

SENATE BILL REPORT

SB 6088

As Reported By Senate Committee On:
Natural Resources, Ocean & Recreation, February 26, 2007
Ways & Means, March 5, 2007

Title: An act relating to state trust lands.

Brief Description: Revising state trust land management policies.

Sponsors: Senators Jacobsen, Morton, Fraser, Brandland, Hargrove and Rasmussen.

Brief History:

Committee Activity: Natural Resources, Ocean & Recreation: 2/22/07, 2/26/07 [w/oRec-WM, DNP, w/oRec]; 1/30/08.

Ways & Means: 3/01/07, 3/05/07 [DPS, DNP, w/oRec]; 1/16/08 [w/oRec-NROR].

SENATE COMMITTEE ON NATURAL RESOURCES, OCEAN & RECREATION

Majority Report: That it be referred to Committee on Ways & Means without recommendation.

Signed by Senators Jacobsen, Chair; Rockefeller, Vice Chair; Fraser, Hargrove, Poulsen, Spanel and Swecker.

Minority Report: Do not pass.

Signed by Senator Morton, Ranking Minority Member.

Minority Report: That it be referred without recommendation.

Signed by Senator Stevens.

Staff: Curt Gavigan (786-7437)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6088 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Fairley, Hatfield, Keiser, Kohl-Welles and Rasmussen.

Minority Report: Do not pass.

Signed by Senator Honeyford.

Minority Report: That it be referred without recommendation.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Carrell, Hewitt, Oemig, Parlette, Regala, Roach, Rockefeller and Schoesler.

Staff: Brian Sims (786-7431)

Background: Upon its admission to the United States in 1889, the federal government provided Washington with approximately 3.2 million acres of land to support public institutions, including common schools, public buildings, and higher education. Washington has retained the majority of these granted lands and now manages about 2.25 million federally granted acres. The state also manages approximately 626,000 acres of state forest lands, beneficiaries of which include counties and junior taxing districts.

The Legislature has directed the Department of Natural Resources (DNR) to manage the state's granted lands. DNR manages 40 commercial properties, with a total appraised property value of about \$152 million. Revenues from commercial properties accounted for about 3 percent of DNR's revenues in 2005, while about 85 percent came from timber revenues.

DNR has the authority to lease state lands for purposes including commercial, industrial, residential, agricultural, and recreational purposes in order to obtain a fair market rental return to the state or appropriate trust. DNR generally may not lease state lands for longer than ten years, although longer leases are specifically authorized in multiple instances. The term for a lease or lease of development rights to a public agency may be for up to 99 years.

DNR may exchange state lands for land of equal value for purposes including: to facilitate the marketing of forest products on state land, consolidate and block up state lands, acquire commercial lands, and acquire county-owned lands.

Summary of Bill (Proposed Substitute): DNR is prohibited from acquiring additional commercial properties as state lands. For existing commercial properties, DNR must develop a plan to dispose of the property in consultation with the State Investment Board (SIB). DNR may either transition commercial property assets to the appropriate permanent fund or reinvest the assets in working natural resources lands that are at high risk of conversion out of working timber land status.

DNR must submit a transition plan to the Legislature by December 1, 2009, and progress reports in 2011 and 2013. The transition should be complete by June 30, 2014.

The term "commercial property" includes improved real property that the department leases for specified uses, such as office space or a hotel, retail property, or parking garage. The term also includes the properties identified in the 2006 report to the Legislature on DNR's commercial lands program.

DNR may no longer use its land exchange authority to acquire urban property.

EFFECT OF CHANGES MADE BY NATURAL RESOURCES, OCEAN & RECREATION COMMITTEE (Proposed Substitute): Whereas the original bill addressed DNR's commercial lands program and aspects of its general lease authority, land exchange authority, and land bank authority, the proposed substitute only addresses the commercial lands program and DNR's land exchange authority.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The substitute changes the transition plan between DNR and State Investment Board to a disposal plan managed by DNR without an expected completion date. It requires that conversion lands are managed under the sustainable harvest plan, and that the department report any harvests from these land less than the expected level. The substitute makes several technical changes to eliminate ambiguity and unintended consequences.

Appropriation: None.

Fiscal Note: Requested on January 28, 2008.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Natural Resources, Ocean & Recreation): (From 2007) PRO: The intent of the this bill is not to change the harvest rate coming off of state trust lands, but to emphasize the long-term ecological values to the state its forestlands.

CON: Although the trust lands do not generate all monies necessary for school construction, they do provide substantial revenues. This legislation does not impact just the commercials properties, but changes the direction of DNR's entire trust land management program. This is a complex bill, which many legally confusing phrases. The state's fiduciary obligations should be the first land management consideration, not other goals. DNR values its forest landholding and has actually increased its forestland acreage in recent years.

Persons Testifying (Natural Resources, Ocean & Recreation): PRO: Bill Robinson, Nature Conservancy.

CON: Doug Sutherland, Craig Partridge, Department of Natural Resources; Brenda Hood, Office of the Superintendent of Public Instruction; Larry Ganders, Washington State University.

Staff Summary of Public Testimony on Original Bill (Ways & Means): (From 2007) PRO: This bill creates a long term vision for the state's natural resource lands. This will benefit the timber industry, the education system and all the people of the state. It is important to look at the future values of these working natural resource land, including their value for water storage, water quality, habitat, air quality, and carbon sequestration. The lease provisions in the bill are an improvement.

CON: Appreciate changes made in the substitute bill to resolve unintended consequences. However, must oppose the intended consequences that will reverse the recommendations of several independent reviews that suggest more diversification. There has been no loss of working timber lands on trust lands, the loss has occurred on private lands. This bill will result in a loss of several million dollars a year to trust beneficiaries. There should be a thoughtful discussion during the interim to review this issue.

OTHER: Washington State University's rate of return from it's trust lands is only about 2 percent. We need to look at new options for diversification.

Persons Testifying (Ways & Means): PRO: Bill Robinson, Nature Conservancy; Heath Packard, Audubon Washington.

CON: Craig Partridge, DNR; Brenda Hood, Office of Superintendent of Public Instruction.

OTHER: Larry Ganders, Washington State University.