



Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board
Phil McGrane, Secretary of State
Raúl R. Labrador, Attorney General
Brandon D Woolf, State Controller
Debbie Critchfield, Superintendent of Public Instruction
Dustin T. Miller, Secretary to the Board

Be it remembered that the following proceedings were had and done by the State Board of Land Commissioners of the State of Idaho, created by Section Seven (7) of Article Nine (IX) of the Constitution.

Final Minutes
State Board of Land Commissioners Regular Meeting
December 17, 2024

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, December 17, 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 2:00 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 at the physical location.

Director Miller mentioned that a few Board members were present earlier today in the Capitol rotunda where a "big check" was presented to the endowment beneficiaries for Public School in the amount of \$63 million. Director Miller thanked the Board members who were able to participate in that celebration and expressed appreciation for the hard work of the employees of the Department of Lands and investment professionals at EFIB for helping produce that income for the endowments. Director Miller stated that the total distribution for all beneficiaries in fiscal year 2025 was \$103 million.

At 2:01 p.m., motion was made by Attorney General Labrador to amend the agenda to add an executive session pursuant to Idaho Code § 74-206(1)(d) to discuss attorney client privileged communications with the Land Board's attorney. A good faith reason exists for the amendment because the Land Board needs to discuss a recent legal memorandum from the Land Board's legal counsel related to an agenda action item. Secretary of State McGrane seconded the motion. Governor Little so ordered it.

Reports

1. Department Reports—presented by Dustin Miller, Director

- A. Timber Sales Revenue—November 2024
- B. Leases/Permits Transactions and Revenue—November 2024

Discussion: Secretary of State McGrane extended appreciation to the Department for conducting an evaluation of fire impacts to endowment timberland in the 2024 fire season. Secretary of State McGrane recognized the Department is covering many more acres and the Land Board's responsibility goes beyond marketable timber; fire suppression is crucial for preserving lives and personal property. This analysis helps inform the Land Board and the legislature, and the conversation will come up during the legislative session due to the need to replenish fire suppression funds. Controller Woolf noted in the first paragraph, third sentence of the analysis, "The other 516 acres were classified as timber assets but classified non-commercial." Controller Woolf inquired what it means to be classified as non-commercial. Director Miller replied that the 516 acres classified as timber but non-commercial are in areas that are inaccessible because it is steep and rocky, and the quality of timber may be poor. Director Miller said trees are growing, it is timberland, but it is non-merchantable. It would take a lot of effort, money and complex logging systems to get that timber. Governor Little commented it is commercial but unaffordable to harvest and suggested that there be another way to classify it.

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

Introduction: Tom Wilford, chair of the Endowment Fund, introduced Investment Board members in attendance: Jerry Aldape, Chairman of the Land Board Audit Committee; Bobby Lawrence from Eide Bailly, EFIB's auditors; Janet Becker-Wold with Callan; Chris Anton, Manager of Investments; Chris Halvorson, Investment Officer, and Kathy Van Vactor, Fiscal Officer. Mr. Wilford stated that Chris Anton will provide a summary of EFIB's annual report; Jerry Aldape and Bobby Lawrence will provide the Land Board Audit Committee Report; Chris Anton will provide the standard monthly report; and Janet Becker-Wold has announced her retirement and will reflect on the 18 years of service that she has provided to EFIB.

A. FY2024 Annual Report

Discussion: Mr. Anton reviewed the annual report and highlighted some of the key performance measures.

B. Land Board Audit Committee Report

Discussion: Mr. Aldape mentioned that every year the endowment fund is independently audited, this year by Eide Bailly, who did a great job, beginning with communication before the audit starts. After the audit Eide Bailly meets with accounting staffs on both EFIB and the Department. Everything was very positive this year. Mr. Lawrence commented he was happy to be doing business with EFIB again, and thanked the staff of both EFIB and the Department in getting through these

procedures, top-quality individuals that were prepared, responsive, and made both successful engagements. Mr. Lawrence summarized the reports and opinions as provided in the materials, saying Eide Bailly expressed a clean or unmodified opinion on the financial statements for 2024. As the successor auditor this year, the predecessor auditor's opinion on fiscal year 2023 financial statements is included, a clean or unmodified opinion as well. Both auditors are professional, independent third parties that check financials to make sure they are in accordance with generally accepted accounting principles, and they are. Mr. Lawrence said the second report is an internal control report. As part of planning and performing the audit auditors go through the internal control system, testing compliance with laws, regulations, and contracts. There were no items to report as a result of that process, also a clean opinion on that. Lastly, the Agreed Upon Procedures report for the Idaho Department of Lands. There were no material items to note there, again a clean report. Governor Little noticed the materials twice referenced recalculating the allocation and asked if that is a big or little number. Mr. Lawrence answered that the Department identified a very small difference when comparing the State information and the Department's internal information; Eide Bailly saw that was the case and so disclosed that as well. Governor Little noted the difference was about \$90.

C. Manager's Monthly Report

Discussion: Mr. Anton reported a strong month of November. The portfolio was up 3.2% and up 6.4% fiscal year-to-date. The big rally during the month of November was primarily due to the election of President Donald Trump and his platform, which is considered to be pro-growth, less regulation, lower taxes, etcetera. Small stocks moved the most, up 11% during the month. Markets are excited about the new administration. One item that people are cautious about and watching is the proposal of higher tariffs. It is not known how that will be implemented or the magnitudes, but potentially those can be inflationary; it is something the Federal Reserve will be watching. It is anticipated the Federal Reserve will cut rates by another 25 basis points later this week. Inflation seems to be stabilized, not quite at the Federal Reserve's goal, but it has come down. Mr. Anton noted that at its November meeting, the Investment Board elected to terminate one of its managers, Western Asset Management, which manages fixed income for both EFIB and the State Insurance Fund. The chief investment officer is under investigation by the Securities and Exchange Commission. The Investment Board elected to terminate Western Asset Management's services and is in the process of transitioning to Dodge & Cox, both EFIB investments and the State Insurance Fund investments. Governor Little asked, when EFIB learned of the matter, did the market already know and the funds took a big hit. Mr. Anton responded that EFIB found out right away; Western Asset Management called and disclosed the fact that there was an investigation, before it was in the market. This is fixed income, and the funds are primarily in high quality, investment grade fixed income; those bonds have continued to perform well, with no losses.

D. Janet Becker-Wold's Planned Retirement

Discussion: Ms. Becker-Wold mentioned her appreciation for the relationships with the Department of Lands, the Land Board, and EFIB, and the honor it has been to serve as consultant for almost 18 years. Ms. Becker-Wold recalled that it began in 2007 and one of the big projects Callan performed for the Department of Lands and the Land Board was an asset allocation and governance study that was published in 2014. That was a continuation of the work that the Land Board and others had done on endowment reform, and Callan is proud of their contribution in laying out a framework to improve the governance of the three entities and to further collaboration between the Department of Lands, the Land Board, and the Investment Board in terms of managing the trust assets more holistically, including the lands and the financial assets. Callan is also pleased with the work done for EFIB, which has compounded an annual rate of return of over 9% over the last 15 years, a really stellar return. Endowment Fund assets more than doubled in the last 10 years, and distributions have grown, too, which is the primary responsibility of the Fund and Board. Ms. Becker-Wold noted she will retire from Callan after 31 years, in March of 2025, and wanted an opportunity to thank the Land Board, the EFIB Board, and the Department of Lands, for their relationships over these last 18 years. Governor Little thanked Ms. Becker-Wold for her service.

3. Performance Review of Total Endowment—presented by Dustin Miller, Director

Discussion: None.

Consent—Action Item(s)

4. Results of October 16, 2024 Mineral Lease Live Auction—presented by Mike Murphy, Program Manager-Minerals Leasing

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

Discussion: Governor Little asked if the 5% net smelter is in code. Mr. Murphy replied no, it is based on an old Land Board policy and current market conditions. Controller Woolf commented that getting a premium bid is desirable; he noted there were others at the auction that did not bid and asked if the Department knows why they may not have bid. Mr. Murphy said there was follow up with the interested parties. One registered party was new to the Department's auction process. It was worth their time and the \$250 fee to register and simply watch the process in anticipation of a future auction; they had no intention of bidding. In follow up with the other party that the Department anticipated might bid, they did significant geologic research and did not have enough time to complete it. They were going to bid on the lease anyway, risking the potential of little value on the parcel, then their geologic team pulled the plug, and they did not bid. One registered party remained and bid \$28,000 which was the opening bid and that is where the auction ended.

5. Results of November 1, 2024 Residential Cottage Site Lease Live Auction—presented by Kemp Smith, Program Manager-Commercial/Residential

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

Discussion: None.

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

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

Regular—Action Item(s)

8. Statement of Investment Policy Annual Review—presented by Jim Elbin, Division Administrator-Trust Lands

Recommendation: Approve the revised Statement of Investment Policy.

At 2:36 p.m., a motion was made by Attorney General Labrador that the Land Board resolve into Executive Session pursuant to Idaho Code § 74-206(1)(d) to consider records exempt from disclosure as provided in the Idaho Public Records Act, specifically to discuss attorney-client privileged communications which are exempt from disclosure pursuant to Idaho Code §§ 74-104(1)(a) and 3-201(5). Secretary of State McGrane seconded the motion. Roll Call Vote: Aye: McGrane, Labrador, Woolf, Critchfield, Little; Nay: None; Absent: None.

Executive Session

At 2:47 p.m., a motion was made by Superintendent Critchfield that the Land Board resolve out of Executive Session. Controller Woolf seconded the motion. Roll Call Vote: Aye: McGrane, Labrador, Woolf, Critchfield, Little; Nay: None; Absent: None.

[Editor's note: the Discussion portion is written in first-person format. This is not a verbatim transcript.]

Discussion:

Controller Woolf: What would the Department's process be for reclassification and transition lands. How is that communicated; is it shared with the public?

Mr. Elbin: The first part is bringing this policy; it was there before as transition lands. A key example would be Tamarack Ski Resort. Those 2,000 acres were reclassified from timberland to commercial recreation because the lease was worth more than two times revenue off timber. There are influences that change what the best use of land is. In 2016 when we classified everything, it was a very broad brush; we were not looking potentially at HBU [highest and best use]. Then as we went through the Payette Endowment Land Strategy, the PELS process, we identified some places with conflicts on what the land values are and how that matches up with our management.

The values we are talking about reclassifying come to the Board; it is very public. Nowhere is the policy talking about selling; the statute is clear that we cannot sell timberland. Our intent here is to best match what the management is or to look for other opportunities to diversify our income portfolio.

Secretary of State McGrane: Is there any concern, for example, we reclassify land, we lease it, is there risk down the road of selling a reclassified parcel; does it indirectly get to a sale at some point in the future.

Mr. Elbin: I suppose it could, but that is not our overall intent with this process.

Attorney General Labrador: I know it is not your intent, but is there anything preventing it. That is the concern that when you reclassify it the statute says certain things cannot be sold, but if you reclassify it to a different type of property or land, then it can be sold. Nothing in the statute is preventing you from selling that land.

Mr. Elbin: That is correct. We have been very open about that when we have talked about some parcels around McCall, White Pine Heights, Lick Creek, for example. As timberland, in that area of the state, an acre is worth about \$1,400-\$1,800 to us. When you are looking at real estate value, I think one parcel was over \$21 million. When we weigh those options as a manager, we are going to continue doing a good job with the timber, but you also have to look at what return we should be getting; Director Miller hit on this earlier. Then we have EFIB down the street; if we cannot produce the income then we should look at disposal. There are a lot of limits that keep that from being a wholesale thing. Statute says where it is timberland you cannot sell, there is a limit on the number of acres that we can sell in a year, and there is also a limit on the number of acres you can sell to an individual that varies by endowment. I think University of Idaho is 160 acres and the rest of them are 320. There are several restrictions in place preventing a wholesale selling off land.

Attorney General Labrador: Just to be clear, if we make this reclassification, there is nothing legally that would prevent you from selling or putting that property up for sale.

Mr. Elbin: Not if the Land Board approves doing so.

Superintendent Critchfield: Looking at the timing of the update of the policy, is it because of other statutes that are in place, what was put in the books at the time, outdated for how we manage it now, trying to kind of find that balance between where we are, where we have been, where we want to go.

Mr. Elbin: Yes, that is what we are trying to do. We are trying to make the language match what the actual process is. We were looking through the history of different parcels that have happened, and it requires a reclassification if we do anything; regardless of what the current classification is, it is what we are doing. We want to clean up the language, and right now we are talking about Statement of Investment Policy, and the next item is the Asset Management Plan; the Asset Management Plan feeds from it, so why not make the language match. We have bought well over 50,000 acres of timberland so our base of timberland is increasing. We have very few acres that would need to be considered for reclassification that we will be very up front and bring to the Board when we need to.

Superintendent Critchfield: Thank you for that explanation. Like any policy or any action, once the Land Board staff determines what action needs to take place, it will come here and there will be an explanation of this got reclassified, here is what we want to do, this is why we did it, and so changing the policy does not initiate any separate action from the Land Board staff, it is all Land Board approved.

Mr. Elbin: That is true, other than the Director has authority up to \$250,000, but land values when we are talking about this will far exceed that.

Attorney General Labrador: I assume we have reclassified property before?

Mr. Elbin: Yes, sir.

Attorney General Labrador: Have we ever reclassified from assets that cannot be set aside or sold to assets that can be sold.

Mr. Elbin: We have, Attorney General; the cottage sites are a prime example. Those get sold.

Attorney General Labrador: Can you explain that a little bit more.

Mr. Elbin: We have done that, including at Priest Lake. I believe all of those properties were part of the Priest Lake State Forest and they have been converted to residential and then through a Land Board decision in 2010, the direction was made to sell those.

Attorney General Labrador: Why do we need this change in the policy if it has been done before.

Mr. Elbin: I would argue there is really not a change in the policy, it is just a change in the wording. We have said transition lands that may move from one classification to another, and we just were cleaning it up to say reclassification. We would still bring a piece of transition land to the Board to be reclassified if that is what we felt was in the best interest of the endowments.

Secretary of State McGrane: During the update given by the Director on the fire report, the Governor had talked about those lands that are trees on the side of a cliff and coming up with a better classification. Does this play into that at all.

Mr. Elbin: Yes, it could be because it is unfeasible to log; it is low value trees. But primarily we are looking at instances where the land values dictated different management or a different instrument that could be on it. And again, with Tamarack, we still manage the timber there, but we manage it in a different way because there is value to those trees being there and providing scenery for the ski resort. That is what we are looking at, do we need to dispose if we cannot make the money that we need to from leasing opportunities.

Secretary of State McGrane: My next question might bleed into the Asset Management Plan, to your point that one leads to the other. A lot of conversation on the reclassification piece, part of that effort is just the recognition that over time certain parcels may have a better use than they did previously, hence recreation like Tamarack skiing; something we did not contemplate previously, now it makes a lot of sense because there is a resort right at the bottom. As we look in the Asset Management

Plan, that shift towards leasing opportunities, there is some language in there that we are trying to get away from some of the leasing. It feels like our policy is coming at both ends a little; when I look at the Asset Management Plan that causes me a bit of hesitation on those, because where are we headed. I think the policies are intended to provide direction to you and the team about how you function throughout the year.

Mr. Elbin: That is exactly what it is. I know what you are talking about, in the commercial leasing we had commercial buildings and residential leasing as well, but we are moving away from that. It was Land Board decision in the past to sell off all the commercial buildings, but as we talked about earlier, between developing the commercial leasing policy and the energy leasing policy, we are still looking at ground leasing. I wanted to make sure the Asset Management Plan was updated as well as the Statement of Investment Policy to recognize those two, even though it does look like we are getting out of some things, but we are still exploring others.

Secretary of State McGrane: From where I sit, I do not necessarily think it reflects the will of the Board. I can see the benefit, and as we are looking at the policy of the reclassifications because the state is changing, that is why you are bringing it forth, looking at cottage sites in particular, but some of these things...I was around enough to know the 2012-2014 decisions, but now some of those look like that was a lot of potential loss; do we as a Board need to have a conversation at some point to reevaluate that direction.

Mr. Elbin: Do we need to look at it? I would say absolutely. If you look at the value that we could be getting if we had maintained the residential leasing program, it would rival timber. That said, we have replaced all of it with the reinvestment into timberlands and an increased harvest. Having a few more eggs of different color in the basket would be nice.

Secretary of State McGrane: Of that history, that money went into Land Bank; some remains in the Land Bank, some went to the EFIB. I do not know that it neatly fits in the narrative. It is interesting some of the phrasing in this plan is more action oriented under certain areas, but Land Bank in specific is not very descriptive, and I feel like we should do something with those Land Bank funds, because timberland has reached the hurdle rate; this is my opportunity to express those opinions.

Mr. Elbin: Duly noted, and we are always looking.

Attorney General Labrador: You keep mentioning Tamarack; that was reclassified from what to what?

Mr. Elbin: Tamarack was reclassified from timberland to commercial recreation.

Attorney General Labrador: If I am reading the statute correctly, recreation would still not be allowed to be sold. You were reclassifying from one character to another that was pretty much the same, correct?

Mr. Elbin: Yes.

Board Action: A motion was made by Controller Woolf that the Land Board approve the revised Statement of Investment Policy. Superintendent Critchfield seconded the motion. The motion carried on a vote of 4-1, with Attorney General Labrador casting the opposing vote.

9. Asset Management Plan Review—presented by Jim Elbin, Division Administrator-Trust Lands

Recommendation: Approve the 2024 Endowment Lands Asset Management Plan.

Discussion: None.

Board Action: A motion was made by Controller Woolf that the Land Board approve the 2024 Endowment Lands Asset Management Plan. Superintendent Critchfield seconded the motion. The motion carried on a vote of 4-1, with Attorney General Labrador casting the opposing vote.

10. Negotiated Rulemaking for IDAPA 20.03.08, Easements on State-Owned Lands—presented by Roger Hall, Bureau Chief-Real Estate

Recommendation: Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.08 *Easements on State-Owned Lands*.

Discussion: None.

Board Action: A motion was made by Controller Woolf that the Land Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.08 *Easements on State-Owned Lands*. Secretary of State McGrane seconded the motion. The motion carried on a vote of 5-0.

Information

[Editor's note: the Discussion portion is written in first-person format. This is not a verbatim transcript.]

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

Discussion:

Controller Woolf: Several of these things will cost quite a bit; what do we need and how do we set up that funding structure, let alone this versus replenishing the fire suppression in itself. How do we as a Board best prepare ourselves financially to help pay for these things if that is such a need.

Director Miller: We need to be strategic in how we do this. We need to continue to rely on our partners the best we can to leverage resources and capabilities, but we also need to stay focused on becoming more self-reliant to be able to hold more of our fires, especially during times of resource scarcity when we have a bunch of fire on the landscape and resource orders are unable to fill. We want to make sure that we have those key positions in place and the resources to be able to hold that. We talk about trying to hold things to a Type 3 Incident Management Team level or lower. We have one standing Type 3 Incident Management Team that moves around the state during fire season. Oftentimes we do not have the resources or the personnel to handle a fire if it increases in complexity because of infrastructure and homes, and we have to order a much larger team. I would like to replicate that Type 3 model and have two or three Type 3 Incident Management Teams in place to better set us up for success to hold those fires and handle it ourselves before having to bring in additional resources. That is one thing that we are discussing and that we are looking at. The

