

Staff Proposal to Board of Natural Resources

Trust Land Performance ~~Assessment Project Scope Initiative:~~

A Framework to Modernize the State Trust Lands Portfolio

~~June~~ July 1, 2021

Need: Why Modernize the State Trust Land Portfolio?

DNR needs to grow the amount and the reliability of the net revenue ~~DNR-it~~ distributes to beneficiaries from the assets it manages in perpetuity, subject to the legal, ecological, and social/cultural environment in Washington State. These assets produce non-tax revenue that funds critical public institutions in Washington such as K-12 schools, ~~and~~ state universities, and social and other local public services. The trust land performance assessment has showed that over the last 25 years, total net revenue from state trust lands has declined in real dollars. This has resulted in difficulties in delivering steady and reliable revenue to trust beneficiaries. There are often few available alternative sources of revenue for these important institutions. These lands also provide additional irreplaceable economic, social and environmental values for the people of Washington State.

Initiative Vision

The beneficiaries of state trust lands receive reliable and increased income from their asset portfolio into perpetuity, as well as sustained and/or enhanced natural resource lands and their associated ecosystem services.

Purpose: Goal

Building upon the findings of DNR's 2021 legislatively-directed report entitled "Trust Lands Performance Assessment Project: Charting a Course for the Future", -the project department will transform state trust land management and work to optimize the trust's state trust lands portfolio to meet the needs of today's and in the future generations.

Strategies:

The initiative plan will be built around three main strategies: through

- (1) Legislative changes designed to increase the amount and the reliability of the revenue generated by the state trust asset portfolio,
- (2) Changes to Board of Natural Resources policies changes that improve trust asset management performance, and
- (3) Updates to DNR operational business practice updates that increase the department's efficiency and effectiveness in managing state trust assets.

Guiding Principles Any proposals stemming from this plan project must be in service to the following objectives:

~~**Objective 1. Revenue Generation.** Optimize and diversify the portfolio, focusing on high performing properties and efficient business operations to increase the amount of net revenue and its reliability for current and future trust beneficiaries.~~

- 1. Trust Responsibilities.** Generate revenue and other benefits for each trust by meeting DNR's trust management responsibilities. Those responsibilities include making state trust lands productive, preserving the corpus of the trust, exercising reasonable care and skill in managing the trust, acting prudently with respect to trust assets, acting with undivided loyalty to trust beneficiaries, and acting impartially with respect to current and future trust beneficiaries.
- 2. ~~Objective 2. Working Lands.~~** Sustain and/or enhance the working natural resource lands and their intrinsic ecosystem services through proactive management that adapts to a changing climate as well as evolving social needs, consistent with the department's responsibilities.
- 3. ~~Objective 3. Multiple-Use Values.~~** Sustain ~~or~~ and/or enhance the social, environmental, and cultural benefits of state trust lands consistent with trust management obligations and purposes of the land.
- 4. ~~Objective 4. Feasible Solutions.~~** Promote ongoing, active stewardship over the entire land base by providing flexibility to adopt practical, implementable management actions, and to respond to new information and site-specific conditions