



WASHINGTON STATE DEPARTMENT OF
Natural Resources



Caring for
your natural
resources...
now and forever

DEPARTMENT OF NATURAL RESOURCES

Annual Report 2007



This report was prepared by the Washington State Department of Natural Resources (DNR)

Doug Sutherland
Commissioner of
Public Lands

This annual report provides information required by the following statutes: RCW 79.10.010, RCW 79.64.100 and RCW 79.64.030

For copies, or for disabled persons needing this information in an alternate format, contact:

DNR Communications Group
PO Box 47003
Olympia, WA 98504-7003
Email: information@dnr.wa.gov
Phone: 360-902-1016
TRS: 7-1-1 | **TTY:** (360) 902-1125



Contents

2 OVERVIEW

A message from the Commissioner of Public Lands.

4 LAND MANAGEMENT

A brief look at some of DNR's activities and achievements as steward of more than 5.5 million acres of state lands.

12 RESOURCE PROTECTION

An overview of DNR's ongoing efforts to protect Washington's natural resources, preserve ecosystem health, and ensure public safety.

15 TIMBER MANAGEMENT AND FISCAL DATA

Data on DNR's timber management and fiscal activity during fiscal year 2007 (July 1, 2006 – June 30, 2007). For a detailed list of contents, see below.

15 TIMBER MANAGEMENT DATA

16 Timber Sold

17 Silviculture

18 Timber Volume Harvested

19 Timber Acres Harvested

20 Deferrals (formerly known as Acres Off-Base for Harvest)

21 FISCAL DATA

22 Fiscal Notes

25 State Trust Lands Management Fund Accounting Report (RMCA/FDA Debt/Loan Accounting)

26 Overall Agency Operations

30 State Grant Lands

33 General Distribution of Revenue from Upland State Grant Lands

43 General Distribution of Revenue from State-owned Aquatic Lands

44 State Forest Lands (formerly known as Forest Board lands)

45 General Distribution of Revenue from State Forest Lands (formerly known as Forest Board lands)



DEPARTMENT OF NATURAL RESOURCES

Annual Report

2007

DID YOU KNOW?

A few facts about DNR.

DNR manages more than 5.5 million acres of state lands:

▶ 2.9 million acres of upland trust lands, including forest, range, agricultural land, and commercial properties that support public schools, universities, prisons, and other state institutions.

▶ 2.6 million acres of aquatic lands: many beaches, the bedlands under Puget Sound and the coast, and navigable natural lakes and rivers.

▶ 119,000 acres of Natural Areas that protect rare and threatened species as well as high-quality examples of the native ecosystems and landscapes of Washington.

Caring for
your natural resources...
now and forever



WASHINGTON STATE DEPARTMENT OF
Natural Resources
Doug Sutherland - Commissioner of Public Lands





A Message from the Commissioner of Public Lands



This year, the Washington State Department of Natural Resources (DNR) celebrated its first 50 years. Although the State Land Board was initiated at statehood, seven different agencies were combined in 1957 to create today's DNR. Since then, DNR has carried on the important work started at our state's founding—protecting and enhancing a rich legacy of natural resources and trust lands for our citizens, schools, and counties. Today, we deal with issues not considered hot-button items a half-century ago: climate change, land-use pressure from urban growth, and protecting endangered and threatened species. Yet some things remain the same. We continue working to:

- ▶ Assure sustainable use of forest and water resources,
- ▶ Manage and protect public land, environmental resources, and other assets,
- ▶ Build and maintain partnerships, and
- ▶ Bring the best science and other information to policy making and decisions.

In 2007, DNR completed the Central Cascades Exchange and moved ahead on other large exchanges of state trust lands. Consolidating trust lands will assure more long-term revenue to trust beneficiaries; it also will enhance forest health, protect more habitat, and expand recreational opportunities.

Other achievements this year were cleaning up more creosote-treated debris from Puget Sound, removing more fish barriers from streams, and taking steps to

1957
2007

September 13
Sustainable Forestry Initiative® program certifies DNR's stewardship of 2.1 million acres of forested state trust lands — eastern Washington forested trust lands for the first time; western Washington trust lands are re-certified.

March 17
DNR named "Partner of the Year" by Nisqually Land Trust for its role in protecting 4,500 acres of working forest and wildlife habitat near Mt. Rainier.

April 4
Ceremony marking 50th anniversary of DNR's Webster Forest Nursery features namesake L.T. Mike Webster. The nursery has produced 790 million tree seedlings — enough to cover 2.3 million acres.



Caring for your natural resources... now and forever

THREE COMMISSIONERS PHOTO BY NANCY CHARBONNEAU

- JULY
- AUGUST
- SEPTEMBER
- OCTOBER
- NOVEMBER
- DECEMBER
- JANUARY
- FEBRUARY
- MARCH

Fiscal Year 2007 begins

2006 ◀

▶ 2007



OUR VISION

► At DNR, we envision a future in which our human and natural environment provides abundant and diverse social, ecological, and economic benefits for all the people of Washington, in this and all future generations. In acting to ensure this vision, we achieve sustainability.

identify and negotiate the purchase of forestlands under threat of conversion to non-forestry uses. Through the Future of Washington Forests Project with the University of Washington, we helped raise public awareness of the need to preserve working forests on public and private lands.

Three important DNR-managed programs also observed milestones this year: the Natural Area Preserves Program (35 years); the Natural Heritage Program (30 years); and the Natural Resources Conservation Areas Program (20 years). These programs protect hundreds of thousands of acres of our state’s unique ecology for future generations to explore and use.

Today, more people than ever come to Washington’s forests and open spaces—not just to work, but to recreate and live. As they do, DNR will continue to be the steward of more than 5.5 million acres of state trust uplands and aquatic lands.

It’s all part of what we do in caring for your natural resources... now and forever.



DOUG SUTHERLAND
COMMISSIONER OF PUBLIC LANDS

April 27

DNR releases updated Forest Practices Illustrated — a non-technical guide showing landowners and loggers practical steps to follow common forestry operations rules.

June 11

DNR wildfire prevention coordinator Wade Alonzo receives 2007 Bronze Smokey Bear Award.



July 18

Commissioner Sutherland welcomes former Commissioners



Jennifer Belcher and Brian Boyle, at Natural Resources Building ceremony kicking off a year-long celebration of DNR’s 50th anniversary.



August 9

DNR gains custody of 185-foot former Russian trawler, FAL-91/Kopcakoe — largest ever under the state’s Derelict Vessel Removal Program.

October 24

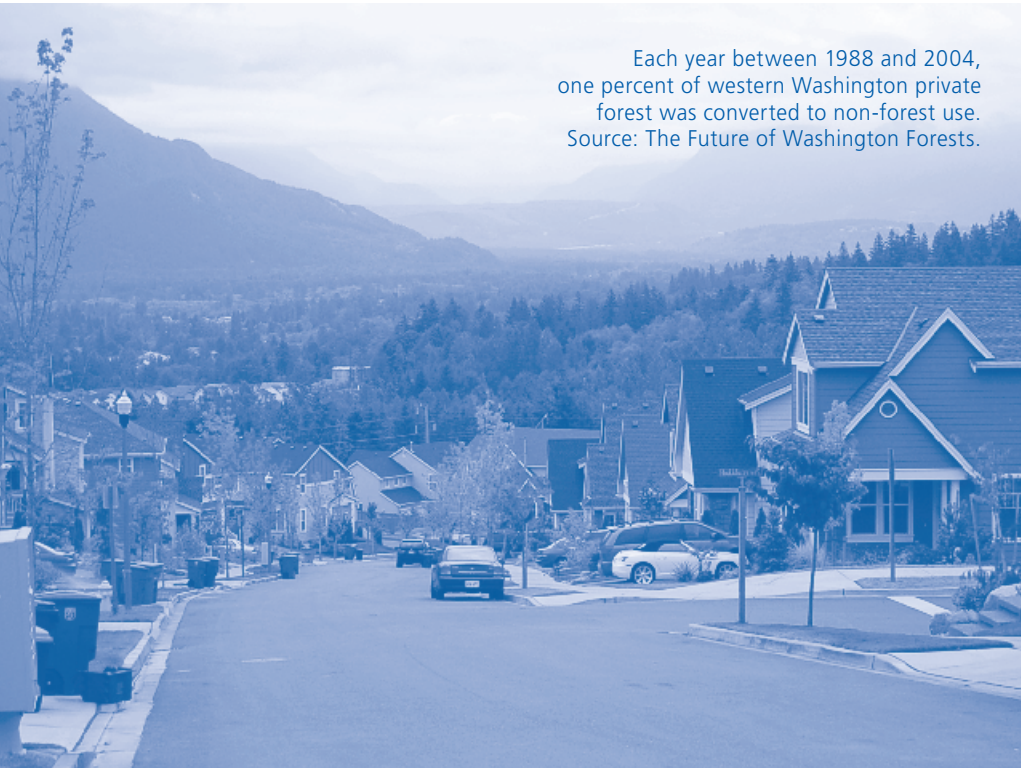
DNR Senior Manager Gretchen Nicholas is named 2007 State Forester of the Year by the Washington State Society of American Foresters.

APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

Fiscal Year 2007 ends

Fiscal Year 2008 begins

Each year between 1988 and 2004, one percent of western Washington private forest was converted to non-forest use. Source: The Future of Washington Forests.



CHRIS DRIVDAHL

LAND MANAGEMENT

Working to sustain Washington's public lands and resources

▶ This year DNR celebrates its 50th year managing the trust lands that support Washington's public schools, universities, other state institutions, and local services. Enhancing this legacy across our state's many landscapes meets new challenges in the 21st century — from forest health to changes in land use.

Forestland Acquisition

This year, DNR began carrying out a legislative directive to acquire more working forest properties in Washington. With productive forestlands being converted to housing at a rapid pace, the 2007 Legislature gave DNR authority to spend up to \$70 million from DNR's trust land replacement account to acquire working forestlands at threat of conversion to non-forestry uses. The lands are to be managed for forest production, and the development value may be leased to public entities. DNR will focus acquisition efforts this biennium exclusively on forestland.

To implement this directive, DNR developed criteria to identify private lands under threat of conversion, began negotiating purchases from willing sellers, and obtaining independent appraisals. In addition, staff in each DNR region met with local stakeholders. The department is negotiating to buy about \$3 million in forested property and will report its first purchases to the 2008 Legislature.

Acquiring the lands is intended to help prevent forest fragmentation and keep working forests in Washington while increasing this source of income to trust beneficiaries. Additional goals are to improve the quality of Washington's natural resources and habitat areas.

Mature and Old Forests

In June 2007, DNR published "Identifying Mature and Old Forests in Western Washington." The 104-page field guide was written and illustrated by Robert Van Pelt, a University of Washington research ecologist. The book's publication follows an inventory of older forest stands on state lands requested by the 2004 Legislature. DNR uses the guide in training sessions to assure that DNR foresters understand the structural complexities of old forests in western Washington.

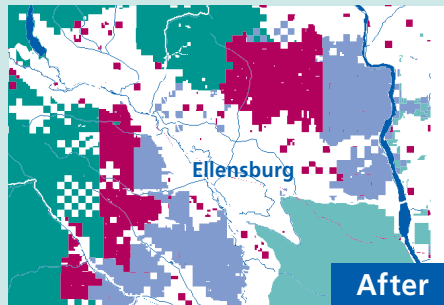
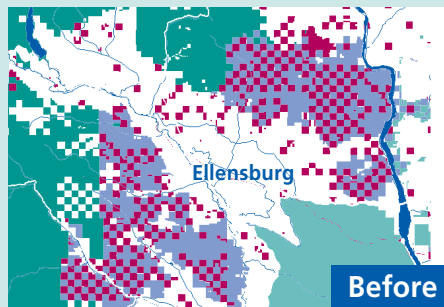
DNR also published a report to the 2008 Legislature about the department's work to define and inventory older trees and forests in eastern Washington. A field guide for eastside forests also is in the works. The reports and the guide books — available at www.dnr.wa.gov — help DNR with the unique management challenges of creating additional older forest structures on state trust lands.

The Future of Washington Forests

As DNR marked its 50th anniversary and the University of Washington's College of Forest Resources observed its 100th year, the two collaborated to publish *The Future of Washington Forests*. The report summarizes the Future of Washington Forests Project, funded by \$1 million appropriated in the 2005-2007 biennium. The project examines the economic contributions and future of the state's timber and forestlands. The report, published in June 2007, recommends policies to address the forest health crisis in eastern Washington and reduce loss of forestland on the urban fringe, among other recommendations.



ILLUSTRATION BY ROBERT VAN PELT



■ DNR ■ Exchange Partners ■ Federal

Eastern Washington Land Exchanges

In November, the Board of Natural Resources approved exchanging 21,000 acres of state trust lands scattered across eastern Washington for nearly 82,000 acres owned by Western Pacific Timber, LLC, most of it forested and on the eastern slopes of the Cascades. The net gain of nearly 62,000 acres for the Common School trust came at virtually no cost because the lands traded are equal in value.

Several other land exchanges are underway. The largest is with the state Department of Fish and Wildlife and involves more than 170,000 acres. It will consolidate ownership, enhance forest health, and protect critical wildlife habitat and migration routes in the Cascades.



The exchanges reduce the "checkerboard" ownership pattern of trust land vulnerable to fragmentation and development in Kittitas and Yakima counties. DNR's long-term strategy of consolidating forested trust lands into larger, more contiguous blocks will increase long-term revenue to the trusts that help fund construction of public schools, universities, and other state institutions in Washington.

◀ The distinctive "candelabra" crown of an ancient (1,500 year-plus) western redcedar (*Thuja plicata*).

1889

- Washington becomes a state
- US Government endows the state with 3.2 million acres of trust land

1957

- Legislature creates the Department of Natural Resources, combining seven agencies



- Bert Cole becomes Commissioner of Public Lands

- Board of Natural Resources is created

1958

- L.T. Webster Nursery begins producing seedlings

1959

- First sustained yield adopted at 469 million board feet

1960

- Washington population: 2.8 million

1961

- Legislature creates Resource Management Cost Account to make ongoing investments in trust and land management

1962

- Seattle World's Fair opens
- Columbus Day Storm blows down a billion board feet of timber on state lands



1965

- Major Seattle-Tacoma earthquake, measuring 6.5 on the Richter scale
- Creation of formal DNR recreation sites

Responsibly managing Washington's diverse trust land legacy



Red Mountain
vineyard

Vineyards on State Trust Land

DNR advertised widely this year to lease more state trust land in the Red Mountain American Viticultural Area (AVA). DNR is looking for a master lessee to develop 404 acres of vineyards and wineries at the east end of the lower Yakima Valley. The Red Mountain Vision Group, a collaboration of DNR and Benton County governments and businesses, has worked for more than three years to create a year-round destination at Red Mountain for wine enthusiasts. Five state trust parcels in the AVA already have been leased for wineries and vineyards. State trust beneficiaries will see additional revenue as rent is collected on: planted vineyard acres; the square footage of buildings, parking and landscaping; and the gallons of wine produced.

Oil and Gas Lease Revenues

One public auction was held in fiscal year 2007 for oil and gas leases on state trust land; 113 parcels, consisting of 85,319 acres, brought in \$498,150 for the trusts. Now, 662,275 acres of trust land are leased for the right to explore for oil and gas. Because of the time lag in getting leases signed and rents paid, the current fiscal year revenue of more than \$9 million comes mostly from 2006 auctions. Bidders in the 2007 auction showed a heightened interest in trust lands on the west side of the state. In 2008, the department will remain responsive to the industry's nominations of additional trust lands for energy exploration.

Communications Leases

During fiscal year 2007, DNR received six applications to build new communication sites on state trust lands. The department also rebuilt its Ellis Mountain site on the Olympic Peninsula, adding a new building, electrical system, fuel tank, road, and 100-foot tower. DNR leases communications ground sites, and sometimes, buildings and towers. This biennium, DNR plans to rebuild a communications site in northeastern Washington.

◀ Several private companies and public agencies lease space at the DNR-maintained communications site on Lemanasky Mountain in upper Okanogan County.

Management Fee Reduced

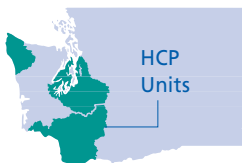
In early October 2007, the Board of Natural Resources reduced from 30 percent to 28 percent the fee DNR retains for managing state trust lands granted at statehood. They reset the fee based on current economic forecasts, suggesting DNR is on track to achieve 10-year goals for forest habitat development and a \$300 million increase in revenue for the state trusts.

The management fee is deducted from the gross revenues generated by timber sales, agricultural, communications site leases, and other activities on state trust lands. The 2005 Legislature authorized the Board to set the management fee at up to 30 percent. The fee pays for environmentally responsible activities on state trust lands, such as replanting after timber harvests, removing invasive weeds, and investing in infrastructure that increases long-term revenue to trust beneficiaries.

Forestland Planning

Work continues on forestland planning in three Habitat Conservation Planning (HCP) units (areas) in western Washington: South Puget, Olympic Experimental State Forest, and Columbia. DNR began extensive public outreach in all three. The South Puget unit draft Environmental Impact Statement will be released in spring 2008.

The planning process helps implement the sustainable forest management approach by



identifying local issues and developing strategies to link on-the-ground forest activities to policy goals described in the 2006 Policy for Sustainable Forests, the 1997 Habitat Conservation Plan, and the sustainable harvest levels and other Board of Natural Resources' directions.

'Green Certification'

In 2007, DNR applied to the Forest Stewardship Council (FSC) for certification. FSC certifies forest operations it deems to be "managed in an environmentally appropriate and economically viable manner." Certification would pertain to trust forests from the Kitsap Peninsula to the Cascade foothills. Early feedback has been positive, and FSC certification is expected in 2008. In 2006, the Sustainable Forestry Initiative certified DNR-managed forests statewide.

Blanchard Strategies

In April 2006, Lands Commissioner Sutherland convened the Blanchard Forest Strategies Group—ten members: nine from the broad community around the forest in Skagit County, and a DNR representative. The Group embodied diverse interests: environmental, working landscapes, timber, recreation, land use, and Skagit County (a trust beneficiary).

The facilitated Group met periodically for a year. They grappled with how to combine many different values into conceptual strategies for Blanchard state trust lands. The results, accepted by Sutherland in August 2007, blend trust revenue production with diverse habitats and recreational visitor experiences. Some 1,600 acres of the forest's 4,800 acres will be managed for older forest conditions. The 2007 Legislature provided \$4 million of \$12 million DNR needs to seek land adjacent to or near Blanchard to replace the area that will be managed as an older forest.

Blanchard is integral to a forested corridor that runs from Puget Sound to the Cascades and from Skagit farmlands to Bellingham. The strategies balance protection of natural diversity with active timber management, providing non-tax income directly to trusts and fueling the local natural resource economy. A standing advisory group would offer input on proposed timber harvest designs and other activities on Blanchard into the future.

A lawsuit challenging the strategies was filed against DNR. No members of the Group, or the organizations they represent, are plaintiffs. In fact, three members and their organizations intervened on behalf of DNR.

Sustainable Harvest Level for Western Forests

The 10-year sustainable harvest level for forested state trust lands in western Washington has been reduced. The new 2005-2014 planning decade level is 5.5 billion board feet, down from 5.97 billion board feet set in 2004. The revision by the Board of Natural Resources reflects the potential impacts of implementation of a new streamside (riparian) forest restoration strategy and an out-of-court settlement concerning the 2004 sustainable harvest calculation. Commitments to habitat in the marbled murrelet strategy, slated for publication in 2009, may cause more adjustments to the decadal harvest level.

1969

Neil Armstrong is first person to walk on the moon



DNR's first computer, a mainframe IBM Model 30

1971

- Legislature stops sales of state tidelands and shorelands
- State Environmental Policy Act established
- Washington population: 3.4 million

1972

- DNR selected to manage Natural Area Preserves

1973

- Endangered Species Act created
- Fontelle Cunningham, first woman to join a fire crew



- First NAPs, Sand Island and Goose Island in Grays Harbor, designated

1974

- Forest Practices Act passed
- Multiple Use Act passed
- Expo '74 in Spokane celebrates "Tomorrow's Fresh New Environment"



1975

- Microsoft founded

NATURAL AREAS

Conserving natural heritage; Providing public access

Students in the Watershed

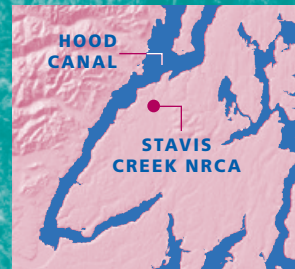
Now in its 12th year, DNR's popular Students in the Watershed program brought together students from North Mason High and fourth-graders from Sand Hill Elementary and Belfair Elementary schools. This year, at the Theler Wetlands in Belfair, high school students showed fourth-graders various aspects of forestry. The internationally recognized program teaches students how to collect data that is verifiable and reliable enough to be used by scientists and resource managers. High school students first work with resource professionals to study streams, forests, recreational sites, and timber sales. Then they apply their skills in the classroom and, finally, share their new skills with area fourth-grade students.

Environmental Explorations

Taking place at New Market Vocational Skills Center in Tumwater, this program helps up to a dozen school districts in Thurston County provide a year-long curriculum in environmental science. Greater numbers of high school students are seeking out this program lately because its content helps fulfill important science project requirements they need for graduation. The program is supported by DNR, the Washington Department of Fish and Wildlife, and the Pacific Education Institute.

Stavis Creek Headwater Lands

This year, DNR purchased 320 acres of land in Kitsap County to help protect the upper reaches of West Fork Stavis Creek and an unnamed tributary. This addition to the Stavis Creek Natural Resources Conservation Area (NRCA), which includes chains of lakes and wetlands along



streams, will protect the area's fish, riparian, and wetland habitat. DNR used grants from the U.S. Fish and Wildlife Service Cooperative Endangered Species Conservation Fund and the Washington State Wildlife and Recreation Program. In 2004, Public Lands Commissioner Doug Sutherland signed an order designating 3,698 acres in the Stavis Creek watershed as eligible for NRCA status. DNR will add to the Stavis NRCA by using grants or other funds as they become available to purchase land at market value from willing sellers.

Trust Land Transfer Program

In early 2007, DNR completed the first of some 33 proposed projects in the Legislature's \$100 million Trust Land Transfer appropriation for this biennium. The "Far Out South" project transferred 300 acres of state trust land in King County to Tacoma Public Utilities. The property, which is the source of drinking water for the City of Tacoma and adjacent cities, will be managed for fish and wildlife habitat, public open space, and watershed protection.

The Trust Land Transfer Program identifies Common School Trust properties to transfer to public agencies for them to manage for ecological and social goals. Based on independent appraisals, each transferred property's timber value is deposited to fund school construction statewide, and its land value is used to acquire other working forestland under threat of conversion to non-forestry use.

Rattlesnake and West Tiger Hiking Trails

Two prominent hiking trail projects this year showed off the results of cooperation between DNR and other public and non-government organizations. In June, a new trailhead parking area was created and a 10.5-mile hiking trail reopened on Rattlesnake Mountain east of Issaquah. Part of the Mountains to Sound Greenway along I-90, the project was a partnership between DNR, the Greenway Trust, the City of Snoqualmie, the Snoqualmie Tribe, and the U.S. Forest Service. Washington Conservation Corps crews managed by DNR and the Greenway Trust devoted thousands of hours on the project. High school-age volunteers led by EarthCorps workers also joined in. Funding came from the City of



▲ In November, Poo Poo Point in Tiger Mountain State Forest was used for an episode of the ABC television network show "Grey's Anatomy."

Seattle and the Washington Legislature, which provided \$550,000. Another multi-agency effort led to reconstructing a popular hiking trail in the West Tiger Mountain Natural Resources Conservation Area. Reconstruction of West Tiger Trail #3 — one of the

most popular in the state — was made possible by DNR and a grant from the Washington State Recreation and Conservation Office using funds from state gas tax collections.

Preservation Program Milestones

As DNR observed its 50th anniversary, three DNR-managed programs important to the preservation of Washington's natural heritage also observed milestone anniversaries this year. In 2007, the

- ▶ Natural Area Preserves Program marked 35 years — created by the Legislature to protect the state's ecological diversity;
- ▶ Natural Heritage Program observed its 30th year — created by DNR, four other state agencies, and The Nature Conservancy to protect certain areas as outdoor laboratories for scientific research and education, and to identify suitable candidates for the natural areas system;
- ▶ Natural Resources Conservation Area (NRCA) Program celebrated its 20th year — created by the Legislature to protect high-priority lands for conservation of natural systems and wildlife while allowing low-impact public use.

In early 2007, the largest single NRCA was created when more than 4,000 acres of Common School Trust Land in the Upper Sultan Basin River drainage were transferred to the program. The 31 NRCAs statewide now include more than 92,000 acres.

1977

- First Forest Land Management Plan and environmental impact statement is created



- Natural Heritage Program established

1978

- Superior Court rules state timber sales not exempt from State Environmental Policy Act requirements

1980

- Mt. St. Helens erupts; reforestation of state forestlands begins



- Washington population: 4.1 million

1981

- Severe recession drops DNR timber sales from 900 million board feet to 425 million board feet
- Brian Boyle becomes Commissioner of Public Lands

1983



- Ellensburg is Washington's first Tree City USA

- Washington Conservation Corps (WCC) is formed

1984

- Federal Superfund law significantly expanded in scope

1986

- Columbia River Gorge National Scenic Act established

AQUATIC LANDS

50 years of managing, protecting aquatic ecosystems



DECEPTION PASS (LEFT) BY RANDY WARNOCK. BELLINGHAM BAY BY LISA KAUFMAN

Preservation and Clean Up

Cypress Island Aquatic Reserves. For the first time, DNR protected an island ecosystem from hilltop to marine bedlands. Management plans for an Aquatic Reserve, a Natural Resources Conservation Area (NRCA), and a Natural Area Preserve (NAP) were combined on one site: Cypress Island. The three DNR-administered programs now protect nearly 5,000 acres of the island's ecosystems as well as the beaches and submerged aquatic lands that surround it.

Fidalgo Bay. DNR developed a draft management plan this year for the proposed Fidalgo Bay Aquatic Reserve, near Anacortes. The plan went through a SEPA public review and is expected to be adopted in early 2008. DNR also worked with the Samish Tribe to begin a water quality assessment of the bay and worked with Skagit River Systems Cooperative (representing the Swinomish Tribe) on shoreline restoration recommendations.

First public nominations for Aquatic Reserves. Following DNR's first-ever request for public nomination of future state Aquatic Reserves, proponents are working on proposals for: San Juan Island, Smith Island, Protection Island, Colvos Passage, Des Moines Nearshore, and Nisqually Reach. Internal reviews, public open houses, and reviews by an independent scientific panel will follow.

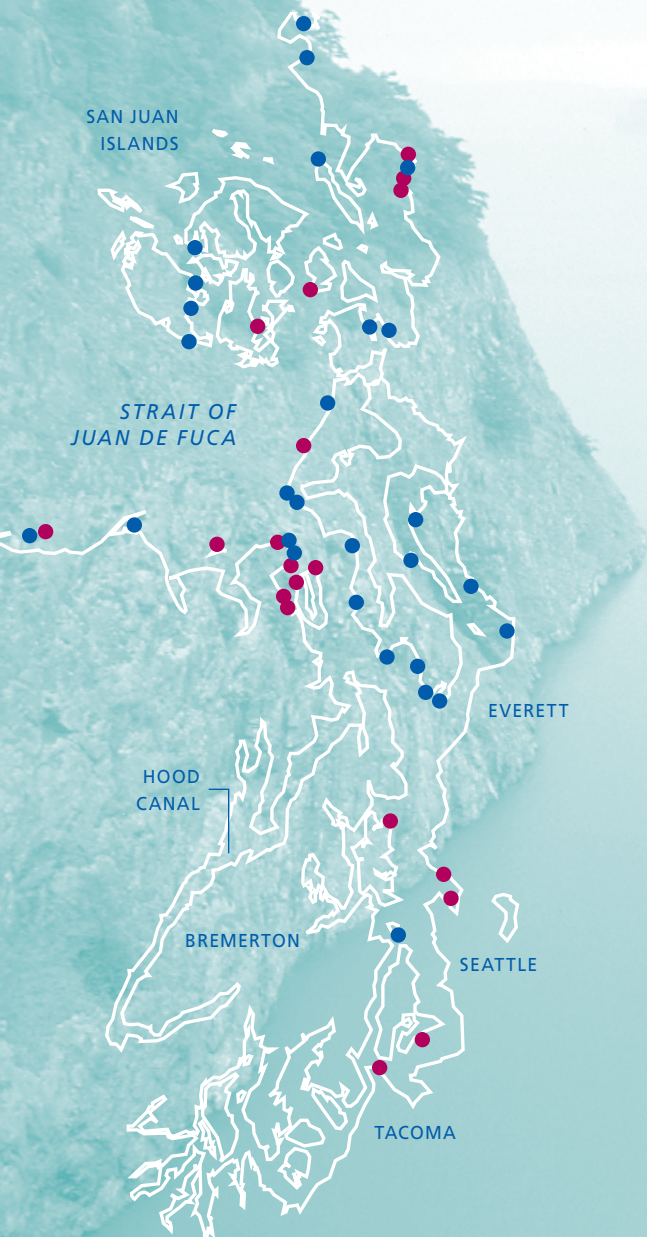
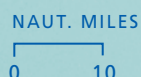
Creosote Removal

The effort to remove creosote-treated debris and derelict structures from Puget Sound shorelines made substantial progress in 2007. With \$4 million designated for the effort in the 2007-2009 biennium, DNR worked with volunteers and other agencies this year to remove 746 tons of debris from 11 beaches, including 268 tons from Dungeness Spit National Wildlife Refuge. Workers from the Washington Conservation Corps also helped in the removals. At sites in Bellingham (above), Maury Island, and Port Townsend, some 1,306 pilings were removed as were 19,200 square feet of docks and other over-water structures that were heavily shading aquatic habitat. DNR participates in clean-up efforts with local community groups, such as Beach Watchers and Marine Resource Committee(s).

Once a popular wood preservative, creosote is a carcinogenic and toxic material that contaminates the food chain and endangers those who handle it or inhale smoke from burning creosote-treated wood.

◀ DNR-led creosote removal clean-up areas in Puget Sound.

- Cleaned areas
- Future clean-ups



Derelict Vessel Removal Program

In fiscal year 2007, DNR removed 14 derelict or abandoned vessels, secured one that was too costly to remove, and was moving to gain custody of two others. The Derelict Vessel Removal Program works with owners of derelict and abandoned vessels to seek solutions when they pose threats to public safety, navigation and the environment. The program also helps cities, ports, and other public agencies secure and dispose of these vessels when necessary. These vessels often contain toxic materials. A \$1.5 million Legislative appropriation allows DNR to start the process of removing two sunken dry docks on Lake Washington.

The 2007 Legislature also appropriated \$2 million from the general fund to address large derelict vessels in this biennium as part of the effort to clean up Puget Sound. A new law gave the program more ways to remove larger vessels and reduce the backlog of smaller vessels. It temporarily adds \$1 to the current \$2 recreational boat license fee, and allows the Legislature to transfer funds to the program from the watercraft excise tax. DNR continues to study alternate funding sources and look at disposal and removal alternatives for large vessels. Since 2003, the program has helped remove 275 vessels. Another 165 craft are in the state's derelict vessel inventory, but could be 'delisted' if their owners comply with state statutes regarding derelict vessels.



ANDREA UNGER / WA DEPT. OF ECOLOGY

▲ The Swan II was one of 14 vessels removed from Washington waterways in fiscal year 2007 by DNR's Derelict Vessel Removal Program.

Aquatic Habitat Conservation Plan

Looking for sustainable ways to manage aquatic lands and protect native species, DNR continued preparing a Habitat Conservation Plan (HCP) for the 2.6 million acres of state-owned aquatic lands it manages. The plan would contribute to the recovery of native species listed in the federal Endangered Species Act. It also would affect how DNR manages leases and state aquatic lands for aquaculture, log booming, docks, marinas, and other activities. The HCP, begun in 2004, aims to reduce the risk of species extinction when these activities occur. Late in 2006, several meetings were held throughout the state to gather the public's ideas about what to consider during the plan's environmental review. In January 2007, a DNR-convened independent science review panel reported its assessment of the scientific principles and information DNR used to develop the Aquatic HCP. In early 2007, DNR released a technical paper describing what species the plan would cover. In November, DNR described how it would determine potential effects on species. A draft HCP is scheduled to be completed in 2008, and DNR will seek its adoption and implementation in 2009.

Wild Stock Geoduck HCP

DNR and the Washington Department of Fish and Wildlife jointly manage the wild geoduck stock of Puget Sound. In 2007 DNR completed a "low-effect" Wild Stock Geoduck Habitat Conservation Plan (HCP) — sought because harvesting wild geoduck as described in the plan would have a relatively minor impact on federally listed endangered species. Following a 30-day public comment period in October, the National Marine Fisheries Service and the U.S. Fish and Wildlife Service began preparing opinions about implementing the HCP and an Incidental Take Permit, which is required when an activity might incidentally disturb or harm a protected species. The two documents are expected to be completed in spring 2008.

Also in 2007, DNR completed studies requested by the 2007 Legislature to examine relationships between geoduck population levels, environmental conditions within Hood Canal, and the shell oxidation rate of wild geoduck in the Canal.

1987

- Timber, Fish and Wildlife agreement related to Forest Practices Act signed
- Natural Resources Conservation Program established

1989

- Trust Land Transfer program established



- Berlin Wall falls—breakup of Soviet Union-Warsaw pact

1990

- Log export ban passed by Congress

- Spotted owl listed for protection under the federal Endangered Species Act



- Washington population: 4.8 million

1992

- Forest Resource Plan developed

1993

- Jennifer M. Belcher becomes Commissioner of Public Lands

1995

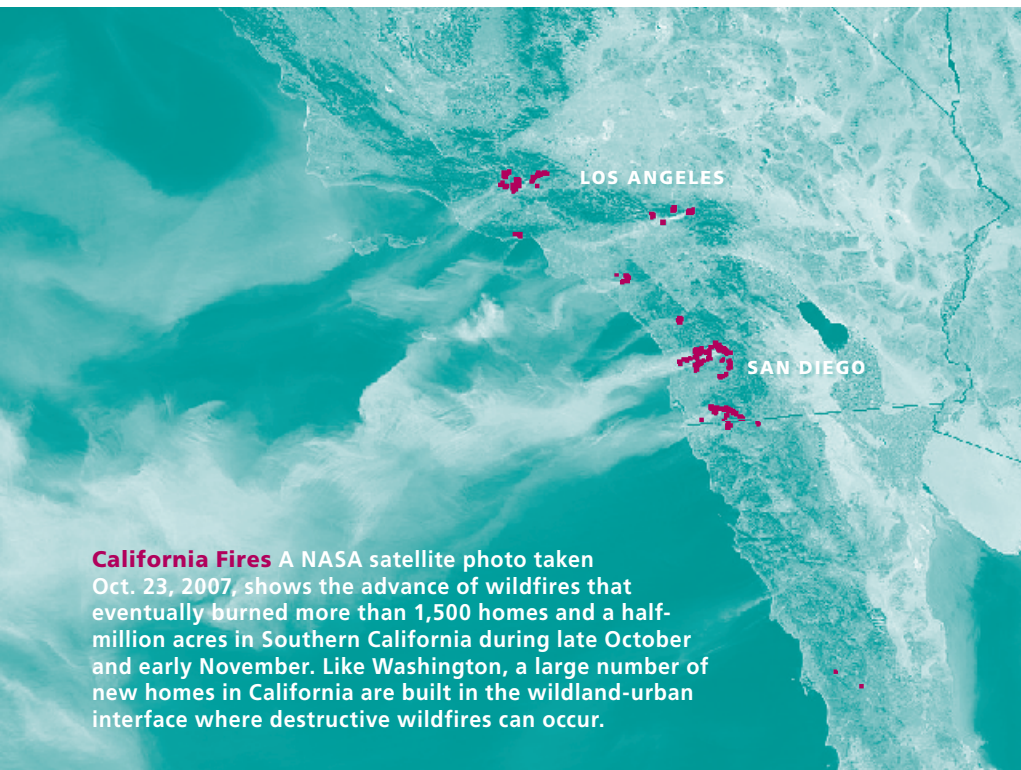
- Ecosystem standards legislated for streams on state agricultural and grazing lands



- Students in the Watershed program created

1996

- Congress makes Log Export Ban permanent



California Fires A NASA satellite photo taken Oct. 23, 2007, shows the advance of wildfires that eventually burned more than 1,500 homes and a half-million acres in Southern California during late October and early November. Like Washington, a large number of new homes in California are built in the wildland-urban interface where destructive wildfires can occur.

RESOURCE PROTECTION

Responding to new risks in a changing landscape

▶ For 50 years, DNR has managed Washington's natural resources to maintain healthy ecosystems. As land use patterns change, DNR responds with new ways to protect forests from the threats of fire, disease, and conversion to non-forest uses.

2007 Fire Season

The 2007 fire season began with a cool, moist spring across western Washington, accompanied by near-normal temperatures and rainfall in much of eastern Washington. Cooler weather in many areas combined with other factors to produce fewer large fires during the 2007 fire season, especially compared with 2006 and other recent near-record years. All the same, Washington was under a statewide wildfire emergency for the entire 2007 season.

DNR crews battled 969 fires that consumed slightly more than 23,400 acres on DNR-protected land. Of the 11 large wildland fires that burned on DNR-protected land east of the Cascades in 2007, the largest was the Tunk Grade Fire, which consumed 14,477 acres northeast of Riverside in Okanogan County. The state's largest fire this season — the Wantoma Fire — consumed more than 100,000 acres south of Hanford.

DNR met its annual performance goal to keep 93 percent of wildland fires from growing larger than 10 acres.

California Wildfires

In October 2007, several DNR fire management and support personnel — including 38 employees and 5 engines — were dispatched to California to join 6,000 firefighters already battling devastating wildfires. Across Southern California during late October and early November, more than 1,500 homes and a half-million acres burned as hot desert winds gusted to 85 miles-an-hour and pushed wildfire into dozens of communities. The fires caused 10 deaths and 85 injuries (no DNR personnel were harmed in the aid effort). During the 2007 fire season, 204 DNR personnel were sent to out-of-state fires in response to aid requests from Arizona, California, Florida, Georgia, Idaho, Minnesota, Montana, Nevada, Oregon, and Wyoming.

Long-term Forest Practices Applications for Small Forest Landowners

A new rule gives small forest landowners more flexibility to time their timber harvests, road maintenance and construction, and many other forest practices over a period of up to 15 years. The Forest Practices Board authorized long-term applications for forestry activities starting in October 2007. Landowners still must file separate applications to aerially spray pesticides. The rule applies to landowners who harvest an average of 2 million board feet of timber or less annually over a period of 3 years. Supporting the rule change were land owners, tribes, state and federal regulatory agencies, and the environmental community. By encouraging sustainable forestry while protecting public resources, such as salmon and water quality, the rule helps reduce the risk that more forestland will be converted to non-forestry uses.

LUIS PRADO / DNR



New Forest Health Law

This year, DNR began developing a system to address Washington's forest health crisis. About 2 million acres of the state's 21 million acres of forestland have elevated levels of dead and dying trees, defoliation, or disease. Most of the unhealthy forests are in eastern Washington. The new law allows DNR to address the situation by providing technical assistance to forest landowners. Using a step-by-step approach, DNR will use its new authorization, when needed, to issue forest health hazard orders to address severe, localized forest health emergencies. The new law resulted from the recommendations of the Forest Health Strategy Work Group. It was also among the first to emerge from the model of public policy development forged by The Future of Washington Forests — a collaboration between DNR and the University of Washington's College of Forest Resources.

Fire Prevention

An informational fire prevention project with the Spokane Regional Clean Air Agency (Spokane Clean Air) this year illustrated how DNR helps other agencies respond to fire threats in communities with many homes in or near forestlands. DNR's co-production of the brochure "Burn Outdoors?" with Spokane Clean Air shows residents how to prevent fires, keep the air clean, and avoid costly fines for illegal outdoor burning. The brochure's user-friendly language and illustrations describe Spokane County's rules for silvicultural, recreational, and residential and garden debris burning. A similar brochure was produced last year for residents in Clark, Cowlitz, Lewis, Skamania, and Wahkiakum counties. Escaped embers from outdoor burning is a leading cause of wildfire in Washington.

Compliance Monitoring

Results from 2006 — the first year of compliance monitoring completed — showed that 81 percent of 278 forest practices activities examined were in compliance with Forest Practices Rules. The study sample represented 97 randomly selected Forest Practices Applications — a single application may include more than one activity.

The monitoring implements a key provision of the Forests and Fish Report. Compliance monitoring is a collaborative effort carried out by about 75 professional foresters, geologists, and biologists from DNR, the Department of Ecology, Washington Department of Fish and Wildlife, and several tribes.

The purpose of the program is to gather information that will strengthen the implementation of the Forest Practices Rules. The rules are intended to improve and protect riparian habitat on non-federal forestland in Washington and are part of the state's salmon recovery strategy. Annual compliance monitoring will continue. As it does, additional activities will be evaluated. The monitoring information will be useful for education, application review, application processing improvements, and to focus compliance efforts on areas of need.

1997

- Economic Assessment says DNR-managed lands & assets worth \$7 billion; return 8.6 percent
- Habitat Conservation Plan for western Washington signed

1999

- Forests and Fish Report approved by Legislature
- Asset Stewardship Plan approved by Board of Natural Resources

2000

- Commissioner Belcher names aquatic reserves
- Washington population: 5.9 million

2001

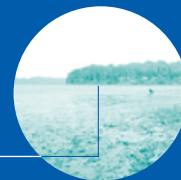
- Doug Sutherland becomes Commissioner of Public Lands
- Forests and Fish rules adopted by Forest Practices Board

2003

- Derelict Vessel Program established

2004

- First Aquatic Reserve established on Maury Island



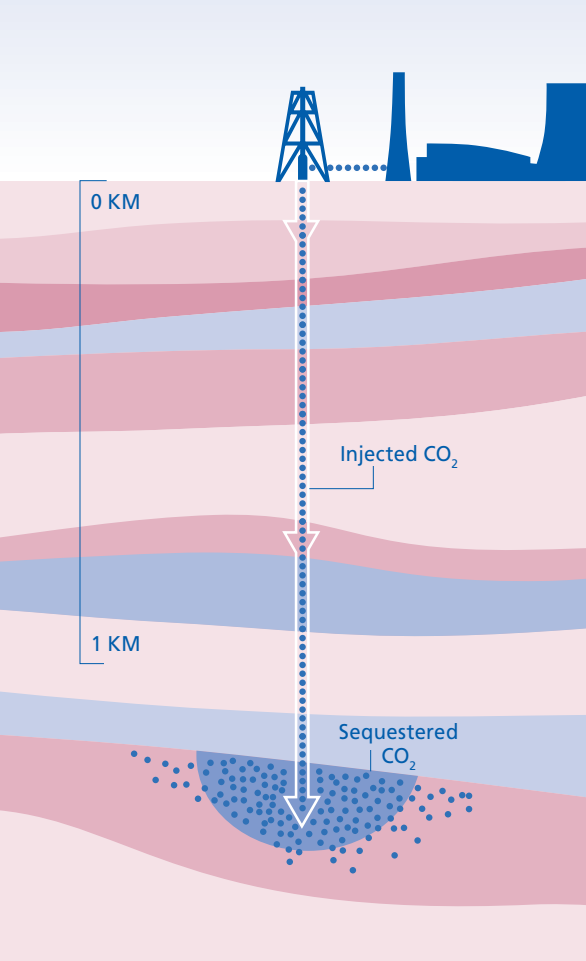
2005

- Western Washington forested trust lands earn Sustainable Forestry Initiative (SFI) certification.
- "Geologic Map of Washington" wins national awards

2006

- Forest Practices Habitat Conservation Plan approved by federal agencies
- Eastern Washington trust land forests earn SFI certification.
- Policy for Sustainable Forests adopted by Board of Natural Resources





Energy Resources | Geology

Legislation passed in 2007 requires large new power plants in Washington to develop economically and technically feasible carbon dioxide (CO₂) capture plans. DNR worked this year with several public agencies and the energy industry to examine various capture methods including sequestration — injecting CO₂ into deep underground geological formations for permanent disposal, instead of releasing it into the air. Washington features several geological formations that may be appropriate for CO₂ storage.

Carbon sequestration was a focus of the Decision-Maker's Field Conference in August, hosted by DNR's Geology and Earth Resources Division. Scientists and leaders in the private and public sectors, including several state legislators and staff, toured potential CO₂ storage sites and discussed alternative energy resources, including wind, tidal, geothermal, biomass, and other alternatives available in the Northwest.

◀ Deep aquifers of nonpotable, saline water-saturated rock beneath Washington could be used to store carbon dioxide that might otherwise be released into the atmosphere. A pilot project near Wallula is exploring the potential of using the basalt formations underneath much of Washington to store the gas.

Agreement with British Columbia to Work for Healthier Forests



Washington and the Canadian Province of British Columbia have begun to share strategies to achieve healthier forest ecosystems. In June, Lands Commissioner Doug Sutherland and British Columbia

Minister of Forests and Range Rich Coleman signed an agreement calling for the two to share research data and information on how climate change will affect forest health. Washington and British Columbia will also work together to increase cross-border wildfire protection and produce bio-energy from forest products. The agreement also calls for cross-border demonstration projects, and sharing of accounting approaches for carbon sequestration and modeling the carbon life-cycle that influences climate worldwide.

Spotted Owl Habitat Protection

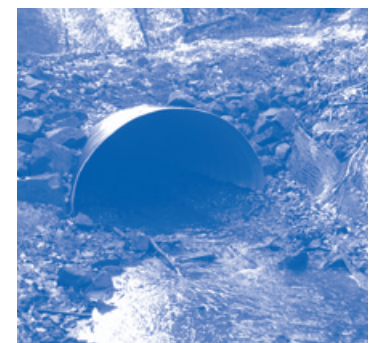
A statewide moratorium on decertifying northern spotted owl site centers was extended by the Forest Practices Board this year. The moratorium gave the Board more time to deliberate whether changes to regulatory protection for the owl are needed. The Board is considering a permanent rule that would extend the moratorium on the decertification of spotted owl sites through Dec. 31, 2008. The state Department of Fish and Wildlife committed to assist the Board's review. In 2006, the Board strengthened protection for the owl by eliminating a rule that allowed neighboring landowners to count habitat that had been harvested under an approved owl conservation plan as if the harvested timber was still standing.

Removing Fish Barriers

DNR continues to remove fish barriers on streams on state trust lands as required by road planning rules of the state's Forests and Fish Law. In 2001, DNR identified 1,854 various fish barriers to remove or modify on the 12,168 miles of forest roads the agency manages. By the beginning of 2007, 506 barriers had been removed and 209 miles of stream opened up.

DNR expects to restore all of the fish passages for which it is directly responsible by 2016, which is when the state and private forest landowners are required to complete road and culvert improvements. Barrier removals on state trust lands are paid for by the trusts, either through funding from the Access Road Revolving Fund Account or from timber sale requirements.

On private property, small forestland owners have removed 122 of 450 identified fish passage barriers since 2003, opening up 266 miles of passage. Aiding in the removal efforts of small forest landowners has been funding through the Family Forest Fish Passage Program. The program is jointly administered by DNR, the Washington Department of Fish and Wildlife, and the Washington Recreation and Conservation Office. On large forestland ownerships, 1,819 structures have been removed on fish habitat streams since 2001, opening up 982 miles of fish passage.



▲ DNR worked with private landowners this year to complete road and culvert improvements required by 2016.



2007 ANNUAL REPORT

Timber Management Data

DNR manages 2.1 million acres of forestlands that generate revenue for state trusts, mostly from timber sales. In this section, DNR provides data on timber management activities on forested state trust lands, as required by RCW 79.10.010(3)

- 16** Timber Sold
- 17** Silviculture
- 18** Timber Volume Harvested
- 19** Timber Acres Harvested
- 20** Deferrals (formerly known as Acres Off-Base for Harvest)

For More Information

-  www.dnr.wa.gov
-  360-902-1000
-  information@dnr.wa.gov

About These Pages

- ▶ These pages include data for federally granted trust lands and for legislatively established trust lands, including State Forest Lands (formerly known as Forest Board lands). Trusts are listed individually.
- ▶ Counties that contain State Forest Lands, but are not listed for an activity, did not have that activity during Fiscal Year 2007.
- ▶ Numbered notes apply only to the page on which they appear.
- ▶ Totals may not add, due to rounding.



PHOTO BY LISA ANDERSON / DNR

Timber Sold

July 1, 2006 – June 30, 2007

2007 Annual Report to Trust Beneficiaries per RCW 79.10.010

'07

Trust / Beneficiaries	Number of Acres	Volume ¹ (mbf) ²
State Forest Transfer (formerly known as Forest Board Transfer lands)		
Clallam	876	29,118
Clark	431	9,262
Cowlitz	60	2,670
Jefferson	89	3,095
King ³	159	7,293
Klickitat	344	9,492
Lewis	561	16,210
Mason	532	7,172
Pacific	332	14,283
Pierce	263	6,876
Skagit	808	31,692
Skamania	214	1,932
Snohomish	992	37,856
Thurston	326	8,584
Wahkiakum	77	3,863
Whatcom	302	12,405
Subtotal - Transfer	6,366	201,803
State Forest Purchase (formerly known as Forest Board Purchase lands)		
Clark	38	363
Grays Harbor ⁴	748	18,063
Pacific ⁵	39	1,666
Skamania	128	1,110
Thurston ⁴	623	21,121
Whatcom	46	1,339
Subtotal - Purchase	1,622	43,662
Common School, Indemnity & Escheat	14,617	185,391
Agricultural School	1,040	15,628
University - Transferred & Original	1,650	23,757
CEP&RI*	1,340	24,802
Capitol Building	1,382	31,189
Normal School	576	11,191
Scientific School	1,475	31,671
Community College Forest Reserve	36	1,289
Subtotal - Granted Trusts	22,116	324,918
TOTAL – ALL TRUSTS	30,231	570,531

¹ Timber volume sold per acre depends on site-specific conditions and harvest method.

² mbf: thousand board feet

³ Includes Water Pollution Control data.

⁴ Includes Forest Board repayment. (See Fiscal Section, page 23, note 9.)

⁵ Includes University repayment data.

Notes

▶ Timber is sold before it is harvested. Timber sale contracts are up to two years in length, with timber harvest schedules determined by individual purchasers. Sale and harvest of timber may or may not occur in the same fiscal year. Revenues are generated when timber is harvested.

▶ Market conditions can influence number of sales and volume sold.

▶ Sales which contain more than one trust and/or beneficiary report estimated acres and volume for each specific trust. Sales which benefit more than one trust distribute revenues proportionally by volume and not by acres.

▶ Numbers may not add due to rounding.

Sources

DNR NaturE System database, Report TSC311; 12/07.

* Charitable, Educational, Penal and Reformatory Institutions.

Silviculture¹

July 1, 2006 – June 30, 2007

● 2007 Annual Report to
Trust Beneficiaries
per RCW 79.10.010

'07

Trust / Beneficiaries	Acres Planted ²	Stems per Acre ³	Precommercially Thinned Acres ⁴
State Forest Transfer (formerly known as Forest Board Transfer lands)			
Clallam	754	348	106
Clark	593	308	43
Cowlitz	363	395	92
Grays Harbor	0	0	120
Jefferson	161	372	0
King ⁵	0	0	303
Kitsap	23	322	65
Klickitat	212	377	0
Lewis	245	421	0
Mason	497	261	146
Pacific	107	363	175
Pierce	128	281	0
Skagit	1,091	329	362
Skamania	5	264	0
Snohomish	724	352	439
Thurston	257	396	0
Wahkiakum	103	436	0
Whatcom	353	380	0
Subtotal - Transfer	5,616	NA	1,851
State Forest Purchase (formerly known as Forest Board Purchase lands)			
Clark	0	0	51
Grays Harbor	281	395	48
Lewis	78	399	0
Pacific	47	209	45
Pierce	149	305	0
Snohomish	11	282	487
Thurston	158	423	0
Subtotal - Purchase	724	NA	631
Common School, Indemnity & Escheat	9,655	662	4,387
Agricultural School	455	341	498
University - Transferred & Original	410	622	777
CEP&RI	1,716	217	242
Capitol Building	1,035	331	268
Normal School	369	292	481
Scientific School	1,319	323	0
Community College Forest Reserve	0	0	66
Subtotal - Granted Trusts	14,959	NA	6,719
TOTAL - ALL TRUSTS	21,299	NA	9,207

¹ Silvicultural activities are forest management practices; implementation of silvicultural practices varies according to site-specific conditions and availability of management funding.

² Acres planted include all planting processes and all tree species.

³ Stems per acre planted depend on site-specific conditions and anticipated survival rates.

⁴ Precommercially thinned acres increase yield rate per acre by selectively decreasing over-crowding of saplings.

⁵ Includes Water Pollution Control data.

Note

Numbers may not add due to rounding.

Source

DNR Planning and Tracking System database, 8/07.

Timber Volume¹ Harvested

July 1, 2006 – June 30, 2007

○ 2007 Annual Report to
Trust Beneficiaries
per RCW 79.10.010

'07

Trust / Beneficiaries	Volume (mbf) ²
-----------------------	---------------------------

State Forest Transfer (formerly known as Forest Board Transfer lands)

Clallam	17,980
Clark	15,892
Cowlitz	4,042
Jefferson	3,352
King ³	3,630
Kitsap	1,606
Klickitat	9,225
Lewis	27,202
Mason	3,225
Pacific	10,428
Pierce	5,898
Skagit	31,156
Skamania	3,752
Snohomish	36,937
Thurston	13,016
Wahkiakum	5,556
Whatcom	5,191
Subtotal - Transfer	198,088

State Forest Purchase (formerly known as Forest Board Purchase lands)

Clark	208
Cowlitz	368
Grays Harbor ⁴	7,991
Lewis	314
Pacific ⁵	4,732
Pierce ⁵	6,232
Skamania	885
Thurston ⁴	5,981
Whatcom	1,192
Subtotal - Purchase	27,903

Common School, Indemnity & Escheat 158,362

Agricultural School 14,100

University - Transferred & Original 9,317

CEP&RI 25,672

Capitol Building 23,379

Normal School 7,490

Scientific School 28,972

Subtotal - Granted Trusts 267,292

TOTAL - ALL TRUSTS 493,341

¹ Volume harvested is estimated for sales partially harvested.

² mbf: thousand board feet

³ Includes Water Pollution Control data.

⁴ Includes Forest Board repayment. (See Fiscal Section, page 23, note 9.)

⁵ Includes University Repayment data.

Notes

▶ Timber is sold before it is harvested. Timber sale contracts are up to two years in length, with timber harvest schedules determined by individual purchasers. Sale and harvest of timber may or may not occur in the same fiscal year. Revenues are generated when timber is harvested.

▶ Sales which contain more than one trust and/or beneficiary report estimated volume harvested for each specific trust. Sales which benefit more than one trust distribute revenues proportionally by volume and not by acres.

▶ Numbers may not add due to rounding.

Sources

▶ DNR NaturE System database, Report TSC311, 12/07.

Timber Acres Harvested¹

July 1, 2006 – June 30, 2007

○ 2007 Annual Report to Trust Beneficiaries per RCW 79.10.010

'07

Trust / Beneficiaries	Acres Commercially Thinned/ Small Wood ²	Acres Partially Cut/ Older Stand Thinning ³	Acres Clearcut/ Regeneration Harvest	Total Acres ⁴	Average Year of Clearcut Stand
State Forest Transfer (formerly known as Forest Board Lands)					
Clallam	32	102	563	697	1940
Clark	0	5	699	704	1945
Cowlitz	0	150	185	335	1946
Jefferson	0	0	98	98	1943
King	14	0	79	93	1934
Kitsap	0	6	54	60	1945
Klickitat	29	434	292	755	1931
Lewis	94	105	935	1,134	1943
Mason	0	285	199	484	1943
Pacific	0	35	288	323	1945
Pierce	0	76	87	163	1937
Skagit	327	138	771	1,236	1935
Skamania	152	358	1	511	1952
Snohomish	0	141	1,225	1,366	1934
Thurston	0	34	1,155	1,189	1942
Wahkiakum	0	2	180	182	1947
Whatcom	133	15	358	506	1941
Subtotal – Transfer	781	1,886	7,169	9,836	1941
State Forest Purchase (formerly known as Forest Board Lands)					
Clark	0	15	0	15	1945
Cowlitz	0	0	8	8	1928
Grays Harbor	0	0	563	563	1950
Lewis	0	78	0	78	1945
Pacific	0	11	97	108	1940
Pierce	0	204	85	289	1945
Skamania	0	62	0	62	1945
Thurston	0	27	260	287	1947
Whatcom	0	0	41	41	1933
Subtotal – Purchase	0	397	1,054	1,451	1942
Common School, Indemnity/Escheat	394	3,025	9,364	12,783	1932
Agricultural School	20	97	911	1,028	1945
University - Transferred/Original	0	42	789	831	1940
CEP&RI	105	238	755	1,098	1933
Capitol Building	5	114	905	1,024	1946
Normal School	0	6	180	186	1931
Scientific School	194	485	771	1,450	1943
Subtotal - Granted Trusts	718	4,007	13,675	18,400	NA
TOTAL – ALL TRUSTS	1,499	6,290	21,898	29,687	NA

¹ The department tracks harvest method information in ten categories; for purposes of this report, per RCW 79.10.010, the data are aggregated into three harvest methods.

² Commercial thinning/small wood generates revenue, promotes growth of the remaining trees and creates desired future forest conditions.

³ Partial cuts/older stand thinnings generate revenue and help achieve desired future forest conditions.

⁴ Total acres include total of all harvest activities.

Notes

▶ Harvested acres shown are fiscal year 2007 activities only; acres are reported again in the future if additional harvest activities occur. Acres harvested are estimated for sales partially harvested. Timber volume harvested per acre depends on site-specific conditions and harvest method.

▶ Sales which contain more than one trust beneficiary report estimated acres harvested for each specific trust. Sales which benefit more than one trust distribute revenues proportionally by volume and not by acres.

▶ Numbers may not add due to rounding.

Sources

▶ DNR NaturE System database, Report TSC348P2, 11/07.

Deferrals

Formerly known as Acres Off-Base for Harvest

July 1, 2006 – June 30, 2007

- With the adoption of the 2004 Sustainable Harvest Level, DNR no longer classifies lands as “off-base” or “on-base,” but instead designates deferral status. Long-term deferral approximates “off-base.”
- 2007 Annual Report to Trust Beneficiaries per RCW 79.10.010

'07

Trust / Beneficiaries	No Deferral Acres	Short-Term Deferral Acres	Long-Term Deferral Acres
State Forest Transfer (formerly known as Forest Board Transfer lands)			
Clallam	78,625	9,498	9,467
Clark	23,617	3,121	1,320
Cowlitz	9,439	2,327	882
Grays Harbor	2,222	468	75
Jefferson	13,127	1,319	343
King*	16,311	4,310	3,313
Kitsap	6,997	1,232	218
Klickitat	18,357	0	2,943
Lewis	33,378	8,172	1,954
Mason	24,671	5,980	1,926
Okanogan	11	0	0
Pacific	10,699	4,127	1,546
Pierce	7,487	2,260	594
Skagit	63,386	14,645	13,716
Skamania	25,155	7,294	5,979
Snohomish	54,456	12,844	6,419
Stevens	138	0	7
Thurston	18,379	3,722	878
Wahkiakum	10,556	2,594	1,785
Whatcom	27,240	6,392	6,670
Subtotal - Transfer	444,249	90,305	60,034
State Forest Purchase (formerly known as Forest Board Purchase lands)			
Clallam	216	25	0
Clark	2,374	981	900
Cowlitz	151	77	52
Grays Harbor	27,508	4,049	1,177
Jefferson	9	10	0
Kitsap	78	1	0
Klickitat	39	0	0
Lewis	2,953	218	149
Mason	649	185	51
Pacific	6,121	2,932	882
Pierce	2,992	495	106
Skamania	2,819	1,014	873
Snohomish	1,623	53	6
Stevens	41	0	0
Thurston	23,012	5,133	1,777
Whatcom	810	173	100
Subtotal - Purchase	71,395	15,347	6,073
Common School, Indemnity & Escheat	944,980	46,897	128,882
Agricultural School	51,002	4,245	3,622
University – Original & Transferred	47,669	2,347	9,785
CEP&RI	36,686	4,607	3,660
Capitol Building	80,917	13,066	14,752
Normal School	46,928	2,876	7,713
Scientific School	56,635	8,154	6,351
Community & Technical College	3,431	70	17
Other Lands	435	5,418	77,151
Forest Reserve			
TOTAL – ALL TRUSTS	1,784,326	193,333	318,041

Notes

- Deferral status is determined by whether the silviculture and land management activities, including harvest, are permitted or deferred for a period of time. *Short-term deferrals* represent forestlands anticipated to be deferred from harvest between 2004 and 2013. *Long-term deferrals* represent forestlands anticipated to be deferred from harvest beyond 2013 and forestlands managed for non-timber harvest revenue objectives.
- Acres are designated as deferrals because they are inoperable, are low site, contain permanent research plots, are upland wildlife management areas, are timber gene pool reserves, are on unstable slopes, in riparian buffers, are located in a northern spotted owl nest patch, contain a northern spotted owl site center, are identified as marbled murrelet habitat, are included in the Olympic Experimental State Forest deferral areas, or are the result of the Settlement Agreement reached in 2006, the 2006 Riparian Restoration Strategy or the 2006 Policy for Sustainable Forests Old-Growth Policy (all of these decisions were included in the 2007 sustainable harvest adjustment for western Washington State Trust forestlands). A site can be deferred due to one or more factors.
- Deferral classifications are not permanent designations. DNR may change the classification as specific forest stands or sites are re-evaluated. Acreage updates and changes can occur over time due to technological refinements in data gathering and analysis.
- Numbers may not add due to rounding or potential double counting.
- * Includes Land Bank, Natural Resources Conservation Areas, Natural Area Preserves, administrative sites, TIDE-2nd, UC-Private, and Water Pollution Control trust data.

Sources

- Deferral Status of State Forestlands, DNR Land Management Division 2007



2007 ANNUAL REPORT

Fiscal Data

These pages account for the revenues DNR generated, collected and expended during Fiscal Year 2007 (July 1, 2006 – June 30, 2007).

Most revenues DNR generated are from activities on upland state trust lands and aquatic lands. (See related stories, pp. 4-11). Distribution of revenue is governed by statute, and varies according to trust and revenue source.

About These Pages

- ▶ Fiscal information is presented as a combination of tables, pie charts and notes. The notes provide context for the tables.
- ▶ Underlined bold numbers are totals or subtotals.
- ▶ Some pages show dollars in thousands. Totals may not add due to rounding.

For More Information

-  www.dnr.wa.gov
-  360-902-1000
-  information@dnr.wa.gov

- 22 Fiscal Notes
- 25 State Trust Lands Management Fund Accounting Report
- OVERALL AGENCY OPERATIONS**
- 26 Total Revenue and Expenditures
- 28 Fiscal Activity by Fund
- STATE GRANT LANDS**
- 30 RMCA – Upland + Aquatic
- 31 State Grant Lands – Upland + Aquatic
- 32 RMCA Upland
- 33 General Distribution of Revenue from Upland State Grant Lands (pie chart)
- 34 Common School, Indemnity and Escheat Grant
- 35 University Grants
- 36 CEP&RI Grant
- 37 Capitol Building Grant
- 38 Normal School Grant
- 39 Scientific School Grant
- 40 Agricultural College Trust Management Account
- 41 Agricultural School Grant
- 42 Aquatic Lands
- 42 RMCA – Aquatic
- 43 General Distribution of Revenue from State-owned Aquatic Lands (pie chart)
- STATE FOREST LANDS** (formerly known as Forest Board lands)
- 44 Forest Development Account
- 45 General Distribution of Revenue from State Forest Lands (formerly known as Forest Board lands) (pie chart)
- 46 State Forest Lands (formerly known as Forest Board lands)

There is no individual page for the Community College Forest Reserve Trust. See Fund Activity (page 29).

'07

Fiscal Notes

These numbered notes provide context and explanations for data in the tables on the fiscal pages that follow, where they are referred to by numerical superscript. A note may apply to more than one page. Although similar to notes in prior reports, these notes apply only to this report (FY 2007).

ACRONYMS

ACTMA	Agricultural College Trust Management Account
AFRS	Agency Financial Reporting System
ALEA	Aquatic Lands Enhancement Account
CEP&RI	Charitable, Educational, Penal and Reformatory Institutions Trust
COLA	Cost of Living Adjustment
CWU	Central Washington University
EWU	Eastern Washington University
FDA	Forest Development Account
FY07	Fiscal Year 2007 (July 1, 2006 – June 30, 2007)
K-12	Kindergarten-12th grade schools
RMCA	Resource Management Cost Account
TESC	The Evergreen State College
UW	University of Washington
WSU	Washington State University
WWU	Western Washington University

1 REVENUE SOURCES

Timber sales include non-trust activity for contract harvesting sales.

Timber sales-related activities include contract extensions, slash disposal, trespasses, and default settlement payments.

Miscellaneous sales include publications, GIS data, honor camp activities, and surveys and maps.

Miscellaneous leases include special use and special forest products.

Interest income includes interest on contracts, interest assessed for late payments, and interest earned from account (treasurer's interest).

Permits, fees and related charges include surface mining permits, log patrol licenses, aquatic lands dredged material disposal site fees, forest practices damage assessments and permits, survey records recording fee, application/assignment fees, burning permit fees, and local government assessments.

Miscellaneous other revenue includes prior period adjustments, recoveries of prior biennium expenditures, treasurer transfers, as well as revenue from the Off-Road Vehicle and Natural Resources Conservation Areas Stewardship accounts.

Operating transfers include transfers attributed to prior period revenue.

2 EXPENDITURE CATEGORIES

Administration includes Executive Management, Internal Audit, Communications, and Budget & Economics.

Interagency payments are payments made to other state agencies (Attorney General, State Auditor, General Administration, Dept. of Personnel, Office of Financial Management, Dept. of Information Services, OMWBE, and Secretary of State) for services they provide to the department.

Agency support includes the following programs: Human Resources (personnel, safety, training), Financial Management (accounting, risk management, purchasing), Information Technology, Geographic Information Systems, Facilities, and Region Administration.

Total Expenditures for fiscal year 2007 do not include the interfund transfer (sub-object MB) from General Fund (fund 001/1K2) to the Agricultural College Trust Management Account (fund 830) totaling \$994,000.

3 LAND TRANSFERS

Real Property Replacement: During fiscal year 2007, a total of \$12,487,604, an amount equivalent to the property value, was received from (1) transfers to other government entities, (2) resolution of trespass violations, or (3) transfers in lieu of condemnation. This money is used to acquire replacement trust lands.

Trust Land Transfer: During fiscal year 2007 a total of \$36,099,000 was distributed to the Common School Construction Account from the Trust Land Transfer Program.

4 LAND BANK

DNR uses the Land Bank Program (RCW 79.19) to reposition trust land assets for better future income production. Through the Land Bank, state trust lands are first auctioned to private buyers. Proceeds of land sales made under this "sell first" process are held in the Resource Management Cost Account (RMCA) until they can be used to purchase replacement trust lands. This revenue from trust property sales should equal or exceed the cost of trust property purchases. However, during any one fiscal year the transactions may not balance (e.g. a property has been sold, but property to replace it has not yet been purchased). Land bank transactions are accounted for by trust within each of DNR's management funds.

Revenue from fiscal year 2007 sales and existing contracts was \$808,277 to the RMCA. A total of \$23,219,001 in the RMCA is reserved to acquire property to replace trust property previously sold through the "sell first" process of the Land Bank Program.

5 AGRICULTURAL COLLEGE TRUST MANAGEMENT ACCOUNT

Per RCW 79.64.090, the revenue on Agricultural College trust lands is distributed 100 percent to the agricultural college permanent fund or WSU bond retirement account. The management of the agricultural college trust lands is funded from the Agricultural College Trust Management Account. This account depends on legislative appropriation for funding. Currently the legislature appropriates the money for this purpose from General Fund under a proviso. For fiscal year 2007 the total interfund transfer from General Fund was \$994,000.

6 OFF-ROAD VEHICLE (ORV) ACCOUNT

This fund provides for acquisition, planning, development, maintenance and management of ORV recreation facilities; non-highway roads and non-highway road recreation facilities; education and law enforcement programs related to non-highway vehicles; and construction and maintenance of campgrounds and trailheads.

DNR, the Department of Fish and Wildlife, and the Parks and Recreation Commission spend from the fund in support of these functions. The Department of Licensing collects revenue for the fund from taxes, licenses, permits and fees. DNR administers the fund according to Legislative appropriations. The following is the fund total fiscal activity for fiscal year 2007:

Beginning Balance		\$737,718
Revenue:		
Licensing		2,230,415
Expenditures:*		
Natural Resources	(\$2,190,219)	
Parks and Recreation	(98,655)	
Fish and Wildlife	(65,181)	
Expenditure Subtotal		(2,354,055)
Treasurer transfer for Personnel Litigation Settlement		(3,208)
Net Fiscal Activity		(126,847)
Ending Balance		\$610,871

7 AQUATIC LANDS ENHANCEMENT ACCOUNT

This fund provides for the purchase, improvement and protection of aquatic lands for public purposes. DNR, the Department of Fish and Wildlife, the Department of Agriculture, the Parks and Recreation Commission, Department of Health and the Recreation and Conservation Funding Board spend from the fund for these purposes. DNR administers this fund, and only the DNR fiscal activity is reported on the Department Administered Funds section of the annual report (page 28).

The following is the total fund fiscal activity for fiscal year 2007:

Beginning Balance		\$10,419,157
Revenue:		
Natural Resources	\$12,970,367	
Fish and Wildlife	\$178,615	
Distribution to Fourth Class Towns	(94,131)	
Revenue Subtotal		13,054,851
Expenditures:*		
Natural Resources	(6,278,615)	
Fish and Wildlife	(3,170,882)	
Parks and Recreation	(172,000)	
Agriculture	(829,667)	
Rec. and Conserv. Funding Board	(4,187,514)	
Health	(581,208)	
Expenditure Subtotal		(15,219,886)
Treasurer transfer for Personnel Litigation Settlement		(4,667)
Net Fiscal Activity		(2,169,702)
Ending Balance		\$8,249,455

*Expenditures for other agencies include Operating Transfers, if any.

8 DERELICT VESSEL REMOVAL ACCOUNT

This fund provides for costs and reimbursements to authorized public entities for the removal of derelict and abandoned vessels. DNR spends from the fund for these purposes and the Department of Licensing spends from the account for the purpose of administering the collection of revenue for the fund. DNR administers this fund, and only the DNR fiscal activity is reported on the Department Administered Funds section of the annual report (page 28).

The following is the total fund fiscal activity for FY 2007:

Beginning Balance		\$981,740
Revenue:		
Licensing	\$533,406	
Revenue Subtotal		\$533,406
Expenditures:*		
Natural Resources	(744,987)	
Licensing	0	
Expenditure Subtotal		(744,987)
Treasurer transfer for Personnel Litigation Settlement		(53)
Net Fiscal Activity		(211,634)
Ending Balance		\$770,107

*Expenditures for other agencies include Operating Transfers, if any.

9 FDA/RMCA LOAN REPAYMENT

The Board of Natural Resources Resolution #635 in 1990 and Resolution #756 in 1992 authorized settlement of the FDA debt to the RMCA by transferring timber-cutting rights on State Forest Purchase lands to the Common School, Capitol Building, Normal School, and University granted trusts. A one-third interest in assets (timber cutting rights) of the FDA on 35,655 acres was transferred to these trusts. The value of these transfers eliminated the debt between FDA and RMCA.

A total of \$2,205,935 was distributed to the trusts from timber harvested during fiscal year 2007. The RMCA received \$551,484 from this activity. Since this is repayment of a loan, the transactions are recorded as an operating transfer rather than current period revenue.

The values from the harvest activity by fund as well as RMCA trust for fiscal year 2007 and in total since the adoption of resolution #635 in 1990 are:

	FY 2007	Total-to-date
Common School Construction Account	\$439,633	\$16,838,902
Capitol Building Construction Account	167,588	6,418,990
Normal School Permanent Account	536,465	20,547,778
State University Permanent Account	510,765	9,830,508
Total Trust Funds	\$1,654,451	\$53,636,177

Resource Management Cost Account

Common School Trust	\$146,697	\$5,608,650
Capitol Building Trust	55,964	2,140,134
Normal School Trust	178,568	6,826,912
University School Trust	170,255	3,276,836
Total RMCA	\$551,484	\$17,852,532

10 OPERATING TRANSFERS

According to the Office of Financial Management's interpretation of generally accepted accounting principles, debt service funds (funds used to pay off debts), such as the UW or WSU Bond Retirement accounts, cannot receive revenue directly. Instead, revenue to these two funds are recorded to the respective permanent funds, and then an operating transfer is made to the appropriate debt service fund.

11 TRUST FUNDS – CURRENT AND PERMANENT

Trust Current Funds are funds that individual trust beneficiaries can draw from. Trust Permanent Funds are endowments, which generate interest that can be transferred to the Current Funds.

12 NATURAL RESOURCES EQUIPMENT ACCOUNT

Total other fiscal activity does not include funds classified as internal service funds. The Natural Resources Equipment Account is the Department's only internal service fund. This fund is used to maintain, replace and provide equipment to the Department's programs on a rental basis. In fiscal year 2007, this fund had revenue of \$19,136,540 and expenses of \$21,048,702.

13 RMCA PORTION OF TRUST LAND REVENUES

Per Board Resolution #1165, the Resource Management Cost Account received 30 percent on most transactions, and the trusts received 70 percent of revenue from trust lands during fiscal year 2007. However, some transactions are subject to different distribution ratios. These transactions include aquatic resources, miscellaneous non-trust revenue, interest earnings, land sales transactions and interfund loan repayment, the latter of which affects the Common School, University, Capitol Building and Normal School trusts.

The tables below reflect trust activity with Forest Board Repayment activity. Refer to footnote #17 for trust activity related to University Trust.

COMMON SCHOOL / ESCHEAT TRUST

Source / Activity	Total Revenue	Com. Sch. Construct.	Com. Sch. Perman.	RMCA
<u>Trust Activity</u>				
Timber sales	\$51,233,899	\$35,916,089	\$0	\$15,317,810
Timber sales-related	22,311	15,502	0	6,809
Leases	28,743,275	20,134,447	107,382	8,501,446
Late interest	164,086	112,336	305	51,445
Fees/service charges	535,000	0	0	535,000
Operating transfer - in	586,330	439,633	0	146,697
Subtotal	81,284,901	56,618,007	107,687	24,559,207
Forest Board Repayment				
Sales	681,698	0	0	681,698
Operating transfer - out	(586,330)	0	0	(586,330)
Total trust activity	81,380,269	56,618,007	107,687	24,654,575
<u>Non-Trust Activity</u>				
STO interest	1,349,831	236,366	0	1,113,465
Land sales/trust land transfer	36,920,476	36,099,000	0	821,476
Other Revenue	358,979	0	276,434	82,545
Total non-trust activity	38,629,286	36,335,366	276,434	2,017,486
TOTAL	\$120,009,555	\$92,953,373	\$384,121	\$26,672,061

CAPITOL BUILDING TRUST

Source / Activity	Total Revenue	Cap. Bldg. Construction	RMCA
<u>Trust Activity</u>			
Timber sales	\$8,080,774	\$5,656,682	\$2,424,092
Timber sales-related	4,041	2,833	1,208
Leases	228,605	159,900	68,705
Late interest	146	102	44
Fees/service charges	641	0	641
Operating transfer – in	223,552	167,588	55,964
Subtotal	8,537,759	5,987,105	2,550,654
Forest Board Repayment			
Sales	259,914	0	259,914
Operating transfer – out	(223,553)	0	(223,553)
Total trust activity	8,574,120	5,987,105	2,587,015
<u>Non-Trust Activity</u>			
STO interest	121,421	16,015	105,406
Other Revenue	8,358	0	8,358
Total non-trust activity	129,779	16,015	113,764
TOTAL	\$8,703,899	\$6,003,120	\$2,700,779

NORMAL SCHOOL TRUST

Source / Activity	Total Revenue	Capital Projects	Normal School Perman.	RMCA
<u>Trust Activity</u>				
Timber sales	\$1,757,524	\$0	\$1,230,267	\$527,257
Timber sales-related	103	0	85	18
Leases	186,544	125,373	5,019	56,152
Late interest	3	0	0	3
Fees/service charges	417	0	0	417
Operating transfer – in	715,033	0	536,465	178,568
Subtotal	2,659,624	125,373	1,771,836	762,415
Forest Board Repayment				
Sales	831,335	0	0	831,335
Operating transfer – out	(715,033)	0	0	(715,033)
Total trust activity	2,775,926	125,373	1,771,836	878,717
<u>Non-Trust Activity</u>				
STO interest	41,732	5,938	0	35,794
Land sales/trust land transfer	0	0	0	0
Other Revenue	2,839	0	0	2,839
Total non-trust activity	44,571	5,938	0	38,633
TOTAL	\$2,820,497	\$131,311	\$1,771,836	\$917,350

14 NON-TRUST REVENUE

Non-trust revenue cannot be attributed to a specific trust. Activities include forest road assessments, miscellaneous services, manuals & publications, prior period recoveries and adjustments, application fees, and interest income.

15 NEGATIVE TRUST REVENUE

Any negative revenue reflects accounting adjustments (such as bad-debt write-offs, credit memos) from a prior fiscal year. Fiscal year 2007 Misc Revenue includes \$3,547,925 prior period correction of duplicate accrual of federal receivable.

16 TREASURER'S REVENUE

Due to the schedule for distributing revenue, revenue from State Forest Lands may earn interest before it is distributed to the appropriate county. Interest earnings cannot be attributed specifically to Transfer Lands or Purchase Lands. This revenue is accounted for as treasurer's revenue and is distributed to the appropriate county.

17 UNIVERSITY TRUST — ORIGINAL, TRANSFERRED, REPAYMENT

The accounting for the University Trust combines activity from original University trust lands, lands which have been transferred to the trust, and the University Trust’s share of interfund loan repayment as described in footnote #9.

The following is a breakdown of the different elements contributing to the information for University Grants.

Trust Source/Activity	Total	Bond Retirement	University Permanent	RMCA
University - Transferred				
Timber sales	\$2,045,536	\$0	\$1,431,875	\$613,661
Timber sales-related	52,964	0	37,075	15,889
Leases	207,100	0	144,970	62,130
Miscellaneous – trespass	494	0	346	148
Late interest	18	0	18	0
Sale of property – other	0	0	0	0
Fees/service charges	222	0	0	222
Operating transfer – in	1,531,747	850,727	510,765	170,255
Operating transfer – out	(850,727)	0	(850,727)	0
Total	\$2,987,354	\$850,727	\$1,274,322	\$862,305
University – Original				
Timber sales	\$850,922	\$0	\$595,645	\$255,277
Leases	106,981	0	74,887	32,094
Fines and forfeits	0	0	0	0
Late interest	0	0	0	0
Operating transfer – in	73,796	73,796	0	0
Operating transfer – out	(73,796)	0	(73,796)	0
Total	\$957,903	\$73,796	\$596,736	\$287,371
University Repayment				
Timber sales	\$786,013	\$0	\$0	\$786,013
Operating transfer – out	(681,020)	0	0	(681,020)
Total	\$104,993	\$0	\$0	\$104,993
Non-trust allocation				
STO interest	\$60,374	\$9,249	\$0	\$51,125
Non-trust revenue allocation	4,054	0	0	4,054
Total	\$64,428	\$9,249	\$0	\$55,179
TOTAL	\$4,114,678	\$933,772	\$1,871,058	\$1,309,848

18 UNDERSTATED REVENUE

Fiscal year 2007 University Transferred (trust 05) operating transfer from the permanent account (fund 607) to the bond retirement account (fund 348) is understated by \$659,676. The operating transfer will be reflected in fiscal year 2008 which will have the reverse effect in next year’s report. See also footnote #17.

19 ADJUSTMENTS DUE TO REVENUE SYSTEM CONVERSION

In March 2006, DNR implemented a new revenue accounting system. Some system conversion issues resulted in revenue distribution differences between the agency’s internal system and AFRS (the state’s official system) for the fiscal year 2006 report. These differences resulted in fiscal year 2007 corrections. The revenue reported by source reflects DNR’s actual revenue activity for fiscal year 2007. The fiscal year 2007 adjustments are the amounts required to reconcile actual DNR revenue with the revenue amounts reported in the state’s financial system.

20 State Trust Lands Management Fund Accounting Report

STATUTORY AUTHORITY AND REQUIREMENTS

Subject to legislative appropriation, the Department of Natural Resources is authorized by RCW’s 76.12.110 and 79.64.030 to use funds from the Resource Management Cost Account (RMCA) and Forest Development Account (FDA) interchangeably in the management of State Grant Lands and State Forest Lands (formerly known as Forest Board Lands). The law also states, however, that an annual accounting will be kept of payments made by one fund on behalf of another. For example, when RMCA funds are used to pay for activities on State Forest Land, it shall be considered a debt against the FDA. RCW 79.64.030 also requires that the results of the accounting be reported to the legislature at the next regular session.

ACCOUNTING PROCEDURES

Beginning with fiscal year 1996, the following Cost Allocation System accounting procedures have been used to calculate any debt or loan between the management funds:

- A.** All operating program expenditures that can be determined to benefit a particular land category are directly charged to that land category.
- B.** Expenditures for the majority of the department’s operating programs for which the benefiting land category cannot be determined (indirect expenditures) are allocated to land categories based on staff month percentages derived from personnel time charged directly to those land categories or by western Washington forested acres.
- C.** Capital outlay expenditures that benefit particular land categories are determined in advance, then charged by land category in the ratio set by appropriations.
- D.** Agency Administration and Support costs are allocated to land category based on Agency work plans for the year as established during the budget process.
- E.** Direct charges and indirect charges are totaled by land category within the Cost Allocation System. Expenditures paid from the RMCA and FDA accounts are compared to these total charges for Grant Lands and State Forest Lands to determine how much of the charges were paid from one account on behalf of the other. If RMCA funds were used to pay State Forest charges, a debt principal is incurred in that amount. If State Forest funds were used to pay RMCA charges, the debt principal is reduced by that amount. Funding adjustments may be made periodically during the fiscal year to align expenditures by fund with total charges for Grant Lands and State Forest Lands to prevent the accumulation of any new debt in the year.
- F.** As required by law, interest is charged on the debt incurred. A full year’s interest is charged on cumulative debt carried from the previous year. One half year’s interest is calculated on the change in the debt principal occurring during the current year.
- G.** Cumulative debt from the preceding year, plus new principal and interest charges are totaled to determine the new cumulative debt.

RMCA/FDA DEBT/LOAN ACCOUNTING FOR FISCAL YEAR 2007

	Grant Lands	State Forest Lands*
2007 Trust Charges	\$48,446,613	\$25,922,937
RMCA Expenditures	48,446,613	—
FDA Expenditures	—	\$25,922,937
Cumulative Debt/Loan	0	0

FISCAL YEAR 2007 MANAGEMENT FUND DEBT STATUS

As of June 30, 2007, no debt exists between the State Forest Lands (Forest Development Account) and the Grant Lands (Resource Management Cost Account).

*Formerly known as Forest Board lands.

Total Revenue and Expenditures

○ DNR's expenditures reflect the department's diverse work. Land management activities, funded by trust land revenue, are investments in the long-term benefits and productivity of the resources. Other activities, funded by non-trust revenue sources, support regulatory, assistance and resource protection programs, as well as agency operations.

Capital expenditures include land acquisitions on behalf of state trusts and Natural Areas.

'07

REVENUE BY SOURCE ¹	FY 2007	FY 2006
Sales		
Timber sale removals	\$181,785	\$215,711
Timber sale-related activities	282	437
Forest road assessments	11,077	12,017
Nursery seedling sales	2,767	2,579
Miscellaneous	716	340
	<u>\$196,627</u>	<u>\$231,084</u>
Leases		
Agriculture	\$11,806	\$9,592
Aquatic	20,454	17,825
Commercial real estate	9,713	8,424
Mineral and hydrocarbon	9,231	4,429
Communication sites	3,398	2,802
Rights-of-way	1,375	1,547
Miscellaneous	1,615	984
	<u>\$57,592</u>	<u>\$45,602</u>
Other Revenue		
Interest income	\$4,379	\$2,741
Fire assessments and cost reimbursement	8,023	9,361
Grants and contributions	25,510	14,195
Permits, fees, and related charges	4,261	3,272
Miscellaneous ¹⁵	(1,404)	2,405
	<u>\$40,770</u>	<u>\$31,975</u>
Total Revenue from Operations	<u>\$294,988</u>	<u>\$308,660</u>
Other Activity		
Land transfers ³	\$48,585	\$13,069
Land bank ⁴	821	18,966
	<u>\$49,407</u>	<u>\$32,035</u>
Adjustments¹⁹	<u>(\$220)</u>	<u>\$298</u>
Total Revenue¹⁹	<u>\$344,175</u>	<u>\$340,994</u>

DID YOU KNOW?
Like a business, DNR generates revenue, and most of it goes to state trust beneficiaries.

Revenues are shown for two years for comparison. Differences between the years reflect changes in market conditions, legal requirements, availability of resources, and other factors.

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

See fiscal notes, pages 22-25

Total Revenue and Expenditures (Continued)

'07

EXPENDITURES BY PROGRAM²	FY 2007	FY 2006
Operating		
Agricultural resources	\$1,346	\$2,238
Asset management & protection	8,865	8,256
Product sales & leasing	27,934	30,594
Land management	21,694	17,718
Aquatic resources*	21,222	8,602
Administration	4,466	3,666
Interagency payments	9,917	9,360
Agency support	18,685	18,282
Geologic resources	2,708	1,973
Forest practices & federal assurances	11,509	9,957
Engineering services	17,214	14,178
Resource protection	19,202	19,615
Fire suppression	47,488	21,980
	<u>\$212,250</u>	<u>\$166,420</u>
Capital		
Recreation	\$1,717	\$337
Aquatic resources projects	1,810	6
Real estate and property acquisition	65,295	20,367
Facilities	801	9,557
Small timber landowner program	5,074	3,241
Miscellaneous	459	500
	<u>\$75,157</u>	<u>\$34,007</u>
Total Expenditures²	<u>\$287,407</u>	<u>\$200,427</u>

DID YOU KNOW?
DNR is largely self-supporting. More than 2/3 of its operating costs are funded by revenue the agency brings in.

Expenditures are shown for two years for comparison. Differences between the years reflect changes in the programs, legal requirements, salaries and benefits, inflation, and other factors.

* FY 2007 Aquatic Resources expenditures include \$11 million in one-time settlement costs for tribal shellfish litigation.

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

See fiscal notes, pages 22-25

Fiscal Activity by Fund

○ DNR's fiscal activity includes generating revenue for a variety of funds and accounts, some of which benefit state trust beneficiaries and some of which fund state programs, including DNR's own. DNR's fiscal activity also includes expenditures supporting its work.

Some of the accounts that receive revenue from DNR or that fund DNR's expenditures are managed by DNR; others are managed by other agencies.

'07

DNR-ADMINISTERED FUNDS

Fund Title	Beginning Balance 7/1/06	Revenue	DNR Expenditure	Ending Balance 6/30/07
Trust Management Accounts*				
Forest development (FDA)	\$31,409	\$20,919	(\$25,923)	\$26,406
Resource management (RMCA)**	43,391	47,577	(48,449)	42,519
Agricultural college (ACTMA)	20	994	(941)	73
	\$74,821	\$69,490	(\$75,313)	\$68,998
Other DNR-Administered Funds				
Access road revolving	\$8,584	\$11,098	(\$14,316)	\$5,366
Aquatic lands dredged material	1,180	672	(646)	1,206
Aquatic lands enhancement ⁷	N/A	12,966	(6,279)	N/A
Clarke-McNary	(474)	5,537	(4,809)	255
Conservation areas stewardship	208	51	(0)	259
Contract harvesting revolving	976	8,249	(8,492)	733
Derelict vessel removal ⁸	N/A	0	(745)	N/A
Forest fire protection assessments	5,460	7,468	(8,696)	4,233
Landowner contingency forest fire	3,086	28	(1,444)	1,670
Off-road vehicle ⁶	N/A	(3)	(2,190)	N/A
Park land trust revolving	324	11	(228)	106
Real property replacement ³	22,685	13,609	(5,142)	31,152
School construction revolving	54	2	0	56
State forest nursery revolving	1,430	2,764	(2,917)	1,277
Surface mining reclamation	37	1,693	(1,270)	460
Surveys and maps	1,698	1,368	(1,012)	2,054
	\$45,248	\$65,511	(\$58,187)	\$48,825
Total DNR-Administered Funds	\$120,068	\$135,001	(\$133,499)	\$117,823

Amounts are reported in thousands of dollars.

Totals may not add due to rounding.

N/A = not applicable

* These accounts fund DNR's management of state trust lands. Revenue may be carried over from year to year. As a result, any given year's expenditures do not necessarily correlate to that year's revenue. See pages 30, 32, 40, 42, and 44 for more detailed accounting. FDA and RMCA are funded through revenue generated from the lands whose management they support. ACTMA is not funded through such revenue, but instead, through a legislative appropriation from the State General Fund.

** The RMCA trust balance includes \$23,219,001 dedicated by law (RCW 79.19) to land bank purchases of lands that replace previously sold trust lands.

See fiscal notes, pages 22-25

Fiscal Activity by Fund (Continued)

'07

FUNDS ADMINISTERED BY OTHER ENTITIES

Fund Title	Revenue	DNR Expenditure	Net Fiscal Activity
Trust Current Funds ¹¹			
Common school construction	\$93,556	\$0	\$93,556
Community college forest reserve*	0	0	0
WSU bond retirement	1,127	0	1,127
UW bond retirement	934	0	934
CEP&RI	6,742	0	6,742
EWU capital project	33	0	33
CWU capital project	33	0	33
WWU capital project	33	0	33
TESC capital project	33	0	33
Capitol building construction	6,005	0	6,005
Forest board counties	63,757	0	73,757
	\$172,253	\$0	\$172,253
Trust Permanent Funds ¹¹			
Agricultural college (WSU)	\$4,210	\$0	\$4,210
Normal school (EWU, CWU, WWU, TESC)	1,778	0	1,778
Common school (K-12)	396	0	396
Scientific (WSU)	6,658	0	6,658
State university (UW)	1,871	0	1,871
	\$14,912	\$0	\$14,912
Other Funds			
General fund	\$21,291	(\$93,864)	(\$72,573)
State building construction	0	(55,696)	(55,696)
Motor vehicle	3	0	3
Air pollution control	222	(151)	72
State toxics control	0	(2,112)	(2,112)
State wildlife	490	0	490
Developmental disabilities community trust	2	0	2
Water quality	0	(1,876)	(1,876)
Parks renewal and stewardship	0	0	0
Savings incentive	0	(75)	(75)
Pension funding stabilization	0	(136)	(136)
	\$22,008	(\$153,909)	(\$131,901)
Total other fiscal activity	\$209,174	(\$153,909)	\$55,265
Total all funds and activity^{12, 18, 19} (pages 28 & 29)	\$344,175	(\$287,408)	

* All revenue for the Community College Reserve Trust was generated from leases. DNR expenditures from the fund were to purchase land for the trust.

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

See fiscal notes, pages 22-25

Resource Management Cost Account (RMCA) Upland + Aquatic

Revenue, Expenditures and Fund Balance

● The Resource Management Cost Account (RMCA) funds DNR's land management activities on state grant lands. DNR deposits a portion of the revenue it generates from these lands into the account, and the Legislature appropriates funds from the account to DNR for expenditures. The RMCA can be used only for land management expenses (e.g., reforestation, preparing timber sales or managing aquatic leases) that support federally granted state lands.

'07

Fund Balance (July 1, 2006)		\$43,390,706
<hr/>		
Revenue		
Operating Revenue	\$47,620,630	
Treasurer transfer out for Personnel Litigation Settlement	(43,337)	
		<hr/>
Total Revenue		\$47,577,292
Less: Expenditures ²		
Agricultural resources	\$1,322,022	
Asset management & protection	2,683,089	
Product sales & leasing	11,105,430	
Land management	9,559,033	
Correctional Camps	113,664	
Administration	829,233	
Interagency payments	3,656,563	
Agency support	6,604,702	
Aquatic resources	4,695,341	
Engineering services	2,528,554	
		<hr/>
Total operating expenditures	\$43,097,630	
Total capital expenditures	5,351,503	
		<hr/>
Total expenditures and other charges		<u>48,449,132</u>
RMCA Fund Balance (June 30, 2007)*		<u>\$42,518,865</u>

Totals may not add due to rounding.

* The RMCA trust balance includes \$23,219,001 dedicated by law (RCW 79.19) to land bank purchases of lands that replace previously sold trust lands.

See fiscal notes, pages 22-25

State Grant Lands Upland + Aquatic

Revenue and Distribution

● State grant lands (upland and aquatic) were granted to Washington at statehood by the federal government. Each upland parcel is assigned to a specific state trust dedicated to financially supporting a specific beneficiary (e.g., the Common School Trust supports construction of K-12 schools). The aquatic lands are designated as a public trust to benefit the public as a whole. Income from state grant lands is divided among trust beneficiary accounts and the RMCA, which DNR uses to manage the lands.

'07

Source	REVENUE		DISTRIBUTION		
	Grand Total All Funds	Trust Current Funds ¹¹	Trust Permanent Funds ¹¹	Resource Management Cost Account ¹³	
Sales					
Timber sales ^{9, 13, 17}	\$88,644,322	\$47,880,011	\$15,047,807	\$25,716,504	
Timber sale-related activities ¹	68,783	19,110	29,025	20,648	
Trust land transfer program ³	36,009,000	36,099,000	0	0	
Land sales (includes land bank) ⁴	821,476	0	0	821,476	
	<u>\$125,633,582</u>	<u>\$83,998,122</u>	<u>\$15,076,832</u>	<u>\$26,558,629</u>	
Leases					
Agriculture					
Dryland	\$3,969,770	\$2,510,236	\$308,409	\$1,151,124	
Irrigated	7,098,823	4,709,195	333,615	2,056,012	
Grazing and other	706,633	474,269	23,941	208,422	
Aquatic lands	20,454,478	11,616,401	0	8,838,077	
Special use	914,922	596,410	48,483	270,029	
Commercial real estate	9,706,436	6,830,912	77,782	2,797,742	
Mineral and hydrocarbon	8,326,892	5,399,053	147,392	2,780,448	
Rights-of-way	1,294,394	637,840	99,495	557,059	
Communication sites	2,316,800	1,206,241	474,057	636,502	
Special forest products	301,468	185,759	34,164	81,545	
	<u>\$55,090,616</u>	<u>\$34,166,318</u>	<u>\$1,547,339</u>	<u>\$19,376,959</u>	
Other Revenue					
Interest income	\$2,723,465	\$533,040	\$16,620	\$2,173,804	
Non-trust revenue ¹⁴	150,303	0	0	150,303	
Operating transfer ^{1, 10}	(385,046)	2,005,379	(2,005,379)	(385,046)	
Permits, fees, and miscellaneous ¹	983,997	7,090	285,300	691,608	
	<u>\$3,472,719</u>	<u>\$2,545,509</u>	<u>(\$1,703,460)</u>	<u>\$2,630,669</u>	
Adjustments ¹⁹	(244,975)	752,205	(8,214)	(988,966)	
Total Revenue ¹⁹	<u>\$183,951,941</u>	<u>\$121,462,153</u>	<u>\$14,912,497</u>	<u>\$47,577,292</u>	

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Resource Management Cost Account (RMCA) Upland

Revenue, Expenditures and Fund Balance

○ This portion of the RMCA supports the management of upland state grant lands, each of which supports a specific, designated beneficiary.

'07

	Granted Trusts	Land Bank*	Total Uplands
Trust Balance (July 1, 2006)	\$14,501,854	\$26,297,259	\$40,799,113
Upland Revenue			
Operating revenue	35,195,094	1,921,743	37,116,837
Treasurer transfer out for Personnel			
Litigation settlement	(32,939)	0	(32,939)
Total Revenue	<u>35,162,155</u>	<u>1,921,743</u>	<u>37,083,898</u>
Less: Expenditures			
Agricultural resources	1,322,022	0	1,322,022
Asset management & protection	2,683,089	0	2,683,089
Product sales & leasing	11,105,430	0	11,105,430
Land management	9,559,033	0	9,559,033
Correctional camps	113,664	0	113,664
Administration	676,743	0	676,743
Interagency payments	2,432,086	0	2,432,086
Agency support	5,132,070	0	5,132,070
Aquatic resources	0	0	0
Engineering services	2,528,554	0	2,528,554
Total operating expenditures	35,552,694	0	35,552,694
Total capital expenditures	351,503	5,000,000	5,351,503
Total expenditures and other charges	<u>35,904,194</u>	<u>5,000,000</u>	<u>40,904,194</u>
Trust Balance (June 30, 2007)	<u>\$13,759,817</u>	<u>\$23,219,001</u>	<u>\$36,978,818</u>

Totals may not add due to rounding.

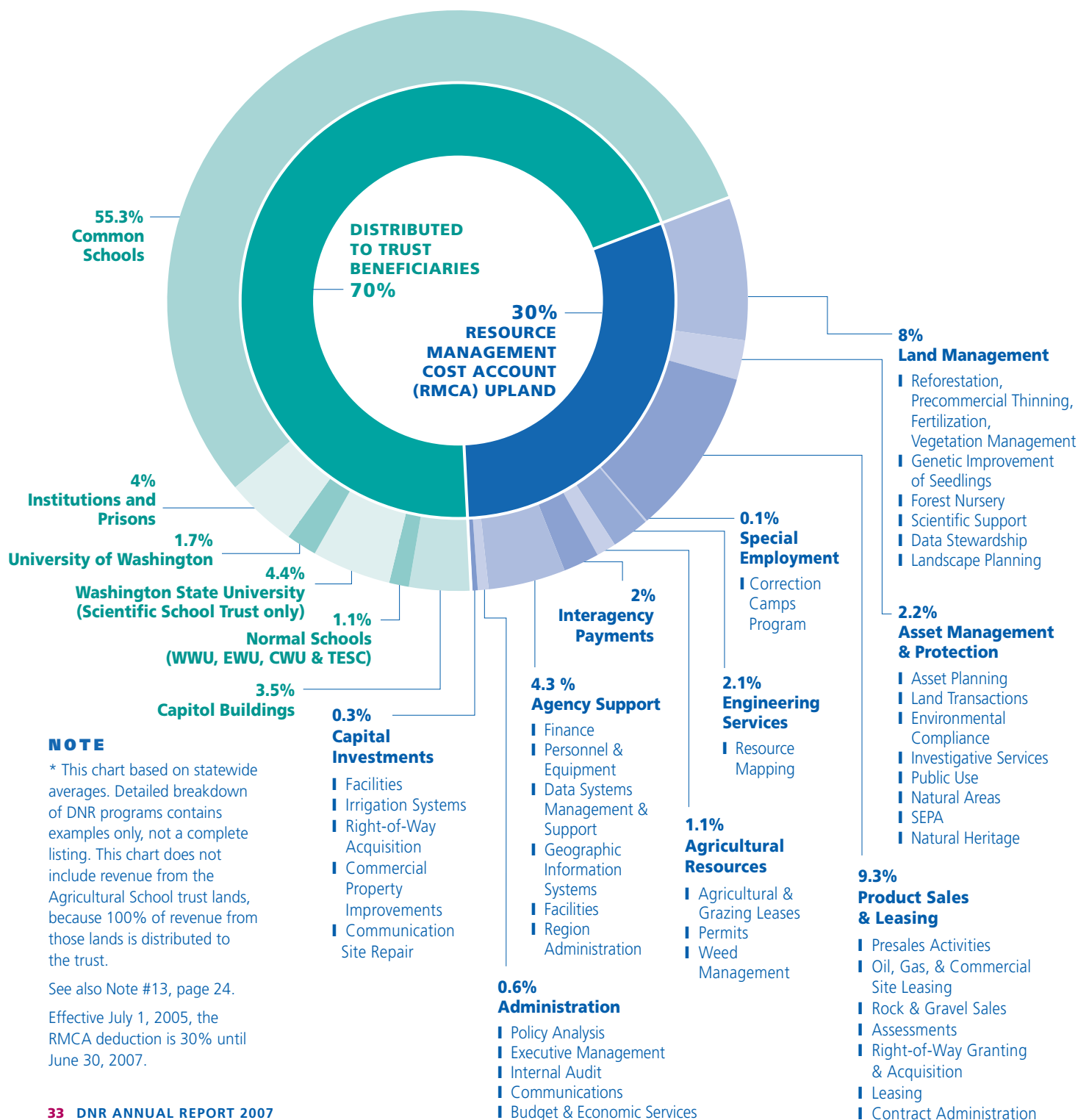
* Land bank revenue is dedicated by law (RCW 79.19) to purchases of lands that replace previously sold trust lands.

See fiscal notes, pages 22-25

General* Distribution of Revenue from Upland State Grant Lands

Generally, by law, each beneficiary of the granted land trusts receives 70% of the revenue earned from its lands, and the remaining 30% goes to the RMCA to fund DNR's management of the lands. This chart shows the combined distribution in fiscal year 2007, with each trust beneficiary's share proportional to its share

of the total revenue earned, and with the RMCA share divided among DNR's expenditures from the account for upland management activities. Expenditures are appropriated by the Legislature and are ongoing investments to keep the lands productive and to generate future income for the trusts.



NOTE

* This chart based on statewide averages. Detailed breakdown of DNR programs contains examples only, not a complete listing. This chart does not include revenue from the Agricultural School trust lands, because 100% of revenue from those lands is distributed to the trust.

See also Note #13, page 24.

Effective July 1, 2005, the RMCA deduction is 30% until June 30, 2007.

Common School, Indemnity and Escheat Grants

Revenue and Distribution

Income from these state grant lands and escheat lands (those with no known heirs) supports construction of state public kindergarten through 12th grade schools.

The beneficiary's share of income is distributed to the Common School Construction Account and the Common School Permanent Account, which generates perpetual interest for the support of school construction. This distribution varies by activity and is governed by law.

'07

REVENUE		DISTRIBUTION		
Source	Total Funds	Common School Construction	Common School Permanent	Resource Management Cost Account ¹³
Sales				
Timber sales ^{9, 13}	\$51,820,184	\$36,355,722	\$0	\$15,464,462
Timber sale-related activities ¹	22,345	15,502	0	6,844
Trust land transfer program ³	36,099,000	36,099,000	0	0
Land sales (includes land bank ⁴)	821,476	0	0	821,476
	\$88,763,006	\$72,470,224	\$ 0	\$16,292,782
Leases				
Agriculture				
Dryland	\$3,114,796	\$2,188,270	\$0	\$926,526
Irrigated	6,639,179	4,683,984	0	1,955,195
Grazing and other	658,062	461,338	0	196,724
Aquatic Lands	0	0	0	0
Special use	818,798	577,113	0	241,686
Commercial real estate	9,581,663	6,819,747	0	2,761,916
Mineral and hydrocarbon	6,036,965	4,135,848	30,640	1,870,477
Rights-of-way	222,183	81,810	76,742	63,631
Communication sites	1,471,222	1,042,955	0	428,267
Special forest products	200,407	143,382	0	57,025
	\$28,743,276	\$20,134,447	\$107,382	\$8,501,446
Other Revenue				
Interest income	\$1,513,927	\$348,702	\$305	\$1,164,920
Non-trust revenue ^{14, 15}	82,545	0	0	82,545
Operating transfer ¹	95,368	0	0	95,368
Permits, fees, and miscellaneous ¹	811,434	0	276,434	535,000
	\$2,503,274	\$348,702	\$276,739	\$1,877,833
Adjustments¹⁹	(193,230)	602,494	12,110	(807,834)
Total Revenue¹⁹	\$119,816,326	\$93,555,867	\$396,231	\$25,864,227

Totals may not add due to rounding.

See fiscal notes, pages 22-25

University Grants (UW) Original and Transferred

Revenue and Distribution

Income from these state grant lands supports construction of buildings for the University of Washington. Some of these lands were acquired at the time of statehood, and some lands were transferred to this trust from the CEP&RI trust by the Legislature in 1893. The beneficiary's share of income is distributed to the University Permanent and UW Bond Retirement accounts. This distribution varies by activity and is governed by law.

'07

Source	REVENUE				DISTRIBUTION			
	Total Funds	UW Bond Retirement	State (UW) University Permanent	Resource Management Cost Account ¹³				
Sales								
Timber sales ¹⁷	\$4,315,548	\$0	\$2,538,285	\$1,777,263				
Timber sale-related activities ¹	53,457	0	37,420	16,037				
Land sales (includes land bank)	0	0	0	0				
	\$4,369,005	\$ 0	\$2,575,705	\$1,793,300				
Leases								
Agriculture								
Dryland	\$160,045	\$0	\$112,031	\$48,013				
Irrigated	0	0	0	0				
Grazing and other	19,238	0	13,466	5,771				
Aquatic lands	0	0	0	0				
Special use	1,933	0	1,353	580				
Commercial real estate	103,472	0	72,430	31,042				
Mineral and hydrocarbon	11,197	0	7,838	3,359				
Rights-of-way	7,528	0	5,269	2,258				
Communication sites	0	0	0	0				
Special forest products	10,669	0	7,468	3,201				
	\$314,081	\$ 0	\$219,857	\$94,224				
Other Revenue								
Interest income	\$60,392	\$9,249	\$18	\$51,125				
Non-trust revenue ¹⁴	4,054	0	0	4,054				
Operating transfer ^{1, 10, 17}	(633,078)	924,523	(924,523)	(633,078)				
Permits, fees, and miscellaneous ¹	222	0	0	222				
	(\$568,410)	\$933,772	(\$924,505)	(\$577,677)				
Total Revenue¹⁸	\$4,114,676	\$933,772	\$1,871,057	\$1,309,848				

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Charitable, Educational, Penal and Reformatory Institutions Grant (CEP&RI)

Revenue and Distribution

Income from these state grant lands is used to establish and maintain institutions managed by the Department of Corrections (such as prisons) and the Department of Social and Health Services (such as Western State Hospital). The beneficiary's share of income is distributed to the CEP&RI Account.

'07

REVENUE		DISTRIBUTION	
Source	Total Funds	CEP&RI Account	Resource Management Cost Account ¹³
Sales			
Timber sales	\$8,142,884	\$5,700,019	\$2,442,865
Timber sale-related activities ¹	1,199	775	424
Land sales (includes land bank)	0	0	0
	\$8,144,083	\$5,700,794	\$2,443,289
Leases			
Agriculture			
Dryland	\$368,903	\$256,538	\$112,365
Irrigated	4,742	3,865	877
Grazing and other	10,996	7,806	3,191
Aquatic lands	0	0	0
Special use	2,686	1,880	806
Commercial real estate	15,055	10,539	4,517
Mineral and hydrocarbon	872,210	610,547	261,663
Rights-of-way	0	0	0
Communication sites	157,483	113,307	44,175
Special forest products	23,043	18,537	4,506
	\$1,455,117	\$1,023,018	\$432,099
Other Revenue			
Interest income	\$132,116	\$15,128	\$116,987
Non-trust revenue ¹⁴	9,292	0	9,292
Operating transfer	0	0	0
Permits, fees, and miscellaneous ¹	827	0	827
	\$142,235	\$15,128	\$127,107
Adjustments ¹⁹	(2,204)	3,213	(5,417)
Total Revenue ¹⁹	\$9,739,232	\$6,742,153	\$2,997,078

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Capitol Building Grant

Revenue and Distribution

Income from these state grant lands supports construction of state government office buildings at the Capitol Campus in Olympia.

The beneficiary's share of income is distributed to the Capitol Building Construction Account.

'07

REVENUE		DISTRIBUTION	
Source	Total Funds	Capitol Building Construction	Resource Management Cost Account ¹³
Sales			
Timber sales	\$8,304,309	\$5,824,270	\$2,480,039
Timber sale-related activities ¹	4,055	2,833	1,221
Land sales (includes land bank)	0	0	0
	\$8,308,364	\$5,827,103	\$2,481,261
Leases			
Agriculture			
Dryland	\$44,066	\$30,688	\$13,378
Irrigated	0	0	0
Grazing and other	2,726	1,908	818
Aquatic lands	0	0	0
Special use	18,870	13,261	5,609
Commercial real estate	894	626	268
Mineral and hydrocarbon	45,223	31,656	13,567
Rights-of-way	28,624	20,037	8,587
Communication sites	71,424	49,979	21,445
Special forest products	16,778	11,744	5,033
	\$228,605	\$159,900	\$68,705
Other Revenue			
Interest income	\$121,571	\$16,117	\$105,454
Non-trust revenue ¹⁴	8,358	0	8,358
Operating transfer ¹	36,361	0	36,361
Permits, fees, and miscellaneous ¹	641	0	641
	\$166,932	\$16,117	\$150,815
Adjustments¹⁹	(857)	2,255	(3,112)
Total Revenue¹⁹	\$8,703,043	\$6,005,374	\$2,697,669

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Normal School Grant (EWU, CWU, WWU and TESC)

Revenue and Distribution

Income from these state grant lands supports construction at Eastern Washington University, Central Washington University and Western Washington University (regional universities). These three universities were originally called 'normal schools.' The Evergreen State College was added to this trust by the Legislature to begin receiving revenue after July 1, 1995.

The beneficiary's share of income is distributed to the Normal School Permanent Account and capital project accounts for each university. This distribution varies by activity and is governed by law.

'07

REVENUE		DISTRIBUTION		
Source	Total Funds	EWU, CWU WWU, TESC Capital Projects	Normal School Permanent	Resource Management Cost Account ¹³
Sales				
Timber sales ^{9, 13}	\$2,472,503	\$0	\$1,766,732	\$705,771
Timber sale-related activities ¹	102	0	42	60
Land sales (includes land bank) ⁴	0	0	0	0
	\$2,472,605	\$0	\$1,766,774	\$705,831
Leases				
Agriculture				
Dryland	\$49,629	\$34,741	\$0	\$14,889
Irrigated	30,494	21,346	0	9,148
Grazing and other	4,596	3,217	0	1,379
Aquatic lands	0	0	0	0
Special use	5,821	4,156	0	1,665
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	71,554	49,818	0	21,736
Rights-of-way	7,170	0	5,019	2,151
Communication sites	0	0	0	0
Special forest products	17,279	12,096	0	5,184
	\$186,544	\$125,373	\$5,019	\$56,152
Other Revenue				
Interest income	\$41,790	\$5,938	\$43	\$35,809
Non-trust revenue ¹⁴	2,839	0	0	2,839
Operating transfer ¹	116,302	0	0	116,302
Permits, fees, and miscellaneous ¹	417	0	0	417
	\$161,348	\$5,938	\$43	\$155,367
Adjustments¹⁹	736	1,036	5,901	(6,201)
Total Revenue¹⁹	\$2,821,234	\$132,347	\$1,777,737	\$911,150

DID YOU KNOW?

'Normal schools' were teachers colleges. By granting Washington lands to benefit normal schools, the Enabling Act supported Washington in educating not only children, but also the teachers who taught them.

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Scientific School Grant (WSU)

Revenue and Distribution

Income from these state grant lands supports construction of buildings at Washington State University. The beneficiary's share of income is distributed to the Scientific School Permanent and the WSU Bond Retirement accounts. This distribution varies by activity and is governed by law.

'07

REVENUE		DISTRIBUTION		
Source	Total Funds	WSU Bond Retirement	Scientific Permanent	Resource Management Cost Account ¹³
Sales				
Timber sales	\$9,463,243	\$0	\$6,617,139	\$2,846,104
Timber sale-related activities ^{1, 15}	(13,272)	0	(9,334)	(3,938)
Land sales (includes land bank)	0	0	0	0
	\$9,449,971	\$0	\$6,607,805	\$2,842,166
Leases				
Agriculture				
Dryland	\$119,840	\$0	\$83,888	\$35,952
Irrigated	348,881	0	258,090	90,792
Grazing and other	1,799	0	1,259	540
Aquatic lands	0	0	0	0
Special use	66,314	0	46,630	19,684
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	129,035	0	90,325	38,711
Rights-of-way	14,601	0	10,221	4,380
Communication sites	475,383	0	332,768	142,615
Special forest products	32,174	0	25,578	6,596
	\$1,188,028	\$0	\$848,759	\$339,270
Other Revenue				
Interest income	\$156,033	\$26,408	\$171	\$129,454
Non-trust revenue ¹⁴	10,290	0	0	10,290
Operating transfer ¹⁰	0	772,808	(772,808)	0
Permits, fees, and miscellaneous ¹	3,853	0	0	3,853
	\$170,177	\$799,216	(\$772,637)	\$143,598
Adjustments¹⁹	(47,351)	510	(26,225)	(21,636)
Total Revenue¹⁹	\$10,760,825	\$799,726	\$6,657,702	\$3,303,397

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Agricultural College Trust Management Account (ACTMA)

Revenue, Expenditures and Fund Balance

○ This account funds DNR's management of the Agricultural College trust lands. The ACTMA is funded through an appropriation from the state General Fund. (As of July 1, 1999, Agricultural College trust lands do not contribute to the RMCA, which supports DNR's management of other state grant lands.)

'07

Fund Balance (July 1, 2006)		\$20,221
<hr/>		
Revenue		
Operating revenue	833	
Interfund transfer in from General Fund	994,000	
Treasurer transfer out for Personnel Litigation Settlement	(1,212)	
	<hr/>	
Total Revenue		993,621
Less: Expenditures ²		
Agricultural resources	\$23,447	
Asset management & protection	67,596	
Product sales & leasing	337,060	
Land management	281,893	
Correctional camps	6,639	
Administration	7,305	
Interagency payments	49,116	
Agency support	87,149	
Engineering Services	53,925	
	<hr/>	
Total operating expenditures	\$914,130	
Total capital expenditures	26,585	
	<hr/>	
Total expenditures and other charges		940,715
ACTMA Fund Balance (June 30, 2007)		\$73,126

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Agricultural School Grant (WSU)

Revenue and Distribution

Income from these state grant lands supports construction of Washington State University's buildings. All revenue from these lands is income for the trust, and is divided between the Agricultural College Permanent Account and the WSU Bond Retirement Account. This distribution varies by activity and is governed by law.

'07

REVENUE		DISTRIBUTION	
Source	Total Funds	WSU Bond Retirement	Agricultural College Permanent
Sales			
Timber sales	\$4,125,651	\$0	\$4,125,651
Timber sale-related activities ¹	897	0	897
Asset transfer/loan repayment	0	0	0
Land sales (includes land bank)	0	0	0
	<u>\$4,126,548</u>	<u>\$0</u>	<u>\$4,126,548</u>
Leases			
Agriculture			
Dryland	\$112,490	\$0	\$112,490
Irrigated	75,525	0	75,525
Grazing and other	9,215	0	9,215
Aquatic lands	0	0	0
Special use	500	0	500
Commercial real estate	5,352	0	5,352
Mineral and hydrocarbon	18,589	0	18,589
Rights-of-way	2,244	0	2,244
Communication sites	141,289	0	141,289
Special forest products	1,118	0	1,118
	<u>\$366,322</u>	<u>\$0</u>	<u>\$366,322</u>
Other Revenue			
Interest income	\$29,687	\$13,604	\$16,083
Non-trust revenue	0	0	0
Operating transfer ¹⁰	0	308,049	(308,049)
Permits, fees, and miscellaneous	8,866	0	8,866
	<u>\$38,553</u>	<u>\$321,653</u>	<u>(\$283,100)</u>
Adjustments ¹⁹	5,560	5,560	0
Total Revenue ¹⁹	<u>\$4,536,983</u>	<u>\$327,213</u>	<u>\$4,209,770</u>

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Aquatic Lands

Revenue and Distribution

○ State-owned aquatic lands (tidelands, shorelands and beds of navigable waters) are a “public trust” – managed to benefit the public as a whole. Revenue from these granted state lands is divided between two accounts: The RMCA-aquatic supports DNR’s management of state aquatic lands and resources, and the ALEA provides for the purchase, improvement and protection of aquatic lands, largely through grants to public entities. Distribution varies according to activity and land classification, and is governed by law.

'07

REVENUE		DISTRIBUTION	
Source	Total Funds	Aquatic Lands Enhancement	Resource Management Cost Account ¹³
Aquatic Resources Activities			
Leases	\$20,454,478	\$11,616,401	\$8,838,077
Mineral and hydrocarbon	1,142,120	571,185	570,935
Rights-of-way	1,012,045	535,994	476,051
Interest income ¹	667,948	97,894	570,054
Non-trust revenue ¹⁴	32,397	0	32,397
Miscellaneous ¹	157,737	7,089	150,648
	<u>\$23,466,725</u>	<u>\$12,828,563</u>	<u>\$10,638,161</u>
Adjustments ¹⁹	(7,629)	137,137	(144,766)
Total Revenue ¹⁹	<u>\$23,459,095</u>	<u>\$12,965,700</u>	<u>\$10,493,395</u>

RMCA – AQUATIC

Revenue, Expenditures and Fund Balance

Trust Balance (July 1, 2006)		\$2,591,592
Aquatic Revenue		
Operating Revenue	10,503,793	
Treasurer transfer out for Personnel Litigation Settlement	(10,398)	
Total Revenue		10,493,395
Less: Expenditures ²		
Aquatic resources	\$4,695,341	
Administration	152,490	
Interagency payments	1,224,476	
Agency support	1,472,632	
Total operating expenditures	7,544,939	
Capital expenditures	0	
Total expenditures		<u>7,544,939</u>
Trust Balance (June 30, 2007)		<u>\$5,540,048</u>

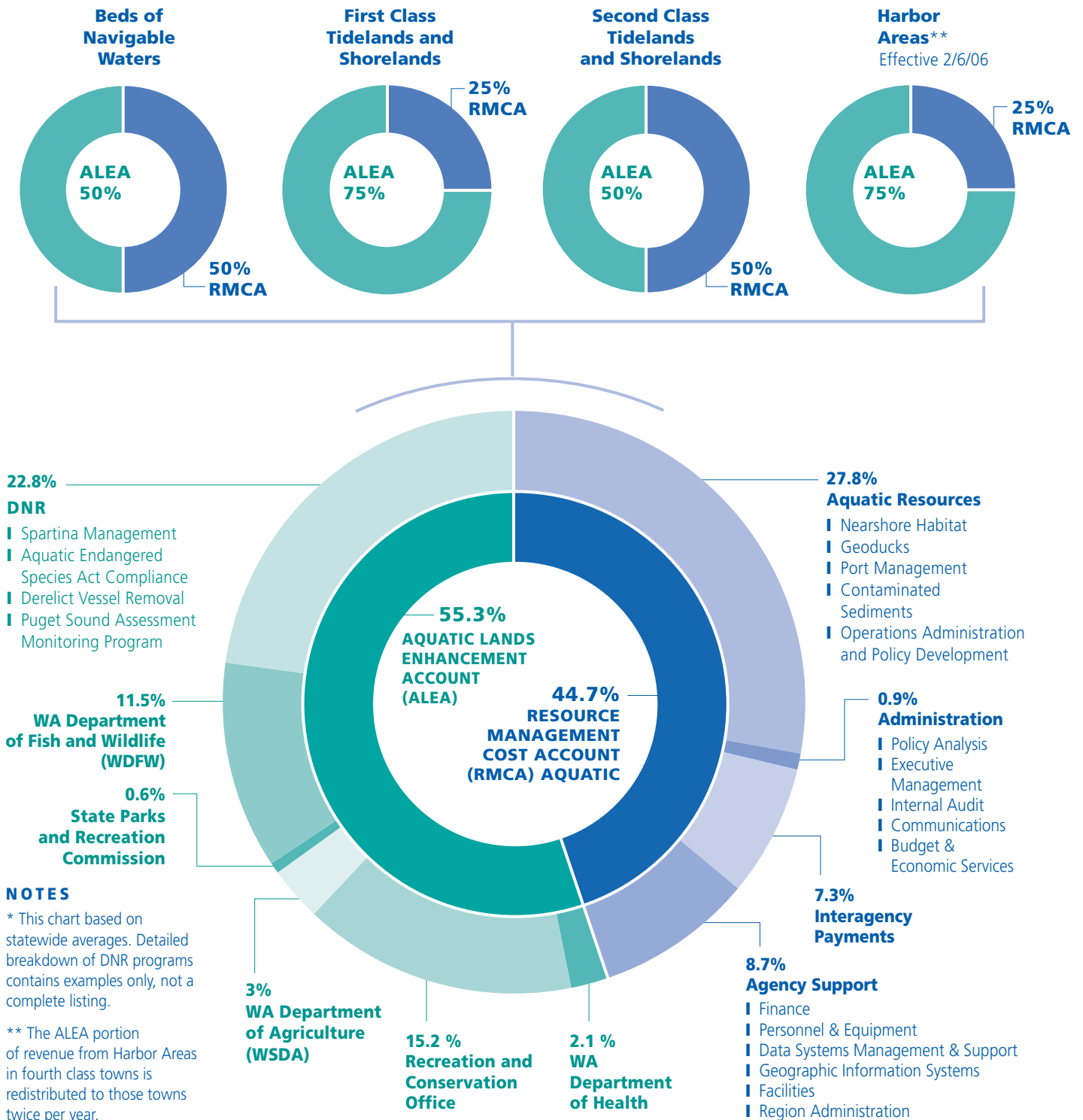
Totals may not add due to rounding.

See fiscal notes, pages 22-25

General* Distribution of Revenue from State-Owned Aquatic Lands

By law, revenue from state-owned Aquatic Lands goes to the ALEA for aquatic resource enhancement and to the RMCA to fund DNR's management of state aquatic lands. Distribution differs for different types of aquatic land — see the small pie charts. The large pie chart shows the combined

total distribution, with the ALEA share divided among state agency expenditures from that account, and the RMCA share divided among DNR's expenditures from the RMCA. Expenditures are appropriated by the Legislature and are ongoing investments to keep the submerged lands productive.



NOTES
* This chart based on statewide averages. Detailed breakdown of DNR programs contains examples only, not a complete listing.

** The ALEA portion of revenue from Harbor Areas in fourth class towns is redistributed to those towns twice per year.

See fiscal note #7, page 23.

Forest Development Account (FDA)

Revenue, Expenditures and Fund Balance

• The FDA funds DNR's land management activities on State Forest Lands (formerly known as Forest Board lands) in 21 counties. DNR deposits a portion of the revenue it generates from these lands into the FDA, and the legislature appropriates funds from the account to DNR for expenditures. The FDA is used for trust land management expenses (e.g., reforestation, preparing timber sales) on State Forest Lands.

'07

Fund Balance (July 1, 2006)		\$31,409,837
<hr/>		
Revenue		
Operating revenue	20,948,515	
Treasurer transfer out for Personnel Litigation Settlement	(29,565)	
Total revenue		20,918,950
Less: Expenditures ²		
Agricultural resources	\$140	
Asset management & protection	926,186	
Product sales & leasing	7,092,149	
Land management	8,536,623	
Correctional camps	1,669,548	
Administration	470,354	
Interagency payments	1,795,664	
Agency support	3,660,229	
Engineering services	1,381,893	
Total operating expenditures	\$25,532,785	
Total capital expenditures	390,152	
Total expenditures and other charges		25,922,937
FDA Fund Balance (June 30, 2007)		\$26,405,851

Totals may not add due to rounding.

See fiscal notes, pages 22-25

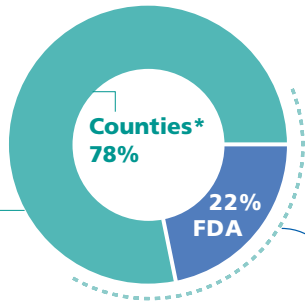
General* Distribution of Revenue from State Forest Lands

(Formerly known as Forest Board Lands)

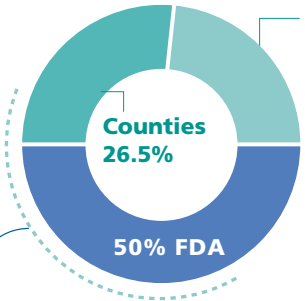
By law, revenue from State Forest Lands (formerly known as Forest Board lands) goes to the county in which the land is located, the State General Fund for the support of Common Schools, and the FDA to fund DNR's management of the lands. Distribution differs for Transfer lands and Purchase lands — see the small pie charts.

The large pie chart shows the combined total distribution for fiscal year 2007, with the FDA share divided among DNR's expenditures from the account. Expenditures are appropriated by the Legislature and are ongoing investments to keep the lands productive and to generate future revenue.

Transfer Lands**
546,100 acres



Purchase Lands
79,400 acres



* A portion goes to State General Fund

Net effect to counties after their redistribution to the General Fund: Estimated 37%.

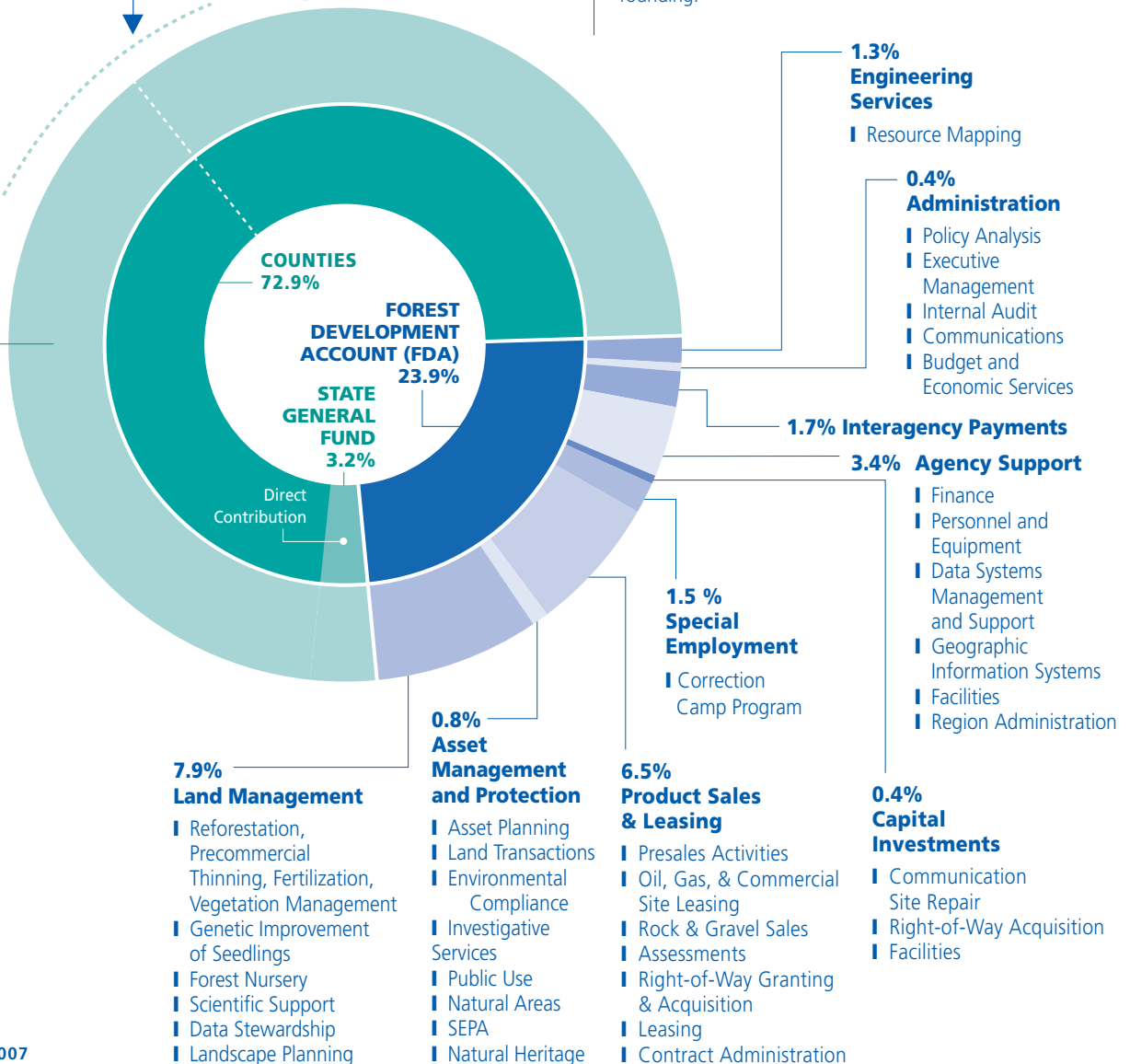
Counties also redistribute revenue to junior taxing districts, bond retirement, road funds, and other obligations. These vary by county.

NOTE

* This chart based on statewide averages. Detailed breakdown of DNR programs contains examples only, not a complete listing.

** Under Board of Natural Resources resolution #97-919, this distribution of revenue will remain in effect until the fund balance declines to six months' operating expenses, at which time DNR is authorized to reinstate the statutory maximum FDA distribution rate (25% FDA / 75% county).

Totals may not add, due to rounding.



7.9% Land Management

- | Reforestation, Precommercial Thinning, Fertilization, Vegetation Management
- | Genetic Improvement of Seedlings
- | Forest Nursery
- | Scientific Support
- | Data Stewardship
- | Landscape Planning

0.8% Asset Management and Protection

- | Asset Planning
- | Land Transactions
- | Environmental Compliance
- | Investigative Services
- | Public Use
- | Natural Areas
- | SEPA
- | Natural Heritage

6.5% Product Sales & Leasing

- | Presales Activities
- | Oil, Gas, & Commercial Site Leasing
- | Rock & Gravel Sales
- | Assessments
- | Right-of-Way Granting & Acquisition
- | Leasing
- | Contract Administration

1.5% Special Employment

- | Correction Camp Program

3.4% Agency Support

- | Finance
- | Personnel and Equipment
- | Data Systems Management and Support
- | Geographic Information Systems
- | Facilities
- | Region Administration

1.3% Engineering Services

- | Resource Mapping

0.4% Administration

- | Policy Analysis
- | Executive Management
- | Internal Audit
- | Communications
- | Budget and Economic Services

State Forest Lands

(Formerly Known as Forest Board Lands)

Income from these lands is distributed to the counties in which the lands are located, the state General Fund for the support of common schools, and the Forest Development Account (FDA) for DNR's land management expenses on these lands. There are two categories of State Forest Lands (formerly known as Forest Board lands): Purchase lands and Transfer lands.

Purchase lands were given to the state or purchased by the state at low cost. The FDA receives half the income from these lands. The other half is divided between the respective county and the state General Fund for the support of common schools.

'07

REVENUE		CONTRIBUTING LANDS	
Source	Total	Transfer Lands	Purchase Lands
Sales			
Timber sales	\$85,273,926	\$76,101,824	\$9,172,102
Timber sales-related activities ¹	213,016	201,669	11,347
	\$85,486,943	\$76,303,494	\$9,183,449
Leases			
Agriculture/minor forest products	\$222,005	\$177,189	\$44,815
Commercial/special use	43,552	28,843	14,709
Mineral and hydrocarbon	234,794	234,794	0
Rights-of-way	69,804	67,529	2,276
Communication sites	1,075,469	694,572	380,897
	\$1,645,625	\$1,202,928	\$442,697
Other Revenue			
Interest income ¹	\$111,718	\$111,498	\$220
Permits, fees, and miscellaneous ¹	12,509	8,754	3,755
Treasurer's revenue ¹⁶	185,312	N/A	N/A
FDA non-trust revenue ¹⁴	30,692	N/A	N/A
	\$340,231	\$120,252	\$3,975
Adjustments (FDA, GF-S only) ¹⁹	24,866	N/A	N/A
Total Revenue ¹⁹	\$87,497,664	\$77,626,673	\$9,630,121

N/A—not applicable

Totals may not add due to rounding.

See fiscal notes, pages 22-25



TAHUYA STATE FOREST

Tahuya State Forest is a 23,000-acre multi-use, working forest in Mason County that produces \$2.2 million a year on average to fund Mason County services and local school districts. A short drive from urban areas of western Washington, this popular forest provides open spaces, camping, and sightseeing for 200,000 visitors a year. It has more than 170 miles of trails for motorized vehicles, such as ORVs, as well for bicyclists, hikers, and equestrians. DNR is developing an off-road vehicle recreational facilities plan for the forest.

State Forest Lands (Continued)

Transfer lands were forfeited to the counties in which they were located when the private landowners failed to pay property taxes, primarily in the 1920s and 1930s. The counties turned the lands over to the state. DNR now manages these lands and distributes at least 75 percent of the income to the counties and up to 25 percent of the income to the FDA.

(As of July 1, 1997, under Board of Natural Resources resolution #97-919, the amount distributed to the counties increased to 78 percent, and the amount distributed to the FDA was reduced to 22 percent. This change will remain in effect until the fund balance in FDA declines to an amount equal to operating expenses for six months, at which time DNR is authorized to reinstate the statutory maximum distribution to the FDA: 25 percent.)

'07

REVENUE DISTRIBUTION		CONTRIBUTING LANDS	
Recipient	Total	Transfer Lands	Purchase Lands
County			
Clallam	\$5,025,564	\$5,025,564	\$0
Clark	5,349,833	5,336,117	13,716
Cowlitz	1,545,166	1,494,047	51,119
Grays Harbor	730,851	465	730,386
Jefferson	1,066,994	1,066,994	0
King	1,246,577	1,246,577	0
Kitsap	413,949	389,204	24,745
Klickitat	2,972,354	2,972,354	0
Lewis	9,022,769	8,995,298	27,471
Mason	1,452,725	1,451,263	1,462
Okanogan	28	28	0
Pacific	3,154,599	2,689,678	464,921
Pierce	2,163,711	1,556,760	606,951
Skagit	9,669,698	9,669,698	0
Skamania	528,592	433,180	95,412
Snohomish	10,546,472	10,546,472	0
Stevens	38,012	38,012	0
Thurston	5,321,159	4,287,525	1,033,634
Wahkiakum	1,543,449	1,543,449	0
Whatcom	1,778,790	1,575,995	202,795
Treasurer's revenue ¹⁶	185,312	N/A	N/A
	\$63,756,604	\$60,318,680	\$3,252,612
Forest Development Account			
Trust activity	\$20,793,358	\$17,274,938	\$ 3,518,420
Permits, fees, and miscellaneous ¹	36,907	33,055	3,852
Treasurer's revenue	0	N/A	N/A
FDA non-trust revenue ¹⁴	30,692	N/A	N/A
Adjustments ¹⁹	57,993	N/A	N/A
	\$20,918,950	\$17,307,993	\$3,522,272
General Fund – State*	\$2,855,237	\$0	\$2,855,237
Adjustments ¹⁹	(33,127)	N/A	N/A
	\$2,822,111	\$0	\$2,855,237
Total Revenue ¹⁹	\$87,497,665	\$77,626,673	\$9,630,122

N/A—not applicable. Totals may not add due to rounding.

* Income from Transfer lands is not directly distributed to the State General Fund. However, counties redistribute a portion of their share of income from these lands to the fund.

See fiscal notes, pages 22-25

OUR MISSION

► To provide forward-looking stewardship of our state lands, natural resources, and environment. To provide leadership in creating a sustainable future for the Trusts and all citizens.



DNR GROWS UP TO 10 MILLION TREE SEEDLINGS A YEAR

The 270-acre, self-funded Webster Nursery near Olympia produces tree seedlings for DNR-managed state trust land and for small private landowners.

DNR IS THE OFFICIAL AGENCY FOR SURVEYS AND MAPS

By hosting the Survey Advisory Board, DNR helps governments, land surveyors, engineers, and the public identify survey points across the state.

DNR HELPS PROTECT HIGH-ELEVATION HABITAT

The Morning Star Natural Resource Conservation Area (above) in central Snohomish County protects rare and sensitive plant and animal species. At 30,108 acres, it is the largest conservation area that DNR manages.

DNR PREPARES TSUNAMI EVACUATION MAPS

Residents and visitors in many Washington coastal communities can find routes to safety, thanks to tsunami inundation hazard and evacuation maps prepared by DNR's Division of Geology and Earth Resources.



DNR OPERATES A SMALL FOREST LANDOWNER OFFICE

Private non-industrial forest owners look to DNR to learn about Forest Practices Rules guiding harvesting, road building and other work on 12 million acres of state and private forests.

DNR-MANAGED NATURAL AREA PRESERVES PROTECT 31,000 ACRES

The Puget blue butterfly is among the many rare plant and animal species protected in 52 Natural Area Preserves — managed by DNR since its establishment in 1972 .

DNR IS STEWARD OF UNIQUE NATURAL LANDSCAPES

DNR manages 29 Natural Resource Conservation Areas — 92,000 acres in all. These areas protect coastal rainforests, Puget prairies, and other landscapes, as well as Canada Lynx habitat and nesting sites for bald eagles.

DNR IS HOME TO THE STATE BOARD OF GEOGRAPHIC NAMES

The board establishes the official names for the lakes, mountains, streams, places, towns and other geographic features of Washington.

LYNX: JUPITERIMAGES; OTHER PHOTOS: DNR PHOTO FILES.

Did You Know?

For More Information



www.dnr.wa.gov



360-902-1000



information@dnr.wa.gov



WASHINGTON STATE DEPARTMENT OF
Natural Resources
Doug Sutherland - Commissioner of Public Lands



Communications Director

Patty Henson

Editor

Bob Redling

Graphic Design

Luis Prado

Production Assistant

Nancy Charbonneau

Financial Data

Ana Cruz, Sue Kitchen,
Jim Smego

Timber Data

Bob Aulds, Angus Brodie,
Karen Jennings, Denise Roush

Data Entry

Lauren Zucati

BOARD OF NATURAL RESOURCES (FY07)

Doug Sutherland, Chair, Commissioner of Public Lands

Bob Nichols, Ph.D., designee for Governor Christine Gregoire

Terry Bergeson, Superintendent of Public Instruction

Daniel J. Bernardo, Ph.D., Dean of the College of Agricultural, Human, & Natural Resource Sciences,
Washington State University

Bruce Bare, Ph.D., Dean of the College of Forest Resources, University of Washington

Jon C. Kaino, Pacific County Commissioner

DNR MANAGEMENT (FY07)

Doug Sutherland, Commissioner of Public Lands

Bonnie Bunning, Executive Director of Policy and Administration

Bruce Mackey, Lands Steward

Vicki Christiansen, Executive Director of Regulatory Programs

Fran McNair, Aquatics Steward

FOREST PRACTICES BOARD (FY07)

Doug Sutherland, Chair, Commissioner of Public Lands

Vicki Christiansen, Commissioner designee

Brent Bahrenburg, Department of Community, Trade and Economic Development designee

Tom Laurie, Department of Ecology designee

Ann Wick, Department of Agriculture designee

Bridget Moran, Department of Fish and Wildlife designee

Dave Somers, Snohomish County Commissioner

Doug Stinson, General public member / Small forest landowner

Sherry Fox, General public member / Independent logging contractor

David Hagiwara, General public member

Carolyn Dobbs, General public member

Norm Schaaf, General public member

Bob Kelly, General public member



WASHINGTON STATE DEPARTMENT OF
Natural Resources

Doug Sutherland - Commissioner of Public Lands

OLYMPIA HEADQUARTERS

1111 Washington St. SE
PO Box 47000
Olympia, WA 98504-7000
(360) 902-1000

NORTHEAST REGION

225 S Silke Rd.
PO Box 190
Colville, WA 99114-0190
(509) 684-7474

NORTHWEST REGION

919 N. Township St.
Sedro-Woolley, WA 98284-9384
(360) 856-3500

PACIFIC CASCADE REGION

601 Bond Rd.
PO Box 280
Castle Rock, WA 98611-0280
(360) 577-2025

OLYMPIC REGION

411 Tillicum Lane
Forks, WA 98331-9271
(360) 374-6131

SOUTH PUGET SOUND REGION

950 Farman Ave. N
Enumclaw, WA 98022-9282
(360) 825-1631

SOUTHEAST REGION

713 Bowers Rd.
Ellensburg, WA 98926-9301
(509) 925-8510



AQUATIC RESOURCES DISTRICT OFFICES

Shoreline District

950 Farman Ave. N
Enumclaw, WA 98022-9282
(360) 825-1631

Rivers District

601 Bond Rd.
PO Box 280
Castle Rock, WA 98611-0280
(360) 577-2025

Orca Straits District

919 N. Township St.
Sedro-Woolley, WA 98284-9384
(360) 856-3500

