
	2024	149,257,925	33,630	-	4,923,260	154,214,815
Normal School	2001-2023	47,258,942	31,721,711	28,656,000	48,331,287	155,967,940
	2024	155,967,940	30,022	-	5,144,589	161,142,551
Penitentiary	2001-2023	18,258,289	36,209	26,203,000	20,335,301	64,832,799
	2024	64,832,799	701	-	2,138,504	66,972,004
School of Science	2001-2023	54,836,451	478,786	34,732,000	49,750,070	139,797,307
	2024	139,797,307	29,191	-	4,611,201	144,437,699
State Hospital South	2001-2023	23,442,162	34,417,677	37,197,000	35,011,006	130,067,845
	2024	130,067,845	5,398	-	4,290,276	134,363,519
University	2001-2023	42,442,536	6,284,393	39,170,000	42,002,672	129,899,601
	2024	129,899,601	7,114	-	4,284,727	134,191,442

STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF THE GAIN BENCHMARK
FOR THE FISCAL YEAR ENDED JUNE 30, 2023



<i>Endowment</i>	<i>Fiscal Year</i>	<i>Beginning Benchmark</i>	<i>Deposits</i>	<i>Reinvested Income</i>	<i>Inflation Impact</i>	<i>Ending Benchmark</i>
Public School	2001-2022	555,954,750	111,516,472	207,877,000	415,864,661	1,291,212,883
	2023	1,291,212,883	4,584,478	-	80,852,678	1,376,650,039
Agricultural College	2001-2022	14,787,041	62,101	12,643,000	11,729,999	39,222,141
	2023	39,222,141	93,481	-	2,455,997	41,771,619
Charitable Institutions	2001-2022	54,513,960	413,476	42,134,000	43,382,379	140,443,815
	2023	140,443,815	19,853	-	8,794,257	149,257,925
Normal School	2001-2022	47,258,942	31,272,028	28,656,000	39,166,953	146,353,923
	2023	146,353,923	449,683	-	9,164,334	155,967,940
Penitentiary	2001-2022	18,258,289	35,289	26,203,000	16,514,907	61,011,485
	2023	61,011,485	920	-	3,820,394	64,832,799
School of Science	2001-2022	54,836,451	465,233	34,732,000	41,512,935	131,546,619
	2023	131,546,619	13,553	-	8,237,136	139,797,307
State Hospital South	2001-2022	23,442,162	34,072,949	37,197,000	27,366,720	122,078,831
	2023	122,078,831	344,728	-	7,644,286	130,067,845
University	2001-2022	42,442,536	6,267,620	39,170,000	34,348,975	122,229,131
	2023	122,229,131	16,773	-	7,653,697	129,899,601



Independent Accountant's Report

Idaho Department of Lands
Boise, Idaho

We have performed the procedures enumerated below, on the revenue and expense allocation procedures of Idaho Department of Lands for the year ended June 30, 2024. Idaho Department of Lands' management is responsible for the revenue and expense allocation methodology of Idaho Department of Lands for the year ended June 30, 2024.

Idaho Department of Lands has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the revenue and expense allocation procedures of Idaho Department of Lands for the year ended June 30, 2024. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

Procedures

1. Revenues: Obtain the Idaho Department of Lands 'Income Statement Endowment Trust Lands' (IDL Income Statement) and the 'COGNOS – Income Statement – Revenues' report and perform the following for the year ended June 30, 2024:
 - a. Agree revenue in total by each of the nine endowments per the 'COGNOS – Income Statement – Revenues' report to the IDL Income Statement.
 - b. Recalculate the allocation of the nine asset activities to the seven asset classes per the methodology outlined in the "Endowment Lands Income Statement Methodology" Document dated June 30, 2024 for revenues.
 - c. Agree revenues in total for each of the recalculated seven asset classes to the IDL Income Statement.

Findings

1. Idaho Department of Lands management identified and noted a \$900 difference between the Capitol Permanent Fund in the Timber asset class. The IDL Income Statement was higher than the amounts reported in the 'Rev COGNOS Report'. No other exceptions were found as a result of applying the procedures.

Procedures

2. Project Expense: Obtain the 'COGNOS – Expense Report' which includes the Business Services, Forest Resources, and Trust Lands expenditures and project codes in an Excel workbook. Perform the following for the year ended June 30, 2024:
 - a. Agree project expenses in total by each of the nine endowments per the above reports to the IDL Income Statement.
 - b. Recalculate the allocation of the nine asset activities to the seven asset classes per the methodology included in the "Endowment Lands Income Statement Methodology" document dated June 30, 2024 for project expenses.
 - c. Agree project expenses in total for each of the recalculated seven asset classes to the IDL Income Statement.
 - d. Obtain listing of projects with transactions recorded to the project expense during the year ended June 30, 2024, and agree total to project expense on IDL Income Statement for the year ended June 30, 2024.
 - i. Obtain defined project allocation percentages for each project selected and recalculate recorded allocation of respective endowments.
 - ii. Report any discrepancies.

Findings

2. No exceptions were found as a result of applying the procedures.

Procedures

3. Non-Project Expense: Obtain the 'COGNOS – Expense Report' and perform the following for the year ended June 30, 2024:
 - a. Recalculate the allocation of the nine asset activities to the seven asset classes per the methodology outlined in the "Endowment Lands Income Statement Methodology" document dated June 30, 2024 for indirect expenses.
 - b. Agree non-project expenses in total for each of the recalculated seven asset classes to the IDL Income Statement.
 - c. Recalculate the allocation of the total non-project expenses by asset class to each of the nine endowments based on the methodology included in the "Endowment Lands Income Statement Methodology" Document dated June 30, 2024 for direct expenses.
 - d. Agree non-project expenses by endowment for each of the recalculated nine endowments to the IDL Income Statement.

Findings

3. No exceptions were found as a result of applying the procedures.

Procedures

4. Overhead: Obtain the 'COGNOS – Expense Report' and perform the following for the year ended June 30, 2024:
 - a. Agree total overhead to the 'COGNOS – Expense Report' to the IDL Income Statement.

- b. Recalculate the allocation of the total overhead expenses to each of the nine endowments and each of the seven asset classes based on the methodology included in the "Endowment Lands Income Statement Methodology" document dated June 30, 2024 for overhead.

Findings

4. No exceptions were found as a result of applying the procedures.

We were engaged by Idaho Department of Lands to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the allocation methodology of Idaho Department of Lands for the year ended June 30, 2024.

Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Idaho Department of Lands and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Idaho Department of Lands and the Idaho Endowment Fund Investment Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
August 20, 2024



Thomas J. Wilford :: Chairman
Jerry F. Aldape Mary Pat Thompson
Robert M. Donaldson Chuck Winder
Joseph Forney Kenny Wroten
Irving Littman Brian Yeargain
Chris J. Anton :: Manager of Investments

Monthly Report to the Board of Land Commissioners

Investment performance through November 30, 2024

Month: 3.2% Fiscal year: 6.4%

Donald Trump was elected the 47th President of the United States and Republicans seized control of both houses of Congress. President-elect Trump campaigned on a legislative agenda that includes lower taxes, a lighter touch with regulations, increased tariffs - particularly with China, more drilling and reduced immigration. U.S. stocks rallied on the prospect of new growth friendly policies under the Trump administration. Small cap stocks rallied the most, gaining nearly 11% during the month. While Trump's policies appear likely to stimulate economic growth and enhance future corporate profits, some caution that higher tariffs and restrictions on immigration pose inflationary risks. The Fed will be monitoring the data closely, but most anticipate they will continue to reduce interest rates in 2025. As long as labor markets remain stable and inflation continues to moderate, the U.S. economic outlook remains favorable.

Status of endowment fund reserves

Distributions for FY2025 and FY2026 are well secured.

Significant actions of the Endowment Fund Investment Board

The Endowment Fund Investment Board decided to terminate Western Asset Management, who has served as fixed income managers for both EFIB and SIF. They will be replaced by Dodge & Cox.

Compliance/legal issues, areas of concern

Material deviations from Investment Policy: None

Material legal issues: None

Changes in board membership or agency staffing: None

Upcoming issues/events

Board Meeting – February 13, 2025

Preliminary Report (Land Grant Fund)

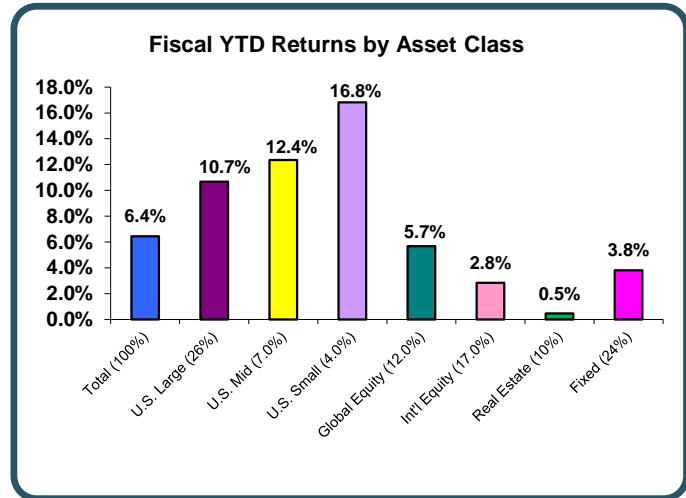
November 30, 2024

	<u>Month</u>	<u>FYTD</u>
Beginning Value of Fund	3,343,734,393	\$ 3,254,002,699
Distributions to Beneficiaries	(8,601,800)	(43,259,000)
Land Revenue net of IDL Expenses	(8,393,603)	21,139,086
Change in Market Value net of Investment Mgt. Expenses	124,663,571	219,519,776
Current Value of Fund	\$ 3,451,402,561	\$ 3,451,402,561

<u>Gross Returns</u>	<u>Current Month</u>	<u>Calendar Y-T-D</u>	<u>Fiscal Y-T-D</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Total Fund	3.2%	13.6%	6.4%	18.7%	4.2%	8.5%	7.8%
<i>Total Fund Benchmark*</i>	3.0%	13.4%	6.7%	18.0%	4.9%	8.2%	7.5%
Total Fixed	1.0%	3.5%	3.8%	7.6%	-1.7%	0.4%	1.7%
<i>BBG U.S. Agg. (Ag)</i>	1.1%	2.9%	3.7%	6.9%	-1.8%	0.4%	1.7%
Total Equity	4.5%	20.4%	8.3%	26.7%	7.2%	12.4%	10.5%
<i>56% R3 25.8% Ax 18.2% AC</i>	4.2%	21.0%	8.9%	27.2%	8.1%	11.9%	10.2%
Domestic Equity	6.8%	25.6%	11.7%	32.8%	9.4%	14.6%	12.4%
<i>Russell 3000 (R3)</i>	6.7%	27.7%	12.5%	34.5%	10.5%	15.2%	12.9%
Global Equity	2.8%	16.0%	5.7%	21.4%	5.9%	11.8%	9.0%
<i>MSCI ACWI (AC)</i>	3.7%	20.3%	8.1%	26.1%	7.7%	11.4%	9.3%
Int'l. Equity	0.7%	12.3%	2.8%	17.6%	3.4%	8.6%	7.1%
<i>MSCI ACWI ex-US (Ax)</i>	-0.9%	7.6%	1.8%	13.0%	2.9%	5.4%	4.6%
Real Estate		-5.5%	0.5%	-6.2%	-0.9%	2.0%	
<i>NCREIF ODCE Index</i>		-8.0%	-4.9%	-12.9%	6.1%	4.7%	

* Benchmark: 37% Russell 3000 17% ACWI ex-US 12% AC 24% BB Agg. 10% OD

	<u>Mkt Value</u>	<u>Allocation</u>
Domestic Equity	\$ 1,310.1	38.0%
Large Cap	907.1	26.3%
Mid Cap	251.0	7.3%
Small Cap	152.0	4.4%
Global Equity	419.3	12.1%
Int'l Equity	564.9	16.4%
Fixed Income	795.4	23.0%
Real Estate	344.6	10.0%
Cash	<u>15.7</u>	<u>0.5%</u>
Total Fund	\$ 3,451.4	100.0%



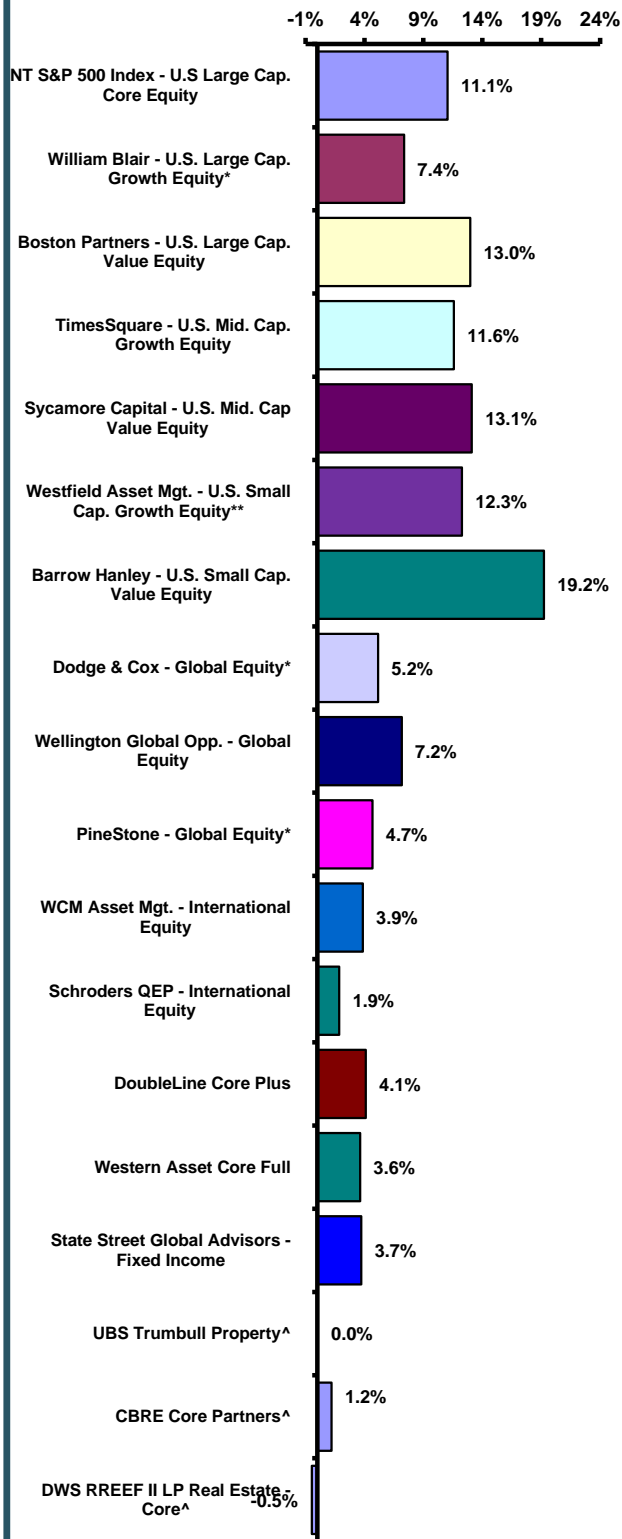
Endowment Fund Staff Comments:

Donald Trump was elected the 47th President of the United States and Republicans seized control of both houses of Congress. President-elect Trump campaigned on a legislative agenda that includes lower taxes, a lighter touch with regulations, increased tariffs - particularly with China, more drilling and reduced immigration. U.S. stocks rallied on the prospect of new growth friendly policies under the Trump administration. Small cap stocks rallied the most, gaining nearly 11% during the month. While Trump's policies appear likely to stimulate economic growth and enhance future corporate profits, some caution that higher tariffs and restrictions on immigration pose inflationary risks. The Fed will be monitoring the data closely, but most anticipate they will continue to reduce interest rates in 2025. As long as labor markets remain stable and inflation continues to moderate, the U.S. economic outlook remains favorable.

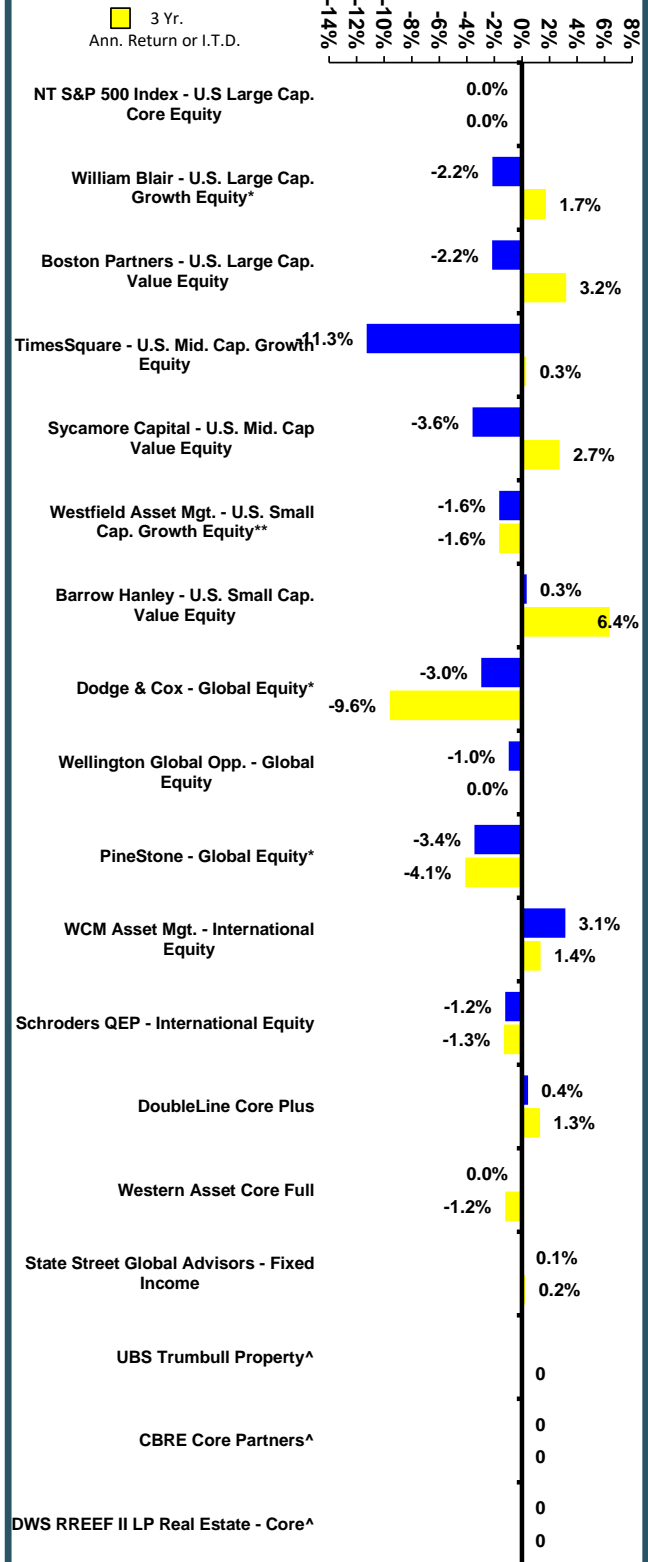
November 30, 2024

INVESTMENT REPORT

FYTD Manager Returns*



Manager Relative Returns Fiscal YTD and 3-Yr Ave*



** Westfield Start Date July 19, 2024

^ Most recent valuation. * I-T-D if no FYTD or 3-yr. history

STATE BOARD OF LAND COMMISSIONERS

December 17, 2024

Department Report

Subject

Performance Review of Total Endowment

Background

As part of the Asset Allocation and Governance Review in 2014, Callan LLC (Callan) recommended that a total return be calculated for the endowment portfolio by aggregating the market values and cash flows of the financial assets and the land assets.

The revised Statement of Investment Policy adopted by the State Board of Land Commissioners (Land Board) in December 2023 requires that performance reports be generated annually by the General Consultant, Callan, for review by the Land Board.

Discussion

Callan calculated the total return of the financial assets and the land assets for the fiscal year ending June 30, 2024 (Attachment 1). The combined net return was 8.49%, above last year's net return of 8.14%. The combined return includes the land asset net return of 3.37% (down from 4.27% in fiscal year 2023) and the financial asset net return of 11.50% (up from 10.41% in fiscal year 2023).

Callan also compiled a report of the land returns by asset class for the fiscal year ending June 30, 2024 (Attachment 2).

Attachments

1. Investment Manager Returns
2. Investment Measurement Service Quarterly Review

Investment Manager Returns

The table below details the rates of return for the Fund’s investment managers over various time periods ended June 30, 2024. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund’s accounts for that asset class.

Returns for Periods Ended June 30, 2024					
	Last Year	Last 3 Years	Last 9 Years	Last 10 Years	Last 15 Years
EFIB Plan (Net)	11.50%	2.16%	7.35%	6.87%	9.27%
EFIB Target	11.96%	3.32%	7.57%	7.11%	9.18%
Land (Net)	3.37%	11.37%	6.46%	-	-
Total Plan + Land	8.49%	5.28%	6.98%	6.58%	9.20%
CPI + 3.5%	6.47%	8.46%	6.60%	6.30%	6.04%

June 30, 2024

Idaho Board of Land Commissioners

**Investment Measurement Service
Quarterly Review**

Important Disclosures regarding the use of this document are included at the end of this document. These disclosures are an integral part of this document and should be considered by the user.

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Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of June 30, 2024, with the distribution as of June 30, 2023. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	June 30, 2024		Net New Inv.	Inv. Return	June 30, 2023	
	Market Value	Weight			Market Value	Weight
Farmland	57,054,335	3.01%	9,286,413	1,660,242	46,107,680	2.51%
Commercial Real Estate	36,044,000	1.90%	(824,483)	824,483	36,044,000	1.96%
Rangeland	63,385,840	3.35%	(3,380,140)	3,380,140	63,385,840	3.45%
Residential Real Estate	54,291,888	2.87%	45,336,696	2,297,879	6,657,313	0.36%
Timberland	1,610,439,200	84.99%	(82,879,483)	82,879,483	1,610,439,200	87.66%
Land Bank	73,598,319	3.88%	(1,886,185)	960,873	74,523,631	4.06%
Total Land Portfolio Assets	\$1,894,813,582	100.00%	\$(34,347,182)	\$92,003,100	\$1,837,157,664	100.00%

Cash flows, including market values and management fees, were provided by Idaho Department of Lands using their internal methodology which may be subject to change. The cash flows and categorizations have not been independently verified by Callan for accuracy or consistency with industry standards. Specific dates for each individual cash flow were not provided. To convert the non-specific cash flow information to a format that could be used in performance calculations, Callan assumed all cashflows occurred at mid-quarter to arrive at quarterly performance numbers. Performance figures are calculated using a modified BAI methodology.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended June 30, 2024. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2024

	Fiscal Year	Last 3 Years	Last 5 Years	Last 9 Years
Farmland	3.62%	10.74%	8.96%	-
Farmland (Net)	3.38%	10.06%	8.24%	-
Commercial Real Estate	2.31%	19.43%	21.08%	-
Commercial Real Estate (Net)	1.49%	17.85%	17.88%	-
Rangeland	5.44%	6.40%	5.87%	-
Rangeland (Net)	2.67%	3.37%	2.62%	-
Residential Real Estate	26.15%	76.82%	48.13%	-
Residential Real Estate (Net)	17.56%	66.43%	40.34%	-
Timberland	5.27%	13.95%	10.83%	-
Timberland (Net)	3.55%	12.18%	9.01%	-
Timberland (Net Real Return)	0.54%	6.88%	4.63%	-
Land Bank	1.24%	1.35%	1.31%	-
Land Bank (Net)	1.24%	1.35%	1.31%	-
Total Land excluding - Land Bank	5.23%	13.95%	10.95%	8.82%
Total Land excluding - Land Bank (Net)	3.46%	12.11%	9.01%	6.82%
Total Land Portfolio (Gross)	5.06%	13.10%	10.25%	8.34%
Total Land Portfolio (Net Nominal)	3.37%	11.37%	8.46%	6.46%
Total Land Portfolio (Net Real Return)	0.38%	6.11%	4.12%	3.25%
CPI All Urban Cons	2.97%	4.96%	4.17%	3.10%

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Investment Manager Returns

The table below details the rates of return for the fund's investment managers over various time periods ended June 30, 2024. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended June 30, 2024

	Fiscal Year			Last 3 Years			Last 5 Years		
	Inc%	App%	Tot%	Inc%	App%	Tot%	Inc%	App%	Tot%
Farmland (Net)	1.29	2.07	3.38	0.90	9.10	10.06	0.89	7.31	8.24
Commercial Real Estate (Net)	1.49	0.00	1.49	2.17	14.38	17.85	2.37	14.56	17.88
Rangeland (Net)	2.67	(0.00)	2.67	2.04	1.29	3.37	1.83	0.77	2.62
Residential Real Estate (Net)	2.53	14.93	17.56	2.93	61.84	66.43	1.71	38.08	40.34
Timberland (Net)	3.55	(0.00)	3.55	3.57	8.44	12.18	3.91	4.98	9.01
Total Land excluding - Land Bank (Net)	3.33	0.12	3.46	3.38	8.55	12.11	3.65	5.24	9.01
Total Land Portfolio (Net Nominal)	3.24	0.12	3.37	3.26	7.96	11.37	3.48	4.87	8.46

Total Land Portfolio Real Estate Portfolio Quarterly Changes in Market Value

	Beg. of Period Market	+ Capital Contri- butions	+ Accounting Income	- Mgmt. Fees	+ Appre- ciation	- Dist. of Income & Real. Gains	- Return of Capital	= End of Period Market
09/2015	1,443,485,863	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,443,836,373
12/2015	1,443,836,373	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,444,186,883
03/2016	1,444,186,883	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,444,537,394
06/2016	1,444,537,394	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,444,887,904
09/2016	1,444,887,904	17,424,042	32,190,512	8,130,079	(0)	24,850,095	16,715,247	1,444,807,037
12/2016	1,444,807,037	18,903,334	15,698,109	7,356,406	1,328,500	8,309,338	18,830,890	1,446,240,346
03/2017	1,446,240,346	22,212,151	19,044,141	5,379,154	3,715,150	13,609,788	22,112,365	1,450,110,481
06/2017	1,450,110,481	2,138,318	8,164,265	7,920,565	1,040,305	2,151,292	25,100	1,451,356,412
09/2017	1,451,356,412	7,987,519	25,025,187	7,148,261	22,668,989	17,852,656	7,770,000	1,474,267,190
12/2017	1,474,267,190	27,995,332	15,811,240	6,762,941	0	8,717,002	27,995,332	1,474,598,487
03/2018	1,474,598,487	8,541,139	22,386,935	5,296,596	5,419,200	16,719,764	8,490,000	1,480,439,401
06/2018	1,480,439,401	78,855	12,198,615	7,934,209	2,245,000	3,737,745	0	1,483,289,917
09/2018	1,483,289,917	4,427,157	27,185,702	7,787,652	1,058,260	19,372,629	3,870,000	1,484,930,755
12/2018	1,484,930,755	67,627,619	27,115,724	7,470,723	635,124	19,508,037	67,586,953	1,485,743,509
03/2019	1,485,743,509	399,277	17,226,842	6,758,073	0	10,504,483	0	1,486,107,072
06/2019	1,486,107,072	6,569,563	5,390,356	7,746,173	0	1,663,268	0	1,488,657,550
09/2019	1,488,657,550	4,738,506	25,378,329	7,305,825	1,520,460	17,889,361	4,252,500	1,490,847,159
12/2019	1,490,847,159	13,148,892	20,454,696	7,201,795	0	12,942,040	12,793,400	1,491,513,512
03/2020	1,491,513,512	1,322,706	20,787,792	5,109,919	0	15,502,537	866,000	1,492,145,554
06/2020	1,492,145,554	82,794	11,608,931	8,195,122	991,000	3,024,439	52,134	1,493,556,584
09/2020	1,493,556,584	9,028,312	26,558,371	7,082,523	2,355,507	19,812,782	5,179,720	1,499,423,749
12/2020	1,499,423,749	6,875,282	19,945,233	6,107,898	1,715,133	13,963,369	6,595,000	1,501,293,130
03/2021	1,501,293,130	41,106	28,748,815	4,917,035	0	23,707,561	0	1,501,458,455
06/2021	1,501,458,455	88,258	12,505,453	7,897,403	5,985,554	4,595,048	31,785,592	1,475,759,677
09/2021	1,475,759,677	2,485,304	27,857,846	7,197,275	344,021,970	21,256,879	5,522,228	1,816,148,415
12/2021	1,816,148,415	56,792,534	24,477,047	7,067,087	0	17,476,725	33,390,720	1,839,483,464
03/2022	1,839,483,464	9,890,500	24,059,044	4,907,504	4,950,000	19,053,723	9,890,500	1,844,531,281
06/2022	1,844,531,281	12,032,292	8,120,964	7,579,676	8,566,878	2,012,286	47,150,112	1,816,509,341
09/2022	1,816,509,341	201,639	26,565,124	7,123,186	12,656,900	19,051,829	0	1,829,757,989
12/2022	1,829,757,989	73,058,406	26,565,124	7,123,186	0	19,051,829	72,856,767	1,830,349,737
03/2023	1,830,349,737	9,800,000	20,885,364	5,508,083	8,685,000	15,014,732	9,800,000	1,839,397,286
06/2023	1,839,397,286	687,560	8,943,506	7,776,329	0	1,247,049	2,847,310	1,837,157,664
09/2023	1,837,157,664	131,860	25,474,468	7,206,590	983,325	18,178,426	0	1,838,362,302
12/2023	1,838,362,302	60,866,255	25,474,468	7,206,590	983,325	18,178,426	6,006,000	1,894,295,336
03/2024	1,894,295,336	321,476	19,543,756	7,960,088	0	11,646,022	0	1,894,554,459
06/2024	1,894,554,459	12,413,302	19,543,756	7,960,088	0	11,646,022	12,091,825	1,894,813,582
	0	485,262,379	725,027,814	249,458,693	1,876,363,043	480,954,177	461,426,784	1,894,813,582

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Farmland Real Estate Portfolio Quarterly Changes in Market Value

	Beg. of Period Market	+	Capital Contri- butions	+	Accounting Income	-	Mgmt. Fees	+	Appre- ciation	-	Distri- butions	=	End of Period Market
09/2015	22,300,000		0		120,774		42,052		337,900		78,722		22,637,900
12/2015	22,637,900		0		120,774		42,052		337,900		78,722		22,975,800
03/2016	22,975,800		0		120,774		42,052		337,900		78,722		23,313,700
06/2016	23,313,700		0		120,774		42,052		337,900		78,722		23,651,600
09/2016	23,651,600		33,835		250		34,085		0		0		23,651,600
12/2016	23,651,600		0		317,855		156,334		0		161,521		23,651,600
03/2017	23,651,600		0		95,266		(86,168)		0		181,434		23,651,600
06/2017	23,651,600		1,815		45,299		47,114		0		0		23,651,600
09/2017	23,651,600		26,045		2,000		28,045		1,013,640		0		24,665,240
12/2017	24,665,240		0		184,432		24,082		0		160,350		24,665,240
03/2018	24,665,240		0		193,527		36,305		0		157,222		24,665,240
06/2018	24,665,240		68,355		45,637		113,992		0		0		24,665,240
09/2018	24,665,240		28,429		3,783		32,212		675,760		0		25,341,000
12/2018	25,341,000		0		268,519		29,938		0		238,581		25,341,000
03/2019	25,341,000		0		92,268		38,806		0		53,462		25,341,000
06/2019	25,341,000		17,078		46,317		63,395		0		0		25,341,000
09/2019	25,341,000		6,818		23,432		30,250		1,520,460		0		26,861,460
12/2019	26,861,460		0		260,698		53,276		0		207,422		26,861,460
03/2020	26,861,460		0		74,463		33,249		0		41,214		26,861,460
06/2020	26,861,460		30,660		48,115		78,775		0		0		26,861,460
09/2020	26,861,460		3,345,981		8,814		43,245		1,013,640		0		31,186,650
12/2020	31,186,650		0		355,491		49,798		0		305,693		31,186,650
03/2021	31,186,650		0		118,050		45,133		0		72,917		31,186,650
06/2021	31,186,650		47,152		37,619		84,771		0		0		31,186,650
09/2021	31,186,650		433,443		4,391		107,594		1,336,510		0		32,853,400
12/2021	32,853,400		0		298,669		57,172		0		241,497		32,853,400
03/2022	32,853,400		0		196,798		127,877		0		68,921		32,853,400
06/2022	32,853,400		107,350		20,487		127,837		0		0		32,853,400
09/2022	32,853,400		0		162,283		37,730		7,241,900		124,554		40,095,300
12/2022	40,095,300		6,012,380		162,283		37,730		0		124,554		46,107,680
03/2023	46,107,680		0		197,899		32,046		0		165,853		46,107,680
06/2023	46,107,680		0		71,506		35,991		0		35,515		46,107,680
09/2023	46,107,680		0		204,200		22,144		477,325		182,056		46,585,005
12/2023	46,585,005		0		204,200		22,144		477,325		182,056		47,062,330
03/2024	47,062,330		0		148,596		32,774		0		115,822		47,062,330
06/2024	47,062,330		9,992,005		148,596		32,774		0		115,822		57,054,335
	0		20,151,346		4,524,840		1,778,659		37,408,160		3,251,352		57,054,335

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Commercial Real Estate Real Estate Portfolio Quarterly Changes in Market Value

	Beg. of Period Market	+	Capital Contri- butions	+	Accounting Income	-	Mgmt. Fees	+	Appre- ciation	-	Dist. of Income & Real. Gains	-	Return of Capital	=	End of Period Market
09/2015	31,502,435		0		599,175		305,676		0		293,500		0		31,502,435
12/2015	31,502,435		0		599,175		305,676		0		293,500		0		31,502,435
03/2016	31,502,435		0		599,175		305,676		0		293,500		0		31,502,435
06/2016	31,502,435		0		599,175		305,676		0		293,500		0		31,502,435
09/2016	31,502,435		0		1,299,490		635,627		0		663,863		0		31,502,435
12/2016	31,502,435		69,844		344,145		413,989		0		0		0		31,502,435
03/2017	31,502,435		0		422,777		339,925		3,715,150		82,852		17,265,000		17,952,585
06/2017	17,952,585		0		340,718		(42,035)		1,040,305		382,753		0		18,992,890
09/2017	18,992,890		0		316,491		256,468		(140,000)		60,023		0		18,852,890
12/2017	18,852,890		0		670,074		391,642		0		278,432		0		18,852,890
03/2018	18,852,890		51,139		174,715		225,854		0		0		8,490,000		10,362,890
06/2018	10,362,890		0		198,210		122,475		2,245,000		0		0		12,683,625
09/2018	12,683,625		0		547,489		123,176		0		424,313		0		12,683,625
12/2018	12,683,625		40,666		201,040		241,706		0		0		0		12,683,625
03/2019	12,683,625		78,448		136,408		214,856		0		0		0		12,683,625
06/2019	12,683,625		1,878,697		130,604		122,115		0		8,489		0		14,562,322
09/2019	14,562,322		0		235,904		149,796		0		86,108		1,560,500		13,001,822
12/2019	13,001,822		0		487,229		135,221		0		352,008		0		13,001,822
03/2020	13,001,822		0		140,558		102,366		0		38,192		0		13,001,822
06/2020	13,001,822		0		197,913		188,332		95,000		9,581		0		13,096,822
09/2020	13,096,822		0		529,153		181,024		0		348,129		0		13,096,822
12/2020	13,096,822		46,099		99,243		145,342		0		0		0		13,096,822
03/2021	13,096,822		41,106		141,946		183,052		0		0		0		13,096,822
06/2021	13,096,822		41,106		141,946		183,052		4,045,000		0		0		17,141,822
09/2021	17,141,822		0		647,070		106,949		0		540,121		0		17,141,822
12/2021	17,141,822		0		1,265,096		60,610		0		1,204,486		0		17,141,822
03/2022	17,141,822		0		212,663		112,749		0		99,914		0		17,141,822
06/2022	17,141,822		11,573,820		(1,133,740)		104,780		8,566,878		0		0		36,044,000
09/2022	36,044,000		0		426,454		116,990		0		309,465		0		36,044,000
12/2022	36,044,000		0		426,454		116,990		0		309,465		0		36,044,000
03/2023	36,044,000		0		80,295		75,762		0		4,533		0		36,044,000
06/2023	36,044,000		0		142,945		75,832		0		67,113		0		36,044,000
09/2023	36,044,000		0		351,818		70,056		0		281,762		0		36,044,000
12/2023	36,044,000		0		351,818		70,056		0		281,762		0		36,044,000
03/2024	36,044,000		15,237		60,424		75,660		0		0		0		36,044,000
06/2024	36,044,000		15,237		60,424		75,660		0		0		0		36,044,000
	0		13,851,399		12,044,475		6,598,781		51,069,768		7,007,361		27,315,500		36,044,000

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Rangeland Real Estate Portfolio Quarterly Changes in Market Value

	Beg. of Period Market	+	Capital Contri- butions	+	Accounting Income	-	Mgmt. Fees	+	Appre- ciation	-	Dist. of Income & Real. Gains	-	Return of Capital	=	End of Period Market
09/2015	61,000,000		0		742,508		439,390		0		303,118		0		61,000,000
12/2015	61,000,000		0		742,508		439,390		0		303,118		0		61,000,000
03/2016	61,000,000		0		742,508		439,390		0		303,118		0		61,000,000
06/2016	61,000,000		0		742,508		439,390		0		303,118		0		61,000,000
09/2016	61,000,000		418,712		15,744		434,456		0		0		0		61,000,000
12/2016	61,000,000		0		651,041		417,971		0		233,070		0		61,000,000
03/2017	61,000,000		99,786		366,069		465,855		0		0		0		61,000,000
06/2017	61,000,000		0		1,943,241		668,142		0		1,275,099		0		61,000,000
09/2017	61,000,000		0		298,769		285,833		0		12,936		0		61,000,000
12/2017	61,000,000		0		388,362		375,616		0		12,746		0		61,000,000
03/2018	61,000,000		0		495,725		347,673		0		148,052		0		61,000,000
06/2018	61,000,000		0		1,761,042		618,366		0		1,142,676		0		61,000,000
09/2018	61,000,000		199,366		237,272		436,638		0		0		0		61,000,000
12/2018	61,000,000		0		635,741		533,906		0		101,835		0		61,000,000
03/2019	61,000,000		0		510,128		507,905		0		2,223		0		61,000,000
06/2019	61,000,000		0		1,780,339		527,962		0		1,252,377		0		61,000,000
09/2019	61,000,000		0		640,720		407,518		0		233,202		0		61,000,000
12/2019	61,000,000		355,492		146,409		501,901		0		0		0		61,000,000
03/2020	61,000,000		0		915,943		368,220		0		547,723		0		61,000,000
06/2020	61,000,000		0		1,561,026		834,043		0		726,983		0		61,000,000
09/2020	61,000,000		254,602		246,869		501,471		0		0		0		61,000,000
12/2020	61,000,000		234,183		386,704		620,887		0		0		0		61,000,000
03/2021	61,000,000		0		776,352		457,148		0		319,204		0		61,000,000
06/2021	61,000,000		0		1,404,069		544,811		0		859,258		0		61,000,000
09/2021	61,000,000		140,822		328,488		469,310	2,400,000			0		0		63,400,000
12/2021	63,400,000		151,814		329,645		481,459		0		0		0		63,400,000
03/2022	63,400,000		0		748,455		379,517		0		368,938		0		63,400,000
06/2022	63,400,000		0		1,486,842		669,986		0		816,856		14,160		63,385,840
09/2022	63,385,840		201,639		308,358		509,998		0		0		0		63,385,840
12/2022	63,385,840		201,639		308,358		509,998		0		0		0		63,385,840
03/2023	63,385,840		0		876,053		305,270		0		570,783		0		63,385,840
06/2023	63,385,840		0		1,627,975		483,554		0		1,144,421		0		63,385,840
09/2023	63,385,840		131,860		319,633		451,493		0		0		0		63,385,840
12/2023	63,385,840		131,860		319,633		451,493		0		0		0		63,385,840
03/2024	63,385,840		0		1,370,437		397,403		0		973,034		0		63,385,840
06/2024	63,385,840		0		1,370,437		397,403		0		973,034		0		63,385,840
	0		2,521,775		27,525,913		17,120,767		63,400,000		12,926,921		14,160		63,385,840

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Residential Real Estate Real Estate Portfolio Quarterly Changes in Market Value

	Beg. of Period Market	+ Capital Contri- butions	+ Accounting Income	- Mgmt. Fees	+ Appre- ciation	- Dist. of Income & Real. Gains	- Return of Capital	= End of Period Market
09/2015	149,700,000	0	1,313,522	497,503	(0)	816,019	6,737,772	142,962,228
12/2015	142,962,228	0	1,313,522	497,503	0	816,019	6,737,772	136,224,456
03/2016	136,224,456	0	1,313,522	497,503	(0)	816,019	6,737,772	129,486,683
06/2016	129,486,683	0	1,313,522	497,503	0	816,019	6,737,772	122,748,911
09/2016	122,748,911	381,271	(180,856)	200,415	0	0	16,590,224	106,158,687
12/2016	106,158,687	0	2,567,931	520,013	1,328,500	2,047,918	16,327,104	91,160,083
03/2017	91,160,083	0	1,067,980	278,000	0	789,980	527,000	90,633,083
06/2017	90,633,083	0	733,100	239,660	0	493,440	25,100	90,607,983
09/2017	90,607,983	191,474	215,266	406,740	21,795,349	0	7,770,000	104,633,332
12/2017	104,633,332	0	1,377,513	479,530	0	897,983	27,995,332	76,638,000
03/2018	76,638,000	0	780,233	332,140	5,419,200	448,093	0	82,057,200
06/2018	82,057,200	0	585,635	499,043	0	86,592	0	82,057,200
09/2018	82,057,200	329,362	249,555	578,917	382,500	0	3,870,000	78,569,700
12/2018	78,569,700	0	756,605	543,893	635,124	212,712	25,136,124	54,068,700
03/2019	54,068,700	320,829	529,033	849,862	0	0	0	54,068,700
06/2019	54,068,700	0	443,413	41,011	0	402,402	0	54,068,700
09/2019	54,068,700	479,188	(3,659)	475,529	0	0	2,692,000	51,376,700
12/2019	51,376,700	0	1,011,713	450,284	0	561,429	12,793,400	38,583,300
03/2020	38,583,300	457,506	385,625	843,131	0	0	866,000	37,717,300
06/2020	37,717,300	0	425,416	358,076	896,000	67,340	52,134	38,561,166
09/2020	38,561,166	268,009	101,300	369,309	1,341,867	0	5,179,720	34,723,313
12/2020	34,723,313	0	854,422	432,045	1,715,133	422,377	6,595,000	29,843,446
03/2021	29,843,446	0	286,337	271,448	0	14,889	0	29,843,446
06/2021	29,843,446	0	286,337	271,448	1,940,554	14,889	0	31,784,000
09/2021	31,784,000	410,319	(5,357)	404,962	3,560,440	0	1,500,720	33,843,720
12/2021	33,843,720	23,250,000	617,713	316,799	0	300,914	33,390,720	23,703,000
03/2022	23,703,000	0	328,088	244,143	4,950,000	83,945	9,890,500	18,762,500
06/2022	18,762,500	0	1,427,136	231,706	0	1,195,430	0	18,762,500
09/2022	18,762,500	0	298,266	236,566	5,415,000	61,700	0	24,177,500
12/2022	24,177,500	0	298,266	236,566	0	61,700	16,405,187	7,772,313
03/2023	7,772,313	0	191,590	188,563	8,685,000	3,027	9,800,000	6,657,313
06/2023	6,657,313	23,525	199,946	223,471	0	0	0	6,657,313
09/2023	6,657,313	0	315,156	178,324	506,000	136,832	0	7,163,313
12/2023	7,163,313	54,728,395	315,156	178,324	506,000	136,832	6,006,000	56,391,708
03/2024	56,391,708	306,240	327,783	634,022	0	0	0	56,391,708
06/2024	56,391,708	306,240	327,783	634,022	0	0	2,099,820	54,291,888
	0	81,452,357	22,368,513	14,137,974	208,776,667	11,704,501	232,463,174	54,291,888

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Timberland Real Estate Portfolio Quarterly Changes in Market Value

	Beg. of Period Market	+	Capital Contri- butions	+	Accounting Income	-	Mgmt. Fees	+	Appre- ciation	-	Distri- butions	=	End of Period Market
09/2015	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
12/2015	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
03/2016	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
06/2016	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
09/2016	1,174,000,000		0		31,000,749		6,825,496		0		24,175,253		1,174,000,000
12/2016	1,174,000,000		2,503,786		11,714,928		5,848,099		0		5,866,829		1,176,503,786
03/2017	1,176,503,786		4,320,365		16,937,064		4,381,542		0		12,555,522		1,180,824,151
06/2017	1,180,824,151		2,111,403		4,896,281		7,007,684		0		0		1,180,824,151
09/2017	1,180,824,151		0		23,950,872		6,171,175		0		17,779,697		1,180,824,151
12/2017	1,180,824,151		0		12,859,562		5,492,071		0		7,367,491		1,180,824,151
03/2018	1,180,824,151		0		20,321,021		4,354,624		0		15,966,397		1,180,824,151
06/2018	1,180,824,151		0		9,088,810		6,580,333		0		2,508,477		1,180,824,151
09/2018	1,180,824,151		0		25,565,025		6,616,709		0		18,948,316		1,180,824,151
12/2018	1,180,824,151		42,450,829		24,456,789		5,501,880		0		18,954,909		1,223,274,980
03/2019	1,223,274,980		0		15,276,769		4,827,971		0		10,448,798		1,223,274,980
06/2019	1,223,274,980		4,673,788		2,317,902		6,991,690		0		0		1,223,274,980
09/2019	1,223,274,980		0		23,812,783		6,242,732		0		17,570,051		1,223,274,980
12/2019	1,223,274,980		0		17,882,294		6,061,113		0		11,821,181		1,223,274,980
03/2020	1,223,274,980		0		18,638,361		3,762,953		0		14,875,408		1,223,274,980
06/2020	1,223,274,980		0		8,956,431		6,735,896		0		2,220,535		1,223,274,980
09/2020	1,223,274,980		0		25,452,127		5,987,474		0		19,464,653		1,223,274,980
12/2020	1,223,274,980		0		18,095,125		4,859,826		0		13,235,299		1,223,274,980
03/2021	1,223,274,980		0		27,260,805		3,960,254		0		23,300,551		1,223,274,980
06/2021	1,223,274,980		0		10,534,222		6,813,321		0		3,720,901		1,223,274,980
09/2021	1,223,274,980		0		26,825,218		6,108,460	336,725,020			20,716,758		1,560,000,000
12/2021	1,560,000,000		0		21,880,875		6,151,047		0		15,729,828		1,560,000,000
03/2022	1,560,000,000		0		22,475,223		4,043,218		0		18,432,005		1,560,000,000
06/2022	1,560,000,000		351,122		6,094,245		6,445,367		0		0		1,560,000,000
09/2022	1,560,000,000		0		24,778,014		6,221,904		0		18,556,110		1,560,000,000
12/2022	1,560,000,000		50,439,200		24,778,014		6,221,904		0		18,556,110		1,610,439,200
03/2023	1,610,439,200		0		19,176,978		4,906,442		0		14,270,536		1,610,439,200
06/2023	1,610,439,200		664,035		6,293,446		6,957,481		0		0		1,610,439,200
09/2023	1,610,439,200		0		24,062,348		6,484,572		0		17,577,776		1,610,439,200
12/2023	1,610,439,200		0		24,062,348		6,484,572		0		17,577,776		1,610,439,200
03/2024	1,610,439,200		0		17,377,394		6,820,228		0		10,557,166		1,610,439,200
06/2024	1,610,439,200		0		17,377,394		6,820,228		0		10,557,166		1,610,439,200
	0		107,514,528		647,137,154		208,884,439	1,510,725,020			446,053,063		1,610,439,200

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**Land Bank
Real Estate Portfolio
Quarterly Changes in Market Value**

	Beg. of Period Market	+ Capital Contri- butions	+ Accounting Income	- Mgmt. Fees	+ Appre- ciation	- Dist. of Income & Real. Gains	- Return of Capital	= End of Period Market
09/2015	4,983,428	6,737,772	12,610	0	0	0	0	11,733,810
12/2015	11,733,810	6,737,772	12,610	0	0	0	0	18,484,193
03/2016	18,484,193	6,737,772	12,610	0	0	0	0	25,234,575
06/2016	25,234,575	6,737,772	12,610	0	(0)	0	0	31,984,958
09/2016	31,984,958	16,590,224	55,135	0	0	10,979	125,023	48,494,315
12/2016	48,494,315	16,329,704	102,209	0	0	0	2,503,786	62,422,442
03/2017	62,422,442	17,792,000	154,985	0	0	0	4,320,365	76,049,062
06/2017	76,049,062	25,100	205,626	0	0	0	0	76,279,788
09/2017	76,279,788	7,770,000	241,789	0	0	0	0	84,291,577
12/2017	84,291,577	27,995,332	331,297	0	0	0	0	112,618,206
03/2018	112,618,206	8,490,000	421,714	0	0	0	0	121,529,920
06/2018	121,529,920	10,500	519,281	0	0	0	0	122,059,701
09/2018	122,059,701	3,870,000	582,578	0	0	0	0	126,512,279
12/2018	126,512,279	25,136,124	797,030	619,400	0	0	42,450,829	109,375,204
03/2019	109,375,204	0	682,236	318,673	0	0	0	109,738,767
06/2019	109,738,767	0	671,781	0	0	0	0	110,410,548
09/2019	110,410,548	4,252,500	669,149	0	0	0	0	115,332,197
12/2019	115,332,197	12,793,400	666,353	0	0	0	0	128,791,950
03/2020	128,791,950	865,200	632,842	0	0	0	0	130,289,992
06/2020	130,289,992	52,134	420,030	0	0	0	0	130,762,156
09/2020	130,762,156	5,159,720	220,108	0	0	0	0	136,141,984
12/2020	136,141,984	6,595,000	154,248	0	0	0	0	142,891,232
03/2021	142,891,232	0	165,325	0	0	0	0	143,056,557
06/2021	143,056,557	0	101,260	0	0	0	31,785,592	111,372,225
09/2021	111,372,225	1,500,720	58,036	0	0	0	4,021,508	108,909,473
12/2021	108,909,473	33,390,720	85,049	0	0	0	0	142,385,242
03/2022	142,385,242	9,890,500	97,817	0	0	0	0	152,373,559
06/2022	152,373,559	0	225,994	0	0	0	47,135,952	105,463,601
09/2022	105,463,601	0	591,748	0	0	0	0	106,055,349
12/2022	106,055,349	16,405,187	591,748	0	0	0	56,451,580	66,600,704
03/2023	66,600,704	9,800,000	362,549	0	0	0	0	76,763,253
06/2023	76,763,253	0	607,688	0	0	0	2,847,310	74,523,631
09/2023	74,523,631	0	221,314	0	0	0	0	74,744,944
12/2023	74,744,944	6,006,000	221,314	0	0	0	0	80,972,258
03/2024	80,972,258	0	259,123	0	0	0	0	81,231,381
06/2024	81,231,381	2,099,820	259,123	0	0	0	9,992,005	73,598,319
	0	259,770,974	11,426,919	938,073	4,983,428	10,979	201,633,950	73,598,319

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Quarterly Highlights

The Callan Institute provides research to update clients on the latest industry trends, carefully structured educational programs to enhance the knowledge of industry professionals, and events to enhance dialogue among investing professionals. Visit www.callan.com/research-library to see all of our publications, and www.callan.com/blog to view our blog. For more information contact Barb Gerraty at 415-274-3093 / institute@callan.com.

New Research from Callan's Experts

Quantifying Sequence-of>Returns Risk for Institutional Investors | This paper shows institutional investors how to quantify sequence-of-returns risk in a single number. The metric is flexible enough to apply to strategic asset-allocation decisions across a variety of investor types.

Sector-Specialist Strategies on the Rise: Do They Make Sense for Large LPs' Portfolios? | To distinguish themselves in a competitive market, more private equity general partners are offering sector-specialist strategies, which focus on investing in a specific industry.

2024 Asset Manager DEI Study | The study offers a high-level assessment of the degree to which asset management organizations have established diversity, equity, and inclusion (DEI) policies and procedures.

2024 DC Trends Survey | This survey provides extensive information for DC plan sponsors to use in improving and benchmarking their plans.

Webinar Replays

Research Café: ESG Interview Series | This session features Mark Wood, Callan ESG team member, interviewing Nicole Wubbena, fellow ESG and Global Manager Research group member. Their discussion focuses on impact investing in public equity.

Blog Highlights

Commercial Real Estate Capital Markets and Institutional Investors | A blog post from Christine Mays on the state of the commercial real estate capital markets.

Is This a Time for Active Managers to Shine? | Tony Lissuzzo of Callan's Nonprofit Group writes on how dispersion affects active management.

Quarterly Updates

Private Equity Update, 1Q24 | A high-level summary of private equity activity in the quarter through all the investment stages

Active vs. Passive Charts, 1Q24 | A comparison of active managers alongside relevant benchmarks over the long term

Market Pulse, 1Q24 | A quarterly market reference guide covering trends in the U.S. economy, developments for institutional investors, and the latest data on the capital markets

Capital Markets Review, 1Q24 | Analysis and a broad overview of the economy and public and private markets activity each quarter across a wide range of asset classes

Hedge Fund Update, 1Q24 | Commentary on developments for hedge funds and multi-asset class (MAC) strategies

Real Assets Update, 1Q24 | A summary of market activity for real assets and private real estate during the quarter

Private Credit Update, 1Q24 | A review of performance and fundraising activity for private credit during the quarter

Callan Target Date Index™, 1Q24 | Tracks the performance and asset allocation of available target date mutual funds and CITs

Callan DC Index™, 1Q24 | Provides underlying fund performance, asset allocation, and cash flows of more than 100 large defined contribution plans representing approximately \$400 billion in assets.

Events

A complete list of all upcoming events can be found on our website: callan.com/events-education.

Please mark your calendar and look forward to upcoming invitations:

October Regional Workshops

October 22, 2024 – Denver

October 23, 2024 – Chicago

For more information about events, please contact Barb Gerraty: 415-274-3093 / gerraty@callan.com

Education: By the Numbers

50+

Unique pieces of research the Institute generates each year

525

Attendees (on average) of the Institute's annual National Conference

4,845

Total attendees of the "Callan College" since 1994

Education

Founded in 1994, the "Callan College" offers educational sessions for industry professionals involved in the investment decision-making process.

Introduction to Investments

September 24-26, 2024 – Virtual

This program familiarizes institutional investor trustees and staff and asset management advisers with basic investment theory, terminology, and practices. This course is designed for individuals with less than two years of experience with asset-management oversight and/or support responsibilities.

Our virtual sessions are held over two to three days with virtual modules of 2.5-3 hours, while in-person sessions run either a full day or one-and-a-half days. Virtual tuition is \$950 per person and includes instruction and digital materials. In-person tuition is \$2,350 per person and includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Additional information including registration can be found at: callan.com/events-education



"Research is the foundation of all we do at Callan, and sharing our best thinking with the investment community is our way of helping to foster dialogue to raise the bar across the industry."

Greg Allen, CEO and Chief Research Officer

List of Callan's Investment Manager Clients

Confidential – For Callan Client Use Only

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The list below is an important component of our conflicts management and disclosure process. It identifies those investment managers that pay Callan fees for educational, consulting, software, database, or reporting products and services. We update the list quarterly because we believe that our fund sponsor clients should know the investment managers that do business with Callan, particularly those investment manager clients that the fund sponsor clients may be using or considering using. Please note that if an investment manager receives a product or service on a complimentary basis (e.g., attending an educational event), they are not included in the list below. Callan is committed to ensuring that we do not consider an investment manager's business relationship with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other clients. Please refer to Callan's ADV Part 2A for a more detailed description of the services and products that Callan makes available to investment manager clients through our Institutional Consulting Group, Independent Adviser Group, and Fund Sponsor Consulting Group. Due to the complex corporate and organizational ownership structures of many investment management firms, parent and affiliate firm relationships are not indicated on our list.

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Manager Name

abrdn
Acadian Asset Management LLC
ACR Alpine Capital Research
Adams Street Partners, LLC
Aegon Asset Management
AEW Capital Management, L.P.
AllianceBernstein
Allspring Global Investments, LLC
Altrinsic Global Advisors, LLC
American Century Investments
Amundi US, Inc.
Antares Capital LP
Apollo Global Management, Inc.
AQR Capital Management
Ares Management LLC
ARGA Investment Management, LP
Ariel Investments, LLC
Aristotle Capital Management, LLC

Manager Name

Atlanta Capital Management Co., LLC
Audax Private Debt
AXA Investment Managers
Baillie Gifford International, LLC
Baird Advisors
Barings LLC
Baron Capital Management, Inc.
Barrow, Hanley, Mewhinney & Strauss, LLC
BentallGreenOak
Beutel, Goodman & Company Ltd.
BlackRock
Blackstone Group (The)
Blue Owl Capital, Inc.
BNY Mellon Asset Management
Boston Partners
Brandes Investment Partners, L.P.
Brandywine Global Investment Management, LLC
Brookfield Asset Management Inc.

Manager Name
Brown Brothers Harriman & Company
Brown Investment Advisory & Trust Company
Capital Group
CastleArk Management, LLC
Cercano Management LLC
Champlain Investment Partners, LLC
CIBC Asset Management Inc.
CIM Group, LP
ClearBridge Investments, LLC
Cohen & Steers Capital Management, Inc.
Columbia Threadneedle Investments
Comvest Partners
Cooke & Bieler, L.P.
Crescent Capital Group LP
Dana Investment Advisors, Inc.
D.E. Shaw Investment Management, LLC
DePrince, Race & Zollo, Inc.
Dimensional Fund Advisors L.P.
Doubleline
DWS
EARNEST Partners, LLC
Fayez Sarofim & Company
Federated Hermes, Inc.
Fidelity Institutional Asset Management
Fiera Capital Corporation
First Eagle Investment Management, LLC
First Hawaiian Bank Wealth Management Division
Fisher Investments
Franklin Templeton
Fred Alger Management, LLC
GAMCO Investors, Inc.
Glenmeade Investment Management, LP
GlobeFlex Capital, L.P.
Goldman Sachs
Golub Capital
GW&K Investment Management
Harbor Capital Group Trust
HarbourVest Partners, LLC
Hardman Johnston Global Advisors LLC
Heitman LLC

Manager Name
Hotchkis & Wiley Capital Management, LLC
HPS Investment Partners, LLC
IFM Investors
Impax Asset Management LLC
Income Research + Management
Insight Investment
Intercontinental Real Estate Corporation
Invesco
J.P. Morgan
Janus
Jennison Associates LLC
Jobs Peak Advisors
Kayne Anderson Rudnick Investment Management, LLC
King Street Capital Management, L.P.
Kohlberg Kravis Roberts & Co. L.P. (KKR)
Lazard Asset Management
LGIM America
Lincoln National Corporation
Longview Partners
Loomis, Sayles & Company, L.P.
Lord, Abbett & Company
LSV Asset Management
MackKay Shields LLC
Macquarie Asset Management
Manulife Investment Management
Manulife CQS Investment Management
Marathon Asset Management, L.P.
Maverick Real Estate Partners
Mawer Investment Management Ltd.
MetLife Investment Management
MFS Investment Management
Mondrian Investment Partners Limited
Montag & Caldwell, LLC
Morgan Stanley Investment Management
Mount Lucas Management LP
MUFG Bank, Ltd.
Natixis Investment Managers
Neuberger Berman
Newmarket Capital
Newton Investment Management

Manager Name

Nipun Capital, L.P.

NISA Investment Advisors LLC

Northern Trust Asset Management

Nuveen

Oaktree Capital Management, L.P.

Orbis Investment Management Limited

P/E Investments

Pacific Investment Management Company

Parametric Portfolio Associates LLC

Partners Group (USA) Inc.

Pathway Capital Management, LP

Peavine Capital

Peregrine Capital Management, LLC

PGIM DC Solutions

PGIM Fixed Income

PGIM Quantitative Solutions LLC

Pictet Asset Management

PineBridge Investments

Polen Capital Management, LLC

PPM America, Inc.

Pretium Partners, LLC

Principal Asset Management

Raymond James Investment Management

RBC Global Asset Management

Red Cedar Investment Management

Regions Financial Corporation

S&P Dow Jones Indices

Sands Capital Management

Manager Name

Schroder Investment Management North America Inc.

Segall Bryant & Hamill

SLC Management

Star Mountain Capital, LLC

State Street Global Advisors

Strategic Global Advisors, LLC

T. Rowe Price Associates, Inc.

TD Global Investment Solutions – TD Epoch

The TCW Group, Inc.

Thompson, Siegel & Walmsley LLC

TPG Angelo Gordon

Tweedy, Browne Company LLC

UBS Asset Management

VanEck

Vaughan Nelson Investment Management

Versus Capital Group

Victory Capital Management Inc.

Virtus Investment Partners, Inc.

Vontobel Asset Management

Voya

Walter Scott & Partners Limited

WCM Investment Management

Wellington Management Company LLP

Western Asset Management Company LLC

Westfield Capital Management Company, LP

William Blair & Company LLC

Xponance, Inc.

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Past performance is no guarantee of future results.

STATE BOARD OF LAND COMMISSIONERS

December 17, 2024

Consent Agenda

Subject

Mineral Lease Live Auction—October 16, 2024

Question Presented

Shall the Land Board direct the Department to award a mineral lease to the high bidder at the live auction?

Background

The Idaho Department of Lands (Department) received an application for a metallic mineral lease on a 28,028.47-acre contiguous block of Public School endowment land located in Adams and Washington Counties (north of Cambridge and west of Council, Idaho). Site maps are included as Attachment 1. The area is known by the Department as the Hornet Block. It is expected that the mineral lessee will pursue a potential subsurface copper deposit.

Pursuant to Idaho statute and Department procedure, the public auction was advertised and held to determine the high bidder for the lease. Auction participants were required to register for the live auction one week prior to the auction date. Department staff conducted the live auction.

Discussion

For the purpose of securing a single lessee for the mineral lease, a live auction was held on October 16, 2024, at the Department's Payette Lakes Area office in McCall. Silver Rock Resources, Inc. submitted the successful premium bid of \$28,000 (the advertised minimum opening bid at \$1.00 per acre) for mineral lease E500059. Anglo-Bomarc, U.S., Inc. and Barrick Gold Exploration, Inc. also registered for the auction, but did not bid. Kennecott Exploration Company, the original applicant, did not register for the auction. The lease includes a 20-year term for the extraction of metallic minerals, including annual rent of \$84,085.41 (\$3.00 per acre); a minimum annual royalty payment of \$20,000.00, escalating to \$100,000.00 over the course of the lease; and a 5% net smelter return for the royalty rate. Attachment 2 summarizes the results of the live auction.

Idaho Code § 58-310(4) provides that the State Board of Land Commissioners (Land Board) has the right to reject any bid made at a live auction where fraud or collusion are present, or for any reason, all within the sole discretion of the Land Board. The Department completed the lease auction process in accordance with existing statute and procedures and did not observe any indication of fraud or collusion related to this process.

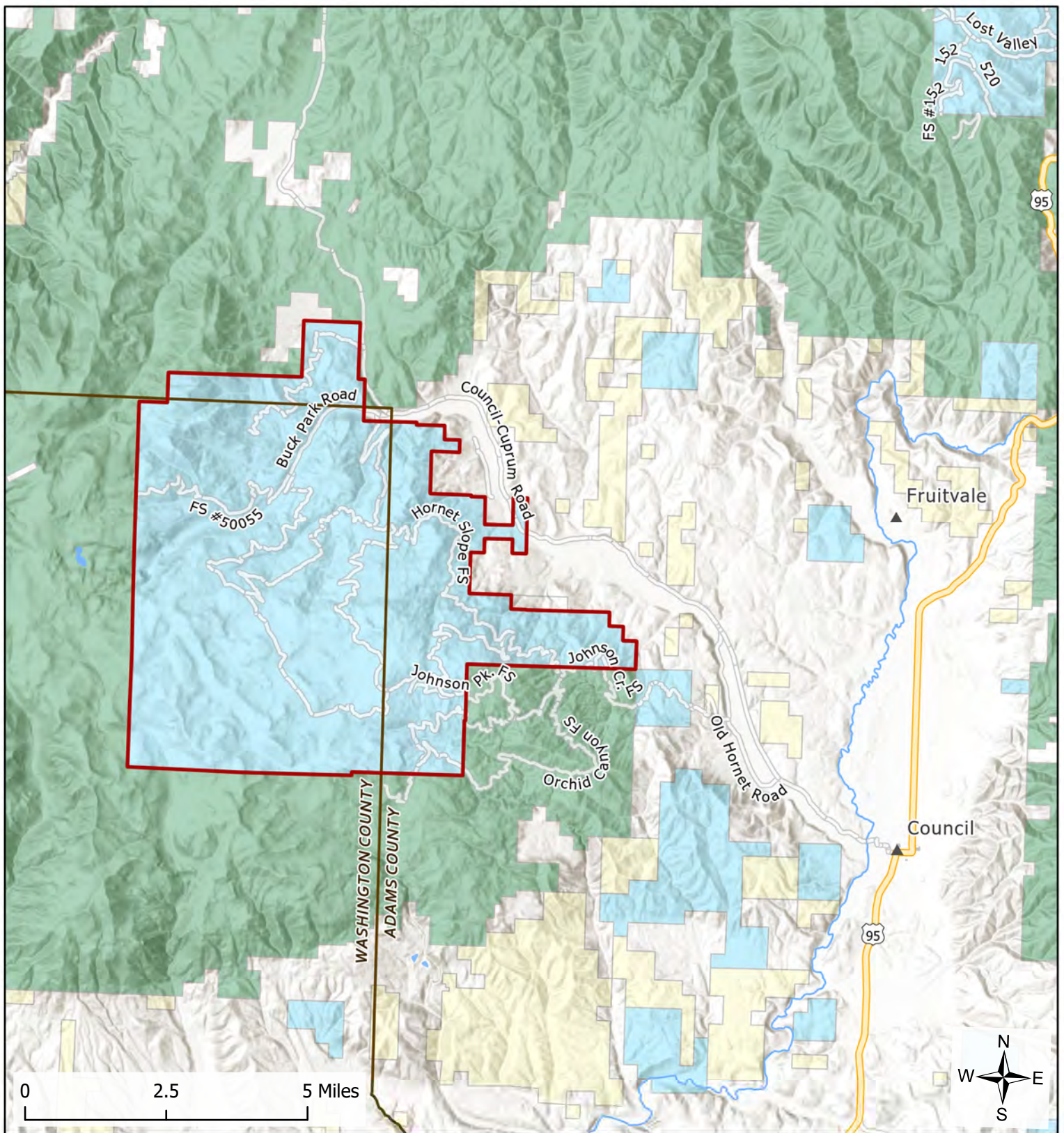
Recommendation

Direct the Department to award mineral lease E500059 to Silver Rock Resources, Inc., the high bidder at the auction.

Board Action

Attachments

1. Site Maps
2. Summary of Auction Results



E500059 - Overview

Sec. 5-8, 16-21, 26-31 - T17N - R02W

Sec. 1-4, 9-16, 21-28, 33-36 - T17N - R03W

Sec. 5-6 - T16N - R02W

Sec. 1-4 - T16N - R03W

Adams County, Idaho

Washington County, Idaho

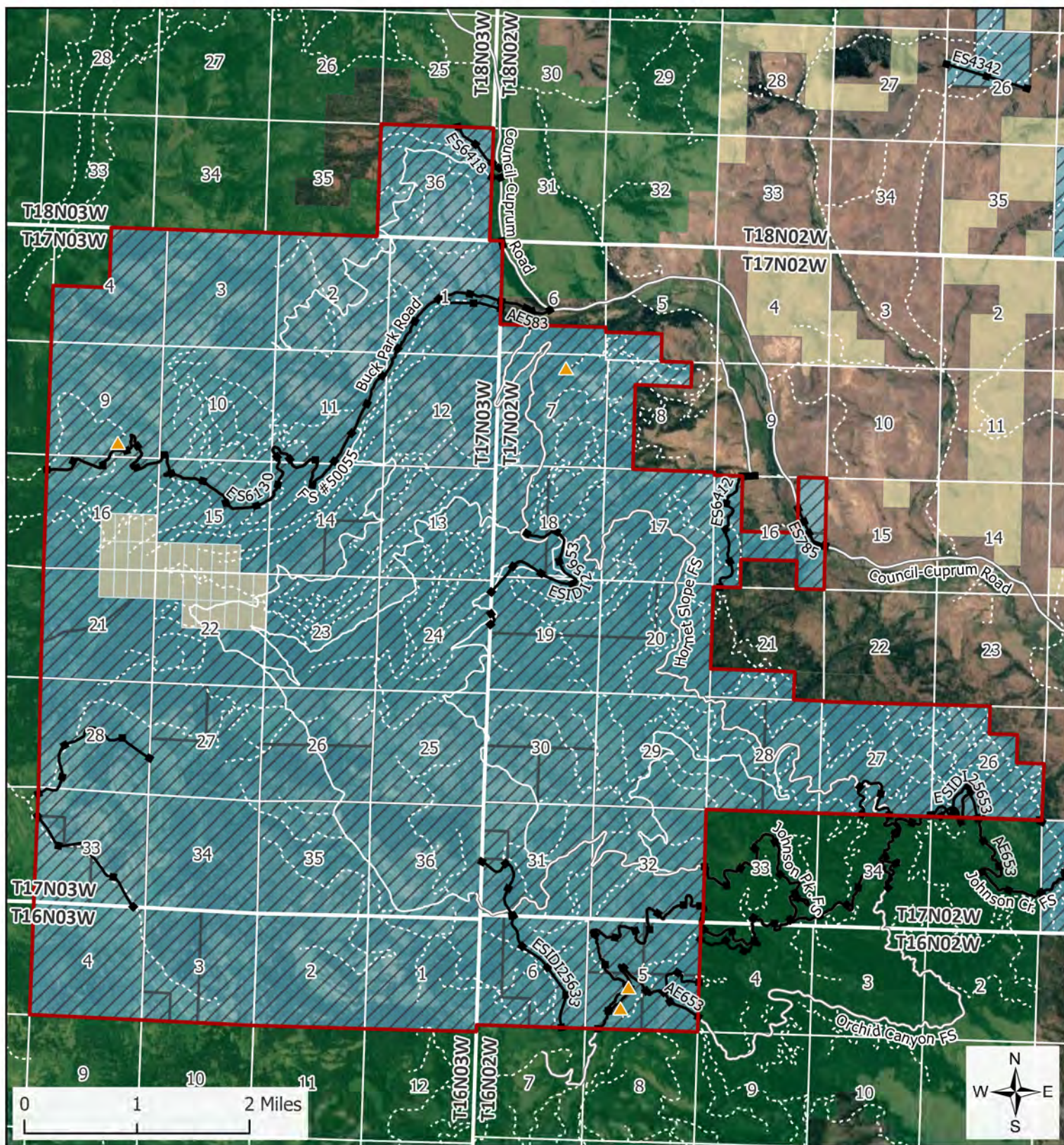
2/7/2024

- Subject Lease
- County
- Cities
- US Highway
- Local Road
- BLM
- USFS
- Private
- State



Disclaimer: This map has been compiled using the best information available to the Idaho Department of Lands at the time and may be updated and/or revised without notice. In situations where known accuracy and completeness is required, the user has the responsibility to verify the accuracy of the map and the underlying data sources.





 Subject Lease

Existing Easement

▲ Water Rights

 Exploration Location

 Grazing

Main

Local

Spur

 BLM

 USFS

 Private

 State

E500059 - Detail

Sec. 5-8, 16-21, 26-31 - T17N - R02W

Sec. 1-4, 9-16, 21-28, 33-36 - T17N - R03W

Sec. 5-6 - T16N - R02W

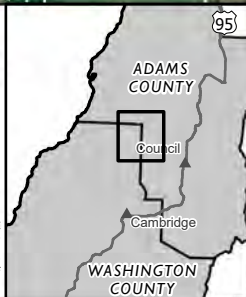
Sec. 1-4 - T16N - R03W

Adams County, Idaho
Washington County, Idaho

2/8/2024



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Summary of October 16, 2024 Mineral Lease Live Auction

Supervisory Area	Lease Number	Endowment	Lease Term (Years)	Acres	Commodity	# of Participants	# of Bids	High Bid Amount	High Bidder
Payette Lakes	E500059	PS	20	28,028	Metallic	3	1	\$28,000	Silver Rock Resources, Inc.

STATE BOARD OF LAND COMMISSIONERS

December 17, 2024

Consent Agenda

Subject

Residential Lease Live Auction—November 1, 2024

Question Presented

Shall the Land Board direct the Department to award a lease to the high bidder at the live auction?

Background

During the open application period for expiring residential cottage site lease R100376, the Idaho Department of Lands (Department) received two applications for the new lease, R100418. The subject lease is located on Priest Lake, in the Horton Creek Subdivision. Attachment 1 contains maps of the subject property.

Pursuant to Idaho Code § 58-310 and Department procedure, when two or more eligible applicants apply to lease the same state endowment trust land, the Department shall hold a live auction. Department staff conducted the live auction and determined the high bidder for this lease in accordance with existing statutes, rules, and procedures.

Discussion

For the purposes of securing a single lessee for lease R100418, a live auction was held at the Department's Priest Lake Area Office on November 1, 2024. The successful premium bid for this auction was \$10,000, made by the non-lessee applicant. The lease was offered for a 5-year term, and carries an initial annual rental figure of \$76,400. Attachment 2 summarizes the results of the live auction.

Auction participants were notified of the time period (20 days from the date of the auction) within which an appeal to the State Board of Land Commissioners (Land Board) was available to each participant. The 20-day appeal period has expired, and no appeals to the Land Board were received by the Department.

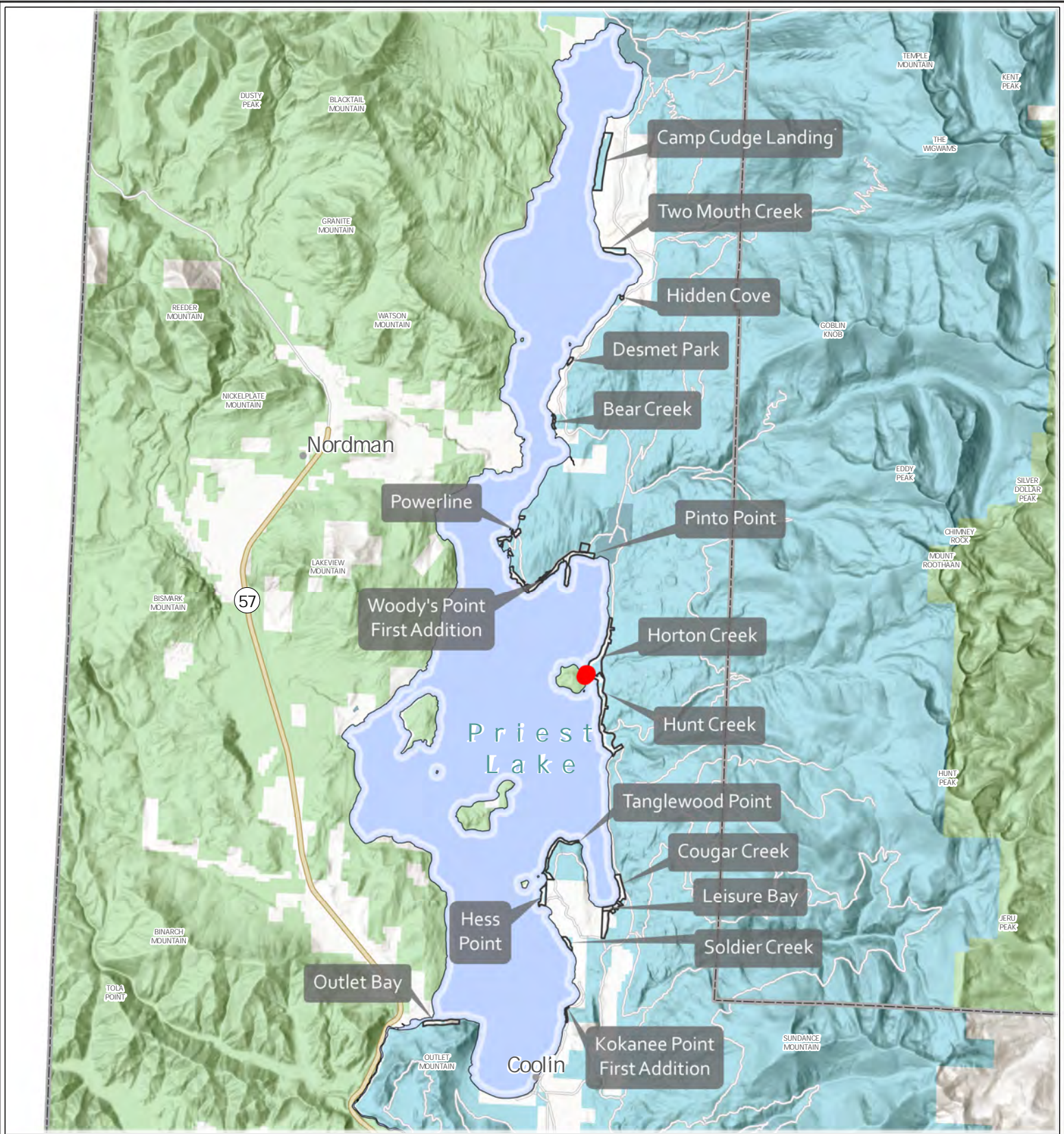
Idaho Code § 58-310(4) provides that the Land Board has the right to reject any bid made at a live auction where fraud or collusion are present, or for any reason, all within the sole discretion of the Land Board. The Department completed the lease auction process in accordance with existing statutes, rules, and procedures and did not observe any indication of fraud or collusion related to this process.

Recommendation

Direct the Department to award residential cottage site lease R100418 to the high bidders, David and Deborah Rubens.

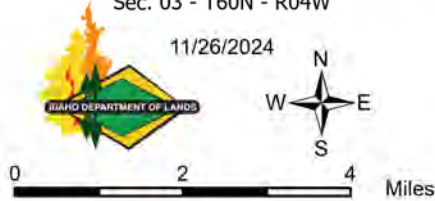
Board Action**Attachments**

1. Site Maps
2. Summary of Auction Results



R100418 - Vicinity
 Lot 39, Block 1 of State Subdivision - Horton Creek
 Sec. 03 - T60N - R04W

- Subject Lease
- Subdivision Boundary
- Roads
- US Forest Service
- State
- Other State
- Private
- County Boundary

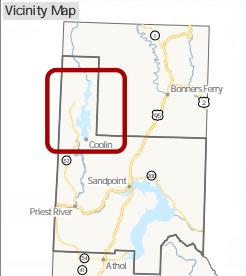


Map Notes

Projection: Idaho Transverse Mercator, NAD 83

Map Notes and Data Sources

Disclaimer:
 This map has been compiled using the best information available to the Idaho Department of Lands at the time and may be updated and/or revised without notice. In situations where known accuracy and completeness is required, the user has the responsibility to verify the accuracy of the map and the underlying data sources.





R100418 - Detail Lot 39, Block 1 of State Subdivision - Horton Creek Sec. 03 - T60N - R04W



11/26/2024



0 500 1,000 Feet

- Subject Lease
- Subdivision Boundary
- Subdivision Block
- Subdivision Lot
- Roads
- US Forest Service
- State
- Private

Map Notes

Projection: Idaho Transverse Mercator, NAD 83

Map Notes and Data Sources

Disclaimer:
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Vicinity Map



Summary of November 1, 2024 Residential Cottage Site Lease Live Auction

Supervisory Area	Lease Number	Endowment	Lease Term (Years)	Acres	Improvement Value	# of Participants	# of Bids	High Bid Amount	High Bidder
Priest Lake	R100418	PS	5	1	\$300,000	2	8	\$10,000	David and Deborah Rubens
Total								\$10,000	



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.

Draft Minutes

State Board of Land Commissioners Regular Meeting

October 15, 2024

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, October 15, 2024 at the State Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W. Jefferson Street, Boise, Idaho, and via webinar. The meeting began at 9:00 a.m. The Honorable Secretary of State Phil McGrane presided in place of Governor Brad Little who was administering other matters of state. The following members were in attendance:

Honorable Secretary of State Phil McGrane

Honorable Attorney General Raúl Labrador

Honorable State Controller Brandon Woolf

Honorable Superintendent of Public Instruction Debbie Critchfield

All Land Board members were present at the physical location.

Reports

1. Department Reports—Presented by Dustin Miller, Director

A. Timber Sales Revenue – September 2024

B. Leases/Permits Transactions and Revenue – September 2024

Discussion: None.

C. Fire Season

Discussion: Attorney General Labrador noted that fire protection boundaries changed with the new master agreement and asked if the number of fires increased within the Department's protection, or if the boundaries expanded but the number of fires remained about the same for the last two fire seasons. Director Miller replied that the main focus of the master agreement is for the respective agencies that are party to the agreement to protect more of their own acres. For the Department, it is more of the industrial timberlands, the endowment timberlands, and more wildland urban interface private land acres. Josh Harvey explained that two years' worth of

data is not sufficient to tell that there has been an impact in the number of fires one way or another. There is a slightly elevated number of fires that the Department is responding to with this boundary change, but a better dataset would be five years' worth of data to see if it averages out across the board. The Department took on much more of the wildland urban interface and human caused fires are going to have much more of an impact on these statistics than would have historically.

Attorney General Labrador commented that the federal government is just letting fires burn more now and inquired if there has been a change in their firefighting methodology and what is the reason they prevent private citizens from helping when fires are small. Director Miller stated this much fire on the landscape has not been seen in southern Idaho for some time. There is an issue of resource availability when sending resources all over the place. The magnitude of the federal estate is more than the Department's areas of focus for fire, and federal agencies prioritize where they move resources, focusing on areas where human life and private property are at risk. Consequently, there will be bigger fires. When it comes to private landowners or citizens engaging in fire on federal land, there are liability issues associated with that. The Rangeland Fire Protection Associations (RFPA) in southern Idaho have been a critical tool. Through training, and resources like radios and personal protective equipment (PPE), provided by the Department and the Bureau of Land Management (BLM), ranchers are able to staff engines and provide initial attack on federal fires on rangelands. Mr. Harvey described that several other western states have agreements in place with large forest owners, Forest Capital, Potlatch, through the National Alliance of Forest Owners (NAFO) group. In Oregon it is very predominant where those companies, under agreement through the state, provide fire response on federal lands. The challenge with federal lands is for a private individual to do work on federal land, they must have an agreement in place and some level of recognized training. The Department is currently working with Forest Service partners to get this NAFO agreement stood up. It will look similar to RFPA agreements. RFPAs work closely with the BLM; this NAFO agreement is going to allow Idaho's forest owners and their contractors to work and fight fire on federal lands. Mr. Harvey addressed the Attorney General's question about fire management, explaining that all of the western states are experiencing similar situations. Access is a challenge when it comes to fighting fire on federal land. At the Western State Fire Managers' conference last week this was a big topic of discussion; all of the states are experiencing more pressure from the Forest Service partners to share in costs on wildfires that start or pass through Forest Service lands and threaten private lands. The Department will continue working on this issue over the winter.

Secretary of State McGrane remarked there were concerns at the beginning of fire season that federal partners raised firefighter pay and gave one-time bonuses which made it difficult to compete for staffing. One of the fire crew alluded that federal agencies were robbing Peter to pay Paul. Here at the tail end of a large fire season that concern is coming to a head, where everyone received a pay increase, but now federal agencies cannot afford the aircraft, the supplies, all of the other things that go into fighting fires. Is that a safe assessment? Their pot did not grow, they just reallocated it and now they are feeling the pain of that reallocation. Mr. Harvey allowed that is a fairly accurate statement. The specifics as to where and which programs within the Forest Service are getting funding pulled are not known, but

facilities maintenance, leasing, those funds have been utilized to keep firefighters on. There are rumors that the Forest Service is facing significant challenges going into next year, from a staffing standpoint.

Superintendent Critchfield inquired about plans for the fire suppression budget, recognizing the Department cannot control weather nor partner agencies. Director Miller replied that with support from the Land Board and the Legislature prefunding the suppression account, there has been enough money to cover costs. A recommendation will be made in the next legislative session; the Department is optimistic there will be money available to tuck into the suppression account. Mr. Harvey stated the Department's fire program is unique and strong because staff has flexibility in the springtime. Staff meets with partners and looks closely at outlooks for the summer, the weather, the predicted precipitation, combining all of those metrics together, then comes before the Land Board in the spring with a fire season forecast. The Department's biggest strength as a state fire program is that based on those analytics, staff has the ability to make good calls before fire season and has flexibility going into fire season if something changes, like bringing on contract resources, crews, engines, and adjusting the aircraft fleet. Superintendent Critchfield voiced her understanding that the Department will not have a final suppression cost until the snow flies, see what had been appropriated and then go to the Legislature during the session. Director Miller recollected the suppression account was funded with about \$68 million; to date the Department has over \$50 million in expenditures. That will change as fire season is not over yet. The Governor is looking at the statewide budget; the Department is hopeful there will be money to prefund the account again. Secretary of State McGrane observed that total estimated costs are \$62 million and \$10 million of that is reimbursable, and asked if that includes any reimbursements the Department owes to federal partners. Mr. Harvey responded that any costs owed by the Department, that will be charged to the deficiency warrant, are accounted for in the report.

Attorney General Labrador wondered what happens when a private company is found responsible for a fire, as occurred with the Valley Fire. Mr. Harvey answered the Department in the past worked directly with deputies attorney general on determining whether or not a fire was billable. It is clear in code: negligence or a willful act; the attorneys determine what negligence means. If the Department has built a case based on the facts that negligence was present then that fire will be a billable fire, and suppression costs alone are billed, as code allows. The Department has an extensive history of collecting, whether it is power line fires, railroad fires, a private citizen doing something negligent and causing a fire. It comes down to the facts of what actually occurred and was the individual or entity responsible in some way for preventing that, or could it have been prevented, and did they or did they not take steps to ensure everything was done to prevent that incident.

Controller Woolf circled back to the Attorney General's question about private citizens being able to assist, noting Mr. Harvey mentioned the work done on the RFP side. Controller Woolf recalled past discussions about the opportunity of training, certification, equipment for those individuals that are in the woods to be able to quickly react and asked if the NAFO agreement gets that possibility closer. Mr. Harvey said it is a step in the right direction. There has been a lot of frustration from

contractors out in the woods working on productive forest ground, being able to look across the draw, see a fire occur, and not be able to do something about it, because there is a boundary line in place. The intent is to put them in a position to legally, with training and under the right circumstances, go fight those fires. There is a process that will be required; contractors can initial attack a fire, but they need to let the appropriate jurisdictional agency know that there is a fire on the ground. Controller Woolf supposed that the \$62 million cost does not include all of the Valley Fire expenses, with the number of planes and equipment and work that took place to do a wonderful job of protecting all the structures here in the valley. Controller Woolf inquired what the normal timeframe is to receive the receipts on a fire. Mr. Harvey replied that the Department will have some estimates within a few months, but it could take a couple of years to get the hard bill from federal partners. Director Miller added on the topic of forest landowners, the recommendation to work with the National Alliance of Forest Owners was made by Governor Little in his wildfire report that came out in August. The Department will work closely with NAFO to assist them with PPE and training to ensure that more private parties and forest landowners are brought into the mix when it comes to wildland fire suppression. Controller Woolf requested that the Department provide all Land Board members with a map of the protection areas in the master fire agreement, numbers of acres, not only what is endowment and other Department protection, but what is the Forest Service and BLM, too. That would be a helpful reference.

Secretary of State McGrane commented that just shy of 50,000 endowment acres burned, a mix of grassland and timberland. The timber program is evaluating the monetary loss of the timber that burned, and many times the Department has looked at salvage sales and other things it was able to recoup, but talking about these expenses related to fire, what are endowment losses in terms of that timber piece. Secretary of State McGrane remarked that it would be good to get an estimate, knowing what acreage was productive; he is curious about the approach in terms of calculations, looking from the endowment side not necessarily the fire protection side, trying to give an economic impact to the Land Board. Director Miller indicated staff would compile those numbers; he mentioned there are about 450 acres of salvage, approximately 3.5 million board feet. Secretary of State McGrane appreciated knowing the value of that; he also wanted to know non-salvage. Break down the 50,000 acres: how much is grazing, rangeland, or non-productive land versus what was the total productive land, include the 450 acres of salvage, and how does that all come together.

Director Miller relayed a different mission that occurred last week helping out Department of Agriculture on the Quagga mussel project. A week prior, Director Miller called Mr. Harvey and asked about using the Department's Type 1 helicopter to move boats and equipment for the project. The fire team pulled together to make this happen, especially Aviation Program Manager, Corrie Ivey. The Type 1 helicopter was helping on the Valley Fire; that resource was quickly released from that fire, then moved down to Twin Falls. Deputy Chief-Fire Operations, Julia Sullen, helped with those logistics, getting the helicopter on location to move boats and huge chemical totes, and helicopter crew members came to assist. It was an all hands event and an ideal opportunity to get fire staff involved in all hazards type training. Mr. Harvey also acknowledged the substantial effort by Corrie and Julia.

D. Land Bank Aging

Discussion: Secretary of State McGrane requested a report about potential projects being evaluated for acquisition. Director Miller offered to provide information at a future Land Board meeting.

2. Endowment Fund Investment Board—Presented by Chris Anton, EFIB Manager of Investments

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

Discussion: Mr. Anton reported September was a solid month, both stocks and bonds were up. The portfolio was up 1.4% and is up 5.2% fiscal year-to-date. Momentum was driven by the change in Federal Reserve policy. Coming out of Covid, the Federal Reserve's rate was basically zero; as inflation took off and the labor market overheated, the Federal Reserve hiked interest rates to between 5.25 and 5.5%. The Federal Reserve started bringing rates down as inflation approached target, and as labor markets came more into balance, cutting 50 basis points during September. Hopefully, the Federal Reserve will continue to bring rates down which will keep the economy healthy. During September, Chinese authorities finally began to stimulate their economy, both with fiscal and monetary policies, by cutting mortgage rates and providing more money to banks for lending. The Chinese have an excess supply in the real estate market; real estate prices have been under pressure. Consumers have been reluctant to spend coming out of the Chinese Zero-Covid policy, and the West has put pressure on their government due to some policies and human rights issues, and has added tariffs, which makes exports more difficult. This stimulus will not boost the global economy, but will keep Chinese markets strong enough to not detract from the global economy. Somewhat surprisingly, with U.S. elections in a few weeks, and with the conflicts in the Middle East and in Ukraine, the markets have not responded that much. There may be some volatility in the next few weeks, but financial markets have been very steady.

Consent—Action Item(s)

3. Forest Legacy Project—International Selkirk Loop—Presented by Jennifer Barker, Program Manager-Forest Legacy

Recommendation: Authorize the Department to accept International Selkirk Loop into the Forest Legacy Program by way of conservation easement.

Discussion: None.

4. Disclaimer of Interest Request DI600335—William C. Clayton LLC, Boise River—Presented by Shannon Chollett, Division Administrator-Minerals, Navigable Waterways, Oil and Gas

Recommendation: Direct the Department to issue a Disclaimer of Interest for two parcels totaling 78.44 acres of the former bed of the Boise River, to William C. Clayton LLC following payment to the Department of the remaining processing fee of \$300.

Discussion: None.

5. Approval of Draft Minutes—September 17, 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)

6. Energy Lease M800070—Presented by Jason Laney, Section Manager-Endowment Leasing

Recommendation: Direct the Department to finalize and execute lease M800070.

Discussion: Attorney General Labrador stated that he continues to be troubled by some of these projects. The projects sound really good, sound like they will bring extra money to the state, but in Las Vegas, for example, there was a huge solar project with many promises to the public and the project went into bankruptcy. The federal government is poised to lose up to \$225 million on that solar project. Attorney General Labrador remarked projects appear good in the beginning, but seem to be failing time and time again. Attorney General Labrador asked what the potential costs to the state are; what happens on a 49-year lease, if in five years, 10 years, this company or the project goes bankrupt, how will the Department mitigate that. Mr. Laney described a few protections built into this leasing process. This lease is structured in several phases. First is a development phase that allows the developer to move through all of the due diligence, make sure all their financing is in place, prior to starting construction. If anything goes wrong in that phase, there are options for the Department to pull out of this lease; that is a benefit, because the Department will be receiving revenue, substantially more than for the current use, while the developer is doing due diligence and not impacting the land. Mr. Laney noted that is the biggest safeguard. If construction happens and there is equipment on the ground, the Land Board energy leasing policy provides very robust decommissioning and reclamation terms, and bonding is in place in each phase of the lease. If something were to happen during those phases, the state endowment lands would be covered. The Department would have earned revenue for the first several years of the project and would also be sure the project will be mitigated and decommissioned successfully. Attorney General Labrador inquired if the Department is ensuring that the bond amounts will mitigate fully the cost to remove all wind turbines and solar panels and make the land whole. Mr. Laney said that is correct.

Superintendent Critchfield asked if this is the first with this type of project, the energy lease. Mr. Laney answered the Department has executed a wind lease that is slated for 10-12 turbines, but this is the first solar lease. Superintendent Critchfield questioned what the process was for determining the lease agreement as far as the revenue to be generated, assuming the Department looked at other states. Mr. Laney responded that the Department went through quite a process while negotiating lease terms. Staff consulted with other western states. Several states are ahead of Idaho and have various leases in place; the Department was able to get a solid understanding of those states' lease rates. The Department contacted folks in the industry that were willing to provide some ranges of rents. In addition to those efforts in researching the market prices at the time, to ensure that the Department could

capture maximum rent if the market changed down the road, a clause was built in for most-favored nations. Essentially, if the developer enters into other agreements within the same project, and those agreements are offering higher rents to the landowner, the developer is obligated to match that for endowment lands. There is also a component of the rent that states if a specified percentage of gross receipts from the power being sold through the developer's power purchase agreement is exceeding the base rent outlined in the lease, the Department will receive the greater of those two amounts. Those two terms will help to capture market value.

Controller Woolf commented that the Land Board on occasion seeks consultants to help make sure a transaction or project is sound. With this being the first major energy lease, the Land Board looks forward to the opportunity of having consultants ensure this is a direction the Land Board should continue to go, with expert advice and input. Secretary of State McGrane supported that comment, to make sure the Department is getting the right price and to ensure that if any of the project goes belly up that the Department is able to recoup costs of rehabilitating the land. Director Miller commended Mr. Laney and the leasing team for all that went into building this lease, working closely with the project proponent, the county, sister agencies, and Land Board staff members, then hitting pause until the energy leasing policy was completed.

Controller Woolf asked how many wind turbines will be on the private land and if it is all one project. Regarding the potential for something to go wrong, is it one big project or is it broken up in those phases, something different on endowment land versus private land. Mr. Laney did not have exact numbers of the turbines on private land, but explained the developer is expecting close to 400 megawatts of wind energy; the turbines will be from 3-4 megawatts per turbine. There are 10 or 12 planned on endowment land, so likely dozens on private land. Mr. Laney also indicated it is all under one project umbrella. Attorney General Labrador wondered where the energy produced will be going. Mr. Laney answered that PacifiCorp purchased the project and will be distributing that power. The need is increasing in eastern Idaho and to PacifiCorp customers; early discussions have suggested that a good chunk of that power will be in Idaho for PacifiCorp customers. Director Miller added that the Department worked closely with the Office of Energy and Mineral Resources. The administrator, Rich Stover, did a lot of research on this, working with both North Renew and PacifiCorp to understand where the energy was going to be used, and the vast majority of that power will be used in eastern Idaho: Idaho Falls, Pocatello area, and some may be used in northern Utah.

Board Action: A motion was made by Controller Woolf that the Land Board direct the Department to finalize and execute lease M800070. Superintendent Critchfield seconded the motion. The motion carried on a vote of 3-1, with Attorney General Labrador voting against the motion.

7. Adoption of Pending Rule IDAPA 20.04.01, Rules Pertaining to Forest Fire Protection—Presented by Josh Harvey, Bureau Chief-Fire Management

Recommendation: Adopt the pending rule for IDAPA 20.04.01 *Rules Pertaining to Forest Fire Protection*.

Discussion: None.

Board Action: A motion was made by Controller Woolf that the Land Board adopt the pending rule for IDAPA 20.04.01 *Rules Pertaining to Forest Fire Protection*. Superintendent Critchfield seconded the motion. The motion carried on a vote of 4-0.

8. Adoption of Pending Rule IDAPA 20.04.02, Rules Pertaining to the Idaho Forestry Act and Fire Hazard Reduction Laws—Presented by Josh Harvey, Bureau Chief-Fire Management

Recommendation: Adopt the pending rule with changes to the proposed rule text for IDAPA 20.04.02 *Rules Pertaining to the Idaho Forestry Act and Fire Hazard Reduction Laws*.

Discussion: None.

Board Action: A motion was made by Superintendent Critchfield that the Land Board adopt the pending rule with changes to the proposed rule text for IDAPA 20.04.02 *Rules Pertaining to the Idaho Forestry Act and Fire Hazard Reduction Laws*. Attorney General Labrador and Controller Woolf both seconded the motion. The motion carried on a vote of 4-0.

Information

9. White Pine Public Access Easement—Presented by Roger Hall, Bureau Chief-Real Estate

Discussion: Secretary of State McGrane mentioned these parcels have been discussed in a couple of different ways over time, because of where they are located, and inquired if there are concerns that these easements will interfere with other opportunities in the future. Mr. Hall responded there is some consideration that easements may enhance this property to provide access if the Land Board ends up disposing of it and it becomes a residential development; the residents would have easier access to the park. There is a school of thought that there could be some impact with the driveway configurations, with so many driveways crossing an easement. The Department thinks it is more likely that the residents, should that turn into a private development, would appreciate having a trail and access to the park and the lake. Secretary of State McGrane observed in the inverse, if the property were retained, in theory the Department at some point would be harvesting timber from that property.

Executive Session

None

There being no further business before the Land Board, at 10:18 a.m. a motion to adjourn was made by Superintendent Critchfield. Attorney General Labrador seconded the motion. The motion carried on a vote of 4-0.



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.

Draft Minutes

State Board of Land Commissioners Special Meeting

November 14, 2024

The special meeting of the Idaho State Board of Land Commissioners was held on Thursday, November 14, 2024 at the State Capitol, Senate Hearing Room WW55, Lower Level, West Wing, 700 W. Jefferson Street, Boise, Idaho, and via webinar. The meeting began at 3:31 p.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 Land Board members were present. Governor Little, Secretary of State McGrane, Attorney General Labrador, and Controller Woolf attended at the physical location. Superintendent Critchfield attended via Zoom webinar.

At 3:31 p.m., a motion was made by Controller Woolf that the Land Board resolve into Executive Session pursuant to Idaho Code § 74-206(1)(c) to acquire an interest in real property not owned by a public agency. Controller Woolf requested that a roll call vote be taken and that the Secretary record the vote in the minutes of the meeting. Secretary of State McGrane seconded the motion. Roll Call Vote: Aye: McGrane, Labrador, Woolf, Critchfield, Little; Nay: None; Absent: None.

Executive Session

A. Land Acquisition

Idaho Code § 74-206(1)(c)—To acquire an interest in real property not owned by a public agency.

At 4:00 p.m., a motion was made by Controller Woolf that the Land Board resolve out of Executive Session and that the record reflect that no action was taken by the Land Board during Executive Session. Secretary of State McGrane seconded the motion. Governor Little directed a roll call vote. Roll Call Vote: Aye: McGrane, Labrador, Woolf, Critchfield, Little; Nay: None; Absent: None.

Regular—Action Item(s)

1. Seed Orchard Land Acquisition

Discussion: None.

Board Action: A motion was made by Controller Woolf that the Land Board direct the Department to move forward with the land transaction and use appropriate funds out of the Land Bank Fund for that transaction to take place. Controller Woolf identified the potential of one buyer/seller with two different transactions, one in 2024 and one in 2025. Controller Woolf added the caveat that the Department finalize and review any legal transactions related to water rights and any other matters. No objections were voiced. The motion prevailed on a majority vote.

There being no further business before the Land Board, at 4:02 p.m. a motion to adjourn was made by Controller Woolf. The motion carried on a vote of 5-0.

STATE BOARD OF LAND COMMISSIONERS

December 17, 2024

Regular Agenda

Subject

Annual Review of Statement of Investment Policy

Question Presented

Shall the Land Board approve the revised Statement of Investment Policy for the combined Endowment assets?

Background

In November 2014, the State Board of Land Commissioners (Land Board) accepted the Asset Allocation and Governance Review from Callan Associates (Callan). The report included a recommendation to develop:

A comprehensive Investment Policy Statement...for the combined Trust that identifies the investment objectives, risk management processes, risk tolerance (including connecting the risk taken in the asset allocation with that expressed in the distribution policy), the adopted asset allocation and rebalancing ranges, decision-making and the roles of each party involved in the investment process, how performance will be monitored and measured for each asset type, and the establishment of appropriate metrics and peer groups where relevant for both the land and financial assets.

Callan, working with the Idaho Department of Lands (Department) and the Endowment Fund Investment Board (EFIB), developed a Statement of Investment Policy for the combined Endowment assets, which was approved by the Land Board at the May 17, 2016 meeting. The Statement of Investment Policy and appendices are subject to annual review and approval by the Land Board's Investment Subcommittee and the Land Board.

Discussion

The Department worked with EFIB and Callan to review and revise the Statement of Investment Policy and appendices (Attachment 1), previously approved at the December 19, 2023 Land Board meeting, to make corrections, align with current practices, and provide clarity. The following items were among the revisions:

- Asset class valuations and percentages of total portfolio as of June 30, 2024.
- Minor revisions to text throughout the document to provide clarity or make corrections.
- Clarification of initial land classification process and change of terminology of "transition lands" to lands qualified for "reclassification."

The changes to the Statement of Investment Policy were approved by the Investment Subcommittee on December 10, 2024.

Recommendation

Approve the revised Statement of Investment Policy.

Board Action

Attachments

1. Revised Investment Policy and appendices-redline
2. Revised Investment Policy and appendices-clean

Statement of Investment Policy

Idaho Land Grant Endowments

As overseen by the:

Idaho Board of Land Commissioners



INCLUDES FUNDS MANAGED BY THE ENDOWMENT FUND INVESTMENT BOARD



INCLUDES LAND MANAGED BY THE IDAHO DEPARTMENT OF LANDS

December ~~17, 2024~~^{19, 2023}

This Statement of Investment Policy was initially published May 17, 2016 and is updated annually.

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I. Introduction

The State Board of Land Commissioners (Land Board) hereby establishes this Statement of Investment Policy (Statement) for the investment and management of the land grant endowment assets (Endowment Assets or Endowment) of the State of Idaho. The Endowment Assets were created by The Idaho Admissions Act in 1889 which granted the new state approximately 3,600,000 acres of land for the sole purpose of funding fourteen specified beneficiaries including nine different trusts or endowments.

This Statement provides policies for the investment and management of financial and land assets which together comprise the Endowment Assets. Financial Assets consist primarily of the invested revenues from the endowment lands (collectively, Financial Assets). Land Assets include timberland, rangeland, farmland, commercial real estate, residential ~~(cabin sites)~~ real estate, minerals, and oil and gas (collectively, Land Assets) located in Idaho.

II. Purpose

This Statement of Investment Policy is set forth by the Land Board to accomplish the following:

- Establish a clear understanding for all involved parties regarding the management and investment goals and objectives for the Endowment Assets.
- Establish guidance and limitations to all involved parties regarding the management and investment of Endowment Assets.
- Define and assign the responsibilities of participants involved in the investment process.
- Establish a basis for evaluating investment and management results.
- Manage Endowment Assets according to prudent standards as established in the Idaho Constitution and trust law.
- Establish the relevant investment horizon for which the Endowment Assets will be managed.

III. Constitutional and Statutory Requirements

The investment and management of the Endowment Assets will be in accordance with the Idaho Constitution, all applicable laws of the State of Idaho, and other pertinent legal restrictions. In the event this Statement is inconsistent with Constitutional or Statutory Requirements (Requirements), those Requirements will control.

A. Land Board

Article IX, Section 7 of the Constitution establishes the Land Board: “The governor, superintendent of public instruction, secretary of state, attorney general and state controller shall constitute the state board of land commissioners, who shall have the direction, control and disposition of the public lands of the state, under such regulations as may be prescribed by law.”

B. Sole Interest of the Beneficiaries

All Endowment Assets of the State of Idaho must be managed “in such manner as will secure the maximum long-term financial return” to the trust beneficiaries.

C. Prudent Investments and Fiduciary Duties

The Land Board and its agents, including staff, the Idaho Department of Lands (IDL), the Endowment Fund Investment Board (EFIB), consultants, advisors, and investment managers shall exercise the judgment and care of a prudent investor as required under the prudent investor rule set forth in the Uniform Prudent Investor Act (Act), Idaho Code §§ 68-501 to 68-514.

Endowment Assets shall be invested and managed with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in like capacity and familiar with such matters would use in the investment and management of assets of like character with like aims.

The Act states, in part, that: “A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution”; and, “A trustee’s investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.”

The duty of prudence requires trustees to bring the appropriate level of expertise to the administration of the trust. An implied duty of trustees is also to preserve and protect the assets with a long-term perspective sensitive to the needs of both current and future beneficiaries.

D. Sales, Exchanges, and the Land Bank

Article IX, Section 8 of the Idaho Constitution includes the following restrictions regarding the sale of lands:

- All land disposals must occur via public auction
- A maximum of 100 sections (64,000 acres) of state lands may be sold in any year
- A maximum of 320 acres may be sold to any one individual, company, or corporation (160 acres for University endowment lands per Article IX, Section 10)
- No state lands may be sold for less than the appraised price
- Granted or acquired lands may be exchanged on an equal value basis with other lands subject to certain restrictions

~~Forest and other~~ Certain ~~other~~ lands may not be sold per Idaho Code § 58-133, which states, “All state-owned lands classified as chiefly valuable for forestry, reforestation, recreation, and watershed protection are reserved from sale and set aside as state forests.” Article IX, Section 4 of the Idaho Constitution provides for the deposit of the proceeds from the sale of school lands into a land bank fund to be used to acquire

other lands within the state for the benefit of endowment beneficiaries, subject to a time limit established by the legislature.

Idaho Code § 58-133 provides conditions for use of the Land Bank Fund. In summary, the Land Bank Fund exists to hold the proceeds from the sale of state endowment land pending the purchase of other land in Idaho for the benefit of the endowment beneficiaries. Funds in the Land Bank, including earnings, are continually appropriated to the Land Board. If the funds have not been utilized for land acquisition within five years, they are transferred to the permanent endowment fund of the respective endowment. The Land Board may transfer any portion of the funds in the Land Bank to the Permanent Fund at any time.

E. Other Constitutional Requirements and Statutes

Additional constitutional articles and state statutes are described throughout this Statement. [Appendix B](#) includes the entirety of the constitutional articles and statutes that apply to the investment and management of Endowment Assets.

IV. Investment Goals

A. General Objective

The stated mission for Endowment Assets is to provide a perpetual stream of income to the beneficiaries by managing assets with the following objectives:

- Maximize long-term financial return at a prudent level of risk.
- Provide relatively stable and predictable distributions to the beneficiaries.
- Ensure distributions maintain financial equity for current and future generations of beneficiaries.
- Maintain sufficient liquidity for anticipated expenditures and anticipated/expected distributions.

B. Considerations

Primary considerations impacting the fulfillment of the investment mission and objectives include the following:

- Constitutional and statutory requirements as noted previously. Constitutional restrictions are considered permanent given the process required to amend the Constitution (approval by a two-thirds majority in the House of Representatives and Senate followed by ratification by the citizens of Idaho via a general election ballot or a constitutional convention).
- Managing revenue and profit-generating activities within a government agency.
- Each trust holds its Financial Assets in a commingled pool (with shares owned by several trusts) but its Land Assets in specific and unique tracts.

C. Investment Return Objective

As perpetual assets, per State Constitution and statute, the Endowment has a perpetual investment horizon. The investment return objective for the Endowment Assets is to earn over a long period an annualized real return, net of fees, expenses, and costs, above spending and inflation (per Idaho Code § 57-724) as well as population growth (per Land Board policy). Given the current financial and land asset mix, the Endowment is expected to earn a real net return of 4.2% annually over the long term.

D. Distribution Policy

The Distribution Policy adopted by the Land Board (further described in Section VIII) sets annual distributions to beneficiaries. The interaction of investment and distribution policies should balance the needs of current and future beneficiaries. The Land Board's policy is to distribute a conservative estimate of long-term sustainable income and hold sufficient reserves of undistributed income to absorb down cycles in endowment earnings. It is a priority to avoid reductions in distributions because most beneficiaries depend on endowment distributions to fund ongoing operations.

V. Investment Risk and Strategic Asset Allocation

A. Asset Class Diversification Asset Classes

Risk, as it relates to stability of distributions, shall be managed primarily by holding reserves of undistributed income. Risk, as it relates to the volatility of earnings of the Endowment Assets, shall be managed primarily through diversification. Subject to land disposal restrictions, the Endowment Assets will be diversified both by asset class and within asset classes to the extent practical. The purpose of diversification is to provide reasonable assurance that no single asset class will have a disproportionate impact on the Endowment. Both quantitative measures and qualitative judgment will be used in assessing and managing risk.

B. Review of Asset Classes and Asset Allocation

In setting strategic asset allocations, the Land Board will focus on ensuring the Endowment Assets' expected long-term returns will be sufficient to meet expected long-term obligations with a prudent level of risk. Approximately every eight years, the Land Board will evaluate the asset allocation mix and conduct an asset allocation study (last completed in 2022) to determine the long-term strategic allocations to meet risk/return objectives.

Significant changes in capital market assumptions, portfolio characteristics, timber income expectations, or the Distribution Policy may cause the Land Board to accelerate the timing of an asset allocation study. For example, the illiquidity of much of the Land Assets may require the target asset mix of the Financial Assets be adjusted due to significant land sales or acquisitions or the appreciation of the Financial Assets at a faster or slower rate than the appreciation of the Land Assets.

EFIB will review the Distribution Policy annually. When key assumptions in the Distribution Policy ~~change~~, such as expected earnings and volatility ~~change~~, EFIB will recalculate the risk of shortfalls in future distributions and provide recommendations on policy adjustments to the Land Board.

C. Strategic Asset Allocation

In 2022, the Land Board commissioned an update of the asset allocation study based on the schedule directed by this investment policy statement. The purpose was to update the return forecasts for land and financial assets and the expected return and risk for the total endowment trust. The update was accepted by the Land Board in June 2022.

The current asset mix for the total endowment is presented in Exhibit 1 below:

Exhibit 1: Asset Allocation

Asset Class	Actual Asset Allocation June 30, 202 4 ³	Valuation June 30, 202 4 ³
Financial Assets	61.62 63.2%	\$ 3,254,002,699 2,950,630,761
Timberland	33.64 31.28%	\$1,610,439,200
Rangeland	1.32 1.23%	\$63,385,840
Cash Equivalents (Land Bank)	1.56 1.43%	\$ 73,598,319 74,523,631
Residential Real Estate	0.14 1.05%	\$ 54,291,888 6,657,313
Commercial Real Estate	0.75 0.7%	\$36,044,000
Farmland	0.96 1.11%	\$ 57,054,335 46,107,680
Total	100%	\$ 5,148,816,281 4,787,788,425
Expected Return (net)	6.71 7.4%	
Expected Risk (Standard Deviation)	9.61 12.3%	
Inflation Assumption	2.50%	

Percent may not total to 100% due to rounding

Based on Callan's 202~~4~~³ Capital Market Expectations, over a 10-year period, the current asset allocation is expected to generate a nominal return in excess ~~6.77~~7.4% net of fees. Using an inflation assumption of 2.50% results in an expected real net return of ~~4.21~~4.9%. The volatility level (standard deviation) associated with this asset mix is approximately ~~9.61~~12.3%. The Land Board recognizes the actual 10-year return may deviate significantly from this expectation—~~both positively and negatively~~.

The Land Board acknowledges the link between the asset allocation and the Distribution Policy. If an asset allocation mix is selected that deviates from the risk and return of the current asset allocation, the Land Board, in consultation with EFIB, will assess the impact on the Distribution Policy and change the Distribution Policy as necessary. In broad terms, changes in long-term expected return will impact the estimated level of sustainable distributions while changes in risk, as measured by volatility of returns, will impact the desired level of reserves.

EFIB will review the asset allocation for the Financial Assets per the EFIB Investment Policy and present it to the Land Board as an informational item.

D. Strategic Policies

In addition to asset allocation, the Land Board may from time to time authorize or adopt strategic policies. “Strategic Policies” are actions by the Land Board to allow investment in asset types that have not been singled out as “asset classes” in the asset allocation process, to overweight a particular sector within an asset class, or to employ particular strategies in the investment of the Endowment Assets. The purposes of these actions are either to increase the return above the expected return or to reduce risk. Any such policy would include consideration of the change in risk, the change in return, and the impact on the Distribution Policy.

VI. Investment Governance Structure

The Idaho Constitution provides that the endowment funds are held in trust and administered by the Land Board as trustees. The Constitution further provides that the Idaho Legislature may establish a statutory structure for administration that is consistent with the nature of the trusts. Accordingly, the Idaho Legislature created a structure that established EFIB as the manager of the Financial Assets, established the appropriations process for the payment of trust management expenses, and created IDL to serve as the manager of the Idaho Land Assets of each trust. The constitutional and statutory provisions, together with Land Board policy, establish the governance structure for Endowment Assets.

A. Land Board Responsibility

Management of the Endowment Assets is entrusted to the Land Board which serves as the sole fiduciary of both the Land Assets and Financial Assets. The Land Board is ultimately responsible for all management and investment activities. The powers and duties of the Land Board are fully described in Idaho Code § 58-104.

In exercising these responsibilities, in addition to EFIB and IDL, the Land Board may hire personnel and agents and delegate investment functions to those personnel and agents consistent with constitutional and statutory provisions. Where the Land Board does not or cannot delegate investment powers or duties, the Land Board will either satisfy itself that it is familiar with such matters or will retain persons who are familiar with such matters to consult or assist the Land Board in the exercise of those responsibilities. Where the Land Board delegates a responsibility, it will be delegated to a person who is familiar with such matters, and the Land Board will monitor and review the actions of those to whom responsibilities are delegated.

1. General Roles and Responsibilities

The Land Board’s general role and responsibilities regarding investments include, but are not limited to the following:

- Direct and oversee the conduct and operations of EFIB and IDL.
- Appoint and consult with expert advisors (including EFIB and IDL) for each critical function for which the Land Board has responsibility. In this context, the term “expert advisor” shall mean a person engaged in the business for which he holds himself out to be an expert and who is experienced in that field.
- Plan and establish strategic policies to coordinate the management of state endowment lands with the management of the endowment funds.
- Provide reports on the status and performance of state endowment lands and the respective endowment funds to the state affairs committees of the Senate and the House of Representatives within fourteen days after a regular session of the legislature convenes.
- Make strategic decisions, primarily concerning asset allocation, and establish and/or approve endowment land asset investment and management policies and strategies.
- Reclassify land assets due to change in land use or management, change in adjacent or nearby land use or management, increased value or revenue potential, or for any reason deemed sufficient by the Land Board.
- Periodically review this master investment policy and any sub-policies.
- Monitor the compliance of EFIB and IDL with the investment policies and strategy determined by the Land Board and the execution of the strategy.
- Hire agents in addition to IDL and EFIB to assist the Land Board in the implementation of strategy or investment policies.
- Approve the IDL annual budget request for consideration by the governor and legislature (including review of appropriation requests to IDL from Earnings Reserves).
- Approve allocation of Earnings Reserve Funds as provided in Idaho Code § 57-723A (Distribution Policy), specifically how much is: distributed annually to beneficiaries; retained for future distribution; and, transferred to the Permanent Fund to build corpus.
- Approve the annual timber sale plan and certain timber sales that fall outside of the IDL director’s authority.
- Review the IDL director’s monthly ~~timber sale~~trust land activity report showing the proposed sales for the next month as well as all other recorded activities on endowment lands.
- Approve large routine land investment decisions that exceed the authority of the IDL director.
- Approve certain other land investment decisions that exceed the authority delegated to the IDL director.
- Approve rulemaking and legislation for IDL.
- Review decisions of the IDL director upon appeal in contested matters.

2. Land Board Investment Subcommittee

a) Structure of the Investment Subcommittee

The Land Board established and authorized the Subcommittee in December 2014. The current composition of the Subcommittee is one EFIB member (selected by the EFIB chair), the EFIB manager of investments, and the IDL director.

b) General Roles and Responsibilities of the Investment Subcommittee

The Investment Subcommittee provides review and advice to the Land Board. The primary purpose of the Investment Subcommittee is to coordinate investment issues that cross both the Land Assets and the Financial Assets, including the following:

- Administer the contract for the general consultant and other consultants, as assigned by the Land Board.
- Work with the general consultant to identify the Land Board's advisor(s) and consultants, including the Land Investment Advisor(s), Land Acquisition Advisor(s), Commercial Real Estate Broker, and the Land Board's Commercial Real Estate Investment Advisor.
- Work with the general consultant and recommend the Statement of Investment Policy and Asset Management Plan to the Land Board.
- Recommend policy regarding implementation of land exchanges on endowment lands.
- Recommend policy (consistent with Idaho Code § 58-133) regarding the use of proceeds from the disposal of assets (e.g., cabin sites, commercial real estate, grazing lands). This may include deposit in the Permanent Fund or holding of proceeds in the Land Bank Fund to acquire additional endowment land assets in Idaho (excluding commercial buildings consistent with past Land Board decision), access to currently owned endowment lands, or to block-up ownership of endowment lands.

3. Use of Outside Experts

The Land Board employs outside advisors and consulting firms to provide specialized expertise, assist IDL with transactions, and verify or review IDL's and EFIB's investment and operational activities and procedures.

a) Non-Discretionary Investment Consultants

The Land Board may hire a qualified independent consultant or consultants (including a general consultant) for strategic and annual plan reviews, review of new investment initiatives, investment policy development and review, asset allocation, advisor selection and monitoring, and performance measurement. Investment consultants will be fiduciaries with respect to the services provided and will act in a non-discretionary capacity with no decision-making authority.

b) Commercial Real Estate Advisor

The Land Board may use a commercial real estate advisor to advise on the Idaho commercial property portfolio or ~~transition~~ properties being considered for reclassification. The commercial real estate advisor will provide analysis and management expertise on the retention, leasing, disposition, and management of the properties. The commercial real estate advisor will be a fiduciary with respect to the services provided and act in a non-discretionary capacity with no decision-making authority.

c) Land Acquisition Advisors

The Land Board may use land acquisition advisors to source land acquisitions, facilitate completion of due diligence ~~work~~services, and make recommendations. Due diligence services may include appraisals, review appraisals, timber cruise and check cruise, financial evaluation, mineral and water right

identification, encumbrance review, survey, and title review. Land acquisition advisors will be fiduciaries with respect to the services provided and act in a non-discretionary capacity with no decision-making authority.

d) Land Investment Advisor

The Land Board may use a land investment advisor(s) to independently review certain land investment decisions proposed by IDL (land disposal, land acquisition, exchange, and new tenant improvements) that are over \$250,000. The land investment advisor will review the post-audit completed by IDL for transactions over \$1,000,000. The land investment advisor may be used for independent review of IDL procedures. The land investment advisor will be a fiduciary with respect to the services provided and act in a non-discretionary capacity with no decision-making authority.

e) Auditor

Idaho Code § 57-720 requires the Financial Assets of the endowment be reviewed by an independent auditor. The independent auditor also reviews the application of agreed upon procedures for the IDL income statement. To oversee this process, and any other audits it deems prudent, the Land Board has established the Land Board Audit Committee, consisting of the attorney general (or designee), the state controller (or designee), and three members of EFIB, appointed by its Chair.

B. Investment Governance and Investment Policy for the Financial Assets

Idaho Code § 57-718 created EFIB which formulates policy for and manages the investment of the Financial Assets, which consists primarily of the invested revenues from the endowment lands. As permitted in Idaho Code § 57-720, the fund assets of all nine endowments, both Permanent Funds and Earnings Reserve Funds, may be combined in a single investment pool.

1. Mission of EFIB

The mission of EFIB is to provide professional investment management services to its stakeholders consistent with its constitutional and statutory mandates.

2. Structure of EFIB

Per Idaho Code § 57-718, EFIB consists of nine members appointed by the governor and confirmed by the Senate. These members are one state senator, one state representative, one professional educator, and six members of the public familiar with financial matters.

3. General Roles and Responsibilities of EFIB and Agents

With a citizen board and small staff, EFIB will make strategic allocations and generally avoid making tactical calls. The Board and staff will concentrate on the following activities:

- Making strategic decisions, primarily concerning asset allocation.
- Establishing investment policy for the funds.
- Recommending Distribution Policy and transfers of Earnings Reserves to the Land Board.
- Establishing Distribution Policy for the Capitol Permanent Fund.

- Selecting, monitoring, and terminating investment managers, consultants, and custodians.
- Selecting and directing staff.
- Approving an investment management expense budget from Earnings Reserves for consideration by legislative appropriation.
- Overseeing a credit enhancement process to reduce interest rates on Idaho school bonds through the pledge of certain assets of the Public School Endowment Fund.
- Maintaining a reporting system that provides a clear picture of the status of the Financial Assets.

4. Professional Staff

EFIB will maintain a staff with investment expertise, including a Manager of Investments (MOI) who is a fiduciary to EFIB. The MOI is responsible for directing and monitoring the investment management of the Financial Assets.

5. Use of Outside Experts

The Financial Assets will be invested by professional investment firms. No funds will be managed internally. EFIB will also employ one or more outside consulting firms to provide specialized expertise and assist in, among other things, asset allocation, manager selection and monitoring, and performance measurement.

6. Investment Policy Statement for Financial Assets

EFIB will maintain a detailed Investment Policy that pertains specifically to the management and investment of the Financial Assets ([Appendix C](#)). The Land Board is not required to approve this investment policy as this duty is delegated to EFIB.

C. Investment Governance for Land Assets

Idaho Code § 58-101 created IDL to serve as the internal investment and asset manager of the Land Assets of each trust. This role includes authorization to make certain investment decisions consistent with the established governance structure and includes day-to-day operating responsibilities for the Land Assets. This is in contrast to the EFIB structure where implementation and day-to-day decision making is delegated to external investment managers subject to approved guidelines and contracts.

The Land Assets include timberland, rangeland, farmland, commercial real estate, residential real estate, minerals, and oil and gas (collectively “Land Assets”) located in Idaho.

1. Mission of IDL

The mission of IDL is to professionally and prudently manage Idaho’s Land Assets to maximize long-term financial returns to public schools and other trust beneficiaries and to provide professional assistance to the citizens of Idaho to use, protect, and sustain their natural resources.

2. Structure of IDL

IDL operates under the direction of the Land Board and is the administrative arm of the Idaho Oil and Gas Conservation Commission. IDL is led by a director who is employed by and is directed by the Land Board. The director’s staff includes ~~a~~two deputy directors, a division administrator for Forestry and Fire

(currently serves as State Forester), a division administrator for Trust Land Management, a division administrator for Minerals, Navigable Waters, and Oil & Gas, a division administrator for Operations, and ~~a policy and communications chief~~ General Counsel—collectively, the executive staff. Each of the positions identified above supervises various professional, technical, and administrative support staff.

3. General Roles and Responsibilities

IDL manages more than ~~2.4~~ 2.5 million acres of Idaho Land Assets (and additional acreage of retained mineral rights) under a constitutional mandate to maximize long-term financial returns for the sole benefit of public schools and certain other state institutions enumerated in statute.

The director and staff will concentrate on the following investment-related activities:

- Serving as the instrumentality of the Land Board.
- Implementing the strategic direction established by the Land Board concerning Land Assets.
- Making strategic decisions (where authorized) and providing recommendations to the Land Board concerning management of Land Assets.
- Establishing policies and procedures for IDL programs.
- Selecting and directing staff.
- Developing a land and resource management expense budget from Earnings Reserves for Land Board approval and consideration for legislative appropriation. Earnings Reserves is only a portion of the IDL budget.
- Monitoring and reporting progress toward strategic goals, including preparing an annual income statement following agreed upon procedures and calculating annual returns for major asset classes and all asset classes combined.

Decision-making authority for endowment land asset management resides with the Land Board except as delegated to the IDL director. Program management resides with the director's staff and their subordinates. IDL establishes policies and procedures for routine programmatic activities at the bureau and program levels.

IDL has delegated authority to approve the following:

- Normal timber sales that fall within established Land Board policies and salvage sales.
 - Exceptions include sales with clear-cut harvests over 100 acres; sales with development credits exceeding 50% of the net appraised value or 33% of the gross appraised value; and sales with written citizen concerns.
- Approval of certain routine land investment decisions. Routine land investment decisions include access acquisition and grants, forest and range improvements, reforestation, and building maintenance.
 - Transactions <\$1,250,000 the IDL director may authorize.
 - Transactions >\$1,250,000 require Land Board approval.
- Approval of certain other land investment decisions. Other land investment decisions include land disposal, land acquisition, reclassification, and new tenant improvements.

- Transactions <\$250,000 the IDL director may authorize.
- Transactions >\$250,000 require Land Board approval.

4. Professional Staff

IDL staff consists of trained professionals and technical experts in various fields, such as forestry, range, real estate, minerals, oil & gas, fire, accounting, finance, procurement, [geographical information systems \(GIS\)](#), [remote sensing](#), and other specialties. IDL staff members who are involved with management of Endowment Assets or related accounting or financial management are fiduciaries.

5. Use of Outside Experts

IDL may use outside experts at its discretion and the Land Board's discretion. IDL may use the Land Board's expert advisors when in need of the special expertise provided by the advisors and when the use of a specific advisor will not conflict with the Land Board's use of the advisor. IDL may review information and recommendations provided to the Land Board by outside experts including the Commercial Real Estate Investment Advisor, Commercial Real Estate Broker, Land Acquisition Advisor(s), and the Land Investment Advisor(s). The chart in [Appendix D](#) below depicts the relationship between the Land Board, IDL, and outside experts.

D. Role of the Legislature

The Idaho Legislature is responsible for the following:

- Enacting laws to establish the methodology for restoring losses to the Public School and Agricultural College funds.
- Appropriating Earnings Reserve Funds for operation of IDL and EFIB.
- Considering approved endowment distributions in setting beneficiary appropriations.
- Establishing the statutory structure for administration of endowment assets that is consistent with the nature of the trusts and the constitutional duties of the Land Board.

VII. Asset Class Policies for Land Assets

A. Investment Objective for the Land Assets

The primary objective for the Land Assets is the generation of maximum long-term return at a prudent level of risk using traditional land grant asset types. The Land Assets diversify the Financial Assets given the low correlations of timberland and rangeland to public capital markets. The Land Assets also lower the volatility of the total investment portfolio considering timberland and rangeland returns have historically exhibited lower volatility than equity asset classes. During periods of negative financial returns, Land Assets can provide a positive revenue stream to help maintain Earnings Reserves and stable Endowment distributions.

Investment objectives are long-term return objectives. The investment objective for the land portfolio recognizes that timberland is a primary driver of the overall return for land and that income from

timberland and, to a lesser degree, all other lands are the primary generator of investment returns. The individual investment objectives for timberland, rangeland, and farmland reflect the long-term investment characteristics (return, correlation, and volatility) compared to other asset classes. Investment objectives also consider the existing base of land holdings along with management constraints, notably sales restrictions, acreage limitations, and the rent-setting and leasing processes. The return objectives should not be viewed in isolation but in relationship to one another.

The Land Assets are managed to achieve a real net return target of at least 3% over a long-term holding period (Land Assets Return Objective). The Land Assets Return Objective includes both income and appreciation, is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), net of all fees and costs of program management (e.g., legal and audit), and net of inflation as measured by the Consumer Price Index. While the Land Assets Return Objective includes both income and appreciation, the return is expected to be generated primarily from income.

Specific investment objectives and guidelines for each land category are summarized below. The Land Board shall review periodically its expectations for the land categories and assess how the updated expectations affect the probability that the Endowment will achieve the established investment objectives.

B. Key Elements of the Land Strategy

1. Active and Profitable Management

Land Assets are actively managed based on profitability, which means that some parcels will be managed more intensively than others. The portfolio is managed by IDL and, except in unusual circumstances, no external managers are used. Active management includes the following primary activities:

- Maximize net income while protecting and enhancing the long-term value and productivity of the Land Assets. (IDL shall produce a quarterly income statement which allows for evaluation of income versus management and operating expenses by trust beneficiary, program, and asset class ~~as a way~~ to evaluate returns and profitability.)
- Acquire, through purchase or trade, land whose expected risk adjusted return meets or exceeds the return objectives outlined in this Statement and whose uses are aligned with IDL's management expertise.
- Dispose, through sale or trade, land whose expected long-term return does not meet the return objectives outlined in this Statement.
- Make incremental investments to enhance the value of existing assets when the expected risk adjusted return is favorable.

2. Leverage is Prohibited

Debt is not used in acquisition of Land Assets. All assets are unencumbered by debt.

3. Diversification

There is limited ability to diversify the Land Assets by geography, land type, investment style, investment manager (IDL is the sole manager), or vintage year since most Land Assets were acquired at statehood. Diversification of income source shall be pursued by encouraging multiple bidders for timber sales. There is limited opportunity to actively diversify the tenant base in rangeland, commercial real estate, residential real estate, farmland, and other land types that are leased since leases are simply awarded to the highest bidder. There are opportunities for commercial leases on endowment lands. Commercial leasing opportunities may require reclassification of land assets due to land value and income potential from leasing activities.

Timberland shall be managed for age class and species diversity across the timberland asset to maximize long-term returns. An individual timber stand may have trees of similar age, but other timber stands represent other age classes, ensuring a relatively even flow of forest products over time. An even flow of various forest products is considered a priority to maintain a vibrant and diverse customer base to maximize the sale prices of timber over time and resulting income distributions. Offering a variety of timber sale sizes, types, and locations across the state also helps to maintain a diverse customer base. Geographic diversity of the land base and intensive forest management provide some protection against catastrophic fire, disease, and insect outbreak.

4. Illiquidity and Rebalancing

Land Assets represent a large part of the total Endowment portfolio and are illiquid compared to publicly traded equities. ~~Strategic rebalancing to maintain the total Endowment portfolio within the desired asset allocation ranges will be actively pursued where possible~~ Strategic repositioning and improvement of the land assets will be actively pursued through sales, exchanges, and acquisitions.

However, constitutional and statutory requirements regarding land sales and exchanges limit the ability to rebalance the Land Asset portion of the portfolio.

C. Timberland

1. Definition

Timberland is defined as land capable of growing successive crops of commercial forest products for harvest.

2. Overall Financial Objective and Benchmark

The return on timberland comes from biological growth, upward product class movement, timber price appreciation and land price appreciation. The overall objective of timberland investments is to attain a real net income return of at least 3.35% over a long-term holding period. The net return target is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), and net of all fees and costs of program management (e.g., legal and audit).

3. Allowable Investments

Timberland in Idaho and investments in timberland improvements, including but not limited to planting seedlings, spraying, pre-commercial thinning, fertilization, intermediate silvicultural treatments, road

construction, and maintenance projects are allowed, as are investments in easements or other means of achieving cost-effective access to productive timberlands.

New timberland acquisitions shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine the following:

- If the expected financial return generated by income exceeds the minimum hurdle rate of 3.35% real net;
- Whether the return profile is sufficient relative to the risk taken, including an analysis of the transaction in terms of long-term financial return and risk to the Endowment;
- Whether the transaction would facilitate improved management or improve the overall Endowment land ownership pattern in the area;
- The existence of any potential risks, including but not limited to environmental or title-related issues.

Parcels posing any significant risk as described in the due diligence analysis and those not meeting the minimum hurdle rate shall be avoided. The presence of minerals including sand and gravel can enhance the net return from timberland. Land Bank funds used for acquisition can only be used on behalf of the endowment from which the funds originated. The minimum return requirement for new investments will be reviewed and updated as necessary based on the Strategic Reinvestment Plan.

New investments in timberland must be owned 100% by the endowment. Joint ventures are not allowed. Acquisition of land with a conservation easement in place is allowed provided the Land Board has full decision-making authority regarding implementation of land management practices.

4. Considerations

Idaho Code § 58-133 requires that all state-owned lands classified as chiefly valuable for forestry, reforestation, recreation, and watershed protection be reserved from sale and set aside as state forests. Timberland can be exchanged but only for other timberland. Timberland with potential for greater long term financial returns to the beneficiaries may be reclassified to allow a higher and best use.

Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands.

IDL has an established public involvement process, approved by the Land Board, which requires that annual timber sale plans be published, and public comment opportunities be made available. Small Direct sales (less than ~~1,000,000~~200,000 board feet or less than ~~\$15,000~~150,000 in value) and salvage sales are exempt from the policy.

5. Management

Timberland is directly managed by IDL. Management shall comply with all applicable laws, such as the Idaho Forest Practices Act. Management objectives include the following:

- Manage the timberland asset prudently, efficiently, and with accountability to the beneficiaries.

- Reduce risk and increase prospects for sustainable annual income.
- Achieve a rate of return consistent with policy objectives.
- Produce forest products that meet market demands.
- Identify and acquire additional timberlands that maintain or enhance the value of the timberland asset class.
- Identify and dispose of or ~~transition~~ **reclassify** underperforming timberland assets to increase economic performance and improve land asset diversity.
- Achieve financial and forest health objectives identified in the Asset Management Plan and the Forest Asset Management Plan.

6. Valuation

The land expectation value (LEV) method (constant real annual cash flow / real annual discount rate) approach or other commercially acceptable methods approved by the Land Board shall be used for the valuation of the timberland asset class. The timberland asset class shall be valued using the LEV method every ~~three~~ **five** years by an independent expert for the purpose of calculating program returns, not for the purpose of acquisition or disposition of specific timberland parcels. MAI appraisals must be used for valuation of individual parcels in the event of an exchange.

7. Monitoring Standards

IDL will report cash flows for the timberland asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation (based on LEV), and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent valuation will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

D. Rangeland

1. Definition

Rangeland is defined as lands supporting natural vegetation—generally grasses, forbs, and small brush suitable for grazing by domestic livestock and wildlife.

2. Overall Financial Objective and Benchmark

The overall objective of rangeland investments is to attain a positive real net return over a long-term holding period. The positive real net rate of return includes primarily income and is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), net of all fees and costs of program management (e.g., legal and audit) and net of inflation as measured by the Consumer Price Index. Given its low expected return, rangeland is not an institutional asset class.

3. Allowable Investments

Additional investment may take the form of investments in rangeland improvements and easements or other means of access to improve productivity. Rangeland improvements refers to actions that improve

the manageability and productivity of the asset including but not limited to fencing, weed control, access improvement, and water development.

New investments in rangeland are not anticipated or being actively targeted. Should a new investment opportunity arise, it shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine the following:

- Whether the return profile is sufficient relative to the risk taken, including an analysis of the transaction for long-term financial return and risk to the Endowment;
- Whether the transaction would facilitate improved management or improve the overall Endowment land ownership pattern in the area;
- The existence of any potential risks, including but not limited to environmental or title-related issues.

Parcels posing any significant risk as described in the due diligence analysis shall be avoided. Land Bank funds used for acquisition can only be used on behalf of the endowment from which the funds originated.

4. Considerations

Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. [Grazing leases have an exchange clause that alleviates this statutory requirement.](#)

Rangeland may be exchanged or sold subject to acreage limitations—a lifetime maximum of 320 acres may be sold to any one individual, company, or corporation. For rangeland, this limitation is a significant barrier to repositioning or reducing the size of the rangeland portfolio given its size at over 1.4 million acres. Any disposal of rangeland should consider its optionality for future conversion to a higher and better use, including reclassification and potential mineral extraction. Some endowments are restricted to a lifetime maximum of 160 acres sold to any one individual, company, or corporation. Article IX of the Idaho Constitution describes the limitations on the sale of endowment land.

5. Management

Rangeland is directly administered by IDL. Livestock forage productivity and availability varies significantly across the state due to factors such as climate, vegetation types, topography, and access to water. Some Endowment parcels are of sufficient size and productivity to stand alone as a grazing unit; however, most are managed in a manner consistent with adjoining federal and private lands because of normal livestock and grazing management practices. Some rangeland parcels are leased in combination with timberland [or other commercial](#) uses [\(commercial ground or energy production leases\)](#). The presence of minerals such as sand and gravel can enhance the net return from rangeland. Management objectives for rangeland include the following:

- Manage the rangeland asset prudently, efficiently, and with accountability to the beneficiaries.
- Develop and manage long-term grazing leases that achieve a rate of return consistent with policy objectives and market rates.

- Identify and dispose of or ~~transition~~ reclassify underperforming rangeland assets to increase economic performance and improve land asset diversity.
- Minimize contractual and environmental risks.
- Identify programmatic or statutory changes that maximize income.
- Achieve objectives identified in the Asset Management Plan and the Grazing Program Business Plan.

6. Valuation

The land expectation value (LEV) method (constant real annual cash flow/real annual discount rate) approach shall be used for the valuation of rangeland. Rangeland shall be valued using the LEV method every ~~three~~ five years by an independent expert. MAI appraisals must be used for individual parcels in the event of an exchange or sale.

7. Monitoring Standards

IDL will report cash flows for the rangeland asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent value will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

E. Residential Real Estate

1. Definition

Idaho has leased residential sites since 1932. These properties are vacant endowment land where lessees are authorized to construct and own improvements, typically cabins and single-family homes. Parcels in asset classes such as timberland and rangeland may ~~transition~~ be reclassified to residential real estate ~~and be reclassified~~ as development occurs in the vicinity.

2. Overall Financial Objective and Benchmark

Leases shall be at least 4% of the appraised value depending on the length of the lease term. The overall objective of residential real estate investments is to attain, for each sale, net distributions to the endowment that are at or above appraised value and cover all costs of the sale and internal management costs.

3. Allowable Investments

The Land Board and IDL are implementing a disposition strategy for the residential portfolio subject to a long-term plan that was approved in December 2010, revised in 2016, and revised again in 2022. Future investment in cottage sites is not allowed ~~with the exception that~~ however current land assets may be ~~transitioned~~ reclassified to residential real estate.

4. Considerations

While the Land Board has directed a disposition strategy for the residential portfolio, complete disposition is unlikely in the next five years. The viability of an ongoing lease program, with

consideration of ongoing related expenses, shall be evaluated by IDL and reviewed by the Land Board as the current disposal process is completed. As stated previously, land currently in other asset classes may ~~transition~~be reclassified to residential real estate, resulting in an ongoing portfolio of residential real estate. Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. Leases have an exchange clause that alleviates this statutory requirement.

5. Management

Cottage sites are directly managed by IDL. Management objectives include the following:

- Execute the approved Cottage Site Plan to unify the estate in a business savvy manner to maximize return to the endowments.
- For the duration of the cottage site leasing program, develop and manage residential leases that appropriately compensate the endowments.
- Identify additional high-value (undeveloped) residential real estate for potential auction to maximize return to the endowments. (May require reclassification of other land assets.)
- Identify and ~~transition~~reclassify residential real estate that may return more value to the trust if ~~transitioned~~reclassified to a higher and better use.

6. Valuation

All properties will be appraised to establish lease rates prior to sale. Until reappraisal, existing appraisal data will be used for valuation of the asset class.

7. Monitoring Standards

IDL will report cash flows for the residential real estate asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent value will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

F. Farmland

1. Definition

Farmland is defined as land under cultivation or capable of being cultivated. The farmland asset includes lands used for cultivating grains, vegetables, and hay, as well as vineyards and orchards.

2. Overall Financial Objective and Benchmark

The overall objective of farmland investments is to attain a real net return of 4% over a long-term holding period. The rate of return includes both income and appreciation, is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), net of all fees and costs of program management (e.g., legal and audit), and net of inflation as measured by the Consumer Price Index.

3. Allowable Investments

Investments in Idaho farmland, improvements such as irrigation or structures, and easements or other means of access to productive farmlands are allowed.

New investments in farmland are not anticipated or being actively targeted. Should a new investment opportunity arise, it shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine:

- Whether the return profile is sufficient relative to the risk taken, including an analysis of the transaction for long-term financial return and risk to the ~~Endowment~~[Endowment](#).
- The existence of any potential risks, including but not limited to environmental or title-related issues.

Parcels posing any significant risk as described in the due diligence analysis shall be avoided.

Land Bank funds used for acquisition can only be used on behalf of the endowment from which the funds originated.

Investments in farmland must be owned 100% by the Endowment. Joint ventures are not allowed. Acquisition of land with a conservation easement in place is allowed provided the Land Board has full decision-making authority regarding implementation of land management practices.

4. Considerations

Farmland may be sold or exchanged subject to acreage limitations—a lifetime maximum of 320 acres may be sold to any one individual, company, or corporation (160 acres for the University endowment). Article IX of the Idaho Constitution describes the limitations on the sale of endowment land. [Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. Leases have an exchange clause that alleviates this statutory requirement.](#)

5. Management

The asset class is directly managed by IDL through agriculture leases which may be cash, crop share, or flex with adjustment based on yield or price. Some agriculture parcels are leased in combination with grazing uses. Management objectives include the following:

- Achieve return consistent with policy objective.
- Focus on income and current cash yield through the management of existing properties. Cash lease structure will be preferred.
- Enroll endowment lands in federal agricultural programs when appropriate.
- Achieve objectives identified in the Asset Management Plan for Endowment Assets (and any related plans developed) and the Farmland Program Business Plan.

6. Valuation

The portfolio will be valued using NASS Farmland Data. This is appropriate as farmland holdings are a small portion of the Endowment Assets. All properties shall be valued by an MAI appraiser prior to sale.

7. Monitoring Standards

IDL will report cash flows for the farmland asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent value will be used adjusted for capital expenditures, sales, and acquisitions during the reporting period.

G. Idaho Commercial Real Estate

1. Definition

Idaho Commercial Real Estate is a discrete portfolio of office buildings, parking lots, retail, and other ~~transition~~-identified land properties located in Idaho.

2. Overall Financial Objective and Benchmark

The majority of the Idaho Commercial Real Estate portfolio was sold as recommended by the Commercial Real Estate Advisor and approved by the Land Board in February 2016. Of the properties identified in the 2016 sales plan that did not sell, IDL will continue to pursue prudent disposition as recommended. Certain properties may be retained by the Land Board for strategic purposes. Additional properties may ~~transition~~-be reclassified to the commercial real estate portfolio from other asset classes.

3. Allowable Investments

Per Land Board direction from December 2014, no new Idaho Commercial Real Estate properties may be acquired. There may be expenditures to maintain or re-position existing properties in preparation for sale or lease. Leasing of existing endowment lands for commercial and industrial purposes will continue, as will ~~transition~~-reclassification of lands into commercial real estate from other asset classes.

4. Considerations

Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. Leases have an exchange clause that alleviates this statutory requirement.

4.5. Management

The portfolio is overseen by IDL and managed primarily through outside agents, including hiring and oversight of property managers and leasing agents, approving leases and budgets, approving capital expenditures, and executing capital plans. The Commercial Real Estate Advisor may be used to assist in advising, hiring, and managing property managers.

5.6. Valuation

All properties will be valued by appraisal prior to sale. In the interim, the value established by the Commercial Real Estate Advisor, or Real Estate Broker, will be used for performance measurement and evaluation purposes.

6.7. Monitoring Standards

IDL will report cash flows for the commercial real estate asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. Property will be valued using a combination of appraised values and values established by the Commercial Real Estate Advisor. The most recent independent value will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

H. Minerals/Oil & Gas

1. Definition

Mineral resources are concentrations of materials that are of economic interest in or on the crust of the earth. Oil and gas reserves and resources are defined as volumes that will be commercially recovered in the future.

2. Overall Financial Objective and Benchmark

The asset class will be managed prudently to maximize financial return while complying with all applicable laws and regulations. Royalty payments are transferred to the Permanent Fund while other payments, such as lease or bonus payments, go to the Earnings Reserve Fund.

3. Allowable Investments

Acquisition of mineral rights together with or independent of surface rights is allowed. Acquisition of mineral rights together with surface rights is preferred to avoid a split estate. Acquisition of mineral rights is expected to occur primarily through land exchanges.

4. Considerations

Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. Leases have an exchange clause that alleviates this statutory requirement.

4.5. Management

The asset class is directly managed by IDL, and management shall comply with all applicable federal and state statutes, such as the federal Clean Water Act, Idaho Surface Mining Act, Oil and Gas Conservation Act, and Idaho Dredge and Placer Mining Protection Act. Management objectives include the following:

- Manage the mineral asset prudently, efficiently, and with accountability to the endowments.
- Minimize contractual and environmental risks associated with extractive industries.
- Lease lands for potential mineral products that capitalize on market demands.
- Retain mineral rights when land parcels are disposed.
- Seek opportunities to unify the mineral estate.
- Identify programmatic or statutory changes that maximize income from mineral assets.

5.6. Valuation

The value of Idaho's mineral estate is unknown at this time. Determining the type and volume of locatable minerals in Idaho could be achieved with a cooperative effort between the Idaho Department of Lands, Idaho Geological Survey, and the mineral industry.

6.7. Monitoring Standards

IDL will report cash flows for the minerals asset class to the general consultant for performance reporting purposes. All net income calculations will be net of all fees and expenses of managing the asset class. Because receipts from minerals extracted flow directly to the Permanent Fund, they are not included in IDL's report of return on assets. The receipts are reported in IDL's annual report.

I. ~~Transition~~ Reclassification of Lands

1. Definition

Endowment land assets were classified by IDL based on the characteristics of the parcels at that time. For example, parcels with timber present were typically classified as timberland, parcels where rangeland vegetation is present were typically classified as rangeland, etc. No determination of higher and better use characteristics was made during the classification process.

Lands within traditional asset classes already owned by the Endowment may become suitable for a higher and better use than the current asset classification. Often these properties exhibit high property values and low annual revenues and may be encroached upon by urban development. The major data sources used to identify lands suitable for ~~transition~~ reclassification may include:

- Appraised values above the value normally indicative of the current use.
- Regional land-use planning studies.
- Resource trends and demographic changes.
- Planning and zoning designations if they substantiate IDL's assessment of the classification.

2. Overall Financial Objective and Benchmark

The objective for lands identified ~~as-for~~ potential reclassification ~~transition lands~~ will be to lease the parcels, typically for commercial and/or industrial uses, or sell the parcels. Evaluation of the options for lease or sale will be completed on a case-by-case basis with the assistance of the Commercial Real Estate Advisor. Once the land is ~~transitioned~~ reclassified, it will be included under the ~~predominant~~ appropriate revenue producing asset class.

3. Allowable Investments

Lands suited for ~~transition~~ reclassification are those currently owned by the endowments. Lands should not be acquired where the primary reason for acquisition is ~~transition~~ reclassification, though ~~transition~~ reclassification lands may exist within an acquisition. In select cases, improvements such as obtaining zoning and other entitlements may be pursued for ground leasing purposes, to maximize value, or to ready the parcel for sale.

Investment in improvements shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine the long-term financial return and risk to the Endowment; whether the return profile is sufficient relative to the risk taken; whether the transaction would facilitate improved management; and the existence of any potential risks including but not limited to environmental or title-related issues. Investments in improvements posing any significant risk as described in the due diligence analysis shall be avoided.

4. Considerations

Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. Leases have an exchange clause that alleviates this statutory requirement.

4.5. Management

~~Transitional~~ Reclassification activities will focus first on land at the high-end of market values (best markets) and then on land possessing best market potential within the next five to ten years (emerging markets). ~~Transition~~ Reclassification plans will identify land holdings in the best markets, identify emerging markets, and, to the extent practical, parcels held in these markets. Land holdings in the best markets will also include a plan for achieving value potential. Timely disposition of parcels suitable for ~~transition~~ reclassification will be a management objective to increase asset value and, where the parcels are not income-producing, reduce their “drag” on performance.

Underperforming assets may also present ~~transition~~ reclassification opportunities. IDL will identify and analyze such lands to determine the best solution to resolve the underperformance. Such analysis will consider:

- Whether management costs can be minimized;
- Whether the lands can be managed differently to increase performance;
- Whether the parcel has the potential for a higher and better use; and
- Whether the endowment is the best long-term owner of the asset.

5.6. Valuation

Properties suitable for ~~transition~~ reclassification will be valued based on the ~~traditional asset class to which they belong or as transitioned~~ highest and best use of the property. Properties will be valued by appraisal prior to sale or on a predetermined schedule pursuant to the terms of the lease or other approved plan.

6.7. Monitoring Standards

IDL will report cash flows for the lands suitable for ~~transition~~ reclassification, together with the asset class in which the lands currently exist, to the general consultant for performance reporting purposes. Lands with potential for ~~transition~~ reclassification currently classified as rangeland will be monitored and reported as part of the rangeland asset class. The reporting will follow institutional reporting standards and conventions.

Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent value will be used adjusted for capital expenditures, sales, and acquisitions during the reporting period.

J. Land Bank

1. Definition

The Land Bank Fund (Land Bank) exists to hold the proceeds from the sale of state endowment land (pending the purchase of other land) or to transfer to the Financial Assets for the benefit of the endowment beneficiaries, per Idaho Code § 58-133.

2. Overall Financial Objective and Benchmark

The Land Board does not control the investment of the funds held in the Land Bank. The Land Bank is invested by the State Treasurer under a financial objective or benchmark established by the Treasurer.

3. Considerations

Funds deposited in the Land Bank, including interest, are continually appropriated to the Land Board. If the funds have not been utilized for land acquisition within five years, they are transferred to the Permanent Fund of the appropriate endowment unless the five-year time limit is extended by the legislature.

Land Bank funds may be used to acquire lands within traditional asset classes. Land Bank funds may also be used to secure access to endowment lands through purchase of easements or parcels of land. When purchasing a parcel of land to obtain access, the acquired parcel may in some cases produce minimal financial return. An easement may represent an expense without any resulting income directly related to the acquisition. In those cases, the evaluation of the acquisition and the projected returns would consider the additional net income that can be attributed to the access secured, rather than the financial return of only the access parcel.

4. Allowable Investments

Land Bank funds are invested by the State Treasurer in the IDLE pool. IDLE funds are invested according to the IDLE Investment Policy.

5. Management

IDL, in its capacity as the administrative arm of the Land Board, manages deposits to and withdrawals from the Land Bank. Fees for investment management are deducted by the Treasurer.

6. Valuation

The Land Bank is valued by the State Treasurer.

7. Monitoring Standards

IDL will report balances and cash flows for the Land Bank to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income,

appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. Transaction history will be used to account for expenditures and deposits into the Land Bank. For purposes of transparency, the balance in the Land Bank shall be reported as a contingent asset in the notes of the financial statements for the Financial Assets.

VIII. Distribution Policy

A. Objectives

The ultimate purpose of Idaho's land grant endowments is to provide a perpetual stream of income to the beneficiaries. To guide the determination of future distributions for Idaho endowments, the following objectives, in priority order, are established by the Land Board:

- Avoid reductions in total endowment distributions.
- Maintain adequate Earnings Reserves to protect distributions from temporary income shortfalls.
- Grow distributions and permanent corpus faster than inflation and population growth.

B. Considerations

In determining distributions, the Land Board, with assistance from EFIB, considers the following for each endowment:

- Actual and expected return on the fund and income from the land.
- Expected volatility of fund and land income.
- Adequacy of distributable reserves to compensate for volatility of income.
- Each beneficiary's ability to tolerate declines in distributions.
- Need for inflation and purchasing power protection for future beneficiaries.
- Legal restrictions on spending principal.

C. Policy Description

Based on the above objectives and considerations and the expected returns of the entire portfolio (lands and funds), the Land Board establishes the following Distribution Policy:

- Distributions are determined individually for each endowment (currently 5% for all endowments except State Hospital South at 7%).
 - Consideration is being given to move State Hospital South to 5%, but has not been formally adopted as of this update.
- Distributions are calculated as a percent of the three-year rolling average Permanent Fund balance for the most recently completed three fiscal years. The Land Board may adjust this amount depending on the amount in the Earnings Reserves, transfers to the Permanent Fund, and other factors.

- The levels of Earnings Reserves deemed adequate for future distributions are:
 - 7 years – All endowments (Public School, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and University of Idaho)
- The Land Board may transfer any balance in an Earnings Reserve Fund in excess of an adequate level to the corresponding Permanent Fund and designate whether the transfer will or will not increase the Gain Benchmark.
- The principal of the permanent endowment funds, adjusted for inflation, will never be distributed, to protect the future purchasing power of the beneficiaries.

The Distribution Policy was developed based on many analyses, assumptions, and constraints, and its administration requires interpretation of nuances. EFIB has documented these in the Distribution Principles included in [Appendix F](#).

IX. Monitoring and Reporting

A. Philosophy

The Land Board and its agents shall use a variety of compliance, verification, and performance measurement tools to monitor, measure, and evaluate how well the Endowment Assets are being managed. Monitoring, reporting, and evaluation frequencies shall range from real-time performance to daily, weekly, monthly, quarterly, semi-annual, and annualized performance.

The Land Board seeks to answer three fundamental fiduciary questions through the performance monitoring and reporting system:

- Are the assets being prudently managed? More specifically, are assets being managed in accordance with established laws, policies, and procedures, and are IDL and EFIB (and by extension the EFIB's investment managers) in compliance with established policies and their mandates?
- How have the assets performed relative to Land Board approved investment objectives?
- Are the assets being profitably managed? More specifically, has performance affected distributions positively and advanced security of the corpus?

B. Deviation from Policies

If there is a deviation from Land Board investment policies, the IDL and EFIB staff are required to provide the Land Board with a report explaining how the deviation was discovered, the reasons for the deviation, and the impact on endowment performance, if any, and steps taken to mitigate future instances.

C. Financial Assets

1. Reporting at EFIB Level¹

The EFIB Investment Policy requires that performance reports be generated by the investment consultant at least quarterly and communicated to EFIB staff and the EFIB Board. The investment performance of the total Financial Assets, as well as asset class components, will be measured against commonly accepted performance benchmarks as outlined in the EFIB Investment Policy. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement.

Investment managers shall be reviewed regularly, by EFIB staff and the general fund consultant, regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

2. EFIB Reporting to the Land Board

Each month, EFIB staff will provide the following to the Land Board:

- Investment performance, both absolute and relative to benchmark.
- An evaluation of the sufficiency of Earnings Reserve balances (measured by coverage ratio: reserve balance divided by the distribution).
- A summary of any significant actions by EFIB.
- Any compliance/legal issues, areas of concern, or upcoming events.

Part-way through the fiscal year, typically at the May meeting, EFIB shall provide the Land Board with a brief financial summary of fiscal year-to-date activity.

After the end of the fiscal year, typically at the November meeting, EFIB shall provide the Land Board with the following:

- A financial summary for the recently completed fiscal year.
- The report of the Land Board Audit Committee regarding control deficiencies identified by the independent auditor.
- An update on EFIB's Strategic Plan.
- Investment performance for the fund versus strategic (longer-term) measures.
- A report on EFIB meetings, including number of meetings and attendance.

D. Land Assets

1. IDL Internal Processes

IDL staff shall report to the director using the standard reports as described below that are provided to the Land Board. All of the information is reviewed by the director prior to submission to the Land Board.

¹ EFIB Investment Policy (see [Appendix C](#)). Management and approval of this policy is a duty delegated to EFIB.

Each program administered by IDL is managed by a bureau chief and a program manager. Policies and procedures governing daily activities are in place at the bureau or program level but are generally implemented by operations staff.

Decisions related to routine investment and management decisions are typically made at the area office level (or program level) with review by both the operations chiefs and bureau chiefs, subject to the established governance structure.

In the case of more complex investment and management decisions, staff involvement typically includes area office staff, operations chiefs, bureau chiefs, and executive staff to assure adequate due diligence and independent review. More than one member of the executive staff is likely to be involved in the analysis of the information and the final decision. Where necessary, the director retains final decision-making authority as delegated by the Land Board and described in the established governance structure.

2. IDL Reporting to the Land Board

Each month, IDL reports the following:

- Trust Land Management Division activity and information including timber sale revenue and activity and non-timber revenue and activity.
- Updates for ongoing special projects as needed.
- Legal and compliance issues and their status.
- Information necessary for Land Board review and approval of specific items.

IDL also reports the Land Bank Fund balance to the Land Board quarterly.

As previously described, IDL functions under the authority of the Land Board with the Land Board having final approval of many of IDL's policies and management decisions, up to and including review and approval of the IDL budget request prior to submission.

Each month, IDL brings matters forward for Land Board review and approval. Items are discussed first with senior Land Board staff members then placed on the consent agenda, where routine items may be approved without discussion, or the regular agenda, which addresses policy and programmatic items the Land Board may wish to discuss prior to making a decision.

Certain confidential matters may be presented for the Land Board in executive session at the discretion of the Land Board, pursuant to Idaho Code § 74-206.

IDL also produces an annual report to the Land Board, the state affairs committees of the legislature, as well as the public. IDL's overall strategic plan is updated annually and presented to the Land Board prior to submission to the Division of Financial Management.

The Land Board requires IDL staff to prepare and deliver an Asset Management Plan and Business Plans for each land type that explain how the Land Assets will be managed to achieve the Land Board approved investment objectives. This provides the Land Board a focused opportunity to:

- Question and comment on IDL staff's investment and management plans.
- Request additional information and support about IDL staff's investment and management intentions.
- Express its confidence and approval in the Strategic Plan, Asset Management Plan, and Business Plans.

The Land Board requires certain IDL procedures to be audited every 3-5 years:

- Land Transactions >\$1,000,000 shall be subject to a post-audit every five (5) years, and the Land Board's Land Investment Advisor shall review such post-audit and provide a report to the Land Board.

E. Total Endowment

Performance reports generated by the general consultant shall be compiled annually for review by the Land Board. The investment performance of the Endowment, as well as asset class components, will be measured against performance benchmarks outlined in this Statement of Investment Policy and the EFIB Investment Policy.

X. Key Documents

To assist the Land Board, EFIB Staff, and IDL Staff, the following key documents will be produced or reviewed according to the schedule in Exhibit 2.

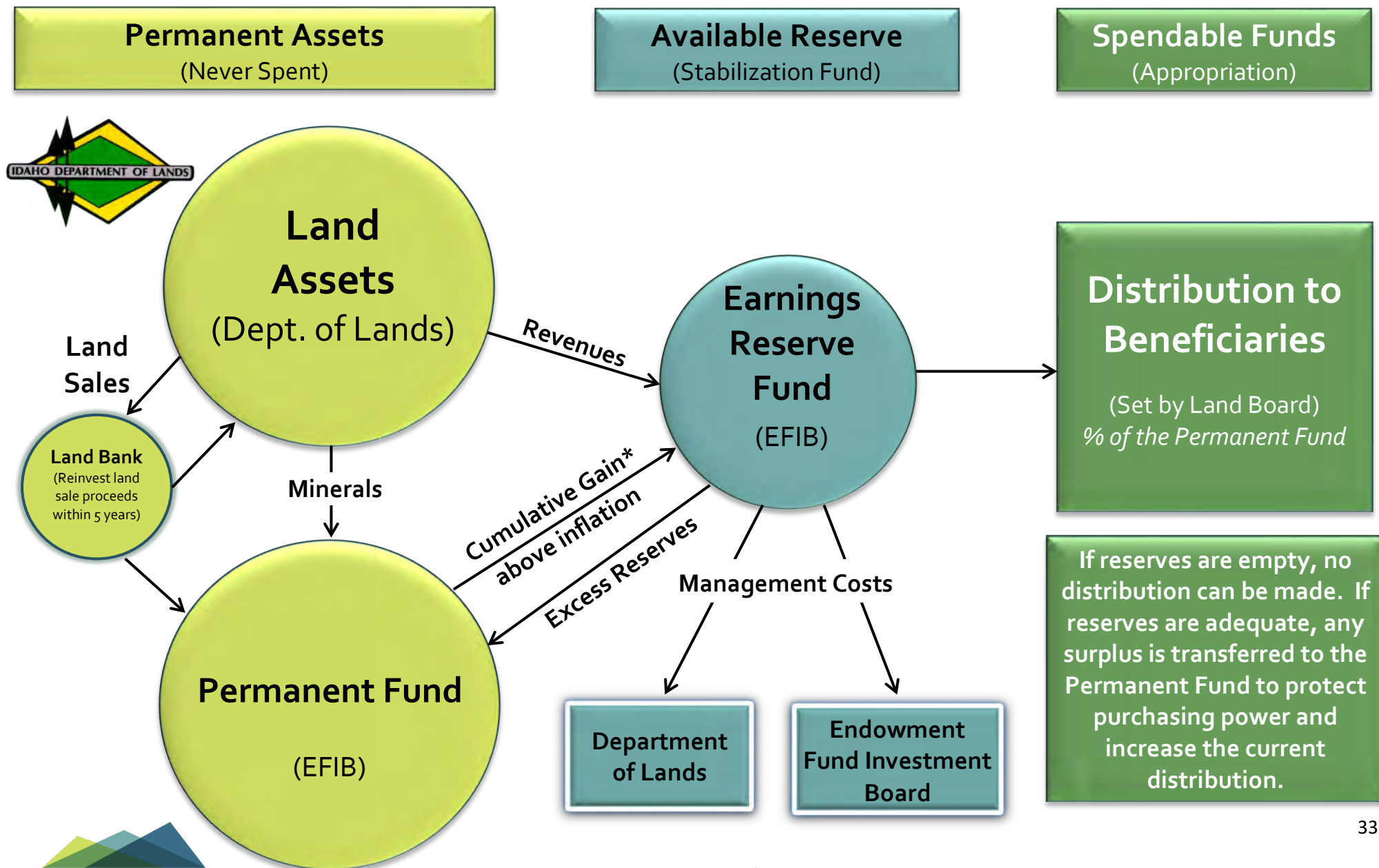
Exhibit 2: Key Documents

Document Name	Document Source	Review Schedule
Performance Review of Fund	General Consultant and EFIB Staff	Monthly and Quarterly
Performance Review Total Endowment	General Consultant, IDL Staff, and EFIB Staff	Annually
Statement of Investment Policy	General Consultant, IDL Staff, and EFIB Staff <i>Reviewed by Investment Subcommittee</i>	Annually
IDL Program Business Plans	IDL Staff	1-5 Years as specified in each plan
IDL Asset Management Plan	IDL Staff	Every 5 Years
Strategic Reinvestment Plan	General Consultant <i>Reviewed by Investment Subcommittee</i>	Every 3 Years
IDL Strategic Plan	IDL Staff	Annually
Asset Allocation	General Consultant	Every 8 years
Monthly Timber Sale Activity Report	IDL Staff	Monthly
Annual Timber Sale Plan	IDL Staff	Annually
Ten Year Forecast of Land Income	IDL Staff	Annually
IDL Annual Budget	IDL Staff	Annually
EFIB Strategic Plan	EFIB Staff	Annually
EFIB Meeting Report	EFIB Staff	Annually
Audit Committee Report	Audit Committee	Annually

XI. Appendices:

- A. Structure of the Endowment**
- B. Constitution and State Statutes**
- C. EFIB Investment Policy**
- D. Use of External Advisors**
- E. Decision-Making Structure Chart**
- F. EFIB's Distribution Principles**

STRUCTURE OF IDAHO'S ENDOWMENT ASSETS



* Total cumulative gain over inflation since June 2000.

Rev 2/9/17

B. Constitution and State Statutes

Constitution of the State of Idaho

[ARTICLE IX](#) EDUCATION AND SCHOOL LANDS

[SECTION 3](#) PUBLIC SCHOOL PERMANENT ENDOWMENT FUND TO REMAIN INTACT

[SECTION 4](#) PUBLIC SCHOOL PERMANENT ENDOWMENT FUND DEFINED

[SECTION 7](#) STATE BOARD OF LAND COMMISSIONERS

[SECTION 8](#) LOCATION AND DISPOSITION OF PUBLIC LANDS

[SECTION 10](#) STATE UNIVERSITY – LOCATION, REGENTS, TUITION, FEES, AND LANDS

[SECTION 11](#) INVESTING PERMANENT ENDOWMENT FUNDS

Idaho Statutes

[TITLE 57](#) PUBLIC FUNDS IN GENERAL

[CHAPTER 7](#) INVESTMENT OF PERMANENT ENDOWMENT AND EARNINGS RESERVE FUNDS

[TITLE 58](#) PUBLIC LANDS

[CHAPTER 1](#) DEPARTMENT OF LANDS

[CHAPTER 2](#) INDEMNITY LIEU LAND SELECTIONS

[CHAPTER 3](#) APPRAISEMENT, LEASE, AND SALE OF LANDS

[CHAPTER 4](#) SALE OF TIMBER ON STATE LANDS

[CHAPTER 5](#) STATE PARKS AND STATE FORESTS

[CHAPTER 6](#) RIGHTS OF WAY OVER STATE LANDS

[CHAPTER 12](#) PUBLIC TRUST DOCTRINE

[CHAPTER 13](#) NAVIGATIONAL ENCROACHMENTS

C. EFIB Investment Policy

ENDOWMENT FUND INVESTMENT BOARD Commingled Pool Investment Policy

Date Established: 2000
Last Reviewed: September 2023
Last Revised: September 2023

This Statement of Investment Policy is applicable to:

Public School Permanent Fund and Earnings Reserve Fund
Agricultural College Permanent Fund and Earnings Reserve Fund
Charitable Permanent Fund and Earnings Reserve Fund
Normal Schools Permanent Fund and Earnings Reserve Fund
Penitentiary Permanent Fund and Earnings Reserve Fund
School of Science Permanent Fund and Earnings Reserve Fund
State Hospital South Permanent Fund and Earnings Reserve Fund
University Permanent Fund and Earnings Reserve Fund
Capitol Permanent Fund and Maintenance Reserve Fund
Department of Environmental Quality Bunker Hill Endowment Fund Trust
Department of Environmental Quality Asarco Endowment Fund Trust
Department of Environmental Quality Hecla Endowment Fund Trust
Department of Fish & Game Southern Idaho Mitigation Endowment Trust
Department of Fish & Game Craig Mountain Wildlife Mitigation Trust
Department of Fish & Game Blackfoot Wildlife Mitigation Trust
Department of Fish & Game North Idaho Wildlife Mitigation Trust
Department of Fish & Game North Idaho Wildlife Mitigation Operational Trust
Department of Parks & Recreation Ritter Island Endowment Fund
Department of Parks & Recreation Trail of the Coeur d'Alene's Endowment Fund
Idaho Department of Lands - Forest Legacy Stewardship Endowment Funds

Statement of Philosophy

This statement of investment policy is set forth by the Endowment Fund Investment Board (EFIB) to:

- Define and assign the responsibilities of all involved parties;
- Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets;
- Offer guidance and limitations to all involved parties regarding the investment of Fund assets;
- Establish a basis for evaluating investment results;
- Manage Fund assets according to the prudent investor rule; and,
- Establish the relevant investment horizon for which the Fund assets will be managed.

Statement of Investment Policy

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment policy, the EFIB will review the policy annually.

Investment Objectives

In order to meet its objectives, the investment strategy of the EFIB is to emphasize total return; that is, the aggregate return from capital appreciation, dividend and interest income. The primary objectives are:

- To maintain the purchasing power of the Fund. In order to maintain fair and equitable inter-generational funding, state statute has mandated that the real value of the corpus be protected from inflation;
- To maximize total return over time at an acceptable level of risk;
- To provide relatively smooth and predictable distributions to the beneficiaries; and
- To maintain sufficient liquidity for anticipated expenditures.

General Investment Principles

- Investments shall be made solely in the interest of the beneficiaries of the Funds;
- The Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims;
- Investment of the Funds shall be diversified as to minimize the risk of large permanent losses.
- The EFIB will employ one or more investment managers of varying styles and philosophies to support the Funds' objectives;
- Cash is to be employed productively at all times by investment in short-term cash equivalents to provide safety, liquidity, and return; and,
- The investment manager(s) should at all times be guided by the principles of "best execution" when trading securities and acting in the Funds' best interests are the primary consideration.

Assignment of Responsibility

- Responsibility of the Manager of Investments ("MOI") - The MOI serves as a fiduciary and is empowered by the Board to make certain decisions and take appropriate action regarding investment of the Funds' assets. The responsibilities of the MOI include:
 - Developing a sound and consistent investment policy;
 - Establishing reasonable investment objectives;
 - Selecting qualified investment managers after consultation with the Investment Consultant;
 - Communicating the investment policy guidelines and objectives to the investment managers and clients;
 - Monitoring and evaluating performance results to assure that the policy guidelines are being met;
 - Selecting and appointing custodian(s);
 - Discharging investment managers after consultation with the Investment Consultant; and,
 - Taking any other appropriate actions.
- Responsibility of the Investment Consultant(s) - The investment consultant shall be hired by the EFIB. The consultant serves as a non-discretionary advisor to the EFIB. The consultant will offer advice concerning the investment management of the Funds' assets. The investment consultant will act as a fiduciary with respect to the services it provides. The advice will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the investment consultant include, but are not limited to:

- Assisting in the development and on-going review of the investment policy, asset allocation strategy, performance of the investment managers, and objectives and guidelines;
 - Supporting portfolio optimization and other investment techniques to determine the appropriate return/risk characteristics of the Funds;
 - Conducting investment manager searches when requested by the MOI and Board;
 - Monitoring the performance of the investment manager(s) to provide both the MOI and Board with the ability to determine the progress toward achieving investment objectives;
 - Communicating matters of policy, manager research, and manager performance to the MOI and Board;
 - Reviewing the Funds' investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed members of the Board.
- Responsibility of the Investment Manager(s) - As a fiduciary, each investment manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in either this statement or in their specific Manager Guidelines.

Delegation of Authority

The MOI is a fiduciary to the EFIB and is responsible for directing and monitoring the investment management of Funds' assets. As such, the MOI is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

- Investment Managers - Investment managers hired by the EFIB must be registered with the Securities and Exchange Commission under the Investment Act of 1940, unless inapplicable, or in the case of a banking organization with the Office of the Comptroller of the Currency. Investment managers have discretion to purchase, sell, or hold the specific securities that will be used to meet the Funds' investment objectives. This includes mutual fund or any collective fund portfolio managers.
- Custodian - Any custodian hired by the EFIB will maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and affect receipt and delivery following purchases and sales. Any custodian will also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts. Any custodian will provide at a minimum monthly reporting of assets and transactions to the MOI and provide the MOI with any additional data requests. Any custodian will administer proxy statements and corporate action claims on behalf of EFIB.

Additional specialists may be employed by the MOI with approval by the EFIB to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

Managers will be held responsible and accountable to achieve the objectives outlined in their specific guidelines. While it is not believed the limitations will hamper investment manager decisions, each manager should request in writing any modifications they deem appropriate.

All expenses for such experts must be customary and reasonable.

Marketability of Assets

Based on the Fund's long-term liquidity requirements, the EFIB desires securities with readily ascertainable market values that trade in liquid markets but recognizes that some allowable assets are valued less frequently by industry established appraisal methods, and may be reported on a lagged basis.

Investment Guidelines

Allowable Assets

Cash Equivalents or other Liquid Assets:	Treasury bills; money market funds; STIF funds; commercial paper; banker's acceptances; repurchase agreements; certificates of deposit.
Fixed Income:	US government and agency securities; bank loans; corporate notes and bonds; residential mortgage backed bonds (agency and non-agency); commercial mortgage backed bonds; municipal bonds, infrastructure securities, USD and non-USD fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other "early tranche" CMO's; Sequential pay CMO's; collateralized loan obligations, asset backed securities; convertible notes and bonds; Securities defined under Rule 144 A and Section 4(2) of the Securities Act of 1933; or any other fixed income securities eligible for inclusion in the Bloomberg Barclays Aggregate Bond Index.
Equities:	Common stocks; convertible preferred stocks; preferred stocks; REITS; American depository receipts (ADR's); stocks of non-US companies (ordinary shares);
Real Estate:	Domestic, private, open-end, core commingled funds, REITS
ETF's, Mutual or Collective Funds:	ETF's, Mutual Funds, and Collective Funds which invest in securities as allowed in this statement or as permitted in Investment Manager Guidelines. Investment managers will advise the MOI of their intent to utilize ETFs prior to their purchase, what specific ETFs they intend to use and the purposes they serve.
Futures, Options and Swaps:	The EFIB may approve the use of financial index futures and options in order to adjust the overall effective asset allocation of the entire portfolio or it may use swaps, futures or options to hedge interest rate or currency exposure. For example, S&P 500 and 10-Year Treasury futures are used to equitize idle cash and to passively rebalance the portfolio. Futures and options positions are not to be used for speculation, and the EFIB must specifically approve the program for each type of use.

Derivative exposure must have sufficient cash, cash equivalents, offsetting derivatives or other liquid assets to cover such exposures.

Derivatives:

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, and interest rate swaps, among others. The EFIB will take a conservative posture on derivative securities in order to maintain its risk averse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. Unless a specific type of derivative security is allowed in the Investment Manager Guidelines, the Investment Manager(s) must seek written permission from the EFIB to include derivative investments in the Fund's portfolio. The Investment Manager(s) must present detailed written information as to the expected return and risk characteristics of such investment vehicles.

Prohibited Assets

Prohibited investments include, but are not limited to the following:

- Commodities
- Futures Contracts except as described in previous section "Futures, Options and Swaps";
- Naked Options;
- Residual Tranche CMOs; and
- Purchases of securities on margin and short-sale transactions are prohibited.

Asset Allocation Guidelines

Investment management of the assets of the commingled endowment pool shall be in accordance with the following asset allocation guidelines:

- Total Fund Asset Allocation Guidelines (at market value)

Asset Class	Range	Target	Rebalance Point	Benchmark
Equities Domestic Equities	61% - 71% 32% - 42%	66% 37%	+/-5% +/-5%	MSCI All Country World Index Russell 3000 Index
Large Cap Growth Core Value	22% - 30%	26% 5% 16% 5%	+/-4%	Russell 1000 Index Russell 1000 Growth Index S&P 500 Index Russell 1000 Value Index
Mid Cap Growth Value	4% - 10%	7.0% 3.5% 3.5%	+/-3%	Russell Mid Cap Index Russell Mid Cap Growth Russell Mid Cap Value
Small Cap Growth Value	2% - 6%	4% 2% 2%	+/-2%	Russell 2000 Index Russell 2000 Growth Index Russell 2000 Value Index
International Equities Growth Value	13% - 21%	17.0% 8.5% 8.5%	+/-4%	MSCI ACWI ex-US MSCI ACWI ex-US Growth MSCI ACWI ex-US Value
Global Equity Manager Manager Manager	8% - 16%	12% 4% 4% 4%	+/-4%	MSCI All Country World Index MSCI All Country World Index MSCI All Country World Index MSCI All Country World Index
Real Estate	7% - 13%	10%	+/-3%	NCREIF ODCE Index
Fixed Income Core Plus Bond Active Aggregate Bond Index Cash and Equivalents	21% - 27%	24% 13% 11% 0%	+/-3%	Bloomberg Aggregate Bond Index Bloomberg Aggregate Bond Index Bloomberg Aggregate Bond Index 3-month Treasury Bill Index

Rebalancing of Fund Assets

Understanding that different asset classes will perform at different rates, the MOI and the investment consultant will closely monitor the asset allocation shifts caused by performance. Therefore:

- The MOI will review the relative market values of the asset classes whenever there is to be a net contribution to the Fund and will generally place the new monies under investment in the category(ies) which are furthest below the target allocation in this policy and/or use the opportunity to rebalance the portfolio; and,
- The MOI and investment consultant will review the asset allocation quarterly and during periods of severe market change to assure that the target allocation is maintained. If an asset class is

outside the allowable range, the MOI will take appropriate action to redeploy assets taking into account timing, costs and other investment factors.

Guidelines for Fixed Income Investments and Cash Equivalents

- The average credit quality of the fixed income portfolio must be investment grade or higher. Individual fixed income securities may be rated below investment grade.
- The average duration of the fixed income portfolio should be +/- 2 years of the Bloomberg Aggregate index.
- Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

Investment Performance Review and Evaluation

Performance reports generated by the investment consultant shall be compiled at least quarterly and presented to the EFIB for review. The investment performance of the total Fund, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The EFIB intends to evaluate investment managers over at least a three-year period.

Each manager shall maintain a portfolio consistent with characteristics similar to those of the composite utilized for their retention. Investment performance will be measured on a total return basis, which is defined as dividend and interest income plus realized and unrealized capital gains. Each manager will be evaluated in part by regular comparison to a peer group of other managers employing statistically similar investment style characteristics. It is expected that each manager will perform above the peer group median and the appropriate index over rolling three-year periods with respect to both return and risk.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. The EFIB reserves the right to terminate a manager for any reason.

GASB 40 Reporting Requirements

Purpose: The Governmental Accounting Standards Board has identified that state and local governments have deposits and investments which are exposed to risks that may result in losses. GASB Statement number 40 (GASB 40) is intended to inform users of the financial statements about the risks that could affect the ability of a government entity to meet its obligations. GASB 40 has identified general deposit and investment risks as credit risk, including concentration of credit risk and custodial credit risk, interest rate risk, and foreign currency risk and requires disclosures of these risks and of policies related to these risks. This portion of the Investment Policy addresses the monitoring and reporting of those risks.

In general, the risks identified in GASB 40, while present, are diminished when the entire portfolio is viewed as a whole. Specifically, the risks identified and the measurements required is poorly transferable, if at all, to portfolios like the EFIB, which is dominated by equity exposure.

It is the policy of the EFIB that the risks addressed in GASB 40 are to be monitored and addressed primarily through the guidelines agreed to by those managers, and by regular disclosures in reports by managers of levels of risks that may exceed expected limits for those portfolios.

- **Credit Risk:** The risk that an issuer or other counterparty to an investment will not fulfill its obligations to the EFIB. GASB 40 requires disclosure of credit quality ratings of investments in debt securities as described by nationally recognized statistical rating organizations.

Policy: The Investment Guidelines section of this Investment Policy provides credit quality and maturity guidelines for fixed income and cash equivalent investments. Managers are required to comply with the Investment Policies set forth by the EFIB.

- **Custodial Credit Risk:** The risk that in the event of a financial institution or bank failure, the Fund would not be able to recover the value of their deposits and investments that are in the possession of an outside party.

Policy: The EFIB minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to the EFIB ownership and further to the extent possible, be held in the Fund's name.

- **Concentration of Credit Risk:** The risk of loss that may be attributed to the magnitude of a government's investment in a single issue.

Policy: Managers will provide the EFIB with expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board. For the portfolio as a whole, staff will report to the Board at a regular Board meeting if the exposure to a non-US government guaranteed credit exceeds 5% of the total EFIB portfolio.

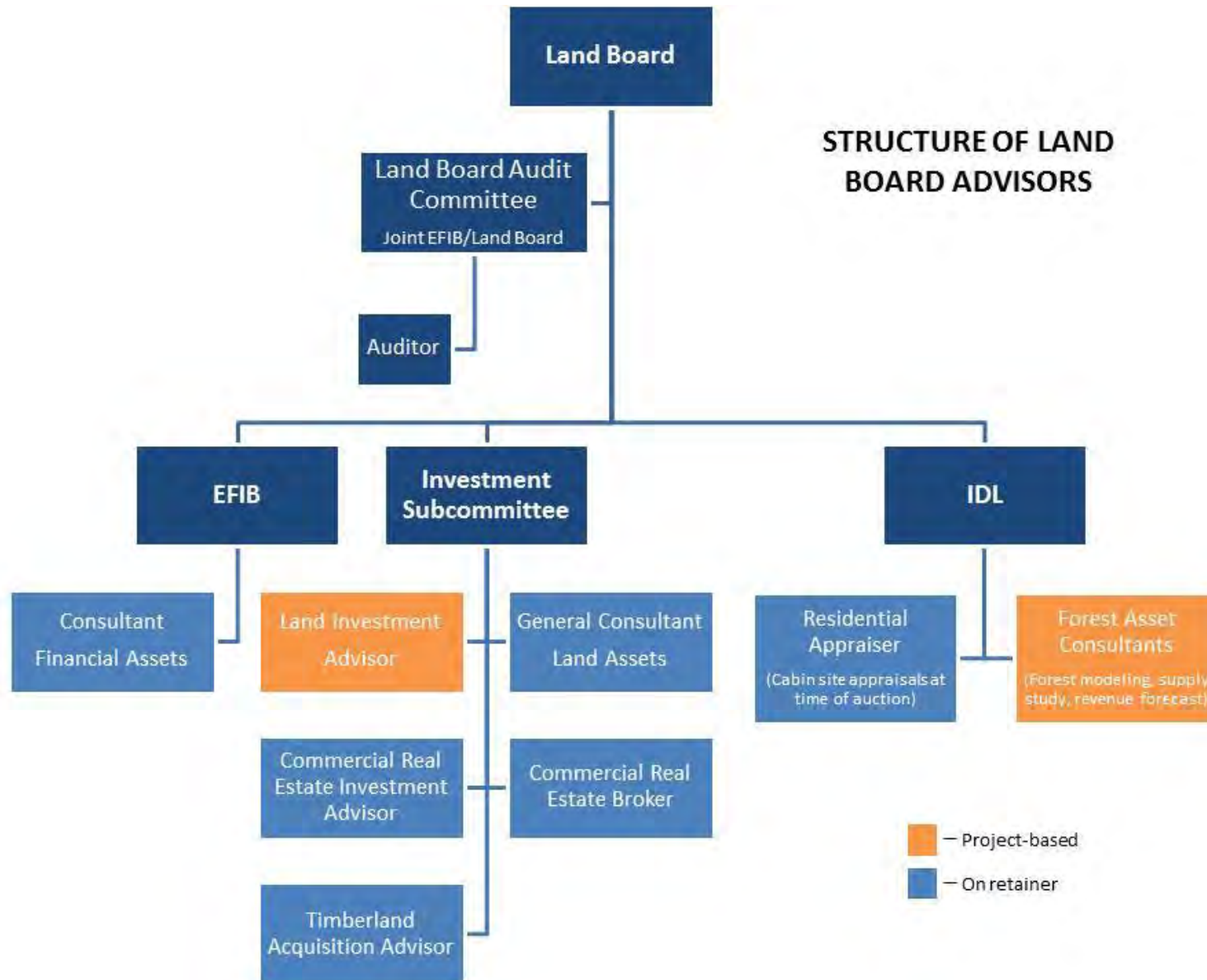
- **Interest Rate Risk:** The risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk to the EFIB's fixed income portfolio is monitored using the effective duration methodology. Effective duration measures the volatility of the price of a bond given a change in interest rates, taking into account any optionality in the underlying bond.

Policy: Managers will provide the EFIB with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

- **Foreign Currency Risk:** The risk that changes in exchange rates will adversely impact the fair value of an investment. The EFIB's currency risk exposures, or exchange rate risk, reside within the international equity and fixed income investment holdings.

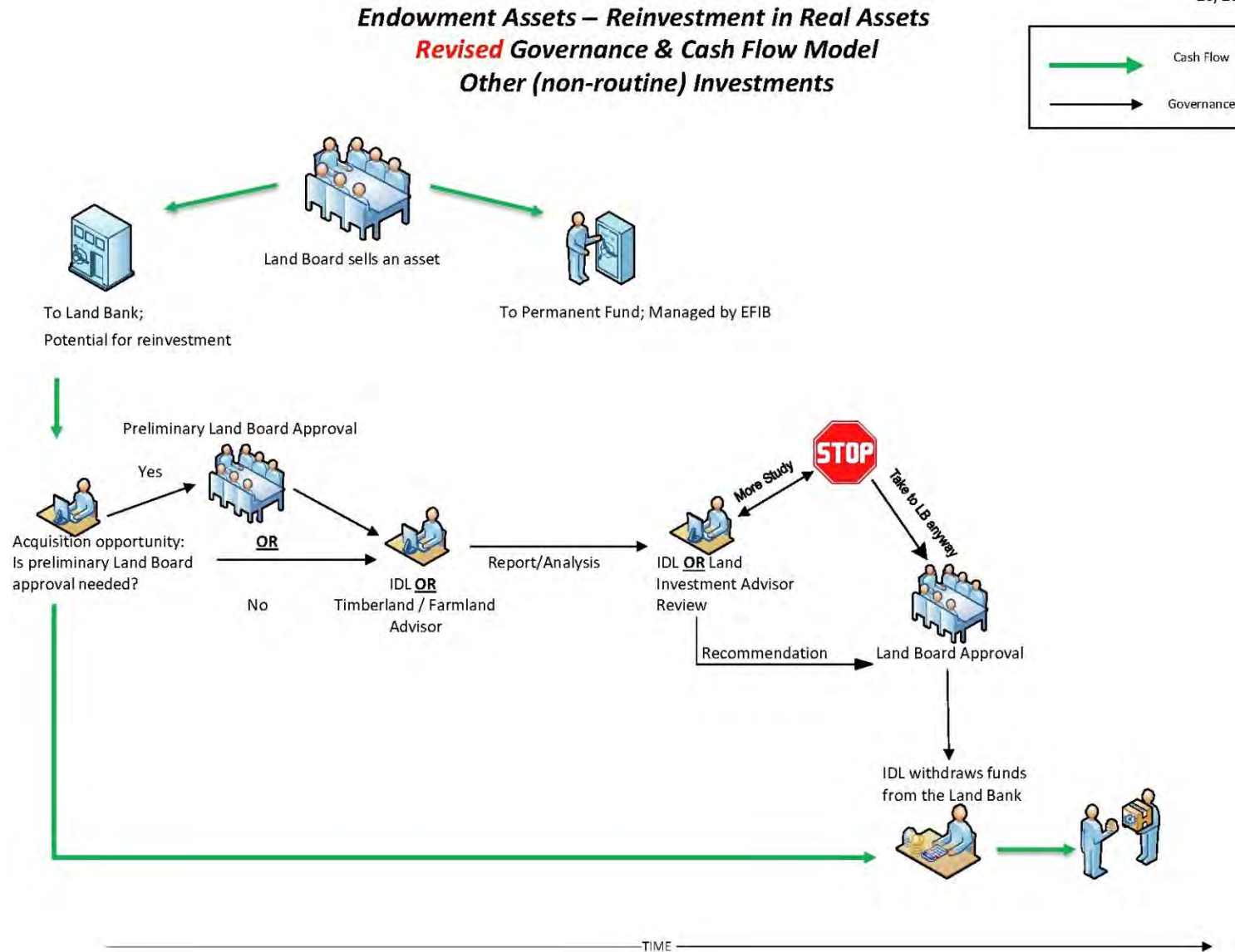
Policy: The EFIB permits investing up to 40% of the total portfolio in international securities. The EFIB recognizes that international investments (equity or fixed income) will have a component of currency risk associated with them. The individual manager guidelines will outline the expected currency exposures (either specifically or through ranges of security exposures to particular currency areas) of the underlying portfolio and if the actual currency exposure differs from the expected, managers are to be required to report these occurrences to Staff, and these disclosures are to be made available to the Board.

D. Use of External Advisors



E. Decision-Making Structure Chart

10/18/2016



v1014

F. EFIB's Distribution Principles

Summary of Idaho Endowment Fund Distribution Principles, Policy, and Background

By the Endowment Fund Investment Board – Updated July 17, 2018

Mission of Idaho Endowments: Provide a Perpetual Stream of Incomeⁱ

To achieve this mission, Distribution Policy must balance four conflicting objectives:

- Maximize total return over time at a prudent level of risk
- Provide relatively stable and predictable distributions
- Constrain distributions to protect future generations' purchasing power
- Maintain sufficient liquidity for anticipated expenditures

Priorities for Allocating Income

To balance the interests of current and future beneficiaries, the Land Board established the following priorities for allocating endowment revenues and gains:

- First Priority: Avoid reductions in total endowment distributions
- Second Priority: Maintain adequate Earnings Reserves to protect the current level of distributions from temporary income shortfalls
- Last Priority: Increase both distributions and Permanent Fund corpus faster than inflation and population growth

Distribution Policy Management Principles

- Distribute a conservative estimate of long-term sustainable income every year
- Maintain distributions when income temporarily falls below long-term expectations by saving up income in a reserve when it exceeds expectations
- Grow both distributions and permanent corpus proportionately, more than offsetting losses from inflation and dilution from population growth by reinvesting sufficient income back into principal

Constraints on Wasting Principal (Corpus Growth Objectives)

A major risk any endowment faces is that assets will be depleted to satisfy the beneficiary's current needs at the expense of long-term needs. Many states have succumbed to pressure to spend down their endowment funds. Idaho has several protections in place to mitigate this pressure: ⁱⁱ

- Federal law and state Constitution: Prohibits spending original principal, including the proceeds of land sales
- State statute: Requires that principal grow at least at the rate of inflation before any market appreciation of the Permanent Fund can be considered distributable incomeⁱⁱⁱ
- Land Board policy objective: Requires that principal grow faster than the rate of inflation and population growth^{iv}

Determining Annual Distributions^v

Distributions are initially calculated as a percent (the policy distribution rate^{vi}), multiplied by the Permanent Fund balance^{vii} (three-year-average to partly smooth variation in the equity markets)

- Current policy distribution rates are 5% for all endowments except State Hospital South (7%)

Distributions may be further adjusted, up or down, to reflect the reserve balance (and any other relevant factors):

- If reserves are adequate, distributions are maintained even when the Permanent Fund shrinks (actual rate > policy rate)
- If reserves are not fully sufficient (not at target), distributions are maintained even when the Permanent Fund rises (actual rate < policy rate)
- If reserves are unusually low, distributions may be reduced (actual rate < policy rate)

Honoring Beneficiaries' Strong Preference for Sustainable Distributions

Beneficiaries and legislators clearly indicate that a reduction in distributions (if actual income turns out to be low) is much more difficult for them to adjust to than it is to temporarily forego an increase if actual income turns out higher than a conservative expectation. Therefore, it is prudent to base both the policy distribution rate and the annual distribution on a conservative expectation of fund and land earnings^{viii}.

Determining Transfers to the Permanent Fund^{ix}

Excess income is converted to (transferred to) Permanent Fund corpus when reserves are deemed fully sufficient: i.e., exceed targeted years^x of the planned distribution (six years for Public School and seven years for all other endowments).

Measuring the Balance of Current and Future Beneficiaries' Interests

Over time, balance is achieved when all (and only all) "real" income is distributed.

Balance is specifically measured by the following relationship:^{xi}

- o Actual distributions *plus* growth in reserves
equals
- o Actual income (land & fund), *minus* income converted to principal

Earnings Reserves Serve Two Roles

The Earnings Reserve is not a "rainy day" fund to be drawn down when other state revenues falter. Its purpose is to be a:

1. Buffer against volatility in land income and fund return – a bank for unusually high earnings to be used to maintain distributions in lean times
2. Benchmark to determine when spendable reserves are fully sufficient so that any additional earnings can be reinvested in permanent principal (to maintain purchasing power and sustainably increase distributions)

Investment of the Earnings Reserve Fund

Because the fund intends to hold an adequate level of reserves into perpetuity, this long investment horizon allows reserves to be invested in the same risk/return portfolio mix as the Permanent Fund

- In extreme cases, low reserves may require moving the reserves to a more conservative asset mix (which may lock in losses)

Role of Endowment Distributions in the Overall Appropriation Process

Endowment distributions only satisfy a small portion of each beneficiary's annual spending needs, so those needs are essentially irrelevant in determining distributions. The EFIB recommends the Legislature address total beneficiary needs and short-term variations in tax receipts^{xii} so that distributions can be stable and growing, based solely on the long-term earning capacity of the endowment. A consistent, high-returning asset mix cannot be maintained if distributions vary based on tax revenues.

Endnotes

ⁱ The Mission can also be restated in a more measurable form:

The Idaho Endowments will maximize the prudent distribution if they:

- Earn strong real income in the fund and from the land
- Maintain adequate reserves to prevent reductions in distributions
- Reinvest income to protect future purchasing power

ⁱⁱ To ensure these strict legal protections of the future beneficiary do not overrule the interests of the current beneficiary, Land Board policy requires that distributions grow proportionately with principal over the long term.

ⁱⁱⁱ The statutory method for achieving inflation protection is measured by the "Gain Benchmark" (June 2000 original principal, adjusted for deposits and inflation). The cumulative total appreciation below inflation must be retained in the Permanent Fund, but any excess (measured at fiscal year-end) flows to Earnings Reserve as income, generally in September (this can be a large amount in one year or zero for several years).

^{iv} The Land Board policy objective of keeping up with population growth:

- Makes real per capital distributions equivalent, current vs. future
- Is achieved by transferring (reinvesting) sufficient excess retained income from Reserves to Permanent Fund principal so it can never be spent

The current assumed population growth is 1.8% per year, except for Public School which is assumed to be 1.0% per year.

^v Distributions can be changed at any time, but to facilitate the budget process, are usually determined annually at the August Land Board meeting for the following fiscal year.

^{vi} The policy distribution rate is based primarily on a conservative estimate of expected total income. When expected long-term earnings change significantly, the policy distribution rate should change (see note 10). However, to protect the corpus, the policy rate should not be raised (i.e., distributions constrained) if Permanent Fund balance objectives have not been achieved.

^{vii} Calculating distributions as a percentage of the Permanent Fund is both a mechanism and an incentive to balance the interests of current and future beneficiaries. This structure ensures that:

- In normal conditions, distributions to current beneficiaries increase proportionately with the permanent fund balance
- Increases in distributions are sustainable (supported by sufficient permanent assets)
- Holding excess reserves is discouraged

Transfers from Earnings Reserve, both historical and approved but not completed, are added to the annual amounts used in calculating the three-year average Permanent Fund balance.

^{viii} To reflect the desired conservative bias in setting policy distribution rates:

- Policy distribution rates should be increased only based on a conservative “downside” forecast of long-term income: e.g., 25th percentile fund earnings and 20th percentile land revenue forecasts
- Policy distribution rates should be reduced if the current rate can only be justified with optimistic earnings and revenue forecasts. Ideally, the reduction in the rate would be accomplished by holding the distribution (in dollars) constant for a long period. However, an immediate cut in the absolute dollars would be required if reserves are low.

To reflect a conservative bias in setting annual distributions, the viability of a proposed distribution is tested by forecasting the coverage ratio over the next three years based on a “low” forecast of timber earnings and a 2% fund return.

It is impossible to eliminate the possibility of a reduction in distributions, but the policy is designed to allow at least two years warning of a potential reduction, consistent with the time lags inherent in the state budgeting process. If a fund is unable to make an appropriated distribution, that would be considered a catastrophic failure of the process. In the past, three endowments have experienced catastrophic failures (i.e., had insufficient reserves to pay promised distributions): Public School (2003), Ag College (2005) and Charitable Institutions (2005).

^{ix} Transfers of excess reserves to the Permanent Fund are generally approved annually at the August Land Board meeting, based on balances as of the previous year end and approved distributions for the next fiscal year, but actually done in September

Requiring that reserves which exceed a sufficient or target level be converted to corpus (i.e., transferred to the Permanent Fund) reduces the temptation to:

- Make large, one-time distributions of accumulated income to the detriment of future beneficiaries
- Hoard income to avoid an increase in distributions that would automatically result from a conversion

^x The determination of how many years of reserves is sufficient was based on the combined volatility of fund returns and net land revenues, which is heavily influenced by the fact that in a severe equity downturn (once every 25 years), no distributable income would be available from the Permanent Fund for about five years because the Permanent Fund would retain all of its income to rebuild the corpus. A temporary increase in the years of reserve, above the targeted level, may be called for if there is a temporary reduction in expected income (e.g., timber harvest is predicted to be unusually low). Reserves for the three endowments with cabin site dispositions will be allowed to rise up to a year above target, pending an update of the distribution models to reflect the impact of the dispositions on the desired reserve levels.

^{xi} There will always be temporary deviations from this balance because actual income after inflation will vary from the expectations used to establish the distribution rate.

^{xii} The Land Board has the legal authority to consider a beneficiaries' other sources of revenue in setting distributions and therefore could attempt to adjust distributions in response to changes in tax receipts or fund income. However, only the Legislature has the Constitutional responsibility and authority to balance a beneficiary's total spending in excess of endowment distributions with tax revenues. When endowment distributions decline, the Legislature can choose to provide tax revenues to maintain the total level of spending they believe is appropriate. When endowment distributions rise, the Legislature can choose to reduce tax revenues to maintain the level of total spending they believe is optimal. The Land Board has no control over tax revenues and would be unable, without the Legislature's consent, to adjust distributions in response to changes in tax receipts. Also, the Legislature is in a better position than the Land Board to balance a beneficiary's unfunded needs with all other expenditure requests and options to increase or decrease tax revenues.

Statement of Investment Policy

Idaho Land Grant Endowments

As overseen by the:

Idaho Board of Land Commissioners



INCLUDES FUNDS MANAGED BY THE ENDOWMENT FUND INVESTMENT BOARD



INCLUDES LAND MANAGED BY THE IDAHO DEPARTMENT OF LANDS

December 17, 2024

This Statement of Investment Policy was initially published May 17, 2016 and is updated annually.

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I. Introduction

The State Board of Land Commissioners (Land Board) hereby establishes this Statement of Investment Policy (Statement) for the investment and management of the land grant endowment assets (Endowment Assets or Endowment) of the State of Idaho. The Endowment Assets were created by The Idaho Admissions Act in 1889 which granted the new state approximately 3,600,000 acres of land for the sole purpose of funding fourteen specified beneficiaries including nine different trusts or endowments.

This Statement provides policies for the investment and management of financial and land assets which together comprise the Endowment Assets. Financial Assets consist primarily of the invested revenues from the endowment lands (collectively, Financial Assets). Land Assets include timberland, rangeland, farmland, commercial real estate, residential real estate, minerals, and oil and gas (collectively, Land Assets) located in Idaho.

II. Purpose

This Statement of Investment Policy is set forth by the Land Board to accomplish the following:

- Establish a clear understanding for all involved parties regarding the management and investment goals and objectives for the Endowment Assets.
- Establish guidance and limitations to all involved parties regarding the management and investment of Endowment Assets.
- Define and assign the responsibilities of participants involved in the investment process.
- Establish a basis for evaluating investment and management results.
- Manage Endowment Assets according to prudent standards as established in the Idaho Constitution and trust law.
- Establish the relevant investment horizon for which the Endowment Assets will be managed.

III. Constitutional and Statutory Requirements

The investment and management of the Endowment Assets will be in accordance with the Idaho Constitution, all applicable laws of the State of Idaho, and other pertinent legal restrictions. In the event this Statement is inconsistent with Constitutional or Statutory Requirements (Requirements), those Requirements will control.

A. Land Board

Article IX, Section 7 of the Constitution establishes the Land Board: “The governor, superintendent of public instruction, secretary of state, attorney general and state controller shall constitute the state board of land commissioners, who shall have the direction, control and disposition of the public lands of the state, under such regulations as may be prescribed by law.”

B. Sole Interest of the Beneficiaries

All Endowment Assets of the State of Idaho must be managed “in such manner as will secure the maximum long-term financial return” to the trust beneficiaries.

C. Prudent Investments and Fiduciary Duties

The Land Board and its agents, including staff, the Idaho Department of Lands (IDL), the Endowment Fund Investment Board (EFIB), consultants, advisors, and investment managers shall exercise the judgment and care of a prudent investor as required under the prudent investor rule set forth in the Uniform Prudent Investor Act (Act), Idaho Code §§ 68-501 to 68-514.

Endowment Assets shall be invested and managed with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in like capacity and familiar with such matters would use in the investment and management of assets of like character with like aims.

The Act states, in part, that: “A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution”; and, “A trustee’s investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.”

The duty of prudence requires trustees to bring the appropriate level of expertise to the administration of the trust. An implied duty of trustees is also to preserve and protect the assets with a long-term perspective sensitive to the needs of both current and future beneficiaries.

D. Sales, Exchanges, and the Land Bank

Article IX, Section 8 of the Idaho Constitution includes the following restrictions regarding the sale of lands:

- All land disposals must occur via public auction
- A maximum of 100 sections (64,000 acres) of state lands may be sold in any year
- A maximum of 320 acres may be sold to any one individual, company, or corporation (160 acres for University endowment lands per Article IX, Section 10)
- No state lands may be sold for less than the appraised price
- Granted or acquired lands may be exchanged on an equal value basis with other lands subject to certain restrictions

Certain lands may not be sold per Idaho Code § 58-133, which states, “All state-owned lands classified as chiefly valuable for forestry, reforestation, recreation, and watershed protection are reserved from sale and set aside as state forests.” Article IX, Section 4 of the Idaho Constitution provides for the deposit of the proceeds from the sale of school lands into a land bank fund to be used to acquire other lands within

the state for the benefit of endowment beneficiaries, subject to a time limit established by the legislature.

Idaho Code § 58-133 provides conditions for use of the Land Bank Fund. In summary, the Land Bank Fund exists to hold the proceeds from the sale of state endowment land pending the purchase of other land in Idaho for the benefit of the endowment beneficiaries. Funds in the Land Bank, including earnings, are continually appropriated to the Land Board. If the funds have not been utilized for land acquisition within five years, they are transferred to the permanent endowment fund of the respective endowment. The Land Board may transfer any portion of the funds in the Land Bank to the Permanent Fund at any time.

E. Other Constitutional Requirements and Statutes

Additional constitutional articles and state statutes are described throughout this Statement. [Appendix B](#) includes the entirety of the constitutional articles and statutes that apply to the investment and management of Endowment Assets.

IV. Investment Goals

A. General Objective

The stated mission for Endowment Assets is to provide a perpetual stream of income to the beneficiaries by managing assets with the following objectives:

- Maximize long-term financial return at a prudent level of risk.
- Provide relatively stable and predictable distributions to the beneficiaries.
- Ensure distributions maintain financial equity for current and future generations of beneficiaries.
- Maintain sufficient liquidity for anticipated expenditures and anticipated/expected distributions.

B. Considerations

Primary considerations impacting the fulfillment of the investment mission and objectives include the following:

- Constitutional and statutory requirements as noted previously. Constitutional restrictions are considered permanent given the process required to amend the Constitution (approval by a two-thirds majority in the House of Representatives and Senate followed by ratification by the citizens of Idaho via a general election ballot or a constitutional convention).
- Managing revenue and profit-generating activities within a government agency.
- Each trust holds its Financial Assets in a commingled pool (with shares owned by several trusts) but its Land Assets in specific and unique tracts.

C. Investment Return Objective

As perpetual assets, per State Constitution and statute, the Endowment has a perpetual investment horizon. The investment return objective for the Endowment Assets is to earn over a long period an annualized real return, net of fees, expenses, and costs, above spending and inflation (per Idaho Code § 57-724) as well as population growth (per Land Board policy). Given the current financial and land asset mix, the Endowment is expected to earn a real net return of 4.2% annually over the long term.

D. Distribution Policy

The Distribution Policy adopted by the Land Board (further described in Section VIII) sets annual distributions to beneficiaries. The interaction of investment and distribution policies should balance the needs of current and future beneficiaries. The Land Board's policy is to distribute a conservative estimate of long-term sustainable income and hold sufficient reserves of undistributed income to absorb down cycles in endowment earnings. It is a priority to avoid reductions in distributions because most beneficiaries depend on endowment distributions to fund ongoing operations.

V. Investment Risk and Strategic Asset Allocation

A. Asset Class Diversification Asset Classes

Risk, as it relates to stability of distributions, shall be managed primarily by holding reserves of undistributed income. Risk, as it relates to the volatility of earnings of the Endowment Assets, shall be managed primarily through diversification. Subject to land disposal restrictions, the Endowment Assets will be diversified both by asset class and within asset classes to the extent practical. The purpose of diversification is to provide reasonable assurance that no single asset class will have a disproportionate impact on the Endowment. Both quantitative measures and qualitative judgment will be used in assessing and managing risk.

B. Review of Asset Classes and Asset Allocation

In setting strategic asset allocations, the Land Board will focus on ensuring the Endowment Assets' expected long-term returns will be sufficient to meet expected long-term obligations with a prudent level of risk. Approximately every eight years, the Land Board will evaluate the asset allocation mix and conduct an asset allocation study (last completed in 2022) to determine the long-term strategic allocations to meet risk/return objectives.

Significant changes in capital market assumptions, portfolio characteristics, timber income expectations, or the Distribution Policy may cause the Land Board to accelerate the timing of an asset allocation study. For example, the illiquidity of much of the Land Assets may require the target asset mix of the Financial Assets be adjusted due to significant land sales or acquisitions or the appreciation of the Financial Assets at a faster or slower rate than the appreciation of the Land Assets.

EFIB will review the Distribution Policy annually. When key assumptions in the Distribution Policy change, such as expected earnings and volatility, EFIB will recalculate the risk of shortfalls in future distributions and provide recommendations on policy adjustments to the Land Board.

C. Strategic Asset Allocation

In 2022, the Land Board commissioned an update of the asset allocation study based on the schedule directed by this investment policy statement. The purpose was to update the return forecasts for land and financial assets and the expected return and risk for the total endowment trust. The update was accepted by the Land Board in June 2022.

The current asset mix for the total endowment is presented in Exhibit 1 below:

Exhibit 1: Asset Allocation

Asset Class	Actual Asset Allocation June 30, 2024	Valuation June 30, 2024
Financial Assets	63.2%	\$3,254,002,699
Timberland	31.28%	\$1,610,439,200
Rangeland	1.23%	\$63,385,840
Cash Equivalents (Land Bank)	1.43%	\$73,598,319
Residential Real Estate	1.05%	\$54,291,888
Commercial Real Estate	0.7%	\$36,044,000
Farmland	1.11%	\$57,054,335
Total	100%	\$5,148,816,281
Expected Return (net)	7.4%	
Expected Risk (Standard Deviation)	12.3%	
Inflation Assumption	2.50%	

Percent may not total to 100% due to rounding

Based on Callan's 2024 Capital Market Expectations, over a 10-year period, the current asset allocation is expected to generate a nominal return in excess 7.4% net of fees. Using an inflation assumption of 2.50% results in an expected real net return of 4.9%. The volatility level (standard deviation) associated with this asset mix is approximately 12.3%. The Land Board recognizes the actual 10-year return may deviate significantly from this expectation.

The Land Board acknowledges the link between the asset allocation and the Distribution Policy. If an asset allocation mix is selected that deviates from the risk and return of the current asset allocation, the Land Board, in consultation with EFIB, will assess the impact on the Distribution Policy and change the Distribution Policy as necessary. In broad terms, changes in long-term expected return will impact the estimated level of sustainable distributions while changes in risk, as measured by volatility of returns, will impact the desired level of reserves.

EFIB will review the asset allocation for the Financial Assets per the EFIB Investment Policy and present it to the Land Board as an informational item.

D. Strategic Policies

In addition to asset allocation, the Land Board may from time to time authorize or adopt strategic policies. “Strategic Policies” are actions by the Land Board to allow investment in asset types that have not been singled out as “asset classes” in the asset allocation process, to overweight a particular sector within an asset class, or to employ particular strategies in the investment of the Endowment Assets. The purposes of these actions are either to increase the return above the expected return or to reduce risk. Any such policy would include consideration of the change in risk, the change in return, and the impact on the Distribution Policy.

VI. Investment Governance Structure

The Idaho Constitution provides that the endowment funds are held in trust and administered by the Land Board as trustees. The Constitution further provides that the Idaho Legislature may establish a statutory structure for administration that is consistent with the nature of the trusts. Accordingly, the Idaho Legislature created a structure that established EFIB as the manager of the Financial Assets, established the appropriations process for the payment of trust management expenses, and created IDL to serve as the manager of the Idaho Land Assets of each trust. The constitutional and statutory provisions, together with Land Board policy, establish the governance structure for Endowment Assets.

A. Land Board Responsibility

Management of the Endowment Assets is entrusted to the Land Board which serves as the sole fiduciary of both the Land Assets and Financial Assets. The Land Board is ultimately responsible for all management and investment activities. The powers and duties of the Land Board are fully described in Idaho Code § 58-104.

In exercising these responsibilities, in addition to EFIB and IDL, the Land Board may hire personnel and agents and delegate investment functions to those personnel and agents consistent with constitutional and statutory provisions. Where the Land Board does not or cannot delegate investment powers or duties, the Land Board will either satisfy itself that it is familiar with such matters or will retain persons who are familiar with such matters to consult or assist the Land Board in the exercise of those responsibilities. Where the Land Board delegates a responsibility, it will be delegated to a person who is familiar with such matters, and the Land Board will monitor and review the actions of those to whom responsibilities are delegated.

1. General Roles and Responsibilities

The Land Board’s general role and responsibilities regarding investments include, but are not limited to the following:

- Direct and oversee the conduct and operations of EFIB and IDL.
- Appoint and consult with expert advisors (including EFIB and IDL) for each critical function for which the Land Board has responsibility. In this context, the term “expert advisor” shall mean a person engaged in the business for which he holds himself out to be an expert and who is experienced in that field.
- Plan and establish strategic policies to coordinate the management of state endowment lands with the management of the endowment funds.
- Provide reports on the status and performance of state endowment lands and the respective endowment funds to the state affairs committees of the Senate and the House of Representatives within fourteen days after a regular session of the legislature convenes.
- Make strategic decisions, primarily concerning asset allocation, and establish and/or approve endowment land asset investment and management policies and strategies.
- Reclassify land assets due to change in land use or management, change in adjacent or nearby land use or management, increased value or revenue potential, or for any reason deemed sufficient by the Land Board.
- Periodically review this master investment policy and any sub-policies.
- Monitor the compliance of EFIB and IDL with the investment policies and strategy determined by the Land Board and the execution of the strategy.
- Hire agents in addition to IDL and EFIB to assist the Land Board in the implementation of strategy or investment policies.
- Approve the IDL annual budget request for consideration by the governor and legislature (including review of appropriation requests to IDL from Earnings Reserves).
- Approve allocation of Earnings Reserve Funds as provided in Idaho Code § 57-723A (Distribution Policy), specifically how much is: distributed annually to beneficiaries; retained for future distribution; and, transferred to the Permanent Fund to build corpus.
- Approve the annual timber sale plan and certain timber sales that fall outside of the IDL director’s authority.
- Review the IDL director’s monthly trust land activity report showing the proposed sales for the next month as well as all other recorded activities on endowment lands.
- Approve large routine land investment decisions that exceed the authority of the IDL director.
- Approve certain other land investment decisions that exceed the authority delegated to the IDL director.
- Approve rulemaking and legislation for IDL.
- Review decisions of the IDL director upon appeal in contested matters.

2. Land Board Investment Subcommittee

a) Structure of the Investment Subcommittee

The Land Board established and authorized the Subcommittee in December 2014. The current composition of the Subcommittee is one EFIB member (selected by the EFIB chair), the EFIB manager of investments, and the IDL director.

b) General Roles and Responsibilities of the Investment Subcommittee

The Investment Subcommittee provides review and advice to the Land Board. The primary purpose of the Investment Subcommittee is to coordinate investment issues that cross both the Land Assets and the Financial Assets, including the following:

- Administer the contract for the general consultant and other consultants, as assigned by the Land Board.
- Work with the general consultant to identify the Land Board's advisor(s) and consultants, including the Land Investment Advisor(s), Land Acquisition Advisor(s), Commercial Real Estate Broker, and the Land Board's Commercial Real Estate Investment Advisor.
- Work with the general consultant and recommend the Statement of Investment Policy and Asset Management Plan to the Land Board.
- Recommend policy regarding implementation of land exchanges on endowment lands.
- Recommend policy (consistent with Idaho Code § 58-133) regarding the use of proceeds from the disposal of assets (e.g., cabin sites, commercial real estate, grazing lands). This may include deposit in the Permanent Fund or holding of proceeds in the Land Bank Fund to acquire additional endowment land assets in Idaho (excluding commercial buildings consistent with past Land Board decision), access to currently owned endowment lands, or to block-up ownership of endowment lands.

3. Use of Outside Experts

The Land Board employs outside advisors and consulting firms to provide specialized expertise, assist IDL with transactions, and verify or review IDL's and EFIB's investment and operational activities and procedures.

a) Non-Discretionary Investment Consultants

The Land Board may hire a qualified independent consultant or consultants (including a general consultant) for strategic and annual plan reviews, review of new investment initiatives, investment policy development and review, asset allocation, advisor selection and monitoring, and performance measurement. Investment consultants will be fiduciaries with respect to the services provided and will act in a non-discretionary capacity with no decision-making authority.

b) Commercial Real Estate Advisor

The Land Board may use a commercial real estate advisor to advise on the Idaho commercial property portfolio or properties being considered for reclassification. The commercial real estate advisor will provide analysis and management expertise on the retention, leasing, disposition, and management of the properties. The commercial real estate advisor will be a fiduciary with respect to the services provided and act in a non-discretionary capacity with no decision-making authority.

c) Land Acquisition Advisors

The Land Board may use land acquisition advisors to source land acquisitions, facilitate completion of due diligence services, and make recommendations. Due diligence services may include appraisals, review appraisals, timber cruise and check cruise, financial evaluation, mineral and water right

identification, encumbrance review, survey, and title review. Land acquisition advisors will be fiduciaries with respect to the services provided and act in a non-discretionary capacity with no decision-making authority.

d) Land Investment Advisor

The Land Board may use a land investment advisor(s) to independently review certain land investment decisions proposed by IDL (land disposal, land acquisition, exchange, and new tenant improvements) that are over \$250,000. The land investment advisor will review the post-audit completed by IDL for transactions over \$1,000,000. The land investment advisor may be used for independent review of IDL procedures. The land investment advisor will be a fiduciary with respect to the services provided and act in a non-discretionary capacity with no decision-making authority.

e) Auditor

Idaho Code § 57-720 requires the Financial Assets of the endowment be reviewed by an independent auditor. The independent auditor also reviews the application of agreed upon procedures for the IDL income statement. To oversee this process, and any other audits it deems prudent, the Land Board has established the Land Board Audit Committee, consisting of the attorney general (or designee), the state controller (or designee), and three members of EFIB, appointed by its Chair.

B. Investment Governance and Investment Policy for the Financial Assets

Idaho Code § 57-718 created EFIB which formulates policy for and manages the investment of the Financial Assets, which consists primarily of the invested revenues from the endowment lands. As permitted in Idaho Code § 57-720, the fund assets of all nine endowments, both Permanent Funds and Earnings Reserve Funds, may be combined in a single investment pool.

1. Mission of EFIB

The mission of EFIB is to provide professional investment management services to its stakeholders consistent with its constitutional and statutory mandates.

2. Structure of EFIB

Per Idaho Code § 57-718, EFIB consists of nine members appointed by the governor and confirmed by the Senate. These members are one state senator, one state representative, one professional educator, and six members of the public familiar with financial matters.

3. General Roles and Responsibilities of EFIB and Agents

With a citizen board and small staff, EFIB will make strategic allocations and generally avoid making tactical calls. The Board and staff will concentrate on the following activities:

- Making strategic decisions, primarily concerning asset allocation.
- Establishing investment policy for the funds.
- Recommending Distribution Policy and transfers of Earnings Reserves to the Land Board.
- Establishing Distribution Policy for the Capitol Permanent Fund.

- Selecting, monitoring, and terminating investment managers, consultants, and custodians.
- Selecting and directing staff.
- Approving an investment management expense budget from Earnings Reserves for consideration by legislative appropriation.
- Overseeing a credit enhancement process to reduce interest rates on Idaho school bonds through the pledge of certain assets of the Public School Endowment Fund.
- Maintaining a reporting system that provides a clear picture of the status of the Financial Assets.

4. Professional Staff

EFIB will maintain a staff with investment expertise, including a Manager of Investments (MOI) who is a fiduciary to EFIB. The MOI is responsible for directing and monitoring the investment management of the Financial Assets.

5. Use of Outside Experts

The Financial Assets will be invested by professional investment firms. No funds will be managed internally. EFIB will also employ one or more outside consulting firms to provide specialized expertise and assist in, among other things, asset allocation, manager selection and monitoring, and performance measurement.

6. Investment Policy Statement for Financial Assets

EFIB will maintain a detailed Investment Policy that pertains specifically to the management and investment of the Financial Assets ([Appendix C](#)). The Land Board is not required to approve this investment policy as this duty is delegated to EFIB.

C. Investment Governance for Land Assets

Idaho Code § 58-101 created IDL to serve as the internal investment and asset manager of the Land Assets of each trust. This role includes authorization to make certain investment decisions consistent with the established governance structure and includes day-to-day operating responsibilities for the Land Assets. This is in contrast to the EFIB structure where implementation and day-to-day decision making is delegated to external investment managers subject to approved guidelines and contracts.

The Land Assets include timberland, rangeland, farmland, commercial real estate, residential real estate, minerals, and oil and gas (collectively “Land Assets”) located in Idaho.

1. Mission of IDL

The mission of IDL is to professionally and prudently manage Idaho’s Land Assets to maximize long-term financial returns to public schools and other trust beneficiaries and to provide professional assistance to the citizens of Idaho to use, protect, and sustain their natural resources.

2. Structure of IDL

IDL operates under the direction of the Land Board and is the administrative arm of the Idaho Oil and Gas Conservation Commission. IDL is led by a director who is employed by and is directed by the Land Board. The director’s staff includes two deputy directors, a division administrator for Forestry and Fire

(currently serves as State Forester), a division administrator for Trust Land Management, a division administrator for Minerals, Navigable Waters, and Oil & Gas, a division administrator for Operations, and General Counsel—collectively, the executive staff. Each of the positions identified above supervises various professional, technical, and administrative support staff.

3. General Roles and Responsibilities

IDL manages more than 2.5 million acres of Idaho Land Assets (and additional acreage of retained mineral rights) under a constitutional mandate to maximize long-term financial returns for the sole benefit of public schools and certain other state institutions enumerated in statute.

The director and staff will concentrate on the following investment-related activities:

- Serving as the instrumentality of the Land Board.
- Implementing the strategic direction established by the Land Board concerning Land Assets.
- Making strategic decisions (where authorized) and providing recommendations to the Land Board concerning management of Land Assets.
- Establishing policies and procedures for IDL programs.
- Selecting and directing staff.
- Developing a land and resource management expense budget from Earnings Reserves for Land Board approval and consideration for legislative appropriation. Earnings Reserves is only a portion of the IDL budget.
- Monitoring and reporting progress toward strategic goals, including preparing an annual income statement following agreed upon procedures and calculating annual returns for major asset classes and all asset classes combined.

Decision-making authority for endowment land asset management resides with the Land Board except as delegated to the IDL director. Program management resides with the director's staff and their subordinates. IDL establishes policies and procedures for routine programmatic activities at the bureau and program levels.

IDL has delegated authority to approve the following:

- Normal timber sales that fall within established Land Board policies and salvage sales.
 - Exceptions include sales with clear-cut harvests over 100 acres; sales with development credits exceeding 50% of the net appraised value or 33% of the gross appraised value; and sales with written citizen concerns.
- Approval of certain routine land investment decisions. Routine land investment decisions include access acquisition and grants, forest and range improvements, reforestation, and building maintenance.
 - Transactions <\$1,250,000 the IDL director may authorize.
 - Transactions >\$1,250,000 require Land Board approval.
- Approval of certain other land investment decisions. Other land investment decisions include land disposal, land acquisition, reclassification, and new tenant improvements.

- Transactions <\$250,000 the IDL director may authorize.
- Transactions >\$250,000 require Land Board approval.

4. Professional Staff

IDL staff consists of trained professionals and technical experts in various fields, such as forestry, range, real estate, minerals, oil & gas, fire, accounting, finance, procurement, geographical information systems (GIS), remote sensing, and other specialties. IDL staff members who are involved with management of Endowment Assets or related accounting or financial management are fiduciaries.

5. Use of Outside Experts

IDL may use outside experts at its discretion and the Land Board's discretion. IDL may use the Land Board's expert advisors when in need of the special expertise provided by the advisors and when the use of a specific advisor will not conflict with the Land Board's use of the advisor. IDL may review information and recommendations provided to the Land Board by outside experts including the Commercial Real Estate Investment Advisor, Commercial Real Estate Broker, Land Acquisition Advisor(s), and the Land Investment Advisor(s). The chart in [Appendix D](#) below depicts the relationship between the Land Board, IDL, and outside experts.

D. Role of the Legislature

The Idaho Legislature is responsible for the following:

- Enacting laws to establish the methodology for restoring losses to the Public School and Agricultural College funds.
- Appropriating Earnings Reserve Funds for operation of IDL and EFIB.
- Considering approved endowment distributions in setting beneficiary appropriations.
- Establishing the statutory structure for administration of endowment assets that is consistent with the nature of the trusts and the constitutional duties of the Land Board.

VII. Asset Class Policies for Land Assets

A. Investment Objective for the Land Assets

The primary objective for the Land Assets is the generation of maximum long-term return at a prudent level of risk using traditional land grant asset types. The Land Assets diversify the Financial Assets given the low correlations of timberland and rangeland to public capital markets. The Land Assets also lower the volatility of the total investment portfolio considering timberland and rangeland returns have historically exhibited lower volatility than equity asset classes. During periods of negative financial returns, Land Assets can provide a positive revenue stream to help maintain Earnings Reserves and stable Endowment distributions.

Investment objectives are long-term return objectives. The investment objective for the land portfolio recognizes that timberland is a primary driver of the overall return for land and that income from

timberland and, to a lesser degree, all other lands are the primary generator of investment returns. The individual investment objectives for timberland, rangeland, and farmland reflect the long-term investment characteristics (return, correlation, and volatility) compared to other asset classes. Investment objectives also consider the existing base of land holdings along with management constraints, notably sales restrictions, acreage limitations, and the rent-setting and leasing processes. The return objectives should not be viewed in isolation but in relationship to one another.

The Land Assets are managed to achieve a real net return target of at least 3% over a long-term holding period (Land Assets Return Objective). The Land Assets Return Objective includes both income and appreciation, is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), net of all fees and costs of program management (e.g., legal and audit), and net of inflation as measured by the Consumer Price Index. While the Land Assets Return Objective includes both income and appreciation, the return is expected to be generated primarily from income.

Specific investment objectives and guidelines for each land category are summarized below. The Land Board shall review periodically its expectations for the land categories and assess how the updated expectations affect the probability that the Endowment will achieve the established investment objectives.

B. Key Elements of the Land Strategy

1. Active and Profitable Management

Land Assets are actively managed based on profitability, which means that some parcels will be managed more intensively than others. The portfolio is managed by IDL and, except in unusual circumstances, no external managers are used. Active management includes the following primary activities:

- Maximize net income while protecting and enhancing the long-term value and productivity of the Land Assets. (IDL shall produce a quarterly income statement which allows for evaluation of income versus management and operating expenses by trust beneficiary, program, and asset class to evaluate returns and profitability.)
- Acquire, through purchase or trade, land whose expected risk adjusted return meets or exceeds the return objectives outlined in this Statement and whose uses are aligned with IDL's management expertise.
- Dispose, through sale or trade, land whose expected long-term return does not meet the return objectives outlined in this Statement.
- Make incremental investments to enhance the value of existing assets when the expected risk adjusted return is favorable.

2. Leverage is Prohibited

Debt is not used in acquisition of Land Assets. All assets are unencumbered by debt.

3. Diversification

There is limited ability to diversify the Land Assets by geography, land type, investment style, investment manager (IDL is the sole manager), or vintage year since most Land Assets were acquired at statehood. Diversification of income source shall be pursued by encouraging multiple bidders for timber sales. There is limited opportunity to actively diversify the tenant base in rangeland, commercial real estate, residential real estate, farmland, and other land types that are leased since leases are simply awarded to the highest bidder. There are opportunities for commercial leases on endowment lands. Commercial leasing opportunities may require reclassification of land assets due to land value and income potential from leasing activities.

Timberland shall be managed for age class and species diversity across the timberland asset to maximize long-term returns. An individual timber stand may have trees of similar age, but other timber stands represent other age classes, ensuring a relatively even flow of forest products over time. An even flow of various forest products is considered a priority to maintain a vibrant and diverse customer base to maximize the sale prices of timber over time and resulting income distributions. Offering a variety of timber sale sizes, types, and locations across the state also helps to maintain a diverse customer base. Geographic diversity of the land base and intensive forest management provide some protection against catastrophic fire, disease, and insect outbreak.

4. Illiquidity and Rebalancing

Land Assets represent a large part of the total Endowment portfolio and are illiquid compared to publicly traded equities. Strategic repositioning and improvement of the land assets will be actively pursued through sales, exchanges, and acquisitions. However, constitutional and statutory requirements regarding land sales and exchanges limit the ability to rebalance the Land Asset portion of the portfolio.

C. Timberland

1. Definition

Timberland is defined as land capable of growing successive crops of commercial forest products for harvest.

2. Overall Financial Objective and Benchmark

The return on timberland comes from biological growth, upward product class movement, timber price appreciation and land price appreciation. The overall objective of timberland investments is to attain a real net income return of at least 3.35% over a long-term holding period. The net return target is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), and net of all fees and costs of program management (e.g., legal and audit).

3. Allowable Investments

Timberland in Idaho and investments in timberland improvements, including but not limited to planting seedlings, spraying, pre-commercial thinning, fertilization, intermediate silvicultural treatments, road construction, and maintenance projects are allowed, as are investments in easements or other means of achieving cost-effective access to productive timberlands.

New timberland acquisitions shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine the following:

- If the expected financial return generated by income exceeds the minimum hurdle rate of 3.35% real net;
- Whether the return profile is sufficient relative to the risk taken, including an analysis of the transaction in terms of long-term financial return and risk to the Endowment;
- Whether the transaction would facilitate improved management or improve the overall Endowment land ownership pattern in the area;
- The existence of any potential risks, including but not limited to environmental or title-related issues.

Parcels posing any significant risk as described in the due diligence analysis and those not meeting the minimum hurdle rate shall be avoided. The presence of minerals including sand and gravel can enhance the net return from timberland. Land Bank funds used for acquisition can only be used on behalf of the endowment from which the funds originated. The minimum return requirement for new investments will be reviewed and updated as necessary based on the Strategic Reinvestment Plan.

New investments in timberland must be owned 100% by the endowment. Joint ventures are not allowed. Acquisition of land with a conservation easement in place is allowed provided the Land Board has full decision-making authority regarding implementation of land management practices.

4. Considerations

Idaho Code § 58-133 requires that all state-owned lands classified as chiefly valuable for forestry, reforestation, recreation, and watershed protection be reserved from sale and set aside as state forests. Timberland can be exchanged but only for other timberland. Timberland with potential for greater long term financial returns to the beneficiaries may be reclassified to allow a higher and best use.

Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands.

IDL has an established public involvement process, approved by the Land Board, which requires that annual timber sale plans be published, and public comment opportunities be made available. Direct sales (less than 200,000 board feet or less than \$15,000 in value) and salvage sales are exempt from the policy.

5. Management

Timberland is directly managed by IDL. Management shall comply with all applicable laws, such as the Idaho Forest Practices Act. Management objectives include the following:

- Manage the timberland asset prudently, efficiently, and with accountability to the beneficiaries.
- Reduce risk and increase prospects for sustainable annual income.
- Achieve a rate of return consistent with policy objectives.
- Produce forest products that meet market demands.

- Identify and acquire additional timberlands that maintain or enhance the value of the timberland asset class.
- Identify and dispose of or reclassify underperforming timberland assets to increase economic performance and improve land asset diversity.
- Achieve financial and forest health objectives identified in the Asset Management Plan and the Forest Asset Management Plan.

6. Valuation

The land expectation value (LEV) method (constant real annual cash flow / real annual discount rate) approach or other commercially acceptable methods approved by the Land Board shall be used for the valuation of the timberland asset class. The timberland asset class shall be valued using the LEV method every five years by an independent expert for the purpose of calculating program returns, not for the purpose of acquisition or disposition of specific timberland parcels. MAI appraisals must be used for valuation of individual parcels in the event of an exchange.

7. Monitoring Standards

IDL will report cash flows for the timberland asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation (based on LEV), and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent valuation will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

D. Rangeland

1. Definition

Rangeland is defined as lands supporting natural vegetation—generally grasses, forbs, and small brush suitable for grazing by domestic livestock and wildlife.

2. Overall Financial Objective and Benchmark

The overall objective of rangeland investments is to attain a positive real net return over a long-term holding period. The positive real net rate of return includes primarily income and is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), net of all fees and costs of program management (e.g., legal and audit) and net of inflation as measured by the Consumer Price Index. Given its low expected return, rangeland is not an institutional asset class.

3. Allowable Investments

Additional investment may take the form of investments in rangeland improvements and easements or other means of access to improve productivity. Rangeland improvements refers to actions that improve the manageability and productivity of the asset including but not limited to fencing, weed control, access improvement, and water development.

New investments in rangeland are not anticipated or being actively targeted. Should a new investment opportunity arise, it shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine the following:

- Whether the return profile is sufficient relative to the risk taken, including an analysis of the transaction for long-term financial return and risk to the Endowment;
- Whether the transaction would facilitate improved management or improve the overall Endowment land ownership pattern in the area;
- The existence of any potential risks, including but not limited to environmental or title-related issues.

Parcels posing any significant risk as described in the due diligence analysis shall be avoided. Land Bank funds used for acquisition can only be used on behalf of the endowment from which the funds originated.

4. Considerations

Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. Grazing leases have an exchange clause that alleviates this statutory requirement.

Rangeland may be exchanged or sold subject to acreage limitations—a lifetime maximum of 320 acres may be sold to any one individual, company, or corporation. For rangeland, this limitation is a significant barrier to repositioning or reducing the size of the rangeland portfolio given its size at over 1.4 million acres. Any disposal of rangeland should consider its optionality for future conversion to a higher and better use, including reclassification and potential mineral extraction. Some endowments are restricted to a lifetime maximum of 160 acres sold to any one individual, company, or corporation. Article IX of the Idaho Constitution describes the limitations on the sale of endowment land.

5. Management

Rangeland is directly administered by IDL. Livestock forage productivity and availability varies significantly across the state due to factors such as climate, vegetation types, topography, and access to water. Some Endowment parcels are of sufficient size and productivity to stand alone as a grazing unit; however, most are managed in a manner consistent with adjoining federal and private lands because of normal livestock and grazing management practices. Some rangeland parcels are leased in combination with timberland or other commercial uses (commercial ground or energy production leases). The presence of minerals such as sand and gravel can enhance the net return from rangeland. Management objectives for rangeland include the following:

- Manage the rangeland asset prudently, efficiently, and with accountability to the beneficiaries.
- Develop and manage long-term grazing leases that achieve a rate of return consistent with policy objectives and market rates.
- Identify and dispose of or reclassify underperforming rangeland assets to increase economic performance and improve land asset diversity.

- Minimize contractual and environmental risks.
- Identify programmatic or statutory changes that maximize income.
- Achieve objectives identified in the Asset Management Plan and the Grazing Program Business Plan.

6. Valuation

The land expectation value (LEV) method (constant real annual cash flow/real annual discount rate) approach shall be used for the valuation of rangeland. Rangeland shall be valued using the LEV method every five years by an independent expert. MAI appraisals must be used for individual parcels in the event of an exchange or sale.

7. Monitoring Standards

IDL will report cash flows for the rangeland asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent value will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

E. Residential Real Estate

1. Definition

Idaho has leased residential sites since 1932. These properties are vacant endowment land where lessees are authorized to construct and own improvements, typically cabins and single-family homes. Parcels in asset classes such as timberland and rangeland may be reclassified to residential real estate as development occurs in the vicinity.

2. Overall Financial Objective and Benchmark

Leases shall be at least 4% of the appraised value depending on the length of the lease term. The overall objective of residential real estate investments is to attain, for each sale, net distributions to the endowment that are at or above appraised value and cover all costs of the sale and internal management costs.

3. Allowable Investments

The Land Board and IDL are implementing a disposition strategy for the residential portfolio subject to a long-term plan that was approved in December 2010, revised in 2016, and revised again in 2022. Future investment in cottage sites is not allowed however current land assets may be reclassified to residential real estate.

4. Considerations

While the Land Board has directed a disposition strategy for the residential portfolio, complete disposition is unlikely in the next five years. The viability of an ongoing lease program, with consideration of ongoing related expenses, shall be evaluated by IDL and reviewed by the Land Board as the current disposal process is completed. As stated previously, land currently in other asset classes may

be reclassified to residential real estate, resulting in an ongoing portfolio of residential real estate. Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. Leases have an exchange clause that alleviates this statutory requirement.

5. Management

Cottage sites are directly managed by IDL. Management objectives include the following:

- Execute the approved Cottage Site Plan to unify the estate in a business savvy manner to maximize return to the endowments.
- For the duration of the cottage site leasing program, develop and manage residential leases that appropriately compensate the endowments.
- Identify additional high-value (undeveloped) residential real estate for potential auction to maximize return to the endowments. (May require reclassification of other land assets.)
- Identify and reclassify residential real estate that may return more value to the trust if reclassified to a higher and better use.

6. Valuation

All properties will be appraised to establish lease rates prior to sale. Until reappraisal, existing appraisal data will be used for valuation of the asset class.

7. Monitoring Standards

IDL will report cash flows for the residential real estate asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent value will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

F. Farmland

1. Definition

Farmland is defined as land under cultivation or capable of being cultivated. The farmland asset includes lands used for cultivating grains, vegetables, and hay, as well as vineyards and orchards.

2. Overall Financial Objective and Benchmark

The overall objective of farmland investments is to attain a real net return of 4% over a long-term holding period. The rate of return includes both income and appreciation, is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), net of all fees and costs of program management (e.g., legal and audit), and net of inflation as measured by the Consumer Price Index.

3. Allowable Investments

Investments in Idaho farmland, improvements such as irrigation or structures, and easements or other means of access to productive farmlands are allowed.

New investments in farmland are not anticipated or being actively targeted. Should a new investment opportunity arise, it shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine:

- Whether the return profile is sufficient relative to the risk taken, including an analysis of the transaction for long-term financial return and risk to the Endowment.
- The existence of any potential risks, including but not limited to environmental or title-related issues.

Parcels posing any significant risk as described in the due diligence analysis shall be avoided.

Land Bank funds used for acquisition can only be used on behalf of the endowment from which the funds originated.

Investments in farmland must be owned 100% by the Endowment. Joint ventures are not allowed. Acquisition of land with a conservation easement in place is allowed provided the Land Board has full decision-making authority regarding implementation of land management practices.

4. Considerations

Farmland may be sold or exchanged subject to acreage limitations—a lifetime maximum of 320 acres may be sold to any one individual, company, or corporation (160 acres for the University endowment). Article IX of the Idaho Constitution describes the limitations on the sale of endowment land. Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. Leases have an exchange clause that alleviates this statutory requirement.

5. Management

The asset class is directly managed by IDL through agriculture leases which may be cash, crop share, or flex with adjustment based on yield or price. Some agriculture parcels are leased in combination with grazing uses. Management objectives include the following:

- Achieve return consistent with policy objective.
- Focus on income and current cash yield through the management of existing properties. Cash lease structure will be preferred.
- Enroll endowment lands in federal agricultural programs when appropriate.
- Achieve objectives identified in the Asset Management Plan for Endowment Assets (and any related plans developed) and the Farmland Program Business Plan.

6. Valuation

The portfolio will be valued using NASS Farmland Data. This is appropriate as farmland holdings are a small portion of the Endowment Assets. All properties shall be valued by an MAI appraiser prior to sale.

7. Monitoring Standards

IDL will report cash flows for the farmland asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent value will be used adjusted for capital expenditures, sales, and acquisitions during the reporting period.

G. Idaho Commercial Real Estate

1. Definition

Idaho Commercial Real Estate is a discrete portfolio of office buildings, parking lots, retail, and other identified land properties located in Idaho.

2. Overall Financial Objective and Benchmark

The majority of the Idaho Commercial Real Estate portfolio was sold as recommended by the Commercial Real Estate Advisor and approved by the Land Board in February 2016. Of the properties identified in the 2016 sales plan that did not sell, IDL will continue to pursue prudent disposition as recommended. Certain properties may be retained by the Land Board for strategic purposes. Additional properties may be reclassified to the commercial real estate portfolio from other asset classes.

3. Allowable Investments

Per Land Board direction from December 2014, no new Idaho Commercial Real Estate properties may be acquired. There may be expenditures to maintain or re-position existing properties in preparation for sale or lease. Leasing of existing endowment lands for commercial and industrial purposes will continue, as will reclassification of lands into commercial real estate from other asset classes.

4. Considerations

Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. Leases have an exchange clause that alleviates this statutory requirement.

5. Management

The portfolio is overseen by IDL and managed primarily through outside agents, including hiring and oversight of property managers and leasing agents, approving leases and budgets, approving capital expenditures, and executing capital plans. The Commercial Real Estate Advisor may be used to assist in advising, hiring, and managing property managers.

6. Valuation

All properties will be valued by appraisal prior to sale. In the interim, the value established by the Commercial Real Estate Advisor, or Real Estate Broker, will be used for performance measurement and evaluation purposes.

7. Monitoring Standards

IDL will report cash flows for the commercial real estate asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. Property will be valued using a combination of appraised values and values established by the Commercial Real Estate Advisor. The most recent independent value will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

H. Minerals/Oil & Gas

1. Definition

Mineral resources are concentrations of materials that are of economic interest in or on the crust of the earth. Oil and gas reserves and resources are defined as volumes that will be commercially recovered in the future.

2. Overall Financial Objective and Benchmark

The asset class will be managed prudently to maximize financial return while complying with all applicable laws and regulations. Royalty payments are transferred to the Permanent Fund while other payments, such as lease or bonus payments, go to the Earnings Reserve Fund.

3. Allowable Investments

Acquisition of mineral rights together with or independent of surface rights is allowed. Acquisition of mineral rights together with surface rights is preferred to avoid a split estate. Acquisition of mineral rights is expected to occur primarily through land exchanges.

4. Considerations

Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. Leases have an exchange clause that alleviates this statutory requirement.

5. Management

The asset class is directly managed by IDL, and management shall comply with all applicable federal and state statutes, such as the federal Clean Water Act, Idaho Surface Mining Act, Oil and Gas Conservation Act, and Idaho Dredge and Placer Mining Protection Act. Management objectives include the following:

- Manage the mineral asset prudently, efficiently, and with accountability to the endowments.
- Minimize contractual and environmental risks associated with extractive industries.
- Lease lands for potential mineral products that capitalize on market demands.
- Retain mineral rights when land parcels are disposed.
- Seek opportunities to unify the mineral estate.
- Identify programmatic or statutory changes that maximize income from mineral assets.

6. Valuation

The value of Idaho's mineral estate is unknown at this time. Determining the type and volume of locatable minerals in Idaho could be achieved with a cooperative effort between the Idaho Department of Lands, Idaho Geological Survey, and the mineral industry.

7. Monitoring Standards

IDL will report cash flows for the minerals asset class to the general consultant for performance reporting purposes. All net income calculations will be net of all fees and expenses of managing the asset class. Because receipts from minerals extracted flow directly to the Permanent Fund, they are not included in IDL's report of return on assets. The receipts are reported in IDL's annual report.

I. Reclassification of Lands

1. Definition

Endowment land assets were classified by IDL based on the characteristics of the parcels at that time. For example, parcels with timber present were typically classified as timberland, parcels where rangeland vegetation is present were typically classified as rangeland, etc. No determination of higher and better use characteristics was made during the classification process.

Lands within traditional asset classes already owned by the Endowment may become suitable for a higher and better use than the current asset classification. Often these properties exhibit high property values and low annual revenues and may be encroached upon by urban development. The major data sources used to identify lands suitable for reclassification may include:

- Appraised values above the value normally indicative of the current use.
- Regional land-use planning studies.
- Resource trends and demographic changes.
- Planning and zoning designations if they substantiate IDL's assessment of the classification.

2. Overall Financial Objective and Benchmark

The objective for lands identified for potential reclassification will be to lease the parcels, typically for commercial and/or industrial uses, or sell the parcels. Evaluation of the options for lease or sale will be completed on a case-by-case basis with the assistance of the Commercial Real Estate Advisor. Once the land is reclassified, it will be included under the appropriate revenue producing asset class.

3. Allowable Investments

Lands suited for reclassification are those currently owned by the endowments. Lands should not be acquired where the primary reason for acquisition is reclassification, though reclassification lands may exist within an acquisition. In select cases, improvements such as obtaining zoning and other entitlements may be pursued for ground leasing purposes, to maximize value, or to ready the parcel for sale.

Investment in improvements shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine the long-term financial return and risk to the Endowment; whether the return profile is sufficient relative to the risk taken; whether the transaction would facilitate improved management; and the existence of any potential risks including but not limited to environmental or title-related issues. Investments in improvements posing any significant risk as described in the due diligence analysis shall be avoided.

4. Considerations

Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands. Leases have an exchange clause that alleviates this statutory requirement.

5. Management

Reclassification activities will focus first on land at the high-end of market values (best markets) and then on land possessing best market potential within the next five to ten years (emerging markets). Reclassification plans will identify land holdings in the best markets, identify emerging markets, and, to the extent practical, parcels held in these markets. Land holdings in the best markets will also include a plan for achieving value potential. Timely disposition of parcels suitable for reclassification will be a management objective to increase asset value and, where the parcels are not income-producing, reduce their “drag” on performance.

Underperforming assets may also present reclassification opportunities. IDL will identify and analyze such lands to determine the best solution to resolve the underperformance. Such analysis will consider:

- Whether management costs can be minimized;
- Whether the lands can be managed differently to increase performance;
- Whether the parcel has the potential for a higher and better use; and
- Whether the endowment is the best long-term owner of the asset.

6. Valuation

Properties suitable for reclassification will be valued based on the highest and best use of the property. Properties will be valued by appraisal prior to sale or on a predetermined schedule pursuant to the terms of the lease or other approved plan.

7. Monitoring Standards

IDL will report cash flows for the lands suitable for reclassification, together with the asset class in which the lands currently exist, to the general consultant for performance reporting purposes. Lands with potential for reclassification currently classified as rangeland will be monitored and reported as part of the rangeland asset class. The reporting will follow institutional reporting standards and conventions.

Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent

independent value will be used adjusted for capital expenditures, sales, and acquisitions during the reporting period.

J. Land Bank

1. Definition

The Land Bank Fund (Land Bank) exists to hold the proceeds from the sale of state endowment land (pending the purchase of other land) or to transfer to the Financial Assets for the benefit of the endowment beneficiaries, per Idaho Code § 58-133.

2. Overall Financial Objective and Benchmark

The Land Board does not control the investment of the funds held in the Land Bank. The Land Bank is invested by the State Treasurer under a financial objective or benchmark established by the Treasurer.

3. Considerations

Funds deposited in the Land Bank, including interest, are continually appropriated to the Land Board. If the funds have not been utilized for land acquisition within five years, they are transferred to the Permanent Fund of the appropriate endowment unless the five-year time limit is extended by the legislature.

Land Bank funds may be used to acquire lands within traditional asset classes. Land Bank funds may also be used to secure access to endowment lands through purchase of easements or parcels of land. When purchasing a parcel of land to obtain access, the acquired parcel may in some cases produce minimal financial return. An easement may represent an expense without any resulting income directly related to the acquisition. In those cases, the evaluation of the acquisition and the projected returns would consider the additional net income that can be attributed to the access secured, rather than the financial return of only the access parcel.

4. Allowable Investments

Land Bank funds are invested by the State Treasurer in the IDLE pool. IDLE funds are invested according to the IDLE Investment Policy.

5. Management

IDL, in its capacity as the administrative arm of the Land Board, manages deposits to and withdrawals from the Land Bank. Fees for investment management are deducted by the Treasurer.

6. Valuation

The Land Bank is valued by the State Treasurer.

7. Monitoring Standards

IDL will report balances and cash flows for the Land Bank to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. Transaction history will be used to account

for expenditures and deposits into the Land Bank. For purposes of transparency, the balance in the Land Bank shall be reported as a contingent asset in the notes of the financial statements for the Financial Assets.

VIII. Distribution Policy

A. Objectives

The ultimate purpose of Idaho's land grant endowments is to provide a perpetual stream of income to the beneficiaries. To guide the determination of future distributions for Idaho endowments, the following objectives, in priority order, are established by the Land Board:

- Avoid reductions in total endowment distributions.
- Maintain adequate Earnings Reserves to protect distributions from temporary income shortfalls.
- Grow distributions and permanent corpus faster than inflation and population growth.

B. Considerations

In determining distributions, the Land Board, with assistance from EFIB, considers the following for each endowment:

- Actual and expected return on the fund and income from the land.
- Expected volatility of fund and land income.
- Adequacy of distributable reserves to compensate for volatility of income.
- Each beneficiary's ability to tolerate declines in distributions.
- Need for inflation and purchasing power protection for future beneficiaries.
- Legal restrictions on spending principal.

C. Policy Description

Based on the above objectives and considerations and the expected returns of the entire portfolio (lands and funds), the Land Board establishes the following Distribution Policy:

- Distributions are determined individually for each endowment (currently 5% for all endowments except State Hospital South at 7%).
 - Consideration is being given to move State Hospital South to 5%, but has not been formally adopted as of this update.
- Distributions are calculated as a percent of the three-year rolling average Permanent Fund balance for the most recently completed three fiscal years. The Land Board may adjust this amount depending on the amount in the Earnings Reserves, transfers to the Permanent Fund, and other factors.

- The levels of Earnings Reserves deemed adequate for future distributions are:
 - 7 years – All endowments (Public School, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and University of Idaho)
- The Land Board may transfer any balance in an Earnings Reserve Fund in excess of an adequate level to the corresponding Permanent Fund and designate whether the transfer will or will not increase the Gain Benchmark.
- The principal of the permanent endowment funds, adjusted for inflation, will never be distributed, to protect the future purchasing power of the beneficiaries.

The Distribution Policy was developed based on many analyses, assumptions, and constraints, and its administration requires interpretation of nuances. EFIB has documented these in the Distribution Principles included in [Appendix F](#).

IX. Monitoring and Reporting

A. Philosophy

The Land Board and its agents shall use a variety of compliance, verification, and performance measurement tools to monitor, measure, and evaluate how well the Endowment Assets are being managed. Monitoring, reporting, and evaluation frequencies shall range from real-time performance to daily, weekly, monthly, quarterly, semi-annual, and annualized performance.

The Land Board seeks to answer three fundamental fiduciary questions through the performance monitoring and reporting system:

- Are the assets being prudently managed? More specifically, are assets being managed in accordance with established laws, policies, and procedures, and are IDL and EFIB (and by extension the EFIB's investment managers) in compliance with established policies and their mandates?
- How have the assets performed relative to Land Board approved investment objectives?
- Are the assets being profitably managed? More specifically, has performance affected distributions positively and advanced security of the corpus?

B. Deviation from Policies

If there is a deviation from Land Board investment policies, the IDL and EFIB staff are required to provide the Land Board with a report explaining how the deviation was discovered, the reasons for the deviation, and the impact on endowment performance, if any, and steps taken to mitigate future instances.

C. Financial Assets

1. Reporting at EFIB Level¹

The EFIB Investment Policy requires that performance reports be generated by the investment consultant at least quarterly and communicated to EFIB staff and the EFIB Board. The investment performance of the total Financial Assets, as well as asset class components, will be measured against commonly accepted performance benchmarks as outlined in the EFIB Investment Policy. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement.

Investment managers shall be reviewed regularly, by EFIB staff and the general fund consultant, regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

2. EFIB Reporting to the Land Board

Each month, EFIB staff will provide the following to the Land Board:

- Investment performance, both absolute and relative to benchmark.
- An evaluation of the sufficiency of Earnings Reserve balances (measured by coverage ratio: reserve balance divided by the distribution).
- A summary of any significant actions by EFIB.
- Any compliance/legal issues, areas of concern, or upcoming events.

Part-way through the fiscal year, typically at the May meeting, EFIB shall provide the Land Board with a brief financial summary of fiscal year-to-date activity.

After the end of the fiscal year, typically at the November meeting, EFIB shall provide the Land Board with the following:

- A financial summary for the recently completed fiscal year.
- The report of the Land Board Audit Committee regarding control deficiencies identified by the independent auditor.
- An update on EFIB's Strategic Plan.
- Investment performance for the fund versus strategic (longer-term) measures.
- A report on EFIB meetings, including number of meetings and attendance.

D. Land Assets

1. IDL Internal Processes

IDL staff shall report to the director using the standard reports as described below that are provided to the Land Board. All of the information is reviewed by the director prior to submission to the Land Board.

¹ EFIB Investment Policy (see [Appendix C](#)). Management and approval of this policy is a duty delegated to EFIB.

Each program administered by IDL is managed by a bureau chief and a program manager. Policies and procedures governing daily activities are in place at the bureau or program level but are generally implemented by operations staff.

Decisions related to routine investment and management decisions are typically made at the area office level (or program level) with review by both the operations chiefs and bureau chiefs, subject to the established governance structure.

In the case of more complex investment and management decisions, staff involvement typically includes area office staff, operations chiefs, bureau chiefs, and executive staff to assure adequate due diligence and independent review. More than one member of the executive staff is likely to be involved in the analysis of the information and the final decision. Where necessary, the director retains final decision-making authority as delegated by the Land Board and described in the established governance structure.

2. IDL Reporting to the Land Board

Each month, IDL reports the following:

- Trust Land Management Division activity and information including timber sale revenue and activity and non-timber revenue and activity.
- Updates for ongoing special projects as needed.
- Legal and compliance issues and their status.
- Information necessary for Land Board review and approval of specific items.

IDL also reports the Land Bank Fund balance to the Land Board quarterly.

As previously described, IDL functions under the authority of the Land Board with the Land Board having final approval of many of IDL's policies and management decisions, up to and including review and approval of the IDL budget request prior to submission.

Each month, IDL brings matters forward for Land Board review and approval. Items are discussed first with senior Land Board staff members then placed on the consent agenda, where routine items may be approved without discussion, or the regular agenda, which addresses policy and programmatic items the Land Board may wish to discuss prior to making a decision.

Certain confidential matters may be presented for the Land Board in executive session at the discretion of the Land Board, pursuant to Idaho Code § 74-206.

IDL also produces an annual report to the Land Board, the state affairs committees of the legislature, as well as the public. IDL's overall strategic plan is updated annually and presented to the Land Board prior to submission to the Division of Financial Management.

The Land Board requires IDL staff to prepare and deliver an Asset Management Plan and Business Plans for each land type that explain how the Land Assets will be managed to achieve the Land Board approved investment objectives. This provides the Land Board a focused opportunity to:

- Question and comment on IDL staff's investment and management plans.
- Request additional information and support about IDL staff's investment and management intentions.
- Express its confidence and approval in the Strategic Plan, Asset Management Plan, and Business Plans.

The Land Board requires certain IDL procedures to be audited every 3-5 years:

- Land Transactions >\$1,000,000 shall be subject to a post-audit every five (5) years, and the Land Board's Land Investment Advisor shall review such post-audit and provide a report to the Land Board.

E. Total Endowment

Performance reports generated by the general consultant shall be compiled annually for review by the Land Board. The investment performance of the Endowment, as well as asset class components, will be measured against performance benchmarks outlined in this Statement of Investment Policy and the EFIB Investment Policy.

X. Key Documents

To assist the Land Board, EFIB Staff, and IDL Staff, the following key documents will be produced or reviewed according to the schedule in Exhibit 2.

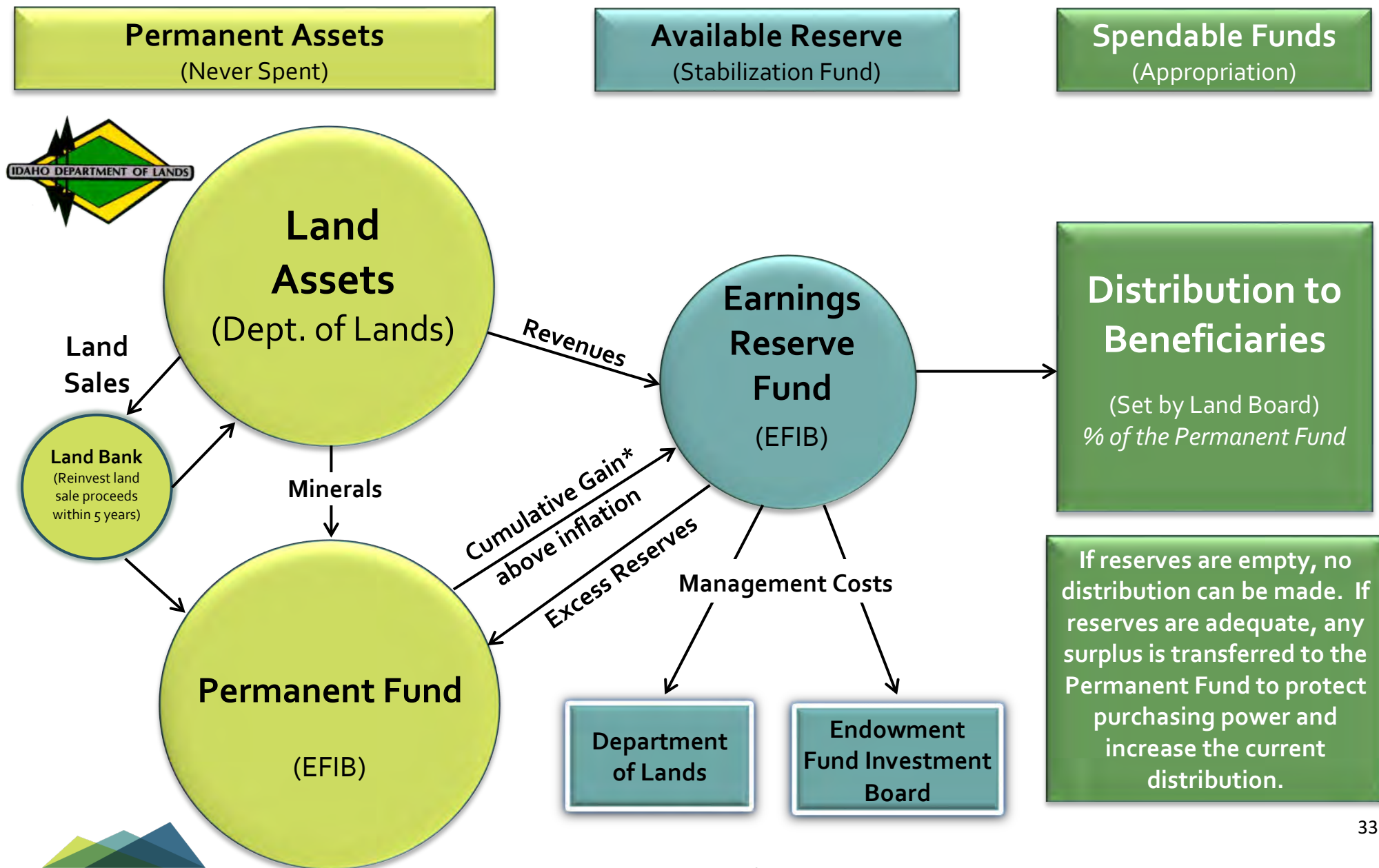
Exhibit 2: Key Documents

Document Name	Document Source	Review Schedule
Performance Review of Fund	General Consultant and EFIB Staff	Monthly and Quarterly
Performance Review Total Endowment	General Consultant, IDL Staff, and EFIB Staff	Annually
Statement of Investment Policy	General Consultant, IDL Staff, and EFIB Staff <i>Reviewed by Investment Subcommittee</i>	Annually
IDL Program Business Plans	IDL Staff	1-5 Years as specified in each plan
IDL Asset Management Plan	IDL Staff	Every 5 Years
Strategic Reinvestment Plan	General Consultant <i>Reviewed by Investment Subcommittee</i>	Every 3 Years
IDL Strategic Plan	IDL Staff	Annually
Asset Allocation	General Consultant	Every 8 years
Monthly Timber Sale Activity Report	IDL Staff	Monthly
Annual Timber Sale Plan	IDL Staff	Annually
Ten Year Forecast of Land Income	IDL Staff	Annually
IDL Annual Budget	IDL Staff	Annually
EFIB Strategic Plan	EFIB Staff	Annually
EFIB Meeting Report	EFIB Staff	Annually
Audit Committee Report	Audit Committee	Annually

XI. Appendices:

- A. Structure of the Endowment**
- B. Constitution and State Statutes**
- C. EFIB Investment Policy**
- D. Use of External Advisors**
- E. Decision-Making Structure Chart**
- F. EFIB's Distribution Principles**

STRUCTURE OF IDAHO'S ENDOWMENT ASSETS



* Total cumulative gain over inflation since June 2000.

Rev 2/9/17

B. Constitution and State Statutes

Constitution of the State of Idaho

[ARTICLE IX](#) EDUCATION AND SCHOOL LANDS

[SECTION 3](#) PUBLIC SCHOOL PERMANENT ENDOWMENT FUND TO REMAIN INTACT

[SECTION 4](#) PUBLIC SCHOOL PERMANENT ENDOWMENT FUND DEFINED

[SECTION 7](#) STATE BOARD OF LAND COMMISSIONERS

[SECTION 8](#) LOCATION AND DISPOSITION OF PUBLIC LANDS

[SECTION 10](#) STATE UNIVERSITY – LOCATION, REGENTS, TUITION, FEES, AND LANDS

[SECTION 11](#) INVESTING PERMANENT ENDOWMENT FUNDS

Idaho Statutes

[TITLE 57](#) PUBLIC FUNDS IN GENERAL

[CHAPTER 7](#) INVESTMENT OF PERMANENT ENDOWMENT AND EARNINGS RESERVE FUNDS

[TITLE 58](#) PUBLIC LANDS

[CHAPTER 1](#) DEPARTMENT OF LANDS

[CHAPTER 2](#) INDEMNITY LIEU LAND SELECTIONS

[CHAPTER 3](#) APPRAISEMENT, LEASE, AND SALE OF LANDS

[CHAPTER 4](#) SALE OF TIMBER ON STATE LANDS

[CHAPTER 5](#) STATE PARKS AND STATE FORESTS

[CHAPTER 6](#) RIGHTS OF WAY OVER STATE LANDS

[CHAPTER 12](#) PUBLIC TRUST DOCTRINE

[CHAPTER 13](#) NAVIGATIONAL ENCROACHMENTS

C. EFIB Investment Policy

ENDOWMENT FUND INVESTMENT BOARD Commingled Pool Investment Policy

Date Established: 2000
Last Reviewed: September 2023
Last Revised: September 2023

This Statement of Investment Policy is applicable to:

Public School Permanent Fund and Earnings Reserve Fund
Agricultural College Permanent Fund and Earnings Reserve Fund
Charitable Permanent Fund and Earnings Reserve Fund
Normal Schools Permanent Fund and Earnings Reserve Fund
Penitentiary Permanent Fund and Earnings Reserve Fund
School of Science Permanent Fund and Earnings Reserve Fund
State Hospital South Permanent Fund and Earnings Reserve Fund
University Permanent Fund and Earnings Reserve Fund
Capitol Permanent Fund and Maintenance Reserve Fund
Department of Environmental Quality Bunker Hill Endowment Fund Trust
Department of Environmental Quality Asarco Endowment Fund Trust
Department of Environmental Quality Hecla Endowment Fund Trust
Department of Fish & Game Southern Idaho Mitigation Endowment Trust
Department of Fish & Game Craig Mountain Wildlife Mitigation Trust
Department of Fish & Game Blackfoot Wildlife Mitigation Trust
Department of Fish & Game North Idaho Wildlife Mitigation Trust
Department of Fish & Game North Idaho Wildlife Mitigation Operational Trust
Department of Parks & Recreation Ritter Island Endowment Fund
Department of Parks & Recreation Trail of the Coeur d'Alene's Endowment Fund
Idaho Department of Lands - Forest Legacy Stewardship Endowment Funds

Statement of Philosophy

This statement of investment policy is set forth by the Endowment Fund Investment Board (EFIB) to:

- Define and assign the responsibilities of all involved parties;
- Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets;
- Offer guidance and limitations to all involved parties regarding the investment of Fund assets;
- Establish a basis for evaluating investment results;
- Manage Fund assets according to the prudent investor rule; and,
- Establish the relevant investment horizon for which the Fund assets will be managed.

Statement of Investment Policy

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment policy, the EFIB will review the policy annually.

Investment Objectives

In order to meet its objectives, the investment strategy of the EFIB is to emphasize total return; that is, the aggregate return from capital appreciation, dividend and interest income. The primary objectives are:

- To maintain the purchasing power of the Fund. In order to maintain fair and equitable inter-generational funding, state statute has mandated that the real value of the corpus be protected from inflation;
- To maximize total return over time at an acceptable level of risk;
- To provide relatively smooth and predictable distributions to the beneficiaries; and
- To maintain sufficient liquidity for anticipated expenditures.

General Investment Principles

- Investments shall be made solely in the interest of the beneficiaries of the Funds;
- The Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims;
- Investment of the Funds shall be diversified as to minimize the risk of large permanent losses.
- The EFIB will employ one or more investment managers of varying styles and philosophies to support the Funds' objectives;
- Cash is to be employed productively at all times by investment in short-term cash equivalents to provide safety, liquidity, and return; and,
- The investment manager(s) should at all times be guided by the principles of "best execution" when trading securities and acting in the Funds' best interests are the primary consideration.

Assignment of Responsibility

- Responsibility of the Manager of Investments ("MOI") - The MOI serves as a fiduciary and is empowered by the Board to make certain decisions and take appropriate action regarding investment of the Funds' assets. The responsibilities of the MOI include:
 - Developing a sound and consistent investment policy;
 - Establishing reasonable investment objectives;
 - Selecting qualified investment managers after consultation with the Investment Consultant;
 - Communicating the investment policy guidelines and objectives to the investment managers and clients;
 - Monitoring and evaluating performance results to assure that the policy guidelines are being met;
 - Selecting and appointing custodian(s);
 - Discharging investment managers after consultation with the Investment Consultant; and,
 - Taking any other appropriate actions.
- Responsibility of the Investment Consultant(s) - The investment consultant shall be hired by the EFIB. The consultant serves as a non-discretionary advisor to the EFIB. The consultant will offer advice concerning the investment management of the Funds' assets. The investment consultant will act as a fiduciary with respect to the services it provides. The advice will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the investment consultant include, but are not limited to:

- Assisting in the development and on-going review of the investment policy, asset allocation strategy, performance of the investment managers, and objectives and guidelines;
 - Supporting portfolio optimization and other investment techniques to determine the appropriate return/risk characteristics of the Funds;
 - Conducting investment manager searches when requested by the MOI and Board;
 - Monitoring the performance of the investment manager(s) to provide both the MOI and Board with the ability to determine the progress toward achieving investment objectives;
 - Communicating matters of policy, manager research, and manager performance to the MOI and Board;
 - Reviewing the Funds' investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed members of the Board.
- Responsibility of the Investment Manager(s) - As a fiduciary, each investment manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in either this statement or in their specific Manager Guidelines.

Delegation of Authority

The MOI is a fiduciary to the EFIB and is responsible for directing and monitoring the investment management of Funds' assets. As such, the MOI is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

- Investment Managers - Investment managers hired by the EFIB must be registered with the Securities and Exchange Commission under the Investment Act of 1940, unless inapplicable, or in the case of a banking organization with the Office of the Comptroller of the Currency. Investment managers have discretion to purchase, sell, or hold the specific securities that will be used to meet the Funds' investment objectives. This includes mutual fund or any collective fund portfolio managers.
- Custodian - Any custodian hired by the EFIB will maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and affect receipt and delivery following purchases and sales. Any custodian will also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts. Any custodian will provide at a minimum monthly reporting of assets and transactions to the MOI and provide the MOI with any additional data requests. Any custodian will administer proxy statements and corporate action claims on behalf of EFIB.

Additional specialists may be employed by the MOI with approval by the EFIB to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

Managers will be held responsible and accountable to achieve the objectives outlined in their specific guidelines. While it is not believed the limitations will hamper investment manager decisions, each manager should request in writing any modifications they deem appropriate.

All expenses for such experts must be customary and reasonable.

Marketability of Assets

Based on the Fund's long-term liquidity requirements, the EFIB desires securities with readily ascertainable market values that trade in liquid markets but recognizes that some allowable assets are valued less frequently by industry established appraisal methods, and may be reported on a lagged basis.

Investment Guidelines

Allowable Assets

Cash Equivalents or other Liquid Assets:	Treasury bills; money market funds; STIF funds; commercial paper; banker's acceptances; repurchase agreements; certificates of deposit.
Fixed Income:	US government and agency securities; bank loans; corporate notes and bonds; residential mortgage backed bonds (agency and non-agency); commercial mortgage backed bonds; municipal bonds, infrastructure securities, USD and non-USD fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other "early tranche" CMO's; Sequential pay CMO's; collateralized loan obligations, asset backed securities; convertible notes and bonds; Securities defined under Rule 144 A and Section 4(2) of the Securities Act of 1933; or any other fixed income securities eligible for inclusion in the Bloomberg Barclays Aggregate Bond Index.
Equities:	Common stocks; convertible preferred stocks; preferred stocks; REITS; American depository receipts (ADR's); stocks of non-US companies (ordinary shares);
Real Estate:	Domestic, private, open-end, core commingled funds, REITS
ETF's, Mutual or Collective Funds:	ETF's, Mutual Funds, and Collective Funds which invest in securities as allowed in this statement or as permitted in Investment Manager Guidelines. Investment managers will advise the MOI of their intent to utilize ETFs prior to their purchase, what specific ETFs they intend to use and the purposes they serve.
Futures, Options and Swaps:	The EFIB may approve the use of financial index futures and options in order to adjust the overall effective asset allocation of the entire portfolio or it may use swaps, futures or options to hedge interest rate or currency exposure. For example, S&P 500 and 10-Year Treasury futures are used to equitize idle cash and to passively rebalance the portfolio. Futures and options positions are not to be used for speculation, and the EFIB must specifically approve the program for each type of use.

Derivative exposure must have sufficient cash, cash equivalents, offsetting derivatives or other liquid assets to cover such exposures.

Derivatives:

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, and interest rate swaps, among others. The EFIB will take a conservative posture on derivative securities in order to maintain its risk averse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. Unless a specific type of derivative security is allowed in the Investment Manager Guidelines, the Investment Manager(s) must seek written permission from the EFIB to include derivative investments in the Fund's portfolio. The Investment Manager(s) must present detailed written information as to the expected return and risk characteristics of such investment vehicles.

Prohibited Assets

Prohibited investments include, but are not limited to the following:

- Commodities
- Futures Contracts except as described in previous section "Futures, Options and Swaps";
- Naked Options;
- Residual Tranche CMOs; and
- Purchases of securities on margin and short-sale transactions are prohibited.

Asset Allocation Guidelines

Investment management of the assets of the commingled endowment pool shall be in accordance with the following asset allocation guidelines:

- Total Fund Asset Allocation Guidelines (at market value)

Asset Class	Range	Target	Rebalance Point	Benchmark
Equities Domestic Equities	61% - 71% 32% - 42%	66% 37%	+/-5% +/-5%	MSCI All Country World Index Russell 3000 Index
Large Cap Growth Core Value	22% - 30%	26% 5% 16% 5%	+/-4%	Russell 1000 Index Russell 1000 Growth Index S&P 500 Index Russell 1000 Value Index
Mid Cap Growth Value	4% - 10%	7.0% 3.5% 3.5%	+/-3%	Russell Mid Cap Index Russell Mid Cap Growth Russell Mid Cap Value
Small Cap Growth Value	2% - 6%	4% 2% 2%	+/-2%	Russell 2000 Index Russell 2000 Growth Index Russell 2000 Value Index
International Equities Growth Value	13% - 21%	17.0% 8.5% 8.5%	+/-4%	MSCI ACWI ex-US MSCI ACWI ex-US Growth MSCI ACWI ex-US Value
Global Equity Manager Manager Manager	8% - 16%	12% 4% 4% 4%	+/-4%	MSCI All Country World Index MSCI All Country World Index MSCI All Country World Index MSCI All Country World Index
Real Estate	7% - 13%	10%	+/-3%	NCREIF ODCE Index
Fixed Income Core Plus Bond Active Aggregate Bond Index Cash and Equivalents	21% - 27%	24% 13% 11% 0%	+/-3%	Bloomberg Aggregate Bond Index Bloomberg Aggregate Bond Index Bloomberg Aggregate Bond Index 3-month Treasury Bill Index

Rebalancing of Fund Assets

Understanding that different asset classes will perform at different rates, the MOI and the investment consultant will closely monitor the asset allocation shifts caused by performance. Therefore:

- The MOI will review the relative market values of the asset classes whenever there is to be a net contribution to the Fund and will generally place the new monies under investment in the category(ies) which are furthest below the target allocation in this policy and/or use the opportunity to rebalance the portfolio; and,
- The MOI and investment consultant will review the asset allocation quarterly and during periods of severe market change to assure that the target allocation is maintained. If an asset class is

outside the allowable range, the MOI will take appropriate action to redeploy assets taking into account timing, costs and other investment factors.

Guidelines for Fixed Income Investments and Cash Equivalents

- The average credit quality of the fixed income portfolio must be investment grade or higher. Individual fixed income securities may be rated below investment grade.
- The average duration of the fixed income portfolio should be +/- 2 years of the Bloomberg Aggregate index.
- Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

Investment Performance Review and Evaluation

Performance reports generated by the investment consultant shall be compiled at least quarterly and presented to the EFIB for review. The investment performance of the total Fund, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The EFIB intends to evaluate investment managers over at least a three-year period.

Each manager shall maintain a portfolio consistent with characteristics similar to those of the composite utilized for their retention. Investment performance will be measured on a total return basis, which is defined as dividend and interest income plus realized and unrealized capital gains. Each manager will be evaluated in part by regular comparison to a peer group of other managers employing statistically similar investment style characteristics. It is expected that each manager will perform above the peer group median and the appropriate index over rolling three-year periods with respect to both return and risk.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. The EFIB reserves the right to terminate a manager for any reason.

GASB 40 Reporting Requirements

Purpose: The Governmental Accounting Standards Board has identified that state and local governments have deposits and investments which are exposed to risks that may result in losses. GASB Statement number 40 (GASB 40) is intended to inform users of the financial statements about the risks that could affect the ability of a government entity to meet its obligations. GASB 40 has identified general deposit and investment risks as credit risk, including concentration of credit risk and custodial credit risk, interest rate risk, and foreign currency risk and requires disclosures of these risks and of policies related to these risks. This portion of the Investment Policy addresses the monitoring and reporting of those risks.

In general, the risks identified in GASB 40, while present, are diminished when the entire portfolio is viewed as a whole. Specifically, the risks identified and the measurements required is poorly transferable, if at all, to portfolios like the EFIB, which is dominated by equity exposure.

It is the policy of the EFIB that the risks addressed in GASB 40 are to be monitored and addressed primarily through the guidelines agreed to by those managers, and by regular disclosures in reports by managers of levels of risks that may exceed expected limits for those portfolios.

- **Credit Risk:** The risk that an issuer or other counterparty to an investment will not fulfill its obligations to the EFIB. GASB 40 requires disclosure of credit quality ratings of investments in debt securities as described by nationally recognized statistical rating organizations.

Policy: The Investment Guidelines section of this Investment Policy provides credit quality and maturity guidelines for fixed income and cash equivalent investments. Managers are required to comply with the Investment Policies set forth by the EFIB.

- **Custodial Credit Risk:** The risk that in the event of a financial institution or bank failure, the Fund would not be able to recover the value of their deposits and investments that are in the possession of an outside party.

Policy: The EFIB minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to the EFIB ownership and further to the extent possible, be held in the Fund's name.

- **Concentration of Credit Risk:** The risk of loss that may be attributed to the magnitude of a government's investment in a single issue.

Policy: Managers will provide the EFIB with expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board. For the portfolio as a whole, staff will report to the Board at a regular Board meeting if the exposure to a non-US government guaranteed credit exceeds 5% of the total EFIB portfolio.

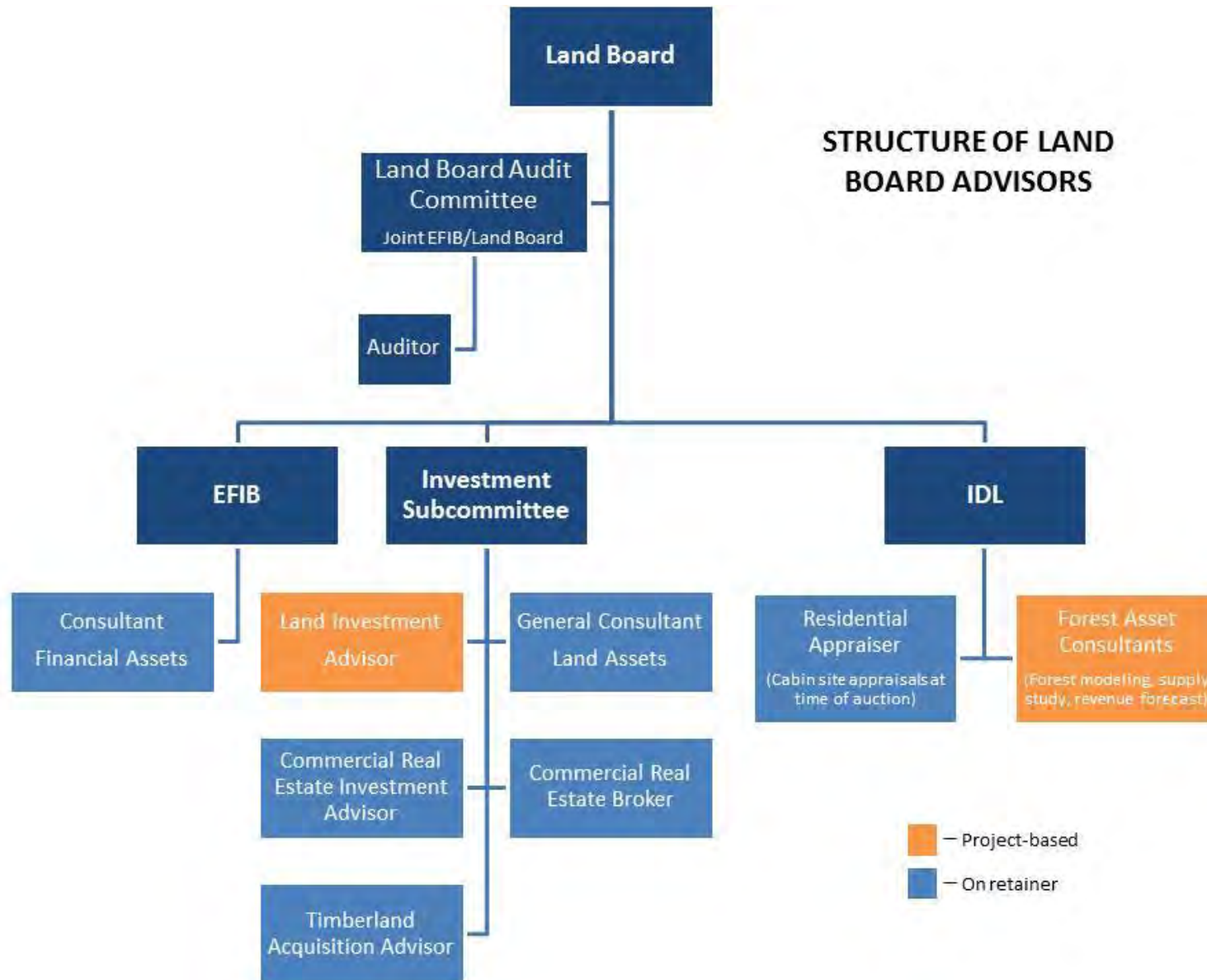
- **Interest Rate Risk:** The risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk to the EFIB's fixed income portfolio is monitored using the effective duration methodology. Effective duration measures the volatility of the price of a bond given a change in interest rates, taking into account any optionality in the underlying bond.

Policy: Managers will provide the EFIB with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

- **Foreign Currency Risk:** The risk that changes in exchange rates will adversely impact the fair value of an investment. The EFIB's currency risk exposures, or exchange rate risk, reside within the international equity and fixed income investment holdings.

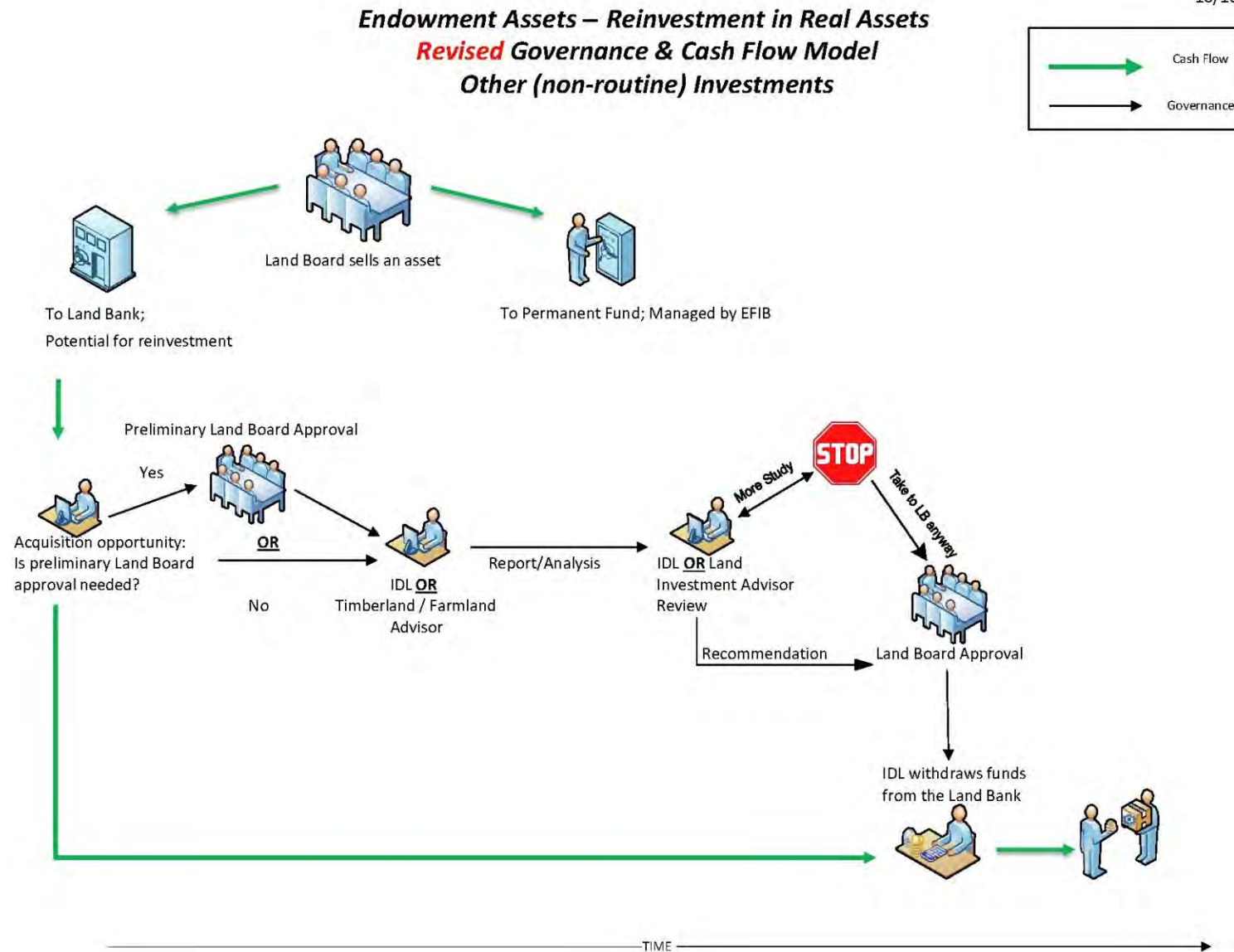
Policy: The EFIB permits investing up to 40% of the total portfolio in international securities. The EFIB recognizes that international investments (equity or fixed income) will have a component of currency risk associated with them. The individual manager guidelines will outline the expected currency exposures (either specifically or through ranges of security exposures to particular currency areas) of the underlying portfolio and if the actual currency exposure differs from the expected, managers are to be required to report these occurrences to Staff, and these disclosures are to be made available to the Board.

D. Use of External Advisors



E. Decision-Making Structure Chart

10/18/2016



v1014

F. EFIB's Distribution Principles

Summary of Idaho Endowment Fund Distribution Principles, Policy, and Background

By the Endowment Fund Investment Board – Updated July 17, 2018

Mission of Idaho Endowments: Provide a Perpetual Stream of Incomeⁱ

To achieve this mission, Distribution Policy must balance four conflicting objectives:

- Maximize total return over time at a prudent level of risk
- Provide relatively stable and predictable distributions
- Constrain distributions to protect future generations' purchasing power
- Maintain sufficient liquidity for anticipated expenditures

Priorities for Allocating Income

To balance the interests of current and future beneficiaries, the Land Board established the following priorities for allocating endowment revenues and gains:

- First Priority: Avoid reductions in total endowment distributions
- Second Priority: Maintain adequate Earnings Reserves to protect the current level of distributions from temporary income shortfalls
- Last Priority: Increase both distributions and Permanent Fund corpus faster than inflation and population growth

Distribution Policy Management Principles

- Distribute a conservative estimate of long-term sustainable income every year
- Maintain distributions when income temporarily falls below long-term expectations by saving up income in a reserve when it exceeds expectations
- Grow both distributions and permanent corpus proportionately, more than offsetting losses from inflation and dilution from population growth by reinvesting sufficient income back into principal

Constraints on Wasting Principal (Corpus Growth Objectives)

A major risk any endowment faces is that assets will be depleted to satisfy the beneficiary's current needs at the expense of long-term needs. Many states have succumbed to pressure to spend down their endowment funds. Idaho has several protections in place to mitigate this pressure: ⁱⁱ

- Federal law and state Constitution: Prohibits spending original principal, including the proceeds of land sales
- State statute: Requires that principal grow at least at the rate of inflation before any market appreciation of the Permanent Fund can be considered distributable incomeⁱⁱⁱ
- Land Board policy objective: Requires that principal grow faster than the rate of inflation and population growth^{iv}

Determining Annual Distributions^v

Distributions are initially calculated as a percent (the policy distribution rate^{vi}), multiplied by the Permanent Fund balance^{vii} (three-year-average to partly smooth variation in the equity markets)

- Current policy distribution rates are 5% for all endowments except State Hospital South (7%)

Distributions may be further adjusted, up or down, to reflect the reserve balance (and any other relevant factors):

- If reserves are adequate, distributions are maintained even when the Permanent Fund shrinks (actual rate > policy rate)
- If reserves are not fully sufficient (not at target), distributions are maintained even when the Permanent Fund rises (actual rate < policy rate)
- If reserves are unusually low, distributions may be reduced (actual rate < policy rate)

Honoring Beneficiaries' Strong Preference for Sustainable Distributions

Beneficiaries and legislators clearly indicate that a reduction in distributions (if actual income turns out to be low) is much more difficult for them to adjust to than it is to temporarily forego an increase if actual income turns out higher than a conservative expectation. Therefore, it is prudent to base both the policy distribution rate and the annual distribution on a conservative expectation of fund and land earnings^{viii}.

Determining Transfers to the Permanent Fund^{ix}

Excess income is converted to (transferred to) Permanent Fund corpus when reserves are deemed fully sufficient: i.e., exceed targeted years^x of the planned distribution (six years for Public School and seven years for all other endowments).

Measuring the Balance of Current and Future Beneficiaries' Interests

Over time, balance is achieved when all (and only all) "real" income is distributed.

Balance is specifically measured by the following relationship:^{xi}

- o Actual distributions *plus* growth in reserves
equals
- o Actual income (land & fund), *minus* income converted to principal

Earnings Reserves Serve Two Roles

The Earnings Reserve is not a "rainy day" fund to be drawn down when other state revenues falter. Its purpose is to be a:

1. Buffer against volatility in land income and fund return – a bank for unusually high earnings to be used to maintain distributions in lean times
2. Benchmark to determine when spendable reserves are fully sufficient so that any additional earnings can be reinvested in permanent principal (to maintain purchasing power and sustainably increase distributions)

Investment of the Earnings Reserve Fund

Because the fund intends to hold an adequate level of reserves into perpetuity, this long investment horizon allows reserves to be invested in the same risk/return portfolio mix as the Permanent Fund

- In extreme cases, low reserves may require moving the reserves to a more conservative asset mix (which may lock in losses)

Role of Endowment Distributions in the Overall Appropriation Process

Endowment distributions only satisfy a small portion of each beneficiary's annual spending needs, so those needs are essentially irrelevant in determining distributions. The EFIB recommends the Legislature address total beneficiary needs and short-term variations in tax receipts^{xii} so that distributions can be stable and growing, based solely on the long-term earning capacity of the endowment. A consistent, high-returning asset mix cannot be maintained if distributions vary based on tax revenues.

Endnotes

ⁱ The Mission can also be restated in a more measurable form:

The Idaho Endowments will maximize the prudent distribution if they:

- Earn strong real income in the fund and from the land
- Maintain adequate reserves to prevent reductions in distributions
- Reinvest income to protect future purchasing power

ⁱⁱ To ensure these strict legal protections of the future beneficiary do not overrule the interests of the current beneficiary, Land Board policy requires that distributions grow proportionately with principal over the long term.

ⁱⁱⁱ The statutory method for achieving inflation protection is measured by the "Gain Benchmark" (June 2000 original principal, adjusted for deposits and inflation). The cumulative total appreciation below inflation must be retained in the Permanent Fund, but any excess (measured at fiscal year-end) flows to Earnings Reserve as income, generally in September (this can be a large amount in one year or zero for several years).

^{iv} The Land Board policy objective of keeping up with population growth:

- Makes real per capital distributions equivalent, current vs. future
- Is achieved by transferring (reinvesting) sufficient excess retained income from Reserves to Permanent Fund principal so it can never be spent

The current assumed population growth is 1.8% per year, except for Public School which is assumed to be 1.0% per year.

^v Distributions can be changed at any time, but to facilitate the budget process, are usually determined annually at the August Land Board meeting for the following fiscal year.

^{vi} The policy distribution rate is based primarily on a conservative estimate of expected total income. When expected long-term earnings change significantly, the policy distribution rate should change (see note 10). However, to protect the corpus, the policy rate should not be raised (i.e., distributions constrained) if Permanent Fund balance objectives have not been achieved.

^{vii} Calculating distributions as a percentage of the Permanent Fund is both a mechanism and an incentive to balance the interests of current and future beneficiaries. This structure ensures that:

- In normal conditions, distributions to current beneficiaries increase proportionately with the permanent fund balance
- Increases in distributions are sustainable (supported by sufficient permanent assets)
- Holding excess reserves is discouraged

Transfers from Earnings Reserve, both historical and approved but not completed, are added to the annual amounts used in calculating the three-year average Permanent Fund balance.

^{viii} To reflect the desired conservative bias in setting policy distribution rates:

- Policy distribution rates should be increased only based on a conservative “downside” forecast of long-term income: e.g., 25th percentile fund earnings and 20th percentile land revenue forecasts
- Policy distribution rates should be reduced if the current rate can only be justified with optimistic earnings and revenue forecasts. Ideally, the reduction in the rate would be accomplished by holding the distribution (in dollars) constant for a long period. However, an immediate cut in the absolute dollars would be required if reserves are low.

To reflect a conservative bias in setting annual distributions, the viability of a proposed distribution is tested by forecasting the coverage ratio over the next three years based on a “low” forecast of timber earnings and a 2% fund return.

It is impossible to eliminate the possibility of a reduction in distributions, but the policy is designed to allow at least two years warning of a potential reduction, consistent with the time lags inherent in the state budgeting process. If a fund is unable to make an appropriated distribution, that would be considered a catastrophic failure of the process. In the past, three endowments have experienced catastrophic failures (i.e., had insufficient reserves to pay promised distributions): Public School (2003), Ag College (2005) and Charitable Institutions (2005).

^{ix} Transfers of excess reserves to the Permanent Fund are generally approved annually at the August Land Board meeting, based on balances as of the previous year end and approved distributions for the next fiscal year, but actually done in September

Requiring that reserves which exceed a sufficient or target level be converted to corpus (i.e., transferred to the Permanent Fund) reduces the temptation to:

- Make large, one-time distributions of accumulated income to the detriment of future beneficiaries
- Hoard income to avoid an increase in distributions that would automatically result from a conversion

^x The determination of how many years of reserves is sufficient was based on the combined volatility of fund returns and net land revenues, which is heavily influenced by the fact that in a severe equity downturn (once every 25 years), no distributable income would be available from the Permanent Fund for about five years because the Permanent Fund would retain all of its income to rebuild the corpus. A temporary increase in the years of reserve, above the targeted level, may be called for if there is a temporary reduction in expected income (e.g., timber harvest is predicted to be unusually low). Reserves for the three endowments with cabin site dispositions will be allowed to rise up to a year above target, pending an update of the distribution models to reflect the impact of the dispositions on the desired reserve levels.

^{xi} There will always be temporary deviations from this balance because actual income after inflation will vary from the expectations used to establish the distribution rate.

^{xii} The Land Board has the legal authority to consider a beneficiaries' other sources of revenue in setting distributions and therefore could attempt to adjust distributions in response to changes in tax receipts or fund income. However, only the Legislature has the Constitutional responsibility and authority to balance a beneficiary's total spending in excess of endowment distributions with tax revenues. When endowment distributions decline, the Legislature can choose to provide tax revenues to maintain the total level of spending they believe is appropriate. When endowment distributions rise, the Legislature can choose to reduce tax revenues to maintain the level of total spending they believe is optimal. The Land Board has no control over tax revenues and would be unable, without the Legislature's consent, to adjust distributions in response to changes in tax receipts. Also, the Legislature is in a better position than the Land Board to balance a beneficiary's unfunded needs with all other expenditure requests and options to increase or decrease tax revenues.

STATE BOARD OF LAND COMMISSIONERS

December 17, 2024

Regular Agenda

Subject

2024 Endowment Land Asset Management Plan Review

Question Presented

Shall the Land Board approve the 2024 Asset Management Plan?

Background

At its November 18, 2014, meeting, the Land Board accepted the Asset Allocation and Governance Review from Callan Associates (Callan Report). The Callan Report included the following recommendation: "The Asset Management Plan should be reoriented to a strategic plan...."

In 2016, the Asset Management Plan draft was authorized by the Land Board's Investment Subcommittee. A public comment period was held; no comments were received. The draft Asset Management Plan was presented, with a five-year review schedule, and unanimously approved by the Land Board on May 17, 2016. The plan was last reviewed and approved in November 2021.

Discussion

The Land Board's Investment Subcommittee met on December 10, 2024 and authorized presentation of the updated Asset Management Plan to the Land Board for approval. The Asset Management Plan was reviewed earlier than scheduled to match updates made to the Statement of Investment Policy.

Major revisions include an historical look at ownership changes over time both in tabular and map format as shown in the redlined Asset Management Plan (Attachment 1). Additionally, updates were made based on data from end of Fiscal Year 2024 for the various asset classes and associated instruments (contracts, leases, etc.) used to manage assets to meet the constitutional mandate of maximizing revenue over the long term.

Key changes from the 2021 Asset Management Plan in this draft:

- Updated history of initial land classification and added language regarding reclassification.
- Timberland ownership increased from 1,030,468 acres in 2021 to 1,048,834 acres in 2024 through reinvestment of Land Bank funds.
- Reduction in residential leases from 71 to 43 sites.
- Added leasing into Commercial Real Estate section to utilize framework for future ground leasing opportunities.

This revised Asset Management Plan is a companion document to the Investment Policy Statement.

Recommendation

Approve the 2024 Endowment Lands Asset Management Plan.

Board Action

Attachments

1. 2024 Asset Management Plan-redline
2. 2024 Asset Management Plan-clean



**Idaho State
Board of Land Commissioners**

**Endowment Lands
Asset Management Plan**

~~November 16, 2021~~ December 17, 2024

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I. Overview

A. PURPOSE

This document provides strategic direction to the Idaho Department of Lands (IDL) for the management of endowment lands. Bureau Chiefs and their staff, primarily for timberland, real estate, farmland, and rangeland, will develop and maintain program-specific business plans to guide the individual programs in the management tactics on endowment lands. The program-specific business plans will provide direction to support the strategies in this Asset Management Plan.

B. BACKGROUND

The Idaho Constitution establishes the State Board of Land Commissioners (Land Board) as the trustee over the assets of the nine endowments. As trust manager, the Land Board is obligated to manage the assets of each trust with undivided loyalty to the beneficiaries of the trusts. Idaho Code § 58-101 created the Idaho Department of Lands (IDL) to serve as the manager of the non-financial assets of each trust. Similarly, Idaho Code § 57-718 created the Endowment Fund Investment Board (EFIB) which formulates policy for, and manages the investment of, the financial assets.

C. RELATED DOCUMENTS

Policies for endowment investments, including land assets, are found in the Investment Policy Statement, presented to the Land Board for initial approval in 2016 and annually thereafter. The Investment Policy Statement provides direction and performance measures for financial and land assets as a combined trust. The Investment Policy Statement also details the governance structure approved by the Land Board in 2015 and updated in 2022.

The Callan Report, authored by Callan LLC (Callan) and accepted by the Land Board in 2014, provided guidance to the Land Board regarding the Board's role as strategic managers, asset allocation, governance structure, investment policy, asset valuation, and managing the endowment assets as a combined trust. The Callan Report recommended development of the Investment Policy Statement and Asset Management Plan.

The Endowment Fund Reform Progress Report (2013), also known as the Maynard Report, provided a status update on endowment reform and made several recommendations, particularly related to asset valuation and third-party verification. The progress report, like other similar previous efforts, was a precursor to the Callan Report.

The IDL Strategic Plan was completed in 2016 and has been updated annually since that time. The Strategic Plan ~~will have~~provides major goals for IDL and strategies/tactics to make progress toward those goals~~that will be developed throughout the agency.~~

The Strategic Reinvestment Plan, presented to the Land Board for approval in 2016, and last reviewed in December 2023, provides direction for the reinvestment of Land Bank funds. The Strategic Reinvestment Plan was primarily authored by Callan in their role as the Land Board's general consultant and investment consultant to the Endowment Fund Investment Board (EFIB).

The Cottage Site Plan, revised and approved by the Land Board in 20~~22~~16, provides direction for the remaining leases and disposal of residential real estate. The proceeds from the sale of the land assets are transferred to the Land Bank for reinvestment.

Commercial Real Estate Business Plans, approved by the Land Board in 2016, provide direction for the disposal and retention of commercial real estate assets. The proceeds from the sale of those assets are transferred to the Land Bank for reinvestment. Most commercial real estate addressed by the plans was disposed of in 2017, with several parcels retained by the Land Board for business purposes.

Business plans for IDL land management programs contain the tactics that support this Asset Management Plan. Business plans should be updated and revised on a schedule detailed in each plan or as changing conditions dictate. Business plans provide the ongoing, specific direction for land asset management practices. An example outline for business plans is found in the Appendix. The priorities for business plan development are timberland, real estate, rangeland, and farmland. Other asset classes/programs are expected to initially focus on establishing and maintaining policies and procedures rather than business plans.

The Distribution Policy², established by the Land Board and managed by the EFIB, is included in the Investment Policy Statement and defines how proceeds from land management (and financial assets) are passed on to the beneficiaries.

The Greater Sage-Grouse Conservation Plan, approved by the Land Board in 2015, summarizes conservation measures for endowment land programs that are complementary to the Idaho Alternative for sage-grouse conservation actions on federal land. The plan communicates that there are adequate existing regulatory mechanisms in place to alleviate the primary threats to sage-grouse and sage-grouse habitat to prevent a listing under the Endangered Species Act. Finally, the plan preserves the statutory responsibility of IDL to manage endowment lands under a constitutional mandate to maximize long-term returns to endowment beneficiaries. The plan specifically describes how sage-grouse conservation measures will be

applied on endowment lands. The conservation measures are applicable to a variety of activities on endowment lands, including but not limited to fire management, leasing, regulatory, assistance, and rangeland management. While this Asset Management Plan will not restate direction from the Greater Sage-Grouse Conservation Plan, the direction will apply to land management practices where practical.

D. ASSET MANAGEMENT PHILOSOPHY

To fulfill its fiduciary duties to each individual endowment, the Land Board as trustee for the State of Idaho will:

1. Invest in land assets and financial instruments consistent with the powers and limitations imposed by the Idaho Constitution and Idaho Code.
2. Manage the endowment land and financial assets as a whole trust on a total return basis.
3. Seek to optimize return from ~~both the endowments' land and financial assets~~ the whole trust by managing risk through diversification of holdings over time.
4. Ensure that significant land holdings will be maintained in perpetuity, ~~since they~~ to provide material diversification and inflation protection to ~~an endowment's~~ the endowment portfolio.
5. Seek to reposition or reclassify parcels to reduce risk, lower management costs, and increase prospects for immediate and sustainable income, recognizing that much endowment land remains in the original scattered parcels obtained from the federal government.
6. Provide for the appropriate and reasonable management expenses of each endowment from its own income.
7. Accommodate public use of endowment lands, to the extent feasible, provided such use does not impair financial returns.

E. PROTECTION OF PRINCIPAL

Proceeds from the sale of endowment lands will never be distributed but must be reinvested in land within five years or transferred to the permanent endowment funds. The Strategic Reinvestment Plan as adopted by the Land Board provides direction regarding reinvestment of Land Bank funds.

Proceeds from extracted mineral resources will never be distributed but must be deposited to the permanent endowment funds.

F. THE LAND BANK FUND

Article IX Section 4 of the Idaho Constitution and Idaho Code § 58-133 provide for the sale and reinvestment in real property through a land bank. The Land Board views the Land Bank as an essential tool that can be used when new land acquisition opportunities are identified. Acquisitions can include easements or parcels of land used to secure or improve access.

II. Endowment Assets

Endowment assets of the state of Idaho consist of both land and ~~funds~~ financial assets. All endowment assets are held in trust by the state in nine endowment trusts. The state initially received grants of over 3.65 million acres of land in trust from the federal government in the Idaho Admissions Bill and through other federal acts. Historians of Idaho's constitutional debates note, "The land was to be managed according to private trust law and free from political influence and consideration...to support education [and] with the profits from these lands to relieve taxpayers from the burden."¹ Over time, properties were sold or exchanged, with proceeds from the sales and certain other income deposited in the endowment funds.

The land trust consists of real estate, which is defined by case law and in statute² as land and possessory rights to the land, ditches, water rights, mining claims, structures and improvements affixed to the land and all things for an infinite distance above as well as below the surface of the land. Land assets owned by the endowment trusts must possess legal, transferable ownership, and must exist within the boundaries of the state of Idaho.

A. OVERVIEW OF OWNERSHIP

Idaho's endowment lands were granted by the federal government to be held in "trust" and to provide financial support for the various institutions.³ The first land grant was made under the Territorial Act of 1863, granting sections 16 and 36 of each township for the support of public schools. The Territorial Act of 1883 granted 46,080 acres for the support of the state university. Upon admission as a state on July 3, 1890, the Idaho Admission Bill reconfirmed the previous grants, and provided an additional 50,000 acres for the support of the state university, plus lands for the support of seven additional institutions.

Because many of the sections granted for the support of the public schools were already in private ownership prior to statehood, the Bill directed the state to select replacement lands from the public domain. The exact acreage due the public schools was determined by assuming 1/18 of the total area of the state as published in the June 30, 1931, annual report of the General Land Office (53,688,320 acres).⁴

¹ Colson, Dennis C. (2011). Compilation of notes from the Idaho Constitutional Convention in Boise, Idaho held July 4, 1889. Idaho Endowment Lands and The Idaho Constitution, p. 4 and 8.

² Idaho Code § 55-101, Black's Law Dictionary, Reynard v. City of Caldwell, 55 Idaho 342, 42 P.2d 292, 296 (1935).

³ Pursuant to the Idaho Constitution, endowment lands, like other state property, are exempt from taxation. Article VII, Section 4 states in part, "The property of ...the state, counties, towns, cities, villages, school districts and other municipal corporations and public libraries shall be exempt from taxation." The reason for such exemption is that it impedes the purpose and use of the property. The exemption is offset by the fact that endowment lands provide resources for local businesses which in turn pay taxes and employ people in the local communities. *The Economic Activity of Idaho's Endowment Trust Lands*, Dr. Peter R. Crabb, Ph.D., July 2011, estimated as of the end of fiscal year 2010 that Idaho's Endowment Trust Lands contribute \$133 million in annual economic activity (net of management expenses) and support nearly 2,000 jobs in the state of Idaho.

⁴ The other institutions were also directed to select lands to fulfill their grants from the public domain.

From the outset, there was considerable debate over whether or not to sell the endowment lands and invest the proceeds in a permanent fund, or whether the lands should be retained and managed. Initially, Idaho chose to concentrate on selecting high-valued agricultural and grazing lands with the intention of selling them.⁵ Timberlands were selected with the intention of removing the timber and then selling the land as agricultural or grazing lands. Because many of the granted lands were within National Forest Reserves, they were traded for lieu lands of equal value lying in more convenient locations.

Idaho began selling land immediately, resulting in about 33 percent of the original land grant acreage being sold to date. The majority of lands were sold between 1900 and 1940, with over 12 percent of the total acres granted being sold between 1911 and 1920 alone. While land sales significantly reduced acreage between 1890 and 1940, over the past 60 years some acres returned to the trusts through land sale contract forfeitures, loan foreclosures, purchases, and land exchanges. The final lieu land selections from the federal government were not finalized until 1998. The following table illustrates the ownership of the various institutions through time.

Endowment Ownership Through Time

<u>Institution</u>	<u>1890</u>	<u>1940</u>	<u>2024</u> <u>2021</u>
Public School	2,982,683	2,543,962	<u>2,125,913</u> <u>2,103,037</u>
Agricultural College	90,000	42,836	<u>33,822</u> <u>33,527</u>
Charitable Institutions	150,000	86,085	<u>77,299</u> <u>77,245</u>
Normal School	100,000	53,389	<u>62,848</u> <u>61,021</u>
Penitentiary	50,000	34,051	<u>28,850</u> <u>28,915</u>
School of Science	100,000	74,714	<u>75,457</u> <u>75,493</u>
State Hospital South ⁶	50,000	30,315	<u>37,033</u> <u>35,942</u>
University of Idaho	96,080	51,316	<u>55,090</u> <u>55,091</u>
Capitol ⁷	32,000	14,719	<u>7,286</u> <u>7,283</u>
Totals	3,650,763	2,931,387	<u>2,503,598</u><u>2,477,552</u>

Totals may not match due to rounding.

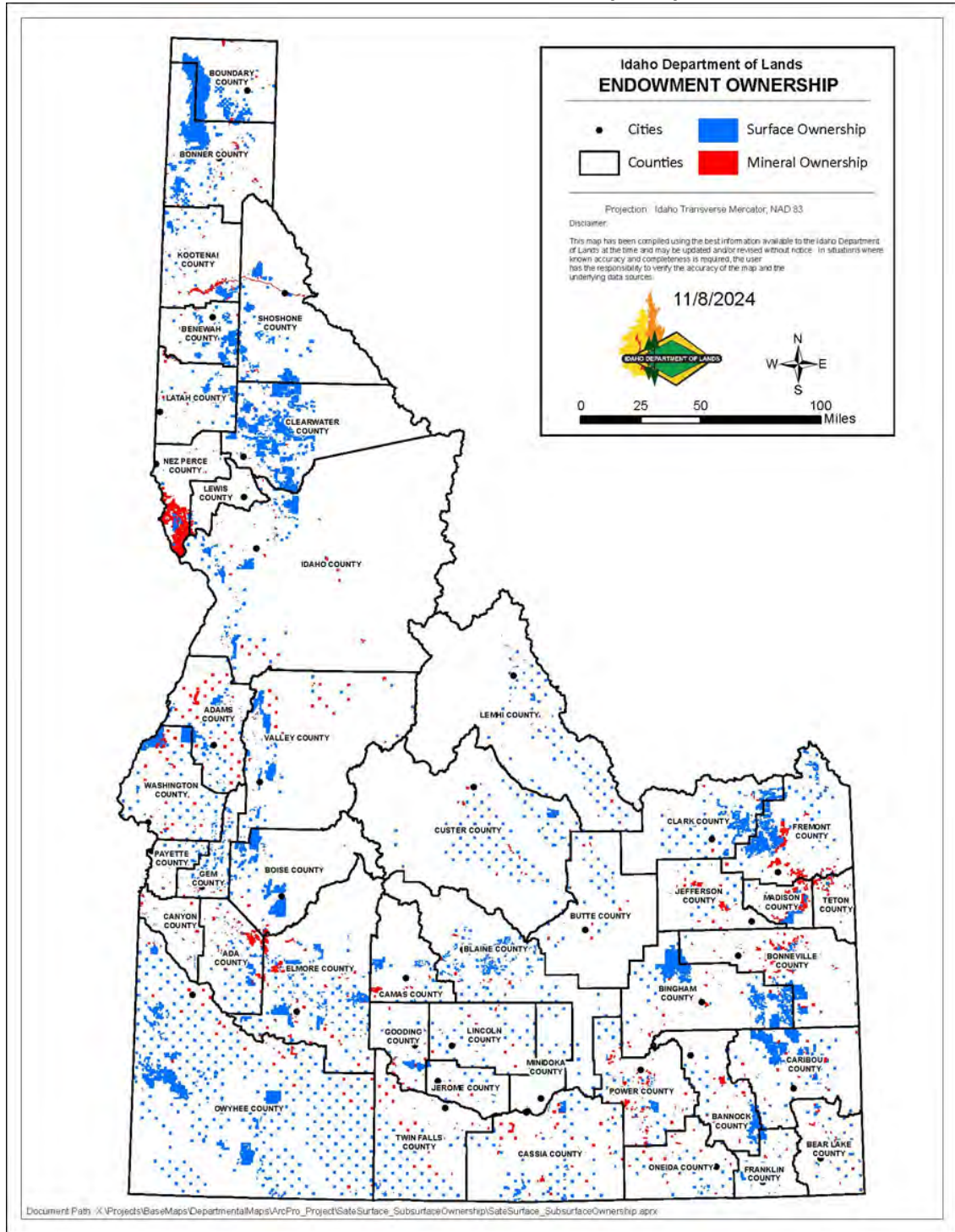
⁵ A Preliminary Report on Management of State-Owned Lands In Idaho. Prepared by The Technical Advisory Committee on Land Management for The Idaho State Planning Land Board, December 1940.

⁶ At statehood, the State Hospital South endowment lands were originally granted as the Insane Asylum endowment.

⁷ At statehood, the Capitol endowment lands were originally designated as the Public Building endowment.

As can be seen in the endowment land ownership map below, the ownership pattern is very scattered and disjointed due to the original public school land grants, the selection process for replacement, in lieu and other endowment lands, and the selling or sale, exchange, and acquisition of various lands.

Endowment Land Ownership Map



Current Land Acres by Endowment

Endowment Ownership – ~~2024~~2021

	Acres	% Total
Public School	2,103,037 2,125,913	84.88 84.91%
Agricultural College	33,527 33,822	1.35%
Charitable Institutions	77,245 77,299	3.12 3.09%
4/15 Idaho State University		
4/15 Juvenile Corrections Center		
4/15 State Hospital North		
5/30 Veterans Home		
1/30 School for the Deaf & Blind		
Normal School	61,021 62,848	2.46 2.51%
1/2 Lewis-Clark State College		
1/2 Idaho State University		
Penitentiary	28,915 28,850	1.17 1.15%
School of Science	75,493 75,457	3.05 3.01%
State Hospital South	35,942 37,033	1.45 1.48%
University of Idaho	55,091 55,090	2.22 2.20%
Capitol	7,283 7,286	0.29%
Totals	<u>2,477,5522,503,598</u>	<u>100.0%</u>

Totals may not match due to rounding.

Land trust assets are classified according to their “primary” use and the characteristics of the land. For example, Timberland currently has timber or the capacity to produce timber for harvest, Farmland is used for agricultural purposes and is often cultivated, and Rangeland has typical range vegetation and supports grazing animals. Neither highest and best use of the land nor the chief value to the trust beneficiaries was considered when the land was classified by IDL. Those factors would be considerations during reclassification decisions on a parcel by parcel basis.

Secondary uses are allowed when they do not adversely impact the primary use and the intended financial return, or when the financial return is improved due to the additional use. This is unlike federal lands or other public lands which are managed for multiple uses or for the benefit of the general public regardless of their financial return. Land asset classifications can be changed by the Land Board or IDL, depending on value, to meet changing markets or to capitalize on emerging alternative opportunities to improve land management and resulting financial returns. ~~Overall asset allocation target ranges have been established for the total endowment portfolio by Callan LLC in their 2018 update.~~

Categorizing lands into asset classifications allows:

- Customizing plans and strategies so they can optimize returns based on specific asset characteristics.
- Monitoring performance by benchmarking against similar private industry and other trust land managers.
- Development of appropriate instruments to maximize revenues (leases, contracts, permits, etc.)
- Comparing actual land asset allocation to recommended target ranges and adjustment over time.

Asset Classification	Asset Description
Timberland	Lands capable of regenerating and growing successive crops of commercial forest products on a sustainable basis.
Farmland	Lands used for growing cultivated plants or agricultural produce (grains, hay, vegetables, and/or fruits).
Rangeland	Lands supporting natural vegetation, generally grasses, forbs and small brush, suitable for grazing by domestic livestock and wildlife.
Commercial Real Estate	Lands normally recognized as “commercial” in local zoning regulations, including retail and light industrial businesses and parking lots.
Residential Real Estate	Land intended for sale or lease for residential subdivision, individual parcels or lots (includes cottage or cabin sites).
Minerals	Includes lands managed for the production and sale of sand and gravel, oil and gas, coal, and other minerals including precious metals, decorative rock, phosphates, etc.

B. LAND MANAGEMENT PHILOSOPHY

The Land Board manages the real estate in its endowment portfolio to capture the full economic value of such lands and improvements for endowment beneficiaries. Pursuant to Article IX Section 8 of the Idaho Constitution, the Land Board is required to “provide for the location, protection, sale or rental of all the lands heretofore, or which may hereafter be granted or acquired by the state by or from the general government, under such regulations as may be prescribed by law, and in such a manner as will secure the maximum long-term financial return to the institution to which granted...” In pursuit of this objective the Land Board will contract with private entities to operate business activities upon the land trust assets.

As the Supreme Court stated in *Barber Lumber Co. v. Gifford*, it is the “land business of the state that is placed in the hands of the state Board of land commissioners.” 25

Idaho at 669,139 p. at 562. The Land Board, as trustees of Idaho's endowment trusts, will be guided in its management by the "prudent investor rule," Idaho Code § 68-502(1), which includes development "of an overall investment strategy having risk and return objectives reasonably suited to the trust" (Idaho Code § 68-502(2)).

C. MANAGEMENT OBJECTIVES BY ASSET CLASS

Management Goals

- Protect and enhance the value and productivity of the land assets.
- Maximize financial returns from land assets over time.
- Encourage a diversity of revenue-producing uses of land assets.
- Manage land assets prudently and efficiently with accountability to the beneficiaries.

These goals are best achieved by establishing general operating expectations for endowment trust lands, including but not limited to the following:

- Preserving land holdings where leasing and land appreciation will generate a competitive rate of return.
- Seeking to enhance land values before considering sale, or exchange of underperforming land assets.
- Acquiring lands and resources within traditional asset classes when the acquisition will add value or diversification to the overall-whole trust portfolio.
- Selling lands, structures, and resources when the outcome adds value to the overall-whole trust portfolio.
- Exchanging lands and resources when the exchange will add value or diversification to the overall-whole trust portfolio.

This document represents a framework to drive further planning. Detailed underlying business plans for specified programs shall ensure that management activities are consistent with and contributing to the overall asset management goals. Such plans may, where appropriate:

- Provide an executive summary of the plan for the asset classification.
- Describe the current and future influences on plan implementation and performance.
- Analyze past and present return on asset performance, current asset value, current asset characteristics, and future expected returns.
- Recommend long-term financial and land management objectives for the asset classification.
- Detail opportunities and challenges the asset classification faces and specify plans for capitalizing on opportunities and dealing with challenges.
- Define the revision timeline for the plan.

1. Timberland

The endowment's timberland asset consists of approximately ~~1,030,468~~ 1,048,834 acres managed primarily for commercial forest products. Management complies with all applicable federal and state statutes, such as the Federal Clean Water Act and the Idaho Forest Practices Act.

Management Objectives

- Reduce risk and increase prospects for sustainable annual income.
- Realize an overall return on asset consistent with the objectives in the Investment Policy Statement.
- Produce forest products that meet market demands.
- Identify and exchange or ~~transition-reclassify~~ underperforming ~~forestland~~ timberland assets to increase economic performance of the asset class and long-term returns to the beneficiaries.
- Pursue acquisition, through purchase or exchange, of timberland that improves the productivity and financial return of the timberland portfolio.

Challenges

- Ensuring all-purpose, permanent, and legal access to ~~forestland~~ timberland parcels.
- ~~Balancing~~ Limiting increases in management expenses ~~against revenue generated~~ while increasing gross income.
- ~~Changes~~ ing to social and political attitudes and values may impact land management practices.
- ~~Legal challenges~~ Changes to interpretation and application of the Endangered Species Act and the Clean Water Act.
- ~~Changes~~ ing to ownership and land management practices of federal and private land holdings.
- Changes in domestic and global markets and forest products industry infrastructure impacts demand and pricing for endowment forest products.
- ~~Gaining~~ Maintaining support for acquisition of additional timberland for the endowments.
- ~~Timberlands cannot be sold, but can be exchanged.~~

Opportunities

- Changing sawmill technology, markets, and products that provide new business opportunities.
- Consistent long-term income and return on asset from productive and diverse timberlands primarily due to biological growth and positive impacts of intensive management.

- Geographically consolidate management of endowment land by blocking up parcels where consistent with land management objectives.
- Capture higher value by exchanging or reclassifying timberlands adjacent to population centers.

2. Residential Real Estate

Idaho has leased residential sites since 1932. These properties consist of cabins and single-family homes where the lessee is authorized to construct and own the improvements. Currently, the endowments lease 71-43 sites (202421), with the majority located on Priest and Payette Lakes. The ability to garner asset appropriate rental rates has long been debated. Experience and basic economic principles demonstrate that, in instances of split ownership of land and improvements, the economic potential of the property is often captured by the owner of the improvements without a corresponding benefit to the landowner. In February 2010May 2011, the Land Board voted to unify the cottage site estate, recognizing that the continuation of a long-term cottage leasing program falls short of maximizing the financial return that could be generated from alternative investments.

Management Objectives

- Execute the approved Cottage Site Plan to unify the estate in a business savvy manner to maximize return to the trust beneficiaries.
- For the duration of the cottage site leasing program, develop and manage residential leases that appropriately compensate the endowments.
- ~~Plan for the long term status of remaining cottage sites after full implementation of the current cottage site voluntary auction for ownership (VAFO) process.~~

Challenges

- Volatility in real estate values associated with lake side or lake view property makes it challenging, controversial, and costly to administer a process of determining annual rent that is both embraced by leaseholders and achieves an appropriate return on asset.
- Executing the Cottage Site Plan in a business savvy manner to provide an orderly market transition, both in disposition and reinvestment.

Opportunities

- Reinvest the proceeds from the sale of cottage sites in a manner consistent with the Strategic Reinvestment Plan.
- Explore alternative leasing opportunities to capture an appropriate lease value and keep the estate whole.

3. Commercial Real Estate and Leasing

Idaho has a long history of leasing properties for various commercial activities (e.g., communication sites, military use, and recreation). While ownership of commercial buildings and parking lots ~~is being~~ has mostly been phased out, leasing of other endowment lands for commercial uses will continue because it provides an attractive opportunity for increased revenue from the land asset portfolio. Other commercial real estate leasing activities include, but are not limited to, energy resources (wind, hydro, geothermal), communication sites, ~~ski resorts,~~ commercial buildings, etc. Leases will be offered based on business principles that will ensure the maximum long-term financial return to the endowment beneficiaries.

Management Objectives

- ~~For the duration of the program, d~~Develop and manage commercial leases that achieve a rate of return consistent with objectives in the Investment Policy Statement.
- Ensure lease terms and conditions ~~comport~~ are consistent with industry standards.
- Ensure tenant improvement allowances associated with the commercial building leasing program represent necessary structural and finish requirements to property but not personal property of a prospective tenant.
- Contract property management and leasing activities, where appropriate, to ensure professional, consistent, and quality service.

Challenges

- Managing deferred and future maintenance, including capital improvements, on endowment owned facilities to accommodate market needs.
- Ensuring that lessees manage deferred and future maintenance, including capital improvements, on non-endowment owned improvements.
- Comparing performance measures to industry benchmarks, given the differences between private sector and governmental accounting practice, including but not limited to private investor practices such as accrual accounting, depreciation of capital improvements over time, and the use of leverage.

Opportunities

- Reinvest the proceeds from the sale of commercial real estate in a manner consistent with the Strategic Reinvestment Plan.
- Geographically consolidate management of endowment land by blocking up parcels where consistent with land management objectives.
- Pursue leasing of endowment land for commercial activities as opportunities arise.

4. Farmland

The endowment's farmland asset consists of approximately ~~19,172~~^{19,093} acres of dryland and irrigated cropland administered through ~~63~~⁶⁴ leases. Some agriculture uses are leased in combination with grazing uses. The farmland asset includes lands used for cultivating alfalfa hay, barley, beans, corn, potatoes, safflower, wheat and organic crops.

Management Objectives

- Develop and manage long-term agricultural leases that achieve a rate of return consistent with objectives in the Investment Policy Statement.
- Enroll endowment lands in federal agricultural programs, when appropriate.

Challenges

- Acquiring water rights.
- Ensuring endowment lands remain eligible for enrollment in federal agricultural programs.
- Developing economy of scale in the farmland leasing program.

Opportunities

- Diversifying the endowment land revenue stream.
- Geographically consolidating management of endowment land where consistent with land management objectives.
- Developing agricultural use on existing endowment ownership through the acquisition of water rights.

5. Rangeland

The endowment's rangeland asset consists of approximately ~~1,433,868~~^{1,426,772} acres of rangeland administered through ~~1,115~~^{1,106} grazing leases and numerous other instruments covering a variety of activities. Livestock forage productivity and availability varies significantly across the state due to factors such as climate, vegetation types, topography, and access to water. Some lands are of sufficient size and productivity to stand alone as a grazing unit; however, most endowment lands are managed with adjoining ownerships.

Management Objectives

- Develop and manage long-term grazing leases that achieve a rate of return consistent with the objectives in the Investment Policy Statement.
- Identify and dispose of or ~~transition~~^{reclassify} underperforming rangeland assets to increase economic performance and improve land asset diversity.
- Minimize contractual and environmental risks.

- Identify programmatic or statutory changes that maximize long-term returns.

Challenges

- Rangeland is not considered an institutional asset class. Grazing lease income rarely generates a sufficient rate of return to justify acquisition (or retention) by the endowment based on reasonable return on investment criteria.
- Consolidating land ownership through federal and private land exchanges, including exchanges for other land asset types.
- Ensuring all-purpose, permanent legal access to high-value, core rangeland parcels.
- Improving management regimes.
- Environmental constraints.
- Limited competitive bidding.
- Updating AUM (Animal Unit Month) rate calculation.
- Balancing management expenses against revenue generated.

Opportunities

- Geographically consolidating management of endowment rangeland where consistent with land management objectives.
- Exchange of rangelands for other land asset types with greater income and return potential.
- Rangelands adjacent to population centers may present transition land reclassification opportunities.
- Updating AUM rate calculation.
- Updating total AUM available on endowment rangeland through improved data collection and management planning.

6. Minerals/Oil and Gas

Idaho has mineral rights on approximately 2.52-4 million acres of surface ownership and on about 0.9 million acres with mineral rights only. Phosphate and sand-gravel are the primary products extracted from endowment lands. Management complies with all applicable federal and state statutes, such as the Federal Clean Water Act, the Idaho Mined Land Reclamation Act, and the Idaho Dredge and Placer Mining Protection Act. IDL administers mineral leases for endowment lands, endowment mineral rights, and for other state-owned lands.

Natural gas exploration and production has increased in recent years with the potential for long-term production and associated revenue. Management of this relatively new industry in Idaho has presented administrative challenges.

Management Objectives

- Minimize contractual and environmental risks associated with extractive industries.
- Lease lands for potential mineral products that capitalize on market demands.
- Identify programmatic or statutory changes that maximize income from mineral assets.

Challenges

- Ensuring that returns from mining activity adequately compensate for post-mining land use and values.
- Ensuring adequate funding from a combination of dedicated and general funds to deliver regulatory programs consistent with legislative direction.
- Development of efficient administrative structure and processes.
- Managing mineral resources with a split estate.

Opportunities

- Aggregate sources proximal to areas of high growth.
- Assessment of resource types and locations.
- Widespread and diverse mineral resources.
- Increased production revenue from oil and gas development.
- Acquisition of lands with mineral rights through purchase or exchange.

Active Management

While endowment lands are actively managed to maximize long-term revenue for the beneficiaries, active management also provides other long-term benefits that may not be considered when financial performance is evaluated. Benefits such as improved vegetation health, reduction and rearrangement of fuels, road maintenance and protection of water quality, and various wildlife habitat structural stages often result from active management of natural resources on endowment lands.

For example, forest management practices maintain age class diversity at the landscape level, resulting in less overall susceptibility to damaging agents such as bark beetles. The reduction in fuel loading following forest management activities and slash disposal can modify fire behavior.

Grazing can be used as a management tool to maintain rangeland health. Well-managed grazing can favor desirable plants, improve habitat for wildlife, reduce weeds, and reduce fuel loading.⁸

Benefits such as those described above are difficult to quantify for use in analysis of the financial performance of an asset class.

Rights-of-Way

Rights-of-way are temporary or permanent property rights that have been either granted or acquired, for roads, utilities, or public use access. It is ~~desirable~~-critical that ~~the~~ IDL have permanent, logistically convenient, and economically efficient all-purpose legal access ~~in~~to state endowment lands, although limited duration, limited purpose legal access can also have significant value.

In conjunction with the Real Estate Services Bureau, ~~E~~ach area office shall prepare a rights-of-way acquisition plan, which identifies access needs and ~~tentative~~ time frame for acquisition. Needs shall be prioritized and based on the following management objectives:

- Achieve short- and long-term financial objectives:
 - a. Maximize long-term ability to provide income.
 - b. Improve immediate income generating potential.
 - c. Provide future investment potential.
 - d. Improve the stability of the asset.
- Improve the manageability of the land asset:
 - a. Improve access, i.e., most strategic route(s) or point(s) of entry.
 - b. Consolidate ownership patterns.
 - c. Leverage management resources with other agencies or entities.

Rights-of-way may be negotiated and acquired in the following ways:

- Easement for minimal monetary consideration or donation.
- Easement exchange.
- Work-in-kind easements.
- Easement purchase.
- Cooperative road use and maintenance agreements.
- ~~Purchase~~-Acquisition or exchange of property (fee simple) to secure access ~~route~~ and/or create consolidated ownership for rights-of-way connectivity.

⁸ *Rangelands – An Introduction to Wild Open Spaces*. University of Idaho Rangeland Center and Idaho Rangeland Resource Commission. 2011.

The True Cost of Wildfire in the Western U.S. Western Forestry Leadership Coalition. 2010.

Fuel Treatments on Rangelands. Cook and O'Laughlin. University of Idaho Policy Analysis Group. 2011.

Granted rights-of-way encumbering endowment lands generally detract from the value or reduce the utility and flexibility of endowment land management. It is the duty of the Land Board and IDL, as trustees, to protect the long-term productivity of trust lands for the beneficiaries; therefore, care must be taken to ensure the granting of rights-of-way benefit the trust and mitigate risk and liabilities to the trust.

While the state receives compensation for the property interest disposed of, this compensation often does not adequately compensate the trust for loss of utility, nor capture the superior value afforded to ~~private~~ benefitting lands as a result of enhanced access. This is especially the case in those instances wherein the private lands are considered for development. In development situations, compensation for such rights-of-way must properly account for the amount of endowment land encumbered, the bundle of rights granted, impacts to and additional restrictions on endowment land management and the increased administrative burden. Often, selling term easements or temporary permits protect the long-term flexibility of endowment lands and provide a revenue stream for the trust, while avoiding a permanent encumbrance upon the property, protecting the future value and utility of the endowment land.

Conservation

Conservation leases and easements exist on several parcels of endowment land. ~~is an activity that occurs on traditional asset classes such as farmland, rangeland, and timberland.~~ Conservation in this context occurs when certain real property rights are restricted or removed, either temporarily or permanently, for the purpose of preserving and protecting other important values. Permanent conservation easements are present on a few of the parcels the state has purchased. Conservation leases must compete at the same rates advertised for other uses.

Management Objectives

- Improving public awareness of the endowment's mission.
- Identifying land where compensated conservation encumbrances can coexist with other uses to enhance endowment earnings.

Challenges

- Comprehensive land use plans of local jurisdictions tend to improperly classify undeveloped endowment lands as conservation and/or open space.
- Limited endowment resources to participate in all federal, state, county, and city land use planning and zoning processes, and other private development activities that affect endowment lands.
- Applying monetary value to non-traditional commodities (carbon sequestration, water quality, etc.).

Opportunities

- Developing conservation instruments for lands identified.
- Exploring viability of permanent conservation easements.

Recreation

Idaho's endowment lands contain some of the most diverse landscapes in the Pacific Northwest. They include lakes, mountains, forests, desert lands, rugged breaklands, and river valleys. Thousands of people use endowment lands each year for camping, hiking, fishing, hunting, bicycling, off highway vehicle (OHV) use, berry picking, mushroom picking, and other recreational activities. Incidental public recreation is not an asset class, but the issues associated with recreation on endowment lands must be managed.

Management Objectives

- Promote and improve interagency cooperation and education for recreation on endowment land.
- Manage impacts to endowment resources and uses from dispersed public recreation.
- Utilize OHV funds to improve management and enhance OHV recreation opportunities on endowment lands.
- Revise policies to best meet growing recreation demand while ensuring that land management continues to maximize long term financial returns to the endowment beneficiaries.~~protecting revenue sources.~~

Challenges

- Managing the location and type of dispersed recreation (OHV, motorized vehicles, etc.).
- Vandalism and sanitization issues associated with dispersed recreation and camping.
- Conflicts between traditional management activities, future leasing opportunities, and non-revenue producing recreational use.

Opportunities

- Generate increased revenue for the beneficiaries and improve long-term access for recreation through new sources of endowment and dedicated funding from recreation use.
- Interagency work to improve dispersed recreation management.
- Taking advantage of available grant programs for management of recreation on endowment lands.
- Consider potential revenue producing recreational activities on endowment land, such as campground leasing.

Transition-Reclassification of Land

Lands suitable for transition-reclassification are parcels already owned by the endowment that may now, or within the next ten-five to twenty years, be suitable for a higher and better use than the current asset classification. Often these properties exhibit high property values and low annual revenues (underperforming assets) and may be encroached upon by urban development.

Management activities will focus first on lands suitable for transition-reclassification at the high end of market values (best markets), and then on land possessing best market potential within the next ten to twenty years (emerging markets).

Criteria used in identifying lands suitable for transition are:

- Appraised values above the value normally indicative of the current use.
- Regional land use planning studies.
- Resource trends and demographic changes.

Underperforming assets present transition-reclassification and diversification of revenue sourcing opportunities. IDL will work to identify and analyze such lands to determine the best solution to resolving the underperformance. Such analysis will consider:

- Minimizing management costs.
- Changing management to improve performance.
- Evaluating higher and better use potential.
- Suitability for long-term endowment ownership.

Lands suitable for transition-reclassification can be leased, or sold, subject to analysis on a case-by-case basis.

D. LAND ACQUISITION AND DISPOSAL STRATEGY

To enhance value and improve revenue streams to the beneficiaries, the Land Board will consider the exchange, disposal, and acquisition of real property within traditional asset classes. The land exchange policy to be prepared by the Real Estate Services Bureau and approved by the Land Board in December of 2022 Land Board's Investment Subcommittee will provides direction for land exchanges.

Management Objectives

- Increase long-term financial return at a prudent level of risk.
- Reduce cost through improved management efficiency.
- Acquire lands or position parcels for value maximization and efficient management.
- Enhance access to endowment land assets.

- Adjust land holdings based on current and projected market conditions to capture value in excess of target returns.
- Evaluate and prioritize proposed transactions.
- Engage private and public entities/persons for exchange opportunities.

Challenges

- Constraints pursuant to Article IX, section 8 that do not conform to modern business practices:
 - The sale of land is limited to transactions “...sold in subdivisions of not to exceed three hundred and twenty acres of land to any one individual, company or corporation.”
 - All land sales are “...subject to disposal at public auction.”
 - No more than one hundred sections of state land shall be sold in any one year.
- ~~Timberlands cannot be sold but can be exchanged for other timberlands.~~
- Disposition of University Lands is restricted as follows: “No university lands shall be sold for less than ten dollars per acre, and in subdivisions not to exceed one hundred sixty acres, to any one person, company, or corporation.”
- ~~Relatively slow~~IDL's transaction process, while improved, can be relatively slow.
- Evaluating and prioritizing acquisition and disposal transactions in an environment of limited resources.

Opportunities

- Reinvestment of the proceeds from land asset sales in a manner consistent with the Strategic Reinvestment Plan.
- Utilizing agents and contracted services to conduct proactive searches for properties based on established investment criteria.
- Using Land Investment Advisors and contracted services to assist in transactions.
- Exchange lands on an equal value basis and/or in a manner that increases the asset value and long-term financial returns.

Appendix

Example Program Business Plan Template

This template is provided as a guide. Please note that some sections may not be applicable to all programs.

- A. Executive Summary
- B. Introduction
- C. Description of Program
 - 1. Mission statement
 - 2. Goals and objectives
 - a. Short- and long-term financial goals and objectives
 - b. Short- and long-term resource management goals and objectives
 - 3. Brief history of the program
 - 4. Program strengths and core competencies
 - 5. Challenges and opportunities facing the program
 - a. Immediate
 - b. Long term
 - 6. Future outlook for the program
- D. Program Products and Services
 - 1. Detailed description of trust products and services
 - a. Current resource information (detailed)
 - b. Current asset values (brief summary)
 - 2. Describe our competitive advantages and disadvantages.
 - 3. Describe our methodology for pricing trust products
- E. Market Analysis (both resource and financial)
 - 1. Customer (purchaser) analysis
 - a. Who they are
 - b. Their location
 - c. The size of the firms
 - d. Their products and capacity
 - 2. Competitor (may also be a purchaser) analysis
 - a. Identify and describe our competition
 - 1.) Who they are
 - 2.) Their location
 - 3.) The size of the firms
 - 4.) Describe competing resources

- 5.) Describe competitor strengths and core competencies
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 - b. Describe asset position
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Glossary

Asset Classification

Grouping assets of similar characteristics based on the principle that such assets perform similarly in the marketplace (e.g., risk, return, regulation) and different assets perform differently as market and economic conditions vary.

Asset Management Plan

Document used to ensure assets can be managed, preserved, and protected for long-term goals and strategy. Asset plans define over-arching beliefs and philosophy about a set of collective investments and include elements of financial analysis, asset selection (and divestiture), asset allocation (diversification), plan implementation, ongoing monitoring of the investments/assets and potential improvements.

Appraisal

An analysis, opinion or conclusion relating to the value, nature, quality, or utility of specified interests in, or aspects of, identified real estate. (Real estate appraisers are regulated in Idaho and are required to be licensed).

Beneficiary

A person or entity entitled to the benefit of any trust arrangement.

Business Plan

A comprehensive analysis of all aspects of a business relevant to its viability, including its history, management, competitive position, market, activities, products, policies, financial performance, and projected performance.

Easement/Right-of-Way

A temporary or permanent property right either granted or acquired, for roads, utilities, or public use access. The right or interest that one party has in the land of another.

Fiduciary

An individual or institution responsible for administering assets for a beneficiary, often in a trust. A fiduciary has a strict legal obligation to act solely in the best interest of the beneficiary and not for ones' own personal gain or the gain of others. In Idaho, fiduciaries are required to follow the Prudent Investor Rule.

Income Return

Measures that portion of total return attributable net operating income, or NOI. Net operating income is gross rental income plus any other income less operating expenses - utilities, maintenance, taxes, property management, insurance, etc. The formula takes into consideration any capital improvements and/or any partial sales that occurred during the period.

Net Present Value (NPV)

The sum of all future cash flows discounted to present value and netted against the initial investment.

Permanent Fund

The principal or corpus of the endowment fund which can never be distributed. Sources of funds include, but are not limited to, mineral royalty and land sale proceeds not reinvested in land (see Land Bank Fund).

Plan

A set of actions that have been thought of as a way to do or achieve something.

Prudent Fiduciary

A requirement that a fiduciary or trustee must act as a prudent investor when investing and managing assets for a beneficiary. To satisfy the standard of care requirement, a trustee is required to consider the performance of the entire portfolio rather than a single investment, as well as understand needs for liquidity, regularity of income, preservation of capital and diversification. Idaho Code Section 68, Chapter 5 requires that all trustees in Idaho act as Prudent Investors.

Real Estate

Land and all physical property related to it, including houses, fences, landscaping and all rights to the air above and the earth below the property (*Barron's Dictionary of Finance and Investment Terms*).

Reclassification Land

Reclassification lands are those parcels that may now or within the next five to twenty years, be suitable for a higher and better use than the current asset classification. Such properties often exhibit high property values and low annual revenues (underperforming assets).

Return on Asset (Total Return)

Return on asset is a common profitability measure in real estate. The calculation includes components of income and capital/value appreciation, compared to the capital invested (or current value) of an asset. The calculation normalizes the variability of revenue within the same asset class because the higher earnings capacity of the land generally translates to a higher asset value per acre, but the return on asset should be similar to peer assets.

Risk

The possibility that returns from an investment will be greater or less than forecast. Types of risk include inflation risk, political risk, liquidity risk, country risk, etc. Diversification of investments provides some protection against risk.

Split Estate

Condition where the surface owner of real estate does not possess ownership of subsurface commodities such as minerals, oil and gas, and geothermal resources.

Strategy

A careful plan or method for achieving a particular goal usually over a long period of time.

Tactic

Specific actions used to achieve a particular goal.

Transition Land

~~Transition lands are those parcels that may, within the next twenty years, be suitable for a higher and better use than the current asset classification. Such properties often exhibit high property values and low annual revenues (underperforming).~~

Trustee

Person or entity with a fiduciary responsible for administering a trust (e.g., acquiring and disposing of trust assets, generating income from trust assets, determining distributions to the trust's beneficiary) according to trust law and the rules established by the trust's grantor. The Idaho State Board of Land Commissioners serves as trustee of all endowment land and financial assets and must act according to Idaho law as well as the rules established by the grantor, the United States Government, in the Idaho Admissions Act and related federal legislation.



**Idaho State
Board of Land Commissioners**

**Endowment Lands
Asset Management Plan**

December 17, 2024

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I. Overview

A. PURPOSE

This document provides strategic direction to the Idaho Department of Lands (IDL) for the management of endowment lands. Bureau Chiefs and their staff, primarily for timberland, real estate, farmland, and rangeland, will develop and maintain program-specific business plans to guide the individual programs in the management tactics on endowment lands. The program-specific business plans will provide direction to support the strategies in this Asset Management Plan.

B. BACKGROUND

The Idaho Constitution establishes the State Board of Land Commissioners (Land Board) as the trustee over the assets of the nine endowments. As trust manager, the Land Board is obligated to manage the assets of each trust with undivided loyalty to the beneficiaries of the trusts. Idaho Code § 58-101 created the Idaho Department of Lands (IDL) to serve as the manager of the non-financial assets of each trust. Similarly, Idaho Code § 57-718 created the Endowment Fund Investment Board (EFIB) which formulates policy for, and manages the investment of, the financial assets.

C. RELATED DOCUMENTS

Policies for endowment investments, including land assets, are found in the Investment Policy Statement, presented to the Land Board for initial approval in 2016 and annually thereafter. The Investment Policy Statement provides direction and performance measures for financial and land assets as a combined trust. The Investment Policy Statement also details the governance structure approved by the Land Board in 2015 and updated in 2022.

The Callan Report, authored by Callan LLC (Callan) and accepted by the Land Board in 2014, provided guidance to the Land Board regarding the Board's role as strategic managers, asset allocation, governance structure, investment policy, asset valuation, and managing the endowment assets as a combined trust. The Callan Report recommended development of the Investment Policy Statement and Asset Management Plan.

The Endowment Fund Reform Progress Report (2013), also known as the Maynard Report, provided a status update on endowment reform and made several recommendations, particularly related to asset valuation and third-party verification. The progress report, like other similar previous efforts, was a precursor to the Callan Report.

The IDL Strategic Plan was completed in 2016 and has been updated annually since that time. The Strategic Plan provides major goals for IDL and strategies/tactics to make progress toward those goals.

The Strategic Reinvestment Plan, presented to the Land Board for approval in 2016, and last reviewed in December 2023, provides direction for the reinvestment of Land Bank funds. The Strategic Reinvestment Plan was primarily authored by Callan in their role as the Land Board's general consultant and investment consultant to the Endowment Fund Investment Board (EFIB).

The Cottage Site Plan, revised and approved by the Land Board in 2022, provides direction for the remaining leases and disposal of residential real estate. The proceeds from the sale of the land assets are transferred to the Land Bank for reinvestment.

Commercial Real Estate Business Plans, approved by the Land Board in 2016, provide direction for the disposal and retention of commercial real estate assets. The proceeds from the sale of those assets are transferred to the Land Bank for reinvestment. Most commercial real estate addressed by the plans was disposed of in 2017, with several parcels retained by the Land Board for business purposes.

Business plans for IDL land management programs contain the tactics that support this Asset Management Plan. Business plans should be updated and revised on a schedule detailed in each plan or as changing conditions dictate. Business plans provide the ongoing, specific direction for land asset management practices. An example outline for business plans is found in the Appendix. The priorities for business plan development are timberland, real estate, rangeland, and farmland. Other asset classes/programs are expected to initially focus on establishing and maintaining policies and procedures rather than business plans.

The Distribution Policy, established by the Land Board and managed by the EFIB, is included in the Investment Policy Statement and defines how proceeds from land management (and financial assets) are passed on to the beneficiaries.

The Greater Sage-Grouse Conservation Plan, approved by the Land Board in 2015, summarizes conservation measures for endowment land programs that are complementary to the Idaho Alternative for sage-grouse conservation actions on federal land. The plan communicates that there are adequate existing regulatory mechanisms in place to alleviate the primary threats to sage-grouse and sage-grouse habitat to prevent a listing under the Endangered Species Act. Finally, the plan preserves the statutory responsibility of IDL to manage endowment lands under a constitutional mandate to maximize long-term returns to endowment beneficiaries. The plan specifically describes how sage-grouse conservation measures will be applied on endowment lands. The conservation measures are applicable to a variety

of activities on endowment lands, including but not limited to fire management, leasing, regulatory, assistance, and rangeland management. While this Asset Management Plan will not restate direction from the Greater Sage-Grouse Conservation Plan, the direction will apply to land management practices where practical.

D. ASSET MANAGEMENT PHILOSOPHY

To fulfill its fiduciary duty to each individual endowment, the Land Board as trustee for the State of Idaho will:

1. Invest in land assets and financial instruments consistent with the powers and limitations imposed by the Idaho Constitution and Idaho Code.
2. Manage the endowment land and financial assets as a whole trust on a total return basis.
3. Seek to optimize return from the whole trust by managing risk through diversification of holdings over time.
4. Ensure that significant land holdings will be maintained in perpetuity to provide material diversification and inflation protection to the endowment portfolio.
5. Seek to reposition or reclassify parcels to reduce risk, lower management costs, and increase prospects for immediate and sustainable income, recognizing that much endowment land remains in the original scattered parcels obtained from the federal government.
6. Provide for the appropriate and reasonable management expenses of each endowment from its own income.
7. Accommodate public use of endowment lands, to the extent feasible, provided such use does not impair financial returns.

E. PROTECTION OF PRINCIPAL

Proceeds from the sale of endowment lands will never be distributed but must be reinvested in land within five years or transferred to the permanent endowment funds. The Strategic Reinvestment Plan as adopted by the Land Board provides direction regarding reinvestment of Land Bank funds.

Proceeds from extracted mineral resources will never be distributed but must be deposited to the permanent endowment funds.

F. THE LAND BANK FUND

Article IX Section 4 of the Idaho Constitution and Idaho Code § 58-133 provide for the sale and reinvestment in real property through a land bank. The Land Board views the Land Bank as an essential tool that can be used when new land acquisition opportunities are identified. Acquisitions can include easements or parcels of land used to secure or improve access.

II. Endowment Assets

Endowment assets of the state of Idaho consist of both land and financial assets. All endowment assets are held in trust by the state in nine endowment trusts. The state initially received grants of over 3.65 million acres of land in trust from the federal government in the Idaho Admissions Bill and through other federal acts. Historians of Idaho's constitutional debates note, "The land was to be managed according to private trust law and free from political influence and consideration...to support education [and] with the profits from these lands to relieve taxpayers from the burden."¹ Over time, properties were sold or exchanged, with proceeds from the sales and certain other income deposited in the endowment funds.

The land trust consists of real estate, which is defined by case law and in statute² as land and possessory rights to the land, ditches, water rights, mining claims, structures and improvements affixed to the land and all things for an infinite distance above as well as below the surface of the land. Land assets owned by the endowment trusts must possess legal, transferable ownership, and must exist within the boundaries of the state of Idaho.

A. OVERVIEW OF OWNERSHIP

Idaho's endowment lands were granted by the federal government to be held in "trust" and to provide financial support for the various institutions.³ The first land grant was made under the Territorial Act of 1863, granting sections 16 and 36 of each township for the support of public schools. The Territorial Act of 1883 granted 46,080 acres for the support of the state university. Upon admission as a state on July 3, 1890, the Idaho Admission Bill reconfirmed the previous grants, and provided an additional 50,000 acres for the support of the state university, plus lands for the support of seven additional institutions.

Because many of the sections granted for the support of the public schools were already in private ownership prior to statehood, the Bill directed the state to select replacement lands from the public domain. The exact acreage due the public schools was determined by assuming 1/18 of the total area of the state as published in the June 30, 1931, annual report of the General Land Office (53,688,320 acres).⁴

¹ Colson, Dennis C. (2011). Compilation of notes from the Idaho Constitutional Convention in Boise, Idaho held July 4, 1889. Idaho Endowment Lands and The Idaho Constitution, p. 4 and 8.

² Idaho Code § 55-101, Black's Law Dictionary, Reynard v. City of Caldwell, 55 Idaho 342, 42 P.2d 292, 296 (1935).

³ Pursuant to the Idaho Constitution, endowment lands, like other state property, are exempt from taxation. Article VII, Section 4 states in part, "The property of ...the state, counties, towns, cities, villages, school districts and other municipal corporations and public libraries shall be exempt from taxation." The reason for such exemption is that it impedes the purpose and use of the property. The exemption is offset by the fact that endowment lands provide resources for local businesses which in turn pay taxes and employ people in the local communities. *The Economic Activity of Idaho's Endowment Trust Lands*, Dr. Peter R. Crabb, Ph.D., July 2011, estimated as of the end of fiscal year 2010 that Idaho's Endowment Trust Lands contribute \$133 million in annual economic activity (net of management expenses) and support nearly 2,000 jobs in the state of Idaho.

⁴ The other institutions were also directed to select lands to fulfill their grants from the public domain.

From the outset, there was considerable debate over whether or not to sell the endowment lands and invest the proceeds in a permanent fund, or whether the lands should be retained and managed. Initially, Idaho chose to concentrate on selecting high-valued agricultural and grazing lands with the intention of selling them.⁵ Timberlands were selected with the intention of removing the timber and then selling the land as agricultural or grazing lands. Because many of the granted lands were within National Forest Reserves, they were traded for lieu lands of equal value lying in more convenient locations.

Idaho began selling land immediately, resulting in about 33 percent of the original land grant acreage being sold to date. The majority of lands were sold between 1900 and 1940, with over 12 percent of the total acres granted being sold between 1911 and 1920 alone. While land sales significantly reduced acreage between 1890 and 1940, over the past 60 years some acres returned to the trusts through land sale contract forfeitures, loan foreclosures, purchases, and land exchanges. The final lieu land selections from the federal government were not finalized until 1998. The following table illustrates the ownership of the various institutions through time.

Endowment Ownership Through Time

<u>Institution</u>	Total Acres		
	<u>1890</u>	<u>1940</u>	<u>2024</u>
Public School	2,982,683	2,543,962	2,125,913
Agricultural College	90,000	42,836	33,822
Charitable Institutions	150,000	86,085	77,299
Normal School	100,000	53,389	62,848
Penitentiary	50,000	34,051	28,850
School of Science	100,000	74,714	75,457
State Hospital South⁶	50,000	30,315	37,033
University of Idaho	96,080	51,316	55,090
Capitol⁷	32,000	14,719	7,286
Totals	3,650,763	2,931,387	2,503,598

Totals may not match due to rounding.

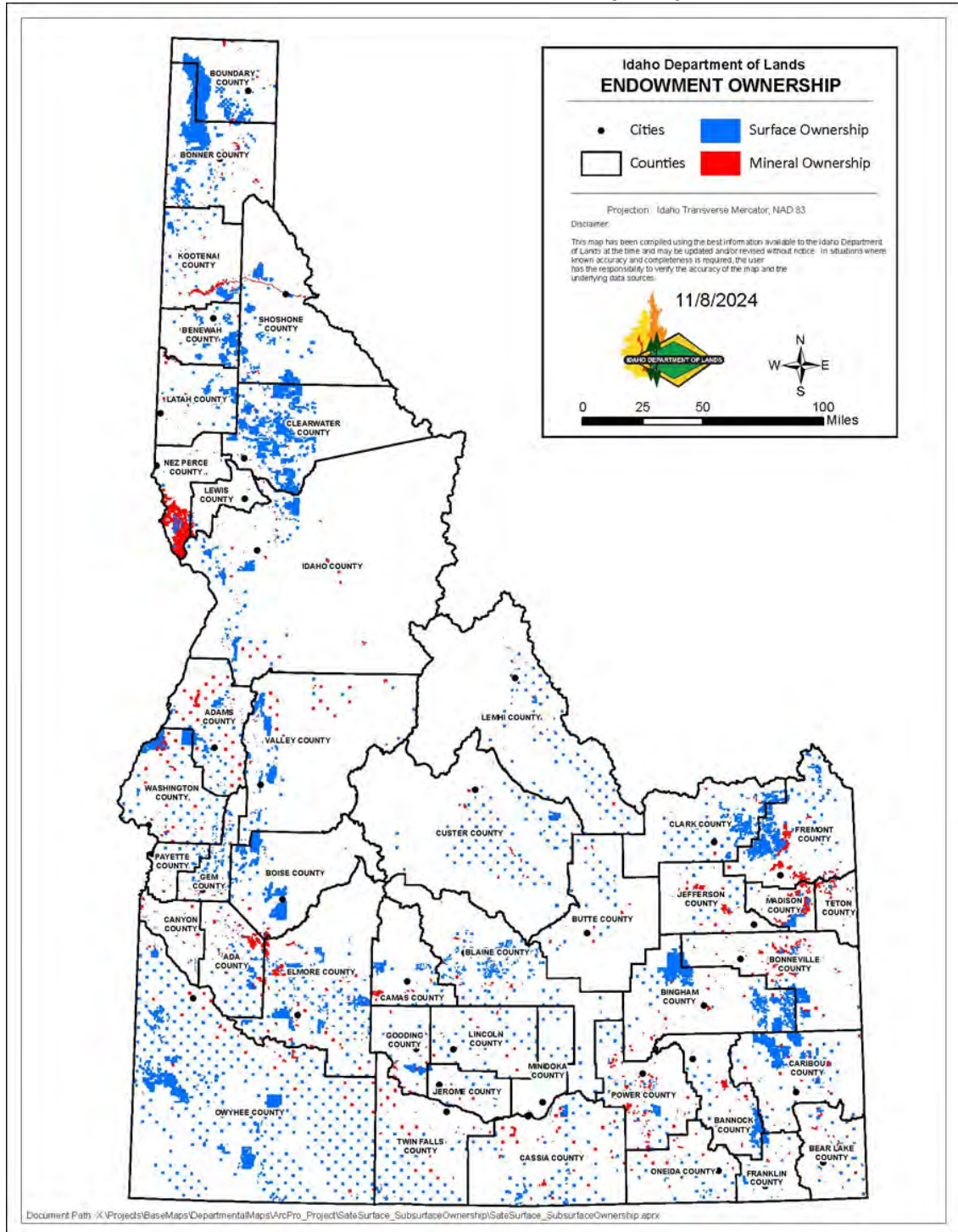
⁵ A Preliminary Report on Management of State-Owned Lands In Idaho. Prepared by The Technical Advisory Committee on Land Management for The Idaho State Planning Land Board, December 1940.

⁶ At statehood, the State Hospital South endowment lands were originally granted as the Insane Asylum endowment.

⁷ At statehood, the Capitol endowment lands were originally designated as the Public Building endowment.

As can be seen in the endowment land ownership map below, the ownership pattern is very scattered and disjointed due to the original public school land grants, the selection process for replacement, in lieu and other endowment lands, and the sale, exchange, and acquisition of various lands.

Endowment Land Ownership Map



Current Land Acres by Endowment

Endowment Ownership – 2024

	Acres	% Total
Public School	2,125,913	84.91%
Agricultural College	33,822	1.35%
Charitable Institutions	77,299	3.09%
4/15 Idaho State University		
4/15 Juvenile Corrections Center		
4/15 State Hospital North		
5/30 Veterans Home		
1/30 School for the Deaf & Blind		
Normal School	62,848	2.51%
1/2 Lewis-Clark State College		
1/2 Idaho State University		
Penitentiary	28,850	1.15%
School of Science	75,457	3.01%
State Hospital South	37,033	1.48%
University of Idaho	55,090	2.20%
Capitol	7,286	0.29%
Totals	2,503,598	100.0%

Totals may not match due to rounding.

Land trust assets are classified according to their “primary” use and the characteristics of the land. For example, Timberland currently has timber or the capacity to produce timber for harvest, Farmland is used for agricultural purposes and is often cultivated, and Rangeland has typical range vegetation and supports grazing animals. Neither highest and best use of the land nor the chief value to the trust beneficiaries was considered when the land was classified by IDL. Those factors would be considerations during reclassification decisions on a parcel by parcel basis.

Secondary uses are allowed when they do not adversely impact the primary use and the intended financial return, or when the financial return is improved due to the additional use. This is unlike federal lands or other public lands which are managed for multiple uses or for the benefit of the general public regardless of their financial return. Land asset classifications can be changed by the Land Board or IDL, depending on value, to meet changing markets or to capitalize on opportunities to improve land management and resulting financial returns.

Categorizing lands into asset classifications allows:

- Customizing plans and strategies so they can optimize returns based on specific asset characteristics.
- Monitoring performance by benchmarking against similar private industry and other trust land managers.
- Development of appropriate instruments to maximize revenues (leases, contracts, permits, etc.)
- Comparing actual land asset allocation to recommended target ranges and adjustment over time.

Asset Classification	Asset Description
Timberland	Lands capable of regenerating and growing successive crops of commercial forest products on a sustainable basis.
Farmland	Lands used for growing cultivated plants or agricultural produce (grains, hay, vegetables, and/or fruits).
Rangeland	Lands supporting natural vegetation, generally grasses, forbs and small brush, suitable for grazing by domestic livestock and wildlife.
Commercial Real Estate	Lands normally recognized as “commercial” in local zoning regulations, including retail and industrial businesses and parking lots.
Residential Real Estate	Land intended for sale or lease for residential subdivision, individual parcels or lots (includes cottage or cabin sites).
Minerals	Includes lands managed for the production and sale of sand and gravel, oil and gas, coal, and other minerals including precious metals, decorative rock, phosphates, etc.

B. LAND MANAGEMENT PHILOSOPHY

The Land Board manages the real estate in its endowment portfolio to capture the full economic value of such lands and improvements for endowment beneficiaries. Pursuant to Article IX Section 8 of the Idaho Constitution, the Land Board is required to “provide for the location, protection, sale or rental of all the lands heretofore, or which may hereafter be granted or acquired by the state by or from the general government, under such regulations as may be prescribed by law, and in such a manner as will secure the maximum long-term financial return to the institution to which granted...” In pursuit of this objective the Land Board will contract with private entities to operate business activities upon the land trust assets.

As the Supreme Court stated in *Barber Lumber Co. v. Gifford*, it is the “land business of the state that is placed in the hands of the state Board of land commissioners.” 25 Idaho at 669,139 p. at 562. The Land Board, as trustees of Idaho’s endowment trusts, will be guided in its management by the “prudent investor rule,” Idaho Code

§ 68-502(1), which includes development “of an overall investment strategy having risk and return objectives reasonably suited to the trust” (Idaho Code § 68-502(2)).

C. MANAGEMENT OBJECTIVES BY ASSET CLASS

Management Goals

- Protect and enhance the value and productivity of the land assets.
- Maximize financial returns from land assets over time.
- Encourage a diversity of revenue-producing uses of land assets.
- Manage land assets prudently and efficiently with accountability to the beneficiaries.

These goals are best achieved by establishing general operating expectations for endowment trust lands, including but not limited to the following:

- Preserving land holdings where leasing and land appreciation will generate a competitive rate of return.
- Seeking to enhance land values before considering sale, or exchange of underperforming land assets.
- Acquiring lands and resources within traditional asset classes when the acquisition will add value or diversification to the whole trust portfolio.
- Selling lands, structures, and resources when the outcome adds value to the whole trust portfolio.
- Exchanging lands and resources when the exchange will add value or diversification to the whole trust portfolio.

This document represents a framework to drive further planning. Detailed underlying business plans for specified programs shall ensure that management activities are consistent with and contributing to the overall asset management goals. Such plans may, where appropriate:

- Provide an executive summary of the plan for the asset classification.
- Describe the current and future influences on plan implementation and performance.
- Analyze past and present return on asset performance, current asset value, current asset characteristics, and future expected returns.
- Recommend long-term financial and land management objectives for the asset classification.
- Detail opportunities and challenges the asset classification faces and specify plans for capitalizing on opportunities and dealing with challenges.
- Define the revision timeline for the plan.

1. Timberland

The endowment's timberland asset consists of approximately 1,048,834 acres managed primarily for commercial forest products. Management complies with all applicable federal and state statutes, such as the Federal Clean Water Act and the Idaho Forest Practices Act.

Management Objectives

- Reduce risk and increase prospects for sustainable annual income.
- Realize an overall return on asset consistent with the objectives in the Investment Policy Statement.
- Produce forest products that meet market demands.
- Identify and exchange or reclassify underperforming timberland assets to increase economic performance of the asset class and long-term returns to the beneficiaries.
- Pursue acquisition, through purchase or exchange, of timberland that improves the productivity and financial return of the timberland portfolio.

Challenges

- Ensuring all-purpose, permanent, and legal access to timberland parcels.
- Limiting increases in management expenses while increasing gross income.
- Changes to social and political attitudes and values may impact land management practices.
- Changes to interpretation and application of the Endangered Species Act and the Clean Water Act.
- Changes to ownership and land management practices of federal and private land holdings.
- Changes in domestic and global markets and forest products industry infrastructure impacts demand and pricing for endowment forest products.
- Maintaining support for acquisition of additional timberland for the endowments.

Opportunities

- Changing sawmill technology, markets, and products that provide new business opportunities.
- Consistent long-term income and return on asset from productive and diverse timberlands primarily due to biological growth and positive impacts of intensive management.
- Geographically consolidate management of endowment land by blocking up parcels where consistent with land management objectives.
- Capture higher value by exchanging or reclassifying timberlands adjacent to population centers.

2. Residential Real Estate

Idaho has leased residential sites since 1932. These properties consist of cabins and single-family homes where the lessee is authorized to construct and own the improvements. Currently, the endowments lease 43 sites (2024), with the majority located on Priest and Payette Lakes. The ability to garner asset appropriate rental rates has long been debated. Experience and basic economic principles demonstrate that, in instances of split ownership of land and improvements, the economic potential of the property is often captured by the owner of the improvements without a corresponding benefit to the landowner. In May 2011, the Land Board voted to unify the cottage site estate, recognizing that the continuation of a long-term cottage leasing program falls short of maximizing the financial return that could be generated from alternative investments.

Management Objectives

- Execute the approved Cottage Site Plan to unify the estate in a business savvy manner to maximize return to the trust beneficiaries.
- For the duration of the cottage site leasing program, develop and manage residential leases that appropriately compensate the endowments.

Challenges

- Volatility in real estate values associated with lake side or lake view property makes it challenging, controversial, and costly to administer a process of determining annual rent that is both embraced by leaseholders and achieves an appropriate return on asset.
- Executing the Cottage Site Plan in a business savvy manner to provide an orderly market transition, both in disposition and reinvestment.

Opportunities

- Reinvest the proceeds from the sale of cottage sites in a manner consistent with the Strategic Reinvestment Plan.
- Explore alternative leasing opportunities to capture an appropriate lease value and keep the estate whole.

3. Commercial Real Estate and Leasing

Idaho has a long history of leasing properties for various commercial activities (e.g., communication sites, military use, and recreation). While ownership of commercial buildings and parking lots has mostly been phased out, leasing of other endowment lands for commercial uses will continue because it provides an attractive opportunity for increased revenue from the land asset portfolio. Other commercial real estate leasing activities include, but are not limited to, energy resources (wind, hydro, geothermal), communication sites, commercial buildings, etc. Leases will be

offered based on business principles that will ensure the maximum long-term financial return to the endowment beneficiaries.

Management Objectives

- Develop and manage commercial leases that achieve a rate of return consistent with objectives in the Investment Policy Statement.
- Ensure lease terms and conditions are consistent with industry standards.
- Ensure tenant improvement allowances associated with the commercial building leasing program represent necessary structural and finish requirements to property but not personal property of a prospective tenant.
- Contract property management and leasing activities, where appropriate, to ensure professional, consistent, and quality service.

Challenges

- Managing deferred and future maintenance, including capital improvements, on endowment owned facilities to accommodate market needs.
- Ensuring that lessees manage deferred and future maintenance, including capital improvements, on non-endowment owned improvements.
- Comparing performance measures to industry benchmarks, given the differences between private sector and governmental accounting practice, including but not limited to private investor practices such as accrual accounting, depreciation of capital improvements over time, and the use of leverage.

Opportunities

- Reinvest the proceeds from the sale of commercial real estate in a manner consistent with the Strategic Reinvestment Plan.
- Geographically consolidate management of endowment land by blocking up parcels where consistent with land management objectives.
- Pursue leasing of endowment land for commercial activities as opportunities arise.

4. Farmland

The endowment's farmland asset consists of approximately 19,172 acres of dryland and irrigated cropland administered through 63 leases. Some agriculture uses are leased in combination with grazing uses. The farmland asset includes lands used for cultivating alfalfa hay, barley, beans, corn, potatoes, safflower, wheat and organic crops.

Management Objectives

- Develop and manage long-term agricultural leases that achieve a rate of return consistent with objectives in the Investment Policy Statement.
- Enroll endowment lands in federal agricultural programs, when appropriate.

Challenges

- Acquiring water rights.
- Ensuring endowment lands remain eligible for enrollment in federal agricultural programs.
- Developing economy of scale in the farmland leasing program.

Opportunities

- Diversifying the endowment land revenue stream.
- Geographically consolidating management of endowment land where consistent with land management objectives.
- Developing agricultural use on existing endowment ownership through the acquisition of water rights.

5. Rangeland

The endowment's rangeland asset consists of approximately 1,433,868 acres of rangeland administered through 1,115 grazing leases and numerous other instruments covering a variety of activities. Livestock forage productivity and availability varies significantly across the state due to factors such as climate, vegetation types, topography, and access to water. Some lands are of sufficient size and productivity to stand alone as a grazing unit; however, most endowment lands are managed with adjoining ownerships.

Management Objectives

- Develop and manage long-term grazing leases that achieve a rate of return consistent with the objectives in the Investment Policy Statement.
- Identify and dispose of or reclassify underperforming rangeland assets to increase economic performance and improve land asset diversity.
- Minimize contractual and environmental risks.
- Identify programmatic or statutory changes that maximize long-term returns.

Challenges

- Rangeland is not considered an institutional asset class. Grazing lease income rarely generates a sufficient rate of return to justify acquisition (or retention) by the endowment based on reasonable return on investment criteria.

- Consolidating land ownership through federal and private land exchanges, including exchanges for other land asset types.
- Ensuring all-purpose, permanent legal access to high-value, core rangeland parcels.
- Improving management regimes.
- Environmental constraints.
- Limited competitive bidding.
- Updating AUM (Animal Unit Month) rate calculation.
- Balancing management expenses against revenue generated.

Opportunities

- Geographically consolidating management of endowment rangeland where consistent with land management objectives.
- Exchange of rangelands for other land asset types with greater income and return potential.
- Rangelands adjacent to population centers may present reclassification opportunities.
- Updating AUM rate calculation.
- Updating total AUM available on endowment rangeland through improved data collection and management planning.

6. Minerals/Oil and Gas

Idaho has mineral rights on approximately 2.5 million acres of surface ownership and on about 0.9 million acres with mineral rights only. Phosphate and sand-gravel are the primary products extracted from endowment lands. Management complies with all applicable federal and state statutes, such as the Federal Clean Water Act, the Idaho Mined Land Reclamation Act, and the Idaho Dredge and Placer Mining Protection Act. IDL administers mineral leases for endowment lands, endowment mineral rights, and for other state-owned lands.

Natural gas exploration and production has increased in recent years with the potential for long-term production and associated revenue. Management of this relatively new industry in Idaho has presented administrative challenges.

Management Objectives

- Minimize contractual and environmental risks associated with extractive industries.
- Lease lands for potential mineral products that capitalize on market demands.
- Identify programmatic or statutory changes that maximize income from mineral assets.

Challenges

- Ensuring that returns from mining activity adequately compensate for post-mining land use and values.
- Ensuring adequate funding from a combination of dedicated and general funds to deliver regulatory programs consistent with legislative direction.
- Development of efficient administrative structure and processes.
- Managing mineral resources with a split estate.

Opportunities

- Aggregate sources proximal to areas of high growth.
- Assessment of resource types and locations.
- Widespread and diverse mineral resources.
- Increased production revenue from oil and gas development.
- Acquisition of lands with mineral rights through purchase or exchange.

Active Management

While endowment lands are actively managed to maximize long-term revenue for the beneficiaries, active management also provides other long-term benefits that may not be considered when financial performance is evaluated. Benefits such as improved vegetation health, reduction and rearrangement of fuels, road maintenance and protection of water quality, and various wildlife habitat structural stages often result from active management of natural resources on endowment lands.

For example, forest management practices maintain age class diversity at the landscape level, resulting in less overall susceptibility to damaging agents such as bark beetles. The reduction in fuel loading following forest management activities and slash disposal can modify fire behavior.

Grazing can be used as a management tool to maintain rangeland health. Well-managed grazing can favor desirable plants, improve habitat for wildlife, reduce weeds, and reduce fuel loading.⁸

Benefits such as those described above are difficult to quantify for use in analysis of the financial performance of an asset class.

Rights-of-Way

Rights-of-way are temporary or permanent property rights that have been either granted or acquired, for roads, utilities, or public use access. It is critical that IDL

⁸ *Rangelands – An Introduction to Wild Open Spaces*. University of Idaho Rangeland Center and Idaho Rangeland Resource Commission. 2011.

The True Cost of Wildfire in the Western U.S. Western Forestry Leadership Coalition. 2010.

Fuel Treatments on Rangelands. Cook and O'Laughlin. University of Idaho Policy Analysis Group. 2011.

have permanent, logistically convenient, and economically efficient all-purpose legal access into state endowment lands, although limited duration, limited purpose legal access can also have significant value.

In conjunction with the Real Estate Services Bureau, each area office shall prepare a rights-of-way acquisition plan, which identifies access needs and time frame for acquisition. Needs shall be prioritized and based on the following management objectives:

- Achieve short- and long-term financial objectives:
 - a. Maximize long-term ability to provide income.
 - b. Improve immediate income generating potential.
 - c. Provide future investment potential.
 - d. Improve the stability of the asset.
- Improve the manageability of the land asset:
 - a. Improve access, i.e., most strategic route(s) or point(s) of entry.
 - b. Consolidate ownership patterns.
 - c. Leverage management resources with other agencies or entities.

Rights-of-way may be negotiated and acquired in the following ways:

- Easement for minimal monetary consideration or donation.
- Easement exchange.
- Work-in-kind easements.
- Easement purchase.
- Cooperative road use and maintenance agreements.
- Acquisition or exchange of property (fee simple) to secure access and/or create consolidated ownership for rights-of-way connectivity.

Granted rights-of-way encumbering endowment lands generally detract from the value or reduce the utility and flexibility of endowment land management. It is the duty of the Land Board and IDL, as trustees, to protect the long-term productivity of trust lands for the beneficiaries; therefore, care must be taken to ensure the granting of rights-of-way benefit the trust and mitigate risk and liabilities to the trust.

While the state receives compensation for the property interest disposed of, this compensation often does not adequately compensate the trust for loss of utility, nor capture the superior value afforded to benefitting lands as a result of enhanced access. This is especially the case in those instances wherein the private lands are considered for development. In development situations, compensation for such rights-of-way must properly account for the amount of endowment land encumbered, the bundle of rights granted, impacts to and additional restrictions on

endowment land management and the increased administrative burden. Often, selling term easements or temporary permits protect the long-term flexibility of endowment lands and provide a revenue stream for the trust, while avoiding a permanent encumbrance upon the property, protecting the future value and utility of the endowment land.

Conservation

Conservation leases and easements exist on several parcels of endowment land. Conservation in this context occurs when certain real property rights are restricted or removed, either temporarily or permanently, for the purpose of preserving and protecting other important values. Permanent conservation easements are present on a few of the parcels the state has purchased. Conservation leases must compete at the same rates advertised for other uses.

Management Objectives

- Improving public awareness of the endowment mission.
- Identifying land where compensated conservation encumbrances can coexist with other uses to enhance endowment earnings.

Challenges

- Comprehensive land use plans of local jurisdictions tend to improperly classify undeveloped endowment lands as conservation and/or open space.
- Limited endowment resources to participate in all federal, state, county, and city land use planning and zoning processes, and other private development activities that affect endowment lands.
- Applying monetary value to non-traditional commodities (carbon sequestration, water quality, etc.).

Opportunities

- Developing conservation instruments for lands identified.
- Exploring viability of permanent conservation easements.

Recreation

Idaho's endowment lands contain some of the most diverse landscapes in the Pacific Northwest. They include lakes, mountains, forests, desert lands, rugged breaklands, and river valleys. Thousands of people use endowment lands each year for camping, hiking, fishing, hunting, bicycling, off highway vehicle (OHV) use, berry picking, mushroom picking, and other recreational activities. Incidental public recreation is not an asset class, but the issues associated with recreation on endowment lands must be managed.

Management Objectives

- Promote and improve interagency cooperation and education for recreation on endowment land.
- Manage impacts to endowment resources and uses from dispersed public recreation.
- Utilize OHV funds to improve management and enhance OHV recreation opportunities on endowment lands.
- Revise policies to best meet growing recreation demand while ensuring that land management continues to maximize long term financial returns to the endowment beneficiaries.

Challenges

- Managing the location and type of dispersed recreation (OHV, motorized vehicles, etc.).
- Vandalism and sanitization issues associated with dispersed recreation and camping.
- Conflicts between traditional management activities, future leasing opportunities, and non-revenue producing recreational use.

Opportunities

- Generate increased revenue for the beneficiaries and improve long-term access for recreation through new sources of endowment and dedicated funding from recreation use.
- Interagency work to improve dispersed recreation management.
- Taking advantage of available grant programs for management of recreation on endowment lands.
- Consider potential revenue producing recreational activities on endowment land, such as campground leasing.

Reclassification of Land

Lands suitable for reclassification are parcels already owned by the endowment that may now, or within the next five to twenty years, be suitable for a higher and better use than the current asset classification. Often these properties exhibit high property values and low annual revenues (underperforming assets) and may be encroached upon by urban development.

Management activities will focus first on lands suitable for reclassification at the high end of market values (best markets), and then on land possessing best market potential within the next ten to twenty years (emerging markets).

Criteria used in identifying lands suitable for transition are:

- Appraised values above the value normally indicative of the current use.
- Regional land use planning studies.
- Resource trends and demographic changes.

Underperforming assets present reclassification and diversification of revenue sourcing opportunities. IDL will work to identify and analyze such lands to determine the best solution to resolving the underperformance. Such analysis will consider:

- Minimizing management costs.
- Changing management to improve performance.
- Evaluating higher and better use potential.
- Suitability for long-term endowment ownership.

Lands suitable for reclassification can be leased, or sold, subject to analysis on a case-by-case basis.

D. LAND ACQUISITION AND DISPOSAL STRATEGY

To enhance value and improve revenue streams to the beneficiaries, the Land Board will consider the exchange, disposal, and acquisition of real property within traditional asset classes. The land exchange policy approved by the Land Board in December of 2022 provides direction for land exchanges.

Management Objectives

- Increase long-term financial return at a prudent level of risk.
- Reduce cost through improved management efficiency.
- Acquire lands or position parcels for value maximization and efficient management.
- Enhance access to endowment land assets.
- Adjust land holdings based on current and projected market conditions to capture value in excess of target returns.
- Evaluate and prioritize proposed transactions.
- Engage private and public entities/persons for exchange opportunities.

Challenges

- Constraints pursuant to Article IX, section 8 that do not conform to modern business practices:
 - The sale of land is limited to transactions “...sold in subdivisions of not to exceed three hundred and twenty acres of land to any one individual, company or corporation.”
 - All land sales are “...subject to disposal at public auction.”
 - No more than one hundred sections of state land shall be sold in any one year.

- Disposition of University Lands is restricted as follows: “No university lands shall be sold for less than ten dollars per acre, and in subdivisions not to exceed one hundred sixty acres, to any one person, company, or corporation.”
- IDL's transaction process, while improved, can be relatively slow.
- Evaluating and prioritizing acquisition and disposal transactions in an environment of limited resources.

Opportunities

- Reinvestment of the proceeds from land asset sales in a manner consistent with the Strategic Reinvestment Plan.
- Utilizing agents and contracted services to conduct proactive searches for properties based on established investment criteria.
- Using Land Investment Advisors and contracted services to assist in transactions.
- Exchange lands on an equal value basis and/or in a manner that increases the asset value and long-term financial returns.

Appendix

Example Program Business Plan Template

This template is provided as a guide. Please note that some sections may not be applicable to all programs.

- A. Executive Summary
- B. Introduction
- C. Description of Program
 - 1. Mission statement
 - 2. Goals and objectives
 - a. Short- and long-term financial goals and objectives
 - b. Short- and long-term resource management goals and objectives
 - 3. Brief history of the program
 - 4. Program strengths and core competencies
 - 5. Challenges and opportunities facing the program
 - a. Immediate
 - b. Long term
 - 6. Future outlook for the program
- D. Program Products and Services
 - 1. Detailed description of trust products and services
 - a. Current resource information (detailed)
 - b. Current asset values (brief summary)
 - 2. Describe our competitive advantages and disadvantages.
 - 3. Describe our methodology for pricing trust products
- E. Market Analysis (both resource and financial)
 - 1. Customer (purchaser) analysis
 - a. Who they are
 - b. Their location
 - c. The size of the firms
 - d. Their products and capacity
 - 2. Competitor (may also be a purchaser) analysis
 - a. Identify and describe our competition
 - 1.) Who they are
 - 2.) Their location
 - 3.) The size of the firms
 - 4.) Describe competing resources

- 5.) Describe competitor strengths and core competencies
 - 6.) Describe competitor products and production capacity
 - b. Describe asset position
 - 1.) Size of the market
 - 2.) Percentage of market participation
 - 3.) Current demand for trust products
 - 3. Growth history and trends
 - 4. Barriers to implementing the marketing plan
 - a. Funding
 - b. Training/skills
 - c. Political climate
 - d. Government regulations
 - e. Changing economy
 - f. Changes in our industry
 - 5. Marketing strategy
 - a. Promotion
 - b. Budget
 - c. Pricing
 - d. Locations
 - e. Forecasts
 - 6. Identify research needs
- F. Operational Plan
 - 1. Management and organization (current and future)
 - a. Personnel
 - b. Location
 - c. Production
 - 2. Describe challenges and opportunities
 - 3. Discuss how to meet future resource and financial goals and objectives
- G. Financial Statement
 - a. Brief history
 - b. Detailed description of asset values
 - c. Projections
- H. Plan Revision Timeline
- I. Appendices

Glossary

Asset Classification

Grouping assets of similar characteristics based on the principle that such assets perform similarly in the marketplace (e.g., risk, return, regulation) and different assets perform differently as market and economic conditions vary.

Asset Management Plan

Document used to ensure assets can be managed, preserved, and protected for long-term goals and strategy. Asset plans define over-arching beliefs and philosophy about a set of collective investments and include elements of financial analysis, asset selection (and divestiture), asset allocation (diversification), plan implementation, ongoing monitoring of the investments/assets and potential improvements.

Appraisal

An analysis, opinion or conclusion relating to the value, nature, quality, or utility of specified interests in, or aspects of, identified real estate. (Real estate appraisers are regulated in Idaho and are required to be licensed).

Beneficiary

A person or entity entitled to the benefit of any trust arrangement.

Business Plan

A comprehensive analysis of all aspects of a business relevant to its viability, including its history, management, competitive position, market, activities, products, policies, financial performance, and projected performance.

Easement/Right-of-Way

A temporary or permanent property right either granted or acquired, for roads, utilities, or public use access. The right or interest that one party has in the land of another.

Fiduciary

An individual or institution responsible for administering assets for a beneficiary, often in a trust. A fiduciary has a strict legal obligation to act solely in the best interest of the beneficiary and not for ones' own personal gain or the gain of others. In Idaho, fiduciaries are required to follow the Prudent Investor Rule.

Income Return

Measures that portion of total return attributable net operating income, or NOI. Net operating income is gross rental income plus any other income less operating expenses - utilities, maintenance, taxes, property management, insurance, etc. The formula takes into consideration any capital improvements and/or any partial sales that occurred during the period.

Net Present Value (NPV)

The sum of all future cash flows discounted to present value and netted against the initial investment.

Permanent Fund

The principal or corpus of the endowment fund which can never be distributed. Sources of funds include, but are not limited to, mineral royalty and land sale proceeds not reinvested in land (see Land Bank Fund).

Plan

A set of actions that have been thought of as a way to do or achieve something.

Prudent Fiduciary

A requirement that a fiduciary or trustee must act as a prudent investor when investing and managing assets for a beneficiary. To satisfy the standard of care requirement, a trustee is required to consider the performance of the entire portfolio rather than a single investment, as well as understand needs for liquidity, regularity of income, preservation of capital and diversification. Idaho Code Section 68, Chapter 5 requires that all trustees in Idaho act as Prudent Investors.

Real Estate

Land and all physical property related to it, including houses, fences, landscaping and all rights to the air above and the earth below the property (*Barron's Dictionary of Finance and Investment Terms*).

Reclassification Land

Reclassification lands are those parcels that may now or within the next five to twenty years, be suitable for a higher and better use than the current asset classification. Such properties often exhibit high property values and low annual revenues (underperforming assets).

Return on Asset (Total Return)

Return on asset is a common profitability measure in real estate. The calculation includes components of income and capital/value appreciation, compared to the capital invested (or current value) of an asset. The calculation normalizes the variability of revenue within the same asset class because the higher earnings capacity of the land generally translates to a higher asset value per acre, but the return on asset should be similar to peer assets.

Risk

The possibility that returns from an investment will be greater or less than forecast. Types of risk include inflation risk, political risk, liquidity risk, country risk, etc. Diversification of investments provides some protection against risk.

Split Estate

Condition where the surface owner of real estate does not possess ownership of subsurface commodities such as minerals, oil and gas, and geothermal resources.

Strategy

A careful plan or method for achieving a particular goal usually over a long period of time.

Tactic

Specific actions used to achieve a particular goal.

Trustee

Person or entity with a fiduciary responsible for administering a trust (e.g., acquiring and disposing of trust assets, generating income from trust assets, determining distributions to the trust's beneficiary) according to trust law and the rules established by the trust's grantor. The Idaho State Board of Land Commissioners serves as trustee of all endowment land and financial assets and must act according to Idaho law as well as the rules established by the grantor, the United States Government, in the Idaho Admissions Act and related federal legislation.

STATE BOARD OF LAND COMMISSIONERS

December 17, 2024

Regular Agenda

Subject

Negotiated rulemaking for IDAPA 20.03.08 *Easements on State-Owned Lands*.

Question Presented

Shall the Land Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.08 Easements on State-Owned Lands?

Background

The Idaho Department of Lands (Department) administers Right of Way programs on behalf of the State Board of Land Commissioners (Land Board) for state endowment trust lands. This program is responsible for granting and acquiring easements on state-owned endowment lands. These activities are authorized by Idaho Code Title 58, Chapter 6—Rights of Way Over State Lands. The adoption of related rules is authorized by Idaho Code § 58-104.

Following Executive Order 2020-01, Zero-Based Regulation, this rule chapter is scheduled to be repealed and replaced in 2025 for review during the 2026 legislative session.

Discussion

The Department will begin the negotiated rulemaking process, including, but not limited to, legal and internal review of the rule, as well as review with stakeholders to ensure the rules provide appropriate guidance for lessees, interested parties, and the Department.

A proposed timeline for the rulemaking process is provided in Attachment 1.

Recommendation

Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.08 *Easements on State-Owned Lands*.

Board Action

Attachments

1. Draft Rulemaking Timeline



Draft Rulemaking Timeline

IDAPA 20.03.08

Easements on State-Owned Lands

December 17, 2024	Approval from Land Board to start negotiated rulemaking (regular agenda)
January 24, 2025	Submit <i>the Prospective Analysis Form</i> (Sections 1,2,5 and 7) to the Division of Financial Management (DFM) for notification before the Notice of Intent is submitted to the OAR's office
January 2025	Create Rulemaking webpage on Idaho Department of Lands website about this rulemaking
February 7, 2025	Last Day to submit <i>Notice of Intent to Promulgate Rules</i> to the Office of the Administrative Rules Coordinator (OARC) for publication in March
March 5, 2025	<i>Notice of Intent to Promulgate Rules</i> publishes in the Idaho Administrative Bulletin; negotiated rulemaking and public comment period begins
TBD, 2025	Negotiated rulemaking public meeting in <i>[set location]</i>
TBD, 2025	Negotiated rulemaking public meeting in <i>[set location]</i>
TBD, 2025	Negotiated rulemaking public meeting in <i>[set location]</i> (A total of 42 days is available for scheduling these meetings)
April 16, 2025	End of public comment period for negotiated rulemaking
May 20, 2025	Present update to the Land Board, <i>optional</i> (information agenda)
June 20, 2025	Last day to submit <i>Proposed Rule to DFM + Prospective Analysis Form</i> (all Sections) for notification and before the Notice of Proposed is submitted to the OAR's office
July 3, 2025	Last day to submit <i>Notice of Proposed Rule</i> to the Office of the Administrative Rules Coordinator (OARC) for Bulletin publication in August
August 6, 2025	Proposed rule publishes in the Idaho Administrative Bulletin and 21-day written public comment period begins

August 20, 2025	Deadline to request a public hearing on proposed rule
August 27, 2025	End of written public comment period on proposed rule
September 16, 2025	Request approval from Land Board to adopt pending fee rule (regular agenda)
October 3, 2025	Last day to submit <i>Notice of Pending Fee Rule</i> to OAR for publication pending review from the Legislative Session 2026
November 5, 2025	Notice of Pending Fee Rule publishes in the Idaho Administrative Bulletin
January 2026	Pending Fee Rule to be reviewed during the 2026 legislative session

Note: All dates are subject to change.

STATE BOARD OF LAND COMMISSIONERS

December 17, 2024

Information Agenda

Subject

Fire Program Strategic Plan Update

Background

The State Board of Land Commissioners (Land Board) requested a strategic plan for the Idaho Department of Lands (Department) fire program. The Department needs to plan and implement changes in fire organization structure, training, staffing, and equipment to respond effectively to predicted increases in wildfire size, intensity, duration and complexity.

Developing a robust and adaptive fire management structure within the Department is crucial to safeguarding Idaho's communities, natural resources, and economic assets in the face of escalating fire threats.

Discussion

The Department's Fire Program Strategic Plan will provide a forward-looking analysis that evaluates future organizational changes required to successfully address population growth and the growing problem of wildland urban interface fires.

The intent of the plan is to address the following problem statement:

Problem Statement: The Department's fire program is operating on the edge of its capabilities during periods with multiple ignitions, extended attack and long duration fire seasons. Fire seasons are increasingly severe and prolonged, federal fire programs are reducing their capacities and transferring more responsibility for wildfire suppression to state agencies, and the amount of coordination needed to acquire resources during a busy season has dramatically increased. Additionally, the fire environment is growing more complex and is further impacted by rapid population growth, highlighting the need for an effective fire management program.

The Department believes this vision statement provides high level guidance for the desired future state of the fire program:

Vision Statement: Meeting future wildfire challenges through effective initial attack and robust incident management capabilities.

The Department seeks feedback on whether continued focus on effective initial attack and increased incident management capability is consistent with the expectations of the Land Board and stakeholders.

The Department will present a complete plan to the Land Board including alternatives and recommendations in spring of 2025. The Department is currently evaluating the following:

- Other states with significant fire programs have changed drastically in the last decade. What can the Department learn from those changes, including wildfire suppression program structure and interactions with emergency management and fire chief organizations?
- What are the needs of the Department's fire program to respond to the direction outlined in the Governor's Wildfire Report Recommendations in conjunction with partners?
- How does an expanded program best fit within the Department's organizational structure? Are organizational changes needed?

Through this strategic planning effort, the Department has identified some current needs that will keep the fire program moving forward in response to increasing demands. These include compensation changes, expansion of interagency coordination with Idaho Office of Emergency Management, and increased coordination with local fire departments to meet the agencies' objectives and provide a well-coordinated robust wildfire response. The recommended changes to meet current program expectations are categorized by Fire Bureau, Operations, and Other in Attachment 1.

Attachments

1. Fire Program Current Needs

Fire Program Current Needs

The following tables outline 1–3 year needs to meet current program expectations.

Table 1: Fire Bureau Needs

Description	Action	FY Implementation
Fire Emergency Support Program Manager	New position/FTE	2026
Assessment Program Manager	New position/FTE	2026
New assessment software	Capital outlay request	2026
Camera/radio equipment	Capital outlay / Operating expense requests	2026
Aviation Section Manager	New position/FTE	2026
Re-class Prevention and Outreach Program Specialist position into Prevention/Fire Information Program Manager	Re-classification	2027
Re-class Helicopter Operations Program Specialist to Program Manager–Rotor Wing (after Helitack to Operations migration)	Re-classification	2027
Aviation facilities funding	Capital outlay / Operating expense requests	2027
Radio/Detection Program Manager	New position/FTE	2028
Prevention Program Specialists	New positions/FTEs	2028
3 new prevention vehicles	Capital outlay expansion request	2028

Table 2: Operations Needs

Description	Action	FY Implementation
Compensation adjustment for Resource Foreman to \$25.00/hour	Change in starting rate for this position	2026
Remove Resource Specialist underfill and hire at Senior rate	IDL process/policy change	2026
9 Resource Specialist Assistant Wardens	New positions	2027
Make all 1385 positions fully funded	Temporary personnel cost (TPC) request	2027
20 Resource Foremen .83 positions (in Helitack, Initial Attack modules, engines)	New positions	2028

Table 3: Other Fire Program Needs

Description	Action	FY Implementation
Fire Facilities Plan	Create/execute a build out of fire facilities to accommodate the expansion of the fire program at each district	2026
Re-class agency Safety Program Manager position to a Bureau Chief	Re-classification	2026