

HOUSE BILL REPORT

2SSB 5074

As Passed House:

April 10, 2003

Title: An act relating to the authority of the department of natural resources to contract for the harvest of timber from state trust lands.

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

Sponsors: By Senate Committee on Ways & Means (originally sponsored by Senators Morton, Oke, Doumit, T. Sheldon, Fraser and Rasmussen; by request of Commissioner of Public Lands).

Brief History:

Committee Activity:

Agriculture & Natural Resources: 3/25/03, 4/1/03 [DP];
Appropriations: 4/5/03 [DP].

Floor Activity:

Passed House: 4/10/03, 95-0.

Brief Summary of Second Substitute Bill

- Authorizes the Department of Natural Resources to sell up to 10 percent of the total annual volume of timber offered for sale from state forest lands through a contract harvesting process.
- Creates the Contract Harvesting Revolving Account to handle receipts from contract harvesting sales.

HOUSE COMMITTEE ON AGRICULTURE & NATURAL RESOURCES

Majority Report: Do pass. Signed by 12 members: Representatives Linville, Chair; Rockefeller, Vice Chair; Schoesler, Ranking Minority Member; Holmquist, Assistant Ranking Minority Member; Kristiansen, Assistant Ranking Minority Member; Chandler, Eickmeyer, Grant, McDermott, Orcutt, Quall and Sump.

Minority Report: Do not pass. Signed by 1 member: Representative Hunt.

Staff: Jason Callahan (786-7117).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 27 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Boldt, Buck, Clements, Cody, Conway, Cox, DeBolt, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke, Sump and Talcott.

Staff: Patricia Linehan (786-7178).

Background:

The Department of Natural Resources (DNR) sells timber from state forest lands by putting tracts of timber up for bid. The DNR establishes 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.

Summary of Bill:

The DNR has the authority to directly contract for the removal of up to 10 percent of the total annual volume of timber offered for sale from state forest lands. All contracts entered into must be compatible with the Office of Financial Management's guide to public service contracts.

The Board of Natural Resources (Board) is directed to determine if any special appraisal practices are necessary for logs sold under the contract harvesting authority. This process must consider procedures for rapidly marketing any logs that fail to receive a bid at auction. The Board must also provide for a list of approved certified contract harvesters from which the DNR can contract. Any harvester not appearing on the list of approved harvesters must be allowed to appeal his or her exclusion from the list.

The Contract Harvesting Revolving Account (Account) is created to receive all receipts from the gross proceeds of logs that are harvested under the contract harvesting program. The funds in the Account can only be used to pay harvesting costs incurred on contract harvesting sales, and may only be authorized by the Commissioner of Public Lands or his or her designee. The Board has oversight of the Account, and no legislative appropriation is needed for expenditures from the Account. All interest created by the Account is deposited into the Account, but the Account may not exceed \$1 million. Moneys in excess of \$1 million must be disbursed to the trust beneficiaries in accordance with existing procedures.

After the gross proceeds from the sale of logs that were harvested under contract are deposited into the 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 DNR must provide a report to the Legislature by December 31, 2006, that summarizes the costs and effectiveness of the contract harvesting program.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (Agriculture & Natural Resources) This bill will provide the DNR with additional flexibility in how they market their products, which maximizes their revenue and is consistent with their fiduciary responsibilities. Revenue is also increased because the segregation of species prior to sale, or sorting, can allow the DNR to maximize the markets. The more revenue that DNR can generate, the more that is passed on to the trust beneficiaries.

The bill also allows the DNR to work with responsible contract loggers who can help the agency stay within its habitat conservation goals.

Testimony For: (Appropriations) This bill provides a necessary mechanism for timely payment of contractors. There are limitations placed upon the new account to ensure that it is managed in a fiduciary manner. The Board of Natural Resources will provide oversight of the program and the DNR will report to the Legislature on the success of the program. This legislation benefits the trust beneficiaries, and we urge your support.

Testimony Against: (Agriculture & Natural Resources) None.

Testimony Against: (Appropriations) None.

Testified: (Agriculture & Natural Resources) Bruce Mackey, Department of Natural Resources; and Paul Parker, Washington State Association of Counties.

Testified: (Appropriations) Howard Thronson, Washington State Department of Natural Resources.