

State Board of Land Commissioners Open Meeting Checklist

Meeting Date: August 16, 2022

Regular Meetings

8/2/2022	Meeting Notice posted in prominent place in IDL's Boise Director's office five (5) or more calendar days before meeting.
8/2/2022	Meeting Notice posted in prominent place in IDL's Coeur d'Alene staff office five (5) or more calendar days before meeting.
8/2/2022	Meeting Notice posted in prominent place at meeting location five (5) or more calendar days before meeting.
8/2/2022	Meeting Notice published on Townhall Idaho website https://townhall.idaho.gov five (5) or more calendar days before meeting.
8/2/2022	Meeting Notice emailed/faxed to list of media and interested citizens who have requested such notice five (5) or more calendar days before meeting.
8/2/2022	Meeting Notice posted electronically on IDL's public website https://www.idl.idaho.gov five (5) or more calendar days before meeting.
8/11/2022 8/12/2022	Agenda posted in prominent place in IDL's Boise Director's office forty-eight (48) hours before meeting. Revised agenda posted.
8/11/2022 8/12/2022	Agenda posted in prominent place in IDL's Coeur d'Alene staff office forty-eight (48) hours before meeting. Revised agenda posted.
8/11/2022 8/12/2022	Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting. Revised agenda posted.
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8/11/2022 8/12/2022	Agenda posted electronically on IDL's public website https://www.idl.idaho.gov forty-eight (48) hours before meeting. Revised agenda posted.
4/26/2022	Land Board annual meeting schedule posted – Boise Director's office, Coeur d'Alene staff office, and IDL's public website https://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 published on Townhall Idaho website https://townhall.idaho.gov 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 https://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 posted at meeting location twenty-four (24) hours before meeting.
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	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 https://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.


Recording Secretary

August 12, 2022

Date

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

NOTICE OF PUBLIC MEETING AUGUST 2022

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, August 16, 2022 in the **State Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho**. The meeting is scheduled to begin at 9:00 AM (Mountain).

Please note location.

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/>

First Notice Posted: 8/2/2022-IDL Boise; 8/2/2022-IDL CDA

This notice is published pursuant to Idaho Code § 74-204. For additional information regarding Idaho's Open Meeting law, please see Idaho Code §§ 74-201 through 74-208.

Idaho Department of Lands, 300 N 6th Street, Suite 103, Boise ID 83702, 208.334.0242



Idaho State Board of Land Commissioners

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

August 16, 2022 – 9:00 AM (MT)

Revised Final Agenda

Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho

**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/>

1. Department Report – Presented by Dustin Miller, Director

Trust Land Revenue

- A. Timber Sales – July 2022
- B. Leases and Permits – July 2022

Status Updates

- C. Fire Season Report
- D. Land Revenue Forecast
- E. Resource Protection and Assistance Report

Consent—Action Item(s)

2. Approval of Draft Minutes – July 19, 2022 Regular Meeting (Boise)

Regular—Action Item(s)

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

- A. Manager's Report
- B. Investment Report
- C. Reclass FY2022 Earnings Reserve Transfer
- D. FY2024 Beneficiary Distributions

4. FY2024 Department of Lands Budget Enhancements – *Presented by Dustin Miller, Director*

Information

5. Future of Cottage Site Leasing: 2025 Plan – *Presented by Jason Laney, Section Manager-
Endowment Leasing*

6. University of Idaho CAFE Project Proposal – *Presented by Josh Purkiss, Bureau Chief-Real Estate
Services, IDL; Scott Green, President, University of Idaho; Brent Olmstead, CALS Director of Government
Relations, UI; Brian Foisy, Chief Financial Officer, UI; and Kent Nelson, General Counsel, UI*

Executive Session

None



IDAHO DEPARTMENT OF LANDS



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

August 16, 2022
Trust Land Revenue

Timber Sales

During July 2022, the Department of Lands sold two timber sales at auction. Both sales had competitive bidding. The net sale value represents 22% up bid over the appraised value. Three endowment timber sales did not sell at auction. Two of these sales will be reappraised for a second attempt at auction. One no sale was its third attempt.

TIMBER SALE AUCTIONS								
Sale Name	Area	Sawlog MBF	Cedar Prod MBF	Pulp MBF	Appraised Net Value	Sale Net Value	Net \$/MBF	Purchaser
Willow OSR	SJ	2,570			\$ 740,304.00	\$ 966,582.00	\$376.10	IFG Timber LLC
Chase N Paper Pulp	MC	1,700		750	\$ 465,384.50	\$ 497,886.20	\$203.22	Clearwater Paper Corp
Endowment		4,270	0	750	\$1,205,688.50	\$ 1,464,468.20	\$291.73	

PROPOSED TIMBER SALES FOR AUCTION				
Sale Name	Volume MBF	Advertised Net Value	Area	Estimated Auction Date
North Operations				
Goat Creek Salvage	5,760	\$ 192,333.00	St. Joe	8/11/2022
Middle Fork Cedar	1,490	\$ 601,942.00	Priest Lake	8/16/2022
Golden Yacht	6,170	\$ 2,159,751.00	Pend Oreille	8/30/2022
TOTALS	13,420	\$ 2,954,026.00		
South Operations				
Skyhigh Ton Salvage	2,915	\$ 201,283.66	Payette	8/2/2022
Deet Ton	990	\$ 225,114.44	Payette	8/17/2022
TOTALS	3,905	\$ 426,398.10		

VOLUME UNDER CONTRACT as of July 31, 2022				
	Public School	Pooled	Total	3 Year Avg.
Active Contracts			180	178
Total Residual MBF Equivalent	330,089	211,096	541,185	563,552
Estimated residual value	\$93,990,077	\$55,850,424	\$149,840,501	\$148,080,215
Residual Value (\$/MBF)	\$284.74	\$264.57	\$276.87	\$262.76

	TIMBER HARVEST RECEIPTS				
	July		FY to date	August Projected	
	Stumpage	Interest	Harvest Receipts	Stumpage	Interest
Public School	\$ 4,313,532.81	\$ 320,674.02	\$ 4,634,206.83	\$ 5,623,556.40	\$ 592,139.37
Pooled	\$ 1,797,828.24	\$ 227,778.56	\$ 2,025,606.80	\$ 3,539,743.71	\$ 414,877.57
General Fund	\$ 1.28	\$ 0.00	\$ 1.28	\$ 192.37	\$ 44.98
TOTALS	\$ 6,111,362.33	\$ 548,452.58	\$ 6,659,814.91	\$ 9,163,492.48	\$ 1,007,061.92

	Status of FY2022 Timber Sale Program					
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of July 31, 2022	178,077	93,134	271,211	25,593	17,886	43,479
Currently Advertised	10,177	0	10,177	400	0	400
In Review	19,170	4,885	24,055	2,500	0	2,500
Did Not Sell*	1,515	0	1,515	0	0	0
TOTALS	208,939	98,019	306,958	28,493	17,886	46,379
FY2022 Sales Plan			311,195			20,600
Percent to Date			99%			225%

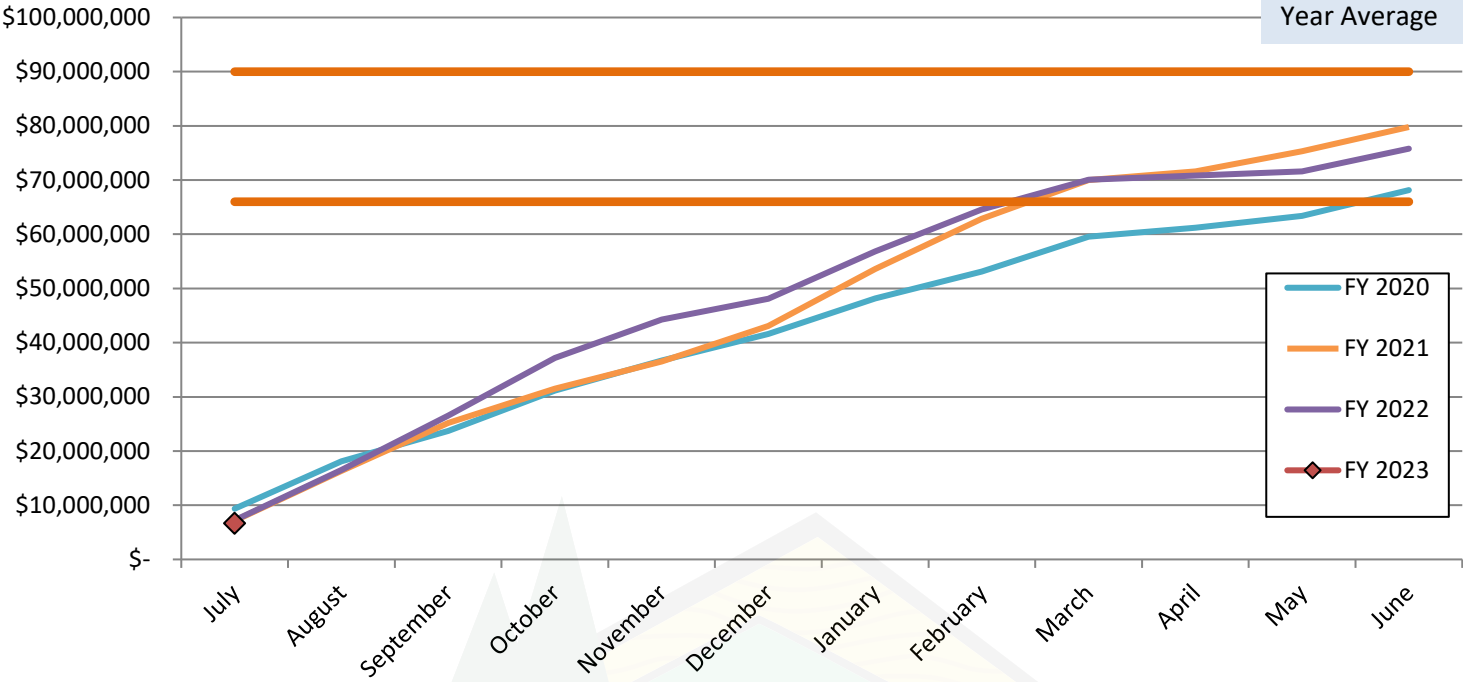
* After three attempts at auction.

	Status of FY2023 Timber Sale Program					
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of July 31, 2022	253	0	253	0	0	0
Currently Advertised	8,429	6,521	14,950	0	0	0
In Review	34,652	9,988	44,640	4,189	701	4,890
Did Not Sell*	0	0	0	0	0	0
TOTALS	43,334	16,509	59,843	4,189	701	4,890
FY2023 Sales Plan			326,000			20,000
Percent to Date			18%			24%

* After three attempts at auction.

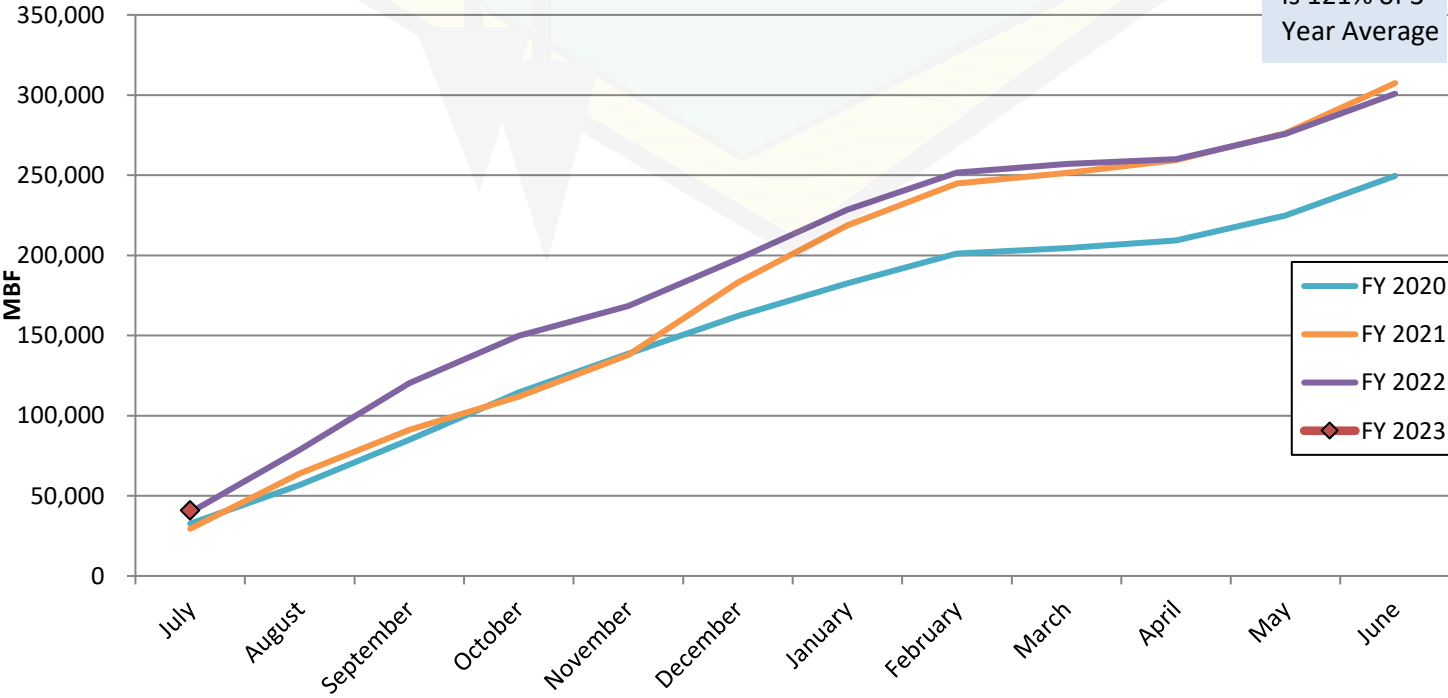
Cumulative Harvest Receipts

Current FYTD
is 84% of 3
Year Average



Cumulative Harvest Volume

Current FYTD
is 121% of 3
Year Average



Monthly Lumber and Stumpage Price



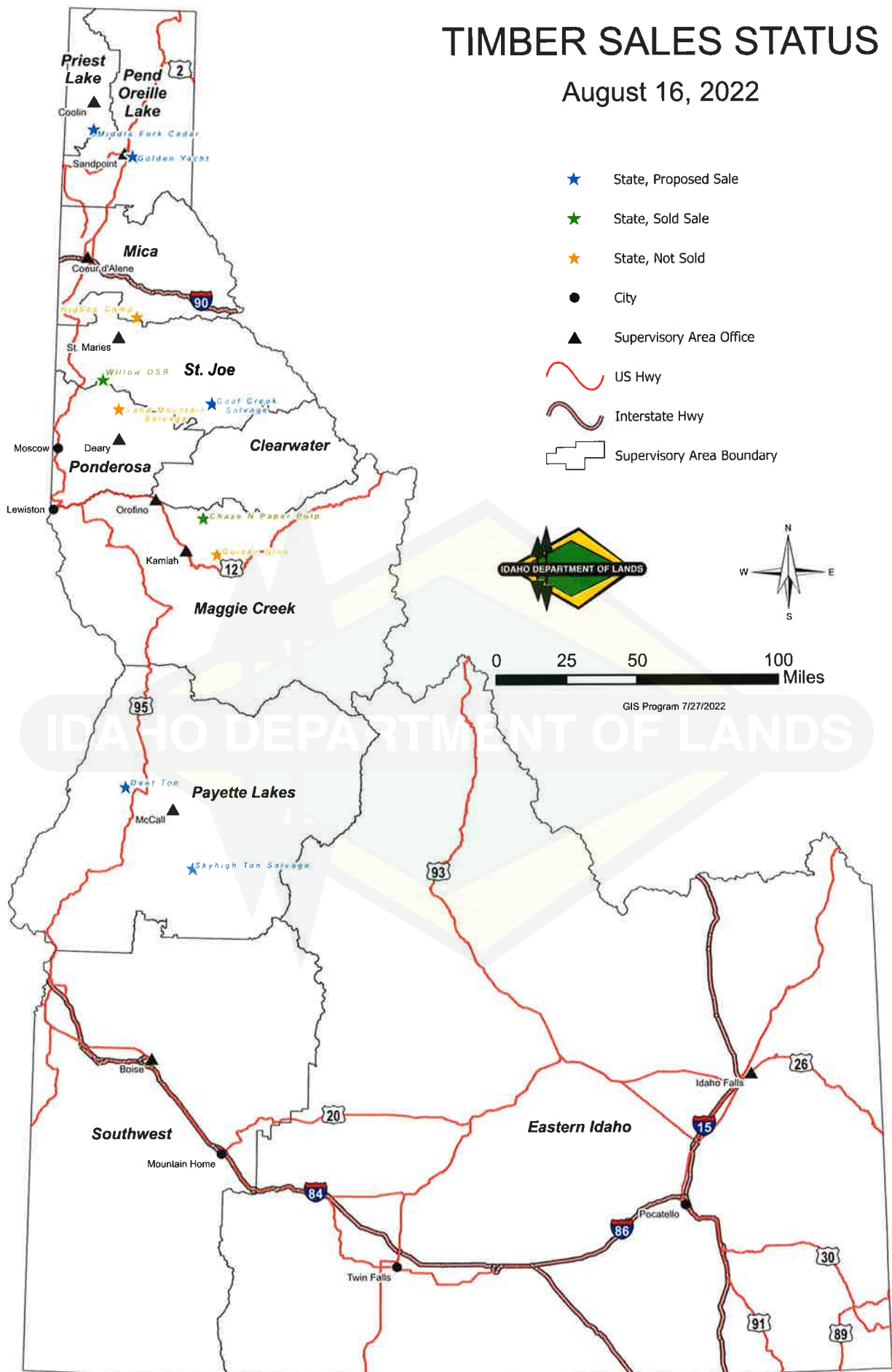
July 2022 6-month average price is \$323.46.

July 2021 6-month average price was \$296.94.

IDAHO DEPARTMENT OF LANDS

TIMBER SALES STATUS

August 16, 2022



STATE BOARD OF LAND COMMISSIONERS

August 16, 2022

Endowment Transactions

Leases and Permits

FISCAL YEAR 2023 – LEASING & PERMITTING TRANSACTIONS BY MONTH – through July 31, 2022													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
SURFACE													
Agriculture	-												0
<i>Assignments</i>	-												0
Communication Sites	-												0
<i>Assignments</i>	1												1
Grazing	-												0
<i>Assignments</i>	3												3
Residential	-												0
<i>Assignments</i>	-												0
COMMERCIAL													
Alternative Energy	-												0
Industrial	-												0
Military	-												0
Office/Retail	1												1
Recreation	-												0
OTHER													
Conservation	-												0
Geothermal	-												0
Minerals	2												2
<i>Assignments</i>	1												1
Non-Comm Recreation	-												0
Oil & Gas	-												0
PERMITS													
Land Use Permits	6												6
TOTAL INSTRUMENTS	14	0	0	0	0	0	0	0	0	0	0	0	14

Real Estate

FISCAL YEAR 2023 – REAL ESTATE TRANSACTIONS BY MONTH – through July 31, 2022													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
Deeds Acquired	-												0
Deeds Granted	-												0
Deeds Granted - Surplus	-												0
Easements Acquired	-												0
Easements Granted	2												2
<i>Land Exchange Updates</i> <i>Avimor</i> - The Department is reviewing updated documents from Avimor regarding the title issues.													

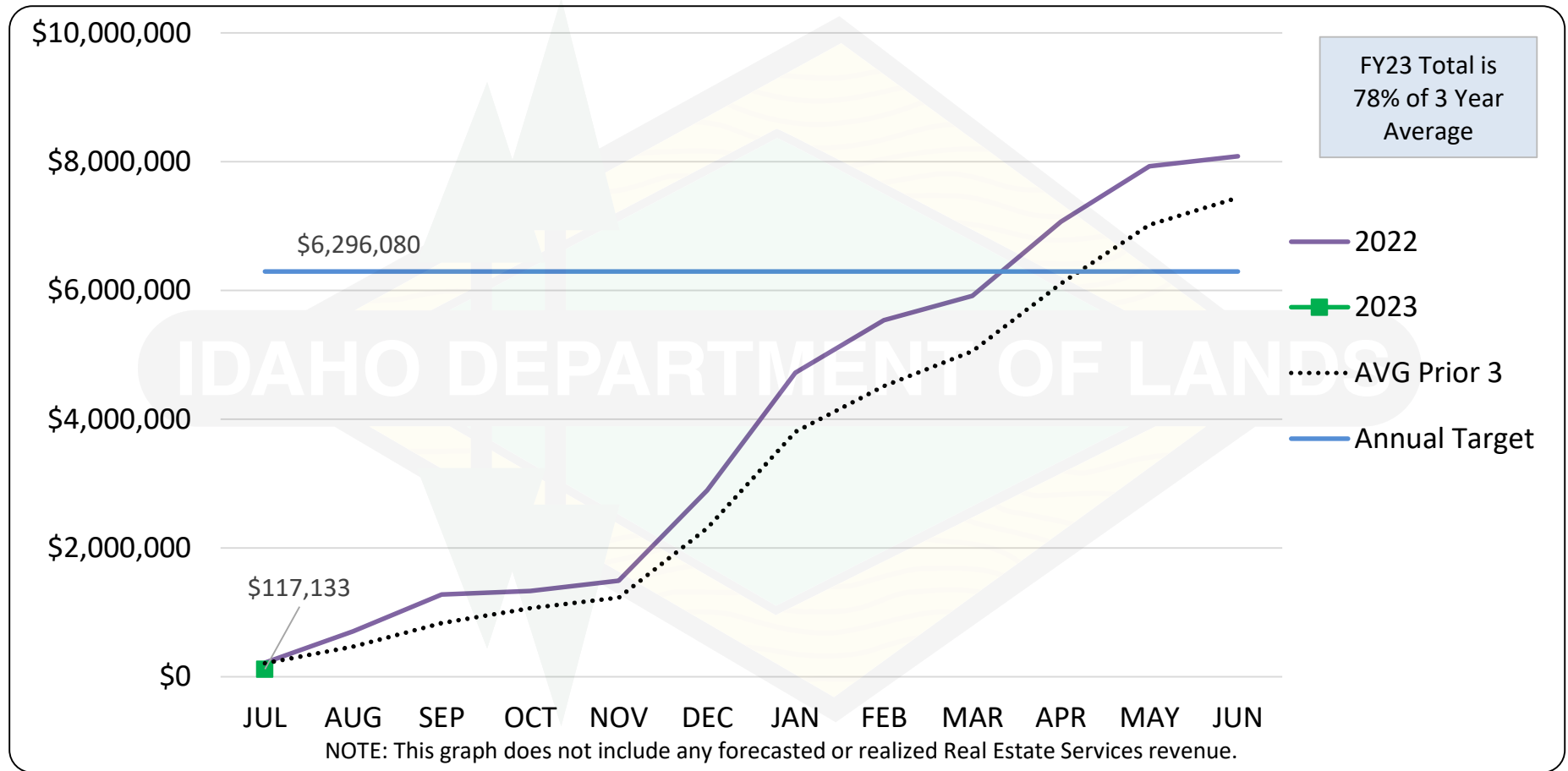
TRUST LAND MANAGEMENT DIVISION
FY2023 GROSS REVENUE (non-timber) - ACTUAL AND FORECASTED
through July 31, 2022

	ACTUAL RECEIPTS AS OF 07.31.2022	REVENUE EXPECTED BY 07.31.2022**	REVENUE EXPECTED BY 06.30.2023
SURFACE			
AGRICULTURE	\$ -	\$ -	\$ 505,000
COMMUNICATION SITES	\$ 16,253	\$ 82,566	\$ 1,009,239
GRAZING	\$ 16,798	\$ 2,000	\$ 1,870,000
RESIDENTIAL	\$ 129	\$ -	\$ 1,095,851
COMMERCIAL			
COMMERCIAL ENERGY RESOURCES	\$ -	\$ -	\$ 47,763
COMMERCIAL INDUSTRIAL	\$ 2,237	\$ 1,494	\$ 74,504
COMMERCIAL MILITARY	\$ -	\$ -	\$ 91,117
COMMERCIAL OFFICE/RETAIL	\$ 53,031	\$ 48,978	\$ 527,351
COMMERCIAL RECREATION	\$ 12,195	\$ 28,565	\$ 899,978
OTHER			
CONSERVATION LEASES	\$ 500	\$ -	\$ 65,000
GEOTHERMAL	\$ -	\$ -	\$ -
MINERAL	\$ 15,989	\$ 987	\$ 105,403
OIL AND GAS LEASES	\$ -	\$ -	\$ 4,874
Sub Total	\$ 117,132	\$ 164,589	\$ 6,296,080
*REAL ESTATE SERVICES	\$ 86,430		
Grand Total	\$ 203,562		

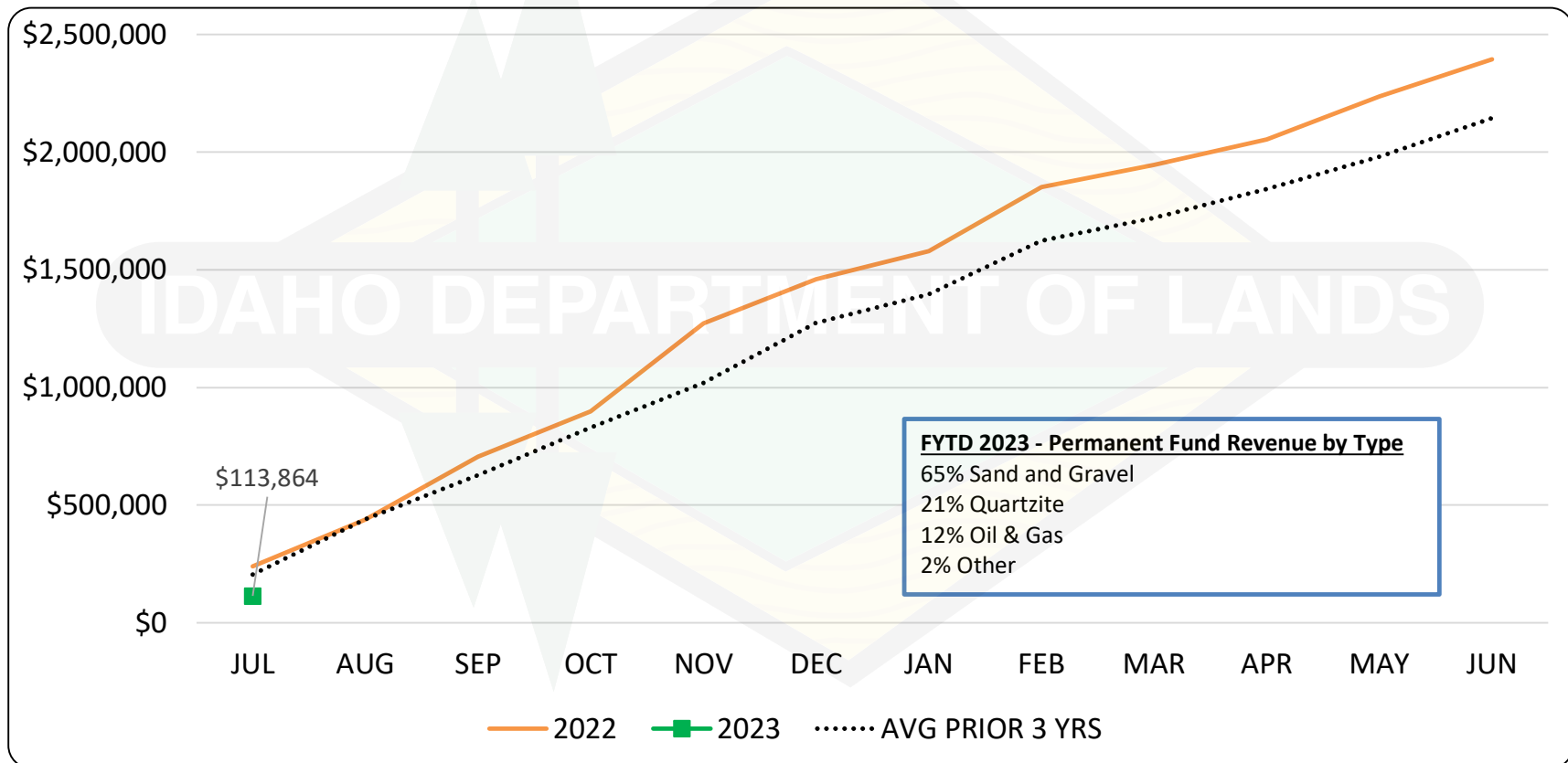
* This category is not included in the annual forecast.

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

Cumulative Trust Land Program Receipts Earnings Reserve - All Programs excluding Timber FY2022 - FYTD2023



Cumulative Trust Land Permanent Fund Revenue/Royalties (Does NOT include Land Bank or Timber Program Revenue) FY2022 - FYTD2023



STATE BOARD OF LAND COMMISSIONERS

August 16, 2022
Department Report

Subject

Fire Season Update

Background

As of August 9, Emergency Fire Suppression expenditures are estimated to be \$9,350,000. The Suppression Account will recover an estimated \$3,400,000 of reimbursable costs, for a net obligation of \$5,950,000. The total obligation includes the 2022 contracted aircraft costs and prepositioned contract engines to assist with resource scarcity. These engines are assigned across the state to boost initial attack resources.

Discussion

On August 8, the Lions Roar fire was detected 22 miles W of Bonners Ferry. It is approximately 40 acres, burning in logging slash and heavy timber. The North Idaho Type 3 Incident Management Team began managing the fire August 11. The fire is 0 percent contained.

As shown by the table below, fire occurrence to date for 2022 is 60 percent of the 20-year average, while the acres burned is less than 2 percent of the 20-year average.

Fire Season Comparison to Date

Number of Fires				
Year	Human	Lightning	Total	Acres
2019	98	50	148	1,210
2020	78	20	98	718
2021	174	111	285	115,970
2022	77	27	104	476
20 Yr. Average			172	20,673

Numbers in table are YTD for prior years and YTD for the current year.

July was much warmer and drier than average, and this pattern has continued into August. Fire size and frequency is increasing throughout IDL protection. An above average fire season is predicted for Idaho through the end of September. There are fire restrictions in areas of southern Idaho.

Significant Fires Outside of IDL Protection

Moose Fire

Agency/Management: United States Forest Service

General Location: 17 miles north of Salmon

Acres Burned: 74,470 acres, 21 percent contained

Total Acres Burned by Ownership 8/10/2022	
Surface Owner	Acres
Idaho Department of Lands	1,063
Other State Lands	103
Private	7,800
Bureau of Land Management	25,982
Other Federal	59
U.S. Forest Service	79,081
Total Acres	114,088

Only fires with perimeters in the Fire Enterprise Geospatial Portal and the IDL Lands Resource Manager system have been included in the analysis.

Fire Deficiency Warrant Spending - 2022 Fire Season YTD		
Category	Estimated Costs	Notes
Aviation Resources	\$3,000,000.00	4 SEATS, 2 Fire Bosses, 2 Type 2 Helicopters
Preposition Engines	\$385,000.00	5 Contract engines statewide to boost IA, 8/1/2022 – 9/15/2022
IDL Non-Team Fires	\$1,015,000.00	IDL/Assn fires including pre-positioning
Other Suppression	\$1,550,000.00	Coeur d'Alene Cache, Dispatch
Other Suppression	\$3,400,000.00	Reimbursable (IDL and Fire Department resources supporting non-IDL fires)
Total Estimate YTD	\$9,350,000.00	

Attachments

1. Map—Significant Fires Throughout Idaho
2. Map—Current Fire Restrictions

2022 Wildland Fires in Idaho

8/8/2022

Month

- July
- June
- August

Surface Management

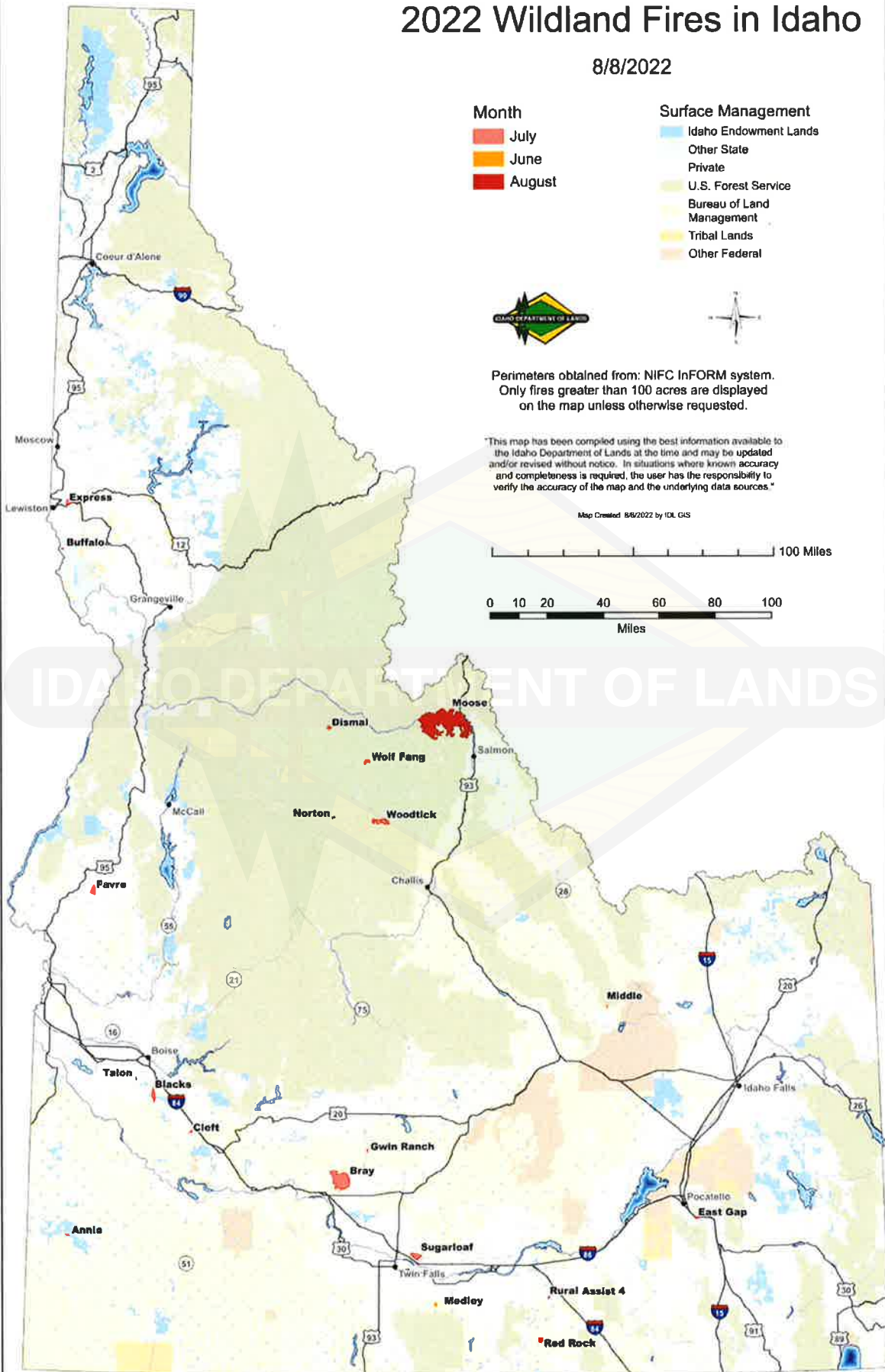
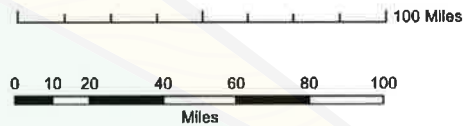
- Idaho Endowment Lands
- Other State
- Private
- U.S. Forest Service
- Bureau of Land Management
- Tribal Lands
- Other Federal



Perimeters obtained from: NIFC InFORM system.
Only fires greater than 100 acres are displayed
on the map unless otherwise requested.

"This map has been compiled using the best information available to the Idaho Department of Lands at the time and may be updated and/or revised without notice. In situations where known accuracy and completeness is required, the user has the responsibility to verify the accuracy of the map and the underlying data sources."

Map Created 8/8/2022 by IDL GIS



Idaho Fire Restrictions

8/16/2022

Restriction Stage

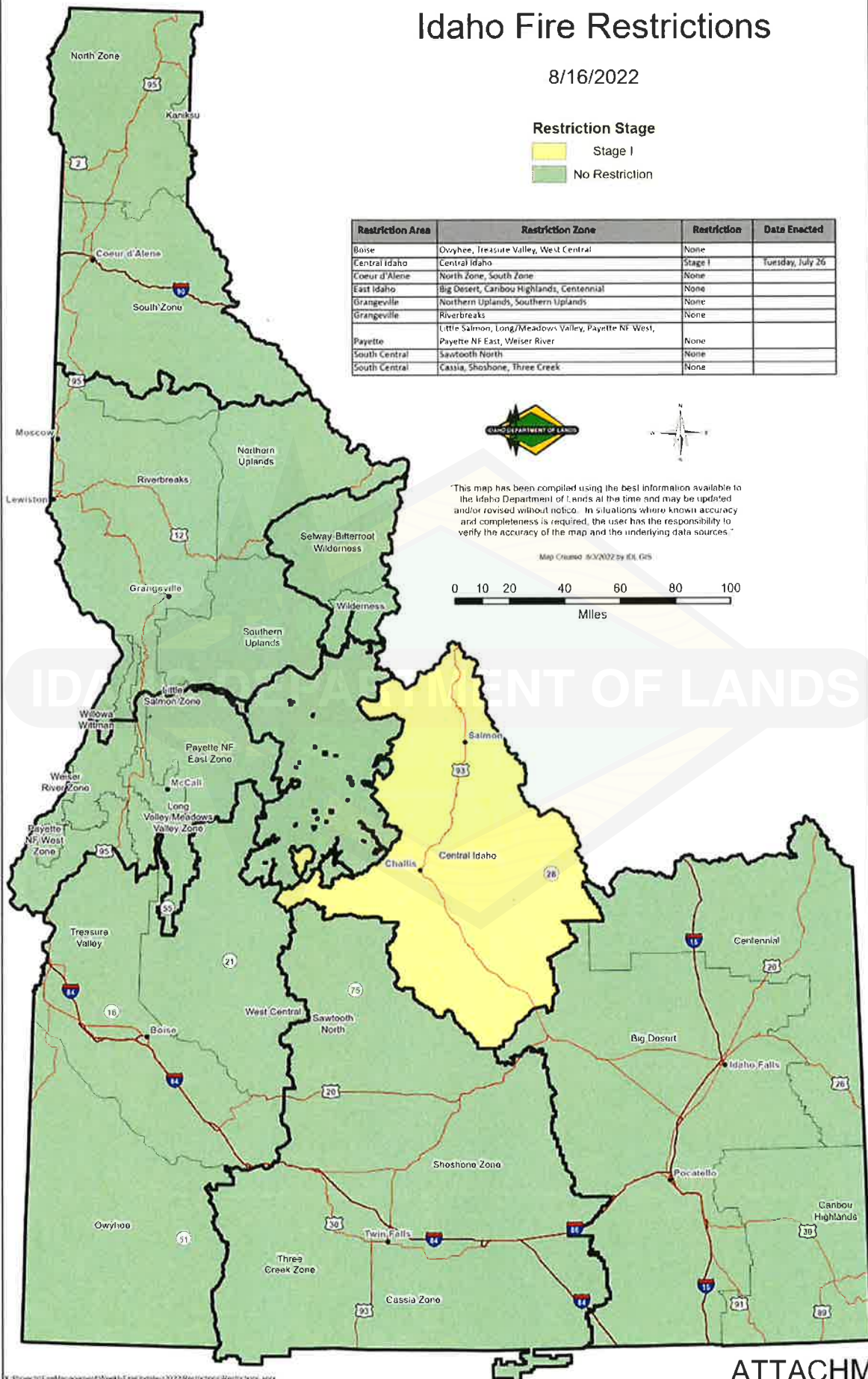
- Stage I
- No Restriction

Restriction Area	Restriction Zone	Restriction	Date Enacted
Boise	Owyhee, Treasure Valley, West Central	None	
Central Idaho	Central Idaho	Stage I	Tuesday, July 26
Coeur d'Alene	North Zone, South Zone	None	
East Idaho	Big Desert, Caribou Highlands, Centennial	None	
Grangeville	Northern Uplands, Southern Uplands	None	
Grangeville	Riverbreaks	None	
Payette	Little Salmon, Long/Meadows Valley, Payette NF West, Payette NF East, Weiser River	None	
South Central	Sawtooth North	None	
South Central	Cassia, Shoshone, Three Creek	None	



"This map has been compiled using the best information available to the Idaho Department of Lands at the time and may be updated and/or revised without notice. In situations where known accuracy and completeness is required, the user has the responsibility to verify the accuracy of the map and the underlying data sources."

Map Created: 8/3/2022 by IGL GIS



STATE BOARD OF LAND COMMISSIONERS

August 16, 2022
Department Report

Subject

Land Revenue Forecast

Background

Each year, the Department provides a revenue forecast showing a predicted range of revenue by endowment for the next four fiscal years based on expected levels of operations, prices of existing timber sales under contract, and expected changes in lease revenues and agency expenditures. The four-year net income forecast table is provided as Attachment 1.

An income range is shown for each endowment primarily due to variability in timber markets and the duration of timber sale contracts. Most leasing returns are relatively stable from year to year; however, leasing revenue has declined in recent years due to the sale of residential and commercial real estate.

Discussion

The Department's gross land management revenue was \$85.4 million in FY2022, approximately \$2.0 million less than FY2021 and \$5.9 million more than the 10-year average. The \$85.4 million total is approximately \$10.5 million below last year's forecasted high and \$11.9 million above the forecasted low. Gross revenue forecasts compared to actual returns are provided as Attachment 2.

The Department's net land management income was over \$57.9 million in FY2022, approximately \$2.5 million less than FY2021 and \$5.3 million above than the 10-year average. The \$57.9 million total is approximately \$9.2 million below last year's forecasted high and \$13.2 million above the forecasted low. Net income forecasts compared to actual returns are provided as Attachment 3.

The timberland asset class accounted for approximately 91 percent of the total gross land management revenue and about 94 percent of the total net income from land management in FY2022. Attachment 4 shows a Monte Carlo simulation of timber harvest based on historical harvest levels and stumpage prices. As we approach Forest Asset Management Plan maximum sale volumes, this analysis shows that we should expect stable gross timber incomes of \$80 million annually.

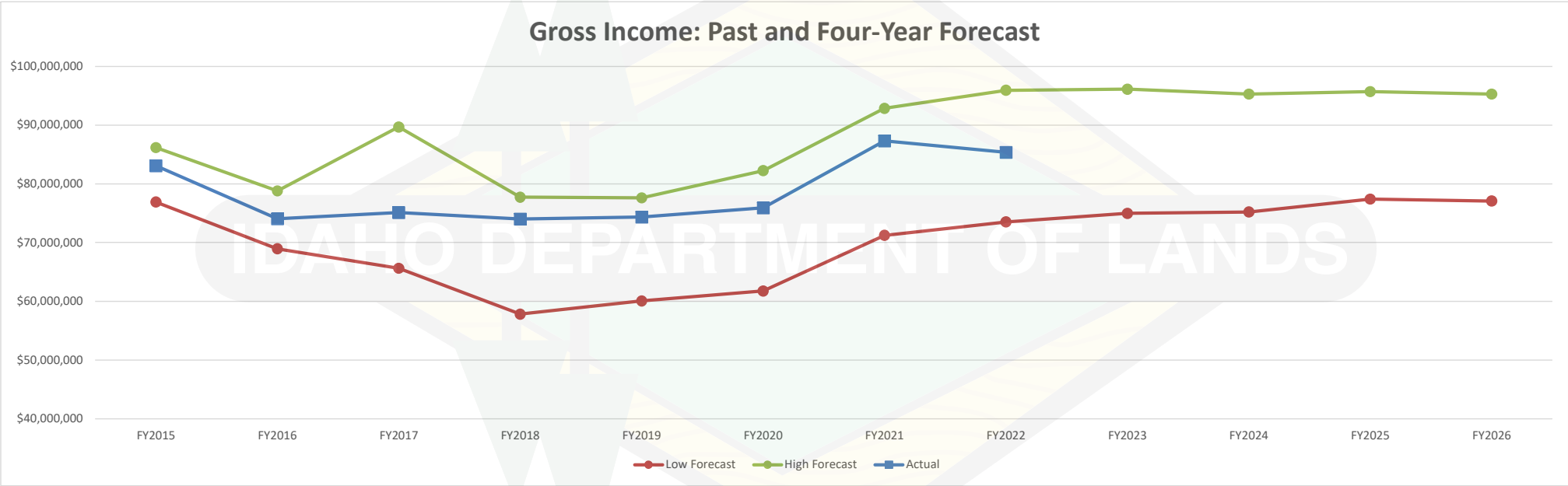
Attachments

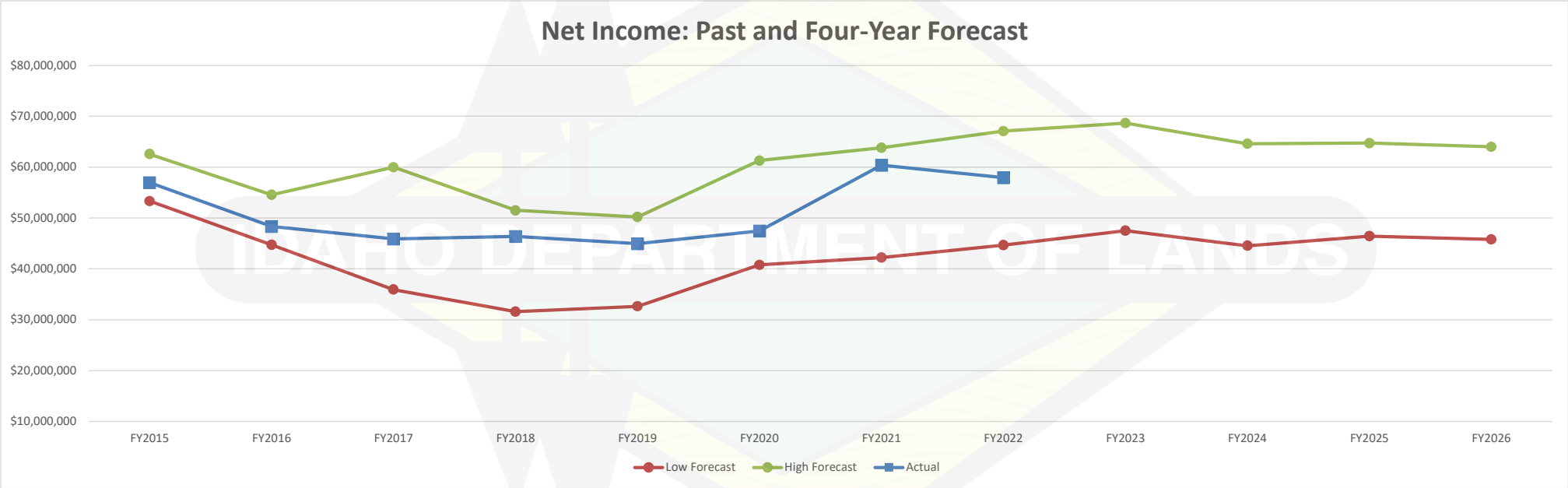
1. Four-Year Net Income Forecast Table (by Endowment)
2. Gross Revenue: Past and Four-Year Forecast Graph
3. Net Income: Past and Four-Year Forecast Graph
4. Monte Carlo Modeled Gross Timber Revenue vs. Actual

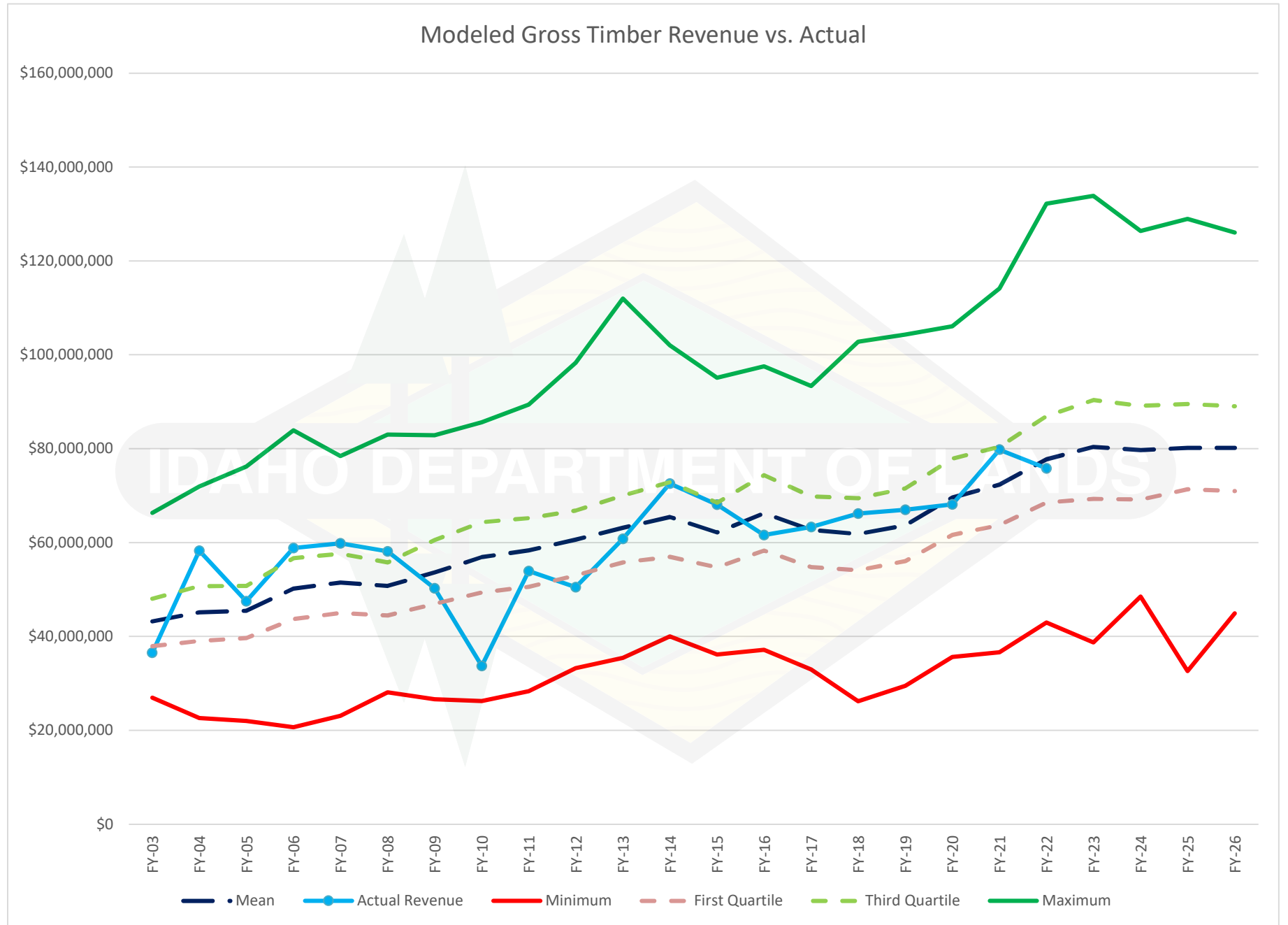
Four-Year Net Income Forecast

Fiscal Year	Net Income	Public School	Ag College	Charitable Institutions	Normal School	Penitentiary	School of Science	State Hospital South	University	Capitol*	Total
2023	Low	\$ 34,186,665	\$ 701,651	\$ 2,912,935	\$ 2,077,328	\$ 1,251,245	\$ 2,934,107	\$ 1,487,155	\$ 1,965,867	\$ (95,664)	\$ 47,421,287
	High	\$ 49,291,507	\$ 985,210	\$ 4,145,613	\$ 3,139,803	\$ 1,777,030	\$ 4,157,753	\$ 2,372,137	\$ 2,784,508	\$ 11,228	\$ 68,664,789
2024	Low	\$ 32,046,704	\$ 657,730	\$ 2,730,596	\$ 1,947,295	\$ 1,172,922	\$ 2,750,442	\$ 1,394,064	\$ 1,842,811	\$ (116,921)	\$ 44,425,643
	High	\$ 46,143,291	\$ 920,819	\$ 3,878,857	\$ 3,119,866	\$ 1,662,170	\$ 3,888,861	\$ 2,381,919	\$ 2,604,172	\$ (8,959)	\$ 64,590,995
2025	Low	\$ 33,413,591	\$ 685,784	\$ 2,847,064	\$ 2,030,353	\$ 1,222,951	\$ 2,867,757	\$ 1,453,525	\$ 1,921,412	\$ (118,090)	\$ 46,324,345
	High	\$ 46,220,316	\$ 922,839	\$ 3,887,812	\$ 3,137,352	\$ 1,662,170	\$ 3,897,678	\$ 2,393,668	\$ 2,609,899	\$ (9,049)	\$ 64,726,251
2026	Low	\$ 32,953,047	\$ 676,332	\$ 2,807,822	\$ 2,002,368	\$ 1,206,094	\$ 2,828,230	\$ 1,433,491	\$ 1,894,929	\$ (119,271)	\$ 45,683,042
	High	\$ 45,684,783	\$ 911,645	\$ 3,841,913	\$ 3,115,673	\$ 1,645,732	\$ 3,851,237	\$ 2,380,742	\$ 2,578,600	\$ (9,139)	\$ 64,001,186

*Capitol revenue accrues to the permanent fund rather than the reserve.







STATE BOARD OF LAND COMMISSIONERS

August 16, 2022

Resource Protection and Assistance Bureau Biannual Report

The Resource Protection and Assistance (RPA) Bureau houses the non-endowment regulatory functions within the Division of Minerals, Navigable Waterways, and Oil and Gas. The Navigable Waterways Program administers mostly lake encroachment permits and submerged lands leases, and the Minerals Program administers the surface mining reclamation plans, dredge and placer permits, and abandoned mine land projects. The Navigable Waterways Program is self-supported through a dedicated account, and the Minerals Program is supported through a mixture of general fund and dedicated fund sources.

Navigable Waterways Program

INSTRUMENT ACTIVITY - Instruments issued FY2015 through FY2022:

Table 1: Navigable Waterways Historical Instrument Numbers								
Instrument Type	2015	2016	2017	2018	2019	2020	2021	2022
Encroachment Permits Issued	282	327	289	338	412	383	542	425
Active Submerged Land Leases	179	185	192	180	172	179	176	153
New Submerged Land Leases	26	11	8	36	48	24	17	6
Active Riverbed Mineral Leases	3	2	2	2	2	3	1	1
New Riverbed Mineral Leases	0	1	0	0	0	0	0	0
Active Exploration Locations	10	2	3	4	2	3	5	2
New Exploration Locations	2	0	1	2	4	0	0	1
New Submerged Land Easements	11	27	6	2	3	2	3	6
New Disclaimers of Interest	2	2	1	3	0	1	2	2

PAST 6-MONTH HIGHLIGHTS

- **Winter Dock Storage.** The Department has been working with three marine contractors over the last two years to bring their winter dock storage areas into compliance. Three storage areas are on Lake Coeur d'Alene, and one is on Hayden Lake. Two leases are now signed and two are being circulated for signature.
- **Administrative Hearings.** Between January 1, 2022 and June 30, 2022, the Department ordered two public hearings and three contested case hearings on encroachment permit applications. Two were approved, two were denied, one was vacated.

- **Negotiated Rulemaking.** In compliance with Executive Order 2020-01, negotiated rulemaking occurred for the administrative rule "Rules Governing Leases on State-Owned Submerged Lands and Formerly Submerged Lands," IDAPA 20.03.17. A proposed rule was completed and will be published in the September Bulletin for the 2023 legislative session.

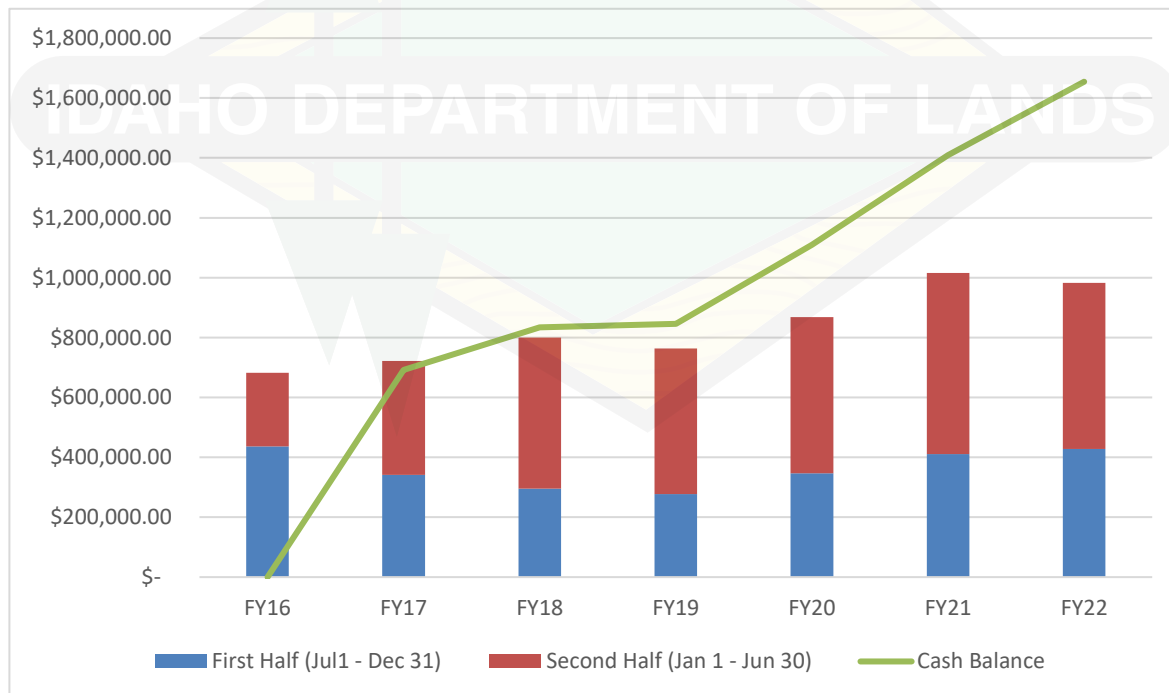
NEXT 6 MONTHS

- **Research for next rulemaking.** The next scheduled rulemaking for this program under Executive Order 2020-01 is "Riverbed Mineral Leasing in Idaho," IDAPA 20.03.05. Research on navigable waterways mineral leasing is needed to lay the groundwork for a successful 2023 rulemaking. This activity has a complex interaction with other state and federal laws and rules, and a very vocal constituency.

FINANCIAL UPDATE

- The Department generated \$555,096.81 from navigable waterways in the second half of FY2022. Total revenue for FY2022 was \$982,900. This is a 3% drop from the previous year, but 18% more than the five year average.

Figure 1: Navigable Waterways Program Revenue and Cash Balance



Regulatory Minerals Program

PAST 6-MONTH HIGHLIGHTS

- **Large Mine Reviews.** The Department provided comments for a Supplemental EIS being prepared for Perpetua Resources' Stibnite Gold Project and is working with DEQ to review the cyanidation permit and permanent closure plan. The Department is also participating in the EIS process for two phosphate mines, Dairy Syncline by Simplot, and Husky North Dry Ridge by Itafos. Additionally, the Department is working on signing an MOU regarding an EIS for Integra's DeLamar Mine expansion.

LOOKING FORWARD

- **Database Cleanup.** Working on cleaning up the existing database and financial assurance information to ensure data accuracy.

TOTAL PERMITS AND BONDING

The Department currently administers 1,545 mine sites covered by reclamation plans and 31 covered by dredge and placer permits. The mines are presented in Table 2 by category, and Table 3 has historical plan numbers.

Table 2: Current Mine Permit Categories			
Sand and Gravel Mines (IDAPA 20.03.02.069)	Hardrock, Phosphate & Complex Industrial (IDAPA 20.03.02.070)	Cyanidation Mines (IDAPA 20.03.02.071)	Dredge and Placer Permits (IDAPA 20.03.01)
1514	31	-	31

Table 3: Regulatory Minerals Historical Instrument Numbers										
Instrument Type	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Mined Land Reclamation										
New Reclamation Plans	20	20	25	36	24	18	28	17	10	10
Retirements	7	17	14	36	15	22	9	13	7	14
Total Reclamation Plans	1,536	1,537	1,528	1,530	1,542	1,540	1,561	1,580	1574	1545
Dredge and Placer										
New/Amended Permits	1	0	1	3	3	1	2	0	1	2
Retirements	-	-	-	-	2	0	1	0	0	0
Total Permits	25	25	25	25	26	27	28	28	29	31
Note: Inspections, Amendments, and Non-compliance are not currently tracked										

Mine operators are eligible to provide bonding through traditional methods or the Bond Assurance Fund (BAF). Tables 4 and 5 list the acres and bond amounts currently in place for different types of mining operations. Created in 2006, the BAF provides another reclamation bonding option for small operators on private and state lands. This is a dedicated account with revenue from annual fees of approximately \$151,000 per year. Billings are mailed in September with a November 1 due date. Table 6 has revenue from the FY2022 billing. Figure 2 illustrates the revenue, expenditures, and balance for this fund.

Table 4: Bonding for Sand and Gravel, Light Industrial, and Placer Permits								
	Reclamation Plans (IDAPA 20.03.02.069)				Dredge and Placer Permits (IDAPA 20.03.01)			
	Plans	Permitted Acres	Total Bond	Bond/Acre	Permits	Affected Acres	Total Bond	Bond/Acre
Traditional Bond ¹	290	19,451	\$16.5 Million	\$848	23	169	\$238K	\$1,412
Bond Assurance Fund	610	31,773	n/a	n/a	8	63	n/a	n/a

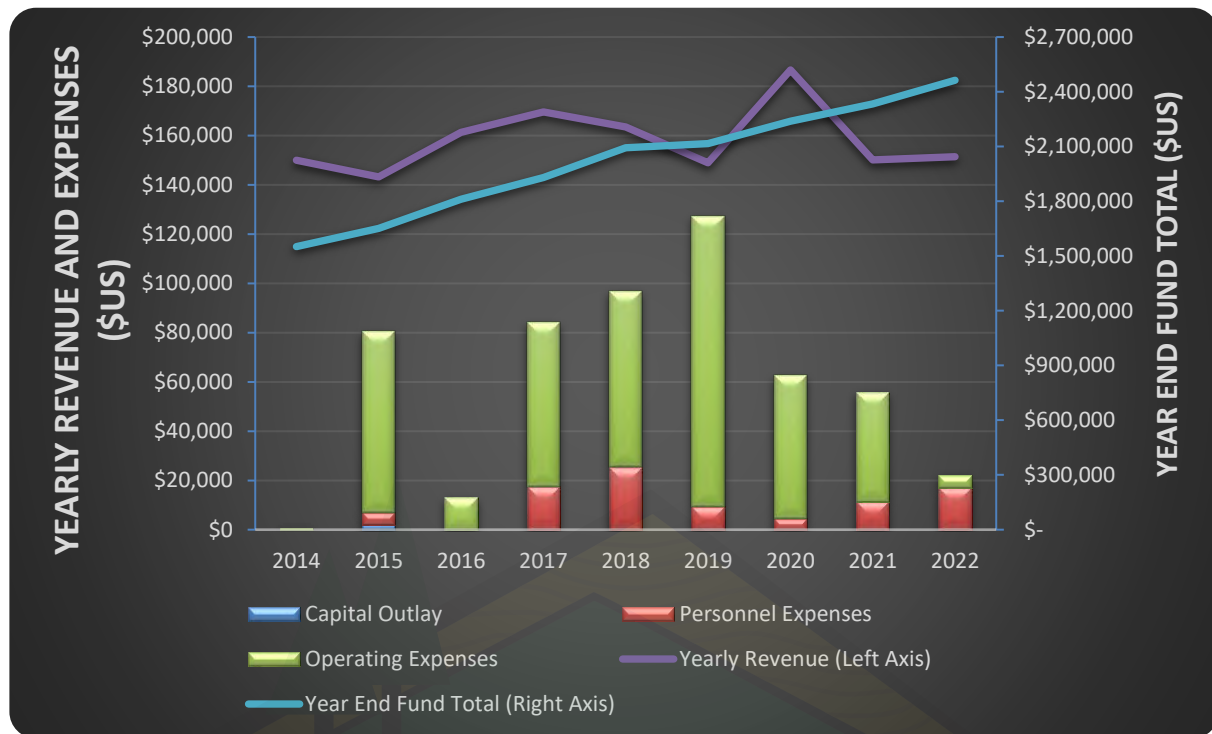
¹ Surety Bond, Letter of Credit, Certificate of Deposit, or Cash

Table 5: Bonding for Hardrock, Phosphate and Complex Industrial				
	Reclamation Plans (IDAPA 20.03.02.070)			
	Permits	Permitted Acres	Total Bond	Bond/Acre
Traditional Bond ¹	31	21,920	\$158 Million	\$7,230

¹ Surety Bond, Letter of Credit, Certificate of Deposit, or Cash

Table 6: Bond Assurance Fund Billing (For FY2022)			
Disturbance (ACRES)	Annual Fee Schedule (\$)	Total Permits Distribution	Total Annual Fees Due (\$)
2 acres or less	\$100	161	\$16,100
> 2 acres ≤ 5 acres	\$200	146	\$29,200
> 5 acres ≤ 10 acres	\$250	138	\$34,500
> 10 acres ≤ 15 acres	\$300	56	\$16,800
> 15 acres ≤ 20 acres	\$350	41	\$14,350
> 20 acres ≤ 25 acres	\$400	25	\$10,000
> 25 acres ≤ 30 acres	\$450	20	\$9,000
> 30 acres ≤ 35 acres	\$500	5	\$2,500
> 35 acres ≤ 40 acres	\$550	18	\$9,900
TOTAL		614	\$142,350.00

Figure 2: Bond Assurance Fund - Revenue, Expenditures, and Fund Balance

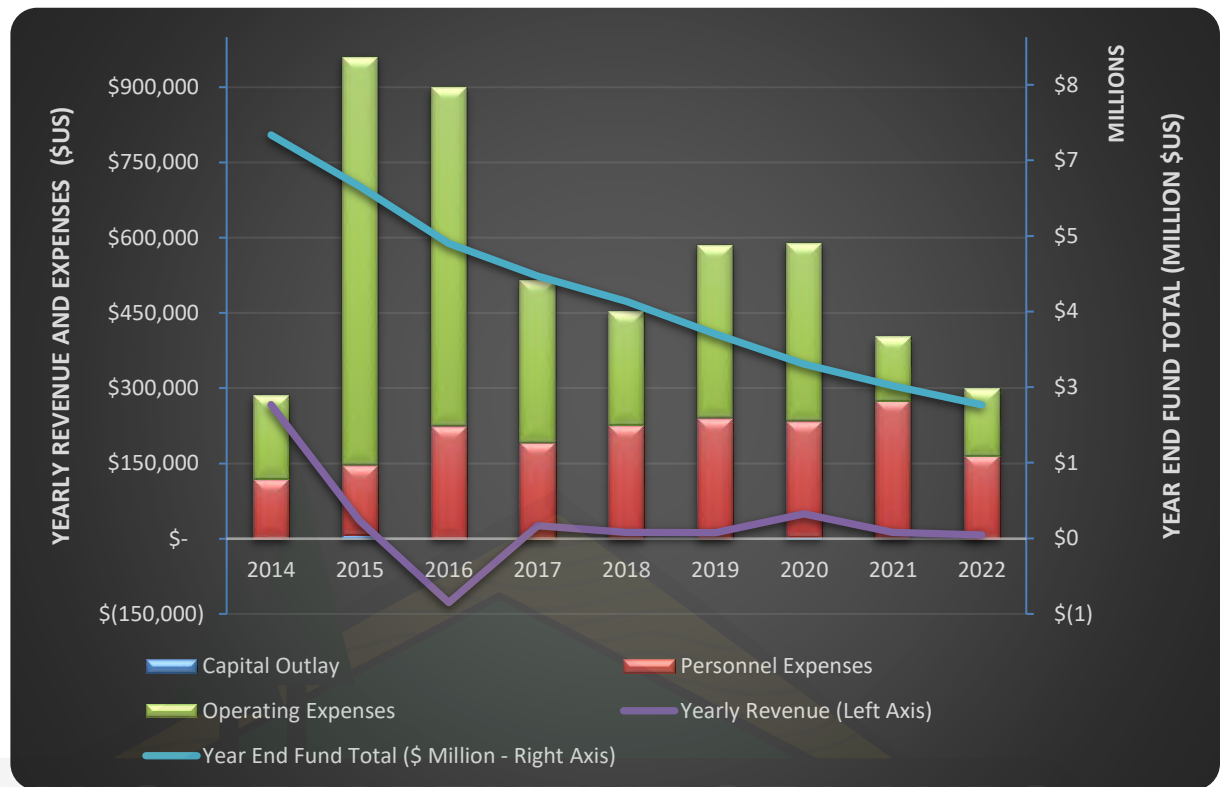


ABANDONED MINE LANDS

The abandoned mine lands (AML) program is funded through 34% of Idaho's Mine License Tax, a 1% net tax of Idaho's mining industry (excluding sand and gravel as described in Idaho Code § 47-1205). The Department's share of income for FY2022 was \$7,277. Table 7 lists the projects worked on in the second half of FY2022. Figure 3 illustrates the revenue, expenditures, and balance for this fund.

Project Name	Project Description
Triumph Mine	Sampling, ground water modeling, site drainage, NPDES permitting.
Idaho Geological Survey	AML information compilation and digitization.
Project Planning	Inspected several sites across the state for closures.

Figure 3: AML Fund - Revenue, Expenditures, and Fund Balance



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

July 19, 2022

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, July 19, 2022 at the Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 West Jefferson, Boise, Idaho, and via webinar. The meeting began at 9:08 a.m. The Honorable Secretary of State Lawrence Denney presided in place of Honorable Governor Brad Little who was managing other matters of state. The following members were in attendance:

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, Secretary of State Denney recognized the presence of four Land Board members at the physical location.

[Editor's note: the Discussion portions, if any, for most 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 – June 2022

B. Leases and Permits – June 2022

Discussion:

Controller Woolf: Director Miller, those five sales that did not sell at auction, and you mentioned Sand Mountain. Did you get good feedback from the timber industry of how we can adjust going forward?

Director Miller: Mr. Chairman and Controller Woolf, we are in regular contact with potential purchasers. When a sale does not sell, we want to know what the limiting factors were. With some of these sales, in particular Sand Mountain sale, that was a lot of small diameter timber that for whatever reason was not top of mind for purchasers of small diameter. It is not something they were interested in. That went to sale three times, so we are looking at possibly doing a direct sale to a purchaser just to move as much wood as possible. With some of these other sales, a number of things: road development costs were high in some places according to purchasers, there are some expensive harvesting systems that need to be put in place in some of these areas, cable assisted logging for example is very expensive, and the market is a bit saturated right now. We will be working with the purchasers on reassessing what we do next, reappraising a lot of these sales and moving them to auction at a later date. Certainly, making those adjustments and hoping we get people up to the table to bid on those.

Trust Land Revenue

- C. Fire Season Report
- D. Land Bank Fund

Discussion: None.

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

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

Discussion:

Chris Anton: Mr. Chairman and members of the Land Board, good morning. It was a challenging fiscal year as you see in your Board books. We were down 6.4% for the month of June which left us down 13% for the fiscal year. I think to understand the challenges of the year it is important to step back a couple of years, back to March of 2020 when Covid hit, quarantines were imposed to control the spread, the economy really contracted dramatically. The government stepped up to provide huge amounts of stimulus. On the fiscal side, checks were cut to individuals and businesses. The Federal Reserve cut interest rates to zero and provided huge liquidity to the financial markets by buying bonds and built up their balance sheet. All of that had a result of really boosting the economy and last fiscal year we were up about 30%. That continued through the first part of fiscal 2022; through November we were up 5%. The Federal Reserve continued their efforts to bring employment back to pre-pandemic levels. Near the end of the calendar year, it was clear that we had reached full employment, we were at 3.8%, but inflation was starting to really move out of control. It was clear that it was not a transitory issue that it was really something that needed to be addressed. The Federal Reserve changed courses; they started to communicate plans to increase interest rates and to reduce the size of their balance sheet. That had the effect of jacking up interest rates on fixed income, which meant fixed income prices came down. We saw investment grade bonds drop about 10% during the fiscal year, and yields move up. If you look at the yield on the 10-year Treasury, back in March of 2020 the yield was about 0.5%, it moved up to 3.4%; really a dramatic increase in bond yields. Similarly, the equity markets sold off over concerns that higher interest rates and inflation would begin to slow economic growth and put pressure on corporate profitability and potentially push the economy into recession. Given the decline we have seen in the markets, I think the markets have priced

kind of a mild recession at this point. The overall portfolio, as I mentioned earlier, declined 13%, equities were down 17.9%, fixed income was down 10.2%, and the only bright spot was our private real estate that was up 23.7%. It is actually up slightly higher than that because we had not accrued the 4th quarter numbers. If you look at DWS, one of our real estate managers, they were up 33% for the fiscal year. In terms of cap size, growth stocks did better than small- and mid-cap companies. Most of the pain was really in growth and technology stocks. As we have talked in this meeting before, Sands Capital, our large cap growth manager, was down 50% compared to our two large cap value managers, LSV and Boston Partners, who were down 8.4% and 3.6%, respectively. Overall, fixed income was down about the same as our benchmark; DoubleLine outperformed Western because they have shorter duration which is beneficial in a rising interest rate environment. So far this year, the market has been pretty flat; we are up about 0.5% and hopefully we will have some stability going forward.

Moving on to our reserves, at the end of the year, and these are preliminary numbers, our earnings reserve balances are estimated to be 5.9 years for public schools, and between 5.4 and 6.5 years of distributions for the other endowments. I want to commend the Land Board for their decision in August to increase the reserve level for public schools to 7 years; we are kind of back where we were, at 6 years. If we had not done that, we would be down about 4.9 years. While the reserves are down, we are certainly able to continue to make our distributions going forward. It is important to understand and keep in mind the impact of inflation. The statutes that govern how we manage the portfolio have this concept called the gain benchmark; the gain benchmark says that the permanent part of the endowment has to grow at least at the rate of inflation. Every year at the end of the fiscal year, earnings above inflation are moved into the reserves; if we have met our target reserve levels then this Board can approve moving the excess reserves into the permanent fund. If you think about what has happened in this fiscal year, we have not only had losses, but we have had excessive inflation. We have losses of 13% and the calculated inflation using a 12-month average is about 7.2%. We have roughly a 20% hole in the permanent fund that we will need to fill over subsequent years. That means that there will not be a lot of money flowing into the earnings reserves for possibly a period of several years. That is important to keep in mind, and based on that, I think there is a strong probability I will recommend to both the Investment Board and the Land Board that distributions in fiscal 2024 – which will be approved in August – will be consistent with those at the same level as the fiscal 2023 distributions. It is nice that we have these large reserves, but I want you to be aware of the impact that the losses and inflation has had on the portfolio.

Attorney General Wasden: Thank you very much, appreciate working with you over many years. So, what are you going to do to change the market? *[laughter]*

Mr. Anton: Tough question. I wish we had control. Obviously, we take a long-term perspective; we are diversified, and we essentially have to take what the market gives us. We are fairly aggressive and are able to do that because of the good work the Department of Lands does and the revenue coming in from the land assets, particularly the timber revenue. We are rather aggressive and there are going to be years when we are down, but as you have all seen the strategies paid off over the long term. We are going to be patient and hope that the Federal Reserve does not go overboard, hope there is an ability to control inflation without pushing us into a severe recession.

Attorney General Wasden: Thank you, that was a good answer.

Secretary of State Denney: In other words, we are about where we were two years ago.

Mr. Anton: If you think about last year, we were up 29.7% in fiscal 2021 and the gain was about \$750 million dollars. This year we are down 13% which is a little over \$400 million dollars. We are still in a better place than we were two years ago. It is always painful to see the numbers going down, and to come into the office every day and watch it go down – not much fun.

Secretary of State Denney: I would like to see it go up, too.

Controller Woolf: One quick question. On the Investment Report, where it has the green and red, the breakdown compared to the benchmarks, below that there is the market valuation of each of our areas, where real estate was \$327 million and 12% of our allocation. Is that real estate targeting, where it did so well, within the Investment Board's goals to keep in that range, that 12%, or do you see changes with that?

Mr. Anton: Our target allocation is currently 10%. In February the Investment Board approved increasing allocation from 8% to 10%. We tried to do that sooner but there were some concerns with Covid what was going to happen in the real estate market. On June 30th we moved \$70 million to a new manager; we were about 11% and it moved us up to 12% and that had been committed before the market really sold off. We are slightly over-allocated but part of that is because we made commitments in advance, and they draw the money, and when the market came down our percentage was slightly higher. Subsequent to year end, we received a distribution from one of our real estate managers that brought us down to 11%; we are about 1% higher than the target but within the allowable ranges per our investment policy.

Controller Woolf: Great, thank you.

Consent—Action Item(s)

3. Results of June 23, 2022 Minerals Lease Live Auction – *Presented by Mike Murphy, Program Manager-Minerals Leasing*

Recommendation: Direct the Department to award mineral lease E800094 to Idaho Champion Resources, LLC.

Discussion: None.

4. Approval of Draft Minutes – June 21, 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. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

Regular—Action Item(s)

5. Proposed Legislation-2023 Session – Presented by Scott Phillips, Policy and Communications Chief

Recommendation: Approve the Department's 2023 legislative proposals.

Discussion: Secretary of State Denney asked how the Department selected these three statutes; what was the impetus that these were the necessary legislative changes? Secretary of State Denney was not questioning the need for the changes, just asking for background. Mr. Phillips replied that from an agency perspective, the Department is working to address the State's drive to ensure that operations pay for themselves when possible and that the Department does not find itself in a precarious position with no funding to address a very serious public safety issue in the future. Mr. Phillips said the two drivers for this are ensuring that the regulated activity pays its own way and is not subsidized by the general fund and preserving public safety.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve the Department's 2023 legislative proposals. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

Information

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

6. Proposed Rule IDAPA 20.03.17, Rules Governing Leases on State-Owned Submerged Lands and Formerly Submerged Lands – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

Discussion: None.

Prior to adjournment, Controller Woolf expressed appreciation to the Department for drafting a letter of condolence on the Land Board's behalf for the passing of Donna Jones, a former state controller. Controller Woolf recognized and thanked Ms. Jones for her service to the state of Idaho, in particular her work on the Land Board, and her mentorship and friendship to Controller Woolf and all Land Board members. Controller Woolf mentioned that her family is planning a celebration of life in August and will inform Land Board members when that has been finalized. Controller Woolf remarked that Ms. Jones was a great pioneer who was the first female to lead the House Revenue and Taxation committee and also the first female state controller. Controller Woolf voiced admiration for Ms. Jones, her leadership, and remembered that she would say at the end of every meeting 'let's get back to work.' Controller Woolf stated that is what we will do today.

Attorney General Wasden commented that Ms. Jones was a surprise in that she had a challenging background, but as a member of the Land Board she dug in, she understood the responsibility the Land Board has, and she shocked the Attorney General with her level of understanding. Attorney General Wasden said he enjoyed working with Ms. Jones, traveling the state with her, and will continue to miss her. Attorney General Wasden acknowledged that Ms. Jones made a great contribution to this state and was a big part of this Land Board.

There being no further business before the Land Board, at 9:46 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.





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 July 31, 2022

Month: 6.0% Fiscal year: 6.0%

Financial markets staged a modest recovery in July as quarterly corporate profits surprised to the upside and were largely resilient to economic slowing. A growing number of economic indicators reflect softening of consumer demand, but strong employment has allowed the Fed to remain focused on taming high levels of inflation. The yield curve has inverted, which has historically been a leading recession indicator, but only time will tell if the Fed can manage to tame inflation without pushing us into a recession.

Status of endowment fund reserves

Distributions for FY2022 and FY2023 are well secured. At the end of June, earnings reserve balances are estimated to be approximately 5.9 years of distributions for Public School and 5.4 - 6.5 years of distributions for the other endowment funds.

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

Audit Committee Meeting – August 17, 2022

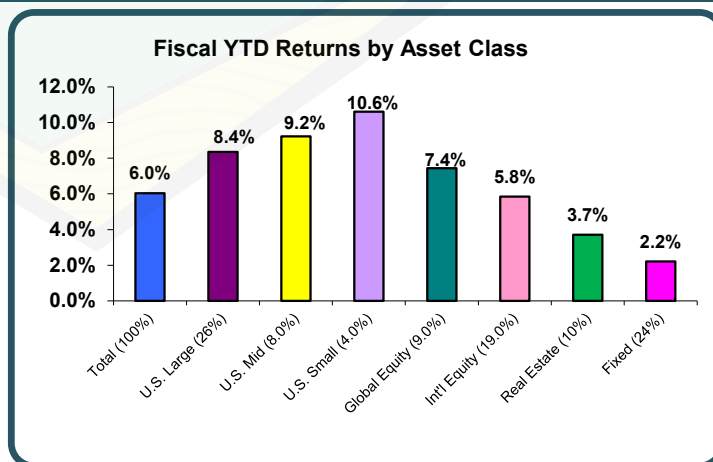
Board Meeting – August 17, 2022

	Month	FYTD
Beginning Value of Fund	2,707,410,665	\$ 2,707,410,665
Distributions to Beneficiaries	(8,359,584)	(8,359,584)
Land Revenue net of IDL Expenses	5,559,073	5,559,073
Change in Market Value net of Investment Mgt. Expenses	165,345,151	165,345,151
Current Value of Fund	\$ 2,869,955,305	\$ 2,869,955,305

	Current Month	Calendar Y-T-D	Fiscal Y-T-D	One Year	Three Year	Five Year	Ten Year
Gross Returns							
Total Fund	6.0%	-11.7%	6.0%	-9.1%	7.8%	7.9%	8.8%
Total Fund Benchmark*	5.4%	-10.5%	5.4%	-7.0%	7.2%	7.1%	8.3%
Total Fixed	2.2%	-8.8%	2.2%	-9.3%	0.0%	1.5%	1.6%
BBG U.S. Agg. (Ag)	2.4%	-7.9%	2.4%	-8.5%	0.4%	1.6%	1.7%
Total Equity	7.7%	-16.1%	7.7%	-12.7%	10.2%	10.0%	11.3%
57% R3 29% Ax 14% AC	7.3%	-14.3%	7.3%	-10.1%	9.2%	8.8%	10.7%
Domestic Equity	8.8%	-15.0%	8.8%	-10.9%	11.8%	11.8%	13.4%
Russell 3000 (R3)	9.4%	-13.7%	9.4%	-7.4%	12.6%	12.2%	13.5%
Global Equity	7.4%	-17.3%	7.4%	-13.5%	9.9%	9.1%	8.6%
MSCI ACWI (AC)	7.0%	-14.6%	7.0%	-10.5%	8.5%	7.9%	9.3%
Int'l. Equity	5.8%	-17.7%	5.8%	-15.8%	7.2%	6.6%	7.3%
MSCI ACWI ex-US (Ax)	3.4%	-15.6%	3.4%	-15.3%	2.9%	2.4%	5.0%
Real Estate			3.7%	23.8%	10.8%	9.3%	
NCREIF ODCE Index (OD)			0.0%	27.3%	10.3%	8.9%	

* Benchmark: 38% Russell 3000 19% ACWI ex-US 9% AC 24% BB Agg. 10% OD

	Mkt Value	Allocation
Domestic Equity	\$ 1,096.3	38.2%
Large Cap	745.9	26.0%
Mid Cap	233.1	8.1%
Small Cap	117.3	4.1%
Global Equity	263.7	9.2%
Int'l Equity	557.2	19.4%
Fixed Income	632.0	22.0%
Real Estate	310.7	10.8%
Cash	10.0	0.3%
Total Fund	\$ 2,870.0	100.0%



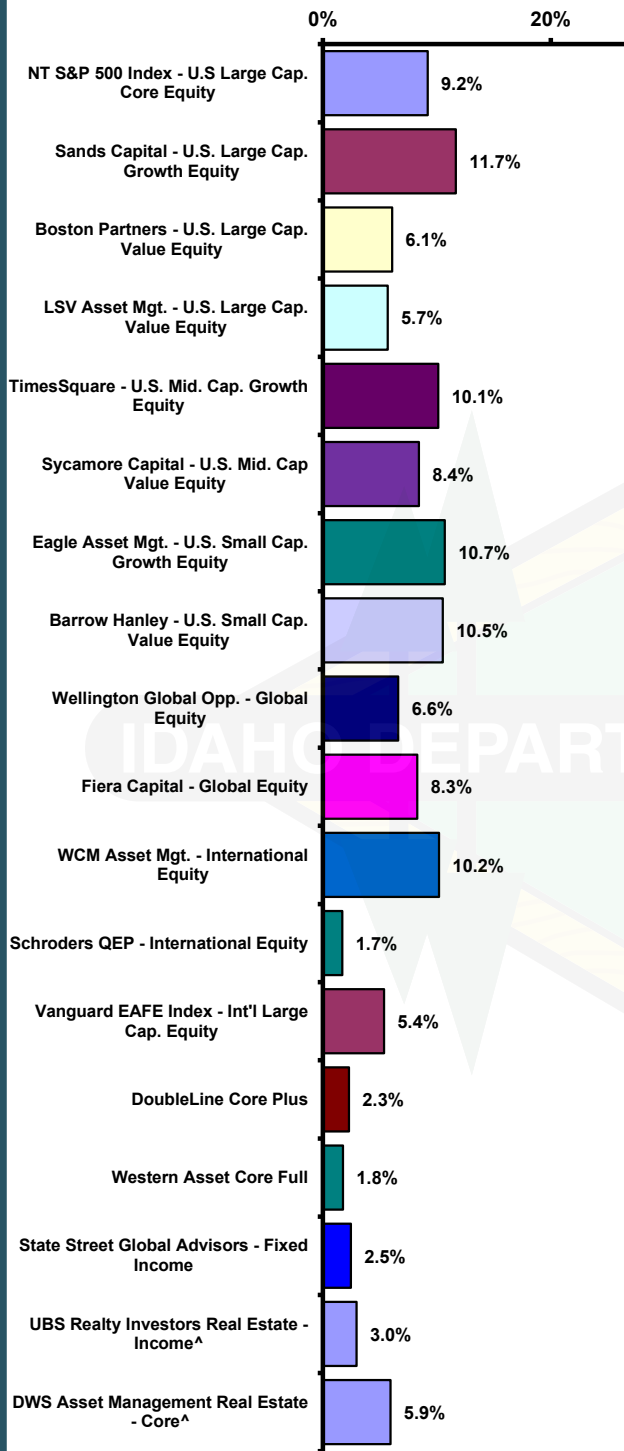
Endowment Fund Staff Comments:

Financial markets staged a modest recovery in July as quarterly corporate profits surprised to the upside and were largely resilient to economic slowing. A growing number of economic indicators reflect softening of consumer demand, but strong employment has allowed the Fed to remain focused on taming high levels of inflation. The yield curve has inverted, which has historically been a leading recession indicator, but only time will tell if the Fed can manage to tame inflation without pushing us into a recession.

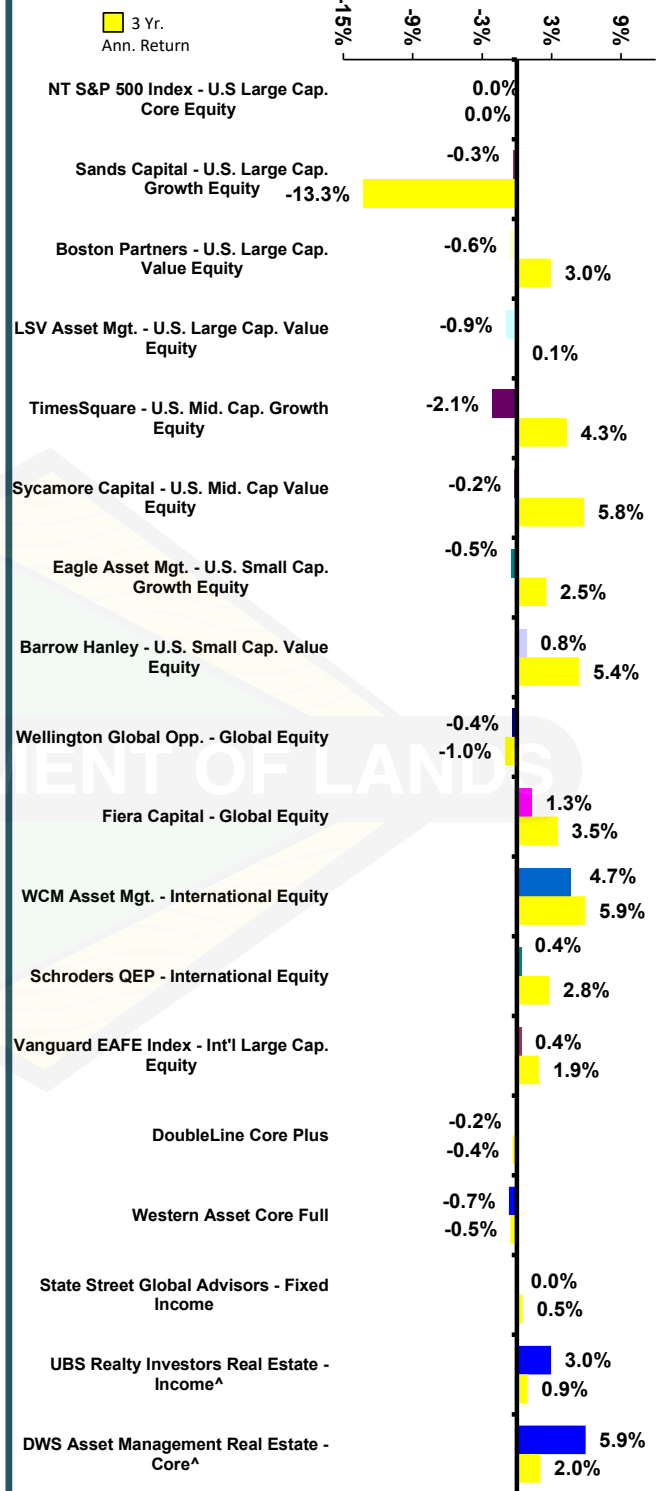
July 31, 2022

INVESTMENT REPORT

FYTD Manager Returns



Manager Relative Returns Fiscal YTD and 3-Yr Ave*



^ Most recent valuation.

STATE BOARD OF LAND COMMISSIONERS

August 16, 2022

Regular Agenda

Subject

Reclassification of the FY2022 Earnings Reserve Transfer of \$486,409,000 to exclude it from the Gain Benchmark

Question Presented

Shall the Land Board approve reclassification of the FY2022 Earnings Reserve Transfer of \$486,409,000 to exclude it from the Gain Benchmark?

Background

When the Idaho State Board of Land Commissioners (Land Board) met on August 17, 2021, it approved the transfer of \$486,409,000 from Earnings Reserve Funds into Permanent Funds. The endowment portfolio generated outstanding investment returns of 29.7% in fiscal year 2021 and the investment returns combined with revenue generated by the Idaho Department of Lands (Department) resulted in balances in Earnings Reserve Funds above target levels. This Earnings Reserve "surplus" was transferred into the Permanent Funds on September 1, 2021.

According to Idaho Code section 57-724, the Land Board has the option of adding such transfers to the Gain Benchmark (corpus of the Permanent Funds) or not adding the transfer to the Gain Benchmark. There is no compelling reason why excess earnings that accumulate in the Earnings Reserve Funds should become part of the corpus of the Permanent Funds and in fact most endowments have fund balances in excess of corpus. Funds not added to the Gain Benchmark can be used to make up for losses to the permanent fund during turbulent times in the financial markets and in periods of high inflation.

Discussion

During fiscal year 2022, the endowment portfolio recognized investment losses of 13.0% and inflation of 7.2%. If the transfer of \$486,409,000 is treated as an addition to the Gain Benchmark, the balance of the Permanent Funds at the end of fiscal year 2022, will be \$445,925,356 below the Gain Benchmark. This creates challenges for the operation of the endowment portfolio because this deficit will need to be replenished by future investment gains before gains in excess of inflation can flow into the Earnings Reserve Funds. The longer the process of replenishment takes, the greater the risk that Earnings Reserves will not be sufficient to maintain stable beneficiary distributions. If the transfer of \$486,409,000 is not considered an addition to the Gain Benchmark, the Permanent Funds at the end of fiscal year

2022, will be \$40,483,644 above the Gain Benchmark. This approach dramatically reduces the risk that Earnings Reserves may be inadequate in the years ahead.

If this transfer is not added to the Gain Benchmark, it remains part of the Permanent Fund balance and is considered in the calculation of future beneficiary distributions. The beneficiaries are not penalized if the transfer is not included in the Gain Benchmark, however, the process and flow of funds between the Permanent Funds and Earnings Reserve Funds remains more fluid and fully operational. It is important to preserve this flexibility.

Recommendation

Approve reclassification of the FY2022 Earnings Reserve Transfer of \$486,409,000 to exclude it from the Gain Benchmark.

Board Action

Attachments

1. FY2022 Gain Benchmark with Transfers
2. FY2022 Gain Benchmark without Transfers

The logo of the Idaho Department of Lands is a large, stylized diamond shape. It features a light green background with a yellow border. Inside the diamond, there are several smaller, overlapping shapes in shades of green and yellow, creating a layered effect. The text "IDAHO DEPARTMENT OF LANDS" is written in a bold, white, sans-serif font across the center of the diamond.

IDAHO DEPARTMENT OF LANDS

Gain Benchmark Summary With Transfers							Permanent Fund	
Endowment	Fiscal Year	Beginning Benchmark	Deposits	Reinvested Income	Inflation Impact	Ending Benchmark	Balance 6/30/2022	Difference
Public School	2001-2021	555,954,750	76,943,194	207,877,000	331,763,862	1,172,538,806	1,292,281,595	(276,034,289)
	2022	1,172,538,806	34,573,278	277,103,000	84,100,800	1,568,315,884		
Agricultural College	2001-2021	14,787,041	62,101	12,643,000	9,105,051	36,597,193	41,193,785	(8,913,356)
	2022	36,597,193	0	10,885,000	2,624,948	50,107,141		
Charitable Institutions	2001-2021	54,513,960	397,383	42,134,000	33,984,232	131,029,575	146,681,656	(31,776,159)
	2022	131,029,575	16,093	38,014,000	9,398,147	178,457,815		
Normal School	2001-2021	47,258,942	24,810,495	28,656,000	29,804,633	130,530,070	149,887,990	(31,399,933)
	2022	130,530,070	6,461,533	34,934,000	9,362,320	181,287,923		
Penitentiary	2001-2021	18,258,289	34,588	26,203,000	12,431,751	56,927,628	67,537,001	(14,454,484)
	2022	56,927,628	701	20,980,000	4,083,156	81,991,485		
School of Science	2001-2021	54,836,451	418,547	34,732,000	32,712,282	122,699,280	140,867,184	(30,354,435)
	2022	122,699,280	46,686	39,675,000	8,800,653	171,221,619		
State Hospital South	2001-2021	23,442,162	27,532,234	37,197,000	19,634,314	107,805,710	125,737,265	(26,105,566)
	2022	107,805,710	6,540,715	29,764,000	7,732,406	151,842,831		
University of Idaho	2001-2021	42,442,536	297,021	39,170,000	26,568,355	108,477,912	130,395,997	(26,887,134)
	2022	108,477,912	5,970,599	35,054,000	7,780,620	157,283,131		
Total				486,409,000		2,540,507,829	2,094,582,473	(445,925,356)

Gain Benchmark Summary Without Transfers						
Endowment	Fiscal Year	Beginning Benchmark	Deposits	Reinvested Income	Inflation Impact	Ending Benchmark
Public School	2001-2021	555,954,750	76,943,194	207,877,000	331,763,862	1,172,538,806
	2022	1,172,538,806	34,573,278	0	84,100,800	1,291,212,884
Agricultural College	2001-2021	14,787,041	62,101	12,643,000	9,105,051	36,597,193
	2022	36,597,193	0	0	2,624,948	39,222,141
Charitable Institutions	2001-2021	54,513,960	397,383	42,134,000	33,984,232	131,029,575
	2022	131,029,575	16,093	0	9,398,147	140,443,815
Normal School	2001-2021	47,258,942	24,810,495	28,656,000	29,804,633	130,530,070
	2022	130,530,070	6,461,533	0	9,362,320	146,353,923
Penitentiary	2001-2021	18,258,289	34,588	26,203,000	12,431,751	56,927,628
	2022	56,927,628	701	0	4,083,156	61,011,485
School of Science	2001-2021	54,836,451	418,547	34,732,000	32,712,282	122,699,280
	2022	122,699,280	46,686	0	8,800,653	131,546,619
State Hospital South	2001-2021	23,442,162	27,532,234	37,197,000	19,634,314	107,805,710
	2022	107,805,710	6,540,715	0	7,732,406	122,078,831
University of Idaho	2001-2021	42,442,536	297,021	39,170,000	26,568,355	108,477,912
	2022	108,477,912	5,970,599	0	7,780,620	122,229,131
Total			53,609,605	-		2,054,098,829

Permanent Fund	
Balance 6/30/2022	Difference
1,292,281,595	1,068,711
41,193,785	1,971,644
146,681,656	6,237,841
149,887,990	3,534,067
67,537,001	6,525,516
140,867,184	9,320,565
125,737,265	3,658,434
130,395,997	8,166,866
2,094,582,473	40,483,644

STATE BOARD OF LAND COMMISSIONERS

August 16, 2022

Regular Agenda

Subject

Fiscal Year 2024 Beneficiary Distributions

Question Presented

Shall the Land Board approve FY2024 beneficiary distributions of \$100,315,000?

Discussion

The Endowment Fund generated investment returns of -13.0% (-20.2% real return, net of 7.2% inflation) during fiscal year 2022. Idaho Department of Lands generated \$56.5 million in net revenue in fiscal year 2022 and \$151.1 million of timber was presold as of June 30, 2022. Earnings Reserves dropped below target levels but remain healthy. There are no transfers from Earnings Reserves into the Permanent Fund because balances are below target.

Recommendation

The Endowment Fund Investment Board recommends that the Land Board approve FY2024 beneficiary distributions of \$100,315,000.

Board Action

Attachments

1. Proposed FY2024 Distributions

Proposed Fiscal Year 2024 Distributions and Transfers

IDAHO DEPARTMENT OF LANDS

Land Board Meeting
August 16, 2022

Distribution Policy Summary

The Land Board has adopted the following principles:

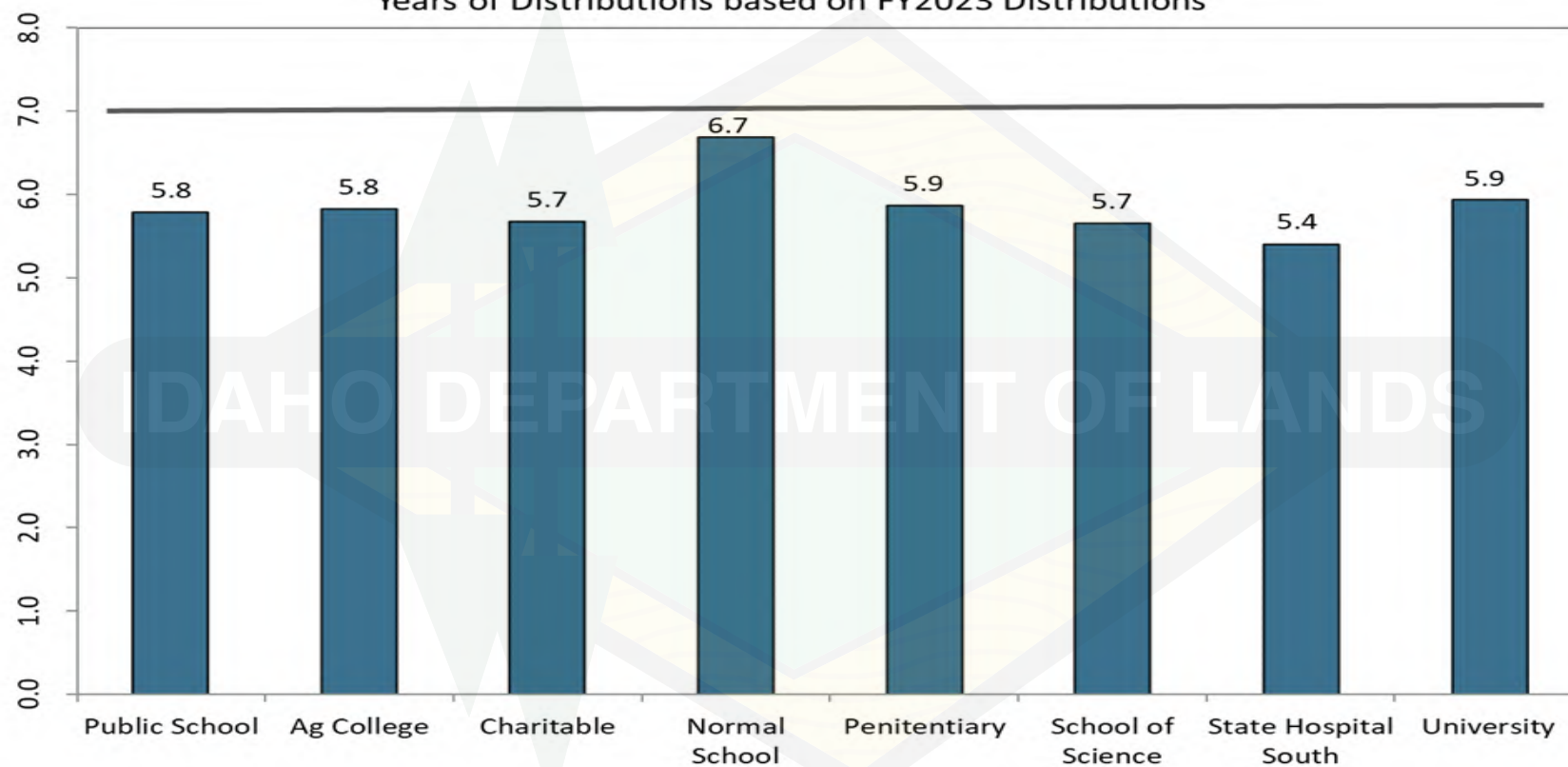
- Distribute 5% of the 3-year average value of each Permanent Fund annually (7% for State Hospital)
 - Adjusted for reserves, transfers and any other relevant factors
- Maintain Earnings Reserves at target levels based on years of beneficiary distributions
- Consider transferring any excess Earnings Reserves back to the Permanent Fund

Source: Land Board Investment Policy

Current Situation

- The Endowment Fund generated a -13.0% return (-20.2% real return, net of 7.2% inflation) in FY 2022.
- IDL generated \$56.5 million in net revenue in FY 2022 and \$151.1 million of timber was presold as of June 30, 2022.
- Earnings reserves dropped below target levels but remain healthy.

Coverage Ratio June 30, 2022
Years of Distributions based on FY2023 Distributions



RECOMMENDED ENDOWMENT DISTRIBUTIONS - FY 2024

(Based On June 30, 2022 Balances - \$ Millions)

	Total	Public School	Ag College	Charitable	Normal Schools	Penitentiary	School of Science	State Hospital South	University
FY 2017 Distribution	\$ 63.2	\$ 36.7	\$ 1.3	\$ 5.5	\$ 4.3	\$ 2.0	\$ 4.7	\$ 4.6	\$ 4.0
FY 2018 Distribution	\$ 73.5	\$ 47.0	\$ 1.3	\$ 5.5	\$ 4.3	\$ 2.0	\$ 4.7	\$ 4.6	\$ 4.0
FY 2019 Distribution	\$ 78.2	\$ 50.3	\$ 1.4	\$ 5.8	\$ 4.4	\$ 2.2	\$ 4.8	\$ 5.0	\$ 4.2
FY 2020 Distribution	\$ 80.9	\$ 51.3	\$ 1.5	\$ 5.8	\$ 4.9	\$ 2.2	\$ 4.9	\$ 6.0	\$ 4.4
FY 2021 Distribution	\$ 84.5	\$ 52.6	\$ 1.6	\$ 6.0	\$ 5.3	\$ 2.5	\$ 5.4	\$ 6.4	\$ 4.8
FY 2022 Distribution	\$ 88.1	\$ 54.8	\$ 1.7	\$ 6.2	\$ 5.5	\$ 2.7	\$ 5.7	\$ 6.4	\$ 5.1
FY 2023 Distribution	\$ 100.3	\$ 61.5	\$ 1.9	\$ 7.0	\$ 6.6	\$ 3.1	\$ 6.7	\$ 7.6	\$ 5.9
FY 2024 Distribution	\$ 100.3	\$ 61.5	\$ 1.9	\$ 7.0	\$ 6.6	\$ 3.1	\$ 6.7	\$ 7.6	\$ 5.9
% Change: 2024 vs. 2023 Distribution	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Earnings Reserves status (as of 6/30/22)

Earnings Reserve Policy Target (in years)	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Years of reserves, before transfer	5.8	5.8	5.7	6.7	5.9	5.7	5.4	5.9	5.9
Years of reserves, after transfer	5.8	5.8	5.7	6.7	5.9	5.7	5.4	5.9	5.9

Earnings Reserve Balance (6/30/22)	\$ 583.2	\$ 356.1	\$ 11.2	\$ 39.8	\$ 44.0	\$ 18.4	\$ 37.7	\$ 41.0	\$ 34.9
Recommended Transfer to Perm Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings Reserve Balance After Transfer	\$ 583.2	\$ 356.1	\$ 11.2	\$ 39.8	\$ 44.0	\$ 18.4	\$ 40.2	\$ 41.0	\$ 34.9

Land Board Recommendation

- Approve FY2024 beneficiary distributions of \$100,315,000. There are no transfers from Earnings Reserves into the Permanent Fund because balances are below target.

	<i>Distributions To Beneficiaries</i>				<i>Transfer To Permanent Fund*</i>
	<i><u>Approved FY2023</u></i>	<i><u>Proposed FY2024</u></i>	<i><u>% Change</u></i>	<i><u>\$ Change</u></i>	
Public School	61,532,200	61,532,200	0.0%	-	-
Ag College	1,927,500	1,927,500	0.0%	-	-
Charitable Institution	7,008,000	7,008,000	0.0%	-	-
Normal School	6,568,700	6,568,700	0.0%	-	-
Penitentiary	3,139,600	3,139,600	0.0%	-	-
School of Science	6,672,700	6,672,700	0.0%	-	-
State Hosp. South	7,586,400	7,586,400	0.0%	-	-
University	5,879,900	5,879,900	0.0%	-	-
	100,315,000	100,315,000	0.0%	-	-

* Amount of Earnings Reserve in excess of what is deemed adequate relative to the 2024 distribution. The adequate reserve level for all endowments is set at seven years.

** Amount of the transfer that will be considered a permanent increase in original corpus.

All calculations subject to adjustment pending final audit of fiscal year 2022 results.

STATE BOARD OF LAND COMMISSIONERS

August 16, 2022

Regular Agenda

Subject

Fiscal Year 2024 Department of Lands Budget Enhancements

Question Presented

Shall the Land Board direct the Department to include the enhancement requests as outlined in Attachment 1 in the Fiscal Year 2024 budget proposal due on September 1, 2022?

Background

The Idaho Department of Lands (Department) is requesting concurrence on the proposed FY2024 Enhancement Decision Units. Pursuant to Idaho Code § 67-3502, agencies must submit their budget request to the Division of Financial Management (DFM) and the Legislative Services Office (LSO) by September 1, 2022. The Land Board briefing and meeting schedules prevent the Department from having the full budget request ready for the August meeting. The complete budget will be presented for Land Board approval at its September meeting.

Discussion

The Department is asking for consideration of the attached decision units. The proposed decision units align with the strategic goals that are detailed in the Department's strategic plan document. The strategic plan is organized around four foundational Department-wide goals: (1) Financial Stewardship – Maximize returns through prudent management of resources and funds, (2) Customer Focus – Exemplary professional service to all customers, (3) People – A high performing workforce, and (4) Process – Effective policies, procedures, and systems to drive informed decision making. Additionally, the Department has outlined six future-proofing goals to include: (1) Classification & Compensation, (2) Office Facilities, (3) Seasonal Housing Facilities, (4) Fire Program Modernization, (5) Fund Integrity, and (6) Policy & Procedures.

The Department is developing a budget submission for FY2024 that includes FY2023 supplemental and FY2024 new enhancements that will further efforts to meet these Department goals. In Attachment 1, the Department's proposed enhancements are listed in order of priority.

As outlined in Attachment 1, the FY2023 supplemental requests for one-time general fund enhancements equals \$1,771,400 and are all one-time requests.

The enhancements in the Department's budget request reflect the following increases over the FY2023 ongoing appropriation:

Fund Type	Increase from FY2023 Base Budget	
	All Ongoing <u>and</u> One-Time Requests Total	All Ongoing Requests Total
General Fund	\$2,873,700 (32.6%)	\$1,077,850 (12.2%)
Earnings Reserve Fund	\$3,096,000 (9.8%)	\$2,500,000 (7.9%)
Lands Dedicated Fund	\$326,600 (1.8%)	\$184,250 (1.0%)
Federal Funds	\$0 (0%)	\$0 (0%)

The Department has worked with the DFM Administrator and Governor's office contact in developing its budget request as outlined in the June 2, 2022 FY 2024 Budget Overview memo from DFM. As the Department moves through the rest of the budgeting submission process, staff will continue to follow DFM guidelines.

Recommendation

Direct the Department to include the enhancement requests as outlined in Attachment 1 in the Fiscal Year 2024 budget proposal due on September 1, 2022.

Attachments

1. FY2024 Enhancement Decision Unit Requests

IDL DRAFT ENHANCEMENT BUDGET REQUESTS - FY2024 + FY2023 Supplementals

IDL DRAFT ENHANCEMENT BUDGET REQUESTS - FY2024 + FY2023 Supplementals						
No.	Budget Unit	Enhancement Description	Amount	Object Ongoing or One-Time	Funding Source (%) GF/DED/ER	FTPs Requested
1	LAAD: Fire	Establish Cottonwood District - Staffing	\$700,300 TOTAL OF PRIORITY #1			
		One Warden 1.0 FTP	\$90,500	PC - Ongoing	100% GF	5.82
		Two Asst Wardens 2.0 FTP	\$163,400			
		Three Resource Foreman 2.49 FTP (.83 each)	\$175,200			
		Office Specialist 0.33 FTP	\$11,700			
		Nine Seasonal Firefighters	\$150,000	OE - Ongoing		
		Travel, Training, Fuel, Supplies	\$56,000			
Dispatch Center Cost Sharing	\$50,000					
		Software Licenses (O365 + VOIP)	\$3,500			
2	LAAD: Fire	Establish Cottonwod District - Equipment - FY23 SUPPLEMENTAL	\$340,400 TOTAL OF PRIORITY #2			
		Three Command Vehicles	\$144,000	CO - One-Time	100% GF	
		One Crew Cab	\$76,400			
		Communication Equipment	\$90,000			
		Computer Equipment + Office Setup	\$30,000			
3	LAAD: Fire	Strategically Located Engines - Staffing	\$275,000 TOTAL OF PRIORITY #3			
		Seasonal Firefighters (15+)	\$250,000	PC (TPC) - Ongoing	100% GF	
		Fuel + Maintenance for Five Engines	\$25,000	OE - Ongoing		
		4	LAAD: Fire	Fire Equipment - FY23 SUPPLEMENTAL	\$831,000 TOTAL OF PRIORITY #4	
Five Type 5 Engines - For Strategic Locations (above)	\$630,000			CO - One-Time	100% GF	
Two Command Vehicles (Teaken and North Booster Crew)	\$96,000					
Fire Detection Cameras	\$50,000					
CTS Repeaters	\$30,000					
Pallet Wrapper	\$25,000					
5	LAAD: Fire	Fire Zone Manager - South	\$103,100 TOTAL OF PRIORITY #5			
		One Lands Program Manager 1.0 FTP	\$98,600	PC - Ongoing	50% GF/50% DED	1
		Travel, Training + Office Supplies	\$1,500	OE - Ongoing		
		Computer Equipment + Office Setup	\$3,000	CO - One-Time		
6	LAAC: TLM	Forest Management Projects - Additional Spending Authority	\$2,500,000 TOTAL OF PRIORITY #6			
		Management Project Funding to Meet Increased Harvest Levels	\$2,500,000	OE - Ongoing	100% ER	

7	LAAC: TLM	Seasonal Housing Facility (Kamiah, ID) - FY23 SUPPLEMENTAL Housing for up to 20 Seasonals	\$600,000 TOTAL OF PRIORITY #7 \$600,000	OE/CO - One-Time	100% GF	
8	LAAB: FRM	GNA Staff One Lands Resource Specialist, Sr. One 1/2 Ton Pickup Truck Computer Equipment + Office Setup	\$127,600 TOTAL OF PRIORITY #8 \$81,700 \$42,900 \$3,000	PC - Ongoing CO - One-Time	100% DED	1
9	LAAB: FRM	GNA Equipment Four ATVs, Two Track Systems + Two Trailers	\$72,000 TOTAL OF PRIORITY #9 \$72,000	CO - One-Time	100% DED	
10	LAAB: FRM	FPA Staff One Lands Resource Supervisor Travel, Training + Fuel One 1/2 Ton Pickup Truck Computer Equipment + Office Setup	\$150,900 TOTAL OF PRIORITY #10 \$90,500 \$14,500 \$42,900 \$3,000	PC - Ongoing OE - Ongoing CO - One-Time	50% GF/50% DED	1
11	LAAC: TLM	Commercial Building Repairs Capitol Park Plaza HVAC and Roof Replacement	\$500,000 TOTAL OF PRIORITY #11 \$500,000	OE - One Time	100% ER	
12	LAAC: FRM	Scaling Program Vehicles Three small SUV	\$96,000 TOTAL OF PRIORITY #12 \$96,000	CO - One-Time	100% ER	
**	LAAD: Fire	Timber Protection Associations (TPAs) CPTPA 1% CEC and 1% Inflation Adjustment SITPA 1% CEC and 1% Inflation Adjustment SITPA Dispatch Center Contribution	\$23,800 TOTAL OF PRIORITY #13 \$8,500 \$4,200 \$11,100	T&B - Ongoing T&B - Ongoing T&B - Ongoing	100% GF	
SUMMARY DATA			\$1,795,850 One-Time GF Requested \$1,077,850 Ongoing GF Requested \$738,350 One-Time "Other" Funds Requested \$2,684,250 Ongoing "Other" Funds Requested \$6,296,300 Total Requested			
			\$1,771,400 FY2023 Supplemental Requests \$4,524,900 FY2024 Requests \$6,296,300 Total Requested			
*All FY2023 supplementals will require carry forward authority. **The TPA's enhancement request will not be submitted through IDL's budget request.			8.82 New FTPs			

STATE BOARD OF LAND COMMISSIONERS

August 16, 2022

Information Agenda

Subject

Future of the Cottage Site Leasing Program

Background

The leasing of State Endowment Trust Land for use as residential sites, known as cottage sites, has been active since the early 1900s. In a typical cottage site lease the lessee has a leasehold interest in the cottage site land while owning and maintaining approved residential structures, creating a split estate.

On February 16, 2010, the State Board of Land Commissioners (Land Board) directed the Idaho Department of Lands (Department) to unify 523 cottage site split estates. Since 2011, the annual auction cycles have resulted in the transition of 463 cottage site lots to private ownership (148 lots at Payette Lake and 315 lots at Priest Lake) for a total of \$226,681,625 to the endowments.

On December 19, 2017, the Land Board approved the 2018 Cottage Site Leasing Plan. This plan provided lessees the option to continue participation in the Voluntary Auction for Ownership (VAFO) Program through December 31, 2024, with the goal of unifying the split estate on as many cottage sites as possible during that time.

Currently, there are 60 remaining cottage sites, with 32 cottage site lessees having expressed interest in upcoming VAFO cycles. An estimated remaining 28 cottage sites will need to be leased beyond the 2024 calendar year (Attachment 1).

Discussion

In 2021, the Department began to plan and develop a path forward for the cottage site leasing program beyond 2024. The Department proposed three options for the future of cottage site leases:

- Option 1 – Long-term ground lease (30 years) with improvements reverting to the State
- Option 2 – Long-term lease (30 years) ending in auction of entire estate
- Option 3 – Short-term lease (10 years) ending in auction of the lease

In February 2022, letters were sent to 43 cottage site lessees outlining the above options and requesting their feedback as to which options were of interest (Attachment 2). The Department received feedback from 15 lessees; their responses are shown in Table 1.

Table 1 – Survey Results

Cottage Site Leasing Options	Number of Interested Lessees*
Option 1 – Long-term ground lease with improvements reverting to the State	2
Option 2 – Long-term lease ending in auction of estate	7
Option 3 – Short-term lease ending in auction of lease	6
Other/None of the proposed options	2

*Some lessees indicated support for more than one option; a total of 15 lessees responded.

In addition to lessee surveys, the Department gathered information relating to residential leasing programs operated by other western states. A summation of that information is in Table 2.

Table 2 – Residential Leasing in the Western States

State	Lease Rate	Notes
Montana	5% of appraised land value	Lease fee determined at auction and is first year's rent. Each year thereafter rate increases by 2% for 15 years. Rent is adjusted at 15 years (or renewal) to 5% of appraised land value. 2% increase remains for life of lease.
Utah	5 times the value of the land	Utah's residential leasing portfolio is nearly all comprised of cow camp/ranch cabins along grazing routes on low value land. Most are 20-30 years in length. Minimum policy for rent is \$5,000/year.
Colorado	N/A	The few residential leases are handled as a commercial ground lease which includes annual base payments or gross receipt rent, escalations of rent of either flat percentage or CPI, lease length of 35-49 years, and the lessee owned improvement reverts to the State at the end of the lease.
Nevada	N/A	No equivalent program/leases.
New Mexico	N/A	No true analogue exists to cottage site leases. They do lease "Homestead" sites, which are residential improvements associated with a grazing or agricultural lease. Rent is negotiated on a case-by-case basis.
Wyoming	5.5% of appraised land value	Lease terms are generally 25 years with a 5-year reappraisal cycle. If able, they may use comparable properties to determine rent.

After considering lessee feedback, market information, and gauging lessee interest, the Department proposes offering the following options to cottage site lessees (Attachment 3).

Option 1 – Long-term Lease: 30-year lease, ending in auction of the lease or the entire estate, at the Department's discretion. Rent for this option would be 5% of appraised value with a 10-year re-appraisal cycle. Rent will also include an annual increase that is determined by CPI or a flat rate of 2%, whichever is greater.

Option 2 – Short-term Lease: 10-year lease ending with the auction of the lease. Rent will be 4.5% of appraised value with re-appraisal upon lease expiration. Rent will also include an annual increase that is determined by CPI or a flat rate of 2%, whichever is greater.

Option 3 – Short-term Lease: 5-year lease ending with the auction of the lease. Rent will be 4% of appraised value with an annual increase that is determined by CPI or a flat rate of 2%, whichever is greater.

Other Considerations:

Voluntary Auction for Ownership (VAFO) opportunities will still be available to all lessees, though not on an annual basis. The Department will determine future VAFO dates (likely every 3-5 years) to maximize revenue while balancing the costs of administering the auction. The level of lessee interest will also play a vital role in the frequency of VAFO cycles.

Attachments

1. VAFO/ULA History and 2024 Projections
2. February 2022 Cottage Site Leasing Options Letter
3. Cottage Site Leasing Options Chart

VAFO/ULA History - 2024 Projections

As of August 8, 2022

Payette Lake Cottage Sites																
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Lots Sold / VAFO & ULA	0	2	2	13	21	51	30	14	9	6	0	0				148
Remaining Lots	168	166	164	151	130	79	49	35	26	20	20	20				
Expressed interest in future VAFO cycle													3	4	0	
Remaining Lots after future cycles													17	13	13	

Priest Lake Cottage Sites																
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Lots Sold / VAFO & ULA	0	0	0	0	59	43	43	57	50	29	18	16				315
Remaining Lots	355	355	355	355	296	253	210	153	103	74	56	40				
Expressed interest in future VAFO cycle													7	15	3	
Remaining Lots after future cycles													33	18	15	

Priest & Payette Lake Cottage Sites																
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Lots Sold	0	2	2	13	80	94	73	71	59	35	18	16				463
Remaining Lots	523	521	519	506	426	332	259	188	129	94	76	60				
Expressed interest in future VAFO cycle													10	19	3	
Remaining Lots after future cycles													50	31	28	

Payette 20 of 168 lots left = **12%** or 148 sold of 168 **88%**
 Priest 40 of 355 lots left = **11%** or 315 sold of 355 **89%**
 Both Lakes 60 of 523 lots left = **11%** or 463 sold of 523 **89%**

TRUST LAND MANAGEMENT DIVISION
IDAHO DEPARTMENT OF LANDS
300 N 6th Street
Boise, ID 83702
Phone (208) 334-0200
Fax (208) 334-3698



STATE BOARD OF LAND COMMISSIONERS
Brad Little, Governor
Lawrence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D Woolf, State Controller
Sherri Ybarra, Sup't of Public Instruction

February 24, 2022

Re: Future of the Cottage Site Leasing Program

Dear Cottage Site Lessee:

On November 16, 2021, the Idaho Department of Lands (Department) received approval from the Idaho State Board of Land Commissioners (Land Board) to begin outreach to existing cottage site lessees to gauge interest in various leasing options for the future of cottage site leases.

Considering the approaching expiration of the leased cottage sites, the Department is considering three options for fulfilling the Land Board's directive to "unify the estate" of each site. Based on feedback received from existing lessees, the Department will present a plan to the Land Board in August 2022.

Option One – Long-term Ground Lease: The Department will offer a lease consistent with terms typically found in private ground leases. In particular, the lessee owns existing improvements or may elect to construct improvements on the leased cottage site for the duration of the lease, but the ownership interest in the improvements will revert to the endowment at the close of the lease term, thereby unifying the land estate.

The lease length (i.e., term) for cottage sites under Option One will be 30 years to provide long-term security to lessees while supporting the transition of full ownership to the endowment. A lease rate and reappraisal schedule will be established by the Department by working with third-party advisors and the Office of the Attorney General (OAG) to set a market rate and leasing structure in the endowment beneficiaries' best interests. In addition, this option will not allow for periodic Voluntary Auction for Ownership (VAFO) cycles.

Option Two – Long-term Lease ending in Auction of the Entire Estate: The Department will offer a 30-year lease term that eliminates the split estate through a mandatory auction for the improvements and real property at the end of the lease. Option Two will have the highest lease rate among the options because of the long-term security for the lessee and the possibility for lessee compensation for lessee made improvements at the end of the lease term. Lessees who are unsuccessful in winning the final auction for the entire estate, under this option, shall be compensated by the winning bidder for the value of improvements made by lessee, as valued by a third-party appraiser selected by the Department. This option will allow for periodic enrollment by lessees into the VAFO process, as determined by the Department.

Option Three – 10-year Lease Ending in Auction of Lease: A final option for the remaining lessees will be a 10-year lease term structured similarly to the current lease. Option Three will offer lessees a periodic option to participate in the VAFO process. This option provides flexibility to the lessee and will be offered at a slightly lower rate than Option Two. However, this lease structure provides more opportunities for interested parties to apply and participate in a lease auction at the end of the lease term and does not unify the estate.

IDL would appreciate your feedback on the proposed options as we gauge lessee interest in the proposed options. Please email your desired option and any comments to: comments@idl.idaho.gov, with the subject line “Future of Cottage Sites.” Alternatively, you may provide feedback by completing and returning the comment form on page 3.

Respectfully,

Josh Purkiss
Real Estate Services Bureau Chief

Enc.\1 - Cottage Site Lessee Comment Form

Cottage Site Lessee Comment Form

Please check which of the following options you support:

- ☐ OPTION ONE – Long-Term Ground Lease
- ☐ OPTION TWO – Long-Term Lease Ending in Auction of Entire Estate
- ☐ OPTION THREE – 10-year Lease Ending in Auction of Lease
- ☐ None of the Above - Please indicate an alternative solution in your comment below

Please provide any feedback or questions in the space provided below or attach a typed letter.



IDAHO DEPARTMENT OF LANDS

Please return completed forms to:
Idaho Department of Lands
Attn: Real Estate Bureau
300 N 6th St Suite 103
Boise, ID 83720

or email to: comments@idl.idaho.gov

2025 Cottage Site Leasing Plan Options



STATE BOARD OF LAND COMMISSIONERS

August 16, 2022
Information Item

Subject

Reinvestment of the Agricultural College Endowment Land Bank Funds

Background

The Idaho Department of Lands (Department) has worked with the Agricultural College since 2017 to sell 282 acres of Agricultural College endowment land (Property) located in the city of Caldwell that was no longer used for experimental farming. The Department requested and received approval to sell the property at the March 16, 2021 State Board of Land Commissioners' (Land Board) meeting (Attachment 1). The Property sold at public auction in November of 2021 for \$23,250,000. Pursuant to Idaho Code § 58-133, the proceeds of the auction were placed in the "land bank fund," to be used for the acquisition of real property or moved to the permanent endowment fund at the discretion of the Land Board.

Discussion

The Agricultural College endowment is requesting that the proceeds from the sale of the Property be used to acquire 638.11 acres of farmland located 13 miles north of Rupert in Minidoka County (Attachment 2). In addition to purchasing the land, the Agricultural College is requesting that the remaining balance of Property auction proceeds is used for the construction of buildings on the land in Minidoka County.

The Department continues to review the proposals and work with the Agricultural College to bring forward a recommendation at a future Land Board meeting.

Attachments

1. March 16, 2021 Approved Memo
2. Minidoka County Land Vicinity and Detail Maps

STATE BOARD OF LAND COMMISSIONERS

March 16, 2021

Regular Agenda

Subject

Approval to offer for auction Agricultural College endowment (Agricultural Endowment) land, known as the Caldwell Area Property Assemblage (Property), located at East Homedale Road and South 10th Avenue, Caldwell, Idaho

Question Presented

Shall the Land Board direct the Department to dispose of the Property?

Background

In September 2016, the Idaho Department of Lands (Department) met with representatives from the University of Idaho (University) seeking consideration from the Department and eventually, the State Board of Land Commissioners (Land Board), to dispose of the Property.

The Property considered for disposition is approximately 282 acres, divided into two separate legal lots of 161.73 and 120.25 acres, located in Canyon County (Attachment 1). The land came into state endowment ownership through the "in-lieu" land process. The State of Idaho and the General Land Office (federal land office) worked together to identify these lands for addition to the Agricultural Endowment portfolio. The Property was subsequently transferred into State of Idaho ownership with Clear List AC018BOI (Attachment 2) on January 31, 1908.

On land adjacent to the Property, the University built and maintained a veterinarian training facility commonly known as the Caine Veterinary Teaching Facility (CVTF). In addition, the University housed staff in structures on the Property and allowed the Idaho Department of Fish and Game to use a portion for storage and big game studies.

In 2020 the University sold the CVTF facility and the approximately 40 acres of land it owned adjacent to the Property. The University determined that the Property no longer serves the best interest of the University and would like to dispose of the Property.

The University requested and was granted an easement (Attachment 3) for the Property in 1947 to use as an "experimental farm and improvements thereon" for \$1. As part of the disposition process, the Department will require the easement to be released or terminated before the Property's marketing begins.

Discussion

As part of the due diligence process, the Department sought guidance from CenturyPacific LLLP (CenturyPacific), the Land Board's real estate advisor, to determine if it is in the best interest of the Agricultural Endowment to divest of the Property. CenturyPacific completed a business plan (Attachment 4) that recommends "the Property should be aggressively marketed and sold pursuant to a sale process that is consistent with the State of Idaho constitution."

Over the past five years, the Department completed the necessary due diligence to prepare the Property for disposition which included appraisals, review appraisals, title commitment, ALTA survey, conceptual land-use plan, and an environmental site assessment. Upon Land Board approval, the Department will begin the process of hiring a real estate broker to market and facilitate the auction. The broker will post all due diligence materials for interested parties, including property-specific appraisals, review appraisals, environmental assessments, and preliminary title commitments. After the marketing period, the Department will offer the property for sale at auction in one or more parcels with the combined auction price beginning at the appraised value of \$5,726,000. The Department will follow the statutory requirements for the disposition of endowment land as provided in Idaho Code § 58-313 *et seq.*

The proposed schedule:

- Create a Property Information Portal for due diligence: 3/16/21
- Contract a real estate broker: 3/18/21 – 5/1/21
- Release or termination of easement executed
- Market the Property for a minimum of 60 days
- Advertise the legal notice for the public auction in the Idaho Statesman for five weeks prior to the auction
- Auction held between 7/15/21 – 8/30/21
- Closing to be held within 60 days of the auction

The terms of the sale will include:

- Live public auction held in Ada or Canyon County
- Starting bid not less than appraised value
- Bidders required to post a nonrefundable bid deposit equal to the greater of 3% of the appraised value or \$10,000, unless otherwise approved by the Department
- A buyer's premium of 3% added to the successful bid price
- No contingencies
- Buyer responsible for all closing costs and title insurance
- Closing within 60 days after close of auction

Recommendation

Direct the Department to offer the Caldwell Area Property Assemblage for sale at auction in Ada or Canyon County upon confirmation of the University of Idaho's relinquishment of the 1947 easement.

Board Action

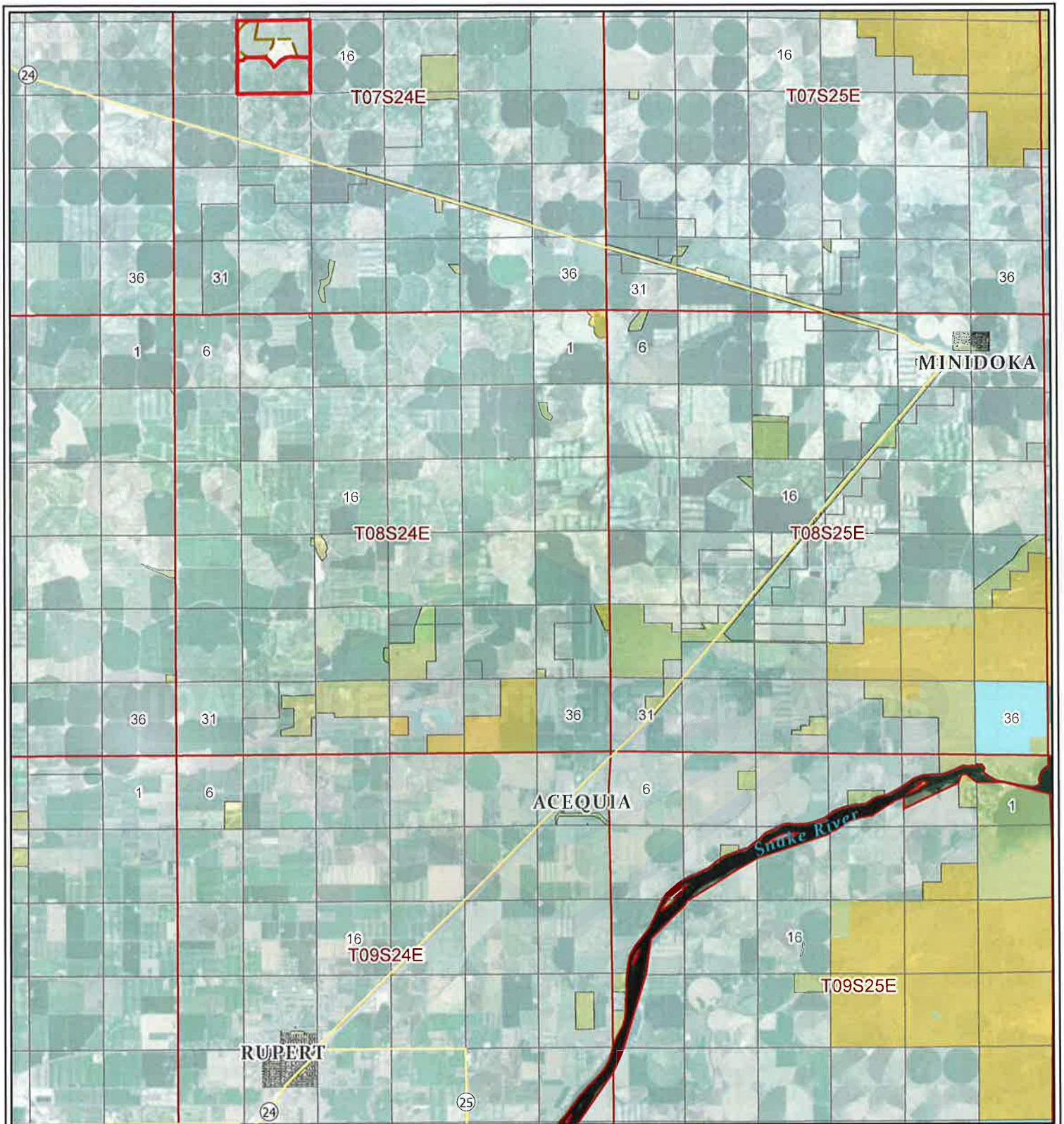
A motion was made by Attorney General Wasden that the Land Board direct the Department to offer the Caldwell Area Property Assemblage for sale at auction in Ada or Canyon County upon confirmation of the University of Idaho's relinquishment of the 1947 easement. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

Attachments

1. Caldwell Area Property Assemblage map
2. Clear List Deed
3. University of Idaho Easement
4. Property Business Plan by CenturyPacific



IDAHO DEPARTMENT OF LANDS



 Subject Property

 Parcels

Ownership

Bureau of Land Management

National Wildlife Refuge

Bureau of Reclamation

State

Other State

Private

CAFE Center Land

Sec. 17 - T07S - R24E

Minidoka County, Idaho

8/4/2022



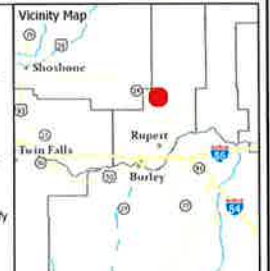
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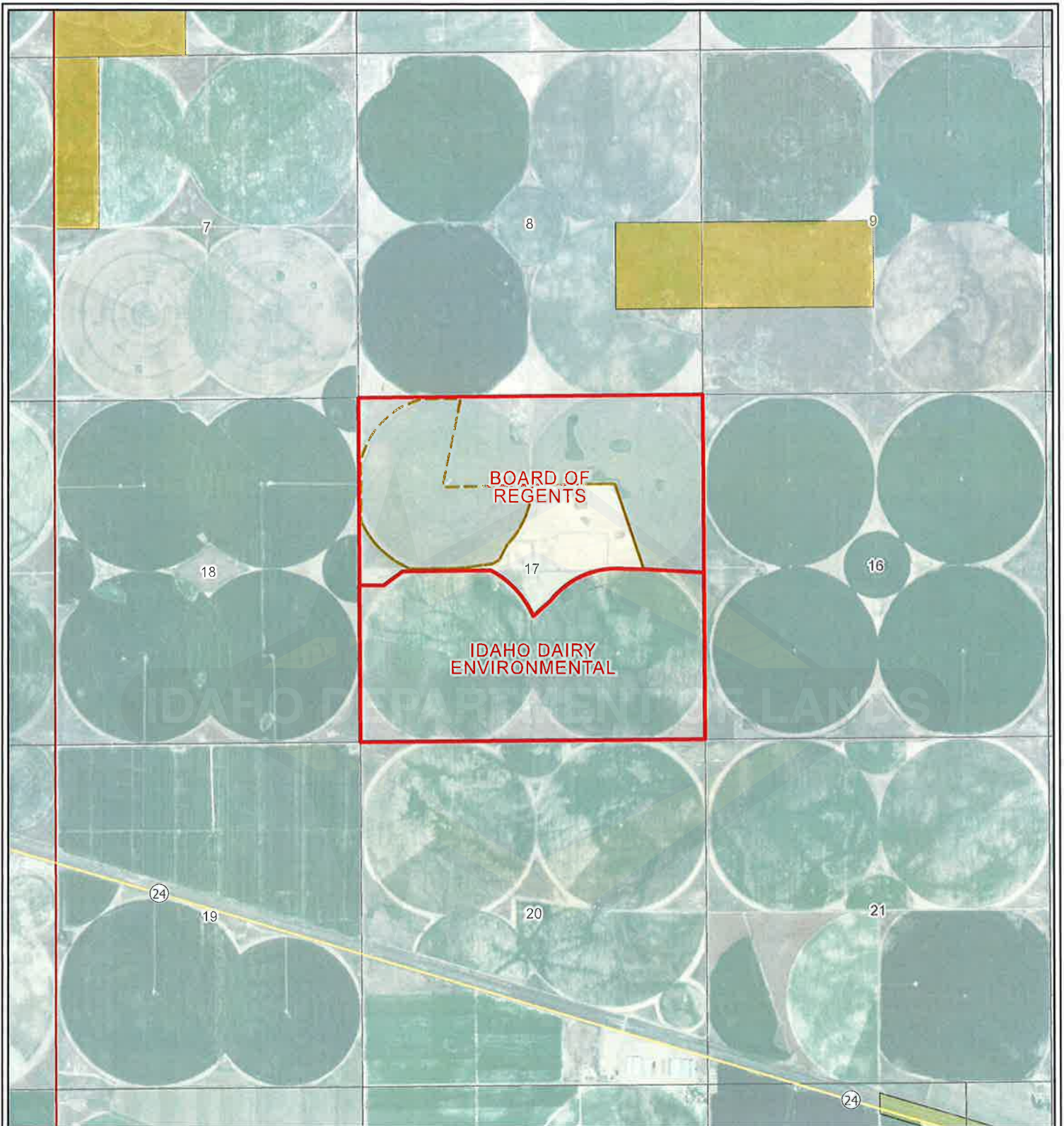
Map Notes

Projection: Idaho Transverse Mercator, NAD 83

Map Notes and Data Sources

Disclaimer:
This map has been compiled using the best information available to the Idaho Department of Lands at the time and may be updated and/or revised without notice. In situations where known accuracy and completeness is required, the user has the responsibility to verify the accuracy of the map and the underlying data sources.





Subject Property

Parcels

Ownership

Bureau of Land Management

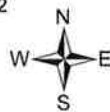
Bureau of Reclamation

Private

CAFE Center Land

Sec. 17 - T07S - R24E
Minidoka County, Idaho

8/4/2022



0 0.25 0.5 Miles

Map Notes

Projection: Idaho Transverse Mercator, NAD 83

Map Notes and Data Sources

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University of Idaho

College of Agricultural
and Life Sciences

CALDWELL PROCEEDS AND CAFE EXPERIMENTAL FARM

Presentation to Idaho State Board of
Land Commissioners
August 16, 2022

IDAHO CAFE

IdahoCAFE

Center for Agriculture, Food and the Environment

A REGIONAL MODEL

Experimental Farm / Research Dairy

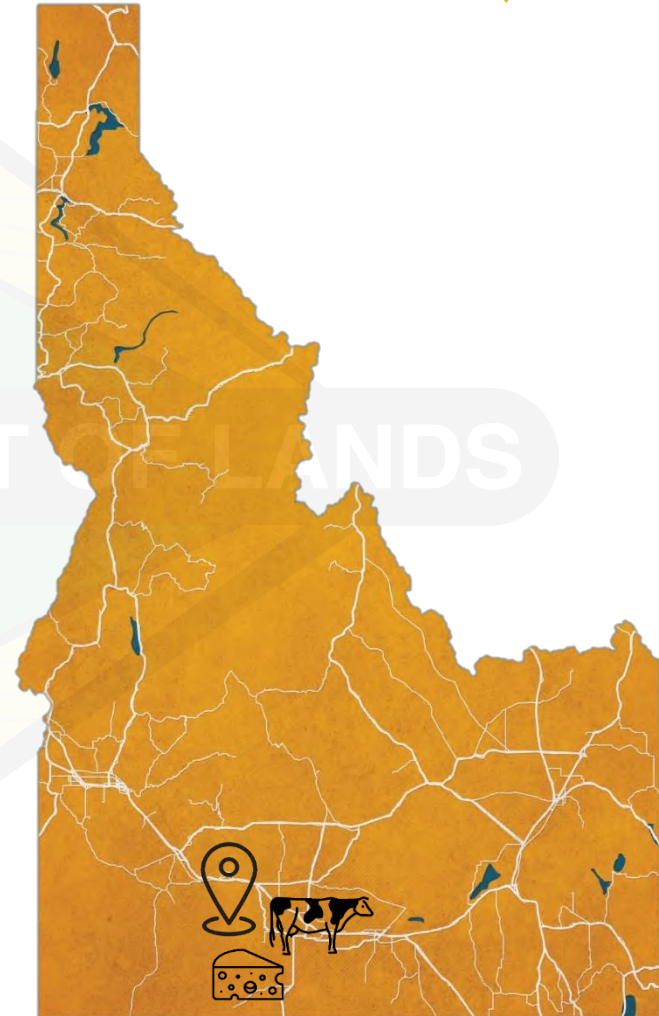
Rupert (*Minidoka County*)

Discovery Center, classrooms, labs, faculty offices

Crossroads I-84/Hwy93 (*Jerome County*)

Food processing pilot plant, workforce training/edu facility

CSI Campus (*Twin Falls County*)



IDAHO CAFE



IdahoCAFE

Center for Agriculture, Food and the Environment

- U of I has a need for an experimental farm to better serve Idaho agriculture
- Idaho dairy industry is #3 in the nation
- #1 agricultural commodity in Idaho
- With the close and sale of the Caldwell experimental farm, CALS only has one off-campus farm focused on large animals
- CAFE is critical to the continued delivery of the WIMU Veterinary Medicine program

RESEARCH AT CAFE

- Representative of the **size of a modern dairy** (cows and acres) to conduct experiments relevant for Idaho producers
- Located where the dairy industry thrives
- Integrates **animal and agronomy research** on the same site through forage production & nutrient management
- Develop waste management systems to **create byproducts** like fertilizers for crops

RESEARCH AT CAFE

- Develop strategies to **mitigate greenhouse gas emissions** from animals, housing areas, waste systems, and in-field applications, thereby advancing the dairy industry's **nationwide net zero initiative**
- Incorporate **sensors** and **artificial intelligence** to appropriately apply nutrients, including water, to crops and aid in animal well-being
- Support the **economic viability** of agriculture through sustainable crop rotational patterns focused on maintaining healthy soil and efficient use of water

FINANCIAL ANALYSIS

Sources of Funds

Source:	Amount:
State of Idaho	\$ 10,000,000
State of Idaho Land Board - Caldwell Proceeds	17,250,000
Federal (ARS)	1,000,000
Federal (ARS) - expected \$6mm rec'd in 2024	6,000,000
CALS	2,290,000
CALS - Phases 1 and 2 pledges	2,170,000
Central	1,400,000
Additional Fundraising Goal	3,202,007
Land Board Purchasing Original Farm Land	6,000,000
Total Sources of Funds:	\$ 49,312,007

* Includes all donations, or contributions, of equipment, rolling stock, labor, etc.

FINANCIAL ANALYSIS

Uses of Funds

<u>Capital Expenditures</u>		
Improvements - construction bid	\$ 29,962,845	
Machinery & Equipment	1,999,102	
Buildings & Offices	11,762,590	
Rolling Stock	1,290,000	
Capital Expenditures:		\$ 45,014,537
<u>Initial Feed Purchases</u>		
Forages	\$1,467,500	
Grain	345,970	
Initial Feed Purchases:		\$1,813,470
<u>Original Purchase of Herd</u>		
# Milking Cows	1,200	
% Dry Cows	15%	
# Dry Cows	180	
\$/Milking Cow	\$1,800	
\$/Dry Cow	\$1,800	
Milking Cow Purchases	\$2,160,000	
Dry Cow Purchases	324,000	
Original Herd Value:		\$2,484,000
Total Uses of Funds:		\$ 49,312,007

FINANCIAL ANALYSIS

Return on Investment

Initial Investment Amount - University-Controlled Funds	\$ (45,014,537)			
		Change in Debt	Land Appreciation	Return in Year:
Cash Flow, Year 1:	\$ -	\$ (1,627,350)		\$ (1,627,350)
Cash Flow, Year 2:	-	2,815,750		2,815,750
Cash Flow, Year 3:	2,301,282	452,306		2,753,588
Cash Flow, Year 4:	5,079,845	-		5,079,845
Cash Flow, Year 5:	5,226,585	-		5,226,585
Cash Flow, Year 6:	5,177,059	-		5,177,059
Cash Flow, Year 7:	4,735,601	-		4,735,601
Cash Flow, Year 8:	5,292,321	-		5,292,321
Balance Sheet Equity - End of Year 8 Less Cash, Plus A/D factor:			\$ 1,600,620	\$46,629,459
Internal Rate of Return - Cash:	7.20%			

PROPOSAL FRAMEWORK

Purchase and Sale Agreement

- UI proposes to sell approximately 640 acres of land in Rupert to the Endowment at the appraised value of \$6M
- Purchase price to come from funds in the Land Bank generated from 2021 sale of Endowment property in Canyon County
- This land will encompass the entirety of the Operating Dairy

Experimental Farm Operating Agreement

- Build-out of an Operating Dairy
- Operations
- Liquidation at end of agreement

PROPOSAL FRAMEWORK

Build-out of the Operating Dairy

1. Operating Agreement authorizes UI to construct Buildings/Improvements for the Operating Dairy
2. Land Bank Funds up to \$17.25M will be applied to Buildings/Improvements as follows:
 - a) Site Preparation: UI will use \$6M from sale of property to the Endowment plus additional internal UI funds to complete
 - b) Endowment Buildings/Improvements with Land Bank Funds:
 - Option 1: Construction by UI for the Endowment with construction funded using \$17.25M balance
 - ❖ Estimated \$800K – 1M savings to beneficiary
 - Option 2: UI funds construction and sells to Endowment for construction cost upon completion, up to the balance of \$17.25M
 - ❖ Under either option, title to completed Improvements funded with Land Bank funds is held in the Endowment

PROPOSAL FRAMEWORK

Build-out of the Operating Dairy (cont'd)

- c. UI Additional Buildings/Improvements (UI Funds)
Operating Agreement allows UI to build additional Buildings/Improvements on Endowment Lands after approval. There are two anticipated categories:
1. Operating Dairy. Those buildings in addition to Endowment Buildings/Improvements necessary to complete an operational dairy
 2. Additional Buildings/Improvements. UI may construct and fund additional Buildings / Improvements for use in conjunction with the Operating Dairy
- ❖ UI retains ownership of these buildings/fixtures

PROPOSAL FRAMEWORK

Operations Post Build-out

- Land Board designates University of Idaho as manager, occupant, and sole operator to develop and operate the experimental farm and research dairy in accordance with the Morrill Act
- UI will be responsible for all operations and maintenance of the Operating Dairy, including the land and all Buildings/Improvements

PROPOSAL FRAMEWORK

Liquidation of Dairy at the End of the Agreement

1. Endowment Land and Buildings/Improvements/Fixtures
 - a. Proceeds from sale, including appreciation in value, return to the endowment
2. UI Buildings/Improvements/Fixtures
 - a. Sold contemporaneously with the Endowment lands/buildings/fixtures; proceeds are paid by the purchaser to UI
3. Format For Sale of the Combined Assets
 - a. Entire Operating Dairy (Endowment & UI assets) appraised at highest and best use;
 - b. Endowment Land with Buildings/Improvements sold at auction; all proceeds go to Endowment
 - c. UI Buildings/Improvements given separate value to determine purchase price for purchaser

PROPOSAL FRAMEWORK

Anticipated Timeline

- UI will present the proposed design for the complete dairy (Exhibit B) on September 20th, all future contemplated developments will be approved by Land Board
- Exhibit B will also identify estimated construction costs of individual improvements and which are recommended for Land Board purchase or retained by UI
- Land Board Approval of the Purchase and Sale Agreement and the Operating Agreement on September 20th
- UI Regents Approval in October
- 640 acres closing by December 22, 2022
- CAFE Phase 1 construction to bid in December 2022 – January 2023
- Phase 1 construction completed by end of 2024
- Phase 2 construction completed by February 2026



QUESTIONS?

IDAHO DEPARTMENT OF LANDS

Exhibit B – CAFE Facilities



Buildings/Improvements

Phase 1 Construction (2023)

- All Excavation / Site Preparation
- B. Milking Parlor
- L. Reuse Water & Flush Water Tank
- U. Trash Enclosure
- W. Well House Building

Phase 2 Construction (2024)

- A. Office Building
- C. Calving & Research Barn
- D. Commodity Barn
- E. Manure Pump Station
- F. Manure Processing Building
- G. Settling Pond Splitter Box
- G1. Settling Pond 1
- G2. Settling Pond 2
- K1. Upper Storage Pond
- K2. Lower Storage Pond
- M. Shade Structures
- P. Milk Truck Scale
- R. Loading Ramp
- S. Fueling Station
- T. Emission Tanks

Endowment Buildings/Improvements

- B. Milking Parlor (~\$12M)
- D. Commodity Barn (~\$2M)
- F. Manure Processing Building (~\$2M)
- M. Shade Structures (~\$500K)
- S. Fueling Station (~\$500K)

Construction Estimates

Endowment Buildings/Improvements

- B, D, F, M, S
- ~\$17M

UI Buildings/Improvements

-
-

EXPERIMENTAL FARM IN RUPERT

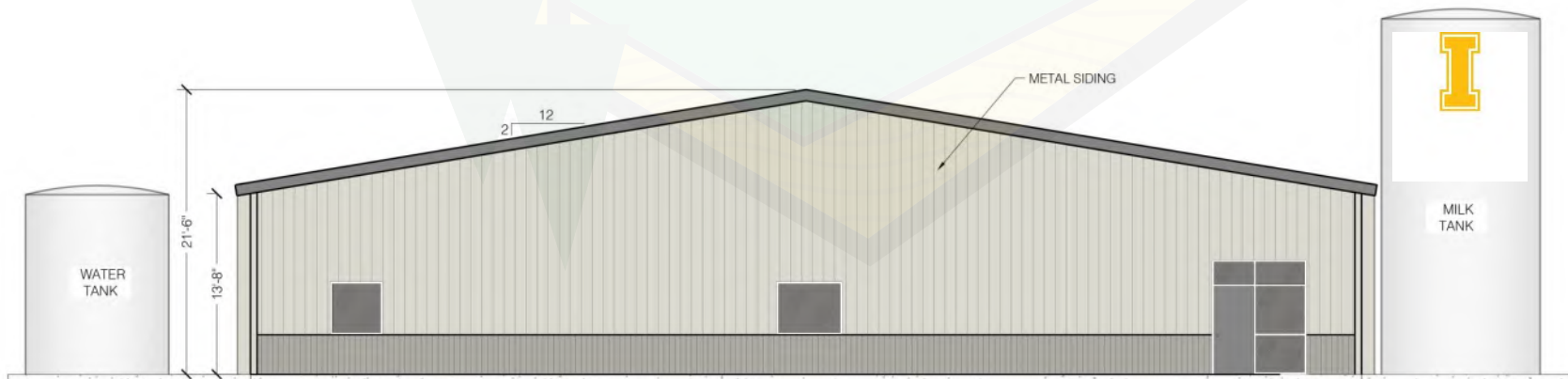
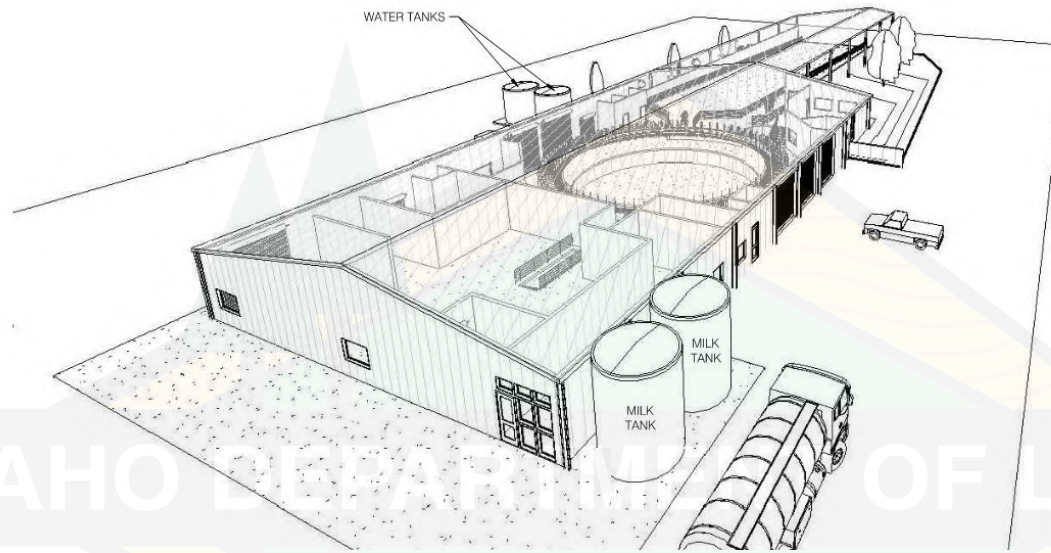


University
of Idaho

Idaho
Dairymen'
s
Associatio
n

640 acres purchased in March 2019

STATE OF THE ART MILK BARN (PH 1)



STATE OF THE ART MILKING SYSTEM (PH 1)

