

State Board of Land Commissioners Open Meeting Checklist

Meeting Date: May 19, 2020

Regular Meetings

5/6/2020	Notice of Meeting posted in prominent place in IDL's Boise Headquarters office five (5) or more calendar days before meeting.
5/6/2020	Notice of Meeting posted in prominent place in IDL's Coeur d'Alene Headquarters office five (5) or more calendar days before meeting.
5/6/2020	Notice of Meeting posted in prominent place at meeting location five (5) or more calendar days before meeting.
5/6/2020	Notice of Meeting emailed/faxed to list of media and interested citizens who have requested such notice five (5) or more calendar days before meeting.
5/6/2020	Notice of Meeting posted electronically on IDL's public website www.idl.idaho.gov five (5) or more calendar days before meeting.
5/14/2020	Agenda posted in prominent place in IDL's Boise Headquarters office forty-eight (48) hours before meeting.
5/14/2020	Agenda posted in prominent place in IDL's Coeur d'Alene Headquarters office forty-eight (48) hours before meeting.
5/14/2020	Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
5/14/2020	Agenda emailed/faxed to list of media and interested citizens who have requested such notice forty-eight (48) hours before meeting.
5/14/2020	Agenda posted electronically on IDL's public website www.idl.idaho.gov forty-eight (48) hours before meeting.
12/9/2019	Land Board annual meeting schedule posted – Boise Director's office, Coeur d'Alene staff office, and IDL's public website www.idl.idaho.gov

Special Meetings

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

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

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


 Recording Secretary

May 14, 2020
 Date



Idaho State Board of Land Commissioners

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

NOTICE OF PUBLIC MEETING MAY 2020

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, May 19, 2020. The meeting is scheduled to begin at 9:00 AM (Mountain).

The State Board of Land Commissioners will conduct this meeting telephonically only.¹

Members of the public may attend the meeting via teleconference, using the following:

Dial toll-free: 1-877-820-7831

Enter passcode: 4450309, followed by (#) key

¹ Pursuant to Governor's proclamation, March 18, 2020.

First Notice Posted: 5/6/2020-IDL Boise; 5/6/2020-IDL CDA

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



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State Board of Land Commissioners Regular Meeting
May 19, 2020 – 9:00 AM (MT)
Final Agenda

The State Board of Land Commissioners will conduct this meeting telephonically only.¹

Members of the public may attend the meeting via teleconference, using the following:

Dial toll-free: 1-877-820-7831

Enter passcode: 4450309, followed by (#) key

1. Department Report – Presented by Dustin Miller, Director

Trust Land Revenue

- A. Timber Sales – April 2020
- B. Leases and Permits – April 2020

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

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

Regular—Action Item(s)

3. Subcommittee Recommendation(s) on Reinvestment Strategy

4. Bond Assurance Fund Participation Policy – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

¹ Pursuant to Governor's proclamation, March 18, 2020.

Consent—Action Item(s)

5. **Forest Legacy Project, Hall Mountain-Kootenai Valley: Addie Farm** – *Presented by Craig Foss, Division Administrator-Forestry and Fire*
6. **Approval of Draft Minutes** – April 21, 2020 Regular Meeting (Boise)

Information

None

Executive Session

None



IDAHO DEPARTMENT OF LANDS



Idaho Statutes

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

May 19, 2020
Trust Land Revenue

Timber Sales

During April 2020, the Department of Lands sold eleven endowment timber sales at auction. The endowment net sale value represents a 6.0% up bid over the advertised value. The Devils Fork and Lightning Ton timber sales did not sell at auction.

TIMBER SALE AUCTIONS								
Sale name	Area	Sawlogs MBF	Cedar Prod MBF	Pulp MBF	Appraised Net Value	Sale Net Value	Net \$/MBF	Purchaser
Potter Ton	PAY	4,600			\$566,776	\$ 661,804.00	\$143.87	Woodgrain Inc
Lion Edge	PL	2,900			\$372,668	\$ 372,667.50	\$128.51	IFG Timber LLC
Hunts Over	PL	4,010			\$387,061	\$ 403,662.00	\$100.66	IFG Timber LLC
Seemless Swamp	POND	7,505	70		\$988,782	\$ 988,781.50	\$104.13	IFG Timber LLC
Flannigan	POND	4,970			\$655,312	\$ 663,456.90	\$133.49	Clearwater Paper
Sonner Ton	PAY	5,280			\$502,633	\$ 502,632.50	\$95.20	Woodgrain Inc
Cedar Canyon	PL	2,500			\$517,862	\$ 604,211.05	\$241.68	Stella-Jones Corp
Manassas	POND	8,035	85		\$1,873,372	\$ 2,232,889.00	\$274.99	IFG Timber LLC
Hither to Yonder	SJ	7,485	60		\$1,768,597	\$ 1,768,597.00	\$234.41	Stimson Lumber
Big South								
Headwaters	CLW	2,440			\$518,129	\$ 518,128.50	\$212.35	Empire Lumber
13 Mile	CLW	7,355			\$1,200,099	\$ 1,200,099.00	\$163.17	IFG Timber LLC
Endowment		57,080	215	0	\$9,351,289	\$ 9,916,928.95	\$169.59	

PROPOSED TIMBER SALES FOR AUCTION				
Sale Name	Volume MBF	Advertised Net Value	Area	Estimated Auction Date
North Operations				
Thin Lamb GNA	7,380	\$ 615,050	IPNF	5/27/2020
Dune Again OSR	1,175	\$ 181,273	POL	5/19/2020
Steep Shady Cedar	2,030	\$ 512,625	POL	5/19/2020
Twelve Mile	4,000	\$ 802,491	POL	5/27/2020
Chasing Fox	4,275	\$ 1,028,203	POL	5/27/2020
Wolf Lodge 2	2,190	\$ 178,111	MICA	5/28/2020
Happy Sawlog	6,615	\$ 844,992	SJ	5/5/2020
	27,665	\$ 4,162,743		
South Operations				
Gold Hill GNA	6,790	\$ 790,006	Nez/Clear	5/28/2020
John Lewis	8,795	\$ 1,611,270	CLW	5/20/2020
West Nelson	4,300	\$ 1,102,955	CLW	5/20/2020
	19,885	\$ 3,504,231		

VOLUME UNDER CONTRACT as of April 30, 2020				
	Public School	Pooled	Total	3 Year Avg.
Active Contracts			164	168
Total Residual MBF Equivalent	355,267	223,027	578,294	496,499
Estimated residual value	\$87,396,304	\$54,313,139	\$141,709,443	\$141,429,504
Residual Value (\$/MBF)	\$246.00	\$243.53	\$245.05	\$284.37

TIMBER HARVEST RECEIPTS										
	April				FY to date		May Projected			
	Stumpage		Interest		Harvest Receipts		Stumpage		Interest	
Public School	\$	495,682.25	\$	233,645.77	\$	39,135,259.61	\$	907,577.10	\$	144,180.24
Pooled	\$	865,967.45	\$	85,028.23	\$	22,087,251.97	\$	351,733.76	\$	53,034.93
General Fund	\$	15.83	\$	1.44	\$	4,064.04	\$	277.35	\$	27.74
TOTALS	\$	1,361,665.53	\$	318,675.44	\$	61,226,575.62	\$	1,259,588.21	\$	197,242.91

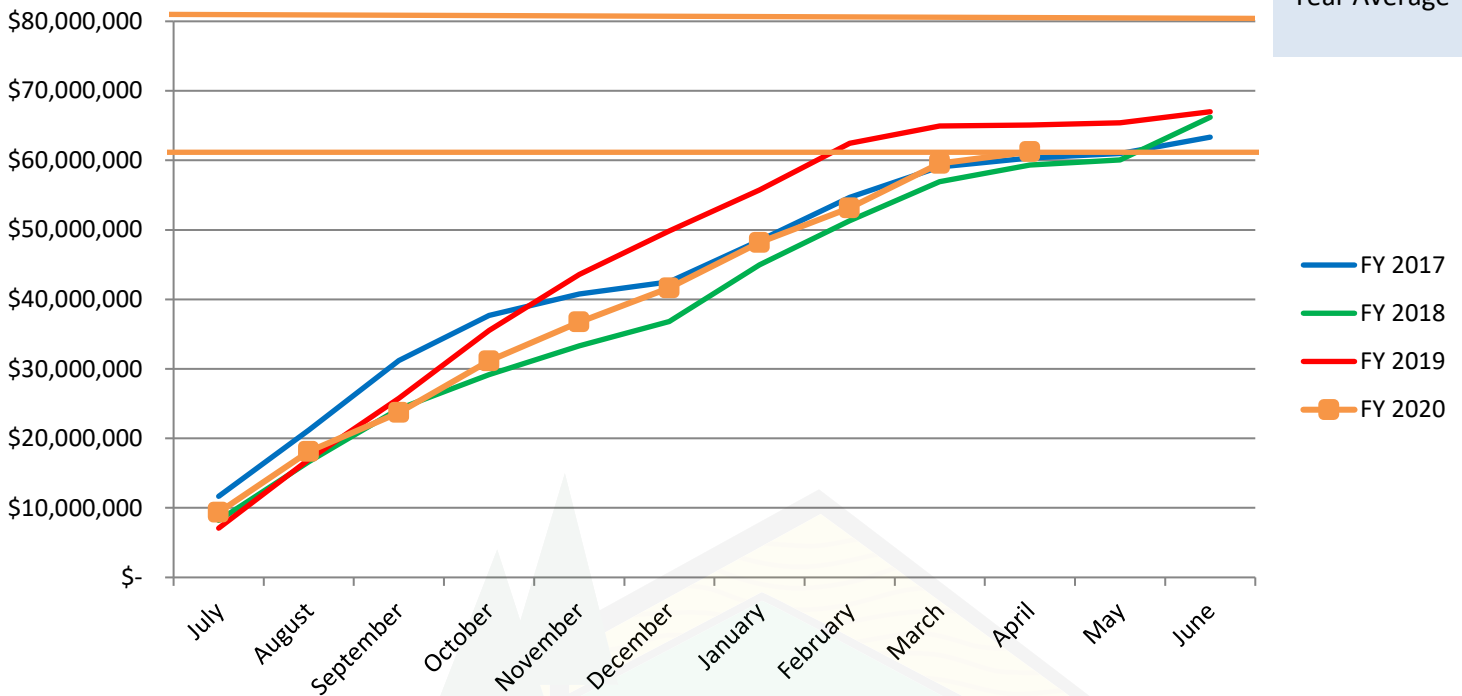
IDAHO DEPARTMENT OF LANDS

STATUS OF FY 2020 TIMBER SALE PROGRAM						
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of April 30, 2020	126,226	72,847	199,074	4,803	5,650	10,453
Currently Advertised	21,354	7,956	29,310	2,000	0	2,000
In Review	25,435	4,145	29,580	3,500	0	3,500
Did Not Sell ¹	0	0	0	0	0	0
TOTALS	173,015	84,948	257,964	10,303	5,650	15,953
FY-2020 Sales Plan			267,395			17,953
Percent to Date			96%			89%

¹ After three attempts at auction.

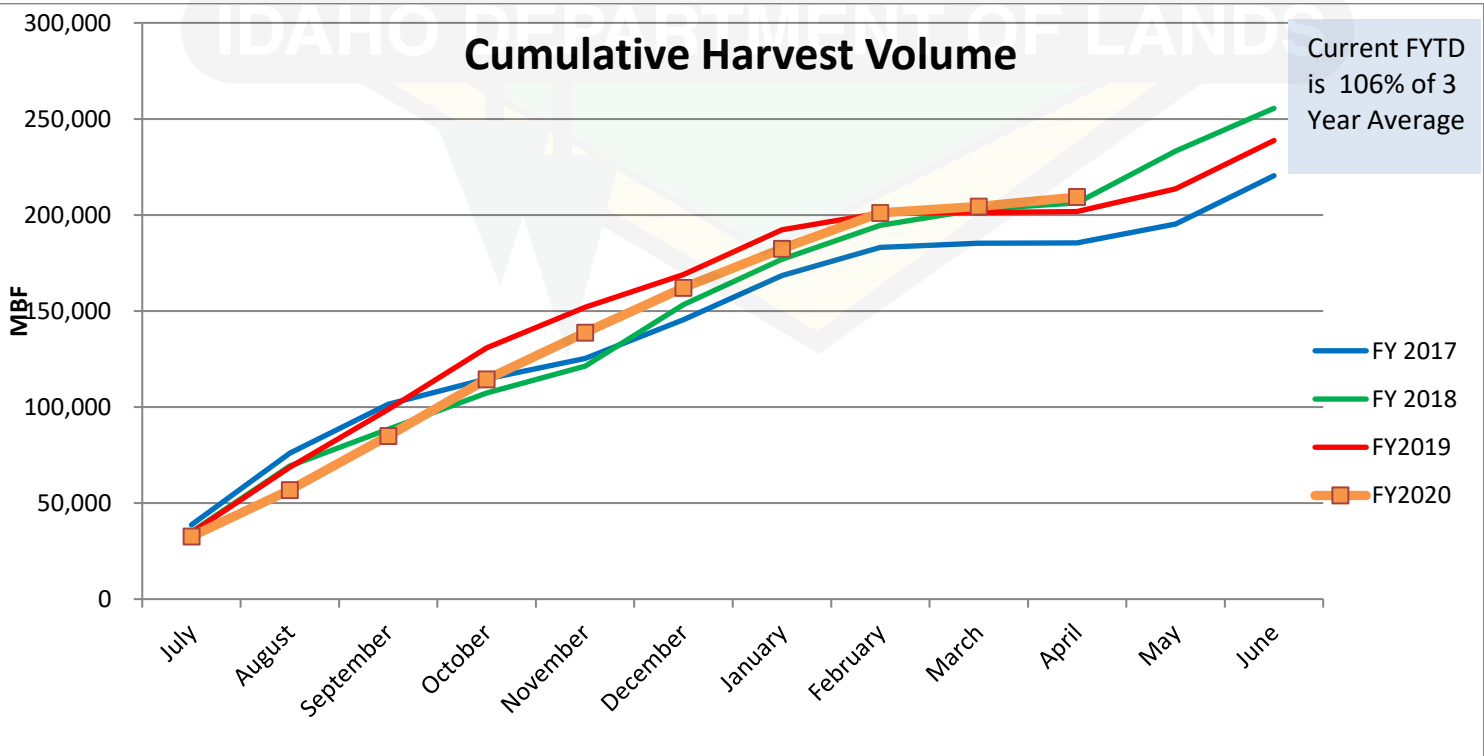
Cumulative Harvest Receipts

Current FYTD is 99% of 3 Year Average

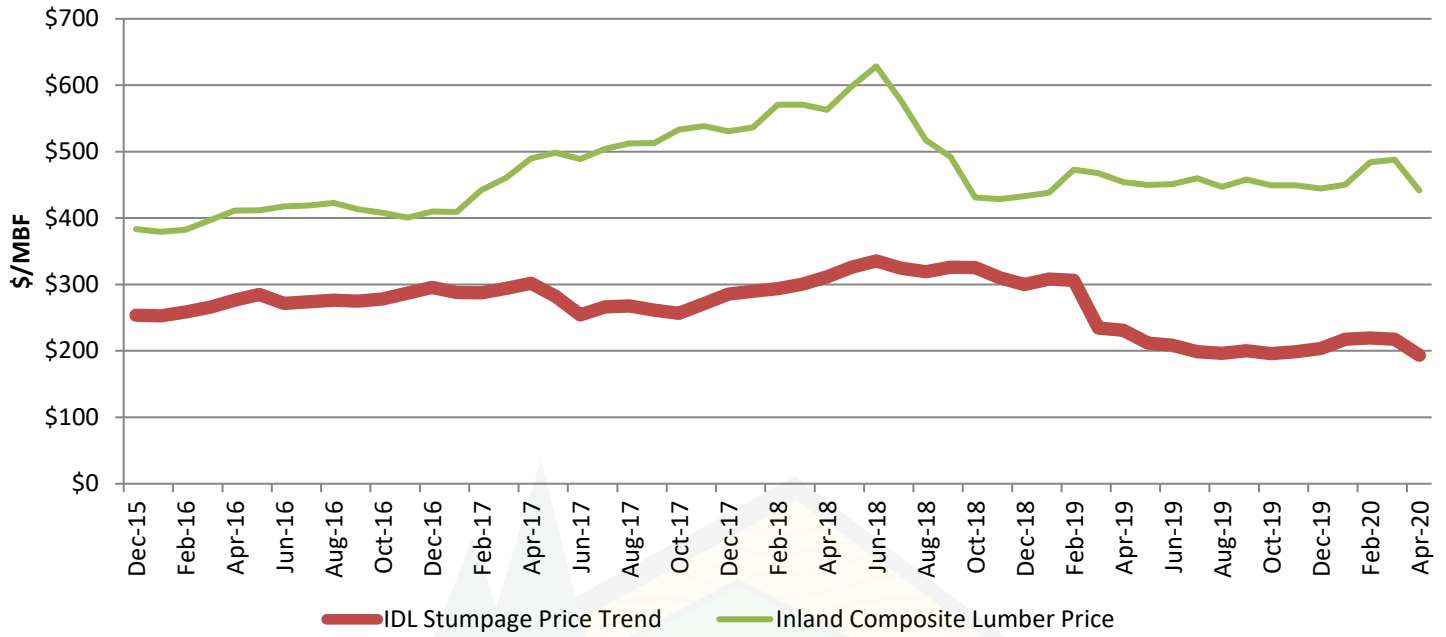


Cumulative Harvest Volume

Current FYTD is 106% of 3 Year Average



Monthly Lumber and Stumpage Price

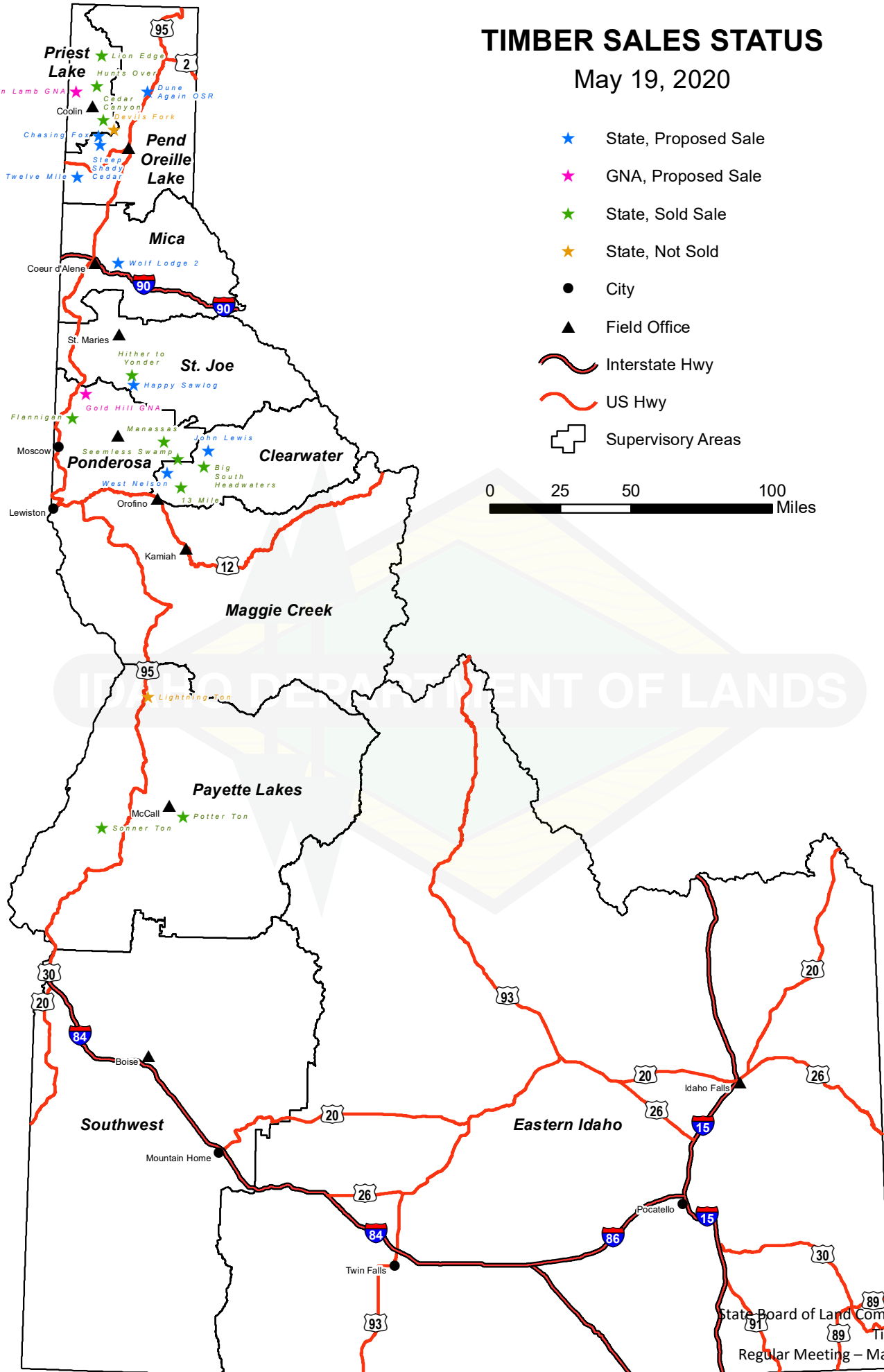


IDL Stumpage Price Line is a 6 month rolling average of the net sale price.

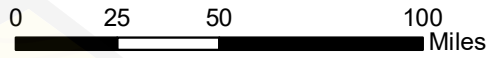
IDAHO DEPARTMENT OF LANDS

TIMBER SALES STATUS

May 19, 2020



- ★ State, Proposed Sale
- ★ GNA, Proposed Sale
- ★ State, Sold Sale
- ★ State, Not Sold
- City
- ▲ Field Office
- Interstate Hwy
- US Hwy
- ⊕ Supervisory Areas



State Board of Land Commissioners
 Timber Sales
 Regular Meeting – May 19, 2020

STATE BOARD OF LAND COMMISSIONERS

May 19, 2020

Endowment Transactions

Leases and Permits

FISCAL YEAR 2020 – LEASING & PERMITTING TRANSACTIONS BY MONTH – through April 30, 2020														
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	EST	FYTD
SURFACE														
Agriculture	-	-	-	-	-	-	2	-	5	1	-	-	12	8
<i>Assignments</i>	-	-	-	-	-	-	-	1	-	-	-	-	-	1
Communication Sites	-	-	-	-	-	-	-	-	-	-	-	-	5	0
Grazing	-	-	-	-	-	-	37	15	47	24	-	-	142	123
<i>Assignments</i>	2	1	1	2	1	1	6	1	1	-	-	-	-	16
Residential	-	-	-	-	-	-	-	8	1	-	-	-	15	9
<i>Assignments</i>	-	1	1	1	-	-	1	1	-	-	-	-	-	5
COMMERCIAL														
Alternative Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	1	0
Military	-	-	-	-	-	-	-	-	-	-	-	-	3	0
Office/Retail	-	-	-	-	-	2	-	-	-	-	-	-	4	2
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	4	0
<i>Assignments</i>	-	-	-	-	-	-	1	-	1	-	-	-	-	2
OTHER														
Conservation	-	-	-	-	-	-	-	-	-	-	-	-	1	0
<i>Assignments</i>	-	-	-	1	-	-	-	-	-	-	-	-	-	1
Geothermal	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Minerals	-	-	-	-	-	-	-	-	-	-	-	-	9	0
<i>Assignments</i>	1	-	-	-	3	-	-	-	-	-	-	-	-	4
Non-Comm Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Oil & Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	0
PERMITS														
Land Use Permits	14	5	8	9	2	5	2	6	9	2	-	-	NA	62
TOTAL INSTRUMENTS	17	7	10	13	6	8	49	32	64	27	-	-	NA	233

Real Estate

FISCAL YEAR 2020 – REAL ESTATE TRANSACTIONS BY MONTH – through April 30, 2020														
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	EST	FYTD
Deeds Acquired	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Deeds Granted	6	1	11	14	1	3	1	1	-	-	-	-	-	38
Deeds Granted - Surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	0
EASEMENTS														
Easements Acquired	-	1	3	-	-	-	1	2	-	-	-	-	-	7
Easements Granted	1	1	2	2	-	2	-	1	-	-	-	-	-	9
<p><i>The majority of the transactions this month are due to the processing of the re-advertised grazing leases.</i></p>														

TRUST LAND MANAGEMENT DIVISION
2020FYTD GROSS REVENUE - ACTUAL AND FORECASTED
through April 30, 2020

	ACTUAL RECEIPTS AS OF 04.30.2020	REVENUE EXPECTED BY 04.30.2020**	REVENUE EXPECTED BY 06.30.2020
SURFACE			
AGRICULTURE	\$ 376,721	\$ 274,325	\$ 308,786
COMMUNICATION SITES	\$ 959,557	\$ 923,615	\$ 937,019
GRAZING	\$ 1,954,904	\$ 1,420,494	\$ 1,818,574
RESIDENTIAL	\$ 1,103,451	\$ 1,368,662	\$ 1,820,796
COMMERCIAL			
COMMERCIAL ENERGY RESOURCES	\$ 22,491	\$ 21,556	\$ 22,812
COMMERCIAL INDUSTRIAL	\$ 128,620	\$ 77,466	\$ 82,308
COMMERCIAL MILITARY	\$ 110,436	\$ 129,692	\$ 139,976
COMMERCIAL OFFICE/RETAIL	\$ 857,182	\$ 887,247	\$ 964,519
COMMERCIAL RECREATION	\$ 421,339	\$ 318,346	\$ 322,031
OTHER			
CONSERVATION LEASES	\$ 183,586	\$ 147,906	\$ 148,078
GEOHERMAL	\$ -	\$ 3,687	\$ 4,117
MINERAL	\$ 59,799	\$ 68,938	\$ 73,453
NON-COMMERCIAL RECREATION	\$ 91,951	\$ 78,842	\$ 80,496
OIL AND GAS LEASES	\$ 13,133	\$ 16,754	\$ 29,096
Sub Total	\$ 6,283,171	\$ 5,737,531	\$ 6,752,062
*LAND SALES/RECORDS	\$ 298,132	***	
*REAL ESTATE SERVICES	\$ 1,627		
Grand Total	\$ 6,582,930		

* These categories are not included in the annual forecast.

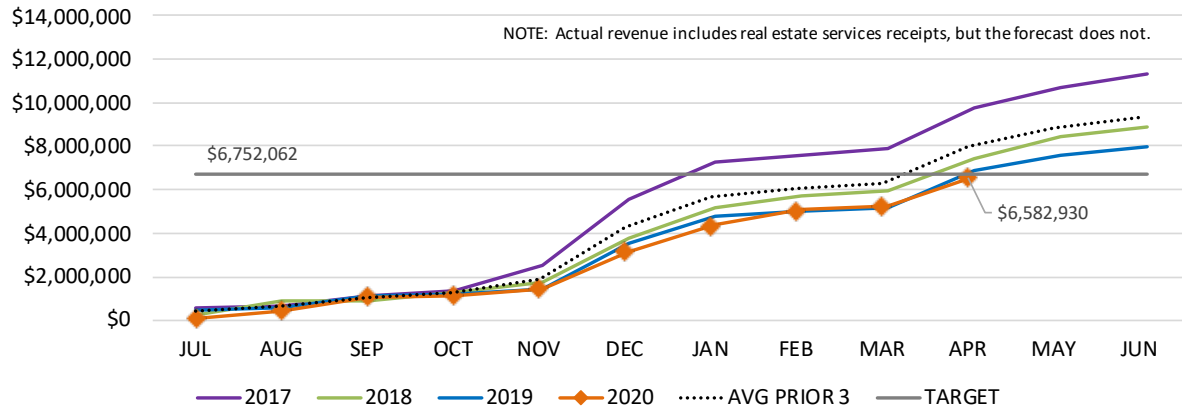
** These figures are based on "normal" timing of revenue/billing throughout the year.

*** \$40,880 of "revenue" was removed from this total because it was passed through to a real estate broker.

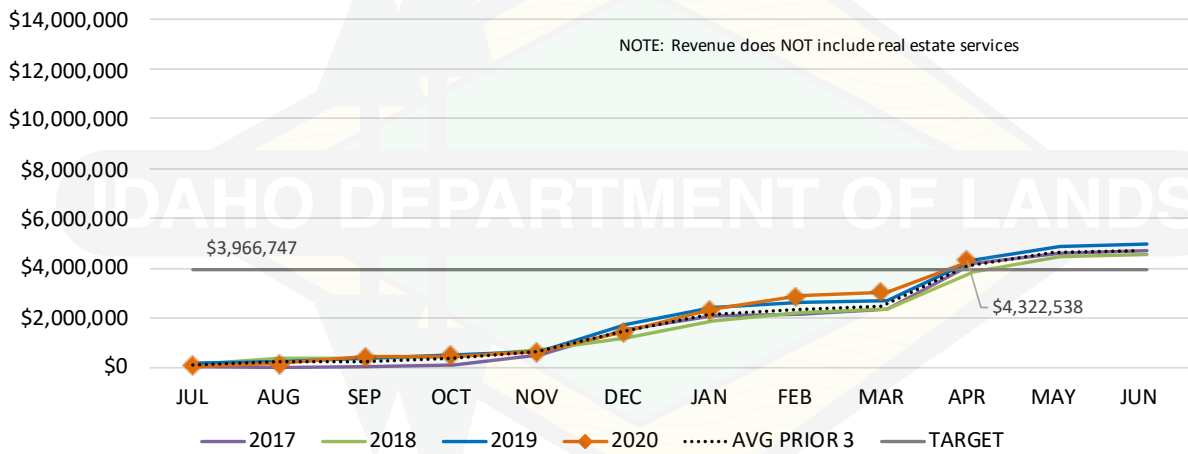
NOTE: The Department prepares the annual endowment revenue forecast by ASSET CLASS (not by Program). For this table, we have attempted to further breakdown the forecast by program by applying trend data.

Cumulative Trust Land Program Receipts - Earnings Reserve
ALL PROGRAMS
FY17 - FYTD20

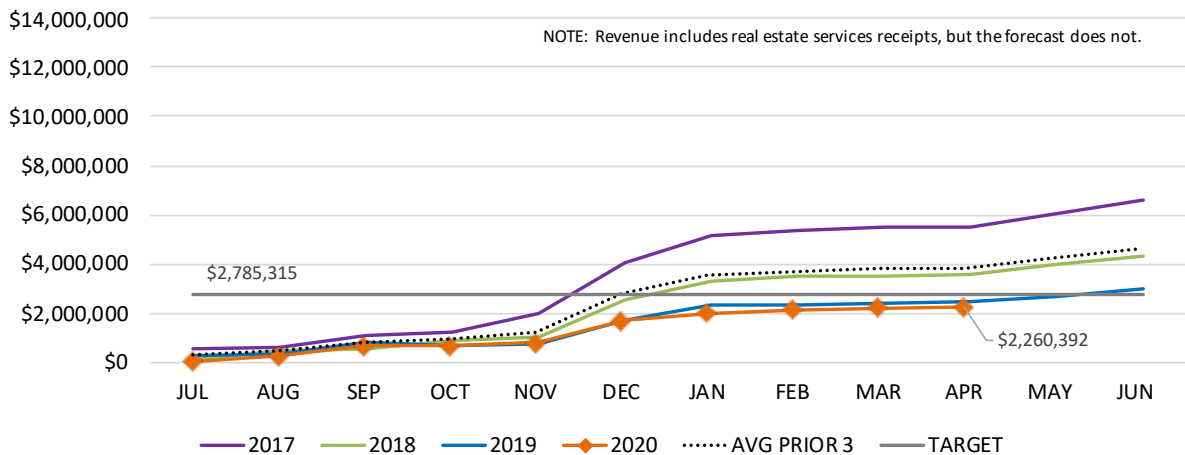
FYTDTotal is 82%
of 3 Year Average



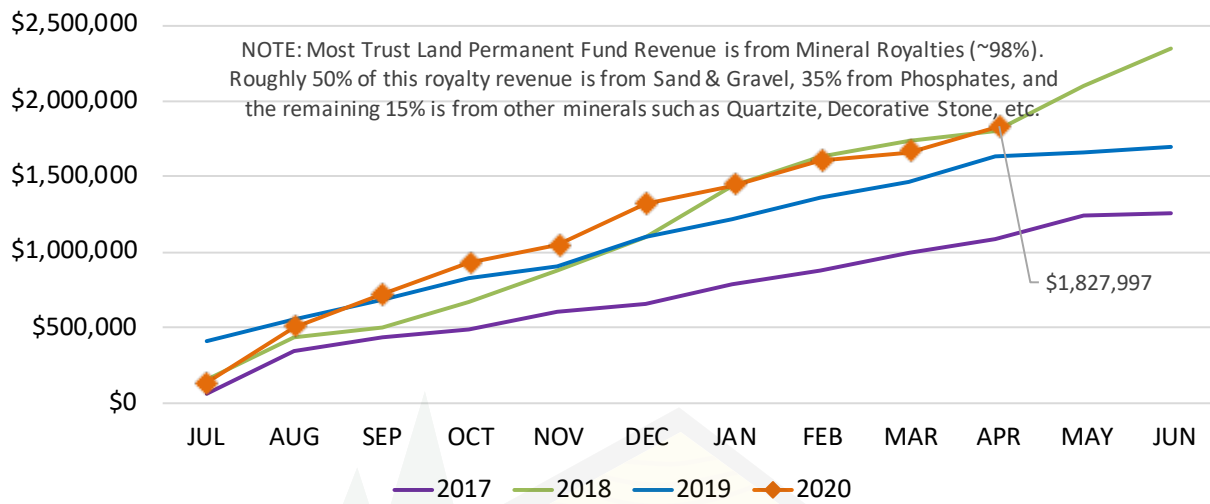
Cumulative Trust Land Program Receipts - Earnings Reserve
NO COMMERCIAL RETAIL OR RESIDENTIAL REVENUE* INCLUDED
FY17 - FYTD20



Cumulative Trust Land Program Receipts - Earnings Reserve
ONLY COMMERCIAL RETAIL AND RESIDENTIAL REVENUE* INCLUDED
FY17 - FYTD20



Cumulative Trust Land Permanent Fund Revenue/Royalties
 (Does NOT include Land Bank Revenue)
 FY17 - FYTD20





M. Dean Buffington :: Chairman
Jerry F. Aldape Gary L. Mahn
Warren R. Bakes Richelle A. Sugiyama
Steven C. Harris Thomas J. Wilford
Irving Littman Chuck Winder

Chris J. Anton :: Manager of Investments

Monthly Report to the Board of Land Commissioners

Investment performance through April 30, 2020

Month: 8.6% Fiscal year: -1.8%

COVID-19 has changed our lives dramatically. As of April 30, 2020, there were 3,321,402 confirmed cases in 187 countries resulting in 237,180 deaths (for more current data see www.cornoavirus.jhu.edu/map.html). Efforts to slow the spread of the virus have had a detrimental economic impact on individuals, businesses and countries. Over 30 million people in the U.S. filed unemployment claims over the last six weeks. That implies a jobless rate of around 22%, which is the worst since the Great Depression. GDP was down 4.8% during the first quarter and corporate earnings reports are beginning to reflect the adverse impact. The European Central Bank estimates an economic contraction of about 12% and Asia reported disappointing manufacturing data.

Despite the storm of bad news, financial markets rallied during March as plans were made to gradually re-open economies and bring people back to work. The FDA indicated that it would provide emergency approval to use Gilead's remdesivir as a treatment therapy to shorten recovery periods for hospitalized patients and more than twenty companies are working aggressively to develop vaccines and treatments.

Status of endowment fund reserves

Distributions for FY2020 and FY2021 are well secured. Estimated reserves as of April 30, 2020, were 5.6 years for public schools and 6.2-8.1 years for the other endowments based on anticipated FY2021 distributions.

Significant actions of the Endowment Fund Investment Board

None.

Compliance/legal issues, areas of concern

Material deviations from Investment Policy: None.

Material legal issues: None.

Changes in board membership or agency staffing: None.

Upcoming issues/events

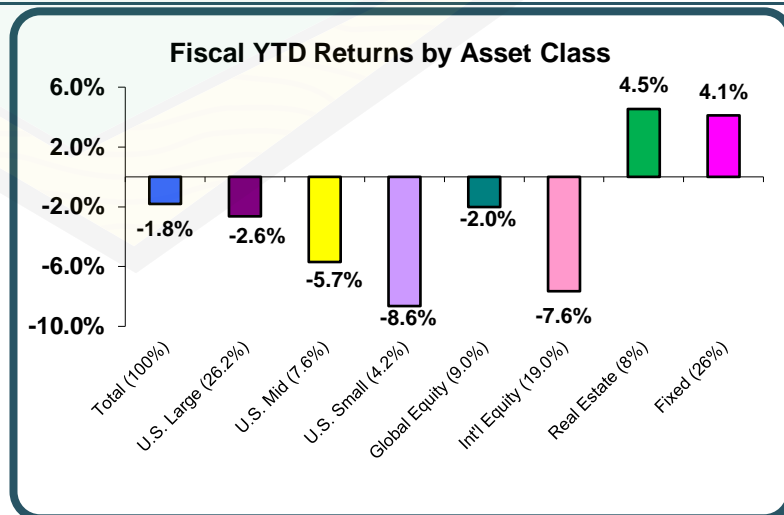
EFIB Board Meeting – May 19th

	<u>Month</u>	<u>FYTD</u>
Beginning Value of Fund	\$ 2,077,640,949	\$ 2,318,780,865
Distributions to Beneficiaries	(6,743,167)	(67,431,670)
Land Revenue net of IDL Expenses	2,324,677	69,419,277
Change in Market Value net of Investment Mgt. Expenses	<u>176,238,625</u>	<u>(71,307,388)</u>
Current Value of Fund	<u>\$ 2,249,461,084</u>	<u>\$ 2,249,461,084</u>

	<u>Current Month</u>	<u>Calendar Y-T-D</u>	<u>Fiscal Y-T-D</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Gross Returns							
Total Fund	8.6%	-8.1%	-1.8%	-0.5%	5.8%	5.3%	7.9%
<i>Total Fund Benchmark*</i>	7.9%	-7.0%	-0.6%	0.5%	5.6%	5.3%	7.5%
Total Fixed	2.3%	1.3%	4.1%	7.3%	4.1%	3.1%	3.6%
<i>85% BB Agg, 15% TIPS</i>	1.9%	4.9%	7.4%	10.6%	5.0%	3.7%	3.9%
Total Equity	11.8%	-12.5%	-4.8%	-4.1%	6.1%	5.9%	9.2%
<i>38% R3 19% Ax 9% AC</i>	11.3%	-12.8%	-4.8%	-4.7%	5.1%	5.5%	8.7%
Domestic Equity	13.5%	-12.1%	-3.9%	-4.1%	7.4%	7.6%	11.4%
<i>Russell 3000 (R3)</i>	13.2%	-10.4%	-1.1%	-1.0%	8.0%	8.3%	11.3%
Global Equity	10.5%	-9.1%	-2.0%	-1.0%	6.5%	4.3%	
<i>MSCI ACWI (AC)</i>	10.7%	-12.9%	-5.2%	-5.0%	4.5%	4.4%	
Int'l. Equity	9.0%	-14.9%	-7.6%	-5.6%	3.6%	2.1%	4.2%
<i>MSCI ACWI ex-US (Ax)</i>	7.6%	-17.5%	-11.8%	-11.5%	-0.3%	-0.2%	2.9%
Real Estate			4.5%	5.1%	6.2%		
			3.2%	4.4%	6.1%		

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

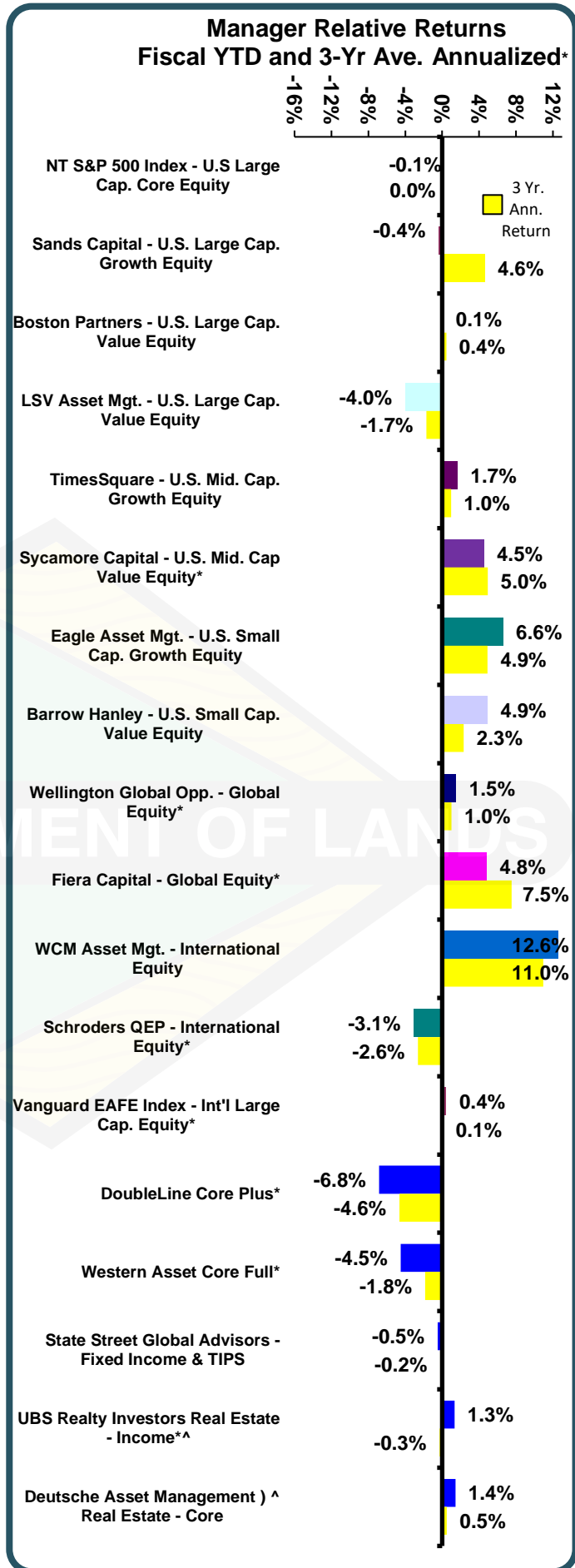
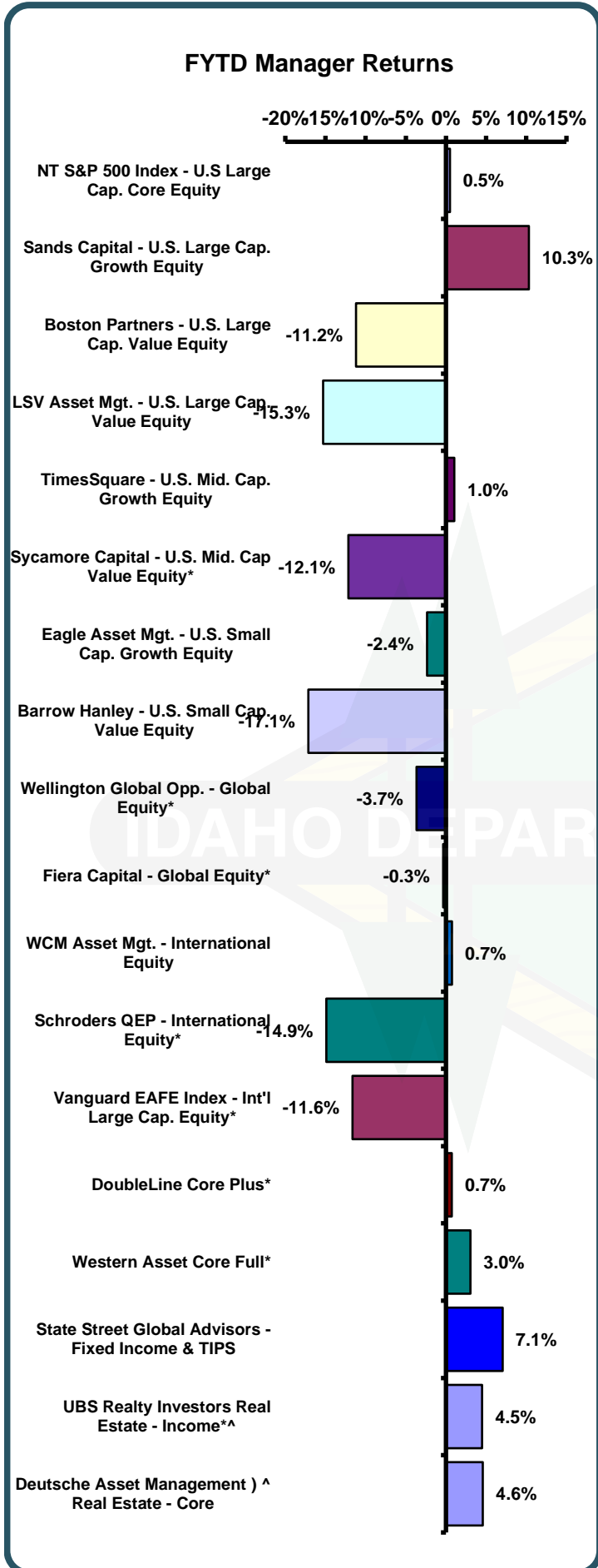
	<u>Mkt Value (\$M)</u>	<u>Allocation</u>
Domestic Equity	\$ 920.6	40.9%
Large Cap	633.1	28.1%
Mid Cap	182.7	8.1%
Small Cap	104.8	4.7%
Global Equity	214.3	9.5%
Int'l Equity	453.4	20.2%
Fixed Income	451.3	20.1%
Real Estate	191.8	8.5%
Cash	18.1	0.8%
Total Fund	<u>\$ 2,249.5</u>	<u>100.0%</u>



Endowment Fund Staff Comments:

COVID-19 has changed our lives dramatically. As of April 30, 2020, there were 3,321,402 confirmed cases in 187 countries resulting in 237,180 deaths (for more current data see www.cornoavirus.jhu.edu/map.html). Efforts to slow the spread of the virus have had a detrimental economic impact on individuals, businesses and countries. Over 30 million people in the U.S. filed unemployment claims over the last six weeks. That implies a jobless rate of around 22%, which is the worst since the Great Depression. GDP was down 4.8% during the first quarter and corporate earnings reports are beginning to reflect the adverse impact. The European Central Bank estimates an economic contraction of about 12% and Asia reported disappointing manufacturing data. Despite the storm of bad news, financial markets rallied during March as plans were made to gradually re-open economies and bring people back to work. The FDA indicated that it would provide emergency approval to use Gilead's remdesivir as a treatment therapy to shorten recovery periods for hospitalized patients and more than twenty companies are working aggressively to develop vaccines and treatments.

INVESTMENT REPORT



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

Semi-Annual Report to the Board of Land Commissioners

IDAHO DEPARTMENT OF LANDS

Endowment Fund Investment Board
May 19, 2020

Mission:

Endowment Fund Investment Board

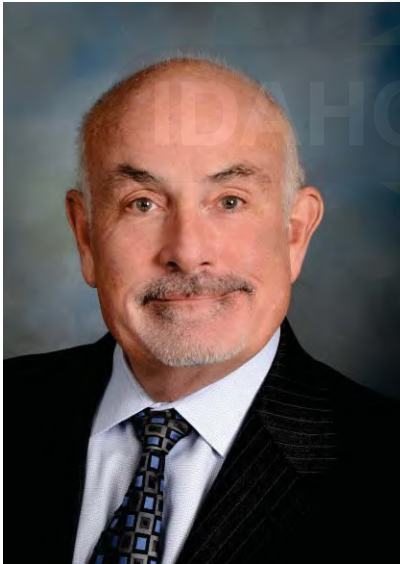
Provide outstanding investment management services to our stakeholders consistent with our constitutional and statutory mandates.

Trust Assets Overseen by the Investment Board April 30, 2020

	Assets	
	(\$ Millions)	% of Total
Land Grant Endowment	\$ 2,249.5	69.0%
State Insurance Fund	\$ 873.1	26.8%
DEQ	\$ 94.4	2.9%
Fish and Game	\$ 36.5	1.1%
Parks and Recreation	\$ 4.3	0.1%
Idaho Department of Lands	\$ 0.4	0.0%
Total	\$ 3,258.2	100.0%

Endowment Fund Investment Board Members

Jerry Aldape



Dean Buffington
Chairman

Warren Bakes



Endowment Fund Investment Board Members

**Representative
Steven Harris**



Irv Littman

Gary Mahn



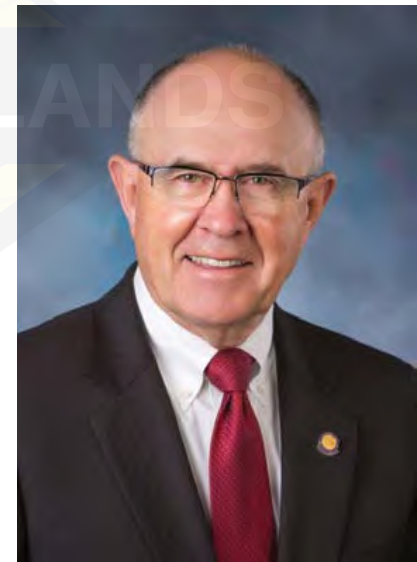
Endowment Fund Investment Board Members

**Richelle
Sugiyama**



Tom Wilford

**Senator
Chuck Winder**



Financial Summary – Land Grant Endowments

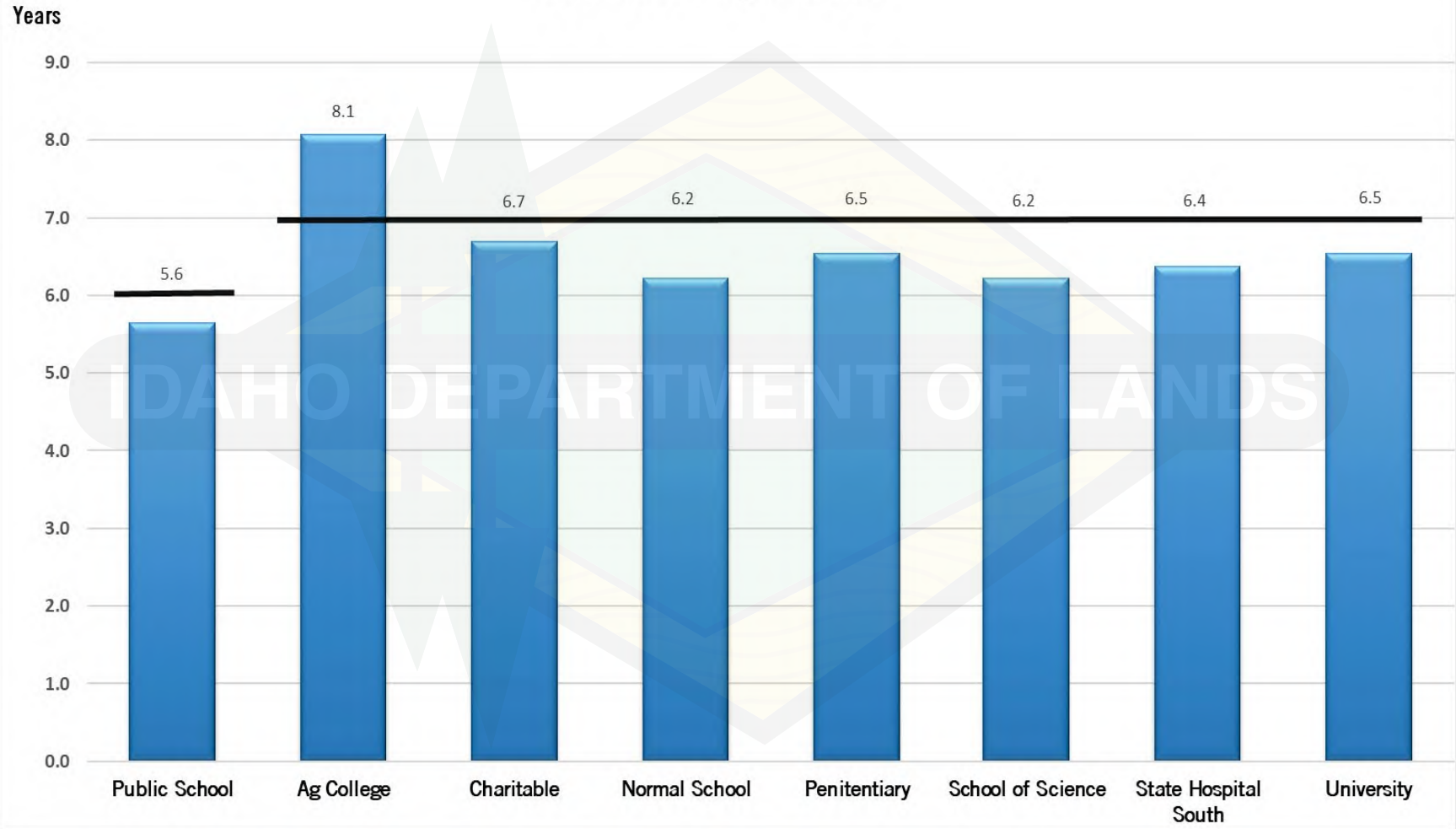
Ten Months Fiscal Year-to-Date 2020

- Total investment return was -1.8% for the first ten months of fiscal 2020.
- Compared to the previous year end:
 - Total land grant endowment fund balance decreased \$71.3 million, or 3.2%, to \$2.25 billion.

Total Land Grant Endowment Fund Assets
June 1996 - April 2020
(in millions)

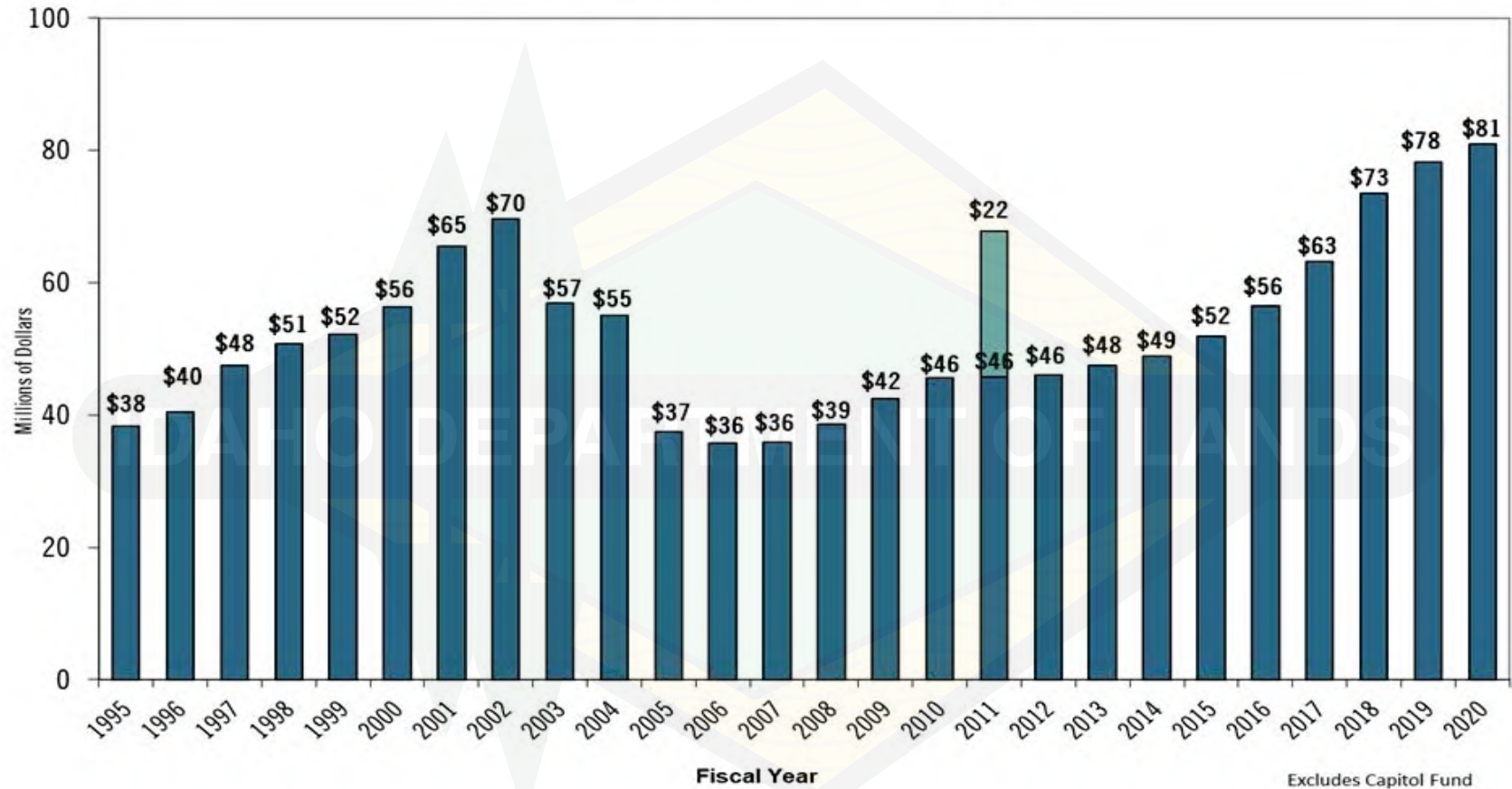


Years of Reserve and Desired Target Estimate - April 2020



Beneficiary Distributions 1995-2020

(includes special Public School distribution in 2011 of \$22M)



School Bond Credit Enhancement Program

EFIB administers a Credit Enhancement program that allows eligible voter-approved school bonds to be issued with a AAA rating (the highest possible) which is above the State's AA+ rating.

- EFIB will provide credit enhancement on up to \$1.2 billion in bonds. Currently, \$623 million in outstanding commitments.
- The limit per school district is \$40 million.
- Backed by \$300 million in Public School Endowment Fund assets.
- AAA rating currently lowers the issuer's interest rates around 0.05% points annually (material savings on multi-million dollar issues).



May 11, 2020

Superintendent Sherri Ybarra
Attorney General Lawrence Wasden
Secretary of State Lawrence Denney
State Controller Brandon D Woolf

Dear Fellow Land Board Members,

I want to thank you again for your willingness to work with me and continue to evaluate the strategy for reinvesting endowment dollars. I want to especially thank Attorney General Wasden and Irv Littman for their service on the Reinvestment Subcommittee. We worked hard over the last year to study this important issue and produced several reports and recommendations to you. In addition to those reports, I want to share a few additional observations I made during the Subcommittee's work.

First, the Land Board is fortunate to have multiple good options for reinvestment. You and our predecessors deserve credit for putting us in that enviable position.

Second, the recent prudent actions of increasing the Earnings Reserves and timber harvest that were set in motion by you and recently achieved by the Land Board, EFIB and Department of Lands should be commended. They reduce risk, stabilize distributions and give us the opportunity to take steps now to maximize long-term financial returns and distributions to the endowment beneficiaries.

Third, I have concern that the asset allocation undervalues the timberland owned by the endowments. I raise this because it has a material impact on the asset allocation and whether the reinvestment strategy should emphasize land acquisition up to target allocation levels. There are two main reasons for my concern that arose out of the Subcommittee's discussion of valuation and the asset allocation.¹

1. The timberland's value was estimated "based on discounted cash income and may not reflect market value."² The use of this valuation method was apparently due to the assumption that endowment timberland cannot be sold.³ The Subcommittee was

¹ The asset allocation and land valuation was discussed regularly during the Reinvestment Subcommittee's work. See, e.g., Callan's October 2019 presentation, p. 5; October Reinvestment Subcommittee Meeting Minutes, p. 6, 16, and 19; November Reinvestment Subcommittee Meeting Minutes, p. 6-7; March Reinvestment Subcommittee Meeting Minutes, p. 4-5.

² Callan October 2019 Subcommittee Presentation, p. 4.

³ See, e.g., Statement of Investment Policy dated July 17, 2018, p. 3, § D. October 2019 Reinvestment Subcommittee Meeting Minutes, p. 5 (comments at the bottom of the page from Ms Becker-Wold, Callan, "you can't sell this, so you have it, you can only manage it as best you can to meet your fiduciary obligations"); same at p. 12 (comments in middle of page from Ms. Becker-Wold, "once it goes into lands, it's there forever").



Governor Brad Little

State Capitol :: Boise, Idaho 83720
(208) 334-2100 :: gov.idaho.gov

advised that this assumption may very well be incorrect to the extent it inhibits achieving maximum long-term return.⁴

The market value of most land is usually materially greater than its discounted income value because the market value includes appreciation in the land's market value over time.⁵ This leads me to believe that the endowment's timberland is undervalued in the asset allocation and thus real estate makes up a larger portion of the portfolio than the asset allocation reflects.

2. When the land was valued, we did not have the benefit of understanding the increased anticipated harvest and income that was implemented by the Land Board in 2019. The fact that the largest portion of the real estate portfolio is able to generate 32.8% more revenue than previously anticipated⁶ further indicates the real estate assets were undervalued, and that the real estate portion of the asset allocation is likely much closer or above the target levels.⁷ This is particularly so given the timberland was valued using the discounted income value method.

Fourth, I have some concern regarding the assessment of risk in acquiring timberland. Catastrophic fire and loss of timber assets does not appear to have been considered when assessing risk with respect to timber acquisition. Unfortunately, catastrophic fires have become more common. We are doing everything we can to minimize that risk through Good Neighbor Authority, Shared Stewardship, and other programs that I fully support. But this risk exists and should be considered—just as significant drops in the financial markets are considered in assessing the risk of the financial assets.

In conclusion, I want to again thank Attorney General Wasden and Mr. Littman on the Subcommittee, and each of you for the time and effort put into this important question. I know we are each focused on fulfilling our fiduciary duties and doing the right and best thing for the endowment beneficiaries today and well into the future.

Sincerely,

Brad Little
Governor of Idaho

⁴ October 2019 Reinvestment Subcommittee Meeting Minutes, p. 13 (exchange in the middle of the page); November 2019 Reinvestment Subcommittee Meeting Minutes, p. 2-3.

⁵ October 2019 Reinvestment Subcommittee Meeting Minutes, p. 16-17 (beginning on lower half of page 16 with, "There's been a number of questions asked when the LEV calculation was done, Land Expectation Value . . .").

⁶ August 2019 Land Board Meeting Minutes, p. 5-9.

⁷ April 2018 "Asset Allocation and Distribution Study," p. 4.



**Idaho State Board of Land Commissioners
Reinvestment Subcommittee**

Brad Little, Governor and Chair
Lawrence G. Wasden, Attorney General
Irving Littman

Land Board Reinvestment Subcommittee – Report #2

INTRODUCTION

The Land Board Reinvestment Subcommittee approved three recommendations to the Land Board. This Report addresses the Subcommittee’s recommendation¹ that the Land Board reinvest \$50 million of Land Bank funds in financial assets.² The following discusses the information, in addition to the information in Report #1, gathered and relied upon in making this recommendation.³

The Subcommittee voted 2-1 to adopt this recommendation. Governor Little and Mr. Littman voted in favor. Attorney General Wasden asked to submit a minority report regarding this recommendation.

EXECUTIVE SUMMARY

The Land Board has positioned itself well to reinvest in financial assets. This is due, in large part, to the prudent actions taken by the Land Board, the Endowment Fund Investment Board, and the Department of Lands over the last two (2) years to stabilize distributions over the long-term.

With those prudent actions in place, the Land Board has the opportunity and ability to invest in financial assets that are likely to provide maximum long-term returns and distributions to the endowment beneficiaries. This recommendation carries out the Land Board’s fiduciary duty to maximize long-term returns and is consistent with the options Callan recommends for reinvestment.

REINVESTMENT STRATEGY BACKGROUND AND POLICY OBJECTIVES

The Reinvestment Subcommittee is part of an ongoing effort by the Land Board to prudently reinvest the proceeds from the sale of commercial and cottage site properties. Those sales are expected to generate total reinvestment proceeds of more than \$250 million.

The Land Board is responsible for setting the policy for reinvesting these funds to ensure maximum, long-term return to the endowment beneficiaries. The Land Board has stated its investment goals as:⁴

¹ The other two recommendations adopted by the Reinvestment Subcommittee are addressed in the accompanying Report #1 of the Land Board Reinvestment Subcommittee.

² See April 2020 Reinvestment Subcommittee Minutes, p. 5.

³ Most of the information presented to or received by the Reinvestment Subcommittee and cited herein is available at: <https://www.idl.idaho.gov/about-us/land-board/#reinvest>.

⁴ Statement of Investment Policy dated July 17, 2018, p. 3.

- Maximize long-term financial return at a prudent level of risk.
- Provide relatively stable and predictable distributions to the beneficiaries.
- Constrain distributions to protect future generations' purchasing power.
- Maintain sufficient liquidity for anticipated expenditures.

“The ultimate purpose of Idaho’s land grant endowment is to provide a perpetual stream of income to beneficiaries.”⁵ Callan explained to the Reinvestment Subcommittee that this is carried out through the distribution policy objectives established by the Land Board. Those objectives are:⁶

- 1) Avoid reductions in total endowment distributions;
- 2) Maintain adequate Earnings Reserves to protect distributions from income volatility; and
- 3) Grow distributions at least commensurate with inflation and student population growth.

Callan, the Land Board’s retained investment consultant, has consulted on this issue since at least 2014. In 2018, Callan presented its “Asset Allocation and Distribution Study.” As part of this report, Callan presented the Land Board with three options for reinvestment.⁷

- Option A: identify potential [land] transactions that meet established hurdle rates and set aside sufficient funds over appropriate time horizon;
- Option B: Move land sale proceeds that are set to expire in calendar years 2020-2021 (approximately \$58 million) into the Permanent Fund with the remainder contingent on IDL identifying land acquisitions consistent with the Strategic Reinvestment Plan; and
- Option C: Immediately transfer all Land Bank funds into the financial asset portfolio.

Selection of which option to pursue was left to the Land Board.⁸ Callan did not recommend one of these options as the best or most likely to generate the maximum long-term return. Rather, Callan advised then—and reiterated during recent Reinvestment Subcommittee meetings—that each of the three options is a prudent reinvestment strategy that fulfills the Land Board’s fiduciary obligation.⁹

Callan advised that a preference for a particular option or investment “differs based on the assumed return from lands, earnings reserve level, time period, and primary objective.”¹⁰ Ultimately, Callan concluded that “financial investment results in greater distributions in the expected and better-case outcomes” and “land reinvestment generally provides equal or better protection relative to the financial assets in terms of preventing a decline in distributions.”¹¹

⁵ Statement of Investment Policy dated July, 2018, p. 26.

⁶ Callan October 2019 Reinvestment Subcommittee Presentation, p. 3, citing the Statement of Investment Policy dated July, 2018.

⁷ Callan April 2018 “Asset Allocation and Distribution Study.” p. 33.

⁸ July 2018 Land Board Meeting Minutes, p. 7.

⁹ July 2018 Land Board Meeting Minutes, p. 7.

¹⁰ Callan April 2018 “Asset Allocation and Distribution Study.” p. 6.

¹¹ Callan April 2018 “Asset Allocation and Distribution Study.” p. 6.

In mid-2018, the Land Board adopted Option A.¹² In mid-2019, Governor Little, as the newest member of the Board, requested further study of the reinvestment strategy and the Board voted unanimously to form the Reinvestment Subcommittee to do so and make recommendations on this subject.

BASIS FOR THE RECOMMENDATION TO REINVEST IN FINANCIAL ASSETS

The Reinvestment Subcommittee's recommendation to reinvest \$50 million of Land Bank funds in financial assets at this time supports each of the Land Board's policy objectives for reinvestment and distributions, and its fiduciary duty to the endowment beneficiaries. This recommendation is based on the information gathered by the Reinvestment Subcommittee and recent actions taken by the Land Board, and led the Reinvestment Subcommittee to recommend acceleration of reinvestment in financial assets to achieve the maximum long-term return and distributions to the beneficiaries.

This recommendation is based on the following reasons and findings of the Subcommittee:

- The recommendation supports each of the relevant objectives of the Land Board's reinvestment strategy. In particular, the recommendation seeks to take the opportunity to maximize returns by investing in financial assets provided by the recent steps taken by the Land Board to reduce risk and stabilize distributions. This point is expanded on in the following section.
- Over the last two (2) years, the Land Board has made significant progress in reducing risk and meeting the first two primary objectives for distributions: stabilizing distributions and increasing the Earnings Reserve to recommended levels. This point is expanded on in the following section.
- This recommendation carries out the Land Board's fiduciary duty and is consistent with the options Callan presented to the Land Board. Callan confirmed to the Reinvestment Subcommittee that all three options remain prudent reinvestment strategies and that each fulfills the Land Board's fiduciary obligation to secure the maximum long-term return to its beneficiaries.¹³ The Reinvestment Subcommittee's recommendation is very similar to Option B (reinvesting \$58 million in financial assets) and consistent with Option C (reinvesting all Land Bank funds in financial assets).
- The Permanent Fund and Endowment Fund Investment Board are regularly recognized as one of the most successful public endowments in the country.¹⁴ It does so with very low overhead and cost.¹⁵
- The recent disruption in the financial markets creates an opportunity to invest in financial assets constructively—e.g., to buy low.
- This recommendation leaves flexibility for the remainder of Land Bank funds to be reinvested in compelling and accretive land investment opportunities. The 5-year time limit on the funds staying in

¹² July 2018 Land Board Meeting Minutes, p. 8.

¹³ November Reinvestment Subcommittee Meeting Minutes, p. 7.

¹⁴ EFIB's investment returns ranked in the eighth (8th) percentile of all public endowments over the last 10 years. See EFIB's Audit Report for FY 19, p. 7.

¹⁵ For example, since FY 2010, the total overhead costs (including management fees) for the Permanent Fund has averaged 0.41% of the Fund value and averaged 4.57% of the annual return for the Fund. See EFIB's Audit Report for FY 19, p. 7 and the "Summary of Historical Financial Results".

the Land Bank remains, and these dollars will flow over to the financial assets if such land investment opportunities are not taken. Of course, any timberland purchased must be accretive to returns overall, constructive to proper forest management of new and existing lands, and approved by the Land Board.

- Callan explained that financial and timber asset returns are not correlated; i.e. returns/losses in one do not predict returns/losses in the other.¹⁶ The data shows these assets are not countercyclical per se.
- Finally, the Subcommittee has a concern about the impact on endowment beneficiaries caused by the endowments purchasing large tracts of land in Idaho. The endowments do not pay local property taxes so large purchases of timberland very well may reduce the local dollars available to support local government entities, including school districts. In other words, reinvestment in timberland may have the effect of reducing the resources of one of the endowments' largest beneficiaries, public schools. All things being equal, this risk makes reinvestment in financial assets more appealing.

THE RECOMMENDATION SUPPORTS THE RELEVANT LAND BOARD OBJECTIVES FOR REINVESTMENT AND DISTRIBUTIONS

The Land Board's objectives for its reinvestment¹⁷ and distribution¹⁸ policies are fairly summarized as maximizing long-term financial return, reducing risk, and stabilizing and growing distributions.

The Land Board has made significant progress over the Last two (2) years with respect to reducing risk and stabilizing distributions.

As referenced above, over the last two (2) years, the Land Board has made significant progress meeting the first two primary objectives of its reinvestment strategy: stabilizing distributions and increasing the Earnings Reserve to recommended levels.

One important step the Land Board took is to increase Earnings Reserve levels to provide greater stability for distributions. The levels recommended by Callan were achieved at the end of FY2019.¹⁹ The Earnings Reserve are invested with endowment financial assets and designed to prevent declines in distributions, and are currently well-funded. As of April, 2020, reserves were 5.6 years for public schools and 6.2 – 8.1 years for the other endowments based on anticipated FY2021 distributions.²⁰

¹⁶ Callan October 2019 Reinvestment Subcommittee Presentation, p. 9.

¹⁷ The Land Board's investment objectives are:

- Maximize long-term financial return at a prudent level of risk.
- Provide relatively stable and predictable distributions to the beneficiaries.
- Constrain distributions to protect future generations' purchasing power.
- Maintain sufficient liquidity for anticipated expenditures.

Statement of Investment Policy dated July 17, 2018, p. 3.

¹⁸ The Land Board's distribution policy objectives are:

- 1) Avoid reductions in total endowment distributions;
- 2) Maintain adequate Earnings Reserves to protect distributions from income volatility; and
- 3) Grow distributions at least commensurate with inflation and student population growth.

Callan October 2019 Reinvestment Subcommittee Presentation, p. 3, citing the Statement of Investment Policy dated July, 2018.

¹⁹ August Land Board Meeting Minutes, p. 3.

²⁰ May 2020 EFIB Report to the Land Board.

Another recent action taken by the Land Board was to increase the planned harvest of timber by 32.8% for the next twenty (20) years.²¹ This significantly increases the anticipated income from the land portfolio. For example, a 32.8% increase in the endowments' Fiscal Year 2019 gross timber revenue of roughly \$67 million²² would result in an additional \$21.98 million in income at then market conditions. This increased timber harvest will replace by two (2) to three (3) times the reduction in annual lands income that resulted from the sale of commercial and cottage sites.²³

These steps reduce risk, achieved the Land Board's objectives to increase the Earnings Reserve to recommended levels, and made significant progress on stabilizing distributions.²⁴

The Subcommittee's recommendation advances the Land Board's objectives to maximize return and grow distributions through investment in the financial markets. The recent steps taken by the Land Board give it the ability to pursue these objectives. Put another way, the Land Board has the opportunity to pursue its objectives of maximum long-term financial return and growing distributions to keep up with inflation and population growth because of its recent prudent actions to reduce risk, increase the Earnings Reserves and stabilize distributions.

The Subcommittee's recommendation seeks to take advantage of that opportunity and further each of the Land Board's investment and distribution objectives.

CONCLUSION AND RECOMMENDATION

As a result of this process and analysis, the Reinvestment Subcommittee voted to recommend the Land Board adjust its reinvestment strategy. Governor Little moved to allocate 50% of the available Land Bank funds into financial assets. During discussion of the motion, Mr. Littman suggested amending the motion to \$50 million of available Land Bank funds, rather than 50%. Governor Little seconded that motion in order to reach a consensus.²⁵

This Report serves to recommend that the Land Board adopt the Reinvestment Subcommittee's recommendation to reinvest \$50 million of current Land Bank funds into financial assets. This recommendation leaves flexibility for the remainder of Land Bank funds to be reinvested in compelling and accretive land investment opportunities.

²¹ August 2019 Land Board Meeting Minutes, p. 5-9.

²² Endowment Fund Investment Board "Summary of Historical Financial Results".

²³ See Callan's May 2016 Strategic Reinvestment Plan, p. 1-2 ("As land and commercial property is sold, gross income from the sold properties will be lost. IDL estimates that the gross income reduction due to sales is approximately \$6.83 million.").

²⁴ It is also relevant to recognize that the EFIB has specific and well-developed policies to reduce long-term risk through the diversification of the financial portfolio, and regularly adjusts its asset allocation to do so.

²⁵ April 2020 Reinvestment Subcommittee Meeting Minutes, p. 5.



MEMORANDUM

OFFICE OF THE ATTORNEY GENERAL

To: Idaho State Board of Land Commissioners

From: Lawrence Wasden, Attorney General

cc: Irving Littman, Reinvestment Subcommittee Member

Date: Monday, May 11, 2020

Re: Minority Report of Attorney General Wasden, Member, Land Board Reinvestment Subcommittee

The following Minority Report is prepared to summarize the history of the Board's decisions concerning investment policy and the discussions of the Reinvestment Subcommittee; analyze the recommendation of the Majority Report and make an alternative recommendation and motion to the Idaho State Board of Land Commissioners. This is a lengthy report because I have attempted to coalesce the testimony presented to the Board and the Subcommittee in one place. Accordingly, I will begin with a summary of the report and my alternative recommendation.

SUMMARY AND RECOMMENDATION

The purpose of the Reinvestment Subcommittee was to examine whether the analysis and recommendations of the 2016 Strategic Reinvestment Plan as reaffirmed by the Land Board at its July 2018 meeting remained valid, or whether changes in market conditions required a different reinvestment strategy. During the course of five separate meetings of the Reinvestment Subcommittee over the course of eleven months, no testimony from Callan & Associates (Callan), EFIB director Chris Anton, or any other expert, reflected any change in the underlying rationales or analysis that supported the 2016 or 2018 decisions of the Land Board. Indeed at the March 12, 2020 meeting both Callan and EFIB Director Anton reaffirmed that the analysis and recommendations of 2016 and 2018 remained valid.

Despite the lack of any expert testimony or information to suggest a change in the investment strategy, a majority of the Reinvestment Subcommittee voted on April 10, 2020 to recommend to the Land Board that \$50,000,000.00 of the funds currently held in the Land Bank be invested in the Permanent Fund. Notably, at no time did any expert recommend this to the Subcommittee either as to the amount, nor as to whether doing so was in the best long term financial interests of the endowments as compared to purchasing land assets. In fact, the only testimony presented during these proceeding concerning the future performance of the permanent fund was that Callan's market expectations were either lower for the permanent fund than in past years or would remain unchanged.

Ms. Becker-Wold: Right. And as I mentioned earlier, and I think this is an important thing for us to consider, is that we do an asset allocation update for the Endowment Fund Investment Board annually, to sort of re-benchmark what our current forward ten-year look is. So that is probably up for adjustment, because as the capital markets have outperformed so dramatically, our expectation now going forward is going to be lower for the endowment fund, which means that the hurdle rates should also be adjusted at some point as well. We haven't done that work, and we haven't even completed our expectations for this year yet, but I'm thinking that given the fact that the capital markets have done so well, the equity returns could come down a little bit. We try to do that every year on the endowment fund, so we can make adjustments if we need to. We don't generally make big adjustments, but that's possible, yes.

Minutes of October 10, 2019, Reinvestment Subcommittee Meeting at pg. 11 (emphasis supplied). (TAB 1); See also Minutes of March 12, 2020, Reinvestment Subcommittee Meeting at pg. 7. (TAB 2).

No testimony or analysis presented over the course of the meetings supports the Majority Recommendation. And, indeed, the Majority Recommendation is actually counter to the testimony of Chris Anton to the Reinvestment Subcommittee.

Mr. Anton: As I look at the Callan study that was published in 2018, it really provided the Land Board with a framework to evaluate land acquisition opportunities that were presented from the Department of Lands. Essentially it said that if the opportunity presents a real return of less than 3.5%, it makes sense to put it in the financial assets. If it presented a return between 3.5 and 4.5%, it is somewhat indifferent, although it recommended that if we increased our reserves, as you're closer to the 3.5% end of that range, the financial assets are probably preferable; because we have higher reserves we can withstand a little more volatility. As you move out closer to 4.5%, or above 4.5%, the study recommended considering timberland investments. Again, looking at it from a whole trust perspective, the idea is that if we have opportunities that provide solid returns that are more stable from timber that makes sense from a whole trust perspective. I think the analysis that they did still makes a lot of sense, that we have to be disciplined, that the Land Board would evaluate any opportunities that were brought forward; we would also have to look at any synergies. I look at us as a strategic buyer. We're in the timber business. We have substantial holdings that if a land acquisition also enhances the returns from our other property it can provide other benefits. We feel at EFIB that we should give the Department of Lands that opportunity that the Land Bank provides to look at opportunities. I think there was always an understanding that if the Department of Lands said there weren't opportunities, or there weren't complete opportunities that spend all of that money, we could certainly transfer the money sooner into the financial portfolio. I think that the model Callan developed, from my perspective, made a lot of sense.

Minutes of March 12, 2020, Reinvestment Subcommittee Meeting at pg. 3 (emphasis added).

The Majority Recommendation thus ignores a fundamental premise of endowment fund reform and the policy of the Land Board to seek out and rely upon expert opinion rather than ad hoc decisions by elected officials. In these uncertain times, it is more important than ever that we adhere to this principal. As our world faces a global pandemic which as of May 7, 2020 has killed approximately 263,268 people worldwide and wreaked havoc on the world economy, we should be ever more cautious about how we make investment decisions.

At the April 10, 2020 meeting, I made and continue to support, an alternative recommendation to the Land Board which comports with Land Board policy to seek out and rely upon the expert advice of professional advisors. To wit:

At its July 2018 meeting, the Land Board adopted what is known as Option A. Essentially, Option A provided that the Board, consistent with the reinvestment plan, identify transactions that meet the established hurdle rates and set aside sufficient funds over an appropriate time horizon, and in fulfillment of the scope and purpose of this subcommittee to examine that decision and make recommendations to the full Board, I make a four-part motion:

- 1) That the full Board stay the course on Option A in order to maintain the Board's flexibility in applying funds to either land or financial investments;
- 2) The full Board request Callan to review the efficacy of the hurdle rates;
- 3) Recognizing that our normal processes for investment require our seeking advice from our retained experts, that the full Board also request Callan and EFIB to review current market conditions and report to the full Board at its next monthly meeting and make any recommendations concerning investments in current financial markets;
- 4) That the Department of Lands prepare a letter of transmittal to the full Board outlining the subcommittee's recommendations, and I offer Darrell Early to assist the Department in preparing that letter .

See Meeting Minutes of April 10, 2020 Reinvestment Subcommittee (TAB 3).

This recommendation adheres to the adopted decisions of the Land Board as recommended and supported by our retained consultants in 2016 and 2018 because there has been no change in the information or analysis which supported those decisions. Importantly, however, it does not rule out the possibility of transferring Land Bank funds to the Permanent Fund, but instead allows for IDL to retain the flexibility to acquire land assets that will meet or exceed the established and validated hurdle rates or to transfer money to the permanent fund if our expert consultants identify that it will be in the long term best financial interests of the endowments. Until such a decision is endorsed by our investment advisors, however, the funds should remain available for land acquisition.

I encourage my fellow Land Board members to consider this minority report and recommendation.

DISCUSSION OF CONSTITUTIONAL & LEGAL OBLIGATIONS OF THE LAND BOARD

At the October 10, 2019 and November 13, 2019 meetings of the Reinvestment Subcommittee, the Office of the Attorney General submitted testimony concerning the fiduciary responsibility of the Land Board and other legal constraints upon the Board's actions. (TABS 4 & 5).

The Land Board is the “epitomic public trustee” bound by a fiduciary duty to fulfill the constitutional purpose of the trust to maximize long term returns to the beneficiaries. The fiduciary duty of the Board consists of two principals: Undivided loyalty and prudent business judgment.

Undivided loyalty requires the Board to reject any considerations other than those of the stated purposes of the trust which is the maximum long term return to the endowments. This principal is embodied both in the general law of trusteeship and reflected in the *Idaho Watersheds* decisions.

Prudent business judgment requires the Board to exercise the degree of skill and care that an ordinary prudent investor would in the course of their private affairs. A concomitant feature of this rule, as reflected in Land Board policy is, that in making decisions, the Board should seek out and rely upon the advice of experts. Known as the “prudent expert rule” the policy requires:

This additional step would engage outside consultants and experts hired directly by the Land Board with the assistance of the Endowment Fund Investment Board to provide an independent review and confirmation of information and recommendations to the Land Board prior to any major investment decisions. These additional agents would also be responsible for measuring, monitoring, and reporting on those IDL investment activities to assure progress toward the investment goals and maintenance of procedures and standards at the expert level in investment management.

See R. Maynard, Endowment Fund Reform Progress Report, December 6, 2013 at 2-3 (TAB 6); Minutes of the December 17, 2013, Land Board Meeting at 4-5 (TAB 7).

CHRONOLOGY OF REINVESTMENT DECISIONS AND DOCUMENTS:¹

Decisions concerning investments are, first and foremost, governed by the Board's adopted "Statement of Investment Policy" which states that the goals of investment are:

- Maximize long-term financial return at a prudent level of risk.
- Provide relatively stable and predictable distributions to the beneficiaries.
- Constrain distributions to protect future generations' purchasing power.
- Maintain sufficient liquidity for anticipated expenditures.

July 17, 2018, Statement of Investment Policy pg. 3. (TAB 8)

In 2014 Callan was retained by the Land Board to (among other things) conduct an asset allocation study incorporating the IDL-managed land assets with the financial assets. *Minutes of May 22, 2014, Land Board Meeting at 5 (TAB 9).*

The report was submitted to and approved by the Land Board in November 2014. *Minutes of November 18, 2014, Land Board Meeting at 4 (TAB 10).*

As part of the Asset Allocation study, Callan recommended a range of investment split between the financial assets and the land assets. Callan recommended a range for timber between 30% and 50%. At the time in 2014, timber was approximately 39% of the total portfolio. *2014 Asset Allocation and Governance Review: Pg. 27 (TAB 11).*

Callan concluded in 2014 that investment in timberland could be increased if IDL could obtain parcels that performed at least as well as the existing inventory.

Timberland is a desirable investment across the range of asset mixes reviewed. Timberland has an attractive forecast return for the anticipated level of risk and diversifies other asset classes well. Consequently, the unconstrained computer model specified an allocation to timberland at or above its current level for all asset mixes evaluated. The model suggest that timberland investment could be expanded if the acquired properties are expect to perform at least as well as the existing timberland.

2014 Asset Allocation and Governance Review: Pg. 4

In all asset mixes IDL timberland has an allocation at least as large as its existing allocation. Consequently, we would not recommend reducing the overall timber portfolio. Unconstrained, allocations to timberland are higher suggesting the allocation could be expanded. It is important to recognize that this is only the case if new investments are expected to perform at least as well as the existing

¹ This chronology starts in 2014, but the issue of managing the land assets as part of a "whole trust" concept started long prior. For a detailed chronology of this, see "Overview of Land Board Endowment Reform" by Clive Strong.

timberland. Expanding timberland for the sole purpose of meeting an unconstrained allocation is not recommended.

2014 Asset Allocation and Governance Review: Pg. 31

At the December 15, 2014 Land Board meeting the Board voted to establish an Investment Subcommittee. The members of the subcommittee are one EFIB Board Member, the EFIB Manager, and the Director of the Idaho Department of Lands. *Minutes of December 15, 2014, Land Board Meeting* at 6. The subcommittee was directed to “to develop a draft policy (consistent with Idaho Code Section 58-1333) regarding proceeds from the disposal of assets (e.g. cabin sites, commercial real estate, grazing land) utilizing the Land Bank Fund to hold a portion of the proceeds to be used for land acquisition (excluding commercial buildings), and to purchase access to currently owned endowment lands and to block up ownership of endowment lands.” *Id.*

The Investment Subcommittee met several times and at the May, 2016 Land Board meeting IDL recommended adoption of the “Strategic Reinvestment Plan” that had been developed by Callan and the Investment Subcommittee: *Minutes of May, 17, 2016 Land Board Meeting* at pg. 7 (TAB 12).

At the time of the 2016 Strategic Reinvestment Plan, Timberland remained at 39% of the total endowment portfolio. The Strategic Reinvestment Plan had the following conclusions.

- Callan recommends pursuing additional investment in timberland in Idaho provided investment can be sourced with appropriate net returns.
- Additional investment is supported by the asset allocation study which indicates portfolio risk/return will be maintained with additional investment in timberland provided new investments have a net projected returns at or above the returns of the existing portfolio with a similar level of risk. In Callan’s study, the existing timberland portfolio had an expected net 10 year composed return of 5.70 (3.45% net real return). The recommend Hurdle Rate for Timberland is a minimum net real return of 3.5% which equates to 5.75% net nominal return, assuming 2.25% inflation. The risk profile of each transaction and market dynamics will dictate the return that will be require, such that some transaction may have returns above the hurdle Rate.
- Callan does not recommend setting a hard target for the amount of dollars to be invested, but rather allowing the investment decision to be driven by the opportunities. The range for timberland is 30-50% of the total endowment portfolio if attractive opportunities are found, all of the projected proceeds in the Land could be invested in timberland and timberland would remain in the target 30-50% range, assuming the total portfolio remains at or above the current value.
- Investment in additional timberland is a way to replace lost income from the sales of cabin sites and commercial real estate.
- Market dynamics in the Timberland industry included increasing transaction flow. There have been several large intuitional portfolios of timberland brought to the market in the U.S. Several closed–end commingled funds are nearing their expiration, which will result

in timberland for sale. Additional multiple timberland investment organizations are undergoing changes which could result in additional deal flow from manager disruption and terminated vehicles. The environment with substantial availability of properties for sale and projected to be for sale may help to moderate pricing. The availability of transactions is in marked contrast to prior years and the Land Board should take advantage of the increased transaction flow.

- This is an unusual time for the Endowment due to the amount of disposition activity taking place. Based on the current Asset Management Plan, it does not appear that after FY 2020, there will again be the level of proceeds to invest in land. Therefore, the Land Board should consider using Land Bank proceeds to invest in Timberland and Farmland, provide the targeted Hurdle Rates can be met or exceeded and an institutional investment process is used.

Strategic Investment Plan p.g 6-7 (TAB 13). Callan further recommend that a detailed business plan be developed for the acquisition strategy. The Land Board approved and adopted the Strategic Reinvestment Plan. *Minutes of May 17, 2016 Land Board Meeting at pg. 6.*

In the summer of 2017 the Land Board directed Callan to further analyze the reinvestment of Land Bank funds as related to the smaller endowments based on a concern that perhaps the smaller endowments should be treated differently than the public school endowment. *See Minutes of July 5, 2017 Land Board Meeting at pg. 4-5 (TAB 14).*

In April 2018 Callan submitted its analysis which also included a review of the overall strategic reinvestment plan. By this time Timberland was approximately 34% of the Endowment Asset mix by class due to the growth of the financial investment. *See April 17, 2018 Asset Allocation and Distribution Study pg. 4 (TAB 15).* The 2018 study looked at several factors including the level of funding retained in Earnings Reserve and the reinvestment of land sale proceeds. The study recommended increasing Earnings Reserve to protect against financial market volatility due in part to the sale of residential cottage sites and commercial properties.

“Focusing on cumulative real distributions, a financial investment results in greater distributions in the expected and better-case outcomes while land reinvestment protects in poor capital market environments. Land reinvestment generally provides equal or better protection relative to the financial assets in terms of preventing declines in distributions.”

April 17, 2018 Asset Allocation and Distribution Study pg. 6.

The summary findings concluded:

- Depositing land sale proceeds into the financial asset portfolio is preferable under recommended (i.e. increased) reserve levels.
- Reinvesting land sale proceeds back into the lands is preferable at current earnings reserve levels.

The study further noted the “important role in dampening the volatility of the total Endowment over long time periods. *See April 17, 2018 Asset Allocation and Distribution Study pg. 30.*

If, however, the expected return on land investments increased toward 4.5% net real, land reinvestment becomes more compelling relative to the financial assets. *Id. at 31.*

At the May 2018 Land Board meeting, the Land Board approved the recommendation of the EFIB Board to increase earnings reserve levels for the endowments.

Attorney General Wasden stated his understanding that the basis for this recommendation is two-fold: an analysis of the market by Callan, and the new asset mix that is a result of cottage site auction sales. Attorney General Wasden commented that the Board is contemplating potential risks and the ability to maintain constant payout to the beneficiaries. Mr. Anton agreed; given the expected decline in revenue from both investments and lands, in order to keep the same level of confidence in distributions it is appropriate to have larger reserve levels. Attorney General Wasden noted that the purpose of maintaining constancy in terms of distributions is to best serve the beneficiaries; they can count on that money rather than having some level of volatility which would cause them difficulty. Mr. Anton concurred; the beneficiaries rely on the annual distributions as a significant portion of their budgets, and the Land Board and Investment Board take seriously their roles in keeping distributions stable each year, if not increasing modestly.

See Minutes of May 15, 2018 Land Board Meeting pg. 6-7 (TAB 16).

At the July 2018 Land Board Meeting Callan and the IDL presented the final results of the Strategic Reinvestment Plan Update and the recommendation of the Investment Subcommittee. Consistent with the April Study, the Department and Callan presented three (3) options to the Land Board.

- A. Option A “Consistent with the Reinvestment Plan, identify transactions that meet established hurdle rates and set aside sufficient funds over an appropriate time horizon (immediately move money that will either mature prior to the transaction or exceeds what is required).
- B. Option B – Move land sale proceeds that are set to expire in calendar years 2020-2021 (approximately \$58 million) into the Permanent Fund with the remainder contingent on IDL identifying land acquisitions consistent with the Strategic Reinvestment Plan.
- C. Option C – Immediately transfer all Land Bank funds to the financial asset portfolio.

Minutes of July 17, 2018 Land Board Meeting pg. 3 (TAB 17).

Following presentation of the options, there was a robust discussion of the issue by members of the Land Board.

Attorney General Wasden requested verification and assurance from the Department, from EFIB, and from Callan that the recommendation of Option A accomplishes two things simultaneously and that is—recognizing that the future cannot be predicted; there is no crystal ball—to the best of all parties' ability Option A is intended to accomplish reducing volatility in the endowments' overall investment portfolio at the same time as increasing returns, or the potential for reducing volatility and the potential for increasing returns. Ms. Kostka stated that is exactly the goal of the Department. Ms. Kostka mentioned another component intended to counter any volatility is the increase in reserve levels which was approved by the Board and is already being implemented. Regarding the financial portfolio, Mr. Anton remarked that during the February meeting Callan presented their capital markets assumptions and indicated that over the next ten years they expect gross returns of about 6.3%, net returns of 4.05%. In their study Callan said timberland investment is a good diversifier. If the Department gets similar real returns, because timber has lower volatility, it helps reduce overall volatility. It also provides similar and potentially greater returns if the Department finds opportunities above that hurdle rate. EFIB's perspective is that the Board should preserve its flexibility during this five year period and allow the Department to find and identify opportunities as long as they meet or exceed the hurdle rate. Governor Otter wondered what the motivation was for even considering Options B and C. Mr. Anton commented that the recommendation for B and C is they could potentially get similar returns on the financial assets but would likely have more volatility. Neither of those are bad options, the financial assets have been performing well; however, the Department has this unique opportunity to reinvest the money in timberland and it makes sense to preserve flexibility and look for transactions that provide substantial returns. Governor Otter suggested a cautious eye would look at Options B and C and conclude they were only included to validate Option A. Mr. Anton noted that Callan believes investing Land Bank money in financial assets is not a bad decision either. Generating 6.3% gross returns, 4% real returns, is a good option. Right now there is another option and that is to look at timber opportunities. Mr. Anton said Callan and EFIB agree that the Department should have the opportunity to look for reinvestment opportunities in timber and agricultural land. If the Department finds opportunities that meet the hurdle rate it will reduce overall volatility and enhance returns for the beneficiaries.

Minutes of July 17, 2018 Land Board Meeting pg. 5 (emphasis added). There was further discussion by Acting Director Groeschl concerning the effects on sustained yield for the total timber portfolio of additional timberland acquisitions.

In addition to providing a stable revenue source, new timberland will increase the Department's sustained yield—not only is there sustained yield off the land base that is acquired, it also then increases the sustained yield off the existing land base because now it is looking at entire ownership. For example, one area has a sustained yield calculation of roughly 85 million board feet (MMBF) a year; if 20,000 or 30,000 acres is acquired with 15 MMBF on those acres, add those numbers and the sustained yield is 100 MMBF. But in running the model again, a third time, the sustained yield is actually 115 MMBF because what it does is now look at the entire land base and age/size class distribution

and it gives an uplift on sustained yield across the entire land base. However, returns for acquisitions are only calculated on that acquisition, on what that land can produce, so it is conservative. Director Groeschl stated that the existing timberland base from the southern border of Idaho to the northern border of Idaho is returning about 3.9% net revenue. The Department is looking to acquire timberland in the strongest wood basket areas—good transportation, strong markets, competition—the return expectations for those acquisitions are higher.

Id. at 6. The Land Board voted unanimously to approve Option A. *Id. at 8.*

PROCEEDINGS OF THE REINVESTMENT SUBCOMMITTEE:

The concept of the “Reinvestment Subcommittee” first came up at the April 2019 Land Board meeting after a presentation by Stimson Lumber regarding its concerns about the Strategic Reinvestment Plan and the “Packers 1” (Molpus) acquisition. Governor Little raised it as follows:

For the record, Governor Little commented that he was not a member of the Land Board at the time the policy was put in place and proposed that a subcommittee of the Land Board review the current situation. Governor Little noted that EFIB reported earlier in the meeting that a request for proposal for an investment consultant is being advertised, and also noted that \$200 million is a large sum of cash to be spending in a significant manner. Governor Little asked for volunteers to serve on a subcommittee of the Land Board to review the asset management plan [strategic reinvestment] going forward. Attorney General Wasden and Secretary of State Denney volunteered to serve on the subcommittee; Governor Little so ordered.

Minutes of April 16, 2019, Land Board Meeting at 8 (TAB 18).

The Committee was formally created at the May 2019 Land Board meeting:

Land Board Subcommittee: Study of Reinvestment Strategy Discussion: Governor Little reported that following the last Land Board meeting, Attorney General Wasden and EFIB board member Irv Littman agreed to join the subcommittee to look at the current asset investment. Governor Little stated that given the magnitude of \$240 million to reinvest, there is a need for absolute certainty in the plan going forward: that the net-net to beneficiaries is what the Board wants it to be in the long term, and that the Board complies with its obligation to maximize returns to the endowments in the long-term. Governor Little mentioned that Mr. Littman was a former chief financial officer of Boise Cascade who knows about timberland investment and is very capable in the securities and investment field.

Attorney General Wasden commented that he is pleased to serve on this subcommittee and that it will be beneficial to the entire Land Board. Attorney General Wasden shared some ideas to consider in terms of how the subcommittee's discussion is focused: what

are the Constitutional provisions and the legal aspects; what is the history—how did the Board arrive at its current strategic reinvestment plan; and what are the options going forward. Governor Little duly noted the Attorney General's suggestions.

Minutes of May 21, 2019, Land Board Meeting at 7 (TAB 19).

JULY 10, 2019 MEETING: In July 2019, the Reinvestment subcommittee held its first meeting which was largely formative in nature. No testimony was taken. Governor Little explained his purpose in asking for the Committee is “to have a higher comfort level in the strategy the Land Board is using to reinvest the enormous sum of money that will be available in the coming years, and what the Land Board is doing with that sacred trust.” The Governor further indicated that his view was that perhaps “things have changed since the asset allocation study done by Callan in 2014: standards for investment have changed; opportunities for investment have changed; the Endowment Fund did not have a real estate portfolio at that time; 2 1/4% was the acknowledged standard for inflation then.” The Committee agreed to meet again where it would hear from legal counsel and its retained experts, Callan and EFIB on these and other issues.

Minutes of July 19, 2019, Reinvestment Subcommittee Meeting (TAB 20).

OCTOBER 10, 2019 MEETING: At its next meeting in October the Subcommittee heard testimony on the following topics:

1. Legal framework governing the Land Board’s reinvestment decisions by Darrell Early, Deputy Attorney General. (See TAB 4)
2. A summary of Callan’s work in 2014, 2016 and 2018 concerning investment strategy by Janet Becker-Wold. (TAB 21)
3. A summary of performance of the Endowment Fund from Chris Anton (TAB 22)
4. A summary of the land acquisition process and acquisitions to date from former Deputy Director David Groeschl. IDL also provided written answers to questions raised during the July meeting (TAB 23).

Key take-aways from Callan’s presentation at the October meeting were as follows:

- Callan is comfortable with the current target asset allocation
- Lands and financial assets fall within the prescribed bands, while cash is clearly over its 1% target
- We recognize that as the financial assets have outperformed lands, they have grown in percent relative to the lands portfolio
- The 2018 study re-visited the asset allocation and concluded that preference for financial assets versus land assets differs based on the assumed return from lands,

the earnings reserve levels and primary objectives (e.g., growing real distributions; protection against a decline in distributions)

- The study concluded that moving to a more or less aggressive asset allocation has very little impact on the prevention of a decline in distributions
- Focusing on cumulative real distributions, a financial investment results in greater distributions in the expected and better-case outcomes while land reinvestment protects in poor capital market environments
- Land reinvestment generally provides equal or better protection relative to the financial assets in terms of preventing a decline in distributions

Minutes of October 10, 2019, Reinvestment Subcommittee Meeting (See TAB 1); Powerpoint presentation of Janet Becker-Wold (see TAB 21).

During questioning Ms. Becker-Wold further explained how the timber asset portfolio works to dampen volatility in the Endowment portfolio because even while it moves in response to economic conditions its movements are delayed. *Minutes of October 10, 2019, Reinvestment Subcommittee Meeting at pg. 5 and 9-10.*

In discussing the 3.5% hurdle rate Ms. Becker-Wold explained these were set to assure that any land asset purchase was “accretive” to the over-all endowment. In other words a purchase would add equal or greater value to the endowment than would purchasing a financial asset. She next explained how the hurdle rates were revisited annually or anytime there was a significant change in market conditions. Importantly, Ms. Becker-Wold, explained that in light of how well the equity markets had performed in recent years, it was likely that the return on investment expectations for the financial assets going forward would be lower, and thus the hurdle rate adjusted downward.

Mr. Littman: That says that given the capital market assumptions that Callan was using for us and other clients, that 3.5%, given the perceived risk and the alternatives, that's kind of a point of indifference.

Ms. Becker-Wold: Right. And as I mentioned earlier, and I think this is an important thing for us to consider, is that we do an asset allocation update for the Endowment Fund Investment Board annually, to sort of re-benchmark what our current forward ten-year look is. So that is probably up for adjustment, because as the capital markets have outperformed so dramatically, our expectation now going forward is going to be lower for the endowment fund, which means that the hurdle rates should also be adjusted at some point as well. We haven't done that work, and we haven't even completed our expectations for this year yet, but I'm thinking that given the fact that the capital markets have done so well, the equity returns could come down a little bit. We try to do that every year on the endowment fund, so we can make adjustments if we need to. We don't generally make big adjustments, but that's possible, yes.

Minutes of October 10, 2019, Reinvestment Subcommittee Meeting at pg. 11 (emphasis added).

Mr. Anton, then explained the view of EFIB on how timberland assets help to balance the financial portfolio and allow for more aggressive investment in the financial markets by providing a stream of income for payment of distributions. The synergy created by this has allowed Idaho's permanent fund grow and outperform other similar funds in the U.S.

Mr. Anton: Governor, Mr. Attorney General, yes, I think our structure is very well thought out, and I say that in a couple respects. First of all, as we've looked at other land grant structures, the thought that went in during endowment reform of setting up this structure is pretty remarkable. And I say that for a couple of reasons: first, each year we have to grow the permanent fund at least at the rate of inflation. If we have years when that doesn't happen, we make it up. We then move earnings above inflation into the reserve funds to make sure we have adequate and sufficient reserves to manage volatility and keep distributions to beneficiaries consistent. And if the levels in the reserve funds exceed those target reserve levels, we move that money back into the permanent fund, and that's allowed the permanent fund to grow not only at the rate of inflation and population growth, we've exceeded both of those numbers historically as a result of these. In terms of the integration of lands and the endowment fund, it works very effectively because the revenue from lands allows us to pay some of those beneficiary distributions. If you look at the ratios at the bottom of that schedule, you see that in many years, the revenue generated by lands covered all of the distributions, which allowed us to preserve our investment returns, grow the fund, grow distributions. So they all work together cohesively as a nice systematic cycle. So, since we have those reserves, since we have the extra revenue coming in from lands, to your question, we are able to invest fairly aggressively. We have looked at the asset allocation of other land grant institutions and we are on the more aggressive side with 68% equities, so we are going to have more volatility, we are going to have down years, but what we've seen is it's allowed us to generate greater returns than most of our competitors, other land grant institutions. In fact, we've been in the top 10% when compared to all of those institutions, and it's because we have those reserves, because we have money coming in from lands, that we're allowed to invest more aggressively. I don't know if that answers your question.

Minutes of October 10, 2019, Reinvestment Subcommittee Meeting at pg. 15

Finally, Deputy Director Groeschl explained the process used for making timberland acquisitions including how the Discounted Cash Flow analysis is performed and evaluated by third party experts to assure that the established hurdle rates are met or exceeded. With respect to acquisitions made recently, he explained those transactions exceeded the hurdle rates without accounting for increases in the Forest Asset Management Plan sustained yield.

Mr. Groeschl: . . . So with that, the expected return rate well-exceeded . . . it was in that 4-6% range that I mentioned earlier. The other thing, the immediate benefit of that property as well . . . we don't look just because of the adjacency, we look at the market conditions of where that property is located. That property also resulted in an increase in

our forest asset on our sustained yield, on our existing land base, of about 10 million board feet a year because of the sustained yield effect by bringing 32,000 acres of young growing stock into the model and into our existing land base. It allowed us to address the large older size classes quicker because we had that younger growing stock in place. That bumped our sustained yield by 10 million board feet, which should generate an addition \$3 million a year just from that increase or that sustained yield effect – so that is an immediate benefit of bringing that property into the portfolio.

* * *

Mr. Groeschl: The 3.5% net real is the hurdle rate that we are expected to meet and when we do those evaluations and models, then those models are evaluated by outside experts. They actually develop the models and we have them review each other's models to see if they make sense, as well as internally, but they have to stand alone to meet the 3.5%. When I say that those investments all are expected to yield 4-6%, those were as stand-alone properties, but they will likely yield more than that because of the additional benefit that they provide to the existing endowment land base.

Minutes of October 10, 2019, Reinvestment Subcommittee Meeting at pg. 18-19.

NOVEMBER 13, 2019 MEETING: At the next meeting of the Reinvestment Subcommittee in November, 2019 the Subcommittee asked additional questions of Callan concerning the way hurdle rates were established and the validity of the 2018 recommendations. Ms. Haskins explained that hurdle rates are set so that any land acquisition is “accretive” to the over-all portfolio.

Ms. Haskins: Well, if you remember from our 2018 report, part of what you decide to do depends on where you want to be with regard to the downside scenario, in the worst worse case scenarios – if you want to protect against that, and it was clear that you want to do that, was where land really came into account. So I think part of it is where you want to be on that risk spectrum. I have maintained all along that this is ... if you can find transactions ... I come at it from more of a bottom up perspective, if you can find transactions that are truly accretive to what you already have; and it sounds like the last couple that have been done not only stood on their own, but have made the rest of the portfolio better, then that's the way to go about it. I think that's what we've tried to stress too.

Mr. Littman: Sally, correct me if I misspeak here. I think what Sally is saying is that's where the hurdle rate comes in. That as you consider adding individual investments, they have to be accretive, they have to be better than what you've got. That is why the hurdle rate was designed. Sally describes that the hurdle rate ... this is a criteria, a threshold, she's saying it has to be done in such a way to include all costs including the fire costs and projected inflation. So if the investment is good enough and high enough, then it adds to the overall return and health of the portfolio. If it's marginal or below the hurdle rate, then it will hurt the portfolio and we should not do it. So the question really becomes of

the \$150 million, how much is there within the time that we have prescribed that we can execute transactions that are individually accretive and I would ask, not barely accretive, but have enough cushion so that you know you're really adding to the portfolio. Did I say that right?

Ms. Haskins: Way better than I could ever say it, thank you.

Minutes of November 13, 2019 Reinvestment Subcommittee at pg. 7-8 (TAB 24).

Attorney General Wasden then clarified earlier remarks addressing how changes to the overall endowment risk portfolio were addressed by acquiring lands.

Attorney General Wasden: Sally this is Lawrence Wasden. We step back for a moment in time: the state owned a number of parcels of land, they happen to be around Priest Lake and Payette Lake. We've sold land, and that's actually the genesis of that \$150 million is that our land portfolio went down. As a consequence of that, our risk factors went up. To accommodate for those risk factors, we increased the size of our reserves. By doing that we were leveling the playing field. The question now is what do we do with this \$150 million and in order for us to maintain that balance, we need to do something. That is, we can purchase securities, but that is more volatile marketplace than is the land which is the whole issue I was trying to raise earlier. That it's the working of the entire portfolio together so if we were to acquire land, it may be that we could reduce the size of our reserves based upon what the relative risks were. Isn't it the entire workings of that together that we're trying to accomplish the maximum long-term return?

Ms. Haskins: That's correct, and you point out that there are trade-offs to anything that you do.

Minutes of November 13, 2019 Reinvestment Subcommittee at pg. 8-9.

Governor Little then asked EFIB Director Anton a hypothetical about whether the endowments would have been better off if land bank money had been invested in the equity markets and if issues of risk could be better addressed through reserve levels.

Governor Little: The most widely scribed to index is the Vanguard index, what, 8 basis points?

Mr. Anton: The S& P 500 is 3 basis points now.

Governor Little: I just looked this afternoon. Three, five and ten years it's almost 300 basis point premium over the incredible work that you've done. But it's in a different area. So if you take \$2.3 billion times 3%, that's \$60 million bucks a year; we would have an additional return if we would have just plowed it all in there. I am not, just like the Towne Square Mall, I am not advocating for that; but what I am saying are there a number of years of earnings reserve that we could put aside to compensate for just plowing it all into the SPDR, the Vanguard SPDR.

Mr. Anton: Governor, members of the subcommittee, we do have a substantial portion of the portfolio of the S&P 500 index. But we don't have it all invested in that because we believe diversification of non-correlated or partially correlated assets reduces the overall risk. To your point, yes if we happen to be all in the US equity market, we would have earned more over the last 10 years. But if you look at the prior 10 years we would have earned less because the S&P 500 was flat for 10 years.

Governor Little: Vanguard's 11% over the life of the programs.

Mr. Anton: Okay, different assets perform well different periods and that's why we're diversified.

Governor Little: But my question is can you make up for that diversity just by having more earnings reserve.

Mr. Anton: If you compare our portfolio to other land grant institutions, we're fairly equity intensive with 66% and we're able to do that because we have the earnings reserves. We're able to take more equity risk in the portfolio and still meet our objective of stable distributions for the beneficiaries because we have 6 or 7 years of reserves and because we have revenue coming into the reserves from the Department of Lands through timber sales. That structure is well thought out and it allows us to be fairly aggressive. Many of our peers are investing in other non-equity related investments to try to reduce volatility. They are investing in other alternatives, infrastructure and other things. So to your question to Sally, yes, we could consider other types of investments that have low risks, but we're able to take a fair amount of risk to try to maximize the returns for the beneficiaries given our structure.

Minutes of November 13, 2019 Reinvestment Subcommittee at pg. 8-9.

MARCH 12, 2020 MEETING: The next meeting of the Committee occurred on March 12, 2020 at that meeting, the Subcommittee once again heard from its experts.

Attorney General Wasden: I'd like to read some minutes of our May 15, 2018 Land Board meeting. It's a fairly lengthy paragraph, but I'd like to read it because it sets out part of our discussion. Callan made a presentation, and then it was actually your discussion. The minutes reflect:

In their study, Callan said timberland investment is a good diversifier. If the Department gets similar real returns, because timber has lower volatility, it helps reduce overall volatility. It also provides similar and potentially greater returns if the Department finds opportunities above that hurdle rate. EFIB's perspective is that the Board should preserve its flexibility during this five-year period and allow the Department to find and identify opportunities as long as they meet or exceed the hurdle rate. Governor Otter wondered what the motivation was for even

considering options B and C. Mr. Anton commented that the recommendation for B and C is that they potentially get similar returns on the financial assets but would likely have more volatility. Neither of those are bad options. The financial assets have been performing well, however the Department has this unique opportunity to reinvest the money in timberland and it makes sense to preserve flexibility and look for transactions that provide substantial returns ... Mr. Anton said Callan and EFIB agree that the Department should have the opportunity to look for reinvestment opportunities in timber and agricultural land. If the Department finds opportunities that meet the hurdle rate, it will reduce overall volatility and enhance returns to the beneficiaries.

Here's my question, do you still feel the same way based upon changes that have taken place in the marketplace, that having the flexibility with these monies while we have this unique opportunity is a recommended option. We chose option A and I am asking you are we still there?

Mr. Anton: As I look at the Callan study that was published in 2018, it really provided the Land Board with a framework to evaluate land acquisition opportunities that were presented from the Department of Lands. Essentially it said that if the opportunity presents a real return of less than 3.5%, it makes sense to put it in the financial assets. If it presented a return between 3.5 and 4.5%, it is somewhat indifferent, although it recommended that if we increased our reserves, as you're closer to the 3.5% end of that range, the financial assets are probably preferable; because we have higher reserves we can withstand a little more volatility. As you move out closer to 4.5%, or above 4.5%, the study recommended considering timberland investments. Again, looking at it from a whole trust perspective, the idea is that if we have opportunities that provide solid returns that are more stable from timber, that makes sense from a whole trust perspective. I think the analysis that they did still makes a lot of sense, that we have to be disciplined, that the Land Board would evaluate any opportunities that were brought forward; we would also have to look at any synergies. I look at us as a strategic buyer. We're in the timber business. We have substantial holdings that if a land acquisition also enhances the returns from our other property it can provide other benefits. We feel at EFIB that we should give the Department of Lands that opportunity that the Land Bank provides to look at opportunities. I think there was always an understanding that if the Department of Lands said there weren't opportunities, or there weren't complete opportunities that spend all of that money, we could certainly transfer the money sooner into the financial portfolio. I think that the model Callan developed, from my perspective, made a lot of sense.

Minutes of March 12, 2020 Reinvestment Subcommittee at pg. 2-3 (emphasis added) (See TAB 2).

Mr. Anton later explained the effects of land revenue on earnings reserve and distributions.

Mr. Anton: One thing that I think is important to highlight as well, is that the revenue generated from the Department of Lands goes into the earnings reserve fund. For many

years, that level of revenue was enough to basically make the beneficiary payment so that all of the growth and financial assets allowed the fund to grow more rapidly. Over time as the financial assets have grown and the land revenue has come down somewhat, that revenue coming from the lands generates only about 50-60% of the annual distribution. That's another type of volatility or risk that we have, that we're less able to look to that steady source of revenue, and why under certain scenarios having more land revenue is beneficial because it does come into that reserve. It helps make some of those beneficiary distributions.

Minutes of March 12, 2020 Reinvestment Subcommittee at pg. 4. The committee then further discussed how hurdle rates were established and whether they should be annually reviewed.

This was the conclusion of the substantive discussions and testimony to the Reinvestment Subcommittee.

CONCLUSION:

In 2016 and again in 2018, the State Board of Land Commissioners heard from its experts concerning how to reinvest the proceeds held in the land bank resulting from the sale of cottage and commercial properties. While investment in financial assets was always an option, the Board's experts advised that investment in timberland that met or exceeded a specific hurdle rate was also a prudent decision because it provided protection against the risks of down markets and cash revenue to the earnings reserve that in some years paid for distributions and in others allowed for more aggressive investment by the EFIB. Similarly, because of the delayed response of timber prices, it dampened volatility. This Board made an informed decision to be conservative in its investment strategy to protect distributions against market volatility and replace the lost cash revenue by allowing IDL to look for land acquisitions that would be accretive to the endowments and also create additional value to the endowments in the form of increased sustained yield.

During the entire course of proceedings before the Reinvestment Subcommittee not a single expert offered a different view. Despite lengthy questions, both Callan and EFIB have said that nothing has changed between the decisions in 2016, 2018 and today and that the same risk balancing reasons for investing in timberland present in 2016 and 2018 remain true. Both Callan and EFIB continue to support their prior work and recommendations to the Board.

While a worthwhile effort, the proceedings of the Reinvestment Subcommittee have offered no new information that should change the course this Board previously charted for IDL. And, most importantly, no experts have advised that investing in the financial markets today is a better course than continuing to look for timber investment. I encourage my fellow land board members to listen to our experts and affirm the actions already taken by this Board to stay the course as outlined in my alternative motion. IDL should be directed to proceed with the approved strategy from the July 2018 Land Board meeting keeping in mind that as new information, or new ideas for investment of Land Bank monies come forward, those ideas should be evaluated as potential "strategic" investments. Likewise, the IDL should continue to monitor

the Land Bank aging report and look at the “pipeline” of possible investments making sure to consult with EFIB and expeditiously move money into the Permanent Fund that will not be useable for acquisitions.

In an uncertain world, it is more imperative than ever that this Board choose wisely and rely upon its investment advisors when it comes to making investment decisions. Taking action to invest tens of millions of dollars in the financial markets when neither of our investment consultants have recommended such course reflects a lack of prudence that should be avoided.





**Idaho State Board of Land Commissioners
Reinvestment Subcommittee**

Brad Little, Governor and Chair
Lawrence G. Wasden, Attorney General
Irving Littman

Reinvestment Subcommittee Recommendations – Report #1

INTRODUCTION

In May of 2019, the State Board of Land Commissioners (Land Board) voted to appoint a Reinvestment Subcommittee to make additional recommendations to the Land Board on reinvesting the Land Bank funds generated from residential and commercial property sales, with the goal of ensuring the maximum long-term return to the endowment beneficiaries. Governor Little, Attorney General Wasden and Irving Littman¹ were appointed to the Subcommittee.

After significant work and study,² the Subcommittee settled on three (3) recommendations to the Land Board. The two unanimous recommendations are discussed in detail below. The third recommendation is discussed in the accompanying Report #2 and minority report.

The Reinvestment Subcommittee voted unanimously to recommend:

- 1) Callan review the efficacy of the hurdle rates for land acquisitions;³ and
- 2) The Land Board “focus on [land] acquisitions that increase total amount of working forests in Idaho consistent with our fiduciary duty.”⁴

REINVESTMENT STRATEGY BACKGROUND AND POLICY OBJECTIVES

The Reinvestment Subcommittee is part of an ongoing effort by the Land Board to decide how to reinvest the proceeds from the sale of commercial and cottage site properties. Those sales are expected to generate a total of more than \$250 million:⁵

The Land Board is responsible for setting the policy for reinvesting these funds to ensure maximum, long-term return to the endowment beneficiaries. The Land Board has stated its investment goals as:⁶

¹ Mr. Irv Littman is a member of the Endowment Fund Investment Board and a retired Vice President/Treasurer of Boise Cascade Corp. He has over 40 years of experience in financial and timber investments.

² Most of the information presented to or received by the Reinvestment Subcommittee and cited herein is available at: <https://www.idl.idaho.gov/about-us/land-board/#reinvest>.

³ April 2020 Reinvestment Subcommittee Minutes, p. 3.

⁴ April 2020 Reinvestment Subcommittee Meeting Minutes, p. 8.

⁵ Approximately \$47 million of these Land Bank funds were reinvested in the Permanent Fund in Fiscal Year 2014. Approximately \$50 million has been reinvested in timberland acquisitions. The Land Bank currently holds over \$128 million, and another \$30 million is anticipated to be generated by the sale of remaining cottage sites.

⁶ Statement of Investment Policy dated July 17, 2018, p. 3.

- Maximize long-term financial return at a prudent level of risk.
- Provide relatively stable and predictable distributions to the beneficiaries.
- Constrain distributions to protect future generations' purchasing power.
- Maintain sufficient liquidity for anticipated expenditures.

Callan, the Land Board's retained investment consultant, has consulted on this issue since at least 2014. In 2018, Callan presented its "Asset Allocation and Distribution Study." There, Callan presented the Land Board with three options for reinvestment.⁷

- Option A: identify potential [land] transactions that meet established hurdle rates and set aside sufficient funds over appropriate time horizon;
- Option B: Move land sale proceeds that are set to expire in calendar years 2020-2021 (approximately \$58 million) into the Permanent Fund with the remainder contingent on IDL identifying land acquisitions consistent with the Strategic Reinvestment Plan; and
- Option C: Immediately transfer all Land Bank funds into the financial asset portfolio.

Selection of which option to pursue was left to the Land Board and Callan did not recommend one option over the others.⁸ Callan advised then that each of the three options is a prudent reinvestment strategy that fulfills the Land Board's fiduciary obligation to pursue maximum long-term return.⁹

In mid-2018, the Land Board voted to adopt Option A as the reinvestment strategy¹⁰ and approved an update to the Strategic Reinvestment Plan, which set hurdle rates for timberland and farmland acquisitions and recommended annual review of the hurdle rates.¹¹ In mid-2019, Governor Little requested further study of the reinvestment strategy and the Land Board voted unanimously to form the Reinvestment Subcommittee to do so and make recommendations to the Land Board on this topic.

EFFORTS AND FINDINGS OF THE REINVESTMENT SUBCOMMITTEE

Over the last year, the Subcommittee met five times to gather and evaluate relevant information.¹² The Subcommittee heard from and/or received reports from approximately a dozen parties,¹³ and reviewed memos and/or other supporting materials as well as over 70 comments from the public.¹⁴

⁷ Callan April 2018 "Asset Allocation and Distribution Study", p. 33.

⁸ July 2018 Land Board Meeting Minutes, p. 7.

⁹ July 2018 Land Board Meeting Minutes, p. 7.

¹⁰ July 2018 Land Board Meeting Minutes, p. 8.

¹¹ July 2018 Land Board Meeting Minutes, p. 8. July 2018 Land Board Meeting Materials, p. 159 & 194.

¹² That information is available at: <https://www.idl.idaho.gov/about-us/land-board/#reinvest>.

¹³ Callan, the EFIB, the Attorney General's Office, the IDL, county commissioners, the Idaho Association of Counties, the Idaho Farm Bureau Federation, the Idaho Conservation League, Stimson Lumber, JD Lumber, and members of the Legislature. Written reports were received from, among others, Callan, the Attorney General's Office, and Mr. Jeremy Chou on behalf of Stimson Lumber.

¹⁴ EFIB Asset Allocation Guidelines; EFIB Endowment Fund historical data; Deputy Attorney General memo to subcommittee; IDL sample acquisition schedule; Map - State Endowment Land, current and at statehood; Market

In October and November, 2019 and March, 2020, Callan presented and answered questions from the Subcommittee. Callan presented a report to the Subcommittee in October addressing topics including the asset allocation, hurdle rates, and timber and financial markets.¹⁵ Through this process, Callan also reviewed and provided updated information related to their work, including the April 2018 “Asset Allocation and Distribution Study,” the July 2018 “Strategic Reinvestment Plan Update,” the May 2016 “Strategic Re-Investment Plan,” and the November 2014 “Asset Allocation and Governance Review.”

The EFIB presented and answered questions at three meetings – October and November, 2019 and March, 2020. During these meetings, the EFIB provided up-to-date information on investment strategy, fund diversification, asset allocation, earnings reserve, financial history, and distributions.¹⁶

The Attorney General’s Office gave presentations at the October and November meetings addressing the legal landscape of reinvestment. Mr. Darrell Early discussed the history of endowment lands in Idaho, the Land Board’s constitutional and statutory authority to manage policy to secure the maximum, long-term return to the beneficiaries, and an overview of litigation framing that authority.¹⁷

The IDL presented information to the Subcommittee at the October and November Subcommittee meetings. In October, then-Deputy-Director David Groeschl reviewed, among other things, recent IDL acquisitions, hurdle rates, and IDL policies for potential acquisitions. Director Miller and Ryan Montoya fielded questions from the subcommittee in November and discussed, among other things, the hurdle rate, fire costs, and timberland administrative costs.¹⁸

At the November meeting, the Subcommittee heard public comment. During the hearing, the committee heard testimony from Benewah County Commissioner Phil Lampert, the Idaho Association of Counties, the Idaho Farm Bureau Federation, the Idaho Conservation League, Stimson Lumber, and Representative Caroline Nilsson-Troy.¹⁹ In addition to in-person testimony in November, 2019, the Subcommittee received and reviewed 73 additional comments from the public.²⁰

Ultimately, at the April Reinvestment Subcommittee meeting, the subcommittee voted to approve three recommendations. The unanimous recommendations are discussed below. The third recommendation is discussed in the accompanying Report #2 and minority report.

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Pulse real asset correlation tables; NCREIF timber returns; Fire Costs included in Discounted Cash Flow Analysis for Timberland Acquisitions; Comments – Various 12/12/19-12/16/19.

¹⁵ October 2019, November 2019, and March 2020 Reinvestment Subcommittee Meeting Minutes.

¹⁶ October 2019, November 2019, and March 2020 Reinvestment Subcommittee Meeting Minutes.

¹⁷ October 2019 and November 2019 Reinvestment Subcommittee Meeting Minutes.

¹⁸ October 2019 and November 2019 Reinvestment Subcommittee Meeting Minutes.

¹⁹ November 2019 Reinvestment Subcommittee Meeting Minutes.

²⁰ Comments – Various 12/12/19-12/16/19.

RECOMMENDATIONS

Recommendation #1: Hurdle Rates²¹

Recommendation: Approve the Reinvestment Subcommittee’s recommendation for Callan, in consultation with the Land Board, EFIB and IDL, to review the efficacy of the current hurdle rate.

Discussion: Hurdle rates are benchmark estimated return levels potential land acquisitions are required to meet. Hurdle rates are intended to estimate whether a potential land acquisition is accretive to the endowment portfolio. Callan previously recommended and the Land Board approved a minimum hurdle rate of 3.5% net real return for timberland acquisitions.²²

Callan also recommends annual review of the hurdle rates.²³ The hurdle rate was last reviewed in July, 2018. Periodic review of the hurdle rate is prudent and can help the Land Board and IDL vet the estimated long-term return for potential land transactions and whether a potential transaction is accretive to the portfolio and provides the most benefit to the endowment beneficiaries.

Recommendation #2: Acquisitions That Increase The Working Forests In Idaho²⁴

Recommendation: Approve the Reinvestment Subcommittee’s recommendation to focus on acquisitions that increase the total amount of working forests in Idaho, consistent with the Land Board’s fiduciary duty.²⁵

Discussion: Increasing the total amount of working forests in Idaho—i.e. the total number of acres in the state being actively managed and harvested—will help achieve the maximum long-term return to the endowment beneficiaries. As IDL recently reported to the Land Board:

Endowment lands provide a consistent wood supply from state trust lands, which is important during good and bad economic times. During bad economic times, providing a relatively consistent supply of wood, albeit at a lower cost, benefits the endowments over the long-term by maintaining critical milling infrastructure. It also allows mills to buy IDL stumpage at a lower cost to blend with higher cost stumpage which may allow them to survive and weather an economic downturn.²⁶

Prioritizing land acquisitions that increase the amount of working forests in Idaho will help maintain a strong milling infrastructure and, in turn, support the endowment beneficiaries over the long term with higher returns from competitive stumpage sales.

²¹ April 2020 Reinvestment Subcommittee Minutes, p. 3.

²² May 2016 Land Board Meeting Minutes, p. 6. July 2018 Land Board Meeting Minutes, p. 8.

²³ Callan May 2016 “Strategic Reinvestment Plan,” p. 3 footnote 4.

²⁴ April 2020 Reinvestment Subcommittee Meeting Minutes, p. 8.

²⁵ April 2020 Reinvestment Subcommittee Meeting Minutes, p. 8.

²⁶ April 2020 Land Board Meeting Materials, p. 110; April 2020 Land Board Meeting Materials, Fiscal Year 21 Sales Plan presentation, slide 4 (recommending the Land Board approve increasing the board feet harvested in FY21 even amid a “downward trend in stumpage since [the] beginning of FY19”).

STATE BOARD OF LAND COMMISSIONERS

May 19, 2020
Regular Agenda

Subject

Bond Assurance Fund Participation Policy

Question Presented

Shall the Board adopt a policy of an actual allowable disturbance of 40 acres and an actual allowable cost of \$220,000 for participation in the Bond Assurance Fund, and a minimum \$5,500 per acre reclamation cost to opt out of the Bond Assurance Fund?

Background

IDAPA 20.03.03, Rules Governing Administration of the Reclamation Fund, implements a state bond pool for mining operations as authorized by Title 47, Chapter 18, Idaho Code. The Bond Assurance Fund essentially acts as a self-insurance program for the state to provide affordable bonding to small mining operations. Participation requires a yearly payment by the operator into the fund. The payment amount is based on the acreage of disturbance at the mining operation. The Idaho Department of Lands (Department) administers the Bond Assurance Fund under the Minerals Regulatory Program.

Changes in 2020 to IDAPA 20.03.03 removed mandatory participation in this type of financial assurance for many of the smaller mining operations. This allows mining operators more flexibility in how they provide financial assurance. Additional rule changes raised the fixed limits on participation from 40 acres of disturbance or a \$100,000 reclamation cost limit per operator to 80 acres of disturbance or a \$440,000 reclamation cost. Within these fixed limits, the rule directs the Land Board to set the actual allowable disturbance and reclamation costs as well as the minimum dollar per disturbed acre needed to opt out of the Bond Assurance Fund.

Discussion

The Department contracted with Willis Towers Watson in 2018 to update the actuarial analysis of the Bond Assurance Fund. One purpose of the analysis was to revisit the reasonable minimum balance of the Bond Assurance Fund within the parameters of a maximum of 40 disturbed acres and an average reclamation cost of \$5,500 per acre. In November 2018 the Land Board approved a new reasonable minimum balance of approximately \$1.6 million in the Bond Assurance Fund based on that analysis.

The actuarial analysis also evaluated several scenarios in which the allowable disturbed acres were increased from 40 acres to 50, 60, 80, and 100 acres. Results of this analysis are shown in the table below. The analysis used only the high frequency and severity scenario in

keeping with the reasonable minimum balance, and the three confidence levels of 75%, 90%, and 95%.

Estimated Annual Losses at High Claim Frequency and Severity				
	Disturbed Acreage Eligibility			
	<50 Acres	<60 Acres	<80 Acres	<100 Acres
Average Annual Loss	\$1,105,549	\$1,232,391	\$1,299,485	\$1,411,996
75% Confidence	\$1,645,250	\$1,798,000	\$1,196,250	\$2,058,000
90% Confidence	\$2,832,400	\$3,235,100	\$3,356,000	\$3,692,600
95% Confidence	\$3,588,300	\$4,128,700	\$4,349,500	\$4,861,350

The Bond Assurance Fund currently has approximately \$2.3 million. As a result, the Department recommends keeping the actual allowable disturbance at 40 acres. Recent reclamation projects and reclamation cost estimates indicate that most mines covered by the Bond Assurance Fund will have reclamation costs of approximately \$5,500 per acre. For 40 disturbed acres, this calculates to an actual allowable reclamation cost of \$220,000.

The Department has received several requests to increase the number of disturbed acres allowed, but the fund balance does not currently support an increase. When the Bond Assurance Fund gets to a balance of \$2.8 million, participation could be increased up to 50 acres through a subsequent Board action.

Recommendation

Adopt a policy of an actual allowable disturbance of 40 acres and an actual allowable cost of \$220,000 for participation in the Bond Assurance Fund, and a minimum \$5,500 per acre reclamation cost to opt out of the Bond Assurance Fund.

Board Action

STATE BOARD OF LAND COMMISSIONERS

May 19, 2020
Consent Agenda

Subject

Authorization to purchase a Forest Legacy Program conservation easement, known as Addie Farm, comprising 320 acres of privately-owned forestland in Boundary County

Question Presented

Shall the Board authorize the Department to acquire the Addie Farm conservation easement?

Background

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

Discussion

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

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

This conservation easement is one of 13 total acquired CEs in the federal FY2016 Hall Mountain-Kootenai Valley FLP Project. While FLP grant funds provide up to 75% of this entire project's eligible costs (CE values as well as associated due diligence expenses), the proportion of federal funds contributing to each individual CE acquisition may vary. Currently, this project includes one large donated CE which has provided a significant amount of the project's required non-federal match. This, in turn, has facilitated the use of more federal grant funds toward current CE acquisitions.

The Olson family wishes to convey a CE on their Addie Farm to the Idaho Department of Lands to conserve their working forestland in perpetuity, thereby protecting the economic and environmental values while keeping their property in private ownership (Attachment 2). A \$50,000 non-federal match for this purchase will be provided by The Nature Conservancy (TNC). In this specific CE acquisition, IDL is able to use \$350,000 towards the CE purchase. The table below summarizes project costs.

Landowner	Appraised CE Value	TNC Contribution	FLP Contribution
Olson-Addie Farm	\$400,000	\$50,000	\$350,000

The Addie Farm CE is consistent with the goals and objectives of Idaho's FLP and will protect the following significant conservation values:

- **Timber:** Idaho's Forest Action Plan identifies the area where the project lands are located as one of the highest priority areas for forestland protection in the state. According to Boundary County's Comprehensive Plan, the harvest of timber and other products from forestland in Boundary County is essential to the local economy.
- **Wildlife Habitat:** Project lands contain some of the most valuable wildlife habitat in Idaho, supporting an abundant assortment of game and non-game species including federally-listed threatened and endangered species such as grizzly bear and Canada lynx.
- **Landscape Scale Conservation Impact:** The Hall Mountain-Kootenai Valley project is located in an area of high conservation priority. Several existing FLP conservation easements are located within 10 miles.

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

Recommendation

Authorize the Idaho Department of Lands to acquire the Addie Farm conservation easement comprising 320 acres.

Board Action

Attachments

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





Forest Legacy Program

Fact Sheet

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

1. What is a conservation easement?

- A legal instrument through which certain rights, such as subdivision and development, are transferred from a landowner to a non-profit organization or government agency. The grantee organization does not gain the right to subdivide or develop; rather, it holds those restrictions “in trust” and ensures that no one uses the rights restricted by the grantor. A conservation easement is perpetual and runs with the land. Idaho Code Title 55, Chapter 21 is Idaho’s Uniform Conservation Easement Act.

2. Where does FLP funding come from?

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

3. What qualifies projects for consideration?

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

4. How are projects evaluated and selected?

- Projects are evaluated using the following criteria:
 - Importance: criteria reflect the environmental, economic and social values the forest provides

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

5. How are conservation easement values determined?

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

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

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

7. Who holds title to the FLP easement?

- The State of Idaho

8. How do conservation easements impact property taxes?

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

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

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

Idaho Forest Legacy Program

Program Goals

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

Program Objectives

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

To Date Statistics (April 2020)

37 conservation easement purchases: 97,176 acres

14 donated conservation easements: 3,273 acres

Federal Funds: \$39,583,588

Non-Federal Cost-Share: \$23,146,534

36% non-federal cost-share

87,200 acres open to public recreation, free of charge, in perpetuity

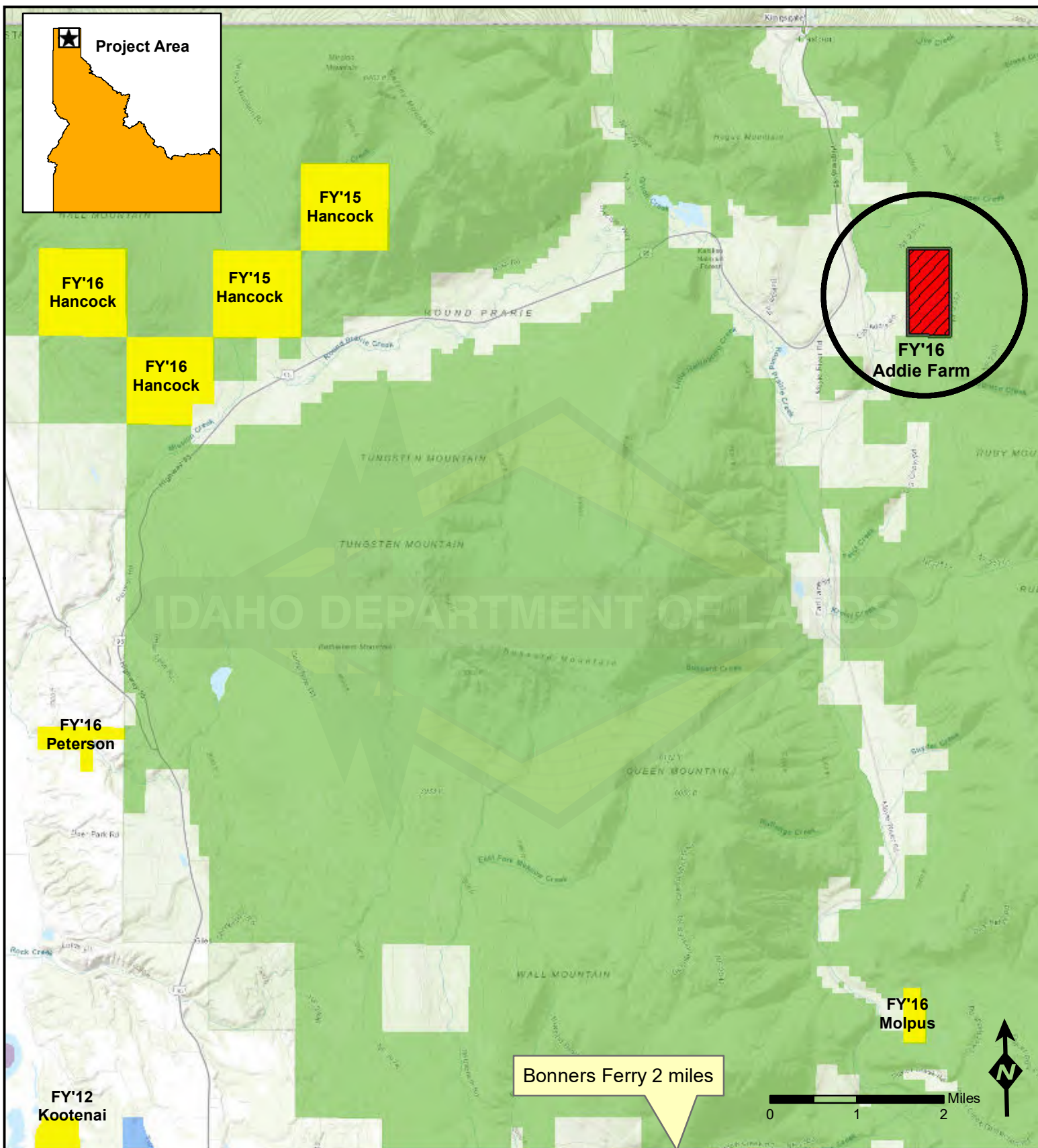
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For more information, visit:

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

This institution is an equal opportunity provider.

FY2016 Addie Farm (Olson) Proposed Conservation Easement Boundary County, Idaho



- Addie Farm (Olson) Property
- Existing FLP Conservation Easement
- Pending FLP Conservation Easement

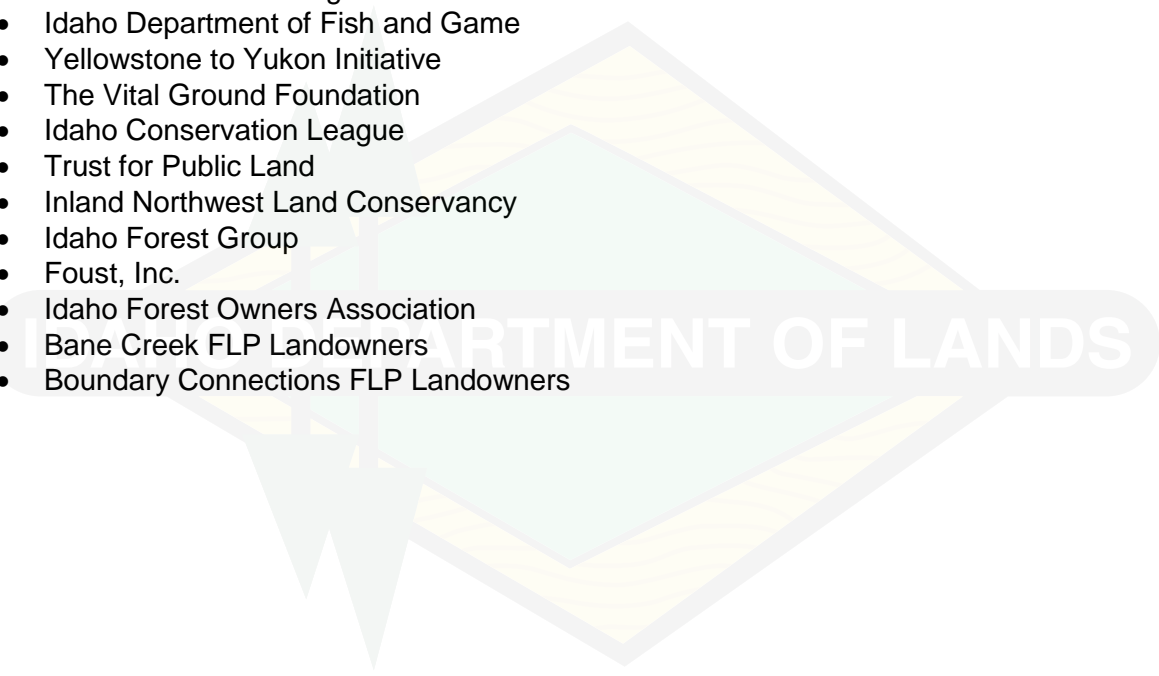
- USFS
- IDL Endowment

Karen Neorr- 04/30/2020

Public Support of the FY2016 Kootenai Valley Project in Boundary County

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

- United States Senator Mike Crapo
- United States Senator James Risch
- Boundary County Board of Commissioners
- City of Bonners Ferry
- The Kootenai Tribe of Idaho
- Kootenai Valley Resource Initiative
- US Forest Service
- US Fish and Wildlife Service
- Bureau of Land Management
- Idaho Department of Fish and Game
- Yellowstone to Yukon Initiative
- The Vital Ground Foundation
- Idaho Conservation League
- Trust for Public Land
- Inland Northwest Land Conservancy
- Idaho Forest Group
- Foust, Inc.
- Idaho Forest Owners Association
- Bane Creek FLP Landowners
- Boundary Connections FLP Landowners





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, Director and Secretary to the Board

Draft Minutes
State Board of Land Commissioners Regular Meeting
April 21, 2020

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, April 21, 2020 via teleconference.¹ The meeting began at 9:07 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

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

For the record, all Board members were present via conference call.

Attorney General Wasden made a unanimous consent request that the Land Board send condolences to Brian Wonderlich for the recent loss of his mother.

Attorney General Wasden made a second unanimous consent request that item 6 on the Consent agenda be moved to the Regular agenda. Attorney General Wasden noted the reason for his request is that this matter should be considered independently of the Consent agenda because it has elements that the Land Board should discuss as a body. There being no objection, Governor Little directed that item 6 move right in front of item 8 on the Regular agenda.

Director Miller commented that teleconference is certainly a different way of doing this meeting; it is important that everyone stay safe with the current COVID-19 situation. Director Miller mentioned that two-thirds of Department employees are currently teleworking or are in the field or in an office where minimal interaction with staff is occurring. Social distancing guidelines are being adhered to and precautions are in place to minimize any exposure. All Department facilities are staffed with minimal personnel; all buildings and facilities are closed to the public and customers except by appointment. Director Miller noted that the Department is currently onboarding seasonal firefighters; many eight-month and five-month employees are being hired. Protocols will be in place to ensure their safety during training processes and fire and field season. Operations at the Department continue albeit in a different way under these circumstances. Work is getting done and practices are in place to ensure the safety of employees during these challenging times.

¹ Pursuant to Governor's proclamation, March 18, 2020.

1. Department Report – Presented by Dustin Miller, Director

Endowment Transactions

- A. Timber Sales – March 2020
- B. Leases and Permits – March 2020

Discussion: None.

Status Updates

- C. Legislative Summary – Final
- D. Land Bank Fund

Discussion: None.

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

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

Discussion: Mr. Anton reported that the endowment fund portfolio was down 10.9% for the month of March and down 9.5% fiscal year-to-date. The world has changed dramatically since the outbreak of COVID-19 earlier this year. As of the end of March, there were about 877,000 confirmed cases worldwide in 180 countries resulting in over 43,000 deaths. The rate of change is such that through this morning there were about 2.5 million confirmed cases in 185 countries resulting in over 171,000 deaths. Massive efforts are underway to test those with symptoms, treat those in need, and slow the spread of the virus. The world is just starting to come to grips with the human and economic toll. As everyone is aware, efforts to slow the spread of the virus are focused on isolation including travel restrictions, school and business closures, and other forms of social distancing. These efforts have shown to be effective and are slowing the spread of the virus. There has been significant improvement in Europe; the United States is starting to see the same. Those efforts come at the cost of slowing the economy dramatically. Many have predicted that the GDP [Gross Domestic Product] will contract more quickly over the next two quarters than it did during the financial crisis. Unemployment claims have ticked up rapidly; the number now over the last four weeks is around 22 million. Industrial output is slowing, and individuals and businesses are beginning to feel the financial stress. There are conversations commencing about how to return to normal and how to restart the economy. Governments around the world are providing monetary and fiscal support to help those who have been affected by the virus. The financial markets are struggling; experts do not know how to quantify the impact of the crisis or the duration because the magnitude is really unclear. It is unlikely that the financial markets will stabilize until the spread of the virus is contained and a vaccine is developed. The recent \$2 trillion stimulus package by the U.S. government and the extraordinary efforts by the Federal Reserve and other central banks to provide liquidity in the credit markets has certainly helped.

Mr. Anton remarked that at the low point, the fund was down about 18%; through yesterday [April 20] it is now down only 4.3%; the day before it was down 3.6%. The fund has come back considerably off the bottom as a result of efforts to help stabilize the economy. A look at the first calendar quarter, which is the State's third fiscal quarter, the Dow Jones had its worst quarter since 1987, it was down 23%; the S&P its worst drop since the financial crisis,

down 20%; and the Russell 2000, which are small cap stocks, the worst quarter ever, down 31%. Oil prices have just tanked; the worst quarter in history. Both Brent and WTI lost almost two-thirds of their value. The futures contracts for the month of March for oil were actually negative. Historically, global consumption is about 100 billion barrels a month; with the crisis, demand has dropped to about 70 billion. Even with OPEC's [Organization of the Petroleum Exporting Countries] cut of about 10 million barrels, and the United States' cut of about 10 million barrels, more oil is being produced than is being consumed and now almost all of the reserves worldwide are full. Oil prices continue to collapse and there is nowhere to even store oil. That is helping consumers at the gas pumps, but certainly hurting the oil industry that employs a considerable number of people in the United States.

Mr. Anton stated that reserves at the end of March were estimated at 5.3 years for public schools and 5.8-7.1 years for the other endowments. As of yesterday, when the fund was only down 4.3%, reserves were 5.6 years for public schools and 6.1-7.5 years for all the other funds. While reserves are down modestly, and down is never good, it has not been as bad as one may have thought. The next Investment Board meeting is on May 19.

Governor Little remarked that the wisdom of the Investment Board and previous Land Board to put those reserves in those funds looks pretty good today compared to some other states.

Consent—Action Item(s)

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

Discussion: Ms. Okerlund added assurance that the activities that are outlined within the formal request and recommendation are continuing, although in most cases with creative modification due to the COVID-19 impacts, and many are already in progress given the time of year. Arbor Day is this Friday [April 24]. The only significant modification is the sustainable forest tour which is going to be rescheduled. Governor Little noted that the leadership forest tour is about \$24,000. Governor Little asked if the revenue does not come in are there contingencies to be sure and balance up revenue. Ms. Okerlund replied that additional funds would be sought; sponsorships are typically pursued for that important tour.

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

- 4. Results of February 2020 Grazing Live Auctions** – *Presented by Dustin Miller, Director*

Discussion: None.

Recommendation: Direct the Department to award grazing leases to Whitebird Grazing Association (G430031) and Janet and Jason Klement (G430029).

- 5. Placer Permit P800353, Doloughan Construction LLC** – *Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance*

Discussion: None.

Recommendation: Approve issuance of the attached permit subject to the plan submitted in the application, compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho, and submission of the \$86,300 bond to the USFS.

6. Approval of Minutes – February 18, 2020 Regular Meeting (Boise)

Consent Agenda Board Action: A motion was made by Controller Woolf that the Board adopt and approve the Consent Agenda. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

Regular—Action Item(s)

7. Proposed Relocation of Parks Department Maintenance Facility to City of McCall's Central Idaho Historical Museum Property² – Presented by Sid Anderson, Program Manager-Real Estate, and Kurt Wolf, Parks and Recreation Director, City of McCall

Discussion: Governor Little shared his knowledge of this project. At that time, Governor Little represented the livestock industry; the Idaho timber industry and livestock industry were quite involved in preserving this historical building to make sure it served as a location for people to understand much of the history and the culture of the Long Valley and McCall area. Governor Little said this was before the new Idaho Department of Lands office in McCall was built, and the move of SITPA from where it was to there. Knowing the intent of the originators and legislative action, the Governor concurred that this is a good idea. Attorney General Wasden commented that he had asked Darrell Early, counsel for the Board and Deputy Attorney General, to conduct a review of this matter. Attorney General Wasden asked Mr. Early what is the limitation of the Land Board's authority here and does this proposal fit with the deed restriction language. Mr. Early explained that a brief legal analysis was done of the effect of the reservation in the deed. As mentioned earlier by Mr. Anderson, the reservation does not give the Land Board any control over the property, and the City of McCall is free as a matter of its legal rights under the deed to go ahead with this project regardless of whether or not the Board does or does not approve of this particular proposal. Mr. Early supposed that the City is seeking an acknowledgement by the Board that the project as proposed does not violate the condition that would trigger the reversionary clause in the deed restriction. Mr. Early stated that looking at it from a substantive standpoint, the City's proposal to move the maintenance building and build a maintenance building on the site, coupled with the additional proposal made with respect to improvements might be found to meet the conditions of the clause. The reversionary clause has two purposes within it: one is educational purposes and the other is to maintain the site. The proposal, coupled with the additional educational improvements such as the interpretive trail and those matters, might be found by a court to be within the scope of the reversionary clause. Attorney General thanked Mr. Early.

Recommendation: Approve the City of McCall's proposed park and interpretive center, and relocation of the Parks Department's maintenance facility, on City-owned Central Idaho Interpretive Museum property.

Board Action: A motion was made by Attorney General Wasden to approve the proposal on the condition that the educational aspects of this proposal be carried out by the City of McCall. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

² By unanimous consent action, this item moved from Consent agenda to Regular agenda.

8. FY2021 Timber Sales Plan – Presented by Jim Elbin, Bureau Chief-Forest Management

Recommendation: Direct the Department to proceed with implementation of the FY21 Timber Sales Plan.

Discussion: Controller Woolf asked if most of the mills only have ability to cut trees with diameters of 20 inches or less. Mr. Elbin said that most mills have capability of 28 inches or less; the preferred diameter is 20 inches or less at many of the smaller fully optimized mills. Controller Woolf noted that the Board approved the 2019 FAMP [Forest Asset Management Plan] in August 2019 that included fiscal years 2021, 2022, 2023, and 2024. Controller Woolf inquired if, although the Board already approved the FAMP that has 290 million board feet, this is just more details of the specific timber sales for FY21. Mr. Elbin replied the purpose of his presentation was to provide background information; even though the state, the nation, is entering a rougher economic period it is important for the Department to continue as planned for long-term returns to the beneficiaries.

Governor Little remarked that the increase will send a signal that endowment timber sales will continue to have ample bidders. The Department is different than other landowners – a certain amount of timber is sold every year to try to maintain that sales base; an increase in bidders is needed to comply with constitutional long-term obligation. Governor Little noted that for an existing mill looking to upgrade, or somebody looking to establish a new mill, which would be wonderful particularly in some parts of the state, this is a good message to signal and proper for the Board and the Department to do.

Controller Woolf recalled that Mr. Elbin mentioned this is the last year for the cedar poles pilot project, with more information to follow in the coming months. Controller Woolf noted that in FY21 there is a split of just under 14,000 poles for a dual-entry sale and almost 15,000 poles for the single-entry; Controller Woolf inquired if the Department has been able to gather sufficient data needed for the cedar pole plans going forward. Mr. Elbin replied yes, the Department does have enough data, and has talked with industry. Between delivered log products and traditional sales, the Department has a plan going forward. The Department wants to avoid, from an internal management perspective, the continual dual- and single-entry sales and would prefer to do more single-entry, or another way would be to do delivered-product type of sales. That would be the recommendation the Department brings forward. Another piece is the 20,000 poles; the Department would like to just offer the amount planned for each fiscal year; having that set number can be difficult.

Controller Woolf asked if there is anything with the Good Neighbor Authority that the Land Board can assist with, or any key points regarding the Good Neighbor Authority (GNA). Mr. Foss stated that the Department is moving that program forward in the direction as presented to the Board in the past. GNA is projecting to sell 12 million board feet in the coming fiscal year. Markets are definitely impacting that program as well. Mr. Foss noted that there is not anything needed at this time from the Board. The Department is in the same boat with the GNA program as with endowment timber sales; the sooner the state can come out of this COVID-19 crisis and get building and the regular economy back on track, that is going to benefit the Good Neighbor program as well. The Department will be glad to come at a point in the future and present, specific to Good Neighbor, the different projects planned for the coming year.

Secretary of State Denney commented that in earlier visits with logging contractors, one of their big concerns was permanent road improvements. Secretary of State Denney asked how the Department handles those permanent improvements and how those are paid for. Mr. Foss replied that permanent road improvements are not something that the Department is able to address through Good Neighbor. Mr. Foss offered that in conversations with some of the contractors through Associated Logging Contractors, there have been concerns with permanent road improvements on endowment lands for endowment timber sales. The Department has conducted a number of meetings with contractors, several in the past year down in the Clearwater area; Shawn Keough, the executive director of ALC, was part of those meetings, and they were constructive conversations. One of the concerns contractors have is that the equipment that they are purchasing now for logging operations is wider, and one of their requests to the Department is the consideration of widening some permanent roads as well as the surfacing put on those roads. The Department is looking for opportunities to address their concerns.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the recommendation to implement the FY21 Timber Sale Plan. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

Information

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

9. Central Idaho Land Exchange Update – Presented by Dustin Miller, Director

Discussion: Governor Little remarked that land exchanges are always a little dicey. It is always somebody's favorite hunting spot. The Department has done a really good job in developing this proposal. In this particular instance, there is mature timberlands near markets that the state could acquire. The Department, the Attorney General's Office, and the tribe have diligently worked to move this exchange forward. Time will tell what the final conclusion is, but the efforts that have been put in to resolve this issue, it most importantly is a win for the endowment beneficiaries. Governor Little said he looks forward to seeing more progress on it. There are numbers that need to be run, and the Department and Land Board need to continue to be sensitive to the tribe.

Executive Session

None

There being no further business before the Board, at 10:24 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.