

HOUSE BILL REPORT

HB 1630

As Reported By House Committee On:

Natural Resources
Capital Budget

Title: An act relating to transfer of state forest lands back to counties.

Brief Description: Allowing counties to have certain lands transferred from the state back to the county.

Sponsors: Representatives DeBolt, Sheldon, Alexander, Pennington, Mielke, Thompson, McMorris and Dunn.

Brief History:

Committee Activity:

Natural Resources: 2/21/97, 2/26/97 [DPS];

Capital Budget: 3/10/97 [DPS (NR)].

HOUSE COMMITTEE ON NATURAL RESOURCES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Buck, Chairman; Sump, Vice Chairman; Thompson, Vice Chairman; Alexander; Anderson; Chandler; Hatfield; Pennington and Sheldon.

Minority Report: Do not pass. Signed by 2 members: Representatives Regala, Ranking Minority Member; and Butler, Assistant Ranking Minority Member.

Staff: Linda Byers (786-7129).

Background: The Department of Natural Resources (DNR) manages approximately 545,000 acres of state forest lands known as forest board transfer lands. Most of the forest board transfer lands were cut over and then came into county ownership as a result of tax lien foreclosures. Legislative action in 1927 and 1935 transferred these lands into state ownership, and the Legislature directed that these lands be reserved from sale and managed as trust lands, with the respective counties as beneficiaries. Up to 25 percent of the moneys derived from timber sales and other revenue-generating activities on the forest board transfer lands is deposited into the forest development account. Funds in this account are used for the management expenses

for these lands. The balance of revenues generated is provided to the counties, where the funds are distributed in the same manner as general tax revenues are distributed.

In December, 1996, the Joint Legislative Audit and Review Committee (JLARC) completed a report on the forest board transfer lands. The committee approved the following three recommendations directly related to the transfer lands:

- The Legislature should consider establishing relative priorities for the DNR in managing the transfer lands and identifying the primary beneficiaries of the trust;
- The Board of Natural Resources should reduce the management fee from 25 percent to 22 percent; and
- If the Legislature decides to authorize reconveyance, the Legislature should give consideration to a number of different issues including a time limit for counties to choose reconveyance, distribution of revenues from reconveyed lands, setting limitations on the use of the land, maintaining public access, the financial impact on other trust beneficiaries, and the method of transferring ownership.

The committee did not take a position for or against reconveyance of the forest board transfer lands.

Summary of Substitute Bill: A county legislative authority may file an application with the Board of Natural Resources requesting the reconveyance of all of its forest board transfer lands. Upon the filing of an application by the county legislative authority, the board will direct the DNR to reconvey the forest lands to the requesting county. The reconveyance must be done by quitclaim deed. Once these forest lands have been reconveyed to the requesting county, the lands may not be reconveyed to the state in the future.

Upon formal notification to the department by the respective county that the county desires its forest board transfer lands reconveyed, the department must transfer all data and documents concerning these lands to the respective county within 90 days of the notification. The department must also halt all proposed sale activity on the forest board transfer land within the county.

Once the lands have been reconveyed to a county, the lands must be kept in commercial forest status and may not be sold. The lands must be managed on a sustained yield basis and in a manner that maximizes the financial benefit to the trust beneficiaries in the county. The lands must be managed in compliance with, but not in excess of, state forest practices rules. However, a county may manage its lands beyond the requirements of the state rules if the county must do so in order to be in compliance with federal laws or rules or if this is required as part of participating in certain agreements or plans. Existing memorandums of agreement, memorandums of

understanding, landscape plans, habitat conservation plans, and similar agreements may be continued at the discretion of the county. Any proposed habitat conservation plan use of these lands is not permitted unless the county legislative authority agrees to the use by resolution after public hearings and a full fiscal analysis.

The county may deduct no more than 20 percent of the moneys derived from the lease of these lands or from the sale of timber or other products from these lands for administration, reforestation, and protection of the lands. The balance of these revenues will continue to be dispersed as those revenues were distributed under state management of these lands, unless the distribution is altered by the Legislature.

Public access to the land must be allowed whenever possible, subject to the discretion of the local legislative authority. Lands will be open for public recreation consistent with timber management goals. Lands that have recreational use funded by the Interagency Committee for Outdoor Recreation, or other similar source, will remain in recreational use as dictated by agreement, contract, rule, or statute.

All existing contracts for forest board transfer lands will be honored until the completion of the contract, but no extensions will be granted. The department must replant all lands where there is an active sale occurring at the time the county gives formal notice to the department for reconveyance of the land. The county assumes liability for those lands not under contract for harvest by the purchaser at the date of the transfer of the quitclaim deed. Those lands under contract transfer to the county on the expiration date of the original contract. No extensions will be granted. The county will have the option of either having the department replant those lands, or having the lands replanted and billing the department for that activity. When billed, the department must make payment within 60 days.

All counties that exercise their option of reconveyance must make an annual report to the Legislature and to the Board of Natural Resources as to the activities on the reconveyed lands. The report must include, but is not limited to, the number of acres harvested; the volume of harvest from those acres; the number of acres replanted; the number of acres precommercially thinned; the annual cost on a per acre basis; the age of the timber on the acres harvested; the number of acres not designated for harvest, and the reason why such a designation was made; and the number of acres closed to public recreation, and the reason for the closure.

Substitute Bill Compared to Original Bill: The original bill does not specify whether a county may ask for reconveyance of all or a portion of its lands; the substitute bill specifies that the request must be for all of its lands. The original bill allows for the possibility of transfer of the lands back to the state after 20 years; the substitute bill establishes that the reconveyance to the county is permanent. The substitute bill allows a county to manage in excess of minimum state forest practices rules in certain situations. The substitute bill clarifies language with regard to the

deductions counties may make for managing the lands. The substitute bill also adds one additional reporting requirement, that of reporting annually on the number of acres of the lands closed to public recreation and the reason for such closure.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Counties used to manage their lands quite adequately. The state stepped in to help during a crisis, but the same economic conditions no longer exist today. Counties are having problems due to extreme environmental management. Counties are now in a better position to manage their lands. This bill may cause a short-term disruption in income but would be beneficial to the counties in the long term. Counties will harvest more timber and on a shorter cycle to generate more revenue. A report by the JLARC indicates we can do this. The fiscal note is inflated; every county won't want to ask for reconveyance. We should empower local governments. The DNR is charging too much for managing the lands. Counties could use that money locally. This version of the bill addresses many problems raised about similar bills two years ago. The annual reporting requirement is important. Counties would be in favor of the option for reconveyance. There could be some problems related to fire control, the Habitat Conservation Plan, and some constituents if some counties pull out, but the problems can be addressed. Counties are appreciative that the state took care of these lands, but that care is not being abandoned by transferring them back to the counties. This fits in with a movement of return to local control. Counties wouldn't run out and ask for reconveyance right away; they would wait until they are set up to take over management. With regard to the HCP, one plan doesn't fit all; this would put habitat conservation planning at the local level. Many local governments are trying to increase recreational opportunities. Timber counties don't feel they have had a voice in management of these lands. Counties are asking for the option to do what Grays Harbor County has done successfully for years. This will result in higher revenues to the state, and the management fees will remain in the counties. It allows for site-based decision making. There will be better stewardship of the land.

Testimony Against: The state's management of these lands has been a phenomenal success story in reforestation and making these lands productive again. After decades of investment and professional management, the investments in these lands are now paying off, and the lands are now ready for harvest on a sustainable yield basis. The state general fund has a real stake in reconveyance. There would be consequences to breaking up this trust. The DNR has consolidated state lands to make them more efficient to manage. The bill would create fractured ownership in

these blocks, resulting in increased management costs. The JLARC report assumes that the returns will be invested in some interest-bearing account; otherwise there will not be a higher net present value in the long run from harvesting earlier. Losing one-third of its employees will reduce the heart and soul of the department's fire program. Consider the impacts to the federal grant land beneficiaries, the impact to the other counties if a few bigger counties pull out, and the impact to other programs in the department. The DNR stands to lose the correctional crews. The bill encourages leaving the lands open to recreation but does not require the counties to do so. Dealing with multiple land managers is a nightmare. Grays Harbor County manages its lands and does not allow public access or facilities.

Testified: Representative Richard DeBolt, prime sponsor; Glen Huntingford, Jefferson County Commissioner; Al McKee, Skamania County Commissioner; Russ Wigley, Lewis County Commissioner; Pat Hamilton, Pacific County Commissioner, Phil Kitchel, Clallam County Commissioner (all in favor); Kaleen Cottingham, Department of Natural Resources; Loren McGovern, IAC NOVA Committee; and Jim Murphy, Backcountry Horsemen of Washington (all opposed).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill by Committee on Natural Resources be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Sehlin, Chairman; Honeyford, Vice Chairman; Hankins; Koster; Mitchell and D. Sommers.

Minority Report: Do not pass. Signed by 4 members: Representatives Sullivan, Assistant Ranking Minority Member; Costa; Lantz and H. Sommers.

Staff: Karl Herzog (786-7271).

Summary of Recommendation of Committee on Capital Budget Compared to Recommendation of Committee on Natural Resources: No new changes were recommended.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Counties handed over their lands to the state in trust, and some counties are not satisfied that they are being managed adequately and in the interest of beneficiaries. The bill does not require that the lands be reconveyed, but provides that option to counties if and when they feel they are ready. The bill is a last resort.

Counties are crying for help. The DNR fiscal note vastly overstates the fiscal impacts. The four- to six-year lag in revenues in the fiscal note is ridiculous. Counties will require that all pending timber sales that are in the pipeline be part of the information that they receive from the DNR, and sales will continue. Counties will charge 20 percent for management. The DNR charges 22 percent and adds on surcharges and other fees, which is one reason counties are concerned. Reconveyance in one county will not stop harvest on other trust lands. The Joint Legislative Audit and Review Committee report answered the concerns that have been raised about transfers. This is an all or nothing deal. Counties must take back all of their lands, and cannot take just take back and harvest the highest yield portions. Counties must continue to manage them in commercial forest production status, must follow forest practices rules at a minimum, and must provide recreational opportunities on the lands. The counties have accepted these requirements.

Testimony Against: The state has invested significant moneys from appropriated funds in these lands. The lands have produced revenues for counties since 1965. These revenues have reached record levels in recent years: \$94 million in 1996. The bill breaks up the forest board trust and dismantles the state forest system. Fragmentation would result in loss of economies of scale. A transfer of all the lands would result in the loss of one-third of DNR employees and the loss of experienced firefighting employees. Questions that still must be answered about transfers include: should one district manage lands for all the beneficiaries in a county; what are the impacts on the other forest board counties; what happens to the management fund if larger counties pull out; what are the impacts on the federal granted lands; what are the impacts on the general fund; and what are the impacts on the DNR's firefighting forces.

Testified: Representative Jim Buck and Representative Gary Alexander (pro); Kaleen Cottingham, Department of Natural Resources (con).