

OVERVIEW OF LAND BOARD ENDOWMENT REFORM

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1. In 1996, Governor Batt appointed the "Governor's Committee on Endowment Fund Investment Reform." *Memorandum from Governor Batt to Land Board Members* dated September 24, 1996. The genesis for the formation of the Committee was a discussion among the Land Board members at its July 29, 1996 meeting regarding the underperformance of the cottage site leasing program. *Minutes of the July 29, 1996 Land Board Meeting at 6*. Governor Batt stated, in his memorandum, that the purpose of the Committee was to:

[I]nvestigate methods of improving the Board of Land Commissioners (sic) ability to manage the state's asset base for an appropriate return to the endowment fund. In addition, the Governor's Committee will examine the investment policy of the Endowment Fund Board to see if higher rates of return can be achieved. This will include an investigation into the overall management of all endowment assets to provide an appropriate return in light of the objectives of the fund.

Memorandum at 2. Governor Batt also identified the premise for the formation of the committee.

The Board of Land Commissioners must have a long term strategic plan to manage the state's asset base, while at the same time provide the highest rates of return to the state endowment fund. The ability of the Board of Land Commissioners to diversify the state's base needs to be streamlined. At the same time, the Endowment Fund Board needs to adopt a method of investment that will allow for an increase in the amount of money generated by the fund, if appropriate. Both government boards need to coordinate their efforts toward this end.

Id. Finally, the Governor directed that the Committee "consist of individuals who are familiar with investment options, the state endowment fund, and the economics of long term investments for continued rates of return." *Id.*

2. ***1996 Report and Recommendations of the Governor's Committee on Endowment Fund Investment Reform.***

- a. The Committee members were: Douglas Dorn, private investment consultant; Representative William Deal; Robert L. Montgomery, Chairman of the Endowment Fund; Dr. Thomas Stitzel, Professor of Economics at Boise State University; and Robert Maynard, Chief Investment Officer for PERSI. Ex officio members of the Committee were: State Controller J.D. Williams; Department of Financial Management Administrator Michael Brassey; Deputy Attorney General Clive Strong; and State Economist Michael Ferguson. Douglas Dorn chaired the Committee.
- b. The Committee's report concluded that: "The entire integrated endowment needs to have its rules of overall operation clarified, reorganized, and reoriented towards providing a predictable and increasing stream of revenue to the beneficiaries while at least maintaining the purchasing power of the assets of the endowment." *1996 Report at 2.*
- c. The Committee report contains the following recommendations:
 1. "The currently separate parts of the endowment – the land trust and the financial trust – should be organized, invested, administered, and managed as a whole."
 - A. "A governing body must be created or identified to oversee all of the assets of the endowment, set its goals, and monitor its progress in achieving those goals."
 - B. "The trust should be invested and administered as a whole, with the rules for distributing annual cash flows altered to treat the endowment as a unit and (1) to provide a means for stabilizing cash flows by reserving excess cash flow in good years and supplementing distributions in poor years; and (2) to provide a mechanism for expressly addressing the division of benefits between present and future generations."
 2. "The [Endowment Fund Board's] investment authority and policies should be changed to eliminate the artificial restrictions which have led both to underperformance and to a portfolio structure that exposes the endowment to unnecessary risk."
 3. "The endowment managers must develop a formal reporting mechanism designed to identify underperforming assets, develop plans either to improve the returns from those assets or to dispose

of those assets, and develop a means for implementing those plans.” *1996 Report* at 3-8.

- d. The *Report* observed that the endowment structure and practices in 1996 reflected “momentum from the past rather than a focus on the present.” *Id.* at 21. The land portfolio was the product of chance rather than selection for optimum return for the endowment beneficiaries. When the federal land grants were made in the 19th century there was a general belief that land ownership was the safe way of preserving wealth. The notion that inflation would become a central concern of investment policy and that preservation of purchasing power would become intimately tied to the concept of preservation of principal, were notions that did not exist at the time of the creation of the trust. Moreover, the idea that land ownership, with its illiquidity and development risk, could become a riskier form of preserving long-term wealth was not foreseen.
 - e. The *1996 Report* concluded that times have changed radically since the 19th century and the objective of the initial endowment reform committee was to respond to this change. There was recognition of the need to examine the land endowment and to ensure these assets were managed in a way that maximized the long-term return to the endowment. *Id.* 21-24.
 - f. The Committee identified the purpose of the endowment as “the long-term preservation of the purchasing power of the assets while providing a steady stream of increasing income to the public schools and other beneficiaries.” *Id.* at 21.
 - g. One of the key recommendations of the Endowment Fund Investment Reform Committee was for the Land Board to develop procedures and reports for identifying, monitoring, and addressing the performance of the assets of the Trust. *Id.* at 56.
3. ***1998 Constitutional and Statutory Amendments Enacted to Implement the Recommendations of the 1996 Governor’s Committee on Endowment Fund Reform.***
- a. In 1997, the Idaho Legislature authorized the Legislative Council to appoint “a Committee to study the report and recommendations of the Governor’s Endowment Fund Investment Reform Committee” and “in conjunction with the State Board of Land Commissioners and the Idaho Endowment Fund Investment Board [to] submit recommendations and proposed legislation, if any, for endowment investment reform as deemed appropriate to the Second Regular Session of the Fifty-fourth Idaho Legislature.” H.C.R. 21, 1997 Idaho Sess. Laws at 1340.

- b. The Legislative Endowment Fund Investment Reform Committee recommended and secured passage of the following legislation:
1. Chapter 256, 1998 Idaho Sess. Laws established endowment and earnings reserve funds for each of the endowments, placed the Endowment Fund Board under the direction of the Land Board, provided that the Endowment Fund Board's investments were governed by the provisions of the uniform investor act, and created the land bank.
 2. H.J.R. 6 proposed to amend Article IX, § 4 of the Idaho Constitution to allow the deposit of proceeds from the sale of public school lands into a land bank fund, and to amend Article IX, § 8 to change the word "disposal" to "sale" to clarify that leases are not subject to disposal at public auction. *Legislative Council Statement of Meaning and Purpose HJR6*. The Idaho Supreme Court barred implementation of the ballot measure, however, on the grounds that the amendment violated the constitutional requirement that an amendment be limited to a single subject. *Idaho Watersheds Project v. State Board of Land Commissioners*, 133 Idaho 64, 982 P.2d 367 (1999). Article IX, § 4 was subsequently amended to provide for the land bank by ratification of H.J.R. 1 at the 2000 general election. 2000 Idaho Sess. L. 1669.
 3. H.J.R. 8, as ratified at the 1998 general election, amended Article IX, § 3: 1) to change the name of the "Public School Fund" to the "Public School Permanent Endowment Fund"; 2) to allow earnings to be deposited into the Public School Earnings Reserve Fund; 3) to provide that no part of the Public School Permanent Endowment Fund principal shall ever be transferred, used or appropriated to any other fund; 4) to provide for legislative appropriation from the earnings reserve fund for administrative costs incurred in managing the assets of the public school endowment. H.J.R. 8 also amended Article IX, § 11 to allow the permanent fund to be invested in financial instruments that a private trustee is authorized to invest in pursuant to state law.
 4. H.J.M. 9 requested that Congress amend Section 5 of the Idaho Admissions Bill to allow the deposit of proceeds from the sale of school endowment lands in a land bank fund, to allow for deposit of school funds in an earnings reserve fund, and to allow for the leasing of the school endowment lands under such laws as prescribed by the legislature, provided any such lease secures the maximum long-term financial return to the endowment. On October 27, 1998, Congress amended Section 5 of the Idaho

Admissions Bill in accordance with the H.J.M. 9. P.L. 105-296, 112 Stat. 2822.

4. *1999 Recommendations on Endowment Trust Reform Implementation.*

- a. The *1999 Recommendations* were a follow-up to the *1996 Report and Recommendations of the Governor's Committee on Endowment Fund Investment Reform*, prepared by Robert M. Maynard, Chief Investment Officer for PERSI, and Douglas Dorn, private investment consultant.
- b. The *1999 Recommendations* suggested that the Land Board should do the following:
 1. Establish a distribution and spending policy for the endowments;
 2. Set forth its investment policies for the investment and use of the assets and income from the trust;
 3. Develop procedures and reports for identifying, monitoring, and addressing the performance of the assets of the trust; and
 4. Overhaul the management of and rules for operation of the endowment as a whole, including implementing a risk management system for all of the assets of the trust.

Recommendations at 1.

- c. The proposed process included a recommendation to establish target rates of return for each asset and a process for identifying and addressing underperforming assets. *Background Paper for Recommendations on Endowment Trust Reform Implementation* at 28-32.
- d. The *Background Paper* stated that: "The most important investment principle is that a portfolio must be designed to generate returns that will meet its liabilities with the appropriate amount of risk. One general misconception is that an investment program should be designed solely to capture the highest returns. While returns are important, all attempts to generate higher returns will also include more risk." *Id.* at 16-17.
- e. The *Background Paper* concluded that "in judging the efficiency or characteristics of investments in a portfolio, one needs to look at the combined impact of all of the investments, and not the investments on an individual basis. Further, it is total portfolio volatility and return, and not

individual asset investment risk or performance, that is central, and diversification among a number of asset types is beneficial.” *Id.* at 22.

5. ***2001 Report and Recommendations of the Governor’s Citizen Ad Hoc Evaluation Committee on Lands/Endowment.***

- a. Governor Kempthorne created the Governor’s Citizen Ad Hoc Evaluation Committee on Lands/Endowment. The membership of the 2001 Committee included the following individuals: Don Curtis, retired HP executive; Gary Christensen, private developer; John Cowden, retired Boise Cascade executive; Jerry Evans, retired Superintendent of Public Instruction; Mike Everett, Deputy Director of the Idaho Department of Agriculture; Bob Maynard, Chief Investment Officer PERSI; and Senator Marguerite McLaughlin. Don Curtis chaired the committee.
- b. The purpose of the Citizen’s Ad Hoc Evaluation Committee Lands/Endowment was to “recommend efficiency/effectiveness changes to the Land Board regarding Department of Lands, Endowment Funds Investment, Land Board and their interrelationships and management practices.” *2001 Report*, Appendix B.
- c. The Committee made the following recommendations:
 1. The Land Board should adopt a formal Land Trust Investment Policy that includes, among other standard items, the following three areas: statement of investment objectives; annual investment plan; and commercial real estate policies.
 2. Implement a standard/common 3-page reporting format for review of lands/funds investments and performance.
 3. At Land Board level, Department of Lands level, and all levels below, establish a clear paradigm shift toward “Endowment Investment.” These two words must color all future analysis, decisions, and actions.
 4. Establish an “Endowment Real Estate Asset Manager” position within the Department of Lands.
 5. Implement organization changes to improve Land Board operational effectiveness.
- d. Appendix C to the *2001 Report* set forth a “Statement of Investment Policy for Endowment Lands.” The investment objective as stated in the policy is to manage trust lands “to secure maximum long-term financial returns to the endowment without causing significant long-term adverse

impacts to the land or related resources.” *2001 Report*, Appendix C at 4. The performance objective is to exceed “a minimum target real rate of return of 6.0%” and to exceed the “relevant National Council of Real Estate Investment Fiduciaries Index . . ., if available, while maintaining an appropriate level of risk.” *Id.*

6. **2005 Endowment Fund Reform Review Task Force**

- a. On August 9, 2005, the Land Board requested that Governor Kempthorne appoint a task force to “review the implementation of the endowment reform and to provide the Land Board and the Endowment Fund Investment Board with their findings and recommendations.” *Minutes of the August 9, 2005 Land Board Meeting* at 2-3.
- b. Governor Kempthorne appointed the following members of the Task Force: Larry Johnson Manager of Investments, Endowment Fund Investment Board; Representative William Deal; Representative Darrell Bolz; Deputy Attorney General Clive Strong, Kathy Opp, Division Administrator for Support Services for the Department of Lands; Chuck Goodenough, Secretary of State’s Office; Larry Schlicht, Department of Financial Management, and Steve Allison, Controller’s Office. Ex officio members of the Committee were: Legislative Budget Analyst Ray Houston; Deputy Attorney General Kent Nelson; and Deputy Attorney General Julie Weaver. The Task Force was chaired by Larry Johnson.
- c. This Task Force never issued an official report; however, it assisted with the drafting and passage of technical amendments to Idaho Code §§ 57-724 and 57-724A during the 2006 Legislative session. The Task Force also examined the objectives and structure of the distribution policy for the endowments, which served as a basis for an expanded policy adopted by the Idaho Land Board in July, 2008.

7. **2007 State Trust Lands Asset Management Plan.**

- a. The Land Board adopted a trust lands asset management plan to ensure the long-term preservation of the purchasing power of the assets as a whole while providing a steady stream of increasing income to the endowment beneficiaries. *Minutes of December 20, 2007, Land Board Meeting* at 6. A section on management of financial assets of the endowments was added in July, 2008. *Minutes of the July 2008 Land Board Meeting* at 5. The Asset Management Plan was updated in December 2011.
- b. On February 18, 2014, the Idaho Board of Land Commissioners voted to “1) suspend the portions of the Asset Management Plan related to property acquisitions, including commercial property; and 2) continue to consider property acquisitions for the purposes of obtaining access for currently

owned endowment lands, and blocking up of ownership of endowment lands. Minutes of the February 2014 Land Board Meeting at 5.

- c. As part of the implementation of the Asset Management Plan, the Department of Lands developed asset business plans for the timber and grazing programs. The business plans include:
 - 1. Describe the current and future influences on plan implementation and asset performance;
 - 2. Set forth an acceptable range of return for each asset classification;
 - 3. Define appropriate valuation methods by asset classification; and
 - 4. Detail opportunities and challenges the asset faces and specify plans for capitalizing on opportunities and dealing with challenges.

8. 2009 Report and Recommendations for the State Board of Land Commissioners.

- a. The Idaho Land Board directed the Department of Lands “to formulate an *Endowment Land Transaction Advisory Committee* (“ELTAC”) for the express purpose of reviewing constitutional and the Admissions Act language for consistency with modern business practices.” *Minutes of March 17, 2009, Land Board Meeting* at 4.
- b. The members of ELTAC were: Bryant Forrester, Homeland Realty; Kurt R. Gustavel, President, Idaho Independent Bank; Jack Harty, President, Harty Capital; George Kirk, The Kirk Group; Al Marino, Partner, Thorton-Oliver-Keller; Robert Phillips, President, Hawkins Companies; and Robert Follett, Deputy Attorney General.
- c. The Committee was to conduct “an impartial review of the Idaho State Constitution and the Admission Act to identify any impediments to conducting real estate transactions in the 21st century.” *2009 Report* at 4.
- d. The Committee recommended changes to Article IX, § 8 that would allow endowment lands “to be managed and disposed of in any reasonable manner to secure the maximum long term financial return.” *2009 Report* at 11. The Report also recommended that the 320 acre constitutional limitation on the sale of state lands to an individual be removed. *2009 Report* at 14. A conforming change was also recommended to Article IX, § 10. *2009 Report* at 15. No action was taken on these proposed changes.

9. 2010 S.J.R. 102

- a. S.J.R. 102 sought to amend Article IX, § 8 of the Idaho Constitution to remove the restriction on disposal of endowment lands at public auction and to allow disposal “through such other means a prudent investor would use while considering the purposes and terms of the trust and while exercising reasonable care, skill and caution.” The amendment also would have removed the three hundred and twenty acre lifetime limitation on the sale of endowment lands “to any one individual, company or corporation.”
- b. S.J.R. 102 sought to implement some of the recommendations of ELTAC. S.J.R. 102 passed the Senate was killed in the House.

10. 2011 Idaho Legislature Natural Resources Interim Committee

- a. The Natural Resources Interim Committee conducted a two day hearing for the purpose of reviewing endowment reform.
- b. The hearing was held, in part, to address growing Legislative concerns regarding the Board of Land Commissioners’ investment in “commercial property.”

11. 2014 Endowment Fund Reform Progress Report

- a. The Idaho Board of Land Commissioners asked Robert Maynard to conduct a review of endowment reform.
- b. At the December 2013 Land Board meeting, Robert Maynard delivered his Endowment Fund Reform Progress Report. The Report concluded that while much progress had been made on endowment reform some steps still remain. “The next major step is to introduce more of the ‘prudent expert rule’ mode of thinking and decision making when the Land Board considers Idaho Department of Land (IDL) issues that have substantial investment components. This would essentially require “Trust, but Verify type of procedures when considering issues such as land exchanges, disposition of Land Bank assets, and commercial property transactions.” Recommendations were:
 - 1. Independent verification of land investment decisions. *Id.* at 9;
 - 2. Consolidated trust asset report “reviewed and (if needed) produced by a consultant or other independent investment organization”, *Id.* at 9;
 - 3. Involve EFIB “in any recommendation for the use of Land Bank proceeds for potential acquisitions, either as a major actor in

making recommendations, or as a formal commentator on any plan to use that money. . .” *Id.* at 11; and

4. “Develop an independent valuation of the ‘real’ assets of the Land Trust according to institutional investment standards on at least and annual basis and include those valuations and performance in a performance report on the entire Land Trust.” *Id.* at 12.

12. 2013 Land Board Subcommittee on Endowment Investment Governance Strategy

- a. The Idaho Board of Land Commissioners established a subcommittee comprised of Secretary of State Ben Yursa, Controller Brandon Woolf, EFIB Manager Larry Johnson, EFIB Member Thomas Kealey, Director Tom Schultz and Deputy Attorney General Clive Strong. The purpose of the subcommittee was “to review investment decisions and recommend to the full Land Board a governance structure for those decisions that warrant outside expert review, consistent with the prudent expert approach. *Minutes of December 17, 2013, Land Board Meeting* at 4.
- b. The Board of Land Commissioners adopted the Subcommittee’s recommendation that the Board “1) suspend the portions of the Asset Management Plan and the Mid-term Strategy related to property acquisitions, including commercial property; and 2) continue to consider property acquisitions for the purposes of obtaining access for currently owned endowment lands, and blocking up of ownership of endowment lands.” *Minutes of February 18, 2014, Land Board Meeting* at 5.
- c. The Board of Land Commissioners accepted the Subcommittee’s recommendation that the \$12.5 million in the Land Bank be transferred to the respective Permanent Funds and to revisit the Land Bank fund policy in December 2014. *Minutes of August 14, 2014, Land Board Meeting* at 6. At the December 2014 Land Board meeting the Board adopted the Subcommittee recommendation that all but \$5 million in Land Bank be transferred to the appropriate Permanent Endowment Funds. *Minutes of December 15, 2014, Land Board* at 5.
- d. The Land Board adopted the following governance recommendations of the Subcommittee:
 1. With regard to Timber Sale Contracts
 - A) The Land Board approves the annual timber sale plan and delegates authority to the Director to approve individual timber sales that fall within established Land Board

policies. Direct timber sales and salvage sales of less than 1 MMBF do not require Land Board approval.

- B) The Land Board approves only those individual sales that fall outside of established Land Board policies such as: A) sales with clear cut harvest units over 100 acres; B) sales with development credits that exceed 50% of net appraised sale value (33% of the gross); or C) sales where there are written citizen concerns.
- C) A table is added to the Director's Monthly Timber Sale Activity Report showing the proposed sales for the next month.

2. With regard to Routine Land Investment Decisions

- A) Transactions <\$500,000 the IDL Director may authorize;
- B) Transactions >\$500,000 require Land Board approval; and
- C) An audit of IDL procedures shall be conducted every 3-5 years.

3. With regard to Other Land Investment Decisions

- A) Transactions >\$100,000 require Land Board approval and may require review by the Land Board's Land Investment Advisor at the Board's discretion;
- B) Transactions >\$1,000,000 shall be subject to a post-audit every three (3) years, and the Land Board's Land Investment Advisor shall review such post-audit; and
- C) Transactions <\$100,000 the IDL Director may authorize; however, those that are complex or controversial may be vetted by the Land Investment Advisor.

4. The outlined governance structure superseded all previous policy, operations memorandum and procedures that pertain to these governance issues. The governance recommendations are to be reviewed by the Board at its December 2015 meeting. *Minutes of the December 15, 2014, Land Board Meeting at 5 – 6.*

- e. The Subcommittee was dissolved on December 15, 2014. *Id. at 6.*

13. 2014 Idaho Legislative Endowment Asset Issues Interim Committee

- a. H.C.R. 58 created an interim committee “to undertake and complete a study of endowment asset issues of importance to the State of Idaho.”
- b. Issues of concern included “the structure and makeup of the Idaho Board of Land Commissioners, the endowment land exchange process, endowment land conflict auctions and other auctions, lakeside cottage sites, the management, operation, exchange, lease and other disposal of endowment assets, the preservation and performance of endowment assets, increasing returns to the endowment beneficiaries, improving transparency with respect to endowment assets and actions taken with respect to assets.”
- c. The Interim Committee endorsed the Callan Report. November 14, 2014 Minutes of Endowment Asset Issues Interim Committee at 8.

14. 2014 Callan Asset Allocation and Governance Review Report

- a. Board of Land Commissioners directed EFIB to recommend consultants “to perform a comprehensive strategy review of endowment assets, policies, procedures and studies.” *Minutes of December 17, 2013, Land Board Meeting* at 4. Draft RFP was approved by the Board of Land Commissioners on March 18, 2014. *Minutes of March 18, 2014, Land Board Meeting* at 4 - 6.
- b. “Callan was retained by the Idaho Board of Land Commissioners (Land Board) in May 2014 to review the findings and recommendations of the Subcommittee on Endowment Governance and identify shortcomings and make recommendations for improvement; review the internal policies and procedures of the Idaho Department of Lands (IDL) regarding valuation and forecasting methodologies; and conduct an asset allocation study incorporating the IDL-managed land assets with the financial assets overseen by the Endowment Fund Investment Board (EFIB).” *Id.* at 1; *Minutes of May 22, 2014, Land Board Meeting* at 5.
- c. The Board of Land Commissioners accepted the Callan final report in November 2014. *Minutes of November 18, 2014, Land Board Meeting* at 4.
- d. Governance Recommendations:
 1. “A comprehensive Investment Policy Statement should be developed for the combined Trust that identifies the investment objectives, risk management processes, risk tolerance (including connecting the risk taken in the asset allocation with that expressed in the distribution policy), the adopted asset allocation and

rebalancing ranges, decision-making and the roles of each party involved in the investment process, how performance will be monitored and measured for each asset type, and the establishment of appropriate metrics and peer groups where relevant for both the land and financial assets.” *Id.*

2. “The role of the Land Board should be one of strategic planning and policy setting. To fulfill its duty as a fiduciary, the Board should retain outside expertise to assist in the setting of policy and strategy as well as provide review of transactions.” *Id.*
3. “IDL’s operational recommendations and procedures should be reviewed and verified by an independent expert, who reports to the Land Board and not IDL.” *Id.* at 2. And, an independent financial audit of the financial assets should be performed on the land asset portfolio. *Id.*
4. “Policies should be reviewed to ensure they clearly document the process by which investment decisions are made and be codified in an Investment Policy Statement.” *Id.*
5. A process should be instituted “to fairly measure IDL progress towards the achievement of goals and objectives established by the Land Board. After further clarifying the role of Idaho commercial real estate in the portfolio, a revised and approved strategic plan should clearly describe appropriate measurement methodologies and reasonable performance objectives by asset class.” *Id.*

e. Callan made the following recommendations on asset management:

1. Improve revenue forecasting for all asset types, except forestland and residential cabin sites. *Id.* at 3.
2. “The current practice of having a complete mass land appraisal using a sales comparable approach for forestland, rangeland, and agriculture should be discontinued. The valuation method does not provide an independent valuation of the entire asset (e.g. land resource growing on the land) nor does it contain information that could be used by the IDL for performance measurement, or to improve its management or valuation practices, and it does not consider the particular constraints on the sale of land. It is also inconsistent with best practices.” *Id.*
3. A summary financial asset report similar to that currently produced for the Endowment Fund Investment Board should be developed for the land assets. *Id.* at 4.

f. Callan conducted an asset allocation study for the endowment portfolio as a whole that contained the following conclusions:

1. “The current total endowment allocation is reasonably efficient.”
2. “Timberland is a desirable investment across the range of asset mixes reviewed.”
3. While grazing land “provides reasonable compensation for its risk and diversifies bonds well”, “potential sales or exchanges should be prioritized according to their expected contributions to returns with transactions executed as limitations permit.”
4. Investment in U.S. diversified, institutional real estate is “modestly attractive and private equity to be only marginally attractive.”
5. “The combination of Idaho timberland and grazing land with the EFIB investments at their current levels has a similar expected return but a volatility that is anticipated to be materially lower than that of the existing allocation containing financial assets alone.”
6. Direct investment in commercial property was not recommended. *Id. at 4-5.*

g. The Board of Land Commissioners adopted the following policies at its December 2014 meeting:

1. The Department was directed to discontinue the practice of having an appraiser complete mass land appraisals on timberland, rangeland and agricultural land.
2. The Department was directed to utilize the land expectation value (LEV) method approach for the valuation of timberland and rangeland.
3. Staff was directed to develop a draft Investment Policy Statement and to revise the Asset Management Plan “with the following general concepts driving the long term strategy: A) discontinue the policy of acquiring Idaho commercial buildings; B) manage or dispose of existing Idaho commercial property in a prudent manner consistent with the recommendation from the Commercial Real Estate Investment Advisor; C) manage or dispose of lowest return grazing land as opportunities arise consistent with the recommendations from the Land Investment Advisor; and D) increase timber investment (or other land investments with similar risk and return ratios) as attractive opportunities emerge with meet

or exceed predicted statewide average return. *Minutes of December 15, 2014, Land Board Meeting at 7.*

- f. The Board of Land Commissioners directed implementation of the Callan recommendations with a timeline for adoption of the Investment Policy and the revision of the Asset Management Plan by mid-November 2015. *Id. at 8.*

15. Investment Subcommittee

- a. The Board of Land Commissioners established an Investment Subcommittee at its December 15, 2014 meeting. 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.*
- b. The purpose of the subcommittee is to:
 - 1. Administer the contract for the General Consultant;
 - 2. Work with the General Consultant to identify the Land Board's Land Investment Advisor and the Land Board's Commercial Real Estate Investment Advisor and to administer the associated consulting contracts;
 - 3. Work with the General Consultant to vet the Investment Policy Statement and Asset Management Plan and make recommendations to the Land Board with regard to those documents; and
 - 4. Coordinate consideration of investment issues that cross both the endowment fund and endowment lands. *Id.*
- c. The Subcommittee is directed to develop a draft policy regarding implementation of land exchanges on endowment lands. *Id.*
- d. The Subcommittee is directed "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.*

16. Land Board Audit Committee

- a. The Board of Land Commissioners created a five-member committee to review and advise on EFIB and IDL joint audit results.
- b. The Audit Committee is comprised of three EFIB board members, the State Controller or designee and the Attorney General or designee. *Id. at 7.*