



Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board

Phil McGrane, Secretary of State

Raúl R. Labrador, Attorney General

Brandon D Woolf, State Controller

Debbie Critchfield, Superintendent of Public Instruction

Dustin T. Miller, Secretary to the Board

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

Final Minutes

State Board of Land Commissioners Regular Meeting

May 16, 2023

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, May 16, 2023 at the State Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 West Jefferson St., Boise, Idaho, and via webinar. The meeting began at 9:00 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

Honorable Governor Brad Little
Honorable Secretary of State Phil McGrane
Honorable Attorney General Raúl Labrador
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Debbie Critchfield

For the record, all Land Board members were present. Governor Little, Secretary of State McGrane, Controller Woolf, and Superintendent Critchfield attended at the physical location; Attorney General Labrador attended via Zoom webinar.

1. Department Report – Presented by Dustin Miller, Director

Trust Land Revenue

A. Timber Sales – April 2023

Discussion: Controller Woolf mentioned the attempts to sell Benton Butte salvage sales and wondered if there was a hurry to get the sales done due to blue out or other issues that may affect the timber prices. Director Miller stated that much of the timber was not burned severely and has remained viable; the Department is trying to move these salvage sales and recoup the value that remains.

B. Leases and Permits – April 2023

Discussion: Governor Little commented the minerals royalty revenue goes directly into the endowment because it is a depletion and asked if the sale of oil and gas also goes directly into the endowment. Director Miller said a response will be provided following the meeting.

Status Updates

C. Pre-Season Fire Brief

Discussion: Governor Little inquired if the Master Fire Agreement with the Forest Service was signed. Director Miller replied that it was signed the end of April. Governor Little asked what percent of the force are the Forest Service and BLM at with their firefighters, relative to where they want to be with staff. Director Miller's conversations with his counterparts in federal agencies indicate they are having similar experiences to the Department: there is competition to fill firefighting positions, firefighters are more difficult to come by, and a lot of fireline leadership has transitioned out of fire. Superintendent Critchfield commented, in keeping with the theme of attracting and retaining firefighters, that this topic has been a major point of discussion in her travels to area offices around the state. Superintendent Critchfield asked if the gap in salary between state and federal is closing, are there other aspects outside of salary that are issues, and what is a firefighter salary at the Department. Director Miller responded that compensation is probably the biggest piece; the Land Board and legislature have helped close the gap a bit. Director Miller stated rookie firefighters start at \$15/hour. Federal agencies are offering a \$5/hour incentive bonus for rookies. The Department has closed the gap with other benefits such as paid R&R [rest and recuperation]; it is crucial to have well-rested fire crew and fire staff. Hazard pay, when crews are on the fireline and putting themselves in hazardous situations, is another 25% premium above their base pay which is close to what federal agencies pay. Director Miller noted there still is a delta between what the Department can pay and what the federal agencies are paying. Department of Lands is a different organization. People like the culture, how the Department fights fire, and are wedded to the Department's mission. Director Miller said firefighters are appreciated, whether new to the organization or coming back year after year and working up through the ranks; they want to be here and are good at what they do. The Department has a solid wildland firefighting force. Director Miller cited housing for seasonal staff is another factor; the Department recently made a purchase in the Kamiah area for a facility that will work for seasonal fire crews and timber crews. Superintendent Critchfield remarked that housing was mentioned by area office staff in her visits.

Considering new career-focused programs with monies available for grades 7 through 12, Superintendent Critchfield asked if there is an area within this profession that could be applicable to a CTE program in high schools or perhaps a program that would offer credits in high school, and if starting with students that young is even feasible. Superintendent Critchfield offered that there are opportunities with new resources, counseling and advising to expose high school students to career opportunities in their own backyards which would include fighting fires. Director Miller stated that a firefighter must be 18 years or older to work for the Department, and to the extent that education and training can be provided in high school, it would be well worth it. Students would receive knowledge about what fire is, fire behavior, and basic suppression tactics, making them more marketable to work for the Department. Director Miller said piquing their interest at an early age is a good idea and he welcomes more conversations around that. Superintendent Critchfield added work is in progress with forestry, logging, and timber in the high school area and she would like to bring in other aspects of this type of training where possible.

Governor Little inquired how many loggers are red-carded and how much equipment is signed up. Director Miller did not have numbers at hand but offered to provide as soon as possible. Director Miller noted the Department has made a bigger push to get more loggers signed up. It is

not a problem to get their help; they provided a lot of work in creating fire line on the Cougar Rock Complex. The Department will continue to engage the logging community in firefighting.

Secretary of State McGrane remarked that in conversations with fire folks, senior fire leadership is one of the hardest hit areas, people transitioning out. Getting entry level staff is key for the program to be successful, but people get married and have kids, the fire jobs are over at the end of the season, yet team leads are needed each year. Secretary of State McGrane wondered is it a quality of life factor, are there other benefits besides compensation that might help retain people. Director Miller responded there are many facets to look at in the fire program regarding personnel. Fireline leadership is crucial, having people come back year after year with institutional knowledge that can safely lead men and women off the fireline. Director Miller noted the Department has created more of a path to permanency, many temporary engine boss positions are now permanent engine captains. Each district has a fire warden and two assistant wardens which provides upward mobility. The higher in rank, the further away from the fireline, so the Department created opportunities in the bureau such as fire zone officers for high-level leadership. Many fire staff are qualified to be on incident management teams for certain positions and that provides additional income when they spend two weeks helping on fires; that figures into annual compensation, too.

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

- A. Manager's Report
- B. Investment Report
- C. Semi-Annual Report

Discussion: Chairman Wilford introduced members of the Investment Board: Jerry Aldape, Bob Donaldson, Joe Forney, Irv Littman, Senator Chuck Winder, Brian Yeargain, and the newest member Representative Kenny Wroten. Also in attendance were Janet Becker-Wold from Callan and Julie Weaver from the Attorney General's office. EFIB staff present were Kathy Van Vactor, Fiscal Officer, Chris Halvorson, Investment Officer, and Chris Anton, Manager of Investments. Chairman Wilford announced Mr. Anton would present the reports.

For the record, prior to Mr. Anton speaking on the reports, Governor Little called for a brief intermission while audio and video issues in the meeting room were resolved. Attorney General Labrador left the meeting at approximately 9:31 a.m. to attend other business.

Discussion continued: Mr. Anton reported that financial markets were up modestly in April as large technology and energy companies reported strong first-quarter earnings. The portfolio was up 0.4% for the month, up 7.9% fiscal year-to-date. Through yesterday [May 15] the fund was about the same, up 7.7%; the market has been fairly stable. The Federal Reserve increased interest rates by 0.25% to a target range of 5-5.25% in early May and hinted that might be the last interest rate increase for a while in their aggressive efforts to fight inflation. Investors seem to be hoping that the U.S. economy will remain resilient as inflation continues to decline toward the Federal Reserve's target of 2%. Mr. Anton recalled that about a year ago Headline CPI was at 9%, and last month it had come down to 5%. Investors are hoping for this perfect landing that inflation will come down to 2% before the economy falls into recession. While that is possible, the impact of restrictive interest rates and tighter financial conditions due to stress in the banking system have increased the odds and the probability of a recession; time will tell.

Mr. Anton remarked that in the meantime, it has been a solid year and hopefully the fiscal year will end in positive territory. The next Investment Board meetings will be August 14 and then November 21.

Moving to the semi-annual report, Mr. Anton discussed EFIB's mission to provide outstanding investment management services to stakeholders, consistent with constitutional and statutory mandates. As of the end of April, the Endowment Fund Investment Board had oversight of about \$4 billion in funds. The largest at \$2.9 billion is the Land Grant Endowment Fund which is the primary focus of the Land Board. EFIB also oversees \$930 million for the State Insurance Fund, basically their reserve fund. Four state agencies have money invested in the Land Grant Endowment Fund strategy: DEQ at \$116 million, Fish and Game at \$50 million, Parks and Recreation at \$5.5 million, and IDL's Forest Legacy Program at about \$700,000. As mentioned earlier, through the first 10 months the fund is up 7.9% which equates to about \$183 million gain. Mr. Anton referred to page 8, the history of the fund's growth. It is impressive that the fund has grown two-fold from about \$1 billion 12 years ago to over \$3 billion. Work done by the Department of Lands to bring in revenue supplements the distributions to beneficiaries; approximately half of those beneficiary distributions are funded from Lands' revenue which allows EFIB to retain some of the investment earnings and grow the fund. Growing the fund then grows distributions. It is a compounding process, the bigger the fund the bigger the distributions. Mr. Anton pointed out the graph on page 9, for each beneficiary there is a permanent fund and an earnings reserve fund. Statute does not allow money to be taken out of the permanent fund; reserve funds pay EFIB expenses, Lands' expenses, and make beneficiary distributions. Through a lot of analysis EFIB has done with Callan and the Land Board over the years, a target level of seven years of annual distributions was determined as the target reserve level. Levels are down somewhat from that, 6 years for public school, and between 5 and 6 for most of the others. Thinking back on the last graph, the fund was up 30% in fiscal '21. Last year it was down -13% and that drop reduced the reserve levels. Reserves are still in a healthy place, certainly not at target, but in a healthy place. If earnings this fiscal year exceed inflation, there will be some money that will move from the permanent fund into the earnings reserve fund, the earnings above inflation. That may push levels back up toward the target of seven years.

Secretary of State McGrane recalled the last two years' record distributions and asked if distributions and the state of the economy are factors in terms of what reserves are holding, not just performance of investment. Mr. Anton referred to page 10 in the report that shows the history of distribution. In fiscal '23, the current year, there was a big bump from \$88 million to \$100 million; the Land Board approved keeping it at \$100 million next year. The fund had that strong year, up 30%, and there was a big bump because distributions are 5% of the 3-year average of the permanent fund balance to each beneficiary. When that big gain occurred and the permanent fund balance went up; the distributions went up, the boards elected, because of the down year in '22, to hold distributions flat. Fortunately, reserve levels allowed that. If levels are below the 7 year target at the end of the year, EFIB's recommendation may be to hold it flat for a third year.

Continuing with the report, Mr. Anton talked about the School Bond Credit Enhancement program. Many people have asked is this program still active now that the State has increased its credit rating to a triple A. It is still active and the reason for that is when the State provides its guarantee to the school districts, to Idaho Housing and Finance Authority, to the bond authority, the credit rating agencies still provide a little bit of a haircut. Even though the State's rating is

triple A, the guaranteed rating is double A1, slightly lower. What the credit enhancement program says is that the Public School Endowment Fund, in the event the State cannot cure a default with one of the school districts, would loan the State money from the Public School Endowment Fund up to \$300 million. That commitment to provide that credit enhancement bumps the credit rating for school district bonds to triple A and it reduces their borrowing costs. As of the end of April, there were \$540 million in outstanding commitments under the program. EFIB has a limit of \$40 million per bond and backs it up to \$300 million of the Public School Endowment Fund.

Controller Woolf extended his thanks to Mr. Anton and the Investment Board. Governor Little also expressed his appreciation.

Consent—Action Item(s)

3. Greer Access Site Surplus Property (Idaho Fish & Game) – Presented by Zane Lathim, Program Specialist-Real Estate

Recommendation: Direct the Department to offer the Greer Site parcels for disposition in accordance with the Surplus Property Act, Idaho Code §§ 58-331–335, and authorize the Department to offer the Greer Site parcels at public auction in Clearwater or Ada County.

Discussion: Governor Little asked if anyone opposed this surplus. Mr. Lathim replied no.

4. Results of April 12, 2023 Crop Lease Live Auction – Presented by Addie Faust, Program Manager-Natural Resources Leasing

Recommendation: Direct the Department to award the crop lease CR8000145 to Evan Wood Farms, LLC.

Discussion: None.

5. Forest Legacy–South Dawson Conservation Easement – Presented by Archie Gray, Bureau Chief-Forestry Assistance

Recommendation: Authorize the Idaho Department of Lands to acquire the South Dawson conservation easement.

Discussion: Controller Woolf observed this item was held for a month for changes and asked if the Department is good with the changes. Mr. Gray explained the agenda item was pulled from the April Land Board meeting when Molpus Woodland Group, on behalf of their client, asked for clarification on a handful of terms in the conservation easement and provided some updated information that included a change of address for the client. The Department incorporated the new information and added some references for clarity, but no substantive changes were made to the conservation easement.

6. Approval of Draft Minutes – April 18, 2023 Regular Meeting (Boise)

Consent Agenda Board Action: A motion was made by Controller Woolf that the Land Board adopt and approve the Consent Agenda. Secretary of State McGrane seconded the motion. The motion carried on a vote of 4-0.

Regular—Action Item(s)

7. Old Penitentiary MOU – Presented by Bill Haagenson, Deputy Director

Recommendation: Authorize the Director to execute the revised memorandum of understanding with the Idaho State Historical Society for the management of the Old Penitentiary Historic District.

Discussion: Secretary McGrane asked if the motivation for this MOU is the Land Board will not have to keep renewing the same agreements, like the Botanical Gardens and other activity. Mr. Haagenson said, yes, the idea is to not have those leases come back to the Land Board every five years.

Board Action: A motion was made by Superintendent Critchfield that the Land Board authorize the Director to execute the revised MOU. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

For the record, Governor Little mentioned an item initially scheduled for this meeting but removed, Bear Lake, and asked for a commitment that it will be presented at the next meeting. Director Miller affirmed the intention to bring the Bear Lake MOU for Land Board approval in June.

Information

None

Executive Session

None

There being no further business before the Land Board, at 9:54 a.m. a motion to adjourn was made by Controller Woolf. Superintendent Critchfield seconded the motion. The motion carried on a vote of 4-0.

