



## 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

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

## Final Minutes

State Board of Land Commissioners Regular Meeting

July 15, 2025

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, July 15, 2025 at the State Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho, and via webinar. The meeting began at 8:59 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

Honorable Governor Brad Little

Honorable Secretary of State Phil McGrane

Honorable Attorney General Raúl Labrador

Honorable State Controller Brandon Woolf

Honorable Superintendent of Public Instruction Debbie Critchfield

Four Land Board members were present at the physical location; Attorney General Labrador joined via Zoom webinar. Deputy Director Bill Haagenson acted as Secretary to the Board on behalf of Director Dustin Miller.

## Reports

1. Department Reports—presented by Bill Haagenson, Deputy Director-Resource Management
  - A. Timber Sales Revenue—June 2025
  - B. Leases/Permits Transactions and Revenue—June 2025

Discussion: Controller Woolf asked about the agriculture revenue shortfall of approximately \$200,000 compared to projections in the Trust Land Management report. Deputy Director Haagenson communicated that the shortfall was largely due to a lease that was in default, amounting to about \$90,000. He mentioned that the default issue has since been resolved but the payment had not yet been reflected in the report. Additionally, a payment from the University of Idaho for the lease at the CAFE center is expected soon, which will bring revenue closer to projections.

- C. Fire Season Update
- D. Land Bank Aging Report

Discussion: Superintendent Critchfield asked for clarification on the nearly \$2 million in reimbursable costs cited in the Background section of the materials. Deputy Director Haagenson explained that these reimbursable costs arise primarily early in the fire season when Idaho sends resources to assist other states or the federal government where fire activity is higher. The initial costs are covered by the General Fund but are later reimbursed to the state once the other entities repay those expenses.

- 2. Endowment Fund Investment Board—presented by Chris Anton, EFIB Manager of Investments
  - A. Manager's Report
  - B. Investment Report

Discussion: Mr. Anton reported that the Endowment Fund ended the fiscal year with an 11.7% return, despite flat performance year-to-date (up approximately 2%). Financial markets closed the month strong, with the Dow Jones, S&P, and NASDAQ reaching record highs. He attributed this in part to a federal budget bill, developments on tariffs, and U.S. military action in Iran. Treasury yields declined slightly due to lower-than-expected inflation in May (2.4%) and softening consumer spending, although tariff-related inflationary pressures were beginning to show (June inflation at 2.7%).

Mr. Anton shared that despite strong performance, the fund trailed its benchmark by 0.6%. The primary reasons were domestic equity allocation and manager underperformance. The Endowment Fund is overweight in mid- and small-cap stocks compared to the Russell 3000 index. As large-cap stocks (especially the "Magnificent 7") have grown disproportionately, this mismatch in allocation led to relative underperformance when mid- and small-cap stocks lagged. Active managers in mid- and small-cap categories—specifically Times Square, Sycamore, and Barrow Hanley—underperformed their benchmarks. These managers favored high-quality companies with strong fundamentals and avoided more speculative stocks (e.g., MicroStrategy and Palantir), which posted outsized gains despite weaker earnings profiles. He added that global equity managers also underperformed, partly due to their cautious stance on large-cap tech valuations, which they viewed as excessive. Despite short-term underperformance, Mr. Anton expressed confidence that a quality-driven, valuation-conscious approach will prove beneficial in the long run. He highlighted strong 3-year performance (average annual return of 11.6%) as a key contributor to growth in the Endowment and beneficiary distributions, with further distribution increases likely in August. Governor Little asked whether the Investment Board and its consultant were tolerant of short-term underperformance in exchange for a more conservative, secure portfolio. Mr. Anton said that was a fair assessment.

### **Consent—Action Item(s)**

- 3. Approval of Draft Minutes—June 17, 2025 Regular Meeting

**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)**

4. Proposed Legislation 2026 Session—presented by Bill Haagenson, Deputy Director-Resource Management

Recommendation: Approve the Department's 2026 legislative proposals with the potential for further revisions and withdrawals.

Discussion on Proposal 1: Governor Little sought clarification on statutory language in the proposed code change, noting that the final paragraph referenced a charge "to \$100" rather than "up to \$100." Deputy Director Haagenson affirmed the revised language correctly uses "up to \$100" and acknowledged the inconsistency. Governor Little questioned the terminology used to describe the 67,282 parcels referenced—whether they are "improved lots" or "residential parcels." He cited code language from 38-111, raising concerns about how parcels with zoning changes are treated under the surcharge. He asked how many parcels fall within timber protective districts or are double counted with rural fire districts. Deputy Director Haagenson clarified that the 67,000+ parcels are those with residential improvements that receive the \$40 surcharge, not unimproved timberland. He noted some parcels fall within timber protective associations (Southern Idaho Timber Protective Association, Clearwater-Potlatch Timber Protection Association), but generally, parcels already covered by a municipal or rural fire district are not assessed the state surcharge. Governor Little asked how response costs are handled when fires occur in areas with overlapping jurisdiction. He questioned whether the state gets reimbursed when aiding rural districts and whether landowners are assessed by both the Department and local fire entities. He pointed to specific areas like Robie Creek as examples of potential liability without appropriate compensation. Deputy Director Haagenson responded that reimbursement depends on protection responsibility—the Department is not reimbursed for lands it directly protects. Parcels in another taxing district would not be double-assessed. He confirmed the General Fund covers suppression costs when they arise in overlapping areas, regardless of property ownership. Governor Little asked how the proposed legislation relates to the General Fund. Deputy Director Haagenson explained that funds from the surcharge are directed by statute to a dedicated preparedness fund, while suppression costs are covered by the General Fund. The dedicated fund and General Fund jointly support preparedness. The General Fund is used for suppression; the dedicated fund is not.

Controller Woolf asked whether the Department plans to increase the per-acre fee from \$0.60 to \$0.65 and raise the residential improvement surcharge up to \$100 in future fiscal years. Deputy Director Haagenson answered that there are currently no discussions about increasing the per-acre fee. The Department's focus is on funding preparedness for the Wildland Urban Interface. He communicated that raising the residential surcharge to \$100 could yield over \$4 million annually for preparedness and mentioned that such an increase could be phased in gradually. Secretary of State McGrane asked whether all 67,000 parcels would be subject to the higher surcharge or if the actual yield would be lower due to exemptions for properties already covered

by local fire districts. Deputy Director Haagenson explained that the \$4 million estimate is based on the 67,000 parcels currently paying the \$40 fee. Properties already exempt from the surcharge are not included in that number.

Discussion on Proposal 2: Attorney General Labrador requested additional justification for extending commercial leases on endowment land from 49 to 99 years. While not objecting to the proposal, he advised the Department to seek input beyond interested parties—such as commercial real estate professionals—to be better prepared for legislative enquiry. Deputy Director Haagenson explained that some commercial entities, including those interested in parcels like the Deinhard site in McCall, have expressed concerns that the 49-year lease term is insufficient for financing purposes. These parties have requested terms of 50 years or more, prompting the Department to propose allowing leases of up to 99 years. He acknowledged the Attorney General's recommendation and committed to gathering broader industry feedback. Superintendent Critchfield asked how lease transfers would be handled over long durations, observing that original lessees are unlikely to hold a lease for 99 years. She also inquired about oversight procedures to ensure lease compliance over such a long term. Deputy Director Haagenson described that leases can be assigned or terminated and that the Department already manages lease transitions under shorter terms. All leases are tracked in an electronic system, which ensures continuity despite staff turnover.

Governor Little questioned whether more flexible approaches—such as renewable 49-year leases or rolling 5- or 10-year renewals—could be considered to avoid locking the state into overly long arrangements. He cited the possibility of unforeseen future value (e.g., rare earth minerals) that may not be adequately captured under a 99-year contract. He agreed with the Attorney General that feedback should be sought from stakeholders both for and against the proposed change. Superintendent Critchfield echoed concerns about binding future generations to long-term agreements. She supported lease term extensions in principle but favored incremental approaches. Deputy Director Haagenson noted that renewing leases is legally complex under endowment rules, as any new lease is considered a disposition and would require public advertisement, making rolling renewals difficult to administer. However, he pointed out that the Department's recommendation includes flexibility for revisions or withdrawals before the legislative session, particularly if similar legislation emerges elsewhere. Superintendent Critchfield voiced support for extending lease terms but reiterated interest in exploring alternatives to a fixed 99-year structure. She recognized that the current motion allows flexibility for adjustments as feedback is received. Controller Woolf suggested that the Department return with an updated proposal later in the fall.

Discussion on Proposal 3: Governor Little cautioned that invoking deficiency warrants could be met with resistance from the legislature, which may interpret the term as authorization to spend unappropriated funds. He advised the Department to anticipate scrutiny when presenting this proposal. Deputy Director Haagenson acknowledged the Governor's concern. Secretary of State McGrane interpreted the proposal as intending to cover unpredictable emergencies—such as rockslides—where the Department's Type 3 Team could assist. He asked whether that was the intended use case. Deputy Director Haagenson stated the focus was on enabling rapid response to unforeseen

incidents, including those in neighboring areas, while ensuring personnel are compensated without delay. He expounded that deficiency warrants would allow rapid response to emergencies and timely compensation of responders, with reimbursement directed to the deficiency fund when it is received later.

Governor Little raised concern about the inclusion of fuels reduction in a deficiency warrant statute, questioning whether such activities—which can be planned—should be classified as emergencies. He drew a distinction between proactive fuel management and urgent suppression actions like setting backfires. Deputy Director Haagenson clarified that the reference was to proactive fuels reduction through prescribed burns, not emergency suppression actions. Secretary of State McGrane agreed with the Governor's concern, stating that while fuels reduction is widely supported, it may not belong in a deficiency warrant context and may necessitate a different funding and policy approach. Governor Little emphasized that the legislature would likely object to granting a "blank check" for fuels reduction under the guise of emergency authority. Secretary of State McGrane recommended removing the fuels reduction item from the current legislative proposal and revisiting it with a different approach.

Superintendent Critchfield sought clarification on how this proposal differs from the current approach to fire suppression, which already involves sending personnel and later seeking legislative reimbursement. She inquired if the distinction was substantive or same idea, different terminology. Deputy Director Haagenson clarified that while deficiency warrants are currently used for wildfire suppression, the proposed change would broaden applicability to other types of emergencies, such as floods or other non-fire events.

Board Action: A motion was made by Controller Woolf that the Land Board approve the Department's 2026 legislative proposals with the potential for further revisions and withdrawals. Superintendent Critchfield seconded the motion. The motion carried on a vote of 5-0.

5. Endowment Land Exchange: Benewah County—presented by Zane Lathim, Section Manager-Real Estate

Recommendation: Approve the exchange and direct the Department to complete and close the as-proposed Benewah County land exchange, including using Earnings Reserve funds to offset the difference in values.

Discussion: Governor Little asked if there was any opposition to the proposed exchange. Mr. Lathim conveyed that no opposition had been noted. Controller Woolf inquired about the extended timeline, which dated back to 2022, asking whether any bureaucratic or procedural delays contributed to the duration. Mr. Lathim replied that the extension resulted from the need to balance the exchange after the county requested more land. This required procurement of additional land, completion of surveys, and a reappraisal, all of which extended the timeline. Controller Woolf also sought confirmation on the financial benefit, that timberland would yield a higher return than the current leases, despite sizeable revenue from the sand and gravel lease. Mr. Lathim disclosed that the current leases only generate approximately \$1,000–\$1,200 annually and are relatively minimal.

Attorney General Labrador asked about the "boot" (cash paid in excess of the land value) in this 1031 exchange, which at 14.2% appeared higher than the typical safe harbor threshold of 10%. Mr. Lathim deferred to John Richards, legal counsel, who explained that while the boot was above 10%, the structuring was necessary due to valuation discrepancies and the limits on additional land that could be added to the exchange. He further explained that the 1031 tax provisions should not pose a problem since both parties—Department of Lands and the county—are tax-exempt and performing essential governmental functions. Therefore, the higher boot does not present a legal barrier to the transaction. Attorney General Labrador asked whether the opportunity cost of spending \$91,000 on this transaction, rather than on other endowment investments, had been analyzed. Deputy Director Haagenenson noted that the acquired parcels contain a significant volume of mature timber, enabling a near-term harvest and return to beneficiaries, which supports the \$91,000 expenditure as a sound investment. Controller Woolf asked for confirmation that Land Bank funds were not used because the properties involved are owned by endowments that do not have Land Bank funds. Mr. Lathim confirmed that the exchange involves School of Science and Capital Permanent Fund properties, which are not part of the Land Bank.

Board Action: A motion was made by Controller Woolf that the Land Board approve the exchange and direct the Department to complete and close the as-proposed Benewah County land exchange including using Earnings Reserve funds to offset the difference in values. Superintendent Critchfield seconded the motion. The motion carried on a vote of 5-0.

6. Disposition of Driggs 160 Endowment Parcel—presented by Roger Hall, Bureau Chief-Real Estate

Recommendation: Approve the disposition of the 160-acre endowment parcel near Driggs (Driggs 160) through public auction.

Discussion: Controller Woolf asked if the current grazing lessee had been notified of the proposed changes to the lease. Mr. Hall said that the lessee had not yet been contacted; the Department wanted to obtain Land Board approval first and would inform the lessee if the project moves forward. Controller Woolf also inquired whether the property had been appraised. Mr. Hall confirmed that an appraisal had been completed. The Department is working with Bottles Real Estate Auction and a real estate advisor to determine an appropriate starting bid price in order to maximize beneficiary returns. Controller Woolf asked whether, given the grazing status, there were any legal limitations on reclassifying the land. Mr. Hall stated that the land could be reclassified and that there were no legal barriers. Governor Little asked how many adjacent landowners border the section. Mr. Hall did not have an exact count but estimated 10-20 developments to the west, confirming there are multiple neighboring property owners. Governor Little noted the importance of having more than one potential buyer. Mr. Hall agreed and added that the property would be advertised broadly.

Board Action: A motion was made by Controller Woolf that the Land Board approve the disposition of the 160-acre endowment parcel near Driggs, the Driggs 160, through public auction. Secretary of State McGrane seconded the motion. The motion carried on a vote of 5-0.

## Information

7. Proposed Rule IDAPA 20.03.04, Rules for the Regulation of Beds, Water, and Airspace Over Navigable Lakes in Idaho—presented by Marde Mensinger, Program Manager-Navigable Waters

Discussion: Governor Little commented that the issue appeared straightforward. Superintendent Critchfield referenced the written public comments, noting recurring themes, particularly concerns about vague terminology and the need for clearer definitions. She asked how those comments were addressed. Ms. Mensinger responded that the Department acknowledged those concerns and clarified key terms by explicitly defining what constitutes navigational versus non-navigational encroachments. The Department standardized terminology around encroachments (e.g., "structure" or "materials") to uniformly refer to them as encroachments requiring permits. She added that all comments were reviewed. Many were irrelevant to the rule; the Department addressed those that were relevant to the rulemaking.

## Executive Session

None

There being no further business before the Land Board, at 10:01 a.m. a motion to adjourn was made by Controller Woolf. Superintendent Critchfield seconded the motion. The motion carried on a vote of 5-0.

Idaho State Board of Land Commissioners

/s/ Brad Little

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

/s/ Phil McGrane

Phil McGrane  
Secretary of State

/s/ *Dustin T. Miller*

Dustin T. Miller  
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the July 15, 2025 Land Board meeting.