



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
January 16, 2024

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, January 16, 2024 at the Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise, Idaho, and via webinar. The meeting began at 9:00 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

All 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.

[Editor's note: the Discussion portions, if any, for agenda items may be written in first-person format. This is not a verbatim transcript.]

1. Department Report – Presented by Dustin Miller, Director

Trust Land Revenue

- A. Timber Sales – December 2023
- B. Leases and Permits – December 2023

Discussion: None.

Status Updates

- C. Land Bank Aging Report

Discussion: Controller Woolf asked if there is a timeframe for the University of Idaho spending its \$17 million for the CAFE project. Deputy Director Bill Haagenson replied that the Department is

currently processing invoices for approximately \$3.5 million, with more expected as construction proceeds.

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

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

Discussion: Mr. Anton stated that global financial markets ended calendar year 2023 on a positive note, delivering the second consecutive month of extraordinary gains. Inflation continued to ease, labor markets remained healthy, and the Federal Reserve suggested it would lower the Federal Reserve funds rate before the end of the year. Mr. Anton reported the fund was up 4.5% for the month, up 4.9% fiscal year-to-date. Optimism about positive growth into the new year gave investors confidence that the market would remain strong, and there was a rally that included stocks other than the "magnificent 7" large caps. Mid and small caps did well during the month. Mr. Anton described one of the challenges over the last year is that the market has been dominated by the performance of these "magnificent 7" (Apple, Microsoft, Google, Amazon, Nvidia, Facebook and Tesla). On average they were up 111%. The other 493 stocks in the S&P 500 were up 7.6%, most of which came in the last two months of the year. The endowment portfolio has a bias of overweight in mid and small cap relative to benchmark; when the large caps outperform by that magnitude, the fund is going to underperform. A broadening of performance of the market has started and that has helped the portfolio, but those seven large cap stocks have dominated the market; Apple and Microsoft make up over 50% of the tech market. They are dominant because they control their markets, they are extremely profitable, and they are leaders in artificial intelligence, making huge investments in artificial intelligence. Investors became very confident that AI would change the world, change the economy, these companies would continue to outperform and that drove their performance during the year. Governor Little asked if the benchmark that the fund is measured against is overweighted in those seven stocks? Mr. Anton said yes. Governor Little inquired if that is the benchmark, should the fund beat that bogey. Mr. Anton replied that is correct, and the portfolio's investment managers have generally outperformed, however the fund has a bias built in with a large allocation to mid and small cap companies. That bias shrank somewhat when Sands was eliminated as a manager; the Investment Board took that opportunity to weight a little more heavily in large caps, but the Investment Board made an intentional decision to overweight mid and small cap because over long periods of time, 20, 30, 40 years, smaller companies tend to grow faster. In periods when those stocks underperform, the fund will underperform the benchmark, even if managers are doing well. Governor Little asked if the 350 basis points increase year-to-date is the tail end of Sands. Mr. Anton answered that it really is that large cap bias. The large-cap growth portion of the endowment portfolio was Sands, then it transferred to William Blair, and that was up around 45% last year. If the allocation was all in large cap growth, the fund would have done great last year. Governor Little commented it is the 7% in mid and 4% in small cap that has brought it down, and that cannot be put into the bogey. Mr. Anton explained the Investment Board could decide to move more into the larger cap stocks, but it has not. The allocations in mid and small cap came down a bit, but the Investment Board elected to keep that bias because over the long term those top seven companies cannot continue these extraordinary returns.

Consent—Action Item(s)

3. Results of December 14, 2023 Mineral Lease Live Auction – Presented by Jason Laney, Section Manager-Leasing

Recommendation: Direct the Department to award mineral lease E400010 to Stedham Holdings, LLC, the high bidder at the auction.

Discussion: None.

4. Approval of Draft Minutes – December 19, 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. Superintendent Critchfield seconded the motion. The motion carried on a vote of 5-0.

Regular—Action Item(s)

5. Endowment Land Commercial Leasing Policy – Presented by Jim Elbin, Division Administrator-Trust Lands Management

Recommendation: Approve the Commercial Leasing Policy.

Discussion:

Controller Woolf: At what point is the Board involved if there is a unique situation of one of these leases.

Mr. Elbin: There are different levels of leasing: if we have a +20-year lease a public meeting is required with the county; we would bring that information before the Board. If it is a use that we are not familiar with or we are getting mixed reviews, we want to bring those to the Board as information items before we move forward. Our plan is to keep Board members and staff updated through informal communications.

Controller Woolf: On the bottom of page 1 of the policy, III.A., it lists that the Department will have discretion as to which lease opportunities are best suited for RFP versus traditional. What would the Department use to discern one way or another.

Mr. Elbin: We would look at anything that is new, or that there might be multiple uses that can compete, with different rental rates. If someone wants to compete for that lease at a higher rental rate than they proposed, they are allowed to come to the auction. We want to be communicative with counties because we have to follow county planning and zoning rules.

Governor Little: My question is that little caveat that we have to follow county planning and zoning. Does that mean Valley County could zone all our ground dry grazing into perpetuity and we could never develop any of that ground?

Mr. Elbin: There are some caveats in the statute about what is reasonable. The way we look at it in our policy, and the court decision from Blaine County, is that counties cannot get in the way of

our natural resource management, those things are exempt from county planning and zoning; it is specifically with commercial uses. Could they? In theory, yes.

Governor Little: Might want to read the constitution about the power of the Land Board.

Controller Woolf: At the top of page 1 of the policy, the last sentence of I.A. says multifamily residential developments. My understanding was this is just with the developer and not with each one of the lessees.

Mr. Elbin: Correct; we are not going to enter into a split estate situation again. It will be developer only with our option at the end to determine if we scrape or maintain the improvements and look for a new landlord, so to speak.

Governor Little: What would be a townhouse project that would not be politically sensitive? The language is a little contrary to previous Boards where we got out of all of that business. This opens the door for the Department of Lands and the State to get back into the residential business, and that line about where the Board ought to be involved is pretty close to everywhere.

Mr. Elbin: Our intention is to be upfront and communicate, with no surprises for anybody involved.

Superintendent Critchfield: Governor, based on the history that some of us do not share, it sounds like the questions pertain to something previous. Are you comfortable with what has been presented?

Governor Little: This Board and its predecessors went back and forth from buying all the office space around the Capitol to selling all the office space around the Capitol, to investing in a few entities and then selling them. As long as we buy low and sell high, it is good for the beneficiaries but occasionally we do not have that luxury. When we got out of the commercial space, it was because the Department has expertise in timber and in grazing, but competing in the real-world market versus people that trade and deal residential and commercial and industrial property is fraught with risk versus the private entrepreneur.

Controller Woolf: What comes to mind for me was what took place up in Hailey; for the three newer members, describe what took place in Hailey with the RFP and the process there.

Mr. Elbin: The process at Ohio Gulch, we put out an RFP, received various offers where they had to prove financials. An important part of that process is we have a hurdle rate, depending on what the property is. For simplicity we will say 4%. If we did not do the RFP, we would have offered a lease for "X" and said we are going to charge 4% of an appraised value. In the RFP, they are able to give us their final and best offer as part of their proposal; we can include that in the lease terms and then have the auction for the lease premium. Anybody who is okay with the lease terms as presented and is willing to pay that level of rent can show up and bid. Then we award it to the highest bidder.

Governor Little: One of the things that gives me pause is there will be instances of landlocked parcels where they write the RFP so they are the favored bidder in it; we need to be cognizant of that. My understanding is an entity, a city or county, cannot zone state land but after it moves from state land to private land then it is like any other piece of property. But a municipality's

ability to change, to restrict uses on endowment land, is limited by the fact that the constitution ultimately gives the Land Board a lot of flexibility in maximizing the return to the endowment. We ought to have our Attorney General's office look at it, and going forward, have the new members of the Board be in on that discussion.

Controller Woolf: Is there opportunity to let this item percolate one more month?

Director Miller: Jim briefed the Board last summer on the leasing continuum, trying to gauge comfort level where the Board might be on certain commercial type leasing activities. There has been a lot of interest in entities leasing our ground for commercial purposes. We are trying to be forthcoming and transparent with our constituents and with those interested parties, making sure we had policy and direction from the Board. It could wait, but we do have many entities knocking on the door asking us to work with them on certain leasing activities.

Governor Little: We could go forward with it and review it in six months and see what has happened in the interim.

Secretary of State McGrane: The leasing continuum is a needed discussion among us because we have new Land Board members. From my experience, the pressure continues to rise; either we are going to dispose of this land which I am not generally supportive of, or we are going to have to figure out how we handle some of these situations where it makes the most sense for the endowment for us to come up with reasonable terms and manage. You mentioned the politics of a townhouse set-up, but also zoning in some of these communities is a hot topic, the tax impacts and other things. As the value of land is rising, we have certain parcels that we are going to keep getting more and more pressure on.

Superintendent Critchfield: I like the suggestion of putting the policy into place and re-evaluating.

Governor Little: Let us get a finer point on that zoning issue.

Board Action: A motion was made by Controller Woolf that the Land Board approve the Commercial Leasing Policy and that the Land Board reviews it in six months. Superintendent Critchfield seconded the motion. The motion carried on a vote of 5-0.

For the record, the following four rulemaking items were approved in a single motion. See the Combined Board Action following item 9.

6. Negotiated Rulemaking for IDAPA 20.03.13, Administration of Cottage Site Leases on State Lands – Presented by Roger Hall, Bureau Chief-Real Estate

Recommendation: Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.13, *Administration of Cottage Site Leases on State Lands*.

Discussion: None.

Board Action: Approved; see item 9.

7. Negotiated Rulemaking for IDAPA 20.03.14, Rules Governing Grazing, Farming, Conservation, Noncommercial Recreation, and Communication Site Leases – Presented by Roger Hall, Bureau Chief-Real Estate

Recommendation: Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.14 Rules Governing Grazing, Farming, Conservation, Noncommercial Recreation, and Communication Site Leases.

Discussion: None.

Board Action: Approved; see item 9.

8. Negotiated Rulemaking for IDAPA 20.03.15, Rules Governing Geothermal Leasing on Idaho State Lands – Presented by Roger Hall, Bureau Chief-Real Estate

Recommendation: Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.15 Rules Governing Geothermal Leasing on Idaho State Lands.

Discussion: None.

Board Action: Approved; see item 9.

9. Negotiated Rulemaking for IDAPA 20.03.16, Rules Governing Oil and Gas Leasing on Idaho State Lands – Presented by Roger Hall, Bureau Chief-Real Estate

Recommendation: Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.16 Rules Governing Oil and Gas Leasing on Idaho State Lands.

Discussion: None.

Board Action: Approved; see combined motion below.

Combined Board Action, items 6-9: A motion was made by Superintendent Critchfield that the Land Board authorize the Department to initiate rulemaking on the four stated areas in the agenda. Controller Woolf seconded the motion. Attorney General Labrador recommended that the motion be specific about the agenda items. A restated motion was made by Superintendent Critchfield that the Land Board authorize the Department to initiate negotiated rulemaking for the administration of cottage site leases, for rules governing grazing, farming, conservation, noncommercial recreation, communication sites, geothermal leasing, and rules governing oil and gas leasing. Controller Woolf seconded the restated motion. The motion carried on a vote of 5-0.

Information

10. Shared Stewardship Updates – Introduction by Craig Foss, State Forester; Presented by Ara Andrea, Idaho Shared Stewardship Coordinator, IDL; Brian Davis, South-Idaho Shared Stewardship Coordinator, Payette NF; Leanne Marten, Regional Forester, Northern Region; Mary Farnsworth, Regional Forester, Intermountain Region

Discussion:

Leanne Marten: Thank you, Governor and members of the Land Board. For the record, my name is Leanne Marten, and I am the Regional Forester for the Northern Region of the US Forest Service. The Northern Region, for a bit of background, covers around 25 million acres of national forests and grasslands in northern Idaho, the state of Montana, the state of North Dakota, parts of South Dakota and a little bit in the state of Washington. I really appreciate the opportunity to be here with all of you this morning and with our great partners from the State of Idaho. Governor Little and I may be the only two signatories left of the original shared stewardship agreement; we were the first one in the nation to sign that agreement back in 2018; we pioneered it. One of the things we worked hard for was that it would be sustainable over time, regardless of who sat in whatever chair. We have been successful there. It is all about the relationships and working through the opportunities, the challenges together and making a difference on the ground for the resources and for all Idahoans. Doing the right work in the right places at the right scale, and doing that to protect communities, to look at our critical infrastructure, to look at the municipal watersheds, and working across the jurisdictions is what it is all about. We are learning, we are evolving, we have had a lot of successes, we have been working through some challenges and we continue to work through that. One of the things that has been key has been investments in people like Brian and Jeff in those positions, investment in the foresters, and looking at the opportunities to take the resources and the people and work together, regardless of who the landowners are or who is out there on the ground. We have seen those successes during our wildfire season. Fire does not pay any attention to jurisdictions. Up on the Mercy Fire on the Panhandle National Forest, because of Shared Stewardship and the Good Neighbor Authority, we were able to suppress that fire safely with our fire personnel because of work that had been done on the ground and helped critical infrastructure. We have many examples of that across the state. Many thanks to you, Governor, members of the Land Board, our partners there at the State, for all the work that we do, members of the counties, tribes, and others that we are working with. We cannot do it alone, and we know we are all doing it for the sake of the entire state of Idaho. I am going to pass it over to my colleague Mary Farnsworth, who has the southern part of Idaho, and then we will be open to questions.

Mary Farnsworth: Good morning, Governor and members of the Land Board, I am Mary Farnsworth. I am the Regional Forester for the Intermountain Region of the Forest Service, out of Ogden, Utah. Intermountain Region is the southern part of Idaho, all of Nevada, a little sliver in California, Utah, and a sliver of Wyoming, a pretty vast geographic area. I have big ties to Idaho. Prior to going to Ogden, I spent seven years on the Idaho Panhandle National Forest as the Forest Supervisor, very familiar with the northern part of Idaho. I was District Ranger in the town of Council, Idaho for about seven years as well; a small town on the Payette National Forest. Thank you for having me today. I am happy to talk about Shared Stewardship because it is a long-standing partnership and through this partnership, as Ara described, we are able to treat not just National Forest system lands, but state and private lands as well, and connect those treatments. As Leanne mentioned, fire knows no boundaries, and we need to do these larger landscape treatments regardless of who owns the landscape. I would like to call out a couple of people because without the folks that are dealing with the program, we would have a completely different story going on today. The first is Craig Foss, the State Forester; Craig thank you for your efforts, much appreciated. Ara has done an incredible job of keeping us focused working across boundaries, outstanding work in the forward-looking progress that we need to make. I would like

to mention Jon Songster, too, the Good Neighbor Authority coordinator; he keeps us going in the right direction and we are able to do more and more work on the ground. Kudos to those folks with Idaho Department of Lands, as well as coordinators, Jeff Lau and Brian Davis, for keeping us going; without these folks we would be in a different place. As Ara mentioned, the goal in the original agreement, signed by Leanne and Nora Rasure, the previous Regional Forester, was to work to double the annual acres treated on National Forests and also do this work cross-boundary. The average acres treated per year prior to the Shared Stewardship agreement was 68,000 acres. That is the average acre per year over 2014-2018. Between 2019 and 2023, post-agreement, we are treating about 105,000 acres per year. That is a significant increase. Some of it is mechanical treatment, some of it is prescribed fire and there is a variety of other treatments that also add to this acreage total. The bottom line is there was a 54% increase since the signature of the Shared Stewardship agreement, so we are moving towards double the acres in a very big way. We anticipate continuing our progress because more partners are coming to the table. The infrastructure act and the inflation reduction act are funding more work on the ground, and we are ready to do the implementation. Idaho has been uniquely situated to do this work because of the partnerships with Idaho Department of Lands. Thank you.

Superintendent Critchfield: Have you developed a new goal since you have accomplished what you were out to within this first timeline, double the acres, or is it just keep going from there.

Ms. Marten: We have not established a set numerical goal; we just want to keep moving on with that trend. If we continue with what we are doing, we are going to be successful to treat the acres that need to be treated in Idaho. To try and set a numerical goal gets harder because we are doing very well, and we are trying to make it where regardless of a goal we are doing the right work together and it is a sustained relationship in work on the ground.

Director Miller: I want to say thank you to both Mary and Leanne for their leadership on this initiative. It has been a long five or six years getting projects done on the ground, the coordination work, the funding has been significant coming to the state and both regions to get this work done. I want to echo my gratitude to our staff at the Department of Lands for the work they have been doing on this. As Leanne indicated, we want to continue that trend, so on the GNA side of things, we do have three FTEs that we are asking for in the budget this legislative session. One would be a second program manager up in the bureau, and two foresters, one would be focused in the northern part of the state, and one more focused over in eastern Idaho, Salmon-Challis National Forest as well as the Caribou-Targhee National Forest where we want to have more of a presence with this program. Appreciate the support there.

Controller Woolf: I want to say thank you for the partnership and relationship; I know it goes a long way. It is easy to say that, but you really see the action of your staff and your teams from IDL and the Forest Service and all the other partners. Are there pinch points or areas where we can do more to help push this even further along, whether it is the GNA, Shared Stewardship. You can always say more money, and you are waiting for DC to send you more resources, but what are the key things that are important. We were on the Governor's trail ride and the biggest discussion was recreation, new people moving into Idaho, and the education of knowing what the impact recreation has on these lands and in the forests, and that WUI impact.

Ms. Andrea: Governor, members of the Land Board, Controller Woolf, what could help us the most is the ongoing support when we do bring forward budget enhancement requests to either

gain personnel or more funds to acquire contracted services. We need people with some knowledge and expertise to help us grow into other areas. The pool of operators at times can be challenging and we appreciate all of the efforts that all of you have supported, especially Superintendent Critchfield, in getting more interest for the logging professions and the forest management professions. We appreciate that work and with the University of Idaho. It is that kind of ongoing thinking, how can we increase the manpower, the expertise, the ability to keep the relationships growing. These rural counties that we are going into like Boise County, how do we convince them that we have sustainable funding, they can hire folks, the local operators can invest in new equipment, in whatever they need to get these treatments going, and they can count on that to continue beyond infrastructure funding.

Secretary of State McGrane: Thank you for your work and for the coordination on the presentation today. You touched on it, but in terms of setting goals, you mentioned infrastructure funding quite a few times. The work you are doing is very important to fire mitigation for the state, but I do not want to see the federal deficit continue to rise. Long term how do we continue this effort without huge dumps of resources from the federal government.

Ms. Andrea: Some of the things that we are trying to do are what you heard Brian talk about. We have initiated Good Neighbor Authority agreements with the counties. This will allow not just bill money to come flowing down as it is right now, it will allow ongoing appropriated funds that come to the national forests, and monies will continue to come even after the infrastructure funding goes down. It will allow those appropriated funds, through agreements with the national forests, to continue flowing to the counties; we have just opened the spigot knowing that there will be a base line of funding still there. We are using a lot of this money to make sure that our contracted forestry consultants are working with these rural counties, and we are going right in there with them. We are making sure they have their community wildfire protection plans, they know how to write a competitive grant for those Forest Service, State, and private forestry fire mitigation funds that we have had for decades, and we will continue to have. They can write a very competitive grant fund and continue getting monies that will not include infrastructure funding. We help them write contracts, make sure they can solicit operators effectively, do more outreach, reach the non-industrial landowners that we are trying to sell this program to. We are doing a lot of equipping of the local counties, the local collaborative groups to get the work done past infrastructure funding.

Governor Little: Thank you very much, and thanks for your partnership.

11. Forest Legacy Program – Presented by Craig Foss, Division Administrator-Forestry and Fire

Discussion: Governor Little asked for clarification of which acres are funded and which acres are acquired. Mr. Foss replied that a funded project is one that the Department has applied for funding and the money has been awarded. Governor Little stated in simple terms that funded acres are in the queue and applications are those that want to be in the queue, and there are 103,000 acres that have been acquired. Mr. Foss said that is correct.

Executive Session

None

Director Miller shared with the Land Board members that Scott Phillips is leaving the Department and will soon be moving with his wife to Arkansas. Mr. Phillips has been the Department's Policy and Communications Chief since May 2020. Director Miller extended appreciation to Mr. Phillips for his leadership and his service to the Department and the people of Idaho and remarked that he will be missed. Governor Little thanked Mr. Phillips as well. Controller Woolf added his gratitude to Mr. Phillips for his service to the state of Idaho and, foremost, for his friendship.

There being no further business before the Land Board, at 10:14 a.m. a motion to adjourn was made by Controller Woolf. Superintendent Critchfield seconded the motion. The motion carried on a vote of 5-0.

Idaho State Board of Land Commissioners

/s/ Brad Little

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

/s/ Phil McGrane

Phil McGrane
Secretary of State

/s/ Dustin T. Miller

Dustin T. Miller
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the February 20, 2024 Land Board meeting.