

SENATE BILL REPORT

SB 5656

As of February 10, 2025

Title: An act relating to modifying the definition of inflation rate for aquatic leases.

Brief Description: Modifying the definition of inflation rate for aquatic leases.

Sponsors: Senators Krishnadasan, Riccelli and Nobles.

Brief History:

Committee Activity: Agriculture & Natural Resources: 2/10/25.

Brief Summary of Bill

- Replaces the All Commodity Producer Price Index with the Consumer Price Index for the Seattle metropolitan area as the inflation rate used for certain aquatic land leases.

SENATE COMMITTEE ON AGRICULTURE & NATURAL RESOURCES

Staff: Jeff Olsen (786-7428)

Background: Aquatic Land Leasing. The Department of Natural Resources (DNR) is responsible for managing state-owned aquatic lands to provide a balance of public benefits for the state. The aquatic lands that DNR manages includes tidelands, shorelands, harbors, and the lands lying beneath navigable waters.

The DNR's management of aquatic lands is required to balance multiple goals, including the encouragement of public access, the fostering of uses of aquatic lands that are currently or were historically dependent on a waterfront location, the use of renewable resources, environmental protection, and the generation of revenue in a manner consistent with other aquatic land management goals. The rental rates for aquatic lands leased for water-dependent uses are determined using a formula, which calculates annual rent as 30 percent of the value of neighboring land multiplied by the leased area and a rate of return. The rent

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may be adjusted by the inflation rate each year the rent is not determined by formula. The inflation rate used to adjust leases for water-dependent uses and log storage is based on the All Commodity Producer Price Index.

Inflation Indexes. The Consumer Price Index is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services, as calculated by the U.S. Bureau of Labor Statistics. The Producer Price Index (PPI) is a family of indexes that measures the average change over time in selling prices received by domestic producers of goods and services. PPIs measure price change from the perspective of the seller.

Summary of Bill: The All Commodity Producer Price Index is replaced with the Consumer Price Index for the Seattle metropolitan area as the inflation rate used for adjusting leases of aquatic lands for water dependent uses and log storage rents.

Appropriation: None.

Fiscal Note: Requested on February 4, 2025.

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: DNR manages leases for marinas, and the Producer Price Index is used to adjust rental rates. Due to the Producer Price Index volatility, it can result in fluctuations to rental rates. The Consumer Price Index is more stable and predictable, which will benefit businesses that lease aquatic lands. Over time the two rates are nearly identical, so there is no revenue impact. The Producer Price Index has been as high as 16 percent in one year. It is important for businesses to anticipate expenses and manage increases.

Persons Testifying: PRO: Senator Deborah Krishnadasan, Prime Sponsor; Roman Daniels-Brown, Northwest Marine Trade Association; Ian Wilkinson, Foss Harbor Marina; Dwight Jones; Tom Gorman, Department of Natural Resources.

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