



## **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

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

Final Minutes  
State Board of Land Commissioners Regular Meeting  
January 18, 2022

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, January 18, 2022 at the Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd, Boise, Idaho, and via webinar. The meeting began at 9:01 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.

Controller Woolf mentioned a Department of Lands employee, Diane Griffin, who passed away unexpectedly just before Christmas. Controller Woolf noted that Diane assisted with Land Board meetings and requested, with unanimous consent, that Land Board members send a letter of condolence to Diane's family, sharing the Land Board's appreciation for her service to the state. Governor Little so ordered. Director Miller thanked the Controller for his kind words and said that Diane will be greatly missed, and her family will appreciate a letter from the Land Board.

### Video Presentation – Idaho Department of Lands' Year-in-Review

*[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 – December 2021

**Discussion:**

**Attorney General Wasden:** I noticed on the map there is not a single sale scheduled in southern Idaho. I know we have timberlands; I know we have a great deal of distance to any processing facilities, which means that we have timber that is growing to excessive sizes and overgrowth. What is our long-range plan with southern Idaho?

**Director Miller:** Governor, General Wasden, as you know the vast majority of our timber production is in the northern part of the state; however, we do have sales scheduled for the southwest and over in eastern. Those are predominantly ton sales; we don't have as many sales there as we do up north. Those will all play out as we work our way through the current timber sales plan that the Land Board approved last April. Up until the end of June we will continue to have timber sales and there are sales scheduled for both the southwest and eastern regions.

**Trust Land Revenue**

B. Leases and Permits – December 2021

**Discussion:**

**Governor Little:** Director, does that happen elsewhere? I mean every county could zone all the state land as open space and our balance sheet could be significantly impacted. Has that happened before? [re: Avimor land exchange]

**Director Miller:** Governor, I am not aware of that happening before. The issue here is that this is not something that we have title to yet; the county placed that ordinance on the land and since we have not traded into that yet, we want to make sure this gets resolved. If it was already our ownership, that ordinance would not have any effect. It is because it will be encumbered with this ordinance and us knowingly trading into it could create some issues, predominantly if we were to sell this property later. We want to make sure this is resolved prior to trading into it.

**Governor Little:** How big is this parcel?

**Jim Elbin:** Too big to sell to one person.

**Governor Little:** The question is can we just auction it off?

**Director Miller:** Well, it is not timberland, Governor, so certainly.

**Superintendent Ybarra:** Dustin, you said you're working on it, and sometimes these title issues take a little bit. Do you have a projected timeline when it will come back before the Land Board?

**Director Miller:** Governor, and Madam Superintendent, hopefully in the next month or two we will have this resolved with the county. The sooner the better; I know the real estate services division keeps working on it. I will work with Josh Purkiss in getting you an actual timeline of when we expect to bring this back before the Board once that issue is resolved.

## Status Updates

### C. Land Bank Fund

**Discussion:** None.

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

### A. Manager's Report

### B. Investment Report

#### **Discussion:**

**Chris Anton:** Governor, members of the Land Board, good morning. The day after Thanksgiving we all started to learn about the Omicron variant of COVID-19 as it was spreading rapidly in South Africa. The uncertainty surrounding that virus and its rapid spread started to create turbulence in late November; we started to see the market sell off. That continued into early December as the variant began to spread rapidly in the U.S. and quickly became the dominant strain. As we started to approach the holiday season, despite the fact that the virus was spreading rapidly with cases over a million a day, we were at all-time highs; the financial markets seemed to have some comfort because the virus was demonstrating to be less serious in terms of hospitalization rates and deaths. It became evident that because it was spreading so quickly the infection rate seemed to spike quickly and start to taper off. We saw that in South Africa and we're seeing that in some of the big metropolitan areas. We'll start to see that in Idaho hopefully in the near future. The other thing that is important that will continue throughout the year is our macroeconomic policy and what is going on at the Federal Reserve. The focus of the Federal Reserve has primarily been on increasing employment. Back in March of 2020, the unemployment rate approached 15%; their focus was to bring everybody back to work. We are now down, the rate is something like 3.9%, and they've pivoted quickly to focus on inflation. Many of you probably saw the inflation rate hit 7% last month and the Federal Reserve has announced that they would accelerate the tapering of their bond buying, so the bond buying should be complete by March. They will be in a position to consider increasing interest rates at that point as well. That was new news in the market and that's continued to be a challenge as we've moved into January. They're now also talking about beginning to reduce the size of the Federal Reserve balance sheet. Right now, the balance sheets are almost \$9 trillion so they're considering not only not buying bonds anymore, considering selling bonds out into 2022 which will continue to drive up interest rates. Those are some of the dynamics taking place in the market.

The equity markets did rally in late December despite everything going on. Part of that was really driven by solid retail sales around the holidays and evidence that economic recovery was strong. Manufacturing orders remain solid, unemployment rate continued to improve despite challenges getting the participation rate improving; it was a strong end to the month. We were up 2.8% for the month; we are up 4.5% fiscal year-to-date. Through yesterday [January 17] we have given some of that back, we are up 2.3%. The challenge again is the Federal Reserve's push to really curtail inflation. We've seen the yield on the 10-year treasury go from about 1.4% to 1.85% so rates are starting to tick up. That has had a big impact on growth stocks in particular. If you look at our large cap growth manager, Sands Capital, fiscal year-to-date they're now down about 15%

where our large cap value managers are up over 10%. There's a huge gap between value stocks and growth stocks and that is because with growth stocks the value depends on future earnings and you discount them back at a higher interest rate, the value goes down, and so as rates go up people are concerned and they're really selling off a lot of their growth stocks.

**Governor Little:** Chris, that Sands underperformance, isn't that relative to the bogey for large cap growth? They're underperforming their peers.

**Mr. Anton:** There are two issues. They are underperforming their peers considerably, plus that sector is underperforming pretty dramatically.

**Governor Little:** But that doesn't matter. You hired these guys to meet a bogey in a group, large cap growth, and they're not meeting that bogey.

**Mr. Anton:** Yes, that's correct, and that gap has increased; they're now about 20% under their benchmark fiscal year-to-date.

**Governor Little:** How often do you recommend to the Investment Board and Callan recommend to you that you change managers?

**Mr. Anton:** We look at that every quarter. We tend to be very patient because we know things go in cycles. If you look back over the last few years, they've been one of our best if not our best manager. They're in a period of underperformance because they tend to be sort of on the hyper growth relative to the benchmark which is more moderate growth. Those companies that really are leading edge that are depending on future earnings have taken a hit and they've taken more of a hit than the benchmark.

**Governor Little:** My other question is, if you look at your investment report, which I love particularly the color of most of it, but if you compare one year to calendar year-to-date the numbers are all the same until you get to real estate and it's down 11%. Or do you just plug in the 11% negative by default. All the numbers are exactly the same except it doesn't show that underperformance in real estate.

**Mr. Anton:** Governor, members of the Land Board, I think that is an oversight on our part. The calendar year and the one year should be the same on December 31st. We just forgot to fill in that real estate number. Real estate was up 11.4% for the year; we've seen a huge rebound in our private real estate funds, and you'll continue to see that over the next couple quarters.

**Governor Little:** Sometimes you have to stay with the guy or gal that brought you to the dance.

**Mr. Anton:** Exactly. That is an oversight; the numbers should be the same in the calendar year-to-date column. One last thing to highlight on Sands...we gave them more money; part of our discipline and rebalancing is when people are way down, we tend to take a bet on them. We do still have confidence in Sands, and we actually shifted more money to them this last week and that's been our approach.

**Governor Little:** Buy low and sell high.

**Mr. Anton:** Exactly.

### Consent—Action Item(s)

3. **Forest Legacy—Dinning and Simonson Conservation Easements** – *Presented by Archie Gray, Bureau Chief-Forestry Assistance*

**Recommendation:** Authorize the Department to acquire the Dinning and Simonson conservation easements.

**Discussion:** None.

4. **Results of October 29, 2021 Residential Lease (Cottage Site) Live Auction** – *Presented by Kemp Smith, Program Manager-Commercial, Residential, Industrial*

**Recommendation:** Direct the Department to award residential cottage site lease R500366 to Janet Marie Stevens.

**Discussion:**

**Controller Woolf:** I see in the table the lease was at Payette Lake but that's the only thing I saw of where this was, there was no map of it. Whereabouts on Payette Lake is this?

**Kemp Smith:** Governor, members of the Land Board, thank you for having me. My name is Kemp Smith, and I am the program manager for both residential and commercial leasing for the Department. To your question, Mr. Controller, this particular property is located about one mile southwest of Wagon Wheel Bay, if you're familiar with the area. It is not directly on the lakefront, but it is a few hundred feet from the lakefront.

**Controller Woolf:** Thank you.

5. **Approval of Draft Minutes** – November 16, 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.

### Regular—Action Item(s)

6. **Negotiated Rulemaking IDAPA 20.02.14, Rules for Selling Forest Products on State-Owned Endowment Lands** – *Presented by David Greenwood, Bureau Chief-Forest Management*

**Recommendation:** Authorize the Department to initiate negotiated rulemaking for IDAPA 20.02.14 *Rules for Selling Forest Products on State-Owned Endowment Lands*.

**Discussion:** None.

**Board Action:** A motion was made by Attorney General Wasden that the Land Board adopt the Department recommendation and authorize the Department to initiate negotiated rulemaking for IDAPA 20.02.14 *Rules for Selling Forest Products on State-Owned Endowment Lands*. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

**7. Approval of Blowin' Smoke Timber Sale with Clearcut Harvest Unit** – Presented by David Greenwood, Bureau Chief-Forest Management

**Recommendation:** Approve the Blowin' Smoke Timber Sale.

**Discussion:**

**Governor Little:** The maps are very good; I know where this is. Has the surrounding area been treated, or is this just where the grand fir is and the lodgepole that is buggy?

**David Greenwood:** Governor, members of the Land Board, attachment 2 is the air photo map; to the north of that was treated about three years ago. It was clearcut so it was treated. The insect and disease moved to the south and that is why we're proposing this clearcut of the 140 acres. There is some surrounding timber left that has potential for insect and disease outbreak but they're doing a good job of treating it and getting the maximum value while we still can.

**Governor Little:** Well, I would tell everyone that the Department could have made two 99-acre clearcuts and not had to do this, but I appreciate the disclosure and compliance with the code. Kudos to the Department for doing that.

**Mr. Greenwood:** We've directed our staff to do what is right to generate revenue and leave it up to the Land Board if we exceed that 100 acres which is why we're here today.

**Controller Woolf:** It looks like Highway 3...is there any viewshed impact from the highway or anything like that?

**Mr. Greenwood:** It's hard to tell the topography because we didn't give you topo lines there, but it is a very flat area, so there will be no viewshed concerns from Highway 3.

**Controller Woolf:** Okay, good.

**Board Action:** A motion was made by Attorney General Wasden that the Land Board approve the Department's recommendation that is approve the Blowin' Smoke timber sale. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

**Information**

None

At 9:51 a.m., a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 74-206(1)(b) – to consider the evaluation, dismissal or disciplining of, or to hear complaints or charges brought against, a public officer, employee, staff member or individual agent, or public school student. Attorney General Wasden requested that a roll call vote be taken and that the Secretary record the vote in the minutes of the meeting. Controller Woolf seconded the motion. *Roll Call Vote:* Aye: Denney, Wasden, Woolf, Ybarra, Little; Nay: None; Absent: None.

**Executive Session**

**A. Performance Evaluation – Director, Department of Lands**

Idaho Code § 74-206(1)(b) – to consider the evaluation, dismissal or disciplining of, or to hear complaints or charges brought against, a public officer, employee, staff member or individual agent, or public school student.

At 10:48 a.m., the Land Board resolved out of Executive Session by unanimous consent. No action was taken by the Land Board during Executive Session.

There being no further business before the Land Board, at 10:49 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.

Idaho State Board of Land Commissioners

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*/s/ Brad Little*

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

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*/s/ Lawrence E. Denney*

Lawrence E. Denney  
Secretary of State

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*/s/ Dustin T. Miller*

Dustin T. Miller  
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the February 15, 2022 Land Board meeting.