



July 28, 2015

Peter Goldmark
Washington State
Commissioner of Public Lands

The Honorable Rob Gelder, Chair
Kitsap County Board of Commissioners
614 Division Street MS: 4
Port Orchard, WA 98366

Dear Commissioner Gelder:

The Washington State Department of Natural Resources (DNR) manages approximately 7,736 acres of State Forest Lands that benefit Kitsap County. These lands generated \$91,000 in the first two quarters of calendar year 2015 and are projected to generate \$481,000 for all of calendar year 2015 from activities expected to occur under current contracts. This represents an increase of \$422,000 from the 2015 projection in the April 2015 report.

Net value under contract after calendar year 2015 is estimated at \$362,000. This income information does not include anticipated revenues from additional planned activities for which contracts have not been finalized. Projections of income after July 2, 2013 reflect the management fee of 25 percent, as adopted by the Board of Natural Resources on that date.

Some counties receive portions of their income from leases and fees; however, the majority of income reflected in this report is derived from timber sales. As most revenue stems from timber sales, these projections can fluctuate depending upon when timber harvests actually occur. Market conditions, contract requirements, and regulatory requirements influence timber purchasers' decisions about when to harvest. Harvesting could occur earlier if conditions warrant. Changes in purchasers' plans for harvest will be reflected in future reports. The next projection of State Forest Land revenues will be available in October 2015.

I appreciate how necessary revenue is to the success of county functions. DNR consistently strives to ensure that we realize the maximum available income from the State Forest Lands we manage on behalf of the counties. Should you have any questions regarding this information, please contact Art Tasker, South Puget Sound Region Manager, at 360-825-1631 or at art.tasker@dnr.wa.gov.

Sincerely,

Peter Goldmark
Commissioner of Public Lands

Enclosures

Department of Natural Resources
1111 Washington ST SE
MS 47001
Olympia, Washington 98504-7001
(360) 902-1000



COUNTY INCOME REPORT
EXPLANATION OF TABLES
July 2015

Two categories of lands are managed by the Washington State Department of Natural Resources (DNR) specifically to benefit counties:

1. **State Forest *Transfer* Lands.** Lands acquired by counties through tax foreclosures were transferred to DNR to manage. Management fee rates are established by the Board of Natural Resources. Currently, counties receive 75 percent of the revenue from these lands.
2. **State Forest *Purchase* Lands.** State-issued bonds were used to acquire certain parcels from private owners. Typically, these forest lands had been severely logged and were in need of active management. Allocation of revenue from these lands was determined when purchase was authorized, as follows: 26.5 percent to the county in which the property is located; 50 percent to DNR for management expenses; and the remaining 23.5 percent to the State General Fund.

Nineteen counties include these types of State Forest Lands within their county boundaries.

Income from management activities on State Forest Lands is designated for allocation to several taxing districts in each county. Only a small amount is available to the county for discretionary use.

Revenue from State Forest Lands originates primarily from timber sales. These amounts vary widely as market conditions fluctuate. Smaller portions of revenue are derived from activities such as communication site leases, rights-of-way easements for utilities and roads, special forest products, special uses, and interest. Income will also vary with the number of revenue-generating activities within a given year. Variables responsible for high revenues in one year can lead to reduced income the following year.

- **Table 1** shows the annual revenue for each county from calendar year 2006 through the second quarter of calendar year 2015 . This table illustrates the variability in total revenues from year to year.
- **Table 2** shows *projected* revenue for all 19 counties from all activities on State Forest Lands for the rest of calendar year 2015 and calendar year 2016.
- **Table 2A** shows *projected* revenue for each timber sale on State Forest Lands *in your county* anticipated to occur for 2015 and beyond (enclosed if applicable).
- **Table 3** shows the volume and net value *under contract* as of June 30, 2015 that is *not currently scheduled for harvest until after December 2016* (enclosed if applicable).

Projections were developed by DNR region staff by contacting each timber purchaser that has rights to an upcoming sale. Purchasers were asked how much and when they planned to harvest the timber from each sale. These projected timber revenues should be considered *rough estimates only*; actual activity will depend on individual sale characteristics (species, volume, location, etc.), combined with outside market factors as determined by each purchaser.

The schedule of future timber sales from State Forest Lands in your county is available upon request from Department of Natural Resources' region staff.

Table 1. Revenue to Counties from State Forest Transfer and Purchase Lands (Calendar Years)

Updated: 7/8/2015

County	2006	2007	2008	2009	2010	2011	2012	2013	2014	Jan-June 2015
Clallam	4,470,806	5,903,404	9,323,340	4,173,346	6,229,596	5,502,033	4,738,336	5,643,329	8,487,731	1,336,698
Clark	4,264,442	5,614,184	1,088,753	1,977,893	8,793,446	4,601,597	8,528,782	7,191,261	6,388,518	4,751,756
Cowlitz	2,348,848	1,599,865	1,299,756	2,914,752	3,709,692	1,534,691	1,557,816	1,598,498	1,067,106	3,399,144
Grays Harbor	700,385	1,078,365	404,882	1,007,779	2,178,958	1,991,750	2,168,671	1,075,212	875,687	541,611
Jefferson	1,075,049	762,629	1,409,138	669,093	981,510	3,082,453	740,481	661,568	1,085,477	1,816,696
King	425,144	3,638,003	1,836,570	1,053,232	2,737,595	2,474,997	1,112,153	741,392	2,818,269	528,072
Kitsap	218,756	400,093	798,357	244,491	495,884	55,958	877,589	743,958	293,314	91,489
Klickitat	2,307,063	4,157,236	490,525	1,037,450	327,073	209,403	559,355	289,623	215,737	326,117
Lewis	19,053,461	4,421,392	4,715,266	6,738,048	6,147,429	11,076,482	3,439,911	4,280,541	8,677,045	2,651,689
Mason	1,432,968	2,585,862	2,416,073	1,500,640	3,062,868	2,616,802	2,024,430	1,337,166	3,067,093	6,490,510
Pacific	2,238,753	2,621,728	963,320	3,428,025	2,060,204	2,547,153	441,369	3,446,724	1,267,286	964,587
Pierce	2,251,072	1,435,948	1,509,353	742,913	1,523,600	214,159	178,426	121,558	222,815	0
Skagit	9,021,036	10,635,736	11,723,743	5,704,325	8,746,747	11,679,594	9,093,422	5,976,604	7,452,783	4,944,036
Skamania	436,890	540,697	324,117	253,914	1,215,005	747,982	926,532	1,367,876	2,415,852	490,679
Snohomish	7,069,004	11,391,018	6,323,157	10,138,226	13,132,194	13,981,341	5,682,380	11,786,058	9,251,851	4,458,820
Stevens	38,002	42,239	40,587	79,484	47,542	59,973	64,654	69,322	70,725	20,913
Thurston	5,344,608	4,915,648	1,777,592	2,625,128	7,964,904	4,200,388	1,660,728	5,017,407	2,999,025	1,304,472
Wahkiakum	2,146,022	571,852	1,170,658	1,516,340	1,820,052	1,400,872	1,956,441	1,742,003	1,631,697	945
Whatcom	2,648,374	2,420,510	6,067,453	3,569,263	2,405,630	3,543,071	4,468,281	3,763,694	2,178,129	981,402
Totals	\$78,451,080	\$67,490,683	\$53,682,639	\$49,374,342	\$73,579,929	\$71,520,698	\$50,219,757	\$56,853,794	\$60,466,140	35,099,636

Note: Revenue is received daily by the Department of Natural Resources for activities on State Forest lands and deposited daily at the Office of State Treasurer. Effective February 1998 these monies are remitted to each county via wire transfer a minimum of four times per month. Due to the specific date monies are received by the Department and the cutoff dates used by the State Treasurer for wire transfers, the revenue for the current period may be different than actual remittances to date.

**Table 2. Total Projected Revenues to Counties from State Forest
Transfers and Purchase Lands ^{1/}**
(Dollars in Thousands)

County	July thru December 2015		January thru December 2016	
	High	Medium	High	Medium
Clallam	\$3,171.9	\$3,195.4	\$875.5	\$2,529.8
Clark	635.5	635.5	488.8	1,658.3
Cowlitz	283.8	283.8	377.2	801.1
Grays Harbor	131.2	384.9	1,891.0	2,417.3
Jefferson	423.3	423.3	1,217.1	1,217.1
King	12.3	1,759.2	87.4	698.3
Kitsap	21.4	389.4	73.1	362.3
Klickitat	16.8	16.8	23.3	23.3
Lewis	389.4	1,231.0	2,723.9	2,723.9
Mason	26.4	2,441.9	156.7	2,829.9
Pacific	176.1	176.1	96.6	96.6
Pierce	0.0	0.0	1.2	1.2
Skagit	603.1	787.3	5,665.6	7,517.2
Skamania	309.6	649.6	840.6	840.6
Snohomish	458.7	2,074.8	809.9	3,143.5
Stevens	57.1	60.8	74.3	74.3
Thurston	371.1	2,741.0	2,263.3	6,469.2
Wahkiakum	0.1	694.8	0.5	0.5
Whatcom	1,212.0	1,375.1	586.0	1,257.2
Totals	\$8,299.7	\$19,320.5	\$18,252.0	\$34,661.6

^{1/} High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted.
Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.

Note: Projected revenues are based on timber purchaser's logging plans as of **June 2015**. These plans change with changes in the economy and the business needs of each purchaser. Department of Natural Resources' region staff should be contacted concerning possible fluctuations in timber harvest for sales currently under contract and the schedule of future sales on State Forest Lands in your county.

Table 2A. Projected Timber Harvest Revenues to Kitsap County from State Forest Transfer and Purchase Lands by Legal Description
 (Thousands of Dollars) ¹¹

Sale App. Number	Sale Name	Expiration Date	Legal Description			July thru December 2015		January thru December 2016		Value Under Contract after Dec-16
			Section	Township	Range	High	Medium	High	Medium	
90727	Killdeer	07/31/16	4	24N	1W	0.0	368.0	0.0	289.2	0.0
			10	24N	1W					
			33	25n	1W					
Total						\$0.0	\$368.0	\$0.0	\$289.2	\$0.0

¹¹ High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted.
 Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.
 Values are cumulative from high to medium probability.

Note: Projected revenues are based on timber purchaser's logging plans as of June 2015. These plans change with changes in the economy and business needs of each purchaser. Department of Natural Resources regional staff should be contacted concerning possible changes in timber harvest plans and for copies of sale area maps for specific locations of timber sales within the legal descriptions listed above.