



HILARY S. FRANZ
COMMISSIONER OF PUBLIC LANDS

February 7, 2018

The Honorable Robert 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 7,640 acres of State Forest Transfer and Purchase Lands that benefit Kitsap County. These lands generated \$1,131,000 in calendar year 2017. Net value under contract for calendar year 2018 is estimated at \$1,585,000 from activities expected to occur under current contracts.

We would like to hear from you. The agency has recently launched an effort to revise and develop a new format for this report. If you would like to participate, let us know by sending an email to countyreport@dnr.wa.gov by Friday February 23rd. We will be reaching out and contacting interested counties in late February and March.

This income information does not include anticipated revenues from additional planned activities (contracts harvests, leases, easements, etc.) for which contracts have not been finalized. These income estimates are net after the current agency management cost percentage has been applied.

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 occur. Market conditions, weather, contract requirements, and regulatory requirements influence timber purchasers' decisions about when to harvest.

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 Transfer and Purchase Lands. Should you have any questions regarding this information, please contact Scott Sargent, South Puget Sound Region Manager, at 360-825-1631 or at scott.sargent@dnr.wa.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Hilary Franz", is written over a large, stylized flourish that extends to the right.

Hilary S. Franz
Commissioner of Public Lands

Enclosures

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COUNTY INCOME REPORT
EXPLANATION OF TABLES
January 2018

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 2007 through calendar year 2017. 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 calendar year 2018.
- **Table 2A** shows *projected* revenue for each timber sale on State Forest Lands *in your county* anticipated to occur for 2018 and beyond (enclosed if applicable).
- **Table 3** shows the volume and net value *under contract* as of December 31, 2017 that is *not currently scheduled for harvest until after December 2018* (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: 1/10/2018

County	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 Jan-Dec
Clallam	9,323,340	4,173,346	6,229,596	5,502,033	4,738,336	5,643,329	8,487,731	3,376,506	7,938,764	6,543,420
Clark	1,088,753	1,977,893	8,793,446	4,601,597	8,528,782	7,191,261	6,388,518	5,846,269	4,791,957	5,192,493
Cowlitz	1,299,756	2,914,752	3,709,692	1,534,691	1,557,816	1,598,498	1,067,106	4,025,043	1,358,909	1,358,770
Grays Harbor	404,882	1,007,779	2,178,958	1,991,750	2,168,671	1,075,212	875,687	1,245,311	2,838,170	1,881,541
Jefferson	1,409,138	669,093	981,510	3,082,453	740,481	661,568	1,085,477	2,906,961	1,603,428	1,085,544
King	1,836,570	1,053,232	2,737,595	2,474,997	1,112,153	741,392	2,818,269	952,755	2,397,790	905,021
Kitsap	798,357	244,491	495,884	55,958	877,589	743,958	293,314	851,397	824,969	1,130,540
Klickitat	490,525	1,037,450	327,073	209,403	559,355	289,623	215,737	352,380	26,797	25,551
Lewis	4,715,266	6,738,048	6,147,429	11,076,482	3,439,911	4,280,541	8,677,045	4,053,711	5,416,025	5,411,157
Mason	2,416,073	1,500,640	3,062,868	2,616,802	2,024,430	1,337,166	3,067,093	8,005,336	3,621,960	2,810,189
Pacific	963,320	3,428,025	2,060,204	2,547,153	441,369	3,446,724	1,267,286	1,227,526	2,653,344	1,387,737
Pierce	1,509,353	742,913	1,523,600	214,159	178,426	121,558	222,815	32,691	335,489	437,463
Skagit	11,723,743	5,704,325	8,746,747	11,679,594	9,093,422	5,976,604	7,452,783	7,425,535	8,592,232	14,533,379
Skamania	324,117	253,914	1,215,005	747,982	926,532	1,367,876	2,415,852	1,234,445	2,131,536	1,566,271
Snohomish	6,323,157	10,138,226	13,132,194	13,981,341	5,682,380	11,786,058	9,251,851	7,256,233	5,652,325	7,678,567
Stevens	40,587	79,484	47,542	59,973	64,654	69,322	70,725	63,533	94,918	90,768
Thurston	1,777,592	2,625,128	7,964,904	4,200,388	1,660,728	5,017,407	2,999,025	4,368,240	8,747,144	2,947,101
Wahkiakum	1,170,658	1,516,340	1,820,052	1,400,872	1,956,441	1,742,003	1,631,697	802,706	2,026,441	1,443,199
Whatcom	6,067,453	3,569,263	2,405,630	3,543,071	4,468,281	3,763,694	2,178,129	4,022,292	2,061,161	1,481,660
Totals	\$53,682,639	\$49,374,342	\$73,579,929	\$71,520,698	\$50,219,757	\$56,853,794	\$60,466,140	\$ 58,048,870	\$ 63,113,359	\$57,910,371

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	January thru June 2018		July thru December 2018	
	High	Medium	High	Medium
Clallam	\$1,874.0	\$2,321.5	\$1,791.3	\$2,009.0
Clark	1,183.1	1,659.3	332.9	506.1
Cowlitz	490.8	535.2	14.9	14.9
Grays Harbor	476.1	872.7	594.5	594.5
Jefferson	57.4	57.4	244.5	244.5
King	708.8	1,120.3	1,557.3	1,557.3
Kitsap	1,187.0	1,187.0	397.9	397.9
Klickitat	12.3	12.3	19.0	19.0
Lewis	2.0	1,852.5	2.0	1,552.3
Mason	2,933.4	2,933.4	665.4	665.4
Pacific	152.0	3,622.6	81.7	669.3
Pierce	1,103.6	1,333.7	256.9	430.3
Skagit	4,146.6	7,542.0	938.1	4,192.8
Skamania	947.2	973.1	1,692.4	1,718.3
Snohomish	1,427.0	3,624.2	69.1	2,366.7
Stevens	22.0	22.0	60.7	60.7
Thurston	1,810.9	2,865.3	935.8	3,596.0
Wahkiakum	33.1	33.1	0.8	0.8
Whatcom	2,322.4	2,998.5	227.6	268.0
Totals	\$20,889.9	\$35,566.3	\$9,882.8	\$20,863.7

^{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 **December 2017**. 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			January thru June 2018		July thru December 2018		Value Under Contract after Dec-18
			Section	Township	Range	High	Medium	High	Medium	
92037	Muffet	09/30/18	8, 9, 14, 15	24N 24N	1W 2W	1,147.9	1,147.9	0.0	0.0	0.0
94091	Pyrite	10/31/19	5, 20, 21, 32	24N 25N	1W 1W	0.0	0.0	375.9	375.9	977.4
Total						\$1,147.9	\$1,147.9	\$375.9	\$375.9	\$977.4

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 December 2017. 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.

Table 3. Volume and Net Value of Timber under Contract on State Forest Transfer and Purchase Lands for Harvest after Calendar Year 2018 ^{1/}

County	Volume (mbf)	Net Value
Clallam	5,382	\$1,579,150
Clark	645	285,208
Cowlitz	1,534	755,033
Grays Harbor	4,820	1,691,129
Jefferson	4,175	2,135,217
King	0	0
Kitsap	2,091	977,362
Klickitat	0	0
Lewis	9,232	4,635,959
Mason	0	0
Pacific	0	0
Pierce	1,304	503,632
Skagit	1,960	402,446
Skamania	250	11,225
Snohomish	132	20,889
Thurston	3,576	1,295,981
Wahkiakum	0	0
Whatcom	86	11,484
Totals	35,186	\$14,304,716

^{1/} Counties currently receive **75%** of revenue from State Forest Transfer land and **26.5%** of revenue from State Forest Purchase land.

Note: The sales represented here are currently under contract as of **December 2017**. This timber could be harvested at any time depending on market conditions and business needs as determined by each purchaser. Sales to be sold in the future could provide additional revenue to your county. Department of Natural Resources' region staff should be contacted concerning future sale activity and dates.