
**Natural Resources, Ecology &
Parks Committee**

HB 2084

Brief Description: Concerning trust land management.

Sponsors: Representative B. Sullivan.

Brief Summary of Bill

- Temporarily authorizes the Board of Natural Resources to increase the maximum amount of a transaction on state lands that is retained in the Resource Management Cost Account from 25 percent to 30 percent.
- Increases the maximum percentage of timber sales that can be carried out through the contract harvesting program is increased from 10 percent to 30 percent.
- Adds an appointee of the Department of Fish and Wildlife onto the Board of Natural Resources.
- Makes certain changes to the Department of Natural Resources's authority to exchange real property.
- Directs the State Auditor to audit the Resource Management Cost Account.
- Commissions a performance audit on the implementation of the sustainable harvest plan.
- Requires the Department of Natural Resources to report on ways that revenue from state lands can be increased without harvesting more trees.

Hearing Date: 2/24/05

Staff: Jason Callahan (786-7117).

Background:

State management of trust lands

The state is the trustee of nearly three million acres of upland properties. Roughly two-thirds of these properties are forested, with the majority of the other parcels managed for agriculture or commercial development. Due to a mix of authorities, including state law, the state Constitution,

and the state's federal enabling act, these lands are held by the state in trust for specified trust beneficiaries. In total, there are 18 trust beneficiaries that derive some level of economic benefit from the management of these trust lands, The beneficiaries include common schools, the state universities, community colleges, counties, and the state's capital budget.

The management of state lands is governed by a number of statutes, and includes implementation of policies on multiple use and sustainable harvest. To accomplish the latter, a new sustainable harvest plan was recently adopted to guide state management of forest lands for the next 10 years.

Funding trust land management

Management of state trust lands has been delegated by the Legislature to the Department of Natural Resources (DNR). Revenues from the management of trust lands is split between reimbursing the DNR for the costs of their management and the designated beneficiary for the particular trust. Generally, the DNR can retain either up to 25 percent or 50 percent of revenues, depending on the trust, which is deposited into the Resource Management Cost Account (RMCA) or the Forest Development Account. The remainder is given to the appropriate beneficiary.

Board of Natural Resources

The Board of Natural Resources (Board) is charged with, among other things, managing the sales of valuable materials from state lands. The Board is also responsible for adopting the rules that governs the DNR's land management practices.

The Board consists of six members. These members are a representative of the Governor's office, a representative from the counties, the Commissions of Public Lands, the Superintendent of Public Instruction, and a dean from both Washington State University and the University of Washington.

Contract harvesting pilot project

On a pilot basis, 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. The gross proceeds from the sale of logs that were harvested under contract are deposited into the Contract Harvesting Revolving. The net proceeds from the sale are paid to the State Treasurer for distribution in the appropriate trust accounts.

The authority for the contract harvesting pilot project expires at the end of 2007.

Property transfers and acquisitions

The DNR can exchange state land for other land of equal value in order to accomplish certain defined purposes. To aid this process, the Legislature has provided specific accounting measures for completing transactions involving the state's real property asset base. This includes the creation of an appropriated fund known as the Real Property Replacement Account. This account receives the profits from sold property, and is used to acquire replacement real property.

Historically, the DNR was limited to exchanging land of equal value. However, for the 2003-2005 biennium, the DNR was given the authority to match the value of exchanged lands with a combination of both land and other proceeds. Together, the land and the proceeds must be an equal value to the land being exchanged. The proceeds that land is exchanged for may include both cash and services. This authority will expire on June 30, 2005.

Most property sales or transfers conducted by the DNR must be accomplished by way of a public auction. However, the DNR may directly transfer real property without holding a public auction in limited situations. Transfers can occur without an auction if the Board agrees, and the purpose of the transfer is to give title to another public agency, resolve a trespass issue, or avoid a condemnation.

Summary of Bill:

Management fee ceiling

The Board is temporarily authorized to increase, from 25 percent to 30 percent, the maximum amount of a transaction on state lands that is retained by the DNR in the RMCA. This authority does not extend to management fees designated for the Forest Development Account. The authority to increase the DNR's management fee is only effective between July 1, 2005 and June 30, 2015. Raising the fee above the current level takes an affirmative action by the Board. In addition, the Board must review and reauthorize any increase in the fee above 25 percent every two years.

A portion of the increase in the fee above 25 percent must be used by the DNR for certain silvicultural practices. These include variable density thinnings, forest health operations, and activities designed to develop complex forest stands.

All decisions by the Board regarding the management fee is allowed to be set through internal policy and is not required to be set through the administrative rulemaking process.

Property transfers and acquisitions

Changes are made the DNR's authority to exchange real property. These include changing the nature of the Real Property Replacement Account from an appropriated account to a non-appropriated account, making the temporary authority for the DNR to exchange land for proceeds of equal value permanent, and expanding the DNR's authority to transfer lands without a public auction to include transfers to non-profit land conservation organizations.

Contract harvesting pilot project

The maximum percentage of timber sales on state lands that can be carried out through the contract harvesting program is increased from 10 percent to 30 percent.

Board of Natural Resources composition

Membership on the Board is increased from six to seven. The additional member is to be appointed by the director of the Department of Fish and Wildlife.

Audit of the RMCA

The State Auditor is required to complete two audits of the RMCA if the Board decides to raise the management fee above 25 percent. The first audit will be completed following the second biennium after the fee is increased above 25 percent, and the second audit will occur following the third biennium after the increase.

The audits must identify both the money spent for certain silvicultural activities, as well as the number of acres where those activities occurred. The activities that must be highlighted in the

audits include variable density thinnings, forest health operations, complex forest stand development, harvests that occur in riparian areas, and clear cuts.

The audits must also identify the marginal net increase to beneficiaries that results from the increase the DNR's management fee above 25 percent.

JLARC performance audit

The Joint Legislative Audit and Review Committee (JLARC) is commissioned with completing an analysis of the DNR's management activities. The JLARC performance audit would be due in ten years, and look back at the DNR's management over that time period. The audit must focus on the DNR's success in meeting the ecological and economic outcomes outlined in the Board's recently adopted sustainable harvest plan.

The JLARC performance audit must answer a number of questions, including how the DNR is taking steps towards creating a five-fold increase in old growth habitat, what the projected revenue increases are for trust beneficiaries, how stream ecology has been improved, and how much volume was sold when prices were high as compared to when prices were low.

DNR report

The DNR is required to prepare a report by November 1, 2007, that has two main components. The first part of the report must review opportunities for increasing the revenue to the trust beneficiaries without increasing harvest levels. Opportunities that must be specifically addressed includes leases for purposes other than harvest, creation of a state-run log yard, pursuing niche marketing for certain products, third party certification, increasing variable density thinning projects, and loosening the timber substitution rules.

The second component in the report must review the status of the Forest Development Account. This review must include historical balances in the account, along with future projections.

Appropriation: None.

Fiscal Note: Requested on 2/16/05.

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