

State Board of Land Commissioners Open Meeting Checklist

Meeting Date: January 18, 2022

Regular Meetings

1/10/2022	Meeting Notice posted in prominent place in IDL's Boise Director's office five (5) or more calendar days before meeting.
1/10/2022	Meeting Notice posted in prominent place in IDL's Coeur d'Alene staff office five (5) or more calendar days before meeting.
1/10/2022	Meeting Notice posted in prominent place at meeting location five (5) or more calendar days before meeting.
1/10/2022	Meeting Notice emailed/faxed to list of media and interested citizens who have requested such notice five (5) or more calendar days before meeting.
1/10/2022	Meeting Notice posted electronically on IDL's public website www.idl.idaho.gov five (5) or more calendar days before meeting.
1/13/2022	Agenda posted in prominent place in IDL's Boise Director's office forty-eight (48) hours before meeting.
1/13/2022	Agenda posted in prominent place in IDL's Coeur d'Alene staff office forty-eight (48) hours before meeting.
1/13/2022	Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
1/13/2022	Agenda emailed/faxed to list of media and interested citizens who have requested such notice forty-eight (48) hours before meeting.
1/13/2022	Agenda posted electronically on IDL's public website www.idl.idaho.gov forty-eight (48) hours before meeting.
11/30/2021	Land Board annual meeting schedule posted – Boise Director's office, Coeur d'Alene staff office, and IDL's public website www.idl.idaho.gov

Special Meetings

	Meeting Notice and Agenda posted in a prominent place in IDL's Boise Director's office twenty-four (24) hours before meeting.
	Meeting Notice and Agenda posted in a prominent place in IDL's Coeur d'Alene staff office twenty-four (24) hours before meeting.
	Meeting Notice and Agenda posted at meeting location twenty-four (24) hours before meeting.
	Meeting Notice and Agenda emailed/faxed to list of media and interested citizens who have requested such notice twenty-four (24) hours before meeting.
	Meeting Notice and Agenda posted electronically on IDL's public website www.idl.idaho.gov twenty-four (24) hours before meeting.
	Emergency situation exists – no advance Meeting Notice or Agenda needed. "Emergency" defined in Idaho Code § 74-204(2).

Executive Sessions *(If only an Executive Session will be held)*

	Meeting Notice and Agenda posted in IDL's Boise Director's office twenty-four (24) hours before meeting.
	Meeting Notice and Agenda posted in IDL's Coeur d'Alene staff office twenty-four (24) hours before meeting.
	Meeting Notice and Agenda emailed/faxed to list of media and interested citizens who have requested such notice twenty-four (24) hours before meeting.
	Meeting Notice and Agenda posted electronically on IDL's public website www.idl.idaho.gov twenty-four (24) hours before meeting.
	Notice contains reason for the executive session and the applicable provision of Idaho Code § 74-206 that authorizes the executive session.


Renee Jacobsen
Recording Secretary

January 13, 2022

Date



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

NOTICE OF PUBLIC MEETING JANUARY 2022

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, January 18, 2022 in the **Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise**. The meeting is scheduled to begin at 9:00 AM (Mountain).

Directions: Enter City Hall from Capitol Blvd.; take the Capitol Boulevard elevators to the 3rd floor; Council Chambers are directly across from the elevators.

*Masks must be worn at all times in Boise City Hall.**

The State Board of Land Commissioners will conduct this meeting in person and by virtual means. This meeting is open to the public. No public comment will be taken.

Meeting will be streamed live via IPTV: <https://www.idahoptv.org/shows/idahoinsession/> and via YouTube: <https://youtu.be/QcKtTKIGIRw>

Members of the public may register to attend the Zoom webinar through this link: https://idl.zoom.us/webinar/register/WN_W0dKd12HRL6R0GyMD5AHNA

*The Governor's [Stage 4 Stay Healthy Guidelines](#) dated 5/11/2021 allows for public meetings of any size with adherence to physical distancing and sanitation requirements. Individuals are encouraged to watch online or via webinar. All in-person attendees must comply with current COVID-19 safety protocols for public gatherings in the City of Boise, including but not limited to guidance regarding face coverings and social distancing.

Physical distancing measures reduce the meeting room's normal attendance capacity.¹

¹ www.cityofboise.org/departments/mayor/coronavirus-covid-19-information/ AND www.cdhd.idaho.gov/dac-coronavirus



Idaho State Board of Land Commissioners

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State Board of Land Commissioners Regular Meeting

January 18, 2022 – 9:00 AM (MT)

Final Agenda

Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise

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A video presentation will immediately precede the State Land Board Meeting

- **Department of Lands' 2021 Year-in-Review**

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

Trust Land Revenue

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

Status Updates

- C. Land Bank Fund

¹ www.cityofboise.org/departments/mayor/coronavirus-covid-19-information/ AND www.cdhd.idaho.gov/dac-coronavirus

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

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

Consent—Action Item(s)

- 3. Forest Legacy–Dinning and Simonson Conservation Easements** – *Presented by Archie Gray, Bureau Chief-Forestry Assistance*
- 4. Results of October 29, 2021 Residential Lease (Cottage Site) Live Auction** – *Presented by Kemp Smith, Program Manager-Commercial, Residential, Industrial*
- 5. Approval of Draft Minutes** – November 16, 2021 Regular Meeting (Boise)

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

Information

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.



Idaho Statutes

Idaho Statutes are updated to the web July 1 following the legislative session.

TITLE 74

TRANSPARENT AND ETHICAL GOVERNMENT

CHAPTER 2

OPEN MEETINGS LAW

74-206. EXECUTIVE SESSIONS – WHEN AUTHORIZED. (1) An executive session at which members of the public are excluded may be held, but only for the purposes and only in the manner set forth in this section. The motion to go into executive session shall identify the specific subsections of this section that authorize the executive session. There shall be a roll call vote on the motion and the vote shall be recorded in the minutes. An executive session shall be authorized by a two-thirds (2/3) vote of the governing body. An executive session may be held:

(a) To consider hiring a public officer, employee, staff member or individual agent, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need. This paragraph does not apply to filling a vacancy in an elective office or deliberations about staffing needs in general;

(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;

(c) To acquire an interest in real property not owned by a public agency;

(d) To consider records that are exempt from disclosure as provided in chapter 1, title 74, Idaho Code;

(e) To consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations;

(f) To communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. The mere presence of legal counsel at an executive session does not satisfy this requirement;

(g) By the commission of pardons and parole, as provided by law;

(h) By the custody review board of the Idaho department of juvenile corrections, as provided by law;

(i) To engage in communications with a representative of the public agency's risk manager or insurance provider to discuss the adjustment of a pending claim or prevention of a claim imminently likely to be filed. The mere presence of a representative of the public agency's risk manager or insurance provider at an executive session does not satisfy this requirement; or

(j) To consider labor contract matters authorized under section 74-206A (1)(a) and (b), Idaho Code.

(2) The exceptions to the general policy in favor of open meetings stated in this section shall be narrowly construed. It shall be a violation of this chapter to change the subject within the executive session to one not identified within the motion to enter the executive session or to any topic for which an executive session is not provided.

(3) No executive session may be held for the purpose of taking any final action or making any final decision.

(4) If the governing board of a public school district, charter district, or public charter school has vacancies such that fewer than two-thirds (2/3) of board members have been seated, then the board may enter into executive session on a simple roll call majority vote.

History:

[74-206, added 2015, ch. 140, sec. 5, p. 371; am. 2015, ch. 271, sec. 1, p. 1125; am. 2018, ch. 169, sec. 25, p. 377; am. 2019, ch. 114, sec. 1, p. 439.]

STATE BOARD OF LAND COMMISSIONERS

January 18, 2022
Trust Land Revenue

Timber Sales

During December 2021, the Department of Lands sold eleven endowment timber sales at auction. The endowment net sale value represents a 10% up bid over the advertised value. Six sales had competitive bidding while five sales sold for the appraised value.

TIMBER SALE AUCTIONS								
Sale Name	Area	Sawlogs MBF	Cedar Prod MBF	Pulp MBF	Appraised Net Value	Sale Net Value	Net \$/MBF	Purchaser
Little Pioneer Fire Salvage	POL	745			\$ 228,366.00	\$ 229,117.00	\$307.54	Timber Logging
Fidlers Stash	MC	3,080			\$ 669,889.00	\$1,176,095.90	\$381.85	Clearwater Paper
Down Thunder Salvage	MC	415			\$ 66,011.00	\$ 75,575.00	\$182.11	Empire Lumber
Craig Mountain Fire Salvage	MC	9,060			\$ 258,618.00	\$ 258,618.00	\$28.55	IFG Timber LLC
Rusty Caribou Ton	PL	1,350			\$ 144,284.20	\$ 207,886.00	\$153.99	Vaagen Bros
Cooks OSR	PL	2,900			\$ 556,459.00	\$ 556,459.00	\$191.88	IFG Timber LLC
Windy Bear Salvage	PL	260			\$ 43,655.00	\$ 51,717.00	\$198.91	UTR Land Mgmt
French Hog Salvage	POND	740			\$ 131,356.00	\$ 131,356.00	\$177.51	Dylco
Mirkwood Cedar	POL	3,305			\$1,677,740.00	\$1,677,740.00	\$507.64	Stella-Jones
Fish Fins	POL	3,940			\$1,451,942.00	\$1,595,896.00	\$405.05	IFG Timber LLC
Paragon Cedar	POND	8,105	120		\$2,282,279.50	\$2,282,279.50	\$277.48	IFG Timber LLC
Endowment		33,900	120	0	\$7,510,599.70	\$8,242,739.40	\$242.29	

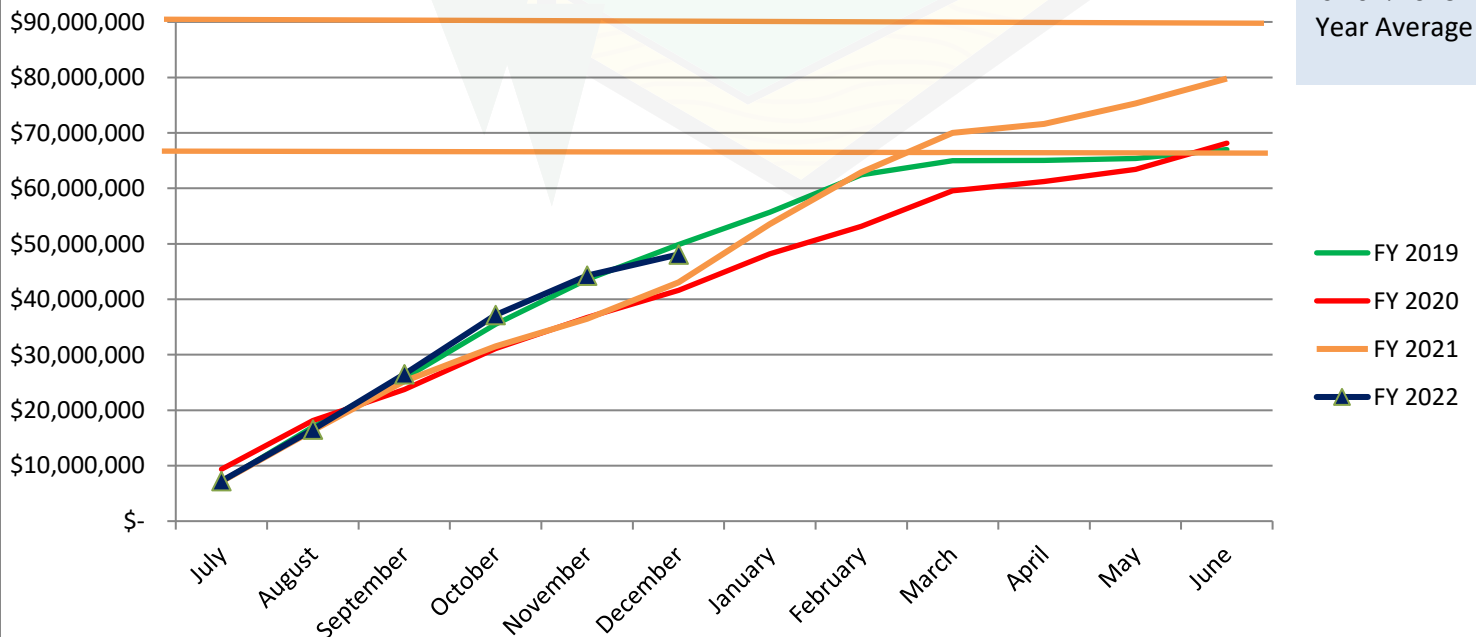
PROPOSED TIMBER SALES FOR AUCTION				
Sale Name	Volume MBF	Advertised Net Value	Area	Estimated Auction Date
North Operations				
South Slope Pine	5,345	\$ 1,182,922	POL	1/5/2022
Sand Mountain GNA Decks	520	\$ 231,369	NCNF/PON	1/13/2022
Goat Creek Salvage	5,760	\$ 481,020	St. Joe	1/25/2022
TOTALS	11,625	\$ 1,895,311		

VOLUME UNDER CONTRACT as of December 31, 2021				
	Public School	Pooled	Total	3 Year Avg.
Active Contracts			184	170
Total Residual MBF Equivalent	341,397	222,066	563,463	545,832
Estimated residual value	\$88,969,341	\$58,456,526	\$147,425,867	\$150,355,007
Residual Value (\$/MBF)	\$260.60	\$263.24	\$261.64	\$275.46

	TIMBER HARVEST RECEIPTS									
	December				FY to date		January Projected			
	Stumpage		Interest		Harvest Receipts		Stumpage		Interest	
Public School	\$	2,533,604.18	\$	311,837.65	\$	30,720,383.35	\$	4,665,687.26	\$	404,188.46
Pooled	\$	881,335.48	\$	80,150.30	\$	17,360,490.67	\$	2,211,614.75	\$	148,554.17
General Fund	\$	0.07	\$	0.00	\$	7.01	\$	0.07	\$	0.00
TOTALS	\$	3,414,939.73	\$	391,987.95	\$	48,080,881.03	\$	6,877,302.08	\$	552,742.63

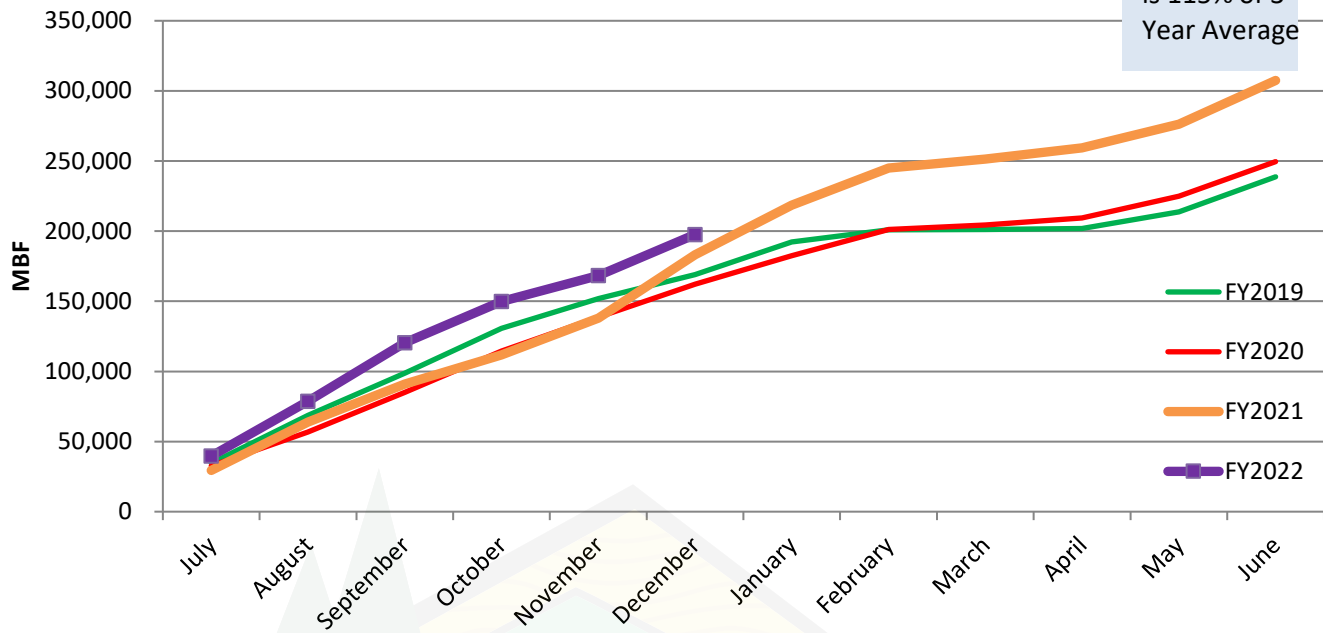
	Status of FY2022 Timber Sale Program					
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of December 31, 2021	83,442	59,811	143,253	21,269	9,545	30,814
Currently Advertised	5,345	0	5,345	0	0	0
In Review	19,647	6,878	26,525	495	4,040	4,535
Did Not Sell ¹	0	0	0	0	0	0
TOTALS	108,433	66,690	175,123	21,764	13,585	35,349
FY2022 Sales Plan			311,195			20,600
Percent to Date			56%			172%

Cumulative Harvest Receipts

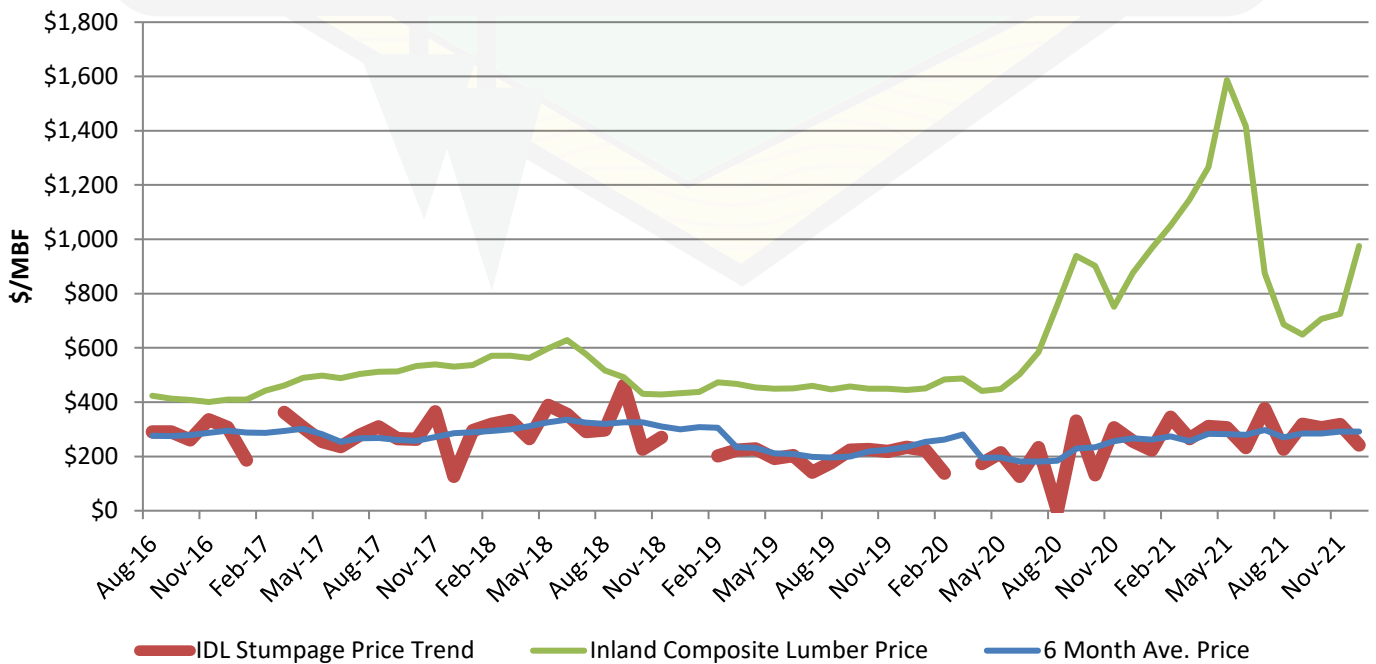


¹ After three attempts at auction.

Cumulative Harvest Volume



Monthly Lumber and Stumpage Price

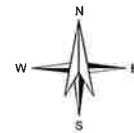


December 2021 6-month average price is \$292.00.
 December 2020 6-month average price was \$266.81.

TIMBER SALES STATUS

January 18, 2022

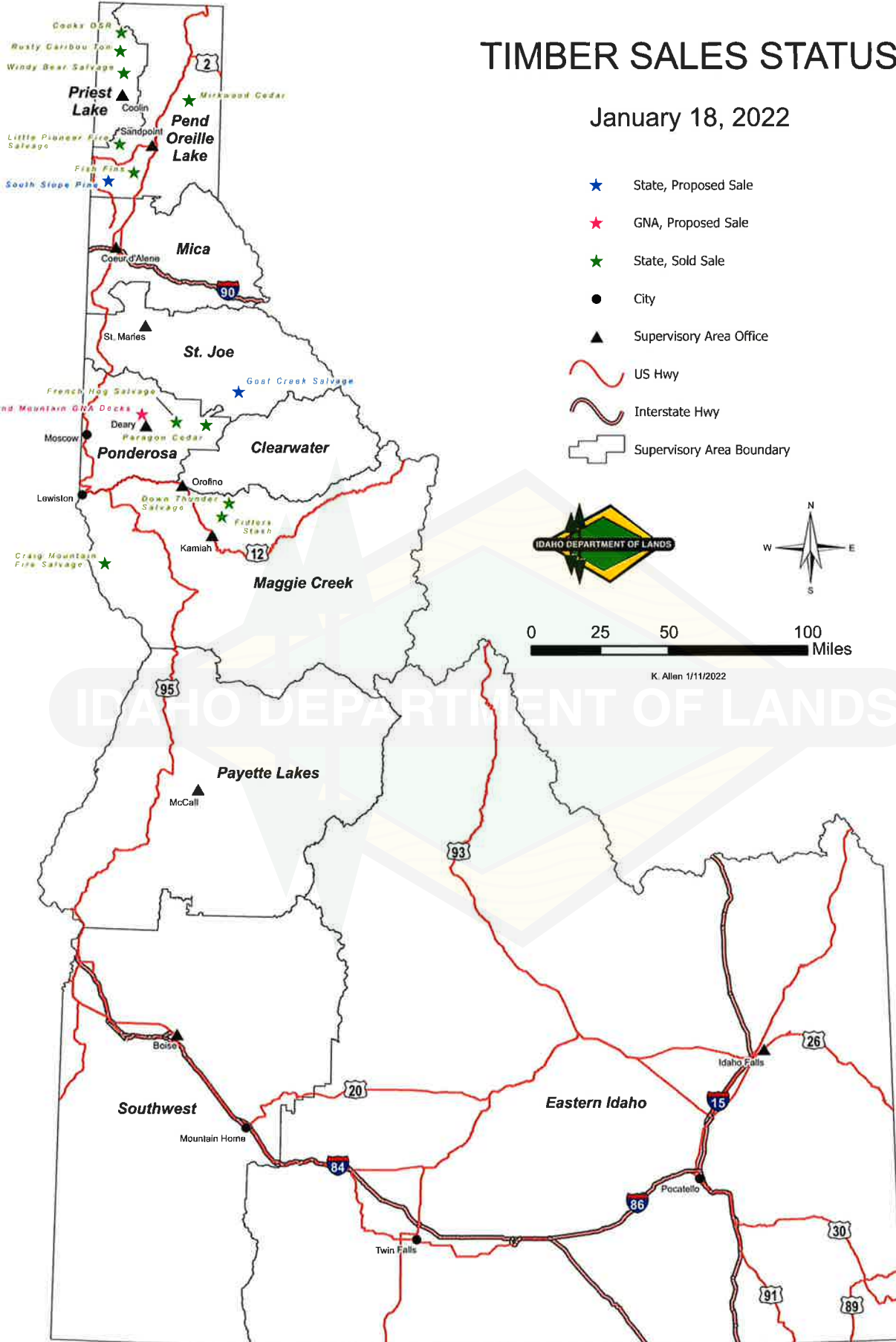
- ★ State, Proposed Sale
- ★ GNA, Proposed Sale
- ★ State, Sold Sale
- City
- ▲ Supervisory Area Office
- US Hwy
- Interstate Hwy
- Supervisory Area Boundary



0 25 50 100 Miles

K. Allen 1/11/2022

IDAHO DEPARTMENT OF LANDS



STATE BOARD OF LAND COMMISSIONERS

January 18, 2022
Endowment Transactions

Leases and Permits

FISCAL YEAR 2022 – LEASING & PERMITTING TRANSACTIONS BY MONTH – through December 31,													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
SURFACE													
Agriculture	-	-	-	-	1	-							1
Assignments	-	-	-	-	-	-							0
Communication Sites	-	-	2	-	2	1							5
Grazing	-	3	2	5	5	1							16
Assignments	2	-	1	-	4	2							9
Residential	1	-	1	-	7	-							9
Assignments	-	-	1	-	1	-							2
COMMERCIAL													
Alternative Energy	-	-	-	-	-	-							0
Industrial	-	-	-	-	-	-							0
Military	-	-	-	-	-	-							0
Office/Retail	-	-	-	-	-	-							0
Recreation	-	-	-	-	-	-							0
Assignments	-	-	-	-	-	-							0
OTHER													
Conservation	-	-	-	-	2	-							2
Assignments	-	-	-	-	-	-							0
Geothermal	-	-	-	-	-	-							0
Minerals	-	-	-	2	-	-							2
Assignments	-	-	-	-	-	1							1
Non-Comm Recreation	-	-	-	-	-	-							0
Oil & Gas	-	-	-	-	-	-							0
PERMITS													
Land Use Permits	9	9	9	1	11	9							48
TOTAL INSTRUMENTS	12	12	16	8	33	14							95

Real Estate

FISCAL YEAR 2022 – REAL ESTATE TRANSACTIONS BY MONTH – through December 31, 2021													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
Deeds Acquired		-	-	1	-	2							3
Deeds Granted	-	-	5	10	2	2							19
Deeds Granted - Surplus	-	-	-	-	-	-							0
Easements Acquired	-	-	-	2	1	-							3
Easements Granted	-	2	-	5	2	-							9

Notes:

Land Exchange Updates

EIRSWD - The EIRSWD LEX is scheduled to close early to mid-February. All of the required contingencies are complete and the Department is routing the final documents for signature. The funding source is the last item that needs to be addressed by EIRSWD.

Avimor - The Department continues to work with our advisors and the Office of the Attorney General to resolve an easement and Boise County ordinance that were identified on the title report. At this time, there is no estimate of completion.

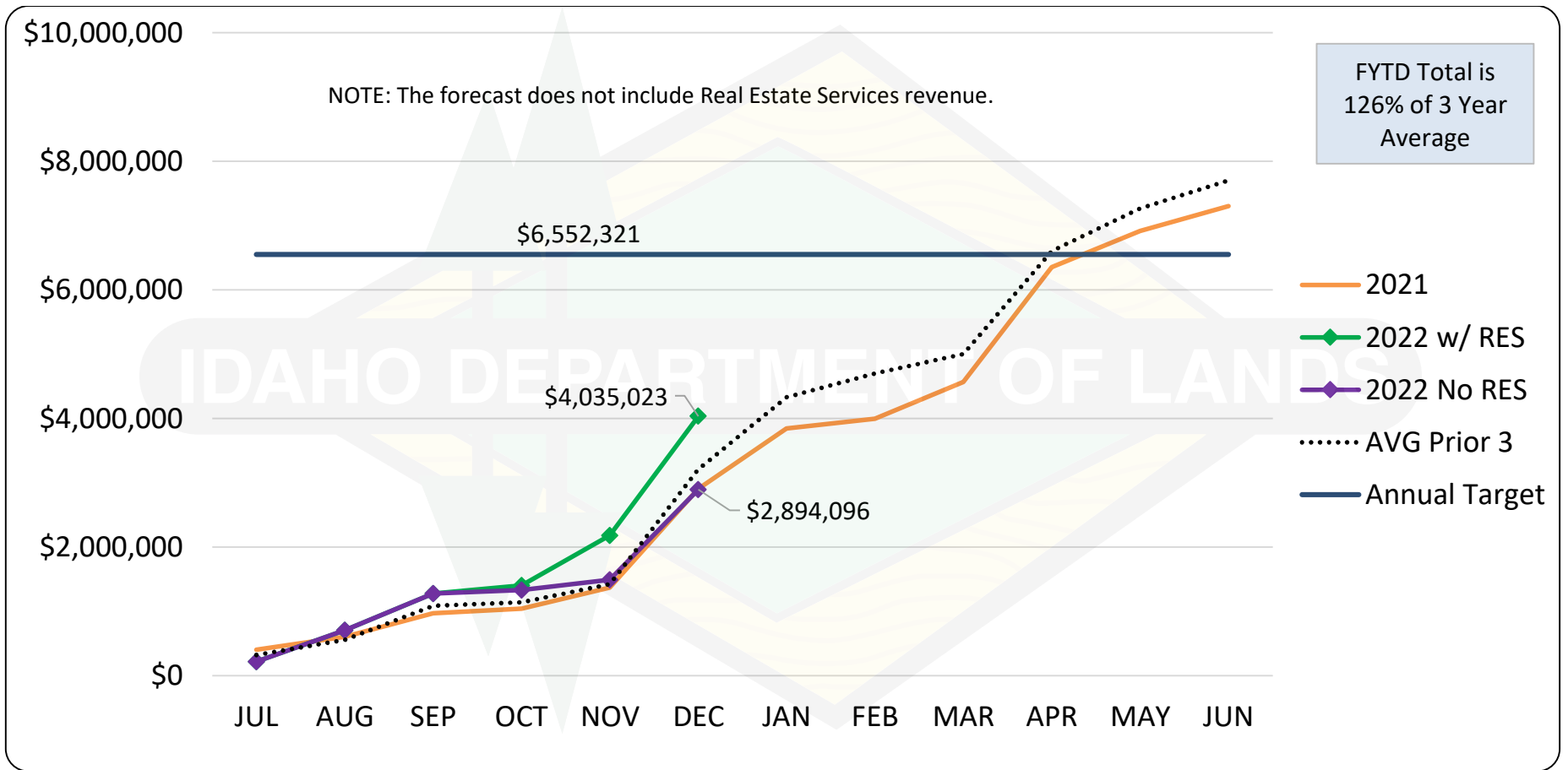
TRUST LAND MANAGEMENT DIVISION
FY2022 GROSS REVENUE (non-timber) - ACTUAL AND FORECASTED
through December 31, 2021

	ACTUAL RECEIPTS AS OF 12.31.2021	REVENUE EXPECTED BY 12.31.2021**	REVENUE EXPECTED BY 06.30.2022
SURFACE			
AGRICULTURE	\$ 300,211	\$ 358,700	\$ 491,700
COMMUNICATION SITES	\$ 442,537	\$ 505,500	\$ 1,011,000
GRAZING	\$ 60,168	\$ 89,000	\$ 1,817,000
RESIDENTIAL	\$ 612,234	\$ 675,700	\$ 1,303,345
COMMERCIAL			
COMMERCIAL ENERGY RESOURCES	\$ -	\$ -	\$ 21,859
COMMERCIAL INDUSTRIAL	\$ 102,049	\$ 53,717	\$ 84,967
COMMERCIAL MILITARY	\$ 42,907	\$ -	\$ 91,463
COMMERCIAL OFFICE/RETAIL	\$ 690,667	\$ 633,171	\$ 923,859
COMMERCIAL RECREATION***	\$ 508,856	\$ 441,300	\$ 531,800
OTHER			
CONSERVATION LEASES	\$ 17,030	\$ 45,000	\$ 65,000
GEOTHERMAL	\$ 750	\$ -	\$ -
MINERAL	\$ 12,465	\$ 13,459	\$ 105,403
NON-COMMERCIAL RECREATION	\$ 102,635	\$ 88,300	\$ 98,452
OIL AND GAS LEASES	\$ 1,585	\$ 2,440	\$ 6,473
Sub Total	\$ 2,894,096	\$ 2,906,286	\$ 6,552,321
*REAL ESTATE SERVICES	\$ 1,140,928		
Grand Total	\$ 4,035,023		

* This category is not included in the annual forecast.

** These figures are based on "normal" timing of revenue/billing throughout the year.

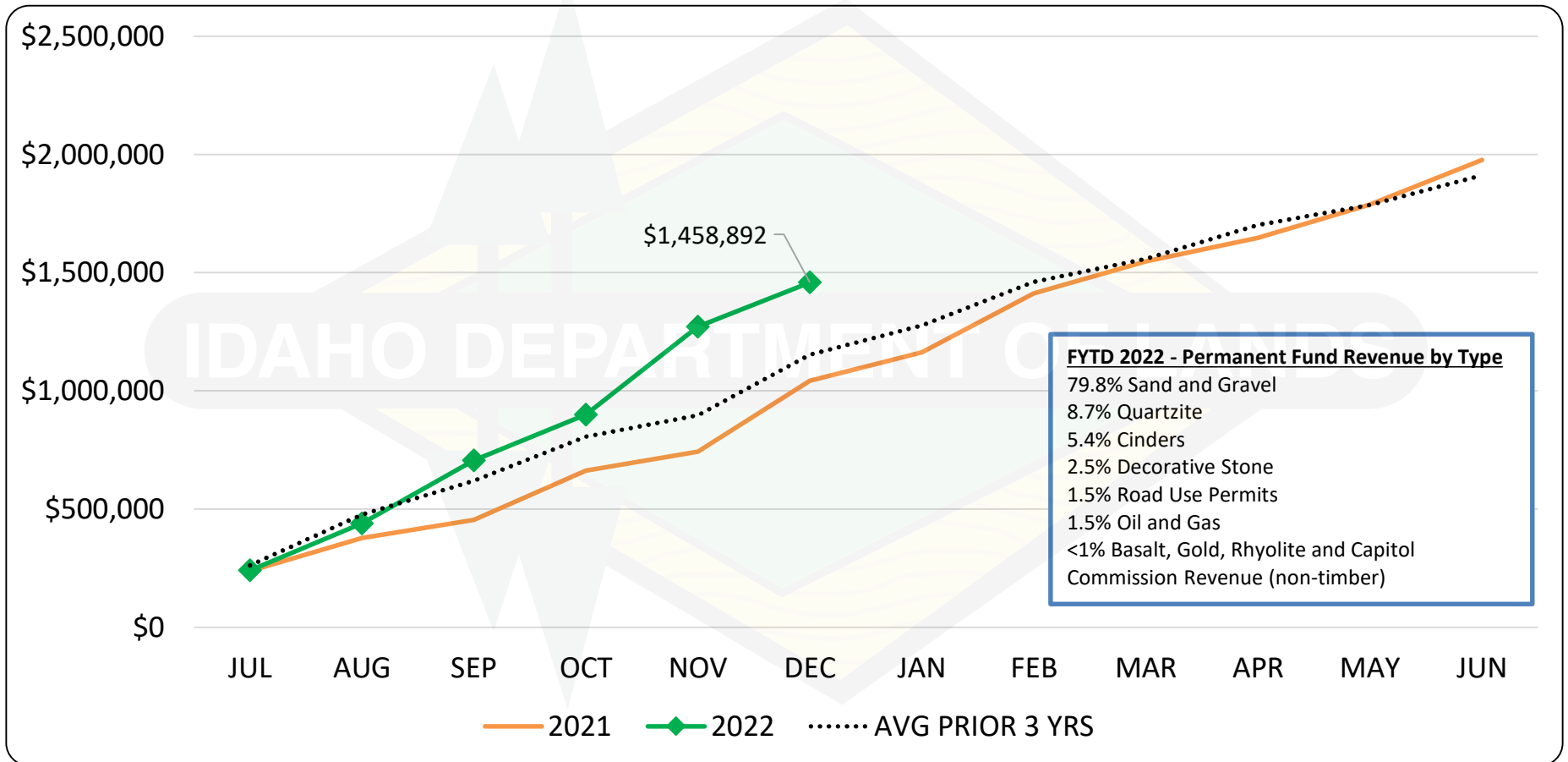
Cumulative Trust Land Program Receipts Earnings Reserve - All Programs excluding Timber FY 2021 - FYTD 2022



Cumulative Trust Land Permanent Fund Revenue/Royalties

(Does NOT include Land Bank Revenue)

FY2021 - FYTD 2022



LAND BANK AGING REPORT							
Current Remaining Principal Balance By Quarter Receipted - As of December 31, 2021							
FY Quarter IN	Public School	Agriculture College	Normal Schools	State Hospital South	University of Idaho	All Endowments	FY Quarter EXPIRES
2018-01	\$ -	\$ -	\$ 3,331,000	\$ 4,439,000	\$ -	\$ 7,770,000	2023-01
2018-02	\$ 27,856,166	\$ -	\$ -	\$ 125,500	\$ -	\$ 27,981,666	2023-02
2018-03	\$ -	\$ -	\$ 2,000,712	\$ 829,888	\$ 5,650,029	\$ 8,480,629	2023-03
2018-04	\$ 10,500	\$ -	\$ -	\$ -	\$ -	\$ 10,500	2023-04
2019-01	\$ -	\$ -	\$ 2,428,000	\$ 1,442,000	\$ -	\$ 3,870,000	2024-01
2019-02	\$ 25,136,124	\$ -	\$ -	\$ -	\$ -	\$ 25,136,124	2024-02
2019-03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2024-03
2019-04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2024-04
2020-01	\$ -	\$ -	\$ 2,582,500	\$ 1,670,000	\$ -	\$ 4,252,500	2025-01
2020-02	\$ 12,793,400	\$ -	\$ -	\$ -	\$ -	\$ 12,793,400	2025-02
2020-03	\$ 866,000	\$ -	\$ -	\$ -	\$ -	\$ 866,000	2025-03
2020-04	\$ 52,134	\$ -	\$ -	\$ -	\$ -	\$ 52,134	2025-04
2021-01	\$ 5,159,720	\$ -	\$ -	\$ -	\$ -	\$ 5,159,720	2026-01
2021-02	\$ 6,595,000	\$ -	\$ -	\$ -	\$ -	\$ 6,595,000	2026-02
2021-03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2026-03
2021-04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2026-04
2022-01	\$ 1,500,720	\$ -	\$ -	\$ -	\$ -	\$ 1,500,720	2027-01
2022-02	\$ 10,140,720	\$ 23,250,000	\$ -	\$ -	\$ -	\$ 33,390,720	2027-02
TOTAL PRINCIPAL REMAINING	\$ 90,110,484	\$ 23,250,000	\$ 10,342,212	\$ 8,506,388	\$ 5,650,029	\$ 137,859,114	

LAND BANK CASH BALANCE (with Interest)	\$ 93,319,348	\$ 23,250,000	\$ 10,885,744	\$ 8,971,931	\$ 5,958,219	\$ 142,385,242
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Thomas J. Wilford :: Chairman
Jerry F. Aldape Irving Littman
Bob Donaldson Richelle A. Sugiyama
Joseph Forney Chuck Winder
Steven C. Harris Brian Yeargain

Chris J. Anton :: Manager of Investments

Monthly Report to the Board of Land Commissioners

Investment performance through December 31, 2021

Month: 2.8% Fiscal year: 4.5%

December got off to a turbulent start as the new Omicron variant spread rapidly and surpassed Delta as the dominant coronavirus strain. As we approached the holiday season, financial markets were unphased as the number of new cases in the U.S. escalated to new highs of over one million per day. Treasury bond yields increased as investors reflected on the Fed's plan to accelerate asset purchase tapering and consider increasing interest rates as early as March. Global equity markets, excluding China, rallied late in the month as Santa delivered solid retail sales and confidence grew that the economic recovery would last well into the new year. Manufacturing orders, output and employment registered strong readings and preliminary evidence suggests supply chain constraints are peaking.

Status of endowment fund reserves

Distributions for FY2022 and FY2023 are well secured.

Significant actions of the Endowment Fund Investment Board

None.

Compliance/legal issues, areas of concern

Material deviations from Investment Policy: None.

Material legal issues: None.

Changes in board membership or agency staffing: None.

Upcoming issues/events

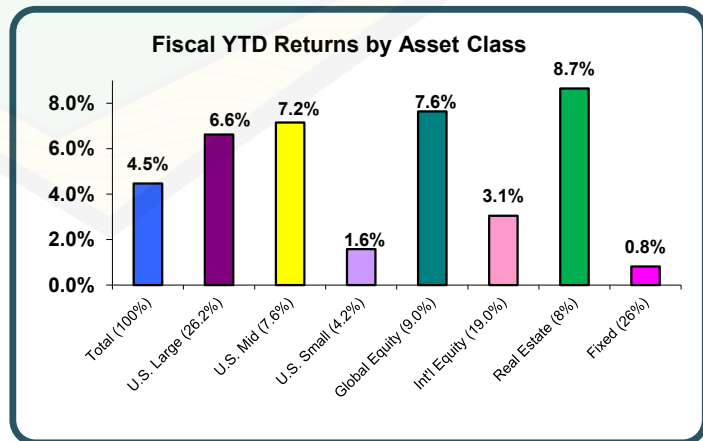
EFIB Board Meeting – February 17, 2021

	Month	FYTD
Beginning Value of Fund	\$ 3,140,132,702	\$ 3,107,842,560
Distributions to Beneficiaries	(7,464,708)	(44,163,248)
Land Revenue net of IDL Expenses (Sept. & Oct.)	10,283,125	45,240,726
Change in Market Value net of Investment Mgt. Expenses	85,105,296	119,136,377
Current Value of Fund	\$ 3,228,056,415	\$ 3,228,056,415

	Current Month	Calendar Y-T-D	Fiscal Y-T-D	One Year	Three Year	Five Year	Ten Year
Gross Returns							
Total Fund	2.8%	14.6%	4.5%	14.6%	17.8%	12.8%	10.9%
Total Fund Benchmark*	3.1%	13.3%	4.6%	13.3%	16.0%	11.6%	10.3%
Total Fixed	0.0%	0.0%	0.8%	0.0%	5.5%	3.9%	3.0%
85% BB Agg, 15% TIPS	-0.2%	-0.4%	0.7%	-0.4%	5.3%	3.8%	2.9%
Total Equity	4.2%	21.2%	5.5%	21.2%	24.2%	16.9%	14.2%
38% R3 19% Ax 9% AC	4.0%	19.4%	5.6%	19.4%	21.4%	15.0%	13.4%
Domestic Equity	4.0%	23.7%	6.2%	23.7%	25.9%	18.1%	16.5%
Russell 3000 (R3)	3.9%	25.7%	9.2%	25.7%	25.8%	18.0%	16.3%
Global Equity	4.1%	20.7%	7.6%	20.7%	24.8%	16.7%	11.4%
MSCI ACWI (AC)	4.0%	18.5%	5.6%	18.5%	20.4%	14.4%	11.9%
Int'l. Equity	4.7%	16.4%	3.1%	16.4%	20.6%	14.8%	9.6%
MSCI ACWI ex-US (Ax)	4.1%	7.8%	-1.2%	7.8%	13.2%	9.6%	7.3%
Real Estate			8.7%	11.4%	6.4%	6.6%	
NCREIF ODCE Index			10.3%	13.6%	6.1%	6.6%	

* Benchmark: 38% Russell 3000 19% ACWI ex-US 9% AC 26% BB Agg. 8% ODCE

	Mkt Value	Allocation
Domestic Equity	\$ 1,271.3	39.4%
Large Cap	870.4	27.0%
Mid Cap	259.3	8.0%
Small Cap	141.5	4.4%
Global Equity	312.3	9.7%
Int'l Equity	614.5	19.0%
Fixed Income	763.5	23.7%
Real Estate	248.9	7.7%
Cash	17.5	0.5%
Total Fund	\$ 3,228.1	100.0%



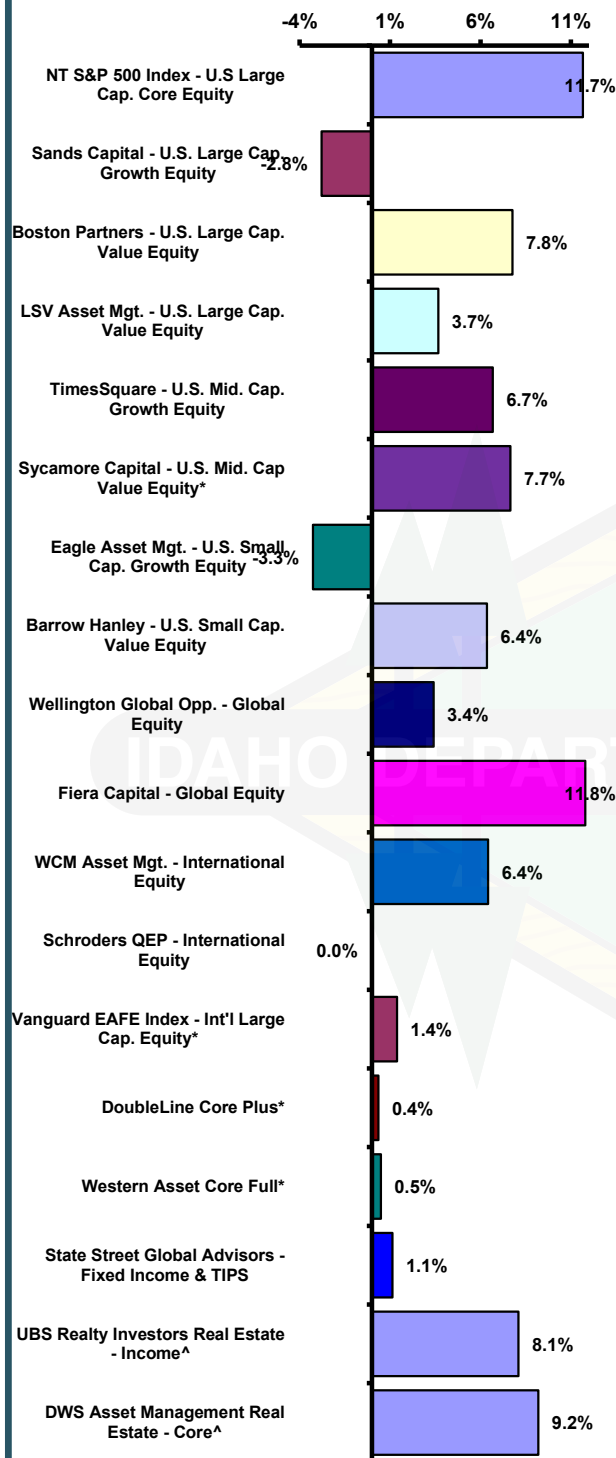
Endowment Fund Staff Comments:

December got off to a turbulent start as the new Omicron variant spread rapidly and surpassed Delta as the dominant coronavirus strain. As we approached the holiday season, financial markets were unphased as the number of new cases in the U.S. escalated to new highs of over one million per day. Treasury bond yields increased as investors reflected on the Fed's plan to accelerate asset purchase tapering and consider increasing interest rates as early as March. Global equity markets, excluding China, rallied late in the month as Santa delivered solid retail sales and confidence grew that the economic recovery would last well into the new year. Manufacturing orders, output and employment registered strong readings and preliminary evidence suggests supply chain constraints are peaking.

December 31, 2021

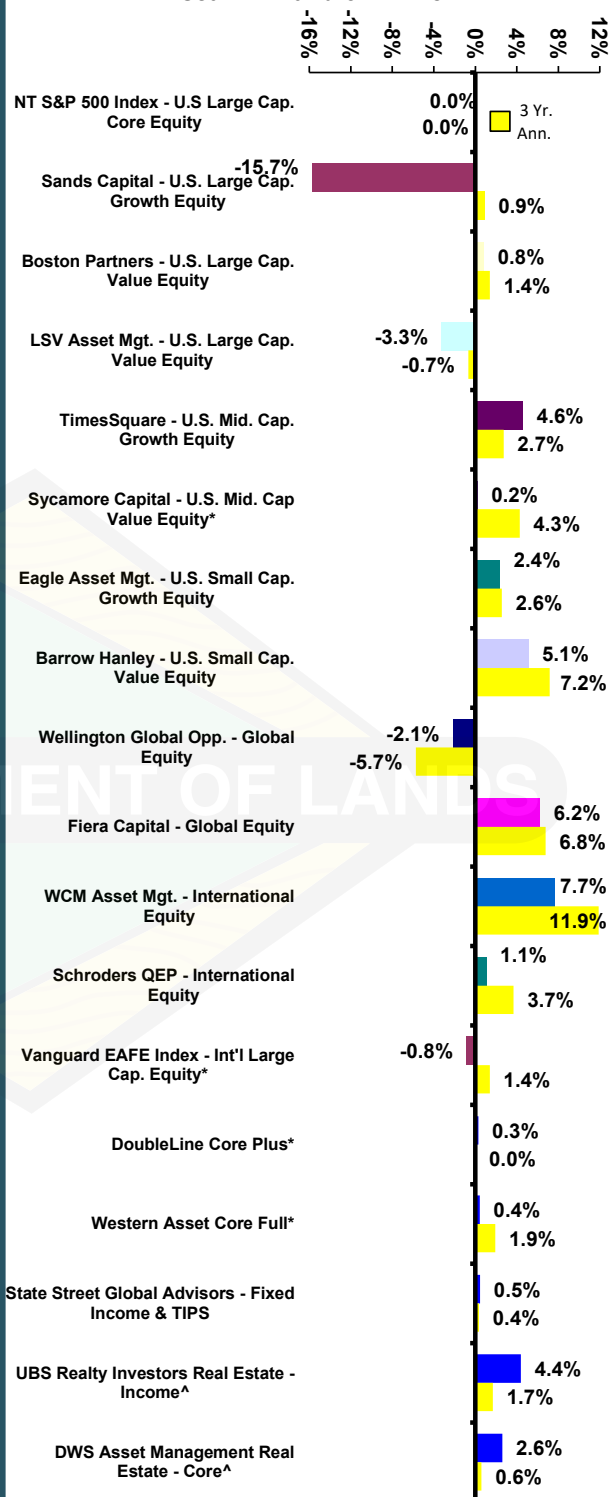
INVESTMENT REPORT

FYTD Manager Returns



Manager Relative Returns

Fiscal YTD and 3-Yr Ave*



*ITD return used when manager has less than 3 years. ^ Most recent valuation.

STATE BOARD OF LAND COMMISSIONERS

January 18, 2022

Consent Agenda

Subject

Authorization to purchase two Forest Legacy Program conservation easements, known as Dinning and Simonson, comprising 69 and 90 acres, respectively, of privately-owned forestland in Boundary County

Question Presented

Shall the Land Board authorize the Department to acquire the Dinning and Simonson conservation easements?

Background

- The Idaho State Board of Land Commissioners authorizes the Idaho Department of Lands to acquire such interests by voluntary, cooperative means and to create a conservation easement pursuant to Title 36, Chapter 1, and Title 55, Chapter 21 Idaho Code.
- The Cooperative Forestry Assistance Act (the "Act") of 1978 (16 U.S.C. 2101 et. seq.), as amended by Section 1217 and Title XII of the Food, Agriculture, Conservation Trade Act of 1990 (16 U.S.C. 2103c), established the federal Forest Legacy Program to protect environmentally important forestlands threatened with conversion to non-forest use.
- The Forest Legacy Program is funded through the Land and Water Conservation Fund which was established by Congress in 1965, in part, to assist states in conserving vital working lands, wildlife habitats, and outdoor recreation. These are not taxpayer dollars, but a small portion of the royalties paid by energy companies drilling for oil and gas on public land on the Outer Continental Shelf.

Discussion

The Forest Legacy Program (FLP)—a federal program in partnership with states—seeks to keep working forests working (Attachment 1-FLP Fact Sheet). Through a federal grant, Idaho's FLP purchases conservation easements (CEs) on private forestlands that might otherwise be converted to non-forest uses. Idaho's FLP CEs are designed to conserve the economic and environmental values that forestlands provide without removing the property from private ownership.

The FLP is an entirely voluntary program that offers willing landowners the opportunity to capture part of the "development value" of their land while receiving assurance that the forestland will remain a working forest forever. Idaho's FLP CEs restrict development and subdivision, require sustainable forestry practices through the implementation of a Forest

Stewardship Plan, and protect other environmental values. Federal grant funds provide up to 75% of the program costs for the purchase of CEs on private forestlands with a 25% non-federal match requirement. Eligible program costs include conservation easement value as well as associated due diligence expenses. Eligible non-federal cost-share includes fully donated CEs, bargain sale CEs, in-kind services and non-federal cash contributions.

These CEs are part of the federal FY2019 Boundary Connections 2 FLP Project (Attachment 2-Project Map). Gerry and Walter Dinning and Annette Simonson wish to convey these CEs to the Department to conserve this forestland in perpetuity, thereby protecting the economic and environmental values while keeping the property in private ownership. These acquisitions will be bargain sales in which a 25% non-federal match will consist of donated easement value. The Boundary Connections 2 project grant has excess non-federal cost-share and IDL is therefore able to reimburse the landowner for 100% of their due diligence expenditures. The table below summarizes project costs.

Landowner	Appraised CE Value	Landowner Due Diligence Expenses*	Total Cost	FLP Contribution**
Gerry and Walter Dinning	\$230,000	\$7,905	\$237,905	\$180,405
Annette Simonson	\$225,000	\$9,194	\$234,194	\$177,944

* Estimated due diligence expenses: baseline documents, surveys, closing fees and title insurance.

** In accordance with the FLP Guidelines, the required 25% non-federal cost-share will consist of: 1) a bargain sale in which the easement is purchased at 75% of the appraised value and 2) eligible landowner expenses will be reimbursed at 100%.

The Dinning and Simonson conservation easements are consistent with the goals and objectives of Idaho's FLP and will protect the following significant conservation values:

- **Timber:** Idaho's Forest Action Plan identifies the area where the project lands are located as one of the highest priority areas for forestland protection in the state. According to Boundary County's Comprehensive Plan, the harvest of timber and other products from forestland in Boundary County is essential to the local economy.
- **Wildlife Habitat:** Project lands contain some of the most valuable wildlife habitat in Idaho, supporting an abundant assortment of game and non-game species including federally-listed threatened species such as grizzly bear and Canada lynx.

- **Landscape Scale Conservation Impact:** The Boundary Connections 2 project is located in an area of high conservation priority. Over twenty existing FLP conservation easements are located within 10 miles of these properties.

The project has garnered broad public support by various public and private entities (Attachment 3-Public Support). These forestlands have substantial and significant conservation and economic values that are of great importance to the people of Idaho. The protection of these values will yield a significant public benefit.

Recommendation

Authorize the Department to acquire the Dinning and Simonson conservation easements.

Board Action

Attachments

1. Forest Legacy Program Fact Sheet
2. Map
3. Public Support

The logo is a large, light gray watermark centered on the page. It features a stylized mountain peak on the left, a central diamond shape with a green-to-yellow gradient, and a horizontal bar across the middle containing the text "IDAHO DEPARTMENT OF LANDS" in white, bold, sans-serif capital letters.

IDAHO DEPARTMENT OF LANDS



Forest Legacy Program

Fact Sheet

The Forest Legacy Program (FLP) is a program that seeks to protect privately owned, economically and environmentally important forestlands that are threatened by conversion to non-forest uses. FLP is a voluntary program that, through the purchase of conservation easements, operates on the “willing buyer, willing seller” principle. Lands covered by a FLP conservation easement stay in private ownership and continue to be managed for traditional uses such as forest management.

1. What is a conservation easement?

A legal instrument through which certain rights, such as subdivision and development, are transferred from a landowner to a non-profit organization or government agency.

The grantee organization does not gain the right to subdivide or develop; rather, it holds those restrictions “in trust” and ensures that no one uses the rights restricted by the grantor.

A conservation easement is perpetual and runs with the land. Idaho Code Title 55, Chapter 21 is Idaho’s Uniform Conservation Easement Act.

2. Where does FLP funding come from?

- Federal FLP grant funds **are not** tax-payer dollars.
- FLP is funded through the Land and Water Conservation Fund (LWCF), which was established in 1965, in part, to assist states in conserving vital working lands, wildlife habitats and outdoor recreation.
- Each year, a small percentage of royalties paid by energy companies drilling for oil and gas on public land on the Outer Continental Shelf is deposited into the LWCF account in the federal treasury. The premise of LWCF is essentially to protect one natural resource in exchange for the depletion of another.
- The U.S. Forest Service (USFS) administers the program at the national level and provides grants from LWCF to states to carry out the FLP.

3. What qualifies projects for consideration?

- Meets FLP’s primary objective to keep working forests working
- 75% forested
- Privately owned
- 5 acres or larger
- Includes a minimum 25% non-federal match
- Must be within a Priority Landscape Area as identified in Idaho’s Forest Action Plan
- Must be carried out in partnership with another state agency or land trust organization

4. How are projects evaluated and selected?

- Projects are evaluated using the following criteria:
 - Importance: criteria reflect the environmental, economic and social values the forest provides
 - Threat: criteria evaluate the likelihood of conversion from forest to non-forest uses that would result in a loss of forest values and public benefits
 - Strategic: criteria reflect the relevance to conservation efforts in a broader perspective (contributes to a conservation strategy and complements other intact forests)
- Projects are evaluated and ranked by a national review panel in Washington DC. The review panel, comprised of 6 state agency representatives and 6 USFS representatives from across the U.S., is tasked with ranking all projects submitted nationwide.

5. How are conservation easement values determined?

- A conservation easement purchase price is determined by an appraisal which conforms to the guidelines of two professional appraisal standards: the Uniform Standards of Professional Appraisal Practice (USPAP) and the Uniform Appraisal Standards of Federal Land Acquisitions (UASFLA or “Yellow Book”). Prior to the acquisition, the FLP requires an independent appraisal review.
- Appraisers meet rigorous private and federal appraisal standards, education, and training and must have considerable experience appraising projects of the same type and complexity.

6. How are federal funds conveyed for Forest Legacy acquisitions?

- Federal funds are directly distributed by the USFS to a title company that handles the closing transaction and recording of the conservation easement.
- The federal funding used to purchase a conservation easement cannot be higher than the appraised fair market value.

7. Who holds title to the FLP easement?

The State of Idaho

8. How do conservation easements impact property taxes?

The property is still in private ownership and taxed as such. Current property taxes are not impacted.

9. Do these FLP conservation easement acquisitions result in any impact on the state general fund?

No. Project funds are allocated directly from the USDA Forest Service for the conservation easement purchase. No general fund dollars are used for the acquisition, nor are they used to fund administration of the Idaho FLP.

Idaho Forest Legacy Program

Program Goals

- Identify high priority forestlands in Idaho
- Maintain the cultural and economic stability of rural communities by conserving *working* forest landscapes
- Conserve and/or enhance water quality
- Maintain unique forest habitats
- Protect and provide habitat for native fish, wildlife and plants
- Protect the social values that forests provide such as public recreation, scenic, cultural and historical values

Program Objectives

- Promote wildlife connectivity between undeveloped areas
- Focus efforts on projects with large areas of contiguous forest
- Promote sustainable forest management practices
- Contribute to a large scale organized conservation plan
- Protect Threatened and Endangered species habitat
- Complement previous investments in forestland conservation

To Date Statistics (January 2021)

41 conservation easement purchases: 98,846 acres

15 donated conservation easements: 3,273 acres

Federal Funds: \$42,482,399

Non-Federal Cost-Share: \$23,996,620

35% non-federal cost-share

88,500 acres open to public recreation, free of charge, in perpetuity

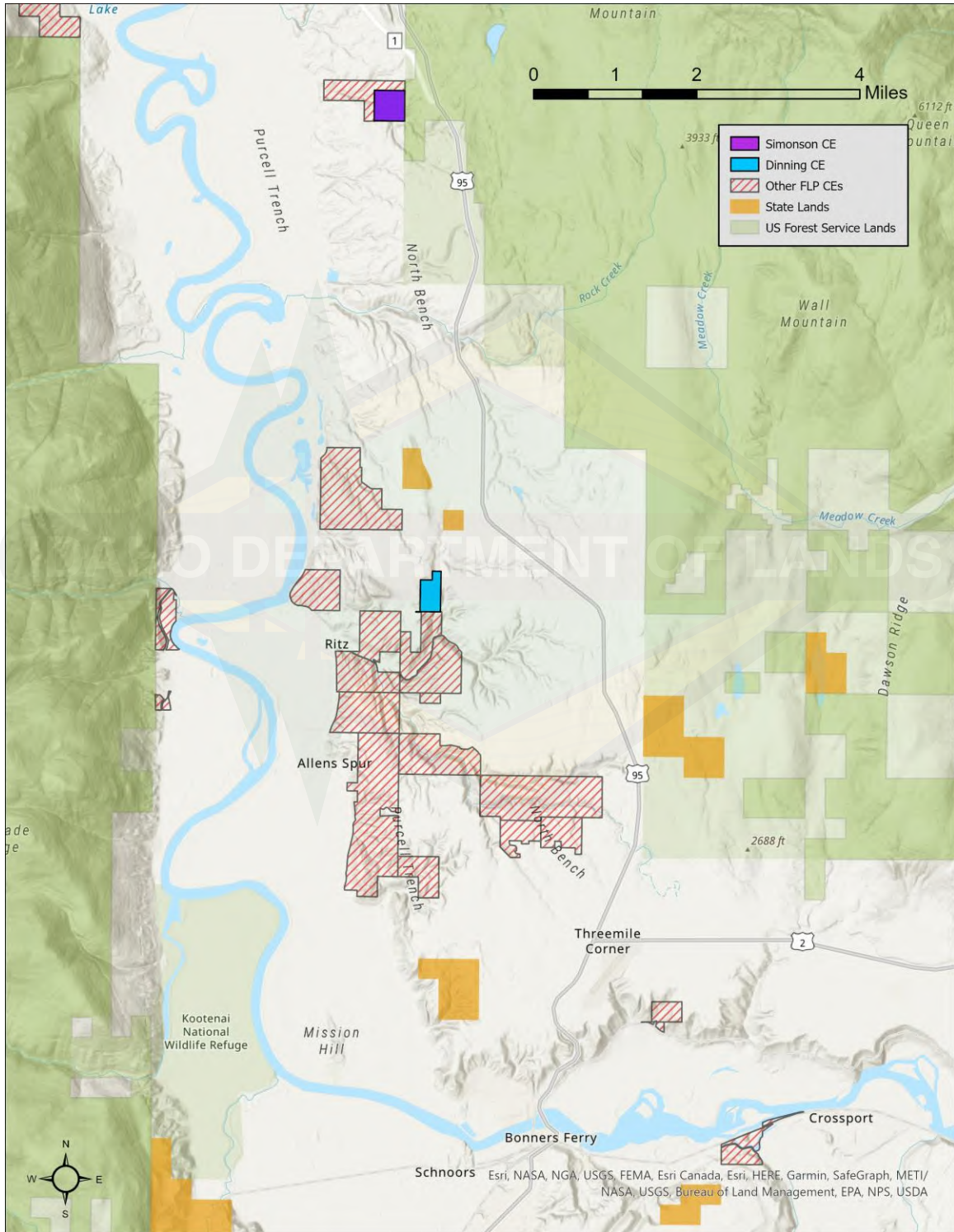
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For more information, visit:

<http://www.idl.idaho.gov/forestry/forest-legacy-program>

This institution is an equal opportunity provider.

Dinning and Simonson Proposed FLP Conservation Easements Boundary County, Idaho



Public Support of the FY2019 Boundary Connections 2 Project in Boundary County

The following local, state and federal government agencies and local, state and regional conservation organizations provided written letters in support of the purchase of a conservation easement on the Boundary Connections 2 project lands:

- Former Idaho State Senator Shawn Keough
- City of Bonners Ferry
- US Fish & Wildlife Service
- US Forest Service – Idaho Panhandle National Forest
- Bureau of Land Management
- Idaho Department of Fish and Game
- Idaho Forest Owners Association
- Idaho Forest Group
- Foust Logging, Inc.
- Yellowstone to Yukon Conservation Initiative
- Vital Ground Foundation
- Inland NW Land Conservancy
- FY2010 Bane Creek FLP landowners
- FY2012 Boundary Connections 1 FLP landowners
- FY2016 Kootenai Valley FLP landowners

The Boundary County commissioners received a project update on 11/02/2021. As with recent FLP projects, they have stated they continue to remain neutral regarding Forest Legacy projects in Boundary County. Two commissioners are very receptive to conservation easements because they do not like the current immigration/land fragmentation. In general, the commissioners view conservation easements as private property rights that do not warrant government interference.

STATE BOARD OF LAND COMMISSIONERS

January 18, 2022

Consent Agenda

Subject

Results of October 2021 Residential Lease Live Auction

Question Presented

Shall the Land Board direct the Department to award a lease to the high bidder at the live auction?

Background

During the open application period for expiring residential cottage site lease R500224, the Idaho Department of Lands (Department) received two applications for the new lease, lease R500366. Pursuant to Idaho Code § 58-310 and Department procedure, when two or more eligible applicants apply to lease the same state endowment trust land, the Department shall hold a live auction. Department staff conducted the live auction and determined the high bidder for this lease in accordance with existing statutes, rules, and procedures.

Discussion

For the purpose of securing a single lessee for lease R500366, a live auction was held in the Boise Staff Office on October 29, 2021. The successful premium bid for this auction was \$18,750. This lease was offered on a 3-year term. Attachment 1 summarizes the results of the live auction. Attachment 2 reflects the total lease compensation which includes the revenue generated from the conflict auction.

Auction participants were notified of the time period (20 days from the date of the auction) within which an appeal to the State Board of Land Commissioners (Land Board) was available to each participant. The 20-day appeal period has expired, and no appeals to the Land Board were received by the Department.

Idaho Code § 58-310(4) provides that the Land Board has the right to reject any bid made at a live auction where fraud or collusion are present, or for any reason, all within the sole discretion of the Land Board. The Department completed the lease auction process in accordance with existing statutes, rules, and procedures and did not observe any indication of fraud or collusion related to this process.

For future consideration, Attachment 3 lists residential cottage site leases expiring in 2022, 2023, and 2024 and eligible for conflict auctions.

Recommendation

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

Board Action

Attachments

1. Summary of October 2021 Residential Live Auction
2. Lease R500366 Total Compensation
3. Future Expiring Cottage Site Leases



Summary of October 2021 Residential Live Auctions

Supervisory Area	Lease Number	Endowment	Lease Term (Years)	Acres	Improvement Value	# of Participants	# of Bids	High Bid Amount	High Bidder
Payette Lakes	R500366	SH	3	0.35	\$108,000.00	2	29	\$18,750.00	Cindy Glaser, on behalf of Janet Marie Stevens

Total : \$18,750.00


 IDAHO DEPARTMENT OF LANDS

R500366 - Total Lease Compensation

Lease Year	Projected Base Rent*	Base Percentage Rent Rate	Premium Bid Portion**	Total Compensation***	Effective Percentage Rent Rate
Year 1	\$6,800.00	4%	\$6,250.00	\$13,050.00	7.68%
Year 2	\$7,072.00	4%	\$6,250.00	\$13,322.00	7.54%
Year 3	\$7,354.88	4%	\$6,250.00	\$13,604.88	7.40%

*Base Rent is calculated at 4% of the appraised land value (\$170,000), and is annually adjusted by CPI (CPI cap is 4%)

**Premium Bid (\$18,750) evenly distributed over three lease years as additional revenue under the lease

***Projected Base Rent plus Premium Bid Portion

IDAHO DEPARTMENT OF LANDS

Future Expiring Cottage Site Leases

Expiration Year	Number of Leases (Payette)	Number of Leases (Priest Lake)	Total Number of Leases
2022	4	6	10
2023	5*	10**	15
2024	11	24***	35

*One (1) lease currently in VAFO process

**Two (2) leases currently in VAFO process

***Three (3) leases currently in VAFO process

IDAHO DEPARTMENT OF LANDS



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.

Draft Minutes

State Board of Land Commissioners Regular Meeting

November 16, 2021

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, November 16, 2021 at the Idaho Department of Lands, Garnet Conference Room, 300 N 6th Street, Suite 103, 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. Governor Little and Controller Woolf were at the physical meeting location. Attorney General Wasden, Secretary of State Denney, and Superintendent Ybarra joined by webinar.

Prior to starting the meeting Governor Little requested, with consent of Land Board members, that the Endowment Land Exchange Policy agenda item be moved from the Regular (Action) agenda section to the Information agenda section. There were no objections and Governor Little so ordered the change.

[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 – October 2021

Discussion:

Director Miller: On page five we put together a little narrative to give you more background of what's currently happening with our timber sales. In November, the Department had six sales that did not sell for various reasons. I won't go through it in great detail but some of the resounding themes include severity of burned timber in some sales, the complexity of the harvest system required in some sales, haul costs, and full log yards at the mills. Department staff will continue to work through these issues and reoffer these sales as soon as possible if they have not been reoffered already.

Controller Woolf: I want to thank the Department for putting that together. It was very helpful having what took place behind the scenes of all these that didn't sell and what the plan is going forward.

Governor Little: What I think is really important for us is that we look at what the problems were and address them, because time is of the essence on these salvage sales so that we get them out. One of the things, Director Miller, salvage sales are offered at a 90% discount to begin with, but if there's severity issues, we need to be able to price these things to where we get them moved, otherwise we'll have zero and then we'll have costs going in doing forest health projects afterward. This is a good start, but we ought to maybe work with the industry and figure out what works best so we can get those sales out the door and not mess up our other timber sales.

Attorney General Wasden: I have a question for the Director on this one. It appears to me that there's another alternative that at least needs to be considered, or perhaps the Department is already considering, and that is rather than listing these as a timber sale, to directly contract for removal. We certainly don't want to put ourselves in the position where we're losing money, but that is another possibility that may reduce costs and still produce and still provide proper management of these lands. I just wondered what the Director's thoughts are on that.

Director Miller: We do the best we can on the salvage sales as you know. We do have salvage minimums but as long as we get folks to the table to upbid those, it's good for everybody. The Department works expeditiously to cruise these sales, to advertise these sales and get them sold so we can get the wood moved as soon as possible. In some instances, a direct sale like you asked, General Wasden, is the best way to go to get some of the volume moved if that's our only alternative. Bill, do you want to expand on this a little bit.

Bill Haagenon: Thank you, Director. For the record, Bill Haagenon, Deputy Director for IDL. Just another update, about 78.5 million board feet of salvage is where we are at this point. We've sold about 42 million of that to date so the salvage sales are selling. In terms of the salvage minimums at 10% of the regional log prices, that is actually a minimum. We would not start there necessarily; we would try to sell it for more than that. Ultimately the logging costs can drive it down to that price and we may end up there; if possible, we will get more than that. We think the salvage effort is progressing very nicely. We are getting the sales sold, we are in communication with industry when we have a sale that we may be having some trouble selling,

we try to find out what the problems might be and address those problems and get it sold and we do it in a commercial way.

Governor Little: Bill, you can help me, if I remember the agenda item last month was for us to not charge interest. It was a request, we didn't do it, but I think to satisfy that there was some action that the Department was going to take to not charge interest on the green sales, so that they could deploy their capital to buy the salvage sales. Do I have that right?

Mr. Haagensohn: Governor, the request from industry was to defer interest on an equivalent amount of green volume; there was no action taken on that. No interest has been deferred.

Governor Little: But I think we ought to look at all of this, to General Wasden's question; sometimes losing a little money is better than losing a lot of money. Those of us in the cattle industry know that very well. Let's go ahead and have the dialogue because you're saying you've got about 60% of the salvage timber sold, well that 40% that's not sold may end up being a liability to the state rather than an asset; let's do our due diligence as we go forward.

Director Miller: Governor, so far from what sold of our salvage sales we're looking at about a 35% loss of value is what we've calculated. We'll keep looking at this and like always strive to get the most value we can out of the salvage sales.

Trust Land Revenue

B. Leases and Permits – October 2021

Discussion:

Governor Little: My understanding is that a county couldn't take an action on state land that would in essence devalue it. Did I miss something?

Director Miller: I believe that is correct, Governor, but this land hasn't changed hands yet; we need to work through this issue right now since it hasn't changed hands. Josh, do you want to expand on that a little bit.

Josh Purkiss: Thank you, Director. Governor, members of the Board, for the record Josh Purkiss, Real Estate Services Bureau Chief. That is one of the questions being asked right now by legal counsel. As we look at this exchange and with the recent passing of the new ordinance, with us taking title, pretty quickly thereafter there could be an argument that we should follow that ordinance.

Governor Little: Maybe I misunderstood. Is this ground we're acquiring, rather than ground we're disposing of?

Mr. Purkiss: Yes, it is.

Governor Little: I thought this was ground we were disposing of. If it's ground we're acquiring, I think we've got a problem.

Mr. Purkiss: Governor, that's part of the problem we're working through with the AG's Office.

Governor Little: Don't you just have to do another valuation?

Mr. Purkiss: Between the Boise County ordinance and the easement on this property...the easement has some future obligations to road construction and maintenance for the land on the back side of the hill going over Horseshoe Bend to allow emergency access and potential for more subdivisions, so we're digging into that. Between that and the Boise County ordinance it's either the potential of a new appraisal or maybe switching the lands involved in the exchange depending on where we get.

Status Updates

C. Timberland and Rangeland Asset Class Valuations

Discussion: None.

2. Endowment Fund Investment Board Report – Presented by Tom Wilford, Chairman; Chris Anton, Manager of Investments; Jerry Aldape, Chair, Audit Committee; Paul Niedermuller, CliftonLarsonAllen

- Introduction of Endowment Fund Investment Board
 - A. FY2021 Annual Report
 - B. Land Board Audit Committee Report
 - C. Manager's Monthly Report

Discussion:

Tom Wilford: Good morning, Governor, members of the Land Board; for the record I am Tom Wilford, the chair of the Endowment Fund Investment Board. Traditionally the Endowment Fund Investment Board attends the May and November Land Board meetings to help ensure strong communications between us. We welcome the opportunity to be here today. Before we begin our presentation, I'd like to introduce our Investment Board, important partners, and our staff. First the Investment Board members: Jerry Aldape, who is also chair of the Land Board Audit Committee, Dr. Bob Donaldson, Joe Forney; Representative Steve Harris is not able to be with us today, Irv Littman; Richelle Sugiyama who is the vice chair of the Endowment Fund Investment Board, Senator Chuck Winder is also not here today, he's the chair of our Compensation Committee, and Brian Yeagain. Our legal counsel, Julie Weaver, was not able to make it today. Our investment consultant, Callan, is represented by Janet Becker-Wold; our auditor CliftonLarsonAllen, partner Paul Niedermuller is here today. Then our Investment Board staff: Chris Anton, manager of investments, Chris Halvorson, the investment officer, Kathy Van Vactor, the fiscal officer, and Liz Wieneke, the office manager. Today Chris Anton will provide a summary of our fiscal year 2021 financial results, Jerry Aldape and Paul Niedermuller will talk about the fiscal year 2021 audit and agreed-upon procedures effective for both the Endowment Fund Investment Board and the Idaho Department of Lands.

Chris Anton: Governor, members of the Land Board, good morning. Included in your book is our annual report today. I just want to highlight some of the key performance metrics. Fiscal year 2021 was a very strong year for the land grant endowment fund. The endowment fund grew by 29.7% or \$711.6 million which left us at a fiscal year-end balance of \$3.1 billion in the fund. Earnings reserve levels exceeded targets at fiscal year-end which allowed the Land Board to both increase the reserve level for the Public School fund to seven years and transfer \$486.4 million from earnings reserves into the permanent fund. This transfer increases the permanent fund gain

benchmark and positions the fund for larger beneficiary distributions in the future. The endowment fund had investment returns of 29.7% which ranked in the top 15th percentile when compared to our peers in the Callan public funds sponsored database. Cost to manage the fund totaled \$12.1 million or 0.39% of assets. Net land revenue grew by 25.5% to \$59.6 million as the Idaho Department of Lands advanced its forest asset management plan to sustainably increase the annual volume of timber harvested and benefited from strong stumpage prices. Beneficiary distributions increased by 4.5% to \$84.5 million and the Land Board has approved distributions of \$88.1 million and \$100.3 million in fiscal years 2022 and 2023 respectively. All in all, it was a pretty fantastic year. I wish we could have a few more like that but pleased to provide these results to you today. Governor, I will turn the floor over to Jerry Aldape. Jerry as you know, chairs the Land Board Audit Committee.

Governor Little: That's what happens when you're the last guy to the meeting, Jerry.

Jerry Aldape: Governor and Land Board members, let me introduce myself. I am Jerry Aldape and I'm head of the audit committee for the Land Board and the endowment fund. The members of our Land Board Audit Committee are Tom Wilford, Brian Yeargain, Robyn Lockett from the Attorney General's office, and Brandon Woolf, our State Controller. Each year the Endowment Fund Investment Board commissions an independent audit of its financial results, and the Idaho Department of Lands conducts certain agreed-upon procedures to ensure accurate financial reporting, and solid internal controls and transparency to its stockholders, which is the state. The Land Board Audit Committee met with representatives from the independent auditors CliftonLarsonAllen, with members of EFIB, and Idaho Department of Lands staff on August 11th and September 15th of 2021 to review these results of these procedures. I am pleased to report that EFIB's audit financial reports and IDL's agreed-upon procedures were reviewed and accepted by the Land Board Audit Committee. We end up with an unmodified opinion. I am going to turn the presentation over to Paul Niedermuller. He will talk about their part of the audit. Thank you.

Paul Niedermuller: Thank you, Mr. Aldape. For the record, Paul Niedermuller, principal for CliftonLarsonAllen, or CLA. CLA issued three formal reports to the EFIB and Idaho Department of Lands. The first of those reports, as Mr. Aldape mentioned, was an unmodified opinion on the financial statements. These opinions are representation by a professional independent party of the auditor, that the financial statements are presented fairly in all material respects, the financial position of the state of Idaho endowment fund as of and for the year ended June 30, 2021 as well as 2020. The second report which is included within those financial statements is a review of government auditing standards and this is a review of the internal controls over financial reporting and compliance with certain provisions of law, regulations, and contracts; we are happy to report there were no items of significance reported as a result of the work over the government auditing standards. The final report that CliftonLarsonAllen provided is that we conducted certain agreed-upon procedures that were performed over the Idaho Department of Lands and again we had no findings to report on our work. CLA is a national firm with a local office here in Boise and we value the relationship with the state of Idaho.

Attorney General Wasden: I wanted to make sure from your perspective that you had full cooperation from the Department of Lands and from the EFIB.

Mr. Niedermuller: Mr. Attorney General, we absolutely did and we appreciated all of their coordination through the entire process. Thank you.

Attorney General Wasden: Thank you and I had no doubt that would be the answer but I just wanted to make record of it.

Governor Little: A question for Chairman Aldape, is there anything that you or your audit committee saw that's outside of the purview of what you do? Is there any question that we're not asking the Investment Board that we should ask on either EFIB or Lands?

Mr. Aldape: I think our audit committee is very thorough. We're hard on Paul in making sure we want this discussed, we want that discussed; we have a very detailed list. Then he works with both entities to make sure that everything is coming out the way he wants and the way we want. We asked the same question the Attorney General asked. If there's any difficulty, any hesitancy, between either party we want to know. Everything is in a great level and objective plane.

Governor Little: I do have a question for Chris or Tom. I see this morning's paper that CalPERS is going to start borrowing money to make their pension fund solvent and start leveraging up. I know we're not doing that in Idaho, but do you view, and maybe Janet can talk about it, do you view some of the actions by other big funds, whether they be endowment funds or pension funds – because you're leveraging the market – as creating risk in the market that might change what we want to do with the EFIB portfolio?

Mr. Wilford: I'll start with the fact that, first of all advice from Janet and Callan, we have a very diversified portfolio and some of the problems that are being addressed across the nation right now have to do with regular pension plans which sometimes are invested heavily in fixed income assets. Fixed income assets and U.S. treasuries and things of that sort pay practically nothing right now, so the forecasts and having to meet pension liabilities in the future are impacted by that. I will ask Janet to make some comments, please.

Ms. Becker-Wold: Morning. Yeah, pension funds...since we're in a really low interest rate environment, pension funds find it attractive to issue pension obligation bonds because they can issue them at a very inexpensive interest rate. It's an arbitrage opportunity because they have to be able to invest those funds back in the pension and earn in excess of the cost of those bonds in order for that to be effective. It's a pretty dangerous thing to do in my opinion, but many pension funds are heavily underfunded. However, this year, the fiscal year ended June, your returns of almost 30% were pretty common amongst equity-heavy pension funds as well so they saw big improvements in their funded status for this particular fiscal year end in June. Leverage is a tricky thing. Every portfolio has some leverage in it, yours does too in your real estate portfolio; it's not that you are completely without, it's just a whole different level of risk when you lever your entire portfolio. But there are some people, some plans, who are at a funded status where they need to take a more dramatic move and in those cases they are taking that risk in order to improve their funded status. As you know it becomes an obligation to the states.

Governor Little: Janet my question is, I know we're in good shape because of our leverage, if other players in the market are leveraged and then things go badly, what impact will that have on either our fixed income portfolio or our securities?

Ms. Becker-Wold: Well, I hate to bring up an ugly situation, but Orange County in 1998 levered their bond portfolio, rates went differently and it bankrupted the county. So, that can be bad for municipal bonds in particular if it's a local issue and their debt ratings get downgraded; we've seen that actually happen in the past in a similar rate environment. I don't think that it's systemic enough to create an issue for you. I think you are very diversified.

Governor Little: Alright thanks, Janet.

Mr. Anton: Governor, members of the Land Board, we'll move on now to the monthly report. As you recall, through August we had seven straight monthly increases in the equity markets and in September we had a modest sell-off which brought us to slightly above break even. As you see in your book, we were up 3.4% in October which brought us to 3.6% fiscal year-to-date; through yesterday (November 15) we were up 5.1% so we're off to a good start in the year. Global equity markets rebounded in October primarily due to a strong start to the quarterly corporate earnings announcement season. The vast majority of companies reported earnings higher than anticipated. Large cap stocks led the rally with the best performance in consumer discretionary and energy sectors. We've all seen what's going on at the gas pump and in the energy sector and they got a large rally. Despite the strong earnings however, there are signs that the U.S. and the global economy is beginning to normalize or beginning to move down to a more sustainable level. We've experienced very rapid growth coming out of the pandemic primarily due to all the fiscal and monetary stimulus. We're starting to see that roll over; that doesn't mean we're not growing at a solid rate, but the growth rate is slowed to a more normal level. The Federal Reserve finds itself in a very difficult place. They want to continue to support economic growth and continue to push to achieve full employment, which has really been challenging, yet inflation is showing itself to be more persistent than they had anticipated. The Federal Reserve announced just recently that they will begin tapering their bond buying program this month and delay consideration of interest rate hikes until mid to late next year; kind of delay a decision on inflation and wait and see where we're at next year. It will be interesting to see how all of that plays out, but there is a lot of nervousness in the market at this point. That's a quick overview.

Governor Little: Chris, I know that Callan does this all the time, do we know relative to comparable endowments, the same size portfolio, where we rank? What percentile EFIB ranks?

Mr. Anton: Yes, we have that in our report today. As I mentioned in the annual report, last year we were 15th percentile. I think fiscal year-to-date for the first quarter we were a little lower than that. Here we go, Richelle is helping me out. We ranked the 32nd percentile during the quarter. It is hard to take a look at it just for one quick snapshot but that's where we were.

Governor Little: Where are we in the last three years?

Mr. Anton: The 3 year number we're in the top 4th percentile; the 5 year number the top 7th percentile; 10 year number the top 7th percentile; 15 year number the top 6th percentile.

Governor Little: I don't want to create a family feud, but where's PERSI.

Mr. Anton: PERSI's done very well. To Janet's point earlier, PERSI found itself over 100% funded and was able to reduce their return expectations which has positioned the portfolio to be able to remain fairly conservatively invested. As you mentioned, a lot of funds are looking at their capital markets assumptions, they see interest rates very low, so returns for fixed income look to be

lower than they have been historically. They see equity valuations high and they're chasing it by using leverage or reducing or almost eliminating fixed income and they've just gotten more aggressive which can be very dangerous. PERSI, through good governance and management, has been able to remain conservative and reduce their return expectations and remain fully funded. Richelle says for three years they've been ranked in the 15th percentile.

Governor Little: We're very proud of both of you. The state of Idaho is very well served, not only the people today but the people in five and ten years because of all the good work of the Investment Board and staff; congratulations.

Mr. Anton. Our next Investment Board meeting is on February 17th. We're very well reserved. In the annual report it showed that we were significantly above the reserve levels and that's what allowed the Land Board, when they met in August, to approve distributing those excess reserves. Today we're right at our target reserve levels, slightly ahead and in good shape.

3. Performance Review of Total Endowment – *Presented by Dustin Miller, Director*

Discussion:

Governor Little: We don't include the last recession in our 3 and 6 years; let's reach back 10. I know it will take a little while but reach back 10 and 20 years. If you don't run the numbers with the recession in them, you're not looking at the big picture. All those people that were on the phone a minute ago will tell you recessions happen; we ought to be prudent and be aware of it.

Mr. Haagensohn: Governor, we established this reporting structure, at least for natural tracking mechanisms, for fiscal year 2016; to go back before that time for the land assets would be a bit of apples and oranges.

Governor Little: But we could include the fiscal assets.

Mr. Haagensohn: Yes.

Governor Little: And of course the land assets aren't as volatile as the fiscal assets.

Consent—Action Item(s)

4. Approval of Draft Minutes – October 19, 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)

5. Adoption of Pending Rules—Omnibus Rulemaking – *Presented by Scott Phillips, Policy and Communications Chief*

Recommendation: Adopt the Department's omnibus proposed rules as pending rules and approve the Department's Notices of Omnibus Rulemaking for Adoption of Pending Rules and Pending Fee Rules.

Discussion:

Controller Woolf: A question for Mr. Phillips. At the very end you mentioned the Oil and Gas and its part being included. Is there any discussion of separating that out to a separate rule and having it differently? Do you see any concerns of this being tied together?

Scott Phillips: Governor, members of the Board, Controller Woolf, I think it makes sense to keep the rules where they are within IDAPA for the Idaho Oil and Gas Conservation Commission. It's an entity that the Department of Lands helps support administratively. It fits within our model.

Board Action: A motion was made by Attorney General Wasden that the Land Board adopt the Department's omnibus proposed rules as pending rules and approve the Department's Notices of Omnibus Rulemaking for Adoption of Pending Rules and Pending Fee Rules. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

6. Statement of Investment Policy Annual Review – *Presented by Jim Elbin, Division Administrator-Trust Land Management*

Recommendation: Approve the revised Statement of Investment Policy.

Discussion:

Attorney General Wasden: I have a question concerning the table that was reconstructed on page 7; I guess it's something for us to think about. Our financial assets, the target allocation is 58%, our actual allocation is in excess of 63%; timberlands, our target allocation is at 39%, we're at the very bottom end of that at 31.69%; rangeland, our target allocation is 2%, we're at 1.29%; cash equivalence, the target allocation is 1% and we're a little bit higher on that one. My question is not for today, but for us to think about, are our targets really where we need to be? I am not sure that we're ever going to meet those targets and I wonder if we ought to rethink where that ought to be. That's a bigger question than what we can handle today, but I just wonder if we're ever going to be able to hit those target ranges with the changes that we've seen in terms of our asset mix as opposed to our asset allocation. If there's comment on that, I would certainly be interested in it but I think it is something in the long range we need to think about.

Jim Elbin: We had that very discussion when we were updating that table because of those concerns and just different market influences and likelihood of acquisition...all of those things were taken into consideration. We will discuss it further internally, but as we go to the land asset management plan, which will be the next item on the agenda, what we're doing land management wise addresses some of that.

Mr. Haagensohn: Governor, if I may, Bill Haagensohn. The asset allocation study was last done in 2014 and the recommendation in the investment policy is that it is revisited approximately every 8 years; that is the exact wording in the document. We would be due for a revision of the asset allocation study if the Land Board desires that and that is certainly something that we can do, working with EFIB.

Governor Little: Are we scheduled to do something next year?

Mr. Haagenson: It would be 2022, Governor, yes.

Attorney General Wasden: Governor, I would make that request from myself, I think that would be a good thing.

Governor Little: I think we're scheduled to do it next year and I think any investor that has a good stock portfolio, like EFIB does, is at the higher range of their securities right now. If the security market normalizes, we're going to be a lot closer to our target than we ever want to be. I have a question on page 8. The edits on page 8 where we moved our nominal return from 6.69 to 5.8, that's a 20% change; can you explain that?

Mr. Haagenson: Basically, it was that Callan adjusted their 10-year market assumptions in early 2021 which resulted in the returns that you see there.

Governor Little: That change is based on Callan's forecast going forward.

Mr. Haagenson: That's correct.

Governor Little: I think what that means is in 2022 when we look at those targets, it's going to make a difference in how those targets reflect, which is General Wasden's question.

Superintendent Ybarra: On page 28, C., the policy description, I just want someone to refresh my memory. They struck off the 6 years of the earnings reserves for future distributions and we put in 7 years; if I remember correctly was that because it would result in an increase in the distribution in a steady amount of money to public schools.

Governor Little: Because the Public School endowment is so big there's a lot more stability there. We basically had it at 6 so we could make distributions at an earlier time. Part of the reason we had it at a lower level was because of the size of the Public School endowment compared to the volatility; when I was on the EFIB board we used to discuss that the size of EFIB was such that 6 was okay. Now we are at 7 but that means the distributions will be equivalent going forward.

Superintendent Ybarra: Governor, it sounds like the stability conversation that I remember is kind of how you just explained it. Thank you.

Governor Little: Talk to your fellow superintendents about their endowments; they'll all be covetous of what you have here in Idaho.

Mr. Elbin: Another big change is the hurdle rate for timberland acquisitions was reduced from 3.5% to 3.25 based on a letter from Callan to the Land Board in 2020. Discussion with Callan in the interim indicated that they think it is unlikely that the rate would go any lower and 3.25 is still appropriate for timberland. We also talked about changing timing of review of the Strategic Reinvestment Plan to every three years because of its strategic nature and ongoing Land Board oversight of any potential acquisitions that come forward. The draft statements were accepted by the Investment Subcommittee on September 7, 2021 and the Department's recommendation is for the Land Board to approve the revised Statement of Investment Policy.

Governor Little: Well, as reluctant as I am I will tell you a story about Brad. When Brad was a student, he was told you're supposed to get an internal rate of return and one of the best ways to get an internal rate of return is lower the value of the asset. You don't make any more money but you look better on paper by changing the valuation of your assets or your hurdle rate. I kind of understand what we're doing but we ought to be cognizant that the move from 3.5 to 3.25 opens up the possibilities but it doesn't create real money. If you value your range ground at \$5 an acre, you can make money on it.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve the Department recommendation and approve the revised Statement of Investment Policy. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

7. Asset Management Plan Review – *Presented by Jim Elbin, Division Administrator-Trust Land Management*

Recommendation: Approve the 2021 Endowment Lands Asset Management Plan.

Discussion: None.

Board Action: A motion was made by Attorney General Wasden that the Land Board adopt the Department recommendation and approve the 2021 Endowment Lands Asset Management Plan. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

8. Priest Lake New Residential Lots – *Presented by Josh Purkiss, Bureau Chief-Real Estate Services*

Recommendation: Approve auctioning the 18 new residential lots at Priest Lake. The auctions will be held in locations appropriate for each site, including Ada, Bonner, Kootenai, or Valley counties.

Discussion:

Controller Woolf: Is it broken out into a time frame? Will 18 be at the same time or will they be at different segments of time when these 18 would be put up for auction?

Mr. Purkiss: Governor, members of the Board, Mr. Controller, the plan is to work with our third-party advisors to determine the best time to take these lots forward for disposition. Depending what's happening in the current real estate market, it could be advantageous to bring a large percentage of them this coming year, but it really depends on what's happening with the market and the recommendation by the third-party advisors. In addition, there are a number of lots included in what we call the Clambake subdivision; we want to do some additional analysis for the potential to generate additional revenue for adjacent endowment land, so there's a potential that we don't divest those three lots. We will work through a plan with our third-party advisors.

Controller Woolf: Thank you, Mr. Purkiss. You have these 18 that are identified. Off the top of your head, what other types of ULA would we have at both Priest and Payette for potential down the road, based on one of our other agenda items?

Mr. Purkiss: As far as what has been approved by the Board? Or are we speaking of what is unapproved?

Controller Woolf: Well, there's these 18 that we've identified to help; if I am understanding the Department's thoughts on this, having these 18 helps the auction of those ones that are existing. Are we going to be back here in a year or two asking for more ULAs to come up before us to put on the auction block?

Mr. Purkiss: Thank you for the clarification. These 18 lots are part of a lot-solution process that was done in 2012; these are the remnant parcels that have been already subdivided and had the access and everything kind of perfected to where we can move forward with a disposition process. Before we come back with more ULAs, because even Payette were basically exiting what was left of our ULA lots, we would have to go through kind of a lot-solution development, subdivide endowment land and come back with a completely different plan. It would take a couple of steps to actually build a plan, to actually come back and ask for approval for additional ULAs in the future.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve the Department recommendation that is approve auctioning the 18 new residential lots at Priest Lake, the auctions to be held in locations appropriate for each site including Ada, Bonner, Kootenai, or Valley counties. 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.

9. **Endowment Land Exchange Policy** – Presented by Jim Elbin, Division Administrator-Trust Land Management

Discussion:

Governor Little: I think this is really important. This is the right thing for us to do, but I wasn't willing to adopt it without a little more time for the Board and other people to look at it. The first thing that jumped off the page to me is the \$1,000 fee. If you're trading 40 acres for 40 acres, or 23,000 acres for 23,000 acres, I think a one size fee needs to be looked at; that was the first thing. Then there's part of the review that kind of smells and looks like an appraisal but is not an appraisal, and then there's another part that is an appraisal. Then there's always the sticky deal of who determines highest and best use; I think highest and best use is basically in an open market, a free market, which we don't have in state lands because of the fact that there's a constitutional limit on how many acres anybody can buy. It is a problem, particularly when we don't keep bare land. You have a million and a half acres; we don't even value the bare land on it and everybody else highest and best use does. These are all kind of questions. I really applaud the staff for working on this. At the Board level we need to have our competent legal counsel review the issue of what is a disguised sale and what are the court proceedings on a disguised sale. In essence, with the limit on acres we can sell in the constitution, it kind of looks and smells like a duck to me when we do some of these things that are a disguised sale. That's what this is all talking about. This is something that is really important, it's relative to everything we do. I applaud the staff for bringing it up, but I think we need to put a few more fingerprints on it, look at part of it before we go forward.

Controller Woolf: I appreciate those comments. From the first draft I had seen, on page 4 of 5 at the very top, item D where it talked about notification, I appreciate the Department adding in that communication with the public and the surrounding neighbors that are being impacted. That's a key part that's been added, thank you for putting that in there.

Governor Little: Any other Board members have comments on this? Hearing none, Director, let's get this out and redline part of it. Really kind of the big issue is we're not doing disguised sales, but land exchanges are disguised sales and maybe the Attorney General's legal staff can tell me what the problem is, because it kind of looks and smells like a duck to me.

Director Miller: Point taken.

10. Future of Cottage Site Leasing – Presented by Josh Purkiss, Bureau Chief-Real Estate Services

Discussion:

Controller Woolf: Mr. Purkiss, you mentioned that there's 48 potentially that haven't participated, or said that they don't want to participate in the VAFO going forward. Do you understand the particulars or details behind that, of their interest to not participate in the VAFO and where they may go in one of these? You're looking to gather information from them, but do you have more specific details on their reasons why?

Mr. Purkiss: It's almost all resource driven. The majority of people that are left don't have the resources to participate in the VAFO process and they're looking for options for the future to lease the land or lease the cottage site. I think the longer term provides some stability but also hopefully generates more revenue. I know there's been some feedback about having a longer term lease than every five years; there's a lot of angst and anxiety when those terms are coming up and there's the potential for a conflict and losing it. If we can structure a longer term lease that protects the endowments, generates maybe a little bit more revenue, or at least provides them options for lower rent and higher rent depending on what fits their needs.

Controller Woolf: Thank you. The Department came up with these three options. Are there other options you had on the table that didn't make the final cut here?

Mr. Purkiss: There's always the option of a mandatory auction at the end of 2024. From our perspective, that was a no go. I think providing people the option to continue to lease and flexibility to potentially join auctions as their situations change was kind of a win-win.

Attorney General Wasden: I am concerned about maintaining these leases going forward; we are committing to managerial costs, management costs, for a very small number of parcels that really aren't going to produce that much money. I am concerned about whether that's really in the best interest of the beneficiary. I just point that out.

Governor Little: Further questions. I would just add, given the way the market is for resort property right now, if they were having challenges four years ago buying a lot, they have real challenges now. I am very empathetic to the problem. As we go forward, when we talk to them, keep in mind the General's question about how we maintain our fiduciary duty and minimize ongoing administrative costs. If we tell them we're going to try to work with them, to maintain our return, how can they help us minimize administrative costs might help us go forward.

Executive Session

None

There being no further business before the Land Board, at 10:30 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.



STATE BOARD OF LAND COMMISSIONERS

January 18, 2022

Regular Agenda

Subject

Negotiated rulemaking for IDAPA 20.02.14 *Rules for Selling Forest Products on State-Owned Endowment Lands*

Question Presented

Shall the Land Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.02.14 *Rules for Selling Forest Products on State-Owned Endowment Lands*?

Background

The Idaho Department of Lands (Department) sells forest products on endowment land to purchasers using various techniques. IDAPA 20.02.14 establishes a consistent process for selling forest products by setting minimum requirements for timber sale auctions, initial deposits and bonding, stumpage and interest payment, and timber sale cancellation and termination.

Discussion

Following Executive Order 2020-01, Zero-Based Regulation, this rule chapter is scheduled to be repealed and replaced in 2022 for review during the 2023 legislative session. The Department will review the rule with stakeholders to ensure that it provides clarity in our processes. Preliminary research from the Department has not identified any major changes. The Department anticipates reducing the total word count by removing repetitive statements from the rule chapter.

A proposed timeline for the rulemaking process is provided in Attachment 1.

Recommendation

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

Board Action

Attachments

1. Draft rulemaking timeline



Draft Rulemaking Timeline

IDAPA 20.02.14

Rules for Selling Forest Products on State-Owned Endowment Lands

January 18, 2022	Approval from Land Board to start negotiated rulemaking (regular agenda)
February 11, 2022	Last day to submit <i>Notice of Intent to Promulgate Rules</i> to the Office of the Administrative Rules Coordinator (OARC) for publication in March
February 2022	Post information on IDL website about this rulemaking
March 2, 2022	<i>Notice of Intent to Promulgate Rules</i> publishes in the Idaho Administrative Bulletin; negotiated rulemaking and public comment period begins
April 5, 2022	Negotiated rulemaking public meeting in Coeur d'Alene and via Zoom
April 6, 2022	Negotiated rulemaking public meeting in Lewiston and via Zoom
May 11, 2022	End of comment period for negotiated rulemaking
July 22, 2022	Last day to submit proposed rule to DFM for the 2023 Legislature
August 5, 2022	Last day to submit <i>Notice of Proposed Rule</i> to OARC for the 2023 Legislature
September 7, 2022	Proposed rule publishes in the Idaho Administrative Bulletin and 21-day written public comment period begins
September 14, 2022	Public hearing on proposed rule
September 28, 2022	End of written public comment period on proposed rule
October 18, 2022	Request approval from Land Board to adopt pending fee rule (regular agenda)
November 10, 2022	Last day to submit <i>Notice of Pending Fee Rule</i> to OARC for publication in December 2022
	Pending fee rule to be reviewed during the 2023 legislative session

Note: All dates are subject to change.

STATE BOARD OF LAND COMMISSIONERS

January 18, 2022

Regular Agenda

Subject

Blowin' Smoke Timber Sale with a clearcut harvest unit exceeding 100 acres

Questions Presented

Shall the Land Board approve the Blowin' Smoke Timber Sale with a clearcut harvest unit exceeding 100 acres?

Background

At its December 15, 2015 meeting, the State Board of Land Commissioners (Land Board) adopted a timber sale governance structure whereby the Idaho Department of Lands (Department) would only present individual proposed timber sales for Land Board approval that fall outside of established Land Board policies. Timber sales with clearcut harvest units exceeding 100 acres are one type of sale to be submitted for approval.

Discussion

The St. Joe Supervisory Area submitted a timber sale in the FY22 plan that has a clearcut harvest unit exceeding 100 acres in size. The sale area is primarily within Department ownership that has been managed in the past (Attachments 1 and 2). The stands to be harvested have been previously entered through numerous direct sales to mitigate insect and disease outbreaks. The sale area is located 15 miles southeast of St. Maries, ID (Attachment 3).

The proposed clearcut harvest in this sale is 140 acres and is described in detail in Attachment 4. It is characterized by highly defective species (grand fir and lodgepole pine). A high rate of mortality is currently occurring in most of the stand and needs immediate treatment to capture the highest value. The preferred seral species are a minor component of the stand and are not expected to produce enough cones and seed for natural regeneration. The site will be planted with a mix of seral species, which will be more resilient to the current insect and disease problems. The stands surrounding the sale area managed by the Department have been successfully planted to adequate stocking to maximize return to the beneficiaries.

The sale has been prepared to meet or exceed the Forest Practices Act. The proposed clearcut harvest unit is silviculturally and economically justified and was approved by the Timber Management Bureau (Attachment 5). This sale, as proposed, meets the objectives of the St. Joe Area Forest Asset Management Plan.

Recommendation

Approve the Blowin' Smoke Timber Sale.

Board Action

Attachments

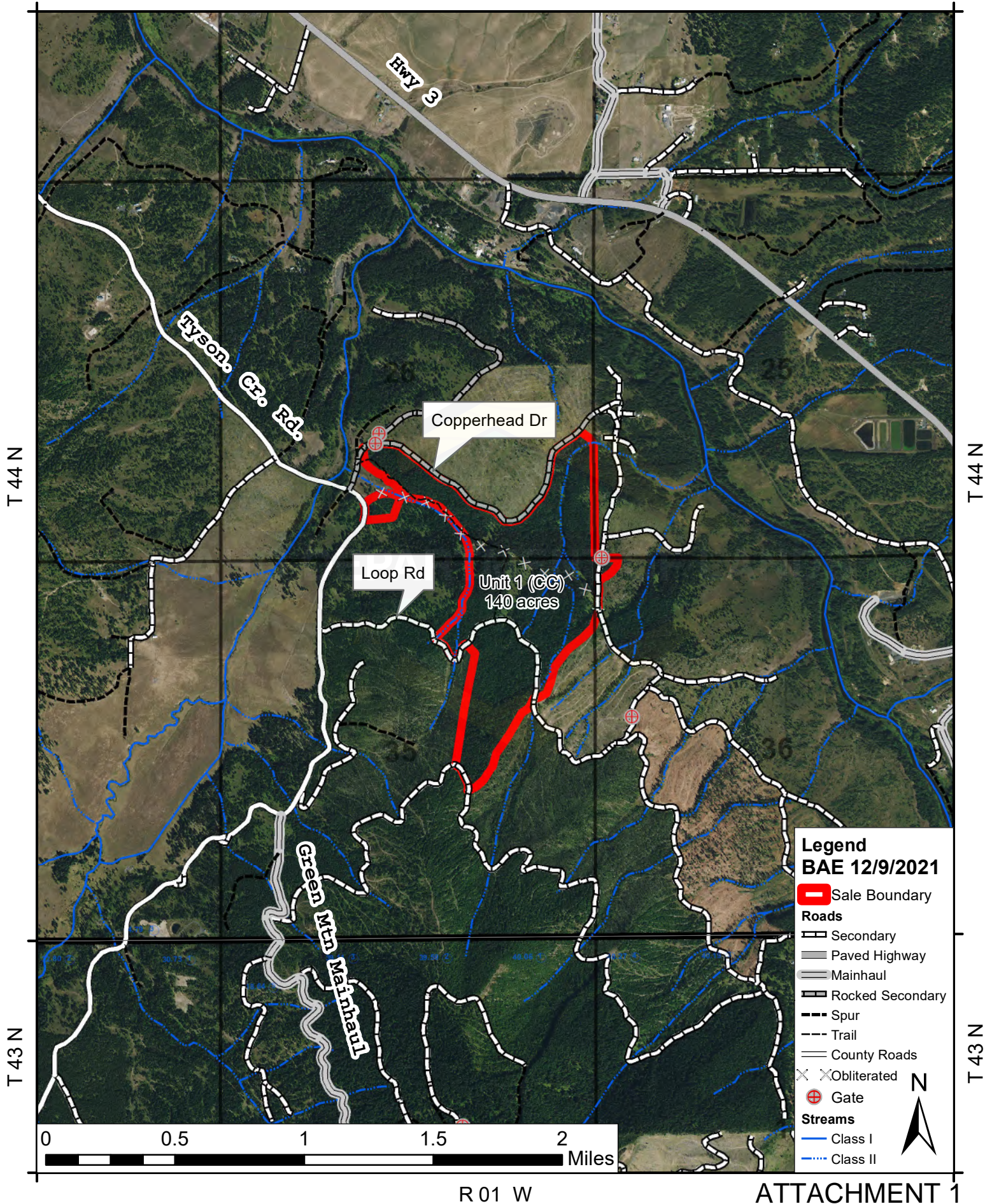
1. Timber Sale Map
2. Ownership Map
3. Vicinity Map
4. Clearcut Justification
5. Timber Bureau Approval Memo

The logo of the Idaho Department of Lands is a large, stylized diamond shape. It features a green mountain peak in the center, flanked by yellow wavy lines representing water or a river. The entire diamond is set against a light gray background with a subtle pattern of overlapping triangles. A horizontal bar with rounded ends is superimposed across the middle of the diamond, containing the text "IDAHO DEPARTMENT OF LANDS" in white, bold, sans-serif capital letters.

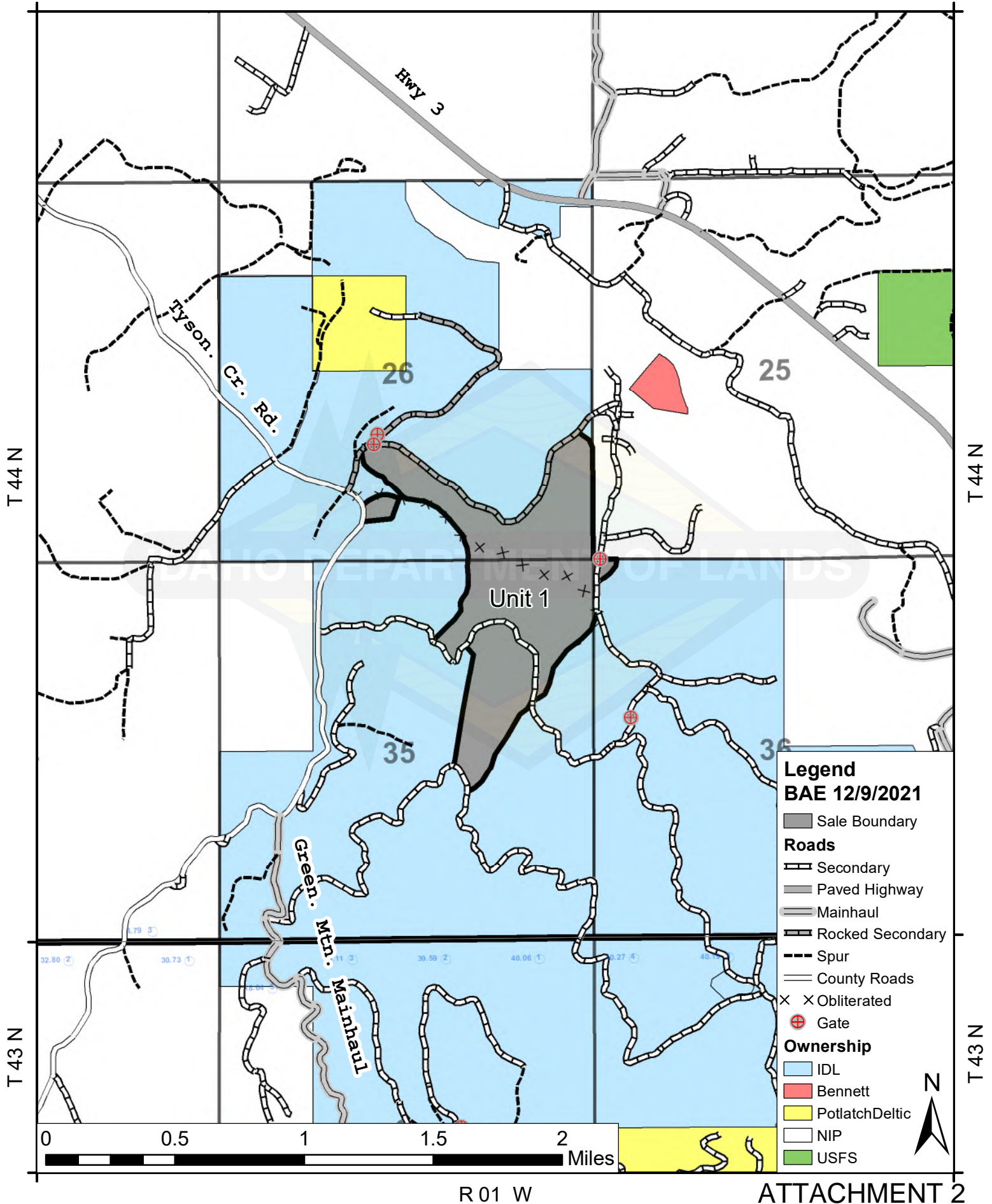
IDAHO DEPARTMENT OF LANDS

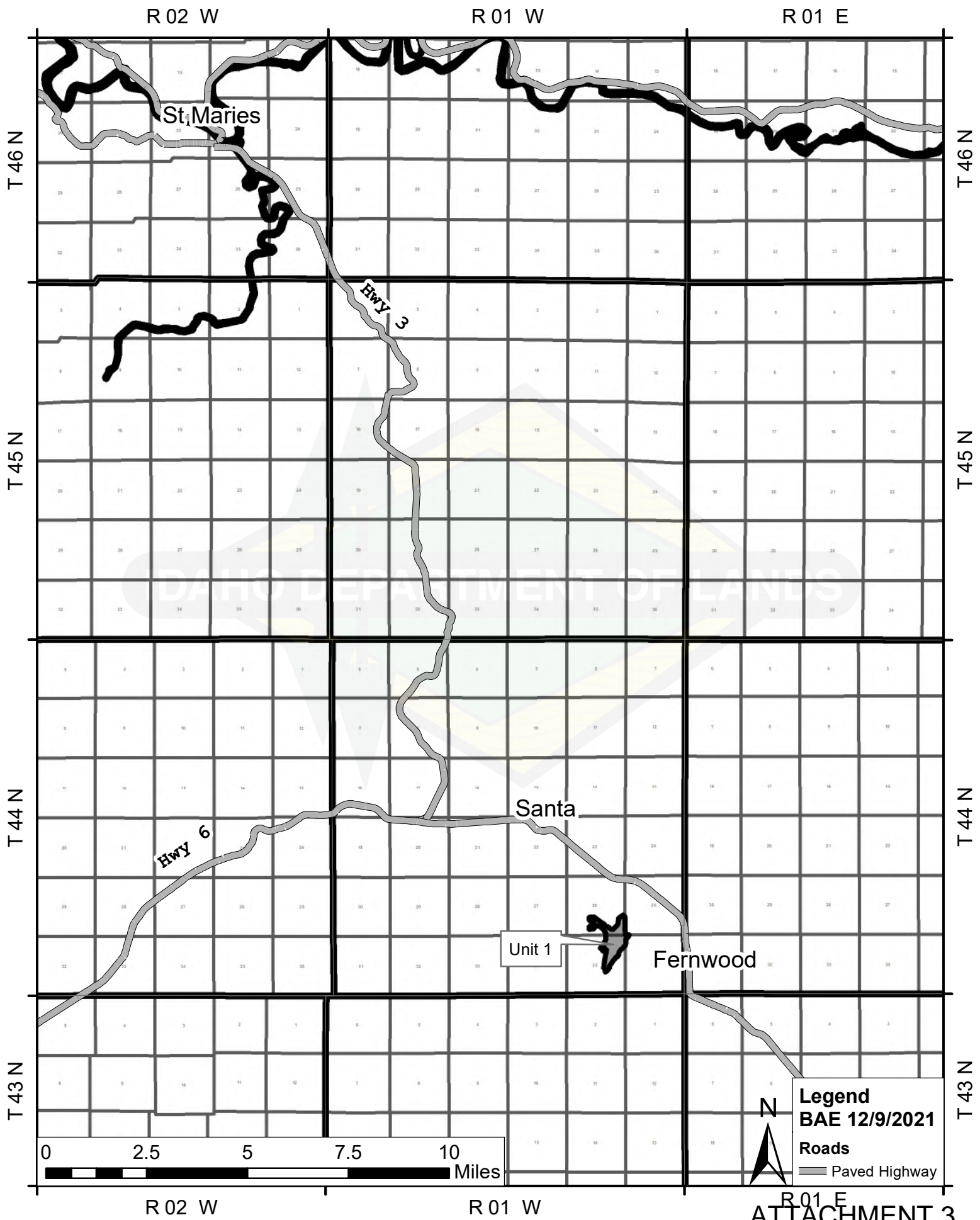
CR-30-0690
BLOWIN' SMOKE

SALE MAP
UNIT 1
R 01 W



ATTACHMENT 1





Blowin' Smoke Area Clearcut Justification

1. Treatment Description:

- a) Unit 1 is comprised of mature grand fir and lodgepole pine with some Douglas-fir, western redcedar, and western larch. This stand will be clearcut, sprayed with herbicide, and planted following harvest.

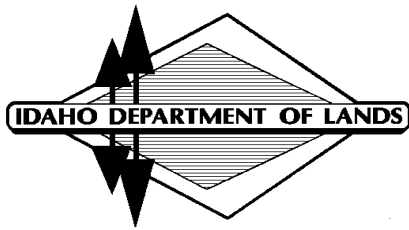
- b) Clearcut Justification:

Clearcuts will help achieve Desired Future Conditions outlined in the St. Joe Supervisory Area's Forest Asset Management Plan. Clearcut Unit 1 (140 acres) is silviculturally and economically justified and comply with the Idaho Forest Practices Act. Land Board approval is needed due to the harvest unit exceeding 100 acres in size. A Clearcut prescription will be used to harvest the existing stand and re-establish seral and intermediate species on the site. Natural regeneration will not accomplish this for the following reasons:

- 1) The predominant species, lodgepole pine and grand-fir, are susceptible to insects and disease. Overstory trees are already succumbing to the effects of root rot and mountain pine beetle. Seed from these overstory trees will not maximize the sites potential for timber production.
- 2) The understory is comprised of thick grass and moderate brush, inhibiting the potential for natural regeneration.

- c) Forest Improvement Activity:

Unit 1 will be assessed for site preparation before being planted with lodgepole pine below Loop Road and western larch above Loop Road. Lodgepole pine is frost and root rot resistant, making it the ideal species to regenerate the stand where the fragipan is present. Western larch is frost and root rot resistant and will be successful up the hill where the effects of the fragipan are not as prominent. The western larch plantations adjacent to the southern part of unit 1 are currently very successful.



FOREST MANAGEMENT BUREAU

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MEMORANDUM

TO: Brittney Esser, Lands Resource Specialist

FROM: Jeremy Shawver, Program Manager – Timber Sales

DATE: December 13, 2021

SUBJECT: Blowin' Smoke (CR-30-0690) Timber Sale

On November 8th, 2021, David Greenwood, Tony Brede, and Jeremy Shawver, Timber Bureau representatives, visited the Blowin' Smoke (CR-30-0690) Timber Sale on the St. Joe Supervisory Area for a field review. This occurred prior to harvesting to discuss silvicultural prescriptions of the proposed harvest stands due to the prescription consisting of a clearcut over 100 acres. Attendance also included Jason Svancara, Rick Arcano, and Brittney Esser, all from Operations.

The Blowin' Smoke TS resides in sections 26, 35, and 36 of T 44 N R 01 W. Capitol Permanent Endowment owns section 26, School of Science Endowment owns section 35, and Public Schools Endowment owns section 36.

The group parked on Copperhead Drive to view unit 1 from the north. The northern portion of the unit is predominantly lodgepole pine and grand fir. The FIC suggests a clearcut prescription due to rapid mortality in lodgepole pine from mountain pine beetle and in grand fir from root rot. If reserved, there would likely be widespread mortality in the overstory trees, reducing the cone production and economic potential of this stand. The understory is dominated with grass in most areas, which would inhibit natural regeneration. Unit 1 needs to be a clearcut exceeding 100 acres to encompass the entirety of the stand that is highly susceptible to disease and infestation. It will be planted with lodgepole pine following harvest due to its resistance to frost and root rot.

Another topic of discussion in this location was the adjacent stand north of Blowin' Smoke unit 1. The seedlings average 2 feet tall at 424 trees per acre, and the FIC's concern was that it was too early to clearcut unit 1 next to the young plantation. However, it is anticipated that the seedlings will be 4 feet tall at the time unit 1 is harvested.

After visiting unit 1 from the north, the group drove down Loop Road to observe unit 2. Unit 2 was designated and marked as a seed tree prescription at the time. We walked through unit 2, then weighed the options of different silvicultural prescriptions and discussed the likely financial outcomes of each option. Many grand fir were marked throughout the stand due to the lack of a well-formed Douglas-fir, western larch, or lodgepole pine nearby. The grand fir in this stand are susceptible to root rot and the fir engraver beetle, reducing the chance of a successful seed tree prescription. Although grand fir might regenerate in this site, it would be negatively impacted by frost and root disease, thereby inhibiting growth and economic potential of the stand. Ultimately, it was decided to clearcut unit 2 and combine units 1 and 2, resulting in a proposed clearcut of 137 acres. Unit 2 needs to be harvested with unit 1 due to the stands declining health and to minimize mobilization costs into the area. Unit 2 will be planted with western larch following harvest. The adjacent western larch plantations have been successful.

The group finished the tour by driving to the 2.5 mile marker on Tyson Creek Road and observing a 3 acre group of dying lodgepole pine adjacent to unit 1. The trees appear to be dying due to a mountain pine beetle infestation. This area needs to be clearcut due to the rapid decline of lodgepole pine. If harvesting this stand is delayed, the infestation will spread to the surrounding lodgepole pine and reduce the economic potential of the adjacent stand. The FIC suggested adding this 3 acre patch of timber to unit 1 since logging equipment will be present during the timber sale harvest. The Bureau supports this decision to maximize economic value before the epidemic spreads to surrounding healthy trees. Given that Blowin' Smoke is anticipated to be sold within 6 months, and the adjacency of the patch to unit 1, it would be feasible to add the 3 acres to the timber sale. This area will be planted with lodgepole pine following harvest.

The Timber Management Bureau recommends that the FIC combine the two units and 3 acre patch and proceed with the proposed clearcut of 140 acres. These stands cannot wait to be harvested later due to rapid mortality from mountain pine beetle and root rot. Natural regeneration methods are not feasible due to lack of quality leave trees. The Bureau supports this activity considering to maximize revenue to the Capitol Permanent, School of Science, and Public Schools Endowments.