
SENATE BILL 5537

State of Washington

59th Legislature

2005 Regular Session

By Senator Jacobsen

Read first time 01/27/2005. Referred to Committee on Natural Resources, Ocean & Recreation.

1 AN ACT Relating to managing state granted lands for multiple
2 benefits under long-term leases that compensate trust beneficiaries;
3 and adding a new chapter to Title 79 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that the state's
6 management of its federally granted lands and its financial strategies
7 for assisting with the costs of education, corrections, mental health
8 treatment, and other activities supported by revenues from granted
9 lands have changed greatly since statehood. At statehood Washington
10 received title to approximately three million acres of federal lands
11 for the support of common schools and other governmental functions,
12 similar to grants to other states entering the United States that as
13 territories were predominantly in federal land ownership and thus
14 lacking an adequate taxable land base to support state and local
15 governmental functions through property taxes. Like most Western
16 states, Washington initially derived most of its funding through the
17 sale of these lands, although the Washington state Constitution placed
18 limits on the pace at which such granted lands could be sold.

1 Early in the twentieth century there was a growing recognition of
2 the importance of forest lands in maintaining a continuous supply of
3 wood products, flood water mitigation, drinking water supplies, storage
4 of snowpack for late season irrigation supplies, hunting and fishing
5 and other recreational opportunities, and providing many other benefits
6 to adjacent communities and to the entire state. During this period
7 many federal forest lands were reserved from public land disposition
8 and state forest lands were reforested and managed for long-term public
9 benefits. Today Washington retains one of the greatest percentages of
10 its original federal granted lands, currently owning about two million
11 two hundred thousand acres. About one million five hundred thousand
12 acres of these lands are forest lands.

13 Since the 1920s the state's policy has been to retain granted lands
14 in state ownership and to manage the lands to maximize revenues from
15 the lands for the trust beneficiaries. However, by the late twentieth
16 century revenues derived from these lands were not keeping pace with
17 the demands for funding for education and other trusts' purposes. For
18 example, within the past twenty years, revenues derived from common
19 school trust lands have declined from about two-thirds to about one-
20 quarter of the state support for school construction. Similarly, the
21 portion of the higher education construction budget supported by these
22 lands has dropped from twelve percent in the late 1980s to seven
23 percent in the current biennium. As a portion of the overall state
24 support for education, trust land revenues provide less than two
25 percent.

26 At the same time as the relative value of the granted lands in
27 financial returns has been diminishing for the trust beneficiaries,
28 there is growing recognition by all citizens of the value of these
29 lands in providing multiple public benefits. The highest value from
30 these lands in serving the entire state will be achieved if a policy of
31 multiple use and multiple compatible benefits is pursued. Therefore,
32 it is the intent of this chapter to provide full compensation to the
33 trust beneficiaries for the net present value of a long-term leasehold
34 interest in these granted lands, and during the term of this lease to
35 manage these lands for multiple uses and benefits.

36 NEW SECTION. **Sec. 2.** The definitions in this section apply
37 throughout this chapter unless the context clearly requires otherwise.

1 (1) "Commissioner" means the commissioner of public lands.

2 (2) "Department" means the department of natural resources.

3 (3) "Granted lands" means state lands managed by the department for
4 the benefit of educational, correctional, social services, and capitol
5 buildings construction in the following designated trusts:

6 (a) Common school, indemnity, and escheat;

7 (b) Agricultural school;

8 (c) Scientific school;

9 (d) University;

10 (e) Normal school;

11 (f) Charitable, educational, penal, and reformatory institutions;

12 and

13 (g) State capitol.

14 NEW SECTION. **Sec. 3.** (1) The department shall calculate full fair
15 market compensation for a leasehold interest of a term of at least
16 seventy-five years using simplified appraisal processes that minimize
17 the administrative costs of calculating full fair market compensation
18 while ensuring that the beneficiaries are appropriately compensated.
19 The department shall place a priority upon calculating leasehold values
20 for those parcels proposed for inclusion upon the priority lists
21 required by section 4 of this act. The leasehold interest includes all
22 rights to manage the lands consistent with the standards under section
23 7 of this act, including the sale of valuable materials and allowance
24 of uses that derive monetary returns from the lands.

25 (2) It is the intent of the legislature that because the
26 beneficiaries are largely supported by state funds not derived from
27 these granted lands, the added costs of detailed, parcel-specific
28 appraisals, may not justify the added precision of such appraisals.

29 NEW SECTION. **Sec. 4.** (1) The state granted lands lease program is
30 created. The program must include state granted lands for which a
31 leasehold is executed under the provisions of this chapter to provide
32 compensation for the support of the beneficiaries in the following
33 designated trusts:

34 (a) Common school, indemnity, and escheat;

35 (b) Agricultural school;

36 (c) Scientific school;

- 1 (d) University;
- 2 (e) Normal school;
- 3 (f) Charitable, educational, penal, and reformatory institutions;
- 4 and
- 5 (g) State capitol.

6 (2) By December 31, 2006, the department shall develop a
7 prioritized list of parcels suitable for inclusion in the state granted
8 lands lease program. A prioritized list must be prepared for each
9 category of designated trusts specified in subsection (1) of this
10 section. Each list must include sufficient parcels so that the
11 aggregated acreage of parcels exceed the following acreage:

- 12 (a) Common school, indemnity, and escheat, five hundred thousand
13 acres;
- 14 (b) Washington State University, forty thousand acres;
- 15 (c) Agricultural school, twenty thousand acres;
- 16 (d) Scientific school, twenty thousand acres;
- 17 (e) Normal school, twenty thousand acres;
- 18 (f) Charitable, educational, penal, and reformatory, twenty
19 thousand acres; and
- 20 (g) State capitol, twenty-five thousand acres.

21 (3) The department shall prioritize parcels for each category of
22 designated trust by considering the parcels most suitable for
23 management for maximizing multiple benefits from uses of the lands,
24 without placing as the highest priority the monetized economic returns
25 that may be obtained in the near term from the lands. In selecting
26 parcels for inclusion on the list and in establishing a priority order,
27 the department should consider the opportunities for managing for such
28 benefits as: Fish and wildlife habitat and production; improving
29 forest health conditions; satisfying diverse recreational demands in
30 the region; protecting drinking water supplies of nearby communities;
31 mitigating storm water flows; and protecting forest stands with special
32 biological diversity or geological or scenic values.

33 (4) In considering candidates and selecting parcels for listing,
34 the department shall provide the public, including representatives of
35 trust beneficiary interests, an opportunity to provide comments to the
36 department and to participate in the department's deliberations. This
37 must include at least three public meetings in different regions of the

1 state at which draft lists are provided to the public in advance for
2 comment.

3 (5) Prior to final adoption of the list the department shall
4 receive the approval of the board of natural resources.

5 (6) In developing the initial prioritized lists proposed for
6 funding in the 2007-2009 biennial capital budget, the department shall
7 consider lands suitable for management consistent with the standards in
8 section 7 of this act and which would further the following objectives:

9 (a) In eastern Washington, meaning east of the crest of the Cascade
10 mountain range, a contiguous forest stand of no less than ten thousand
11 acres to be managed primarily for the improvement of forest health
12 conditions, with contractors for implementing forest health treatment
13 activities to be sought in communities in the vicinity of the forest;
14 and

15 (b) In western Washington, a forest stand near urbanizing areas in
16 which there is increasing demand for recreational uses of the forest
17 and for which the department may derive significant revenues from
18 recreational uses.

19 (7) The department shall remove from the lists those parcels for
20 which leases are executed under section 6 of this act. By December 31,
21 2008, the department shall make additions of parcels to each list such
22 that the total parcels on each list exceed in aggregate amount by at
23 least fifty percent the lease values appropriated in the current
24 biennial capital budget for each designated trust.

25 NEW SECTION. **Sec. 5.** The department shall include a prioritized
26 list of parcels proposed for leasing and inclusion in the state granted
27 lands lease program in the capital budget request submitted to the
28 governor. No lease under the state granted lands lease program
29 authorized by this chapter may be executed without prior approval and
30 funding by the legislature.

31 NEW SECTION. **Sec. 6.** Beginning July 1, 2007, the department shall
32 execute leases for a term of at least seventy-five years for trust
33 lands on the priority lists developed under section 4 of this act. The
34 lease agreement must include the right for automatic renewal. The
35 calculation of full fair market compensation for renewed leases must

1 ensure that the value of the resources on the land that were used to
2 compensate beneficiaries in the initial lease not become a part of the
3 calculation for compensation for the renewed lease.

4 NEW SECTION. **Sec. 7.** (1) The granted lands placed in the state
5 granted lands lease program must be managed by the department under
6 existing management statutes, policies, and agreements to the extent
7 not inconsistent with the management criteria of this section. The
8 valuable materials on the granted lands may be sold in the same manner
9 and for the same purposes as is authorized for state lands, and charges
10 may be made for recreational or other uses of the lands, provided that
11 the value of the lands at the expiration of the lease will not be
12 significantly diminished thereby.

13 (2) The multiple use lands in the granted lands lease program must
14 be managed with all the various renewable resources in mind so that
15 they are utilized in the combination that will best meet the needs of
16 all of the state's citizens. The department should manage the multiple
17 use forests with the entire land base in mind so that some resources or
18 services may be emphasized on parts of the lands and some land may be
19 used for less than all of the resources or services. The department
20 should seek a harmonious and coordinated management of the various
21 resources of the lands, each with the other, without impairment of the
22 productivity of the land, with consideration being given the relative
23 values of the various resources, and not necessarily the combination of
24 uses that will give the greatest dollar return or the greatest unit
25 output. Among the values and uses that should be considered by the
26 department in managing the multiple use lands are the economic and
27 environmental aspects of various systems of renewable resource
28 management, including: Silviculture and protection of forest
29 resources; providing for outdoor recreation, range, timber, watershed,
30 wildlife, and fish; providing for a diversity of plant and animal
31 communities; and providing for protection of streams, streambanks,
32 shorelines, lakes, wetlands, and other bodies of water from detrimental
33 changes in chemical, biological, or hydrological characteristics.

34 NEW SECTION. **Sec. 8.** The state granted lands lease program
35 account is created in the state treasury. All receipts from revenues
36 derived from lands in the program and other moneys appropriated to the

1 account or received by the state for the benefit of such lands must be
2 deposited in the account. Moneys in the account may be spent only
3 after appropriation. Expenditures from the account may be used for all
4 purposes related to management of lands included in the state granted
5 lands lease program.

6 NEW SECTION. **Sec. 9.** (1) The granted lands review commission is
7 established. The commission membership shall be jointly formed by
8 appointments by the governor and the commissioner of public lands. The
9 purpose of the commission is to review the history and contemporary
10 management and disposition of lands granted to the state by the federal
11 government at statehood for the support of education and other
12 governmental activities, and to analyze alternative methods by which
13 the state could ensure equivalent or greater financial support for
14 these governmental activities while at the same time allowing
15 management of these lands for multiple benefits to all citizens of the
16 state. The commission shall involve the active participation of the
17 interests representing the beneficiaries of state financial assistance
18 derived from revenues from these lands, as well as the interests of
19 others who derive income from or use of these state lands.

20 (2) The granted lands review commission shall submit a report with
21 its recommendations to the appropriate committees of the senate and
22 house of representatives by December 31, 2007.

23 (3) The granted lands review commission and its powers and duties
24 terminate June 30, 2008.

25 NEW SECTION. **Sec. 10.** Sections 1 through 9 of this act constitute
26 a new chapter in Title 79 RCW.

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