



Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board

Lawrence E. Denney, Secretary of State

Lawrence G. Wasden, Attorney General

Brandon D Woolf, State Controller

Sherri Ybarra, Superintendent of Public Instruction

Dustin T. Miller, Director and Secretary to the Board

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

Final Minutes

State Board of Land Commissioners Regular Meeting

May 19, 2020

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, May 19, 2020 via teleconference.¹ The meeting began at 9:00 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

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

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

Director Miller mentioned that the Regular agenda items appear before the Consent agenda items for this meeting so Endowment Fund Investment Board (EFIB) members may participate in the discussion of Regular agenda item 3.

1. Department Report – Presented by Dustin Miller, Director

Endowment Transactions

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

Discussion: Governor Little asked if the Department's fire division is working with other agencies, given the turmoil caused by best practices needed with the current COVID-19 situation, and noted he does not know how a massive fire camp can maintain social distancing, but there has been a lot of talk about it. Governor Little assumed the Department is working on provisions that will allow staff to fight fires while keeping everyone safe. Governor Little remarked that spring rainfall seems to indicate there might be a bigger range fire season than last year and probably more of a normal fire season for the big fuel in the woods. Governor Little asked if the Department's fire division has been talking about that. Dustin Miller replied that the Department

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

will start its fire season update in June; however, from a fire readiness standpoint and addressing the COVID-19 situation, the Department put together a set of protocols in April for field and fire activities moving forward. That effort was spearheaded through the Department's Operations Division as well as its Fire Management Bureau; copies of those protocols were sent over to the Governor's Office. Director Miller agreed with Governor Little's assessment; protocols will be a challenge to implement when fire season is in full swing. The Department is in regular communication with federal partners and is implementing protocols that are very similar to what Forest Service and BLM [Bureau of Land Management] are doing: social distancing, wearing of masks, disinfecting hand tools, engines, as well as living quarters, and really trying to insulate engine modules as one to mitigate any risk of transmission of COVID-19 to firefighters. The Department also has a response plan for if a firefighter is exhibiting symptoms of COVID-19 or has a confirmation.

Governor Little commented that timber prices are down about one-third and inquired if the Department has a forecast for if this continues; is the plan to continue doing sales even though at a lower forecasted revenue number. Director Miller recalled, as was discussed at the Board meeting last month, endowment lands provide a consistent wood supply which is still important during tough economic times and will continue to benefit the endowments over the long-term. Maintaining that critical milling infrastructure is vitally important. The Department will continue to put sales up for auction and continue to monitor those prices, being very cognizant of where the Department is at economically but ensuring the benefit to endowment beneficiaries over the long-term.

2. Endowment Fund Investment Board Report – *Presented by Dean Buffington, EFIB Chairman, and Chris Anton, EFIB Manager of Investments*

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

Discussion: Chairman Buffington mentioned that Investment Board members and staff are joining the meeting this morning via teleconference. Chairman Buffington introduced the Investment Board: Richelle Sugiyama, Vice Chair; Senator Chuck Winder; Representative Steve Harris; Jerry Aldape; Warren Bakes; Irv Littman; Gary Mahn; and Tom Wilford. Chairman Buffington noted that the Investment Board will remain on the call during this portion of the meeting as well as the presentation of the Subcommittee Report. The Investment Board will then leave the call and reconvene for its regular quarterly meeting at 10:30 am (Mountain). Chairman Buffington turned the presentation over to Chris Anton, EFIB Manager of Investments, to present the report. Governor Little thanked Chairman Buffington for his service.

Mr. Anton started by thanking the Investment Board, EFIB staff, and also Callan representatives for joining the meeting this morning. Mr. Anton reported a very strong April; the portfolio was up 8.6% during the month, which resulted in fiscal year-to-date being down just 1.8%. Through the close of the markets yesterday, May 18th, the fund was down 0.3%; very close to break even. Mr. Anton remarked that COVID-19 has changed everyone's lives dramatically. To date there have been 4.8 million confirmed cases in 188 countries resulting in 318,000 deaths. Efforts to slow the virus have certainly slowed the infection rate which has allowed the health care systems to be more prepared, has allowed research firms to make progress on vaccine developments and so forth, but has come at a detrimental economic cost to individuals, businesses, and countries.

Over the last eight weeks, 36.5 million people filed for unemployment in the U.S., which implies a jobless rate of around 22% which is the worst since the Great Depression. Gross Domestic Product was down 4.8% during the first quarter and it is anticipated it will be down significantly more in the second quarter. Both Europe and Asia are suffering as well. Despite all of the bad news, the financial markets rallied during April and there is optimism that countries and states are beginning to reopen their economies, as Idaho is experiencing with the Governor's phased-in approach to bring people back to work; Phase 2 is being implemented this week. There is a lot of optimism that efforts are being made to bring people back to work to get the economy going again. People are also positive with some of the development of vaccines. The FDA indicated that it would provide emergency approval to use Gilead's Remdesivir treatment therapy which is designed to stop the spread of COVID-19 once someone is infected, so that shortens the recovery period and reduces their hospitalization time. Yesterday, Moderna announced that they had generated positive results with their vaccine which stimulates the immune system to fight the virus. There are many efforts in development of treatments and people are excited about the economy beginning to reopen.

Mr. Anton reported that as of the end of April, there are 5.6 years of reserves for public schools and between 6.2 and 8.1 years for all of the other endowments. Mr. Anton referenced item B, the Investment Report, highlighting some of the numbers seen in the portfolio with this volatility over the last few months. Large cap stocks have clearly out-performed small cap stocks. The thinking seems to be that the smaller companies do not have the strong balance sheets to withstand the shut-down and the cashflow of being shut down. Growth stocks have considerably out-performed value stocks. In terms of fixed income, anything with any hint of credit risk, even investment-grade corporate bonds, have taken a hit relative to U.S. treasuries. Looking at the report through May 18th, fiscal year-to-date the S&P 500 is up about 2.1%, the fund's large cap growth manager Sands is up 19.5% and two large cap value managers are down 12.7%. There is a huge disparity between the large rapidly growing companies and some of the more stable value-oriented companies. The fund has had great performance from the majority of its managers. Mr. Anton specifically recognized WCM Asset Management which is almost 17% above its benchmark. Several others are within 5-10% above their benchmark. Fund managers are doing a good job; considering the volatility in the markets, the portfolio is positioned fairly well.

C. Semi-Annual Report

Discussion: Mr. Anton commented that the Endowment Fund Investment Board mission is to provide outstanding investment management services to its stakeholders consistent with constitutional and statutory mandates. The Land Grant Endowment Fund is the largest, but EFIB also supports a number of other state agencies. The total number of assets under management is almost \$3.3 billion: about \$2.25 billion for the Land Grant Endowment; \$873 million for reserves for the State Insurance Fund; \$94 million for Department of Environmental Quality; \$36 million for Fish and Game; \$4 million for Parks and Recreation; and about \$400,000 for the Forest Legacy Program with the Department of Lands. Mr. Anton pointed out the photos of the Investment Board in the report and stated his pleasure to be working with such an outstanding board; they really do a great job in supporting EFIB. Mr. Anton noted that page 7 shows fund returns through April; to date the fund is at a breakeven point. Page 8 reflects the growth experienced in the endowment over the last 20 years. As shown, there is significant growth in the fund which has allowed for outstanding growth in distributions to beneficiaries. A number of things have allowed

the fund to grow rapidly. Part of it is the cash generated by the Department of Lands; the money earned from timber sales helps fund a significant portion of the beneficiary payments which allows the funds to grow over time. Another important factor is the reserves strategy that the Land Board adopted which allows EFIB to invest fairly aggressively. Certainly in times like this it generates more volatility, but over the long haul has driven strong returns and performance for the fund. Page 9 shows estimated earnings reserves at the end of April. EFIB has not closed the books for April, but staff developed a methodology to estimate reserves at any particular point in time. All the beneficiaries with the exception of Ag College are just modestly below target reserve levels. Mr. Anton mentioned that he was asked at one point, what did reserves look like when the fund was at its worst over the last several months. On March 23, the fund was actually down 18.5% and estimated years of reserves at that point were about 4.7 years for public schools and between 5.2 and 6.7 years for the others. That gives an indication for the volatility. Through yesterday, most of these numbers have gone up about 0.1%, with about 5.7 years for public schools and most of the other beneficiaries are up about 1/10 of a year. Overall, given the volatility, reserves are in a pretty healthy position. Mr. Anton mentioned that typically if reserves are not fully funded at fiscal year-end, in the next year EFIB will recommend to the Land Board keeping the distributions stable. EFIB is not in a position to make a recommendation at this point, just something for the Land Board to keep in mind as the fiscal year draws to an end. Page 10 shows the history of distributions; it does not reflect the upcoming fiscal year 2021. Distributions will be \$84.5 million in FY21, so nice steady growth since really 2006. Mr. Anton reminded the Land Board that EFIB also administers a credit enhancement program that is designed to help public schools by improving the credit rating and therefore lowering the borrowing costs on financing for school construction. The credit enhancement program guarantees to cover up to \$1.2 billion in bonds; currently there is \$623 million in outstanding commitments.

Attorney General Wasden referred to page 8, the total land grant endowment assets. Attorney General Wasden genially noted that he was first elected in 2002 and took office in 2003 and wondered if the tremendous increase of fund assets since his election might be due to the power of his personality. Mr. Anton agreed that it might. Governor Little asked what year Chairman Buffington became chair of the Investment Board. Mr. Buffington replied he was first appointed to the board in 2001 and became chairman in 2003; Mr. Buffington recalled that shortly after he became chairman the tech bubble burst and he became a TV personality answering questions to local television networks his concern about whether the endowment fund was going to go under. Governor Little remarked to the Chairman, and all the members and the staff, these are tumultuous times and the Investment Board has to have a good plan, implement that plan, do the rebalancing and there is every indication that all the beneficiaries in Idaho are fortunate to have the Investment Board's good advice and counsel. Chairman Buffington thanked Governor Little. Attorney General Wasden allowed that perhaps Chairman Buffington and EFIB had something to do with those numbers as opposed to simply the power of his personality and offered sincere appreciation for everything that the EFIB has done.

Controller Woolf mentioned that the EFIB Audit Committee met on Thursday, May 14th and noted that Gary Mahn had been serving as Audit Committee chairman. Controller Woolf stated Mr. Mahn served well in that role and has now taken a different role on the Investment Board. Tom Wilford was elected as the new Audit Committee chair. Controller Woolf also recognized that Jerry Aldape serves on the committee, along with the Attorney General and his representatives. Controller Woolf thanked Mr. Mahn for his time and service on the Audit

Committee and said he looks forward to working with Tom Wilford. Governor Little observed there is nothing wrong with having a certified public accountant as chairman of the Audit Committee.

Governor Little asked Mr. Anton how often the Investment Board does its rebalancing of asset allocations, given a lot of the turmoil that has been taking place in the market. Mr. Anton replied the Investment Board utilizes its investment policy which defines a target range for each of the investment strategies. For example, the target allocation is 66% to equities, plus or minus 3%. If it falls below 3%, more equities are purchased. If it gets above 69%, equities are sold. When the market dropped rapidly, the Investment Board sold bonds which had appreciated because investors moved to the safety of fixed income. The Investment Board sold bonds and bought equities near the bottom and then last week as the markets had this kind of run-up, some equities were sold to bring allocations back to a neutral spot. The fund is very close right now to its target allocation. Rebalancing is not necessarily based on any kind of calendar time; it is based on movements in the market. It is a fairly simple discipline and an effective one as it essentially forces the Investment Board to buy low and sell high.

Governor Little inquired how the real estate portfolio has performed in this tumultuous time. Mr. Anton responded there are two strategies in the real estate portfolio, both private funds. It is the only area of the portfolio that is private; 8.5% is invested in private strategies. Those have an appraisal done every quarter. Private strategies do not necessarily reflect the volatility of the market on a day to day basis but over time those funds have generated returns fairly consistently at 7-8%. The appreciation piece over the last couple of quarters has really began to come down. It is possible over the next couple of quarters there may be some modest reductions in the values, but they continue to generate nice cash flows. Fiscal year-to-date the portfolio is up 5.1% in the two real estate strategies. As appraisals are conducted in the next quarter or two, because certain segments have been hurt by the shutdown: retail, hotels—the portfolio does not have a lot of exposure there—and even office to a certain degree because people are working from home and may continue to work from home, EFIB does anticipate some modest reductions. Overall, it has been very stable, but part of that stability is the fact that valuations are not done in real time like public securities. Governor Little thanked Mr. Anton for the report, and thanked Chairman Buffington and members of the Investment Board for their service to the beneficiaries and the people of the state of Idaho.

Regular—Action Item(s)

3. Subcommittee Recommendation(s) on Reinvestment Strategy

Discussion: Director Miller gave a high-level overview of the subcommittee's work, then Governor Little and Attorney General Wasden each summarized their respective reports.

Governor Little noted there is a lot of money in the Land Bank funds and asked Mr. Anton his thoughts on the interest rate for those funds going forward. Mr. Anton responded that every month the Treasurer's office publishes the yield for the IDLE pool, which the money in the Land Bank is invested in. Mr. Anton recalled at the end of February it was around 1.96%, at the end of April about 1.65%. Interest rates have continued to come down. Mr. Anton estimated rates approaching 1% going forward in the intermediate term. The yield, for example, on the 10-year treasury right now is 0.7% so all shorter-term yields are coming down. Governor Little asked if

Mr. Anton or his esteemed colleagues have any concern about investing \$50 million into financial assets at this point. Mr. Anton replied that timing the market is always a challenge. The fund had a pretty significant rebound from the bottom; however, it is difficult to know where things will go if there is a second wave of infection. If the economy gets worse there could be some reversal of those gains. Relative to where the economy was a few months ago, returns over the long haul should be better just because the market is considerably still off its high, so it is a reasonable time to invest more money in financial assets. Governor Little asked, if the Land Board chooses to move some of the Land Bank dollars into the permanent fund, could those also be invested in a real estate portfolio, and what would that look like. Mr. Anton said that is a matter to discuss with the Investment Board. The fund transfer could be spread over all allocations so it would just go generally into the portfolio. If the Land Board elected to put it into real assets, the fund has two real estate managers today, and the monies could be added to those two funds. Governor Little inquired if the net effect would continue to diversify and armor the portfolio for resilience. Mr. Anton noted that relative to the total portfolio it is a pretty small percentage, but putting it into that strategy would provide some additional stability and cashflow to the portfolio.

Attorney General Wasden commented that if the Land Board takes that \$50 million right now and invests it as has been suggested, it has the potential of affecting other land purchases that may in fact over the long-term make an even greater enhancement to the endowment; Attorney General Wasden asked if Mr. Anton agrees with that comment. Mr. Anton replied, yes, as the Attorney General indicated, this whole process has been about trying to maximize the return for the beneficiary and finding the optimal investment solution. The process has been that the Department of Lands brings forward opportunities that will exceed the hurdle rate and EFIB certainly tries to maximize return with a reasonable level of risk in the financial portfolio. Without visibility to what the pipeline of investment opportunities are on the Department of Lands side, it is difficult to say at this point what the best solution would be. Investing in financial assets right now is a reasonable option. Mr. Anton said he is not aware whether there are options available on the Department side. EFIB has been an advocate of providing the Department with the opportunity to reinvest in timberland given the fact that this is sort of a one-time possibility.

Attorney General Wasden inquired of Mr. Anton whether his view has changed concerning the value that timber—that lands, that real property—adds to the stability of the overall fund portfolio. Mr. Anton commented that his view has not changed. Timber has always been a viable option; it is fairly uncorrelated to the financial assets which is nice in a diversification perspective. It provides steady cashflow. Investing in timber has always been a good option; the decision point is really a matter of a judgment call of what is the best opportunity. Mr. Anton said he is hearing two views: one is to follow the process, the other is that the Board is at a decision point. The Land Board is two years into this, and no one is discussing how many timber opportunities there are and what the hurdle rates are on those opportunities. The subcommittee recommended that maybe it is time to move part of that money. The Land Bank would still have \$80 million and maybe that is enough to cover future timber opportunities. It is really a matter of what the optimal decision is going forward. Fortunately, that is a Land Board decision.

Attorney General Wasden observed that knowing what is on the horizon in terms of land purchases is critical to any decision the Land Board makes here. The Land Board needs to know that before it determines an amount of money to put in the financials. Attorney General Wasden asked if Mr. Anton agrees with his observation. Mr. Anton replied it is an important matter to consider, yes. Mr. Anton supposed that is something that is being reviewed on a regular basis.

Mr. Anton remarked that he does not know what information was considered when the subcommittee recommendations were made; perhaps subcommittee members had access to that information where he did not. The Land Board certainly wants to make the optimal decision. Mr. Anton commented that to the Governor's point, investing in financial assets now appears attractive, but he does not know what the options are on the other side. Attorney General Wasden mentioned that in order for land transactions to occur, there has to be some certainty about what the parameters are. Attorney General Wasden stated he is in no way critical of what the subcommittee has done but suggested that the actions of the subcommittee caused uncertainty about what the future lies in terms of creating and reviewing and preparing those proposed transactions. Attorney General Wasden wondered if that was Mr. Anton's experience. Mr. Anton responded that he does not have a great deal of visibility to what takes place at the Department of Lands. EFIB and the Department work closely together, but in terms of the acquisition opportunities those are kept confidential because the Department is competing with other outside organizations. Those efforts have largely been kept confidential until full analysis has been prepared. Mr. Anton is aware the Department works with third party experts, looking at the valuations and return expectations; it is a very thorough process. In terms of the backlog of opportunities, Mr. Anton remarked that he does not have visibility to what is out there.

Controller Woolf thanked the subcommittee, Governor Little, Attorney General Wasden, and Mr. Littman for their work on this and all of those that presented and commented and helped out. Controller Woolf expressed kudos to predecessors on the Land Board, at EFIB, at Callan, everyone that helped set this current infrastructure. Controller Woolf remarked a big piece is what the Land Board worked on back in 2014 to bring the whole portfolio, both land and financials, under the same umbrella to look at everything as one whole. Controller Woolf said it is a choice between good, better and best. Controller Woolf highlighted some of the key parts: EFIB has an investment policy and staff follows it. The rebalancing for the equity is at 66% and the Investment Board keeps it within the plus/minus of 3%. The Land Board has a policy in place, the reinvestment strategy policy that the Land Board created in 2014, and reaffirmed in 2016, 2017, and 2018. Land Board policy is to review that annually. It was appropriate to allow a pause, to turn the rocks over and see if there are other opportunities, to ask our experts if there are different things the Land Board should review or consider. Controller Woolf shared his thoughts are looking back to still follow option A; Callan and EFIB did not recommend setting a hard target for a specific dollar amount to be invested, but rather allow the investment decision to be driven by those opportunities. In other words, to follow the recommendation; in this case to invest in timberland provided that the investment can be sourced with appropriate net returns; i.e., the hurdle rate. That is the key part. Timberland is not being purchased for the sake of buying timberland; it has to meet specific financial criteria. Quarterly Director Miller and the Department provide a report of the aging Land Bank numbers. Controller Woolf indicated that whatever the decision is today, a key piece is that the Department identify any funds in the Land Bank that will mature, when those funds will mature, and how realistic are potential transactions in the pipeline that the Department is looking at; how realistic are those projects, including the ability to complete them. The Land Board should follow its strategy and then it will have the opportunity to move. Controller Woolf noted that Governor Little made a great point earlier: there is always talk about the gross side and getting the biggest numbers there, but a key part going forward is how expenses can be reduced, on both Department side and EFIB side. Look for opportunities to reduce expenses so there is a bigger net in the take home. This is a once in a generation time frame, if there is an opportunity to purchase timberland given the hurdle rates.

Governor Little noted that the Land Board has taken significant steps to reduce risks and stabilize distributions. Callan has always said investing in financial assets was prudent particularly if earnings reserve levels are at or very near target. The opportunity right now is good. Funds are getting between 1% and a maximum 2% in the Land Bank; it is only about \$50 or \$58 million that would transfer to the permanent fund, depending on which option is utilized. There is still a lot of money in the Land Bank pipeline. The Land Board has not had a pipeline report for some period of time. Governor Little agreed the Land Board should stick with a plan, but there is a large sum of money in the Land Bank as a result of the sales of the cabin sites and commercial property. As that money sits there idle or at best with a very low interest rate, the Land Board is missing some of the opportunities. Governor Little reemphasized the Land Board's obligation is the beneficiaries, and buying more timberland takes some of that property off of the tax roles for those same beneficiaries, even though that is through property taxes and the Land Board's is through direct money from the endowment. The financial asset is an investment vehicle that is well known and has flexibility. It was discussed here some of the constraints the Land Board has as a public board with public records, about how it purchases land. It is known to the public that the Land Board is not the most agile purchaser just like was agreed by the Land Board when it sold the commercial property; the land Board was not the most agile manager of commercial property. The issue is not timberland. It is the purchasing of timberlands versus putting into financial assets where there is a great history of returns. Given the amount of money in the Land Bank, \$120-\$130 million, obviously the recommendation would be transferring those early funds that are rolling off of the Land Bank at that point in time.

Board Action: A motion was made by Governor Little that the Board move \$50 million from the Land Bank fund into the permanent fund. The motion failed due to lack of a second.

A motion was made by Attorney General Wasden that the Board direct the Department to adopt both recommendations that the reinvestment subcommittee members unanimously agreed upon. Controller Woolf requested clarification that the two recommendations from the subcommittee were the hurdle rate review from Callan and focus on acquisitions that increase total amount of working forests in Idaho consistent with the Land Board's fiduciary duty. Attorney General Wasden confirmed those were the two items in his motion. Controller Woolf seconded the motion. Governor Little asked if the motion was clear to everyone. Controller Woolf asked if Attorney General Wasden would agree to add to his motion the quarterly pipeline review from the Department. Attorney General Wasden consented to that addition. The motion was again seconded by Controller Woolf. Superintendent Ybarra asked for clarification of the motion prior to the vote. Governor Little responded the motion is that the Land Board ask the Department and Callan to redo the hurdle rate analysis, and that future land purchases will focus on creating more actively managed timberland in Idaho, and that the pipeline report will continue quarterly as per current policy. The motion carried on a vote of 5-0.

Governor Little requested that Callan reevaluate the asset allocation and include a fair market value of endowment real estate assets. Governor Little asked that the evaluation be presented at the September [2020] Land Board meeting. For the record, Governor Little restated his belief that some Land Bank cash assets should go into financial assets instead of real estate. It is a mistake to not put more of these assets into the financials now instead of waiting until it rolls off.

4. Bond Assurance Fund Participation Policy – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

Recommendation: Adopt a policy of an actual allowable disturbance of 40 acres and an actual allowable cost of \$220,000 for participation in the Bond Assurance Fund, and a minimum \$5,500 per acre reclamation cost to opt out of the Bond Assurance Fund.

Discussion: Governor Little mentioned that at a previous presentation, Mr. Wilson reported that there were several other potential claims, and asked if those claims are accounted for in this request. Mr. Wilson replied that the actuarial analysis, in using the high frequency and severity scenarios, had an average annual claim count of about 16. The Department currently has 34 operations that it referred to the Deputy Attorney General's office. Not all of those will result in a default; some will result in an assignment of that plan, and some may end up with an inspection that indicates nothing needs to be done on the ground. While there are 34 operations that the Department is actively pursuing, not all of those will result in a forfeiture. The Department can stage those over more than one year. Mr. Wilson stated he is comfortable with the number of defaults the Department will actually have per year and what the actuarial analysis advises the Department to be doing. Governor Little asked for a report on the totality of claims so there is not a surprise later with a liability the Department is not prepared for.

Controller Woolf asked how frequently the Department is reviewing this policy, knowing that the Department is basing it off of the actuarial; is this annually, quarterly? Mr. Wilson responded that actuarial analysis is typically done every five years.

Governor Little requested clarification, asking if all of the cases were considered in the actuarial analysis, or were there some the analysts were not aware of. If it is five years until the next actuarial analysis, the Department might have a problem between now and five years from now. Mr. Wilson replied that the Department provided its default list to the accountants when they performed the actuarial analysis which was done in 2018. Some of these defaults have accumulated over the last several years; it is not the product of a single year. It will take the Department more than one year to work through that number of defaults given the workload involved.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation that is adopt a policy of an actual allowable disturbance of 40 acres and an actual allowable cost of \$220,000 for participation in the Bond Assurance Fund, and a minimum of \$5,500 per acre reclamation cost to opt out of the Bond Assurance Fund. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

Consent—Action Item(s)

5. Forest Legacy Project, Hall Mountain-Kootenai Valley: Addie Farm – Presented by Craig Foss, Division Administrator-Forestry and Fire

Recommendation: Authorize the Idaho Department of Lands to acquire the Addie Farm conservation easement comprising 320 acres.

Discussion: Governor Little inquired if these projects are advertised; is there public notice of these locally? Mr. Foss said that with regard to the Forest Legacy Program, the Department generally works with a partner conservation organization; in this case it is The Nature

Conservancy. The Nature Conservancy works with landowners and determines where there is interest in this program. The Department does have different public outreach that promotes the program. When landowners that are interested are identified and the Department is working on putting together a proposal seeking funds through this competitive federal process, then Department staff reach out to the broad community to determine and gather interest, such as is listed in the attachment. That is how the program is outreached. Then the Department works to keep those entities apprised as the program proceeds. For example, the Department submitted this application for the Kootenai Valley-Hall Mountain project, this phase, and was awarded this money back in March of 2016. After that award came, the Department continued to work through the process of putting these easements in place on these nine different ownerships and keeping entities apprised throughout that whole process. Governor Little observed it is not like other governmental actions where there is a public notification process early on in the process. Mr. Foss replied that to his knowledge there is not a notification, with the exception that when the Department is notified that it has received the award, the Department issues a news release indicating receipt of the award.

6. Approval of Draft Minutes – April 21, 2020 Regular Meeting (Boise)

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

Information

None

Executive Session

None

There being no further business before the Board, at 10:33 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

