



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 17, 2021

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, August 17, 2021 in the Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W Jefferson St., Boise, Idaho, and via webinar. 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, the Governor's Stage 4 Stay Healthy Guidelines, dated 5/11/2021, allowed for public meetings of any size with adherence to physical distancing and sanitation requirements. All Land Board members were present at the physical meeting location.

[Editor's note: the Discussion portions, if any, for all agenda items are written in first-person format. This is not a verbatim transcript.]

1. Department Report – Presented by Dustin Miller, Director

Trust Land Revenue

- A. Timber Sales – July 2021
- B. Leases and Permits – July 2021

Discussion: None.

Status Updates

- C. Fire Season Report

Discussion:

Governor Little: Director, some of us have a passing interest in the state budget. What do you think the tab is going to be for all these fires by the end of the year?

Director Miller: Governor, Land Board members, it is tough to pinpoint; without a lot of relief in sight, I could estimate that cost doubling by the end of fire season. Early July is when fire season came on strong; there has not been much relief, so six weeks in we are already at \$50 million. If conditions stay this way, hot and dry, no relief in sight over the next six weeks, we could be spending another \$40-50 million.

Governor Little: Have we got 40 in the bank?

Director Miller: Governor, our balance in deficiency warrants is about \$37 million.

Governor Little: So we are going to have a \$60 million supplemental request.

Director Miller: Governor, that is likely, yes.

Governor Little: Just put them all out, Josh. *[laughter]*

Attorney General Wasden: What does it require to put them all out as the Governor suggests?

Director Miller: You can put all kinds of resources out there and that certainly helps, but a change in weather conditions, season ending events, is really what is needed. We need the fall rains and the early snowfalls later in the fall to help create some season ending events to put these fires out. There are resource shortages; I have talked about this in the past. Trying to fill handcrew orders is a big issue not only for us but for other agencies trying to procure resources. Aviation is an issue given the smoke layer over the state. A lot of days the aviation resources are not used given the conditions and low visibility. Aviation is a big cost but it is a broad component of our fire suppression program.

Attorney General Wasden: What other assets may be helpful? We are spending right now \$50 million, and a potential \$100 million, not quite doubling but almost doubling the number of fires in the three-year period. What other resources could we expend at the outset that may reduce that \$50-100 million cost?

Director Miller: Governor, General Wasden, certainly more resources would be helpful. That is a story that many agencies like our counterparts at the feds could also say. Additional engines, strategically placed in locations to shorten that response time; additional bodies to form qualified handcrews would be welcomed in our program as a way to help jump on these fires and suppress them quickly, decrease that response time. We talked at length about building out our engine captains and creating more fireline leadership. It is an important safety thing for us; we want to ensure that we have qualified individuals in fireline leadership, in those engine captain positions, to lead folks safely onto the fireline, but to also assist in providing that quick and efficient initial attack. Recruitment and retention are also big components that we are trying to improve. The engine captain position is one thing we talked about, creating more of that path to permanency, as well as looking at firefighter compensation, trying to get closer to what some of the federal agencies are paying. I really appreciate the Land Board supporting our legislation to bring forward in the next legislative session to provide additional hazard pay to our firefighters on the fireline. Every little bit helps with our recruitment and retention.

Controller Woolf: Any type of impact with students going back to school right now and what type of impact is that?

Director Miller: Governor and Mr. Controller, there is, especially those three-month employees, many of them have taken off for school. Maybe Josh, in his presentation, could mention what percentage that is. The good thing is that we have permanent employees within the Department that have fireline qualifications that step up and help staff engines. They may be foresters or folks that work in Lands and Waterways, or any other place in the agency that will jump in and help out. The three-month positions, that is certainly tough for us to lose those firefighters to school right when we are in the thick of it.

Controller Woolf: Several of our neighboring states have different concepts of how they are working with the logging industry to shut that down during this time. I really appreciate that we can have our logging industry, the haulers, everyone that is involved there out in the woods, because they have the resources, they are eyes on the ground. What are your thoughts of us continuing to keep our logging industry going during this time?

Director Miller: Governor, Mr. Controller, those resources are important to us especially when we are in Stage II fire restrictions up north; everybody is being extra cautious. The loggers have moved to hoot owl hours to do their log hauling at strategic times in the early morning hours to lessen the risk of any unplanned ignitions. I know the Governor has been keen on utilizing those logging contractors to help suppress fires and we do that frequently. In fact, a number of these fires we could not get a handle on without the assistance of the timber industry and the loggers utilizing that logging equipment. We engage with them under contracts in short order to get them on the fireline to create defensible space for our firefighters and build fireline for us...huge resource assets for us and we want to continue to encourage their participation in fire.

Governor Little: Director, the federal government did a change in policy about a week ago, all fires are going to be suppressed, and then all the monsoonal moisture we had in Arizona, New Mexico and southern Utah freed up a lot of particularly big aerial assets. Had those fires in New Mexico and Arizona continued, what is the magnitude of how bad the problem would have been, because that freed up a lot of federal resource and other state resources?

Josh Harvey: Good morning, Governor, thanks for that question. Any time any part of the nation sees a decrease in fire activity that increases the resource availability. With those monsoonal moistures down in the southwest, they were able to shift a lot of aircraft up this way and we put it to use when smoke conditions allowed them to fly. We had some real struggles the last couple of weeks. There were days the aircraft were not able to fly at all; at most we get 2-3 hours of operating time out of those aircraft. Back to Mr. Controller's question regarding our seasonal workforce, we usually anticipate up to 30% of our workforce goes back to school with our seasonal folks.

Controller Woolf: A follow-up on that, Governor. Is there anything more that we can assist with, maybe the Governor working with the Board of Education, is there anything more we can coordinate with the universities to make that transition easier for them as they transition back?

Mr. Harvey: A number of years ago when I was a seasonal, I got a two or three week deferment prior to going back to school and I took that opportunity as well as many of my colleagues did. Some of our folks elect not to simply because of the level of the courses that they are in. Being two to three weeks behind in college is pretty hard to catch up on. But that might be an option.

Secretary of State Denney: Josh, how does our pay for the line firefighters compare to the forest service and BLM? Are we a training ground for firefighters for those agencies?

Mr. Harvey: That is a great question, Mr. Secretary and Governor. Historically, we have seen that our firefighters do, after a couple of seasons, tend to go to the green side. They pay a bit higher wage than we are able to pay for our firefighters. The last couple of years, with Land Board support, we have been able to bring that pay up a little but we are still competing with those agencies.

Governor Little: I was up and looked at the Snake River Complex; the Clearwater Timber Protective, and your team, what they did there it is a miracle that no houses were lost in that fire. That was 109,000 acres at a time when there were no extra resources and I think your fire boss had been on the line for 24 days when you gave me the tour, which is not protocol we should incorporate, but the rest of the team was off. If you look at the statistics, we are way below average; I hate to even say this, probably jinx us, but we are way below average acres because we have not had any of those big, massive range fires. The state has been hit really hard but your team and those guys have done a magnificent job. Some of those fires probably would have been ones that we would let go, and I think the Mud Lick Fire was going to be let go, and I think they are even going to try and get it out. That is all good news but it is not without plenty of hard work; please from the Land Board express that back to your team in the field.

Mr. Harvey: I will do that, thank you Governor. I am sure some of them are watching right now, so I appreciate it.

Governor Little: They are supposed to be fighting fire. *[laughter]*

Mr. Harvey: Some of them are on mandatory days off. Thank you.

D. Land Revenue Forecast

Discussion:

Governor Little: One of the questions is on attachment 1, I assume that is a typo; you have 2024 in there twice.

Director Miller: Governor, that is a typo.

Governor Little: And then, do you have a Monte Carlo exercise to where you say if timber prices are x , it will be y ; do you have a way to where the low number will be at this Random Lengths' timber price and the high number will be at the other one?

Bill Haagenon: Thank you. I would not call it anything as fancy or as sophisticated as a Monte Carlo model, Governor, but we do look at timber under contract, the prices of that timber under contract, and what we expect to be harvested in each year understanding that if there is, for example, two years left on a timber sale contract, 100% of that could be harvested in the first year, or the second year, or anything in between. We try to make judgments on what that will look like, and that is what results in this range that is perhaps a little wider than we would like it to be, but we think there is the chance that you could be at either the bottom or the top of that depending on level of activity in the woods during the next fiscal year.

Governor Little: Bill, does this reflect the Board's adoption of the higher cut off of the FAMP? It would be interesting to know when we voted for that and did that, what the numbers would be had we not done that.

Mr. Haagenson: Governor and members of the Board, it does reflect adoption of the new Forest Asset Management Plan. We know that our timber offered will go up about 33% from where it was by the time we get to full implementation in 2025. We expected at that time – if stumpage prices are consistent – we expected the revenue to increase over \$20 million as a result of that. You are starting to see that reflected in the forecast; as we reach implementation in those out years, the range on the graph goes up.

E. Resource Protection and Assistance Report

Discussion:

Governor Little: Eric, on the abandoned mine funding and fund balance I think once before you cautioned us that we are going to have to do something. What is something?

Eric Wilson: Governor, members of the Land Board, we currently get 1/3 of the state's mine license tax and it is important to remember that is a net tax, not a gross tax. There has been a lot of permitting actions and construction going on in the larger mines, especially the phosphates, the last several years, so we have not actually collected a lot of mine license tax. There are some remedies for our declining revenues but I think all of them involve legislation. We could run legislation to increase our share of the mine license tax; I've modeled that out and that alone is not going to be a long-term fix. Some other source of revenue is going to be needed or the mine license tax fund balance, barring any new mines opening up and paying into that, will continue to decline over the next few years.

Governor Little: Eric and Dustin, for a future meeting, have a presentation on our path forward here. You have already notified us a couple of times that we are going to have a problem here and rather than wait until we have a problem, plan something proactively. Other Board members may have thoughts on it, but my inclination is for you to give us a couple options about what we ought to do going forward.

Attorney General Wasden: Governor, it would also be appropriate to have a plan to communicate this to the legislature – the pro-temp, the speaker, and the relevant committee chairs – at least keeping them informed along the way as we are developing this policy. Open, transparent communication with them about the problem and the potential solutions would be a good idea.

Consent—Action Item(s)

2. Strategic Plan FY2022-FY2025 – Presented by Dustin Miller, Director

Recommendation: Direct the Department to submit its FY2022-FY2025 Strategic Plan to the Division of Financial Management by August 27, 2021.

Discussion:

Controller Woolf: Director, on page 2, the very top IT one from Dan Raiha, it talks about completing a core M1 files implementation – M1 is a documentation – then it says complete purchasing go live. The purchasing go live, is that just completing the core M process or is that having to do with any other procurement items? I have some interest in that if that is tied with our LUMA project as that moves forward.

Donna Caldwell: Thank you for that question. We have worked very closely with the LUMA team. This is our M-Files, this is our electronic content management process that we use. They have worked on making sure that we know exactly which part of the procurement process is done within the M-Files in the document management system versus what goes in through the LUMA system. We have worked with that group and have not duplicated efforts.

3. Disclaimer of Interest Request DI600258-Frank and Sandra Fenton, Payette River – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

Recommendation: Direct the Department to issue Disclaimer of Interest DI600258 for one parcel totaling 0.456 acres of the former bed of the Payette River to Frank and Sandra Fenton following their payment to the Department of the remaining processing fee of \$300.

Discussion: None.

4. Approval of Draft Minutes – July 20, 2021 Regular Meeting (Boise)

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

Information

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

5. Fire Program 3-Year Development – Presented by Josh Harvey, Bureau Chief-Fire Management

Discussion:

Superintendent Ybarra: I can sympathize with you on the pay adjustment for the firefighters especially when you mentioned how you are losing folks to McDonald's. The education arena is seeing the same thing, so I commend you on that part of the plan. My question is, and I think you answered it already, these resources are needed because we are also having an unprecedented year; not only did you plan for what you need but also moving forward you recognize this is not going to stop, right?

Mr. Harvey: That is correct, Madam Superintendent.

Superintendent Ybarra: Then my second question is, when we see Debbie come up and talk about the enhancements to the budget next, is there going to be a connection from your plan to those budget enhancements?

Mr. Harvey: I believe that is going to be a decision made by our executive staff, but...

Director Miller: There are components that were included in the FY23 requests from the Department; not everything you see here, but certain components. For instance, 5 engine captain positions as well as some other things that are not listed here are included in the FY23 request that Debbie will present.

Controller Woolf: Mr. Harvey, last year we approved, and the legislature approved, a request for 12 temporary 8-month fire bosses; how successful was recruiting and filling those positions?

Mr. Harvey: We are actively recruiting those positions right now. When the approval to hire those positions came out, most folks that were qualified already had positions for this season, if they were seasonal. We made the decision that since fire season kicked off as early as it did and as fast as it did, we pushed that hiring to this fall when many of our potential candidates will be laid off and they will be available for the application and interview process.

Attorney General Wasden: Thank you for your presentation. My understanding is that this StarFire report was commenced in 2018, completed in 2019, we are now in 2021. First of all, I do not think it predicted the significance of the fire season we have had this year...

Mr. Harvey: It did not.

Attorney General Wasden: ...and as a consequence, we have not yet achieved what the StarFire report says we need to have as resources.

Mr. Harvey: That is correct.

Attorney General Wasden: I am asking for confirmation that we are already behind the eight ball so to speak, that even if we fulfilled all of these requests, a new report would say we need even more. Would you agree with that?

Mr. Harvey: I would have to agree with that, yes sir.

Attorney General Wasden: Okay. I am intrigued by the recommendation, three years ago, that we have 10 engine captains and yet we do not have them, and I think in your comments you were saying that response time...we get an engine out the door in two minutes and it is a 40-minute response time; there is a significant amount of increased cost that is associated with those 38 minutes. If we had additional engines strategically placed – I think you mentioned we do not have one in eastern Idaho, or significantly fewer than we need – that is a significant cost. This year we are spending...we are right now at \$50 million and we may be at \$100 million; how much of that \$100 million could we have reduced had we spent the money on appropriate number of engine captains. I am asking, off the top of your head, what would the difference in cost be?

Mr. Harvey: That is a hard number to extrapolate. The way I look at it is an increase in our percentage of success. Currently we are charged with keeping 94% of all our fires at 10 acres or less. Say we bump that up 1% or 2%: take away 2% of \$50 million. That is the best way I can correlate that to you. There is also the possibility we have fires like the Cougar Rock Complex that is well over \$10 million in and of itself. The potential is that if the engine capabilities were there, that may not have happened at all. That is a very extreme example considering the

location of that incident, but there are fires every year that escape that initial attack because there are not enough initial attack resources to respond.

Attorney General Wasden: It seems to me that we may be stepping over dollars to pick up pennies in a sense. That is, you consider \$3 million (\$2.8 million additional request under the StarFire report), an additional \$100 million, or whatever the number is; if you just use those numbers that is 30 years of \$3 million a year. Now I know that is not an accurate representation because you are going to have fires, but we are not improving that, we are actually going the other direction in terms of the potential fire increases and the number of fires. I am wondering are we actually stepping over dollars in order to pick up pennies in terms of what we are preparing for our fires. And I am just asking for a philosophical answer.

Mr. Harvey: I think every step that we can take to increase our seasonal workforce and provide that high-level of fireline leadership...when they show up on the fire, an experienced firefighter knows the resources they need to respond to that incident, and they are cost effective with it. When I show up on an incident, I am going to know whether or not I need a very large air tanker at \$50,000 a drop, whereas one of our younger firefighters may not realize that they could get away with just a small helicopter and some bucket work. That is a critical piece in saving money and being efficient in the long run. It truly does come down to our ability to respond en masse to as many incidents as possible. When we have a real lightning event...I was the fire warden on the St. Joe for many years; there was a couple of years where I had 50 starts in one day. There is no way that it would be economically feasible for me to maintain 50 engines on the St. Joe district. Some of those were going to get away. But I think if we can pick off a few more of those fires on any given weather event, we are going to overall save the state money.

Attorney General Wasden: Recognizing that this StarFire report has been out for three years approximately, identified resource needs, has the Department made a budget request for the identified needs and if not, why not?

Mr. Harvey: Well, COVID played a big part into this the last couple of years. It did; it played a big part into it. I believe we were under the direction, when COVID initially came out, for no additional requests. That took a significant amount of time away from us. And then last year was the start of this when we requested the 12 permanent engine bosses, so this is us moving forward with that. Unfortunately COVID, like with many other things, has really put a speed bump into what our plan was.

Attorney General Wasden: Again, we are really behind the eight ball.

Mr. Harvey: I feel we are, yes sir.

Controller Woolf: Mr. Harvey, back on slide 4, you talked about risk analysis of the assessed versus the unassessed. The fire risk origin and the acres burned on the unassessed far outweigh that of the assessed. Other input or direction from the Star report to what we can do about that, or any other recommendations from you and the Department on that line?

Mr. Harvey: The unassessed threat that is there...to paint a little bit better picture, those are typically rangelands, ag lands. Once we get down into that time of the year where they are cutting stubble, the accidental fires in a wheat field, the Snake River Complex – lightning hitting grasslands that do not have any timber on it – they just move so fast. It is really hard to initial

attack those, but they are always a direct threat to timberlands. That is where the threat and the risk come from.

Governor Little: Josh, was that Fish and Game ground where most of those fires started? Is Fish and Game ground non-assessed?

Mr. Harvey: If it does not have timber on it, it is not. That assessment is for endowment timberlands and private timberlands only.

Regular—Action Item(s)

6. FY2023 Department of Lands 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 2023 budget proposal due on September 1, 2021.

Discussion:

Governor Little: Debbie you said there was \$87,000 that was GNA; where does the money come from for GNA? Do we take that out of the timber proceeds off that?

Ms. Buck: Off of the GNA sale.

Governor Little: Okay, in essence, it is the same as earnings reserve or dedicated, just out of another pot of money.

Ms. Buck: It is. The only caveat is it is attached to the forest that it was earned off.

Controller Woolf: On your decision units 2 and 4 dealing with the fire business billing system, why did you not include them together?

Ms. Buck: They are in two separate decision units because the system is extremely critical and that is one of our top priorities. If, for whatever reason, we did not get the FTE, we have some back up plans where we could still get somebody on staff, using a temporary. We wanted to separate them in case there was any question on what we could get and not get.

Controller Woolf: Not necessarily tied to the budget request, but decision unit 7 is talking about your licensing. The ITS conversion, or switching over to ITS as a whole, is Department of Lands set on a schedule to transition at some point? And when is that?

Ms. Buck: Unofficially, we are not on the FY23 list; we have not had that official notification. My understanding is there is only one more year after FY23; by default we should be on FY24.

Controller Woolf: Just to clarify, the ongoing general fund base reduction will help reduce our total overall general fund request, is that correct?

Ms. Buck: Yes. That was a two-part strategic thing that the agency was doing. One, now that the GNA program is self-sufficient it no longer relied on that, and the second part is that helped the agency reduce our request to get us under this \$3.1 cap that is in the budget manual.

Controller Woolf: Thank you, that is a very critical point; make sure that is highlighted.

Governor Little: Dustin, the Hannah Flats GNA process that was going forward and then it got held up. We have been talking about Hannah Flats forever for a GNA project and then the courts got involved in it. Do we forecast that or do we not count that money until it comes in the bank?

Ms. Buck: Mr. Governor, I do not count it until it gets in the bank.

Governor Little: Craig does though.

Craig Foss: Yes, we do forecast all the timber sales that are in that program. We have notified the purchasers. There are two different timber sales associated, Hannah Flats and Thin Lamb. We have notified them of the legal standing and that those projects are on hold. We will have to absorb that lost revenue in the program, and we can absorb that; we have other timber sales. I think you just saw a couple of salvage sales that came up we were not planning on, so there are other sales that bring about revenue. There are also appropriated funds that come into the Good Neighbor program aside from timber sale revenue.

Governor Little: The state has damages because that was held up. Everybody was on board on Hannah Flats until a federal judge held it up. We will have standing to tap the federal government on the shoulder and say, look we are losing revenue. Maybe before the next Land Board meeting, we can have that discussion. Hopefully by then it will be resolved.

Attorney General Wasden: Debbie, thank you for being here. I wondered if we could bring up on the screen the last page of the StarFire report, page 9. I want to talk about this in conjunction to our budget request. The first item there, 10 engine captains, \$540,000 ongoing, and there is an X at fiscal year 23 which would be the current year that we are now talking about, correct?

Ms. Buck: Correct.

Attorney General Wasden: But it appears to me in budget unit 1, we are not making a request for 10 engine captains, we are making a request for 5 which is only half of what the StarFire report, which is now three years old, said that we needed. Am I understanding that correctly?

Ms. Buck: Yes, that is correct. We are requesting 5 of that 10 number.

Attorney General Wasden: If we are not asking for 10, why is that?

Ms. Buck: I want to make two comments. One is last year, during the legislative session, we had quite a bit of our fire requests on the general fund and then they were moved to our dedicated fund. I think Josh's presentation made it really clear our dedicated fund comes from assessments on people's forested land, and it was a struggle to have those moved over onto that funding source when our firefighting efforts are both assessed land and unassessed land. That was one piece that was under consideration when we were building the budget was how much can we have end up on our dedicated account and still be true to the people who have paid those assessments. The second piece that went into the construction, we worked really hard to follow the budget development manual guidance which really could not get us to the 10. Now, with that said, I am here at the pleasure of the Board; this is the recommendation and we can move accordingly.

Director Miller: General Wasden, just to add on that if I could. Debbie is right on, there was that shift in JFAC to move those engine boss positions off of the general fund to dedicated, puts a strain on our dedicated funds and I believe, Josh and Debbie, that puts us in a deficit spending situation there, so there was that concern. Optically, too, we are very cognizant of the FTE growth, and every agency should be, and looking at the budget manual, discussions with DFM, it was decided to move forward with 5 for now and have future discussions about that. I know there was some concern with the legislature last year with the FTE count which was unfortunate. You see on the screen 10 engine captains is what we need to ultimately get in our program.

Attorney General Wasden: I appreciate the position that you are in and the requirements that you have. Let me also state how much respect I have for the Governor and the tremendous pressure he is under in terms of the budget. But as I see this, just this way of explanation, we have pressure not to increase the number of FTEs, but we also have fires that are increasing in intensity and frequency and volume, and we are not seeming to address that issue, which is of concern to me. I recognize that on this screen it says 10 engine captains, there is an X by fiscal year 23 and we are not making that request, but I do not see another X there to say when we are going to be asking for these 10. And at the point at which we ask, have we fallen so far behind that we have to ask for another 10. That is my concern with regard to that one. I would like to turn attention to the pay adjustment firefighters, \$250,000 ongoing, and there is an X at fiscal year 23. Are we making that request in our current budget?

Ms. Buck: Of the top three items on this list, we are asking for 5 of line 1 and that is all that is in the budget as it stands currently.

Attorney General Wasden: What you have told me is no, we have not asked for the pay adjustment for firefighters. Correct?

Ms. Buck: That is correct.

Attorney General Wasden: The same would apply then to the 10 seasonal firefighters, \$250,000 ongoing, we have not made a request for that.

Ms. Buck: That is correct.

Attorney General Wasden: And we have not made a request for any of the other items, those that have an X in fiscal year 24 nor those that are in fiscal year 25. So we have a three-year StarFire report commencing in 2018, it is now 2021, and we are looking to FY2025 which is 7 years after the StarFire report is created, and we have not asked for any of that stuff with the exception of half of the number of fire engine bosses. Am I understanding that correctly?

Ms. Buck: Yes.

Governor Little: But that does not include the fire bosses that we did last year, because you are talking about new over and above.

Ms. Buck: Yes, this would be...

Governor Little: That we cannot find, that do not exist right now.

Ms. Buck: This 10 here would be in addition to the 10 that we received last year, for a total of 20 when we get there. With this request and last year we will be at 15.

Governor Little: Josh, last year was that number 20 and you moved it to 10 predicated on what we did last year?

Mr. Harvey: Governor, last year was 12. This year is an additional 10. We are currently recruiting for the previously approved 12.

Governor Little: Right, but the StarFire report, did it say 22 and you moved it?

Mr. Harvey: The StarFire report kicked out a financial analysis, is basically what it was. With that financial analysis and indications, through the risk assessment, through the response times, and the response zones, it left it to the fire managers to make determinations on where our biggest resource needs were, what the qualifications were that we needed to be able to move our fire program up in our abilities, and that \$2.8 million that it kicked out was what it recommended that we invest into the program.

Governor Little: Was the StarFire report agnostic on whether they be state employees, or private employees, contract, custom?

Mr. Harvey: It did not distinguish between the types of resources.

Governor Little: So if we hired 100 fire bosses privately that were not state employees, it would not matter.

Mr. Harvey: I think that it would because there is a certain amount of training and education that has to go into that. If we were to bring on private individuals, without the experience and the qualifications that come with the experience, the ability for those individuals on the ground to make decisions...

Governor Little: That is all part of how you write the contract; the contract is that we want these qualifications, we are going to contract for people to meet these qualifications. They would not necessarily have to be a Department of Lands employee; they could be a private employee that is doing that. Is that true?

Mr. Harvey: It is partly true. Currently as it is, a contract individual cannot be an incident commander on a State of Idaho fire, they have to be an employee.

Governor Little: Good point. No question about incident command. But of course what percent of the incident commanders are state employees because we always default to stage 2, or incident 1 and 2, they are the ones that are here from Maine.

Mr. Harvey: Right. All of the states carry some level of those qualifications and for individuals to get to that type 2 level, type 1 level takes many years. It has taken me 20 years to become a type 1 safety officer. With these engine captains, an expectation would be that they would be at least minimally qualified as an I.C. type 4 and we would be addressing the type 3 management level with our fire management officers.

Attorney General Wasden: Thank you very much. And let me say Governor, I am very sensitive to the requirements that you have and I am very sympathetic, but here is my question – if we do not go down the route of acquiring the FTEs and the funding, we cannot hire people. Even if we are having hiring difficulties now, we cannot hire them if we do not have the available resources and the available FTE approvals. My concern is that saying well, we cannot hire them just does not answer the question of do we need approval to go out and find those folks. I am asking for your comments and thoughts about that.

Mr. Harvey: Absolutely. You miss 100% of the shots you do not take. So if we do not try, we do not get them.

Secretary of State Denney: Josh, can you tell us that in this budget presentation you will get the resources you need to do your job?

Mr. Harvey: These are definitely huge improvements over where we are right now, yes sir. The part that I cannot account for is how fast our state is growing.

Secretary of State Denney: That is not the question I asked you. Is there enough in this budget for you to be able to do what you think you need to do to protect these resources?

Mr. Harvey: One response I would have for that, it starts a chain of other events. Our facilities currently do not have the capacity to hold the number of engines and personnel that I think that we need. We are already at capacity within many of our districts in our fire facilities. But this is a huge step in the right direction and I think we will see a gain in our ability to catch fires smaller right now. But I think there is a much longer-term plan that has to be in place and that we have to continue pursuing moving forward.

Secretary of State Denney: But if we do not start that process at some point, how are we ever going to get there? I know that COVID was a setback, but it did not set back the need, the fires.

Mr. Harvey: Correct. COVID actually took away a lot of our resources.

Attorney General Wasden: What I took from your answer to the Secretary's really valid question was this budget proposal is very helpful, but if you had a budget proposal that included all 10 engines and all of the other things that are on that screen, would that be an enhancement that would help you fight fires?

Mr. Harvey: That would help us very much, yes sir. It is going to take us a while to implement the Cottonwood Fire Protection District, that takes a significant amount of time, probably a 2 to 3-year maybe even 4-year process. The rest of that stuff, we could start recruiting for that right away.

Attorney General Wasden: And if you delay the Cottonwood project, it is even further down the line than if you start today.

Mr. Harvey: That is correct.

Director Miller: Governor, General Wasden, I appreciate the conversation here. Certainly the need is presented before you and we have been strategic working through the process, the budgeting process, to meet certain requirements. Everything on here is implementable with current capacity probably with the exception of standing up the Cottonwood Fire Protection District. The sooner we could act on most of this, the better. With the Cottonwood Fire Protection District, that centers around the ongoing talks and negotiations with our federal partners regarding the master agreement and the statewide offset agreement on how we cover acreage. I think we have a year extension so those conversations will be ongoing but standing up this Cottonwood Fire Protection District has been a big part of the conversation. Because of those ongoing talks, I think that one is just a little bit further out, Governor and General Wasden, but everything else on here with our current capacity I think we would be able to implement.

Attorney General Wasden: Thank you Director, I appreciate that. The discussion is now centered around the current capacities, but it does not appear to me that the demand is being reduced, that is the fires, and we are predicting greater demand for those resources and unless we address that now, the demand is going to continue to grow and we are going to get further and further behind the eight ball. To say we should not ask for things now because we only have current capacities, we have to increase that capacity in order for us to address the increasing risk of fire. Why is that important? From my perspective, it is we have an asset that has to produce money and it is burning up and going up in smoke. We need to do something to address that.

Superintendent Ybarra: For myself, as a Land Board member, that is what I was getting at earlier when I asked if your budget enhancements were going to match your plan. But the more we talk about this...the Governor brought up a good point: what did you get last year. This kind of looks like this is the end. As Land Board members we are concerned about how you are working towards that. When the Director said he is comfortable that we can get there, I cannot see it, like the Attorney General said, looking at this piece of paper. We are trying to help you, not hurt you and stop your budget process that is due September 1st. But I think if we saw on here what you got as far as the bosses went, plus what you are asking for this year and what are you going to do in the future...right now when I do not see the Xs on fiscal year 24 and 25, to me there is no plan to correct that moving forward. I understand that we have to balance the purse for the State of Idaho and asking for it all at once is probably not a good idea. But if we as Land Board members could see what you are moving towards, I would be much more comfortable with that. I cannot speak for everybody else, but where I was coming from is I see your 3-year plan, but I cannot see that connected as we move forward.

Mr. Harvey: Thank you for that, Madam Superintendent, members of the Land Board. The fire program review that is identified in '25 will be another analysis conducted to help inform us on what effect this truly had through modeling, through analysis, that will help drive what we look at for the ongoing future. I do not want to step into futuring this out willy-nilly based on gut experience and feelings; I want to add that level of expertise into a long-term plan.

Superintendent Ybarra: I appreciate that; I think if we knew that you are going to re-evaluate and that might change, that would be helpful, but that we are working towards that goal, that next year we are not going to show up and have a budget in front of us as Land Board members, like the Attorney General said, especially me as the educator, looking at our profits going up in smoke. That concerns me; with change and things that happen like COVID, I just need to see that

we are moving towards that. That might change; maybe we will not see the unprecedented year that we are seeing. It looks like we have a goal we are not working towards. That was the sticking point earlier when I said if we are listening to budget enhancements, I hope they are tied to what you are telling us because that is a safety issue, it is a money issue, it is a big deal.

Governor Little: Was that a question that Josh needs to respond to?

Superintendent Ybarra: No, Governor, I was just responding to his...I do not want to stick us in a box and then we do not ask for it next year. I think if you said we were re-evaluating that, we would all understand.

Attorney General Wasden: Josh, you mentioned that the fire program review, the X in fiscal year 25, is to measure whether this helped our fire situation. But if we have not added those elements, then that analysis is nonsensical. I am concerned that we are not adding the elements that allows us to analyze it and end up with an answer that says yeah, we did something or we did not do something. Am I off base there?

Mr. Harvey: Mr. Attorney General, no you are not. You are absolutely correct.

Secretary of State Denney: Josh, you brought up another interesting comment. You said that you do not have any place to put the equipment if you buy it; what is the backlog on that building and the need there? Is there a huge backlog there as well?

Mr. Harvey: I am going to defer that question. That is not in my wheelhouse. *[laughter]*

Craig Foss: Thanks, Josh. Governor, Secretary, a couple of things just to clarify before I get to that. The 12 engine boss positions that we were granted during the last legislative session, we advertised for those 12. We conducted interviews and hired 2 of those positions and we ran into fire season. We made the decision that all of those folks are out on the ground; we are not doubtful that we can fill those, but all those folks are out on the ground working and the last thing we needed to do was pull them in, as well as our staff, to conduct interviews. So the decision was made to delay that interview process, but it was not due to an inability to recruit for those positions. We believe we have those skill sets onboard. I got a sense maybe there was a little confusion there and I wanted to make sure that was clear. Just as we feel these positions that we have...what we asked Josh to do was conduct that StarFire analysis, based on everything you know, if it says you need to add this much to your preparedness budget, what specifically would that look like to get us to where we need to go as an agency, to have a reputable, confident firefighting organization: fire prevention, preparedness, and suppression organization in Idaho. That is what he has prepared here. We started out looking at 5 years; we squished it to three. Honestly, this year did influence that and what we are facing. That is what we asked Josh to do. The questions around budget get into what we as a state agency compared to any state agency have to face. We want to be respectful of that process. When we are asked to put together a budget, and we are told that there are some restrictions on amounts that we can increase, we feel we have to be respectful of that, and that is what Debbie presented. The go between is, this is the honest to God need. What she presented is in conformity with the guidelines we were given; if you feel it should be something different that is entirely up to you. This is Josh's best estimate and we have done a ton of discussion around this internally. Other than that I would say let us all pray for rain *[laughter]*, because that is the only thing that is going

to get us through this fire season, and the continued outstanding work by our folks in terms of jumping on these fires early.

Getting back to your question about facilities, that is a different number than we have talked about here. We have made facilities requests in the past and we recognize how difficult that is. St. Maries is a really good example. St. Maries is a busy forest protective district; we have needs in St. Maries. It is also one of our biggest timber baskets so we have a lot of seasonal timber staff as well as fire staff there. We have been trying to get a new office in St. Maries for a number of years; that has not worked out and that cost just continues to go up. We had some internal conversations about our infrastructure needs. The conversation we had was \$5 million a year for the next 5 years to get at our infrastructure needs across the state. We did not make a formal request for that, and again we recognize the challenges that the state faces with regard to that; everybody is in difficult situations. That is the internal conversation we had, not a formal request.

Governor Little: Debbie, you have done a great job. *[laughter]*

Ms. Buck: Thank you, sir.

Board Action: A motion was made by Attorney General Wasden that the Land Board direct the Department to include the enhancement requests as outlined in Attachment 1 in the FY2023 budget proposal due on September 1, 2021, with the following addition that the Department include all of the requests as outlined on page 9 of the Fire Program 3-Year Development presentation [see agenda item 5]. Secretary of State Denney seconded the motion. For the record, Governor Little recused himself from this vote. The motion carried on a vote of 4-0.

Additional Discussion:

Governor Little: There you go Debbie; you have a lot of re-writes to do. One of the questions is what is dedicated, what is general, what is federal, what is personnel costs. When the Department works up their budget recommendations, they have to have that detailed to submit both to DFM and to the legislature, and I assume that will have to come back to the Board. Is that correct?

Ms. Buck: Mr. Governor, I will come back in September with all of those details of what we actually submitted.

Governor Little: Just a reminder, other than the legislature, Department of Lands got the largest increase of any budget agency last year.

Attorney General Wasden: May I just make the comment that I appreciate the Department's sensitivity to the limitations that they have, the political sensitivity, the need to work with the legislature. I am also very cognizant of their willingness to work with your office and DFM and live within the confines of that. I very much appreciate the difficulty that you face, and I appreciate your leadership as our Governor, so I do not want any of my actions today to be interpreted as critical in any way, but I also believe that we will not get anything if we do not ask for anything and that is what I am trying to get us to.

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

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

Discussion:

Chris Anton: The endowment fund was up 1.4% during the month of July. The new fiscal year started off on a positive note as strong consumer demand drove up corporate profits. It was a very strong, outstanding profit and quarterly reporting season for the second quarter. Through yesterday [August 16th] the fund is up 2.1%. Despite evidence that the U.S. economy continues to strengthen and recent inflationary pressures, concerns over the Delta variant increased demand for safe-haven government bonds which generated positive returns and lower yields for fixed income, so both stocks and bonds were up during the month of July. The one area that suffered in the market was Chinese stocks. They suffered losses as their economy showed signs of slowing and as investors have become increasingly concerned about human rights abuses and dramatic regulatory tightening that has come at the expense of shareholders. In my report, I note that there were no significant actions taken by the Investment Board; I should however bring to the attention of the Land Board the Governor's plan to appoint three new directors. They were invited to our Investment Board meeting last week and began their orientation. Those three new members are Brian Yeagain, Joe Forney, and Bob Donaldson who will be replacing Dean Buffington, Gary Mahn and Warren Bakes.

C. FY2023 Distributions and Transfers

Recommendation: The Endowment Fund Investment Board recommends that the Land Board increase the earnings reserve target for Public School from 6 to 7 years; increase beneficiary distributions from \$88.1 million in fiscal 2022 to \$100.3 million in fiscal year 2023; transfer \$486.4 million from earning reserves into permanent funds and treat the transfers as additions to the gain benchmark. The distributions and transfers for each beneficiary are outlined in more detail in the attached document.

Discussion:

Mr. Anton: I will move to attachment 1 in section C. During this meeting we also approve beneficiary distributions and transfer of excess reserves back into the permanent fund and also the decision whether or not to make those transfers permanent. I will start on page 2 of the PowerPoint and just provide an overview of our distribution policy. First of all the Land Board adopted a policy where we distribute 5% of the 3-year average value of each permanent fund; the exception is 7% for State Hospital. It is important to keep in mind as I go through these numbers today, we had a very strong year and we had very strong earnings; when we talk about the distributions, we are only including one year with significant growth of the fund in that calculation. Unless the market drops off considerably the next two years, you will also see strong distributions in the next two years. The policy also calls that we maintain earnings reserves at their target levels based on years of beneficiary distributions and consider transferring any excess reserves back to the permanent fund.

So how did the year turn out? The endowment fund generated a 29.7% return, which is a 27.4% real return, net of 2.3% inflation; expressed in dollars, we had investment gains of about \$716 million. Those returns pushed all of the permanent funds above their inflation-adjusted gain benchmark. IDL, as you heard earlier, had a very strong year as well; generated \$59.5 million in net revenue in fiscal '21 and we ended the year with \$149.7 million in timber presold, so we have strong backlog going into the new fiscal year. When you combine those two, the outstanding investment with outstanding operational performance and strong timber revenue, we are in the enviable position where we have significant excess reserves and also the ability to make material increases to beneficiary distributions in fiscal '23. Page 4 shows the level of earnings reserves expressed in years based on '22 distributions. You can see that almost every fund has earnings reserves almost double the target levels at the end of the fiscal year.

Moving to page 5, this is where we begin to outline our recommendation. First of all, you can see a history of distributions starting in 2017 where we were at \$63.2 million; in the current fiscal year we plan to make distributions of \$88.1 million, and I am recommending here today that we increase distributions in fiscal '23 to \$100.3 million. That is an increase of 13.9%. That increase also assumes that we increase the earnings reserve level for the Public School fund from 6 years to 7 years to make it consistent with all of the other funds. I am also recommending that we transfer \$486.4 million from earnings reserves into the permanent fund and to make those part of the permanent fund so those will help enhance and grow distributions going forward.

Page 6 provides that same recommendation but provides it in detail for each of the beneficiaries. I am pleased to be here today to offer that recommendation to increase target earnings reserve levels to 7 [years] for Public School, to increase beneficiary distributions from \$88,076,500 in fiscal '22 to \$100,315,000 in fiscal '23, and to transfer \$486,409,000 from the earnings reserve fund into the permanent fund and make that a permanent addition to the gain benchmark. With that, I will stand for any questions.

Governor Little: You know, compared to some of these other people, you have a lot of good news.

Mr. Anton: Yeah, it is fun to have good news. It will not always be that way.

Attorney General Wasden: I am particularly sensitive to the issues surrounding the earnings reserve level, the history there, and its long-term arguments and so forth. I am intrigued that there is a proposal to increase it from 6 years to 7 years. I am actually in favor of that, but I am curious as to why and why now because we went through this in 2018 and the answers were well, we increase the others to 7, we keep Public School at 6, that is sufficient. I am interested in knowing what was the analysis that says why and why now.

Mr. Anton: Governor and Mr. Attorney General, first of all let me explain why it is at 6 years while the others are at 7. If you think about Public School, they own more land than any other endowment fund, which allows the Department of Lands to manage the harvest process more consistently so the land in the Public School fund provides a more consistent source of revenue than it does in the other funds. That being said, as the endowment...

Attorney General Wasden: ...and as a result, it is reduced risk in comparison to those that have smaller parcels, is that what you are telling me?

Mr. Anton: Yes, that is correct. Reduced risk and volatility of that source of funding. That being said, over time the endowment fund has grown. We have also sold the cabin sites which provided a nice, steady source of revenue into the fund. So the revenue that is generated from the Public School fund is more consistent than the others, but it is less important in terms of driving the overall variability of the fund and the land together. It is less of a factor than it was in the past. I think there is some merit in making it consistent. The other thing is once we move funds from the earnings reserve into the permanent fund, they are permanent and we cannot move them back. The Land Board can change it at a future point to reduce those reserves, if they want, but once they are in there, they are permanent. Today we stand in the enviable position where we can provide very large distributions. We can add a small cushion to make it consistent with the other funds and do so without penalty. I should also note that the Public School fund is the most visible fund, probably one of the funds that is the most important to keep consistent going forward. It is the only fund where the statutes indicate that if the fund is below water for 10 years, the legislature has to make it whole; the others do not have that. An argument could be made that the fund should have more reserves. You may say, well they are not going to be underwater for 10 years, but if we had a period of high inflation – remember the permanent fund has to grow at the rate of inflation at a minimum – if we had a period of high inflation and significant losses we could be in that position; hopefully we will not, but we could be. I think it is warranted to have the cushion in the Public School fund and to protect ourselves going forward.

Attorney General Wasden: Thank you. Just a comment so that someone reading the record at some point in the future will understand what that reserve fund is for, it is a shock absorber account so to speak; it absorbs the market risk, the variability in the returns so that we can have a steady pay out to the beneficiaries. At least that is my understanding of it and I wanted to verify that with you.

Mr. Anton: Governor, Mr. Attorney General, that is exactly the purpose of the earnings reserve is to provide that buffer to protect us when markets are down, to protect us when land revenue is down, so that we can still make consistent distributions to the beneficiaries.

Attorney General Wasden: And in fact, particularly in schools since they are budgeting, they have to have consistency in what is coming to them so they can count on that. The one time monies, the up and down fluctuation, actually is very difficult for them as the beneficiary to use those monies. That is also my understanding, I am asking for confirmation.

Mr. Anton: You may want to redirect that question to Superintendent Ybarra, but yes that is my understanding.

Superintendent Ybarra: Yes, that is correct, Attorney General. Chris and I had that conversation about stability; it is really hard if you are going to get \$100 one month and the next month \$20. That is really a very small analogy, but it is really hard to count on that for schools. Chris you and I may want to talk about this offline, but the preliminary numbers are a little different than what I am seeing right here. I just want to make sure I have those numbers right.

Board Action: A motion was made by Attorney General Wasden that the Land Board adopt the recommendation by the Endowment Fund Investment Board that is increase the earnings reserve target for Public School from 6 to 7 years; increase beneficiary distributions from \$88.1 million in FY2022 to \$100.3 million in FY2023; transfer \$486.4 million from earnings

reserves into permanent funds and treat the transfers as additions to the gain benchmark. The distributions and transfers for each beneficiary are outlined in more detail in the regular agenda report. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

8. DeAtley Land Exchange – *Presented by Zane Lathim, Program Specialist-Real Estate*

Recommendation: Approve the exchange and direct the Department to complete and close the as-proposed DeAtley land exchange.

Discussion:

Governor Little: Why is it classified as a donation?

Mr. Purkiss: Governor, in this situation the land DeAtley owns is worth more money. There is \$27,000 of additional value coming to the endowments that he is gifting to us.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve the exchange and direct the Department to complete and close the as-proposed DeAtley land exchange. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

Executive Session

None

There being no further business before the Land Board, at 11:14 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.

