



State Trust Land Inventory Evaluation **Report to the Legislature**

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Interim Report

January 2014



WASHINGTON STATE DEPARTMENT OF
Natural Resources
Peter Goldmark - Commissioner of Public Lands

Cover Photo: Sam Jarrett/DNR
Granite Lake at Middle Fork Snoqualmie NRCA

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Prepared by

Washington State
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Introduction

This January 2014 Interim Report for the “State Trust Land Inventory Evaluation Project” is in response to the following legislative request:

Excerpt: Chapter 19, Laws of 2013, 2nd Special Session (Engrossed Substitute Senate Bill 5035)

NEW SECTION.

Sec. 3231. FOR THE DEPARTMENT OF NATURAL RESOURCES

Trust Land Transfer. The appropriation in this section is subject to the following conditions and limitations:

(1) \$300,000 of the appropriation in this section is provided solely for a state trust land inventory evaluation. The inventory evaluation shall determine the acreage of department managed trust lands, by asset class, that may be eligible for the trust land transfer program over the next several decades, based on currently available information. The department shall provide an interim report to the legislature by January 31, 2014, on project scope, progress to date, and recommended criteria for the trust land transfer program. The department shall provide a final report by January 1, 2015.

Project Overview

Project scope includes

- Summarize the results of the Trust Land Transfer (TLT) Program since it was created in 1989, including characterization of asset classes transferred and data regarding transfer types (receiving agencies) and benefits to the trust beneficiaries.
- Analyze existing data from the Department of Natural Resources, other state or federal agencies and county governments to model the acreage of department managed trust lands, by asset class, that could be eligible for future inclusion in the TLT Program over approximately the next 30 years.
- Determine the factors and criteria that should be considered, over time and in concert with the trust mandate for revenue generation, as decisions are made to propose state trust lands for transfer under TLT. Consider the impact of evolving variables (for example, population growth patterns or effects of climate change on trust land management) as additional scenarios that may fundamentally affect the TLT Program.

Project deliverables include

- Interim report to the Legislature dated January 2014
- Final report for delivery to the Legislature by January 1, 2015.

Assumptions for this study

- The assumed timeframe for the study is approximately 30 years (as guided by available data)
- Existing data and analysis available within DNR and from county, state or federal sources will be utilized for modeling purposes
- Analysis will be grounded in the current and historical function of the TLT Program, while considering the impact of changing variables on the program.

Progress to Date

- Project steering committee established
- Project initiation document created
- Project manager job description created
- Recruitment process initiated for project manager

Background

The Department of Natural Resources (DNR) manages more than 3 million acres of state trust forest, agricultural, range and commercial properties that earn income to fund schools, universities, capitol buildings and other state institutions and, in many counties, also help fund local services.

Trust lands also provide important habitat for fish and wildlife as well as recreation and educational opportunities for the general public. DNR strives to improve returns from state trust lands; however, not all trust lands are best suited for income production. Some state trust lands have important social or ecological values that are desirable to be managed for a special use or feature of importance rather than for economic returns. The Trust Land Transfer (TLT) Program presents an opportunity to retain these special lands in public ownership while maintaining and improving economic returns to current and future trust beneficiaries.

The TLT Program has provided an innovative means for the Washington State Legislature, through DNR, to fund school construction, dispose of economically non-performing assets, acquire replacement properties with higher revenue generating potential, and protect and maintain in public ownership properties with important social or ecologic attributes. The Legislature via TLT funds the transfer of certain, special lands with underperforming income potential out of state trust ownership to

a local or state public agency that can manage the property for the intended ecological or social use. Funds from the transfer of these selected real properties are used to acquire productive natural resource lands as replacement properties.

Since the TLT Program's start in 1989, the Washington State Legislature has appropriated \$798,570,000 to fund the TLT Program (through the 2011-2013 Biennium ending June 30, 2013). This has resulted in the transfer or lease of about 116,883 acres of Common School Trust property with low revenue-producing capabilities to other public agencies or programs for protection and management.

About 83 percent of the appropriations have been deposited into the Common School Construction Account, which helps to fund school construction statewide. About 15 percent has been used or is made available to purchase replacement forest and agricultural properties. These new assets are better suited to produce greater revenue potential for the Common School Construction Account than the transferred lands.

The Trust Land Transfer Program has transferred or leased land and timber to numerous public entities including DNR's Natural Areas Program for management as natural area preserves or natural resources conservation areas, Washington State Parks, Washington State Department of Fish and Wildlife, city and county governments, and local public park districts. More than 57 percent of the transfers by dollar value have gone to DNR's Natural Areas Program.

Figure 1 illustrates the process of using the Trust Land Transfer Program to fund current school construction while also repositioning trust assets to conserve the socially and ecologically valuable attributes of current trust lands and achieve higher potential economic returns from replacement assets into the future.

Figure 1: From the Department of Natural Resources
 "TRUST LAND TRANSFER PROGRAM For 2013-2015 Biennium" — June 2013

Trust Land Transfer Program Diagram

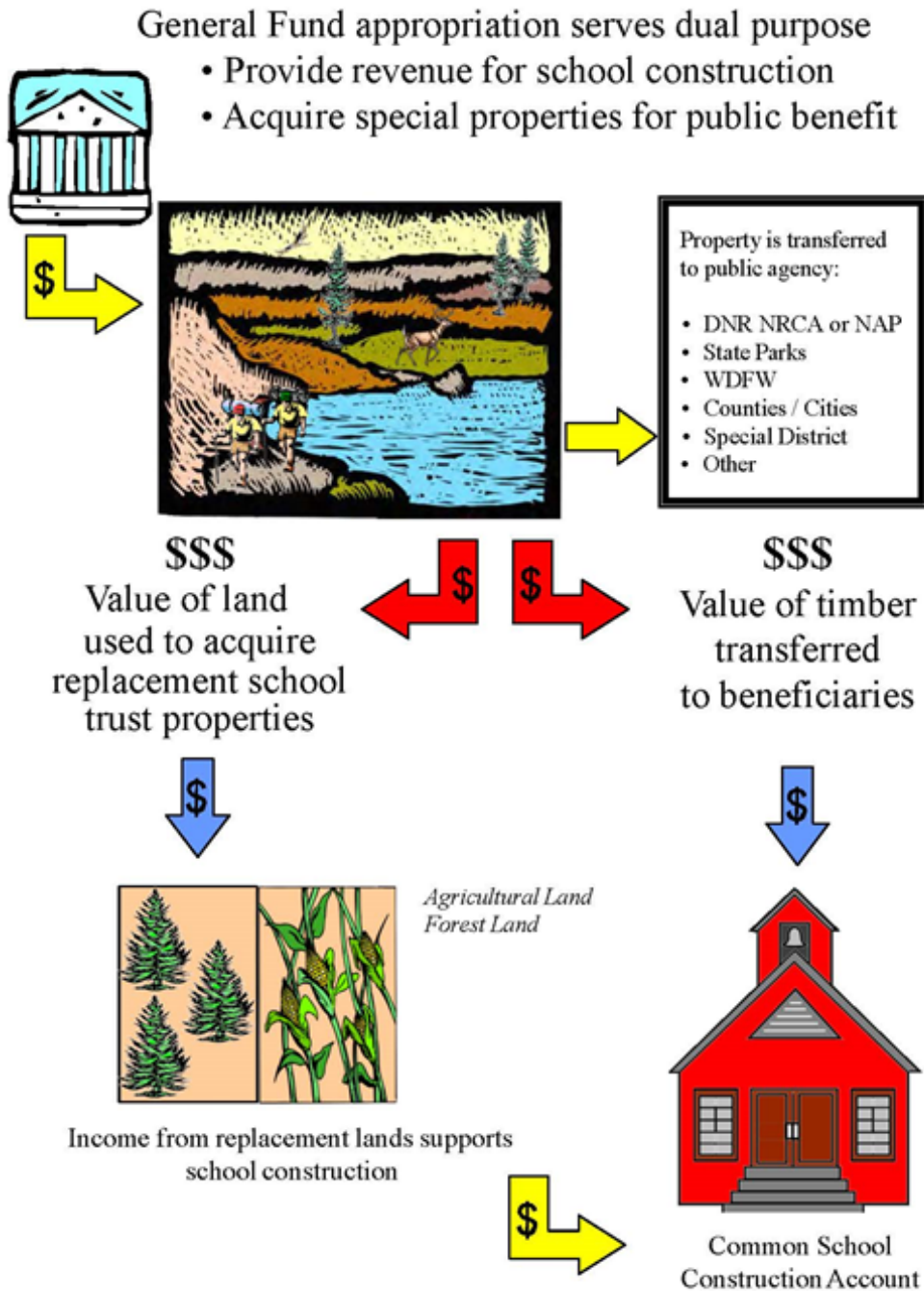


Table 1: Adapted (updated) from the Department of Natural Resources
“TRUST LAND TRANSFER PROGRAM For 2013-2015 Biennium”

Historical Summary 1989-2013

Biennium	Biennial Appropriation	Fee Acres Transferred	Lease Acres Transferred	1989-2013 Cumulative Appropriation
89-91	\$171,500,000	44,056		\$171,500,000
91-93	\$50,000,000	7,611		\$221,500,000
93-95	\$50,352,000	7,457		\$271,852,000
95-97	0	0		\$271,852,000
97-99	\$34,500,000	4,799		\$306,352,000
99-01	\$66,000,000	6,667	10	\$372,352,000
01-03	\$50,000,000	4,717	0	\$422,352,000
03-05	\$55,000,000	3,672	301	\$477,352,000
05-07	\$61,610,000	8,516	26	\$538,962,000
07-09	\$98,985,000	7,730	1,217	\$637,947,000
09-11	\$100,133,000	12,806	3,565	\$738,080,000
11-13	\$60,490,000	3,733	0	\$798,570,000
Actuals 1989-2013		111,764	5,119	\$ 798,570,000

Account Distribution 1989 - 2013

Recipients (\$)	Percentage of \$798,570,000 Appropriation
NAP/NRCA	57.6 %
Counties/Cities	20.8 %
State Parks	18.1 %
State Fish & Wildlife	3.5 %

Context and Considerations

The scope of this study is to evaluate potential trust lands eligible for transfer over approximately the next 30 years. The project team will be informed through the dynamic assessment of existing ecological characteristics of trust assets; anticipated regulatory environment (including commitments under the Department of Natural Resources Habitat Conservation Plan); anticipated changes in species rarity and protection as informed by the State of Washington Natural Heritage Plan; likely population growth dynamics in areas surrounding trust lands; current or desired recreation use, and perhaps other factors.

Key policy documents and principles that will help guide the study include:

1. **From the Policy for Sustainable Forests, DNR, 2006.** *The purpose and objectives (in the “Policy for Sustainable Forests”) establish a broad theme of sustainability to guide DNR’s management of forested state trust lands: Consistent with the fiduciary standards governing trust management, the purpose of the Policy for Sustainable Forests is to conserve and enhance the natural systems and resources of forested state trust lands managed by DNR to produce long-term, sustainable trust income, and environmental and other benefits for the people of Washington. (Page 3)*
2. **From the State of Washington Natural Heritage Plan, DNR, 2007.** *In passing the Natural Area Preserves Act in 1972, the Legislature recognized the need for, and benefits of, permanently designating areas explicitly for conservation purposes. The Department of Natural Resources was authorized to work with federal, state and local agencies and private organizations to establish and manage a statewide system of natural areas. The Natural Heritage Program was given the responsibility of bringing an objective, scientific approach to this effort.... The process of evaluating potential natural areas has been designed to ensure that the needs and benefits (identified) by the Legislature are realized in an efficient and effective manner:*
 - *Maintaining habitats for rare species and for conservation of important examples of terrestrial, aquatic, and marine ecosystems.*
 - *Opportunities for research and education about native species and ecosystems.*
 - *Baseline reference sites to document environmental change and to learn how ecosystems function.*
 - *Contributions to our overall quality of life, providing clean air and water, recreational opportunities scenic diversity, and more. (Pages 29-30)*
3. **From the Washington Natural Resources Conservation Areas Act (1987).**
 - *Lands possessing the following characteristics are considered by the legislature to be worthy of consideration for conservation purposes:*
 - *Lands identified as having high priority for conservation, natural systems, wildlife, and low-impact public use values;*

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- *An area of land or water, or land and water, that has flora, fauna, geological, archaeological, scenic, or similar features of critical importance to the people of Washington and that has retained to some degree or has reestablished its natural character;*
 - *Examples of native ecological communities;*
 - *Environmentally significant sites threatened with conversion to incompatible or ecologically irreversible use. (RCW 79.71.020)*
 - The [Department of Natural Resources] is authorized to transfer fee simple interest or less than fee interests in trust land, as defined by Article XVI of the Washington Constitution, for the creation of natural resources conservation areas, provided the owner of the trust land receives full fair market value compensation for all rights transferred. The proceeds from such transfers shall be used for the exclusive purpose of acquiring real property to replace those interests utilized for the conservation area in order to meet the department's fiduciary obligations and to maintain the productive land base of the various trusts. (RCW 79.71.050)
4. State and Local Plans. External to the Department of Natural Resources, various plans and policies identify public values of trust assets that may be appropriate for consideration under the TLT Program, including lands desired for state parks, fish and wildlife habitat, open space or recreation purposes.

Data modelling will, by necessity, be grounded in current socio-economic conditions and clearly foreseeable trends. However, the criteria affecting asset management decisions are dynamic, changing along with land management best practices, the regulatory environment and social or ecological pressures on working lands. At a minimum, key considerations for the future TLT Program will include the following:

- Trust lands identified as eligible for DNR natural areas designation under the State of Washington Natural Heritage Plan
- Trust lands within or adjacent to existing natural areas that would contribute additional conservation values or assure site sustainability
- Trust lands within or adjacent to local or state parks that are desirable for park expansion
- Trust lands offering current or near-term-potential recreational opportunities or open space as a primary land use
- Trust lands with high-quality habitat for fish and wildlife
- Manageability of trust assets for income production, and suitability for management under the intended future use.

Project Schedule

The following table provides an overview of major study activities and completion dates, based on our best estimates from the information we have available at the time this interim report was written. These dates are subject to change as we learn more about the data during the analytical process.

Major Activities & Tasks	End Date	Key Outcomes
Project Initiation	1/31/2014	<ul style="list-style-type: none">• Project initiation• Formalization of project scope, timeline and project team member tasks• Interim report to the Legislature
Data Assembly: Analysis & Synthesis	6/15/2014	<ul style="list-style-type: none">• Data scan (internal and external to DNR) and analysis of relevancy and usefulness• Compilation of data• Construction of data models• Analysis of variables and outcome scenarios
Future TLT Modeling	9/30/2014	<ul style="list-style-type: none">• Selection (or ranking) of final scenarios• Modeling final scenarios• Analysis of outcomes
Stakeholder Reviews & Reporting	12/31/2014	<ul style="list-style-type: none">• Review of DRAFT results with internal and external stakeholders• Transmit the final report to the Legislature