

STATE BOARD OF LAND COMMISSIONERS

April 18, 2023
Regular Agenda

Subject

Transfer of Land Bank Funds

Question Presented

Shall the Land Board approve the transfer of \$2,847,310 of principal and accrued interest from the Land Bank to the permanent endowment fund?

Background

The Land Board adopted the Strategic Reinvestment Plan (Plan) at its May 17, 2016 meeting. The Plan provides direction for reinvestment of Land Bank funds resulting from the disposal of endowment land. In July 2017, July 2018, and May 2020 the Land Board reviewed and reaffirmed the Plan.

The Land Board's reinvestment strategy also provides direction to promptly transfer funds that will mature prior to potential land acquisitions, or that exceed what is required for acquisitions.

The Department has reinvested approximately \$99.7 million in five timberland acquisitions including over 54,000 acres of productive timberland. Most of the acquired timberland consists of young timber stands that will support increased endowment timber sale volume over time.

As of March 31, 2023 there was a total Land Bank balance of \$76,763,253 (Attachment 1). Funds may remain in the Land Bank for five years before mandatory transfer to the permanent endowment fund. The first required transfer would occur in the first quarter of FY2025. With Land Board approval of this recommended transfer, the next required transfer would occur in the first quarter of FY2026.

Discussion

The Department continues to seek potential transactions for productive timberland and/or to secure legal access to existing endowment lands in alignment with the direction provided by the Land Board in May 2020:

"...focus on acquisitions that increase the total amount of working forests in Idaho, consistent with the Land Board's fiduciary duty."

This recommended transfer includes \$12,895 of principal for the Normal School endowment, and \$2,834,415 of accrued interest for the Public School, Agricultural College, Normal School, and State Hospital South endowments.

The proposed transfer includes the approximate interest accrued by the fund balances that were expended for the recent timberland acquisition and the farmland acquisition for the University of Idaho CAFE Center (Agricultural College endowment). The proposed transfer remains consistent with the methodology of transferring principal and the associated accrued interest together.

Transfer of the Land Bank funds is consistent with current Land Board direction and the constitutional mandate to maximize long-term returns. The proposed transfer would allow investment of additional funds in financial assets while maintaining an amount in the Land Bank sufficient for potential acquisition of working timberland and/or legal access to existing endowment lands.

The Land Board's Investment Subcommittee is directed, in part, to "Coordinate consideration of investment issues that cross both the endowment fund and endowment lands." The Investment Subcommittee met on April 12, 2023 and approved the Department's recommendation to transfer \$2,847,310 of principal and accrued interest from the Land Bank to the permanent endowment fund.

Recommendation

The Department recommends transfer of \$2,847,310 of principal and interest from the Land Bank to the permanent endowment fund.

Board Action

Attachments

1. March 31, 2023 Land Bank Aging Report

LAND BANK AGING REPORT

Current Remaining Principal Balance By Quarter Received - As of March 31, 2023

FY Quarter IN	Public School	Agriculture College	Normal Schools	State Hospital South	University of Idaho	All Endowments	FY Quarter EXPIRES
2019-01	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2024-01
2019-02	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2024-02
2019-03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2024-03
2019-04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2024-04
2020-01	\$ -	\$ -	\$ 12,895	\$ -	\$ -	\$ 12,895	2025-01
2020-02	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2025-02
2020-03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2025-03
2020-04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2025-04
2021-01	\$ 1,639,575	\$ -	\$ -	\$ -	\$ -	\$ 1,639,575	2026-01
2021-02	\$ 6,595,000	\$ -	\$ -	\$ -	\$ -	\$ 6,595,000	2026-02
2021-03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2026-03
2021-04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2026-04
2022-01	\$ 1,500,720	\$ -	\$ -	\$ -	\$ -	\$ 1,500,720	2027-01
2022-02	\$ 10,140,720	\$ 17,237,620	\$ -	\$ -	\$ -	\$ 27,378,340	2027-02
2022-03	\$ 9,890,500	\$ -	\$ -	\$ -	\$ -	\$ 9,890,500	2027-03
2022-04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2027-04
2023-01	\$ 6,125,000	\$ -	\$ -	\$ -	\$ -	\$ 6,125,000	2028-01
2023-02	\$ 9,848,000	\$ -	\$ -	\$ 432,187	\$ -	\$ 10,280,187	2028-02
2023-03	\$ 9,800,000	\$ -	\$ -	\$ -	\$ -	\$ 9,800,000	2028-03
TOTAL PRINCIPAL REMAINING	\$ 55,539,515	\$ 17,237,620	\$ 12,895	\$ 432,187	\$ -	\$ 73,222,217	

LAND BANK CASH BALANCE (with Interest)	\$ 57,950,326	\$ 17,606,513	\$ 424,589	\$ 781,825	\$ -	\$ 76,763,253
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