

SENATE BILL REPORT

SB 6539

As of January 30, 2018

Title: An act relating to ensuring compliance with the state's fiduciary duty in managing state trust lands.

Brief Description: Ensuring compliance with the state's fiduciary duty in managing state trust lands.

Sponsors: Senators Braun, Rivers and Wilson.

Brief History:

Committee Activity: Agriculture, Water, Natural Resources & Parks: 1/29/18.

Brief Summary of Bill

- Directs the Department of Natural Resources (DNR) to endeavor to generate an average of \$230 million from state lands and state forestlands each year.
- Requires DNR to conduct an analysis on specified aspects of its lands portfolio, management practices, and transaction processes.
- Directs the Joint Legislative Audit and Review Committee (JLARC) to develop methods or tools to estimate the current asset value of state lands and state forestlands.

SENATE COMMITTEE ON AGRICULTURE, WATER, NATURAL RESOURCES & PARKS

Staff: Curt Gavigan (786-7437)

Background: DNR manages a number of different categories of land, each for a specific purpose and under different management requirements.

State Trust Lands. Upon statehood, the United States granted the State of Washington over 3 million acres to support various public institutions. DNR now manages over 2 million acres of federally granted trust lands to provide revenue for public schools, state universities,

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buildings on the capitol campus, and correctional facilities. The largest acreage category is for common schools, with almost 1.8 million acres.

State Forest Lands. DNR also manages more than 600,000 acres of state forest lands, which were acquired primarily through tax foreclosures in the 1920s and 1930s, and to a lesser extent through purchases by the state or gifts to the state. State forest lands are managed for the benefit of the counties in which the lands are located.

Summary of Bill: DNR Land Management Direction and Analysis. DNR must endeavor to generate an average of \$230 million from state lands and state forestlands each year. In evaluating annual revenue, DNR must adjust the \$230 million goal for inflation.

By September 1, 2018, DNR must analyze its lands portfolio, management practices, and transaction processes and:

- develop options and recommendations to promote achievement of the \$230 million revenue goal;
- review options to leverage high value, low performing lands to include land sales;
- for state forestlands, include an analysis and options for creating a unitary trust, and alternative management structures including certain lease and sale options; and
- analyze other options identified by DNR for legislative consideration.

JLARC Study. By December 1, 2021, JLARC must develop methods or tools to estimate the current asset value of state lands and state forestlands. The methods must be designed to be accurate, resource efficient, allow segregation of asset classes, and allow repeated estimates over time.

The bill includes legislative findings.

Appropriation: None.

Fiscal Note: Requested on January 25, 2018.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: Money from trust lands supports capital construction. This revenue has been on the decline over previous decades. The goal here is to put some pressure on DNR to create additional revenue and better understand what the return on investment is. Timber is key to local economies, and this bill will help the Legislature get a better understanding of how state lands are managed. Key aspects of the bill are the stated goals of meeting fiduciary obligations, growing revenue, and better understanding the asset value. Counties and mills also rely on state timber lands, and they need the state to follow through with planned harvest levels. Perhaps an independent evaluation may be better than DNR conducting the study.

OTHER: DNR welcomes the discussion and sees active timber management as an important goal. However, achieving the stated goal of \$230 million per year in revenue may conflict

with the need to meet sustainable harvest calculation and intergenerational equity principles. The study timeframe is also quite tight.

Persons Testifying: PRO: Senator John Braun, Prime Sponsor; Tom Nelson, Sierra Pacific Industries; Bruce Beckett, Port of Port Angeles; Heath Heikkila, American Forest Resource Council; Tom Lannen, Commissioner, Skamania County; Thomas Swanson, Vice President, Green Crow Corp; Russ Pfeiffer-Hoyt, Washington State School Directors Association.

OTHER: Brock Milliern, DNR.

Persons Signed In To Testify But Not Testifying: No one.