



## Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board  
Lawrence E. Denney, Secretary of State  
Lawrence G. Wasden, Attorney General  
Brandon D. Woolf, State Controller  
Sherri Ybarra, Superintendent of Public Instruction  
Dustin T. Miller, Secretary to the Board

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

Final Minutes  
State Board of Land Commissioners Regular Meeting  
March 15, 2022

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, March 15, 2022 at the Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd, Boise, Idaho, and via webinar. The meeting began at 9:03 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

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

For the record, all Land Board members were in attendance. Four Land Board members were present at the physical location, and Controller Woolf joined via Zoom webinar.

Director Miller recognized a number of Department employees, from multiple area offices around the state, who are in Boise participating in an onboarding event. Director Miller said that due to the COVID-19 situation, this event has not been consistently held. The Department doubled-down and brought a lot of folks to Boise for today's meeting. Director Miller remarked that these employees, representing numerous disciplines, do a phenomenal job for the Department and thanked everyone for being here. Governor Little welcomed all and thanked them for their service to the state of Idaho.

For the record, at 9:03 am the Zoom webinar and online streaming were briefly interrupted due to technical issues, for slightly more than a minute. During that time, Governor Little opened the Land Board meeting and recognized the presence of all Land Board members, either in the room or joining via Zoom. Director Miller then addressed those in the room as indicated above. No action was taken by the Land Board during this interval.

*[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 – February 2022

**Discussion:**

**Director Miller:** Onto page 4. This is the new graph, Governor, and I hope this starts to get at what you have been asking for a while. This graph depicts our green timber sale prices with salvage included versus excluded, and also shows the effect Covid-19 has had on the log markets. Again, this is on page 4. We went from mill yards having adequate inventory, pausing green sales for a couple of months, to unprecedented lumber prices during the height of the Covid pandemic. Lumber markets are generally much more volatile than log markets. Major increases in log prices rely on sustained higher lumber prices which our graph shows. Please note the 6-month rolling average stumpage price of around \$200/MBF in July 2019 increased to \$297.77/MBF in February 2022. This is a 49% increase in just two and a half years. Timber quality, species mix, harvest system, complexity of harvest systems, and haul distance are variable and are major drivers of timber sale prices. Competition from multiple bidders at auction is also a key element. General rule of thumb here, salvage prices are about 30% lower across species than traditional green sales. Other factors related to the latest salvage efforts and stumpage prices include quick action by endowment foresters and communication with purchasers. This was key to ensuring logistical issues were avoided in certain areas while prioritizing removal of the highest value at-risk timber. Large amounts of cedar poles and cedar sawlogs impacted prices the most. Cedar is four to six times higher in value than the rest of our log species mix. As described above, the characteristics of each individual sale play a major role in the timber sale prices. For example, September 2021 salvage sales had higher average value than green sales. Species mix was mostly cedar, distance to mill, logging system driven were major factors there. Conversely, in December 2021 we had several lower value salvage sales, notably the Craig Mountain Fire Salvage which was just over 9 MMBF with a price \$28.55/MBF. A lot of volatility here between these salvage sales. Governor, I will stop there and ask for questions, but again, I hope this is what you have been wanting to see here, the difference between our green sales and our salvage sales.

**Governor Little:** Thanks, Director, it is closer. The Craig Mountain...in the Clearwater, they are not excited to buy burnt timber. That \$28, where did that go? Who was the buyer of that sale?

**Jim Elbin:** Good morning, Mr. Governor, and members of the Land Board. For the record, I am Jim Elbin, Trust Land Division Administrator. IFG bought that sale and I believe it was for salvage minimums at the time.

**Governor Little:** Did we have to rebid that because we had the minimums too low, if I remember correctly? I think that was the case.

**Mr. Elbin:** I believe so, too.

**Governor Little:** Because \$28 is not much.

**Mr. Elbin:** No sir.

**Governor Little:** We are getting closer; thanks Jim.

B. Leases and Permits – February 2022

**Discussion:**

**Governor Little:** Director, I am looking at page 4 of 4 revenue chart; it lists other: gold, basalt...what is Capitol Commission?

**Director Miller:** We will get back to you on that, Governor.

**Status Updates**

C. Legislative Summary

**Discussion:**

**Governor Little:** Director, I know it is not on the agenda, the Deputy Secretary of Interior was here yesterday out at NIFC, and I had a visit with him. Who is in charge of applying for all of this federal money in the infrastructure bill for fire?

**Director Miller:** At the state level Governor? We are running that through our Forestry and Fire Division right now, working closely with Craig Foss and his team. We put the place holder in the budget for the infrastructure funding and we will be continuing to work through the Forestry and Fire Division.

**Governor Little:** My impression was there are still a lot of unknowns; maybe at the next meeting we could get, at a minimum, an update on what is going to be available. I told the Secretary the next time I see him we will be back at NIFC if the weather does not change.

**Director Miller:** Governor, we can do that. Craig has been very involved in these conversations with the National Association of State Foresters who are tracking this pretty closely; we will work on that for next month.

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

A. Manager's Report

B. Investment Report

**Discussion:**

**Chris Anton:** Governor, members of the Land Board, good morning, my name is Chris Anton with Endowment Fund Investment Board. As all of you know, Russian President Vladimir Putin staged an unprovoked war against Ukraine in an effort to reduce NATO's military threat in the Russian periphery, carve out a regional sphere of influence, in an attempt to resurrect Russia's primacy within the former Soviet Union. The United States, Europe, and others have responded with increasingly severe sanctions, but the devastation and loss of life continues to grow as Russia pushes forward to crush resistance and install its own government. This has created a huge humanitarian crisis. Over 2.7 million Ukrainians have now fled the country in search of refuge in surrounding Poland, Belarus, Hungary, Slovakia, and Moldova. It is expected to continue to grow as Russia steps up its campaign to take over the country. Ukrainians, under leadership of President Volodymyr Zelenskyy, have fought bravely to maintain their freedom, but it appears

that walls are closing in because they are outmanned and outgunned. One hundred forty-one members of the United Nations backed a resolution against Russian invasion of Ukraine. Belarus, Eritrea, North Korea, and Syria all abstained from voting. China was among 35 member states that abstained from voting. China's silence and tacit support reflects their prioritization of access to natural resources and alliances over morality and international law. China's partnership with the West has the potential to really stop this violence and create a more collaborative global community. Unfortunately, it does not appear that they are moving in that direction. Over the last week or so, we have seen signs that they are not going to support the West. If you look at China's stock exchange, it has been crushed. I think there is fear that there will be sanctions, tariffs, and other things against China if they do not support the U.S. and Europe in this effort. Particularly the ADRs, the Chinese stocks that trade in the U.S., have been selling off severely under the hypothesis that they may be suspended from trading like many of the Russian securities have been. We have also seen commodity prices go up significantly. Russia is a major oil exporter. Russia exports about 4.7 million barrels per day, compared to 7 million barrels per day from Saudi Arabia. The price of oil spiked above \$125/barrel; today is trading about \$100/barrel, but we have all seen the escalation of prices at the pump. It appears the U.S. is trying to crank up its own oil production. We are talking to the Soviets and others to help increase supply to address this issue, but it is going to take time.

It is anticipated that global equities are going to remain under pressure until there is some resolution to the conflict, until there is an understanding of where inflation is headed. It is highly anticipated the Federal Reserve will have their first interest rate hike this week. They are in a really tough spot; they can slow demand somewhat but with inflation running as high as it is, close to 8%, I think they have a tough battle ahead of them. Certainly, risks that high inflation are already going to slow the economy; if they push too hard, they will push us into recession, so they have a tough road ahead of them. What does all of this mean to our portfolio? As you see in your books, we were down 1.7% for the month which left us down 1.8% fiscal year-to-date. Much of the conflict took place earlier in March; through yesterday, we were down 6.3% and we were down about 4.5% so far this month. As of the end of February, our reserves were very healthy, between 6.6 and 7.4 years. Next month, as we have the March numbers, I will bring in more detail to update on the reserves. It is important to keep in mind that one of the big challenges we have, I think you are all aware, at the end of each fiscal year we move earnings above inflation from the permanent fund into the earnings reserve fund; we will face a double whammy right now. We have to grow the permanent fund at the rate of inflation. If it remains at 8%, we are going to have a big bogey and we may have a loss. What that may mean is there could be a fairly extended period of time where we are unable to replenish the earnings reserve fund because we have to fill up the permanent reserve fund at that inflation rate. Who knows where the year will end but I just throw that out there for us to keep in mind, not only are we facing losses, but we are facing inflation which based on our methodology creates a lot of pressure on the permanent fund.

In terms of significant actions of our Investment Board, we had a meeting earlier this month, and our Investment Board approved increasing our real assets allocation from 8 to 10% and reducing our fixed asset allocation from 26 to 24%. That 10% in real asset allocation is going to be made up of two private real estate funds, the DWS RREEF America II Fund, which we are currently in, and then we are in the process of transitioning from the UBS-TPI Fund, which is a debt fund, to the CBRE Fund. That is in process, and we anticipate that will be complete sometime in the

summer. We have to draw money out of one fund and then move it into the new fund. In terms of upcoming items, it is that time of year where we are starting to plan for fiscal year end. We have a Land Board Audit Committee on April 20th; Compensation Committee on April 7th and our next Investment Board meeting will be at the same time as the Land Board meeting on May 17th. With that I will stand for any questions; I am sure that you will ask me about Sands.

**Attorney General Wasden:** Governor, I was going to ask about Sands.

**Mr. Anton:** If you look at the second page of the Investment Report, you will see the fiscal year-to-date performance for all of the managers. The managers that jump out certainly are Sands, Eagle, WCM, Wellington to a certain degree. Those are all growth-focused managers. As I mentioned in the last Land Board meeting, I would characterize Sands as hypergrowth; they tend to be buying high tech companies that have good long-term prospects but their growth is out in the future, and when the world is uncertain as it is today with the war going on, investors tend to flee to what we call value companies, companies that are stable, that have good cash flow, that have good profits. The companies that have been hit the most are those hypergrowth companies. They are good companies, but they are not making a lot of money today typically. They look really cheap right now, but it is hard to say when that style will come back in favor. We are still at this point committed to Sands, but we are watching them closely; the Investment Board is certainly aware of how they are performing.

**Governor Little:** What is the Investment Board's policy on getting rid of your lame horse?

**Mr. Anton:** The Investment Board's policy is to monitor them, first of all, and to be very thoughtful because we tend to look at a manager over a full cycle; we recognize certain styles go in and out of favor. The bigger concern with Sands above and beyond being at a loss is that they are quite a bit below their benchmark. The others, while they are at a loss, they are closer to their benchmark so we will be watching that closely. I think we will probably give them some more time, but we also do not want to sell at the bottom either.

**Governor Little:** If I read this chart right, that underperformance is predicated on a three-year average?

**Mr. Anton:** The red line is the one-year; the yellow is the three-year. Over three years, they are about 6% below.

**Governor Little:** On the fixed side, does State Street have TIPs?

**Mr. Anton:** I mentioned earlier that one of the things the Investment Board elected to do is reduce our fixed income and in doing so, they elected to sell our TIPs position. You may say, why would we do that. Part of that is because right now TIPs pricing is extremely elevated given the current inflation environment. If you look at the yield on the TIPs, they are considerably negative. When we look forward for future returns, it is unlikely that inflation will stay at this level forever, so the Board, based on recommendations from Callan, felt in terms of reducing our fixed income, now is a good time to reduce the TIPs allocation.

**Governor Little:** Because we have had TIPs for 30 years.

**Mr. Anton:** We have had 4% TIPs forever and we have just recently eliminated that position based on the Investment Board's decision.

**Governor Little:** Okay, risky bet, but it is a bet.

**Mr. Anton:** Risky bet; they are super expensive right now.

### **Consent—Action Item(s)**

**3. Timber License Plate Fund** – *Presented by Dustin Miller, Director, and Jennifer Okerlund, Idaho Forest Products Commission*

**Recommendation:** Direct the Department to proceed with the recommended educational projects developed jointly with the Idaho Forest Products Commission.

**Discussion:**

**Superintendent Ybarra:** Governor, for a comment. I have been working with Jennifer on education around the state and I have heard from a lot of our supporters and folks that we really need to do more to lift up the education around timber products and who we are as a state. I just want to tell you I will enthusiastically be supporting this; thank you for your work.

**Jennifer Okerlund:** Thank you, Superintendent. I appreciate that very much and appreciate our partnership.

**4. Results of February 10, 2022 Minerals Lease Live Auctions** – *Presented by Mike Murphy, Program Manager-Minerals Leasing*

**Recommendation:** Direct the Department to award mineral lease E600107 to Granite Excavation and direct the Department to award mineral lease E600108 to Lurre Construction.

**Discussion:** None.

**5. Disclaimer of Interest Request DI700261–Scott Kaster, Snake River** – *Presented by Loren Moore, Program Manager-Navigable Waterways*

**Recommendation:** Direct the Department to issue a Disclaimer of Interest for one parcel totaling 1.99 acres of the former bed of the Snake River to Scott Kaster, following his payment to the Department of the remaining processing fee of \$300.

**Discussion:**

**Governor Little:** Is there access to the easement?

**Loren Moore:** There is not.

**Governor Little:** Okay. Do we make any effort when we do these to get access to the easements? Because easements are not worth much if they do not have access to them.

**Ms. Moore:** That is true. With the disclaimer process the idea is that we would try to chain together these 25-foot public use rights-of-way so that we have some sort of greenbelt.

**Governor Little:** But if you have one person that does not, or that you do not do that, then the easements are worthless. Director, about what our policy is going forward, we always talk about the easements, but nobody has access to easements. I assume they are recorded at the county courthouse.

**Ms. Moore:** These are, Governor, correct.

**Attorney General Wasden:** Governor, the public would have access from the riverside.

**Governor Little:** Up to the highwater mark, they have access anyway.

**Attorney General Wasden:** Up to the ordinary highwater mark. The 25-foot easement is above the ordinary highwater mark.

**Governor Little:** But they cannot go anywhere. We ought to think about that going forward. Maybe even look at what other states are doing on accreted lands.

**Director Miller:** Governor, we can do that. We can provide some additional context and you asked about policy and whatnot.

**Governor Little:** And whether we are covering our costs with \$300.

**Director Miller:** Yes, absolutely Governor. We will provide some additional information to Land Board members regarding this process.

#### **6. Approval of Draft Minutes – February 15, 2022 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. Secretary of State Denney seconded the motion. The motion carried on a vote of 5-0.

#### **Regular—Action Item(s)**

None

#### **Information**

None

#### **Executive Session**

None

There being no further business before the Land Board, at 9:38 a.m. a motion to adjourn was made by Attorney General Wasden. Secretary of State Denney seconded the motion. The motion carried on a vote of 5-0.

Idaho State Board of Land Commissioners

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*/s/ Brad Little*

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

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*/s/ Lawrence E. Denney*

Lawrence E. Denney  
Secretary of State

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*/s/ Dustin T. Miller*

Dustin T. Miller  
Director

<p>The above-listed final minutes were approved by the State Board of Land Commissioners at the April 19, 2022 Land Board meeting.</p>
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