



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, 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
August 18, 2020

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, August 18, 2020 in the State Capitol, Lincoln Auditorium WW02, 700 W Jefferson Street, Boise, Idaho. The meeting began at 9:03 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

Honorable Governor Brad Little
Honorable Secretary of State Lawrence Denney (*via teleconference*)
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. Secretary of State Denney joined the meeting via conference call and advised that he would not be available for the entire meeting.

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

Trust Land Revenue

A. Timber Sales – July 2020

Discussion: Governor Little requested an update at the September Land Board meeting on Douglas-fir tussock moth salvage sales, to include status of Department harvesting as well as harvesting by sister agencies. Governor Little commented that the area looks much better with removal of the dead trees.

B. Leases and Permits – July 2020

Discussion: None.

Status Updates

C. Fire Season Report

Discussion: Controller Woolf thanked Department staff for adding a table into the report that shows fire deficiency warrant spending.

D. Land Revenue Forecast

Discussion: None.

Consent—Action Item(s)

2. Strategic Plan FY2021-FY2024 – Presented by Dustin Miller, Director

Discussion: Controller Woolf commended the Department for including employees in the strategic plan by tying strategic tasks with goals and objectives in employees' performance evaluations because it makes the plan measurable. Controller Woolf appreciated the detailed task descriptions. Controller Woolf wondered how the Department fared with its goals and objectives for FY2020. Director Miller noted that many goals and objectives were met in FY2020 and offered to provide an assessment of the Department's achievements following the meeting.

Governor Little noticed that one strategic task in the fire management bureau is 'increase the assessment of forestland throughout the state of Idaho' and asked where that is in the process. Director Miller replied the focus of that is to look at acres that are currently not being assessed that meet the classification of forestland under Idaho code. Director Miller was not certain of acres involved, but there are timberland acres that are receiving free fire protection because they have not been assessed. Director Miller mentioned the assessment is currently 60 cents per acre and 40 dollars per structure on forestland. The Department is discussing whether those additional forestland acres qualify for the 60 cents an acre assessment per statute. Director Miller added that it ties into the Department's offset agreement with the federal government as well. Currently it is an acre for acre analysis with traded acres. The Department provides protection on state, federal and private land, predominately in the northern part of the state; federal partners cover many of the Department's acres in the southern part of the state. The strategic plan task is to make sure that there is an equitable payment structure in place; those forestland owners potentially could be assessed and provided fire protection. Governor Little inquired if all owners of the acres inside of the two forest protective associations are paying their assessments. Mr. Josh Harvey, Fire Management Bureau Chief, answered that the wardens of the timber protective associations perform an audit of their districts each year; they are mandated to do a 20% audit of their entire districts. Mr. Harvey explained in fast growing counties; it is nearly impossible to meet that number, but they work very diligently to do so. The wardens are very conscientious in conducting the audits to make sure they are including all those acres in the assessments. Mr. Harvey said they may not get every single one, but they do get a vast number of them. Governor Little asked if the protective associations will be included in the assessment the Department is conducting. Mr. Harvey replied yes.

Recommendation: Direct the Department to submit its FY2021-FY2024 Strategic Plan to the Division of Financial Management by August 28, 2020.

3. Bennett Surplus Property (Idaho Fish & Game) – Presented by Josh Purkiss, Program Manager-Real Estate

Discussion: Prior to his presentation, Mr. Purkiss provided background on the Surplus Property Act and how the Department provides an essential role for state agencies. The majority of state agencies do not have authority to directly dispose of real property. Therefore, when a state agency no longer has use for real property, its only option for disposal is to submit a letter to the

Land Board requesting that the property be deemed surplus and sold through the Surplus Property Act outlined in Idaho Code §§ 58-331–58-335. The property is appraised, presented to the Land Board for approval, and offered to state agencies. If there is no interest from state agencies, it is then offered to tax supported agencies, which include federal, city and county. If there is still no interest, the Department offers the property to the public through a live auction and eventually, if it is not sold at auction, through a negotiated sale. On occasion, the Department uses the services of a real estate broker.

In recent years, the Department has streamlined the process while working within statute. A good example is that the Department used to appear before the Land Board for approval at every step of the process; now staff seeks approval for all of the steps during its initial request to the Land Board. The only exception is if a tax supported agency declares interest; the Department is required to return to the Land Board after a public hearing is held and obtain approval to sell.

During the entire process, the Department tracks all of its time and expenses for the transactions and deducts that from the declaring agency's proceeds as defined in Idaho Code § 58-332. The costs vary depending on the complexity, the involvement of the declaring agency, and at what point in the process the property sells.

Governor Little inquired about the status of the road that runs through the middle of this particular property. Mr. Purkiss stated the road provides access to the property, but there is no easement across that road to the parcel. Governor Little asked if the road is maintained by the county; Mr. Purkiss replied it is not. Governor Little observed that it is a private road, then, and the landowner has control of it. Mr. Purkiss said that is correct. Governor Little asked how much the Department has spent on the process to dispose of this surplus property since 1942. Mr. Purkiss indicated he does not have data to 1942, but since 2008 expenses are in excess of what the property is currently worth. Governor Little exhibited interest in what the auction will bring and commented there seems to be a lot of overhead – paperwork and professional fees – to surplus a piece of property. The Land Board and Department must comply with statute; a review of the law and recommendations may be in order.

Recommendation: Direct the Department to offer the Bennett Patrol Site surplus property, including mineral rights, for disposition pursuant to Idaho Code §§ 58-331–335, and authorize the Department to offer the property at public auction in Elmore or Ada County.

4. Jerome Surplus Property (Idaho Military Division) – *Presented by Josh Purkiss, Program Manager-Real Estate*

Discussion: None.

Recommendation: Execute the acknowledgement of the Corrected Quitclaim Deed for the Property.

Direct the Department to offer the Property adjacent to the Jerome Readiness Center for disposition in accordance with the Surplus Property Act, Idaho Code §§ 58-331–335; and authorize the Department to offer the Property at public auction in Jerome or Ada County.

5. Approval of Draft Minutes – July 21, 2020 Regular Meeting (Boise)

For the record, at 9:37 a.m., Secretary of State Denney left the call for the duration of the meeting.

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 4-0.

Regular—Action Item(s)

6. Endowment Fund Investment Board Report – *Presented by Chris Anton, EFIB Manager of Investments*

- A. Manager's Report
- B. Investment Report
- C. FY2022 Distribution and Transfers

Discussion: Mr. Anton communicated that equity markets continue to exhibit a strong recovery into the new fiscal year despite continued spread of COVID-19 and the understanding that it is going to take a while for the nation's overall economy to recover. The fund was up 4% during the month of July and through August 17 it was up 6.3%. Most of the major U.S. equity indices are near all-time highs. The Nasdaq, which is led by many technology companies, is at its all-time high. The S&P is right at the all-time high. Equity markets have fully recovered while the underlying economy continues to have challenges, but there are signs of health going forward. The U.S. gross domestic product contracted at an annual rate of 32.9% during the second quarter, the worst drop ever recorded. This highlights the devastating impact of COVID-19 and makes the drop of 5% during the first quarter look good. The decline was led primarily by a decrease in consumer expenditures. Congress recognizes that it is important to keep the underlying economy healthy and is in the process of negotiating a second stimulus package to help Americans weather the storm.

Overall, EFIB is happy about the start to the new fiscal year. Distributions for FY21 and FY22 are well secured. The Investment Board met on August 13 and reviewed and approved the audited financial statements; those will be presented to the Land Board in November. The Investment Board also reviewed and supported the recommendation for beneficiary distributions and transfers that the Land Board will consider today. The Investment Board approved EFIB's budget that will be submitted later this month.

Mr. Anton referred to item C of Tab 6 and began with a refresher of the Investment Board's distribution policy. The Land Board has adopted a policy whereby EFIB annually distributes 5% of a 3-year average of each beneficiary's permanent fund balance. The exception is that 7% is used for State Hospital South. EFIB tries to maintain earnings reserves at target levels based on beneficiary distributions. When earnings reserves are in excess of the target, EFIB considers moving that excess into the permanent fund. That recommendation is before the Land Board today. The fund ended the fiscal year in a very solid position. The Endowment Fund generated a return of 5.2% which is 3.6% above inflation (1.6% during the year). This allowed all permanent funds to be above their inflation-adjusted gain benchmark. In addition to the permanent fund being in a robust position, beneficiary distributions and earnings reserves were in a healthy position, in excess of target levels. As reported by Director Miller at July's Land Board meeting, the Department ended the year with \$145.5 million in timber presold, which also put the portfolio in a sound position going into the new year. Page 4 shows all beneficiaries' earnings

reserve balances above the target levels. Page 5 shows a five-year history of beneficiary distributions and EFIB's recommendation for FY2022. EFIB is endorsing an increase of 4.2% from FY21 to FY22. EFIB is also proposing that excess earnings reserves are transferred and made part of the permanent fund; that amount is \$18.7 million and will allow beneficiary distributions to continue to grow as the permanent fund balance increases. Finally, on page 6, there is a more detailed analysis of EFIB's recommendation to increase beneficiary distributions from \$84,520,800 in current fiscal year (FY21) to \$88,076,500 in FY22, which is a 4.2% increase on average. EFIB is also recommending transferring \$18,685,000 from earnings reserves into the permanent fund and making that transfer part of the gain benchmark or the permanent part of the fund.

Controller Woolf congratulated Investment Board members and EFIB staff and thanked everyone for their great work. Controller Woolf remarked the \$88 million proposal for distribution to beneficiaries is incredible. Governor Little agreed and was pleased that EFIB projections regarding the fixed income portion of the portfolio were correct. Governor Little offered appreciation to EFIB staff and Investment Board members for their hard work. Attorney General Wasden recognized the accomplishment of being able to make a transfer to the permanent fund; that is the gift that keeps on giving and will continue to grow in terms of inflation and population increase.

Recommendation: The Endowment Fund Investment Board recommends that the Land Board approve a 4.2% increase in beneficiary distributions, or a total of \$88,076,500 in FY2022; approve a transfer of \$18,685,000 from earnings reserve funds to permanent funds; and, designate the transfers as additions to the gain benchmarks (or permanent corpus).

Board Action: A motion was made by Attorney General Wasden that the Board adopt the Investment Board recommendation, that is approve a 4.2% increase in beneficiary distributions, or a total of \$88,076,500 in FY2022, and approve a transfer of \$18,685,000 from earnings reserve funds to permanent funds, and designate the transfers as additions to the gain benchmarks. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

7. FY2022 Budget Enhancements – Presented by Debbie Buck, Financial Officer

Recommendation: Direct the Department to include the enhancement requests as outlined in Attachment 1 in the Fiscal Year 2022 budget proposal due on August 28, 2020.

Discussion: Controller Woolf noted the first request is to move 12 temporary fire bosses into permanent positions to help with retention; the decision unit petition is for 10 FTPs and \$281,000. Controller Woolf wondered if the Department already has 2 FTPs to make up that total of 12. Ms. Buck explained that currently these 12 individuals are employed as 8-month seasonals. The Department will convert them into 10-month employees which will not necessitate a full FTE per person. The Department currently does not have any available FTEs for this request.

Attorney General Wasden asked for help understanding, from the Department's perspective, what is gained for the \$281,000. Mr. Craig Foss, State Forester and Division Administrator-Forestry and Fire, responded that the reason the Department wants to convert these 8-month seasonals who are currently not in the agency's FTE allocation, is that the Department is struggling to fill engine boss positions. Mr. Foss recalled at the Land Board meeting in June he provided an update on Department readiness for the fire season at which time he indicated that

the Department has 31 engines located across the state. Each one of those engines needs to be staffed with a qualified engine boss. The Department signs a statewide master agreement with federal agency partners and that master agreement lasts for a five-year period. It was last done in 2016; the Department is working to revise and sign again in 2021. Under that master agreement is a statewide operating plan and an offset agreement. Those documents provide the details for how the Department is going to fight fire as partners. The Department is responsible for making sure that it is protecting assigned acres with qualified resources. The Department needs 31 8-month positions; this year it has 20 of those 31. Mr. Foss remarked that is one of the reasons the Department went with 11 contract engines, in addition to COVID circumstances. The Department has struggled in the past few years to recruit those seasonal positions. It takes three to five years to become a qualified engine boss. For instance, a fellow begins working for the Department in college. Over the course of five years, he graduates, gets married, starts a family. At some point, he needs to think about full-time benefits for his family. He could go to work for one of the federal agencies as an engine boss and move into the federal general schedule (GS) pay scale that has 10 steps for increased pay and offers benefits 12 months per year. By converting these seasonals into 0.83 FTPs, it puts them in the State's pay classification system so when an increase in salary compensation is granted to the Department, they will be eligible for that increase, and it also qualifies them for benefits throughout the year. The intent is for it to be much more attractive both to recruit and retain folks in these engine boss positions.

Governor Little remarked the decision unit language suggests it will reduce the need for federal resources. Governor Little asked if that means savings and where do those savings show up. Mr. Foss replied there is no guarantee of a savings next year as a result of this decision unit. When the Department conducted its fire program review and subsequent spatial analysis of the program and resource needs, one of the consistent recommendations in the review was to convert all of these engine boss positions to FTPs. That was proposed back in the early 2000s with the Teie Report of the fire program review. It was recommended again in 2016-2017 when the second review was done. The Department recognizes the current budget challenges. When this decision unit was initially developed, the request was for conversion of 22 engine boss positions and seeking general fund. This decision unit was significantly scaled back to request conversion of only 12 of the 31 needed. Next year, whether the Department will need to bring on contract engines or not is going to depend on how well it recruits the remainder of those positions, if this decision unit is approved, but also on COVID and availability of federal resources. The Department and all fire service organizations were told this year, go into the year planning to take care of yourselves because it is going to be difficult to acquire additional resources. Mr. Foss stated at this time, today, he cannot be certain of savings to general fund deficiency warrant spending next year.

Board Action: A motion was made by Controller Woolf to direct the Department to include the enhancement requests as outlined in Attachment 1 in the Fiscal Year 2022 budget proposal due on August 28, 2020. Attorney General Wasden seconded the motion and counseled that the Department should look at the Governor's question regarding costs associated with getting trained engine bosses. Whether there will be savings or not, the Board needs to know those numbers. Attorney General Wasden acknowledged that the budget enhancement needs to be submitted, but these questions must be answered. For the record, Governor Little recused himself from this vote. The motion carried on a vote of 3-0.

Information

Background information was provided by the presenter indicated below. No Land Board action is required on the Information Agenda

8. Resource Protection and Assistance Bureau Update – *Presented by Mick Thomas, Division Administrator-Minerals, Public Trust, Oil & Gas*

Discussion: Governor Little requested an update of the abandoned mine lands (AML) program at the next regular Land Board meeting. Governor Little referenced the graph on page 7 and noted the downward trend line of the year-end fund total is concerning. Governor Little asked if the Department has a plan to ensure enough funding and wondered if it may need a statutory fix. Mr. Thomas responded that fund is fed by the success in the industry, and his division staff are working to help industry where possible. Department staff are taking steps to increase the number of permits approved while following the law and maintaining the environmental quality standards, and to increase the number of reclamation plans that are approved and move forward. Mr. Thomas said his division cannot increase the industry directly but can make it a little easier and timelier and not be part of the problem. Governor Little noticed on page 2 the division has a goal to conduct 190 inspections under the Lake Protection Act; halfway through the fiscal year staff has completed 40. Governor Little asked if the target will be met. Mr. Thomas replied he is unsure. Historically, staff averaged about 50 inspections a year and that was a problem. His division worked with area managers and developed this goal of 190. Mr. Thomas commented that he was very optimistic about hitting that goal until the COVID pandemic happened. Mr. Thomas noted that 40 inspections halfway through the year is fitting given circumstances; he does not see any reason to drop that 190 goal when things go back to normal.

9. Proposed Rules–Omnibus Fee Rulemaking – *Presented by Scott Phillips, Policy and Communication Chief*

Discussion: On behalf of Department staff, Mr. Phillips expressed appreciation for excellent service provided by Colby Cameron at Division of Financial Management as the agency has navigated this process.

Executive Session

None

There being no further business before the Board, at 10:12 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

