

# HOUSE BILL REPORT

## SSB 6257

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### As Reported by House Committee On:

Natural Resources

**Title:** An act relating to contract harvesting.

**Brief Description:** Establishing contract harvesting of timber on state trust lands.

**Sponsors:** Senate Committee on Natural Resources, Parks & Shorelines (originally sponsored by Senators Jacobsen, Oke and Rasmussen; by request of Department of Natural Resources).

### Brief History:

#### Committee Activity:

Natural Resources: 2/26/02 [DPA].

#### Brief Summary of Substitute Bill (As Amended by House Committee)

- Authorized the Department of Natural Resources (DNR) to sell logs from state forest lands through a contract harvesting process. The amount of contract harvesting cannot exceed 10 percent of the total annual volume of timber offered for sale.
- Requires the DNR to report to the appropriate legislative committees by December 31, 2005, on the operation of the program.
- Creates the contract harvesting account to handle receipts from contract harvesting sales.

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### HOUSE COMMITTEE ON NATURAL RESOURCES

**Majority Report:** Do pass as amended. Signed by 11 members: Representatives Doumit, Chair; Rockefeller, Vice Chair; Sump, Ranking Minority Member; Buck, Eickmeyer, Ericksen, Jackley, McDermott, Orcutt, Pearson and Upthegrove.

**Staff:** Bill Lynch (786-7092).

### Background:

The Department of Natural Resources (DNR) sells timber from state forest lands by putting tracts of timber up for bid. The DNR will cruise the tract, establish an appraised value for the timber, and this value becomes the minimum bid for the timber sale. The successful bidder who is awarded the contract generally has three years to harvest the timber from the sale.

The DNR is not authorized to contract with someone to harvest and process the timber so that the DNR can sell sorted logs. It is suggested that the DNR may be able to take advantage of the timing of sales better, reduce pre-sale costs, and move sales faster if they have this additional authority.

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### **Summary of Amended Bill:**

The DNR is directed to establish and implement contract harvesting when it can increase revenues for the trust beneficiaries and increase environmental protection. "Contract harvesting" is defined as a situation in which the DNR contracts with an individual to harvest timber on state forest lands and process the timber into logs sorted by DNR specifications. The DNR then sells the individual log sorts.

Contract harvesting cannot be used for more than 10 percent of the total annual volume of timber offered for sale. All contracts must be compatible with the Office of Financial Management (OFM) guide to public service contracts. Contract harvesting is not allowed for an area that is east of the Okanogan River, and north of the Columbia River and main fork of the Spokane River as these rivers flow east of the crest of the Cascade Mountains.

The Board of Natural Resources is directed to determine whether any special appraisal practices are necessary for logs sold by the contract harvesting method, and if so, adopt them. When considering adopting special appraisal practices, the board must consider and adopt procedures to rapidly market and sell log sorts that fail to receive the required minimum bid at auction. The board must also establish policies and procedures for the DNR to evaluate and select contract harvesters. The procedures must include a method for certified contract harvesters who are excluded from the list of approved contract harvesters to appeal the decision to not include these harvesters on the list to the board.

A government agency that harvests or markets timber must provide the harvester purchasing the timber with its harvesting and marketing costs for tax purposes. Harvesting and marketing costs are excluded from the stumpage value of timber from public land if the timber is harvested by a government agency.

The contract harvesting revolving account is created in the custody of the State Treasurer. Appropriations are not required for expenditures from the account, but the account is subject to allotment procedures. All receipts from the gross proceeds of the sale of logs from contract harvesting must be deposited into this account. Expenditures may only be

used for paying the costs of contract harvesting sales, and may only be authorized by the Commissioner of Public Lands or the commissioner's designee. Interest generated by the account must be credited to the account.

After the gross proceeds from the sale of logs from a contract harvesting sale are deposited into the contract harvesting revolving account, the harvesting costs are deducted from the gross proceeds and kept in the account. The final receipt of gross proceeds on a contract sale must be kept in the account until all required costs for that sale are paid. The net proceeds from the sale are paid to the State Treasurer for distribution in the appropriate trust accounts after the authorized deductions are made.

The balance in the contract harvesting revolving account cannot exceed \$1 million at the end of the year. Moneys in excess of \$1 million must be disbursed to the trust beneficiaries in accordance with existing procedures. If the DNR terminates the use of contract harvesting sales, any existing funds in the contract harvesting revolving account must be returned to the resource management account and the forest development account in proportion to each account's initial contribution to the establishment of the contract harvesting revolving account.

The DNR must provide a report to the appropriate legislative committees by December 31, 2005, on the costs and effectiveness of the contract harvesting program.

**Amended Bill Compared to Substitute Bill:**

The appropriation is removed. Language is added to clarify that the ceiling for the contract harvesting account applies to the balance at the end of the fiscal year.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This is the companion to HB 2398. The pilot programs by the DNR on contract harvesting returned 18 percent more than other sales. Loggers like this program. There is less risk under this sales method than lump sum sales. The DNR must report back to the Legislature at the end of 2005 on how well the program is working. The striking amendment makes this bill the same as the House bill that was on the floor calendar, with the addition of the technical amendment regarding the ceiling on the account.

**Testimony Against:** None.

**Testified:** Bill Pickell, Washington Contract Loggers Association; and Howard Thronson, Department of Natural Resources.