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# Minutes

## Board of Natural Resources Meeting

February 2, 2021  
Webinar, Olympia, Washington

### BOARD MEMBERS PRESENT

The Honorable Hilary Franz, Washington State Commissioner of Public Lands

The Honorable Bill Peach, Commissioner, Clallam County

The Honorable Chris Reykdal, Superintendent of Public Instruction

Jim Cahill, Designee for the Honorable Jay Inslee, Washington State Governor

Dan Brown, Director, School of Environmental and Forest Sciences, University of Washington

André-Denis Wright, Dean, College of Agricultural, Human, and Natural Resource Sciences,  
Washington State University

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### 1 CALL TO ORDER

2 Chair Franz called the meeting to order at 9:00 AM.

3  
4 All Board members introduced themselves. A meeting quorum was attained.

### 5 6 WEBINAR FORMAT BRIEFING

7 Ms. Tami Kellogg provided an overview for participating in a Webinar meeting.

### 8 9 APPROVAL OF MINUTES

10 Chair Franz called for approval of the minutes for the January 5, 2021 Regular Board of Natural  
11 Resources meeting.

12  
13 MOTION: Dean Wright moved to approve the minutes.

14  
15 SECOND: Commissioner Peach seconded the motion.

16  
17 ACTION: The motion carried unanimously.

18  
19 Chair Franz called for the approval of the minutes of January 19, 2021 Board of Natural  
20 Resources Meeting

21  
22 MOTION: Director Brown moved to approve the minutes.

23  
24 SECOND: Commissioner Peach seconded the motion.

25  
26 ACTION: The motion carried unanimously.

1 **LIGHTNING TALK**

2 **Silviculture 101**

3 Calvin Ohlson-Kiehn, Assistant Division Manager, Forest Resources Division, shared a video on  
4 Silviculture 101. He stated that silviculture controls the growth, composition, structure, and  
5 quality of forests for growing young forest stands on DNR trust lands. Future videos will be  
6 shared on the Webster Forest Nursery and the Meridian Seed Orchard.

7  
8 Mr. Ohlson-Kiehn acknowledged the efforts of dozens of staff members and contractors working  
9 on seedling operations with many working in enclosed spaces in the Department’s packing shed.  
10 The work has been stressful and challenging, and both staff and contractor personnel have done a  
11 great job keeping the work environment safe during the pandemic. He is appreciative of their  
12 efforts to deliver seedlings for planting on DNR trust land and on private property throughout the  
13 state.

14  
15 **PUBLIC COMMENT FOR GENERAL ITEMS OF INTEREST**

16 **Mary Jean Ryan, resident of Jefferson County**, spoke in support of the Trust Land Transfer  
17 (TLT) process and shared information on a TLT coalition and their efforts to support the  
18 program. She asked for the inclusion of the coalition to participate in the spring stakeholder  
19 process on the future of trust lands. As a community volunteer, she is working on efforts to save  
20 the heritage forest in the Toandos Peninsula adjacent to Dabob Bay Natural Area. The coalition  
21 is working to expand the Dabob Bay Natural Area and that work would be aided with a strong  
22 DNR TLT process.

23  
24 She stated that support for the program across the state is strong and is expanding. A number of  
25 organizations are joining together to advocate for funding the program. The coalition is  
26 recommending four projects for funding during the current session previously vetted and  
27 recommended by DNR during the last biennium.

28  
29 Ms. Ryan added that the coalition is building support for DNR’s TLT process among education  
30 leaders. She thanked Superintendent Reykdal for supporting the TLT process and his willingness  
31 to work with the coalition. Having served on the State Board of Education for eight years and  
32 operating an education non-profit for 10 years, she views the TLT process as a rare investment  
33 method that can advance several important public policy objectives. The coalition would value  
34 the opportunity to work with DNR on the important strategic process.

35  
36 **Ed Bowen, citizen of Clallam County**, spoke about the Department’s legislative priorities for  
37 2021 and that he isn’t sure what they are. During the last session, the Legislature made it clear it  
38 serves as the Trustee of the land trust. The priorities appear to lack the arrearage issues  
39 encountered in Clallam County or any adjustments for explaining the breakouts for Olympic  
40 Experimental State Forest within Clallam County and the lack of any legislative priorities  
41 addressing the inventory of the trust.

42  
43 Mr. Bowen voiced his confusion on land exchanges and why Blanchard fix was not considered  
44 or addressed within the legislative priorities. He also spoke about road agreements with the US  
45 Forest Service. He pointed out the \$300,000 impact to the county by the foot trails with the U.S.  
46 Forest Service that he believes are robbing the county of funds. No legislative priorities are  
47 included to address road agreements between the federal government and the state.

1  
2 **Peter Goldman, Director, Washington Forest Law Center**, spoke about the Trust Land  
3 Performance Assessment. He reported that the Board's review of Department's long-term forest  
4 and land management strategies is an important decision point, and the assessment study process  
5 is an opportunity to put forests to work. He spoke about the overarching subject and that the  
6 Department should modernize their disposition management and diversification strategies of its  
7 land. There is general agreement modernization is a good approach in principle. He shared that  
8 there is a need of an honest and objective initial assessment of what needs to be completed given  
9 the time and realities facing public lands today.

10  
11 He stated that the core issue underlying the assessment process is how to manage millions of  
12 acres of priceless carbon rich forests in light of current shifting economic, social, and  
13 environmental realities. He stated that the information points toward the need to grapple with the  
14 perception by some that DNR's forests are essentially underperforming compared to privately-  
15 managed industrial forests. Some land value revenue from DNR's harvests decreased by 45% in  
16 2018 when compared to revenue generated in 1995. He went on to share his view of what the  
17 report implies and his interpretation of the best next steps for the Department, ending with the  
18 statement that the Department does not need to produce more logs, but smarter logs.

19  
20 **Reed Blanchard, resident of Kitsap County**, spoke to DNR's mandate. As a parent of children  
21 enrolled in the public school system, he can attest that public schools are in desperate need of  
22 funds for salaries, programs, and facilities; however, not at the expense of forests. To have  
23 school districts depend on clearcutting its own cherished forests to build classrooms is  
24 misguided. It is not an appropriate or a necessary tradeoff, but it is an outdated arrangement from  
25 another era. Given the small percentage of timber sales benefitting schools, it is not a good deal  
26 for Washington residents. More lucrative ways are available to generate revenue for schools. It is  
27 time to repair the system. Washington residents and the country as a whole are desperate for  
28 solutions and bold leaders who can begin the hard work. A first step is adding diversity to the  
29 Board. He requested the inclusion of a tribal or indigenous representative on the Board to help  
30 facilitate new discussions and perspectives that are sorely needed.

31  
32 **Susan Cross, resident of Index**, recommended instituting remote access of meetings as a  
33 permanent option as it enhances access for all citizens and reduces the number of vehicles on the  
34 road. She also asked for a slowdown of timber sales, especially in the Skykomish Valley who has  
35 experienced more logging in recent years, to combat climate change.

36  
37 She stated that revenues to schools and other beneficiaries are of small consequence when  
38 weighed against the bleak future of a planet with collapsed ecosystems. She asked the Board to  
39 raise the standards and slow down the destruction of the forests that belong to all citizens.

40  
41 **William Cross, resident of Index**, shared his concerns with clear cutting and asked for a  
42 slowdown on timber harvests. He shared that sequestration of carbon in forests has become one  
43 of the most important factors in efforts to slow constant warming of the planet. The state uses  
44 timber as a monetary resource based on outdated ideas. Public timber lands are still used as a  
45 'carrot on a stick' for junior taxing districts when recreation has become a major driver of local  
46 economies. View corridors are constantly logged and planted in poor-looking fir tree  
47 monocultures in areas where citizens want natural mixed forests. He cited the recent battle of

1 activists to stop the Middle May timber sale adjacent to an established state park and trail  
2 system.

3  
4 He suggested that laws should be changed to reflect the will of the people and the Board should  
5 be listening to constituents while efforts continue to change archaic laws that govern the use of  
6 public lands. Constituents will continue to lobby the Board to stop cutting timber resources, as  
7 well as lobbying the Legislature to change laws to begin properly funding junior taxing districts  
8 and ending the business of selling children's futures by mowing their legacy forests.

9  
10 **Janet Way, resident of Shoreline**, stated that DNR's funding model for schools is outdated and  
11 unsustainable. State forests are crucial for fighting climate change. DNR should seek alternate  
12 funding sources and models, such as wind farms on public lands. State forests provide vital  
13 ecosystem services worth more than the value of timber. She is hopeful the Board can assist the  
14 state in moving into a new era of funding for schools and protect legacy forests for the health of  
15 citizens. Existing first and second growth forests provide incredible value for habitat, clean air,  
16 clean water, climate change prevention, watershed health, and recreation.

17  
18 **Miguel Perez-Gibson, Policy Advisor, Washington Environmental Council**, commented  
19 about the increase in timber sales of older forest stands. While the Council is not opposed to  
20 harvesting some older forest stands, there are concerns about the management of stands to meet  
21 the Habitat Conservation Program (HCP) goals. He recited the policies to achieve the goals,  
22 noting that policies on older forests and silviculture dictated retaining very large diameter  
23 structurally unique trees to meet DNR's HCP requirements. He also cited the strategy for that  
24 treatment, such as biodiversity pathways, could be used to create complex multi-aged forest  
25 stand structures to sustain key forest elements replicating the vital ecological functions at the  
26 stand and landscape levels. The approach could be used to meet the older forest targets of DNR's  
27 HCP to manage structurally complex forests to achieve older forest structures across 10% to 15%  
28 of each HCP planning unit in the 70 to 100 years.

29  
30 He noted that given the approval of the marbled murrelet long-term conservation strategy, more  
31 sales will be presented to the Board for approval. The Board should consider other silviculture  
32 harvest options rather than clearcutting stands. The Board should know whether the Department  
33 is meeting older forest stand goals as it moves forward to the next sustainable harvest  
34 calculation. Carbon sequestration contributions of the stands should be considered as well.

35  
36 **Mike Town, Sierra Club**, spoke about Middle May and the Trust Land Transfer process. He  
37 stated that he was one of over 3,000 individuals opposing the Middle May timber sale. Following  
38 the sale, he communicated the frustration of people along the Highway 2 corridor and in  
39 Snohomish County about how the sale was allowed. He was hopeful the Department would  
40 reach out to local citizens to try to build bridges following the timber sale. One of the easiest  
41 ways was by nominating Morning Star NRCA for consideration of the TLT process within the  
42 budget. However, the Department chose not to pursue that action.

43  
44 Other previously nominated TLT properties were also not added this year. A number of  
45 organizations are jointly working to approach the Legislature to explore the possibilities of  
46 funding during this biennium. The organizations want to work with DNR on the TLT process.  
47 He is hopeful DNR would support the effort, as well as funding Morning Star in this biennium.

1 He cited recent support by the federal government to preserve 30% of federal land for climate  
2 reasons. Consistency with DNR's Deloitte & Touché report and the nomination of Morning Star  
3 would serve as way to build bridges with the local community after all the negative  
4 consequences associated with the Middle May timber sale.  
5

6 **Sam Chesley, citizen of Gold Bar**, spoke to the Trust Land Performance Assessment dated  
7 December 1, 2020 and the ecosystem service component that speaks to the value of ecosystem  
8 services and recreation. He noted that recent timber sales and another 1,500 acres of clearcutting  
9 DNR is planning for the area is located in Gold Bar and the surrounding communities to the east  
10 of the Gold Bar watershed. The watershed is defined by the Wallace River to the west that  
11 travels through Wallace Falls State Park. Both bodies of water and tributaries flow into the  
12 Wallace River state hatchery. The watershed provides drinking water to the community. Timber  
13 harvesting of the properties would cost the citizens in the community through reduced water  
14 quality and monetary improvements to water systems and wells. He encouraged the Board to  
15 consider the proposal as an example at the micro-level as to why ecosystem services are critical  
16 components of operations and sustainability moving forward and to consider ecosystem values of  
17 Gold Bar's watershed in planning operations within the Reiter Forest.  
18

19 **Matt Comisky, Washington Manager, American Forest Resource Council (AFRC)**, stated  
20 that the TLT process is not a program; rather it is a name for a process involving elements of  
21 state statute, policy, and budget provisos played out over many years through DNR and the  
22 Trustee.  
23

24 Over the years, many appropriate properties have been transferred from trust management to  
25 conservation purposes; however many transfers were questionable for a number of reasons.  
26 AFRC and other stakeholders have concerns over the TLT concept based on erosion of the  
27 purpose of the trust. Typically, beneficiaries receive a small fraction of the replacement value  
28 within the replacement account. Superintendent Reykdal even questioned the land value of  
29 several proposed transactions in the past.  
30

31 The TLT process competes with the encumbered lands process involving stakeholders from the  
32 conservation community, beneficiaries, and purchasers who worked for many years to identify a  
33 solution to the Southwest Washington counties funding problem. The current session is the third  
34 legislative session with no potential for success for solving the problem despite the steering  
35 committee developing a proposal that is sound to bring forward. Any trust manager needs an  
36 opportunity to reposition underperforming assets and the AFRC looks forward to working with  
37 DNR to improve and modernize the TLT process so the Trustee is managing property under the  
38 mandate and fiduciary obligations to beneficiaries.  
39

40 **Mary Rollins, Citizen**, spoke about carbon sequestration and climate change. She stated that the  
41 video shared earlier in the meeting was interesting, as she understands trees will mature in 40  
42 years to be harvested. However, Washington forests have trees that have been growing for a long  
43 time that serve as low-hanging fruit for DNR to harvest. Those lands are close to infrastructure  
44 and easy to add roads and bridges to remove legacy forests; however, the forests mean so much  
45 more to the state now in a time of climate change.  
46

1 The management of legacy forests really does need to be at the standards of what climate change  
2 teaches everyone today. Clearcutting represent more than ‘not in my backyard’ as it represents  
3 the planet as the forests serve as the lungs of the planet and continuing to cut them will lead to  
4 loss of breathing. She suggested other methods, such as considering growing hemp, a good  
5 return on investment for paper and many other products. Hemp is sustainable, grows quickly,  
6 and provides many jobs. Instead, beautiful remaining forests that are older than 50 years are  
7 clear-cut. She asked the Board to avoid a similar call in the next five years conveying the same  
8 message.

9  
10 **PUBLIC COMMENTS FOR TIMBER SALE ACTION ITEMS**

11 **Koryn Rigler, resident of Gold Bar**, spoke to logging activity near Wallace Falls Park. Ms.  
12 Rigler shared the local community’s use of the area and how timber harvests, such as Middle  
13 May, affect the residents. She is concerned about mudslides, as she assisted in the recovery  
14 efforts of Oso and she does not want the same thing to occur in her community. She lives near  
15 the river and removing forests will affect the flood levels in the town, which will affect people  
16 living on the rivers who will need to adjust to new flood levels because trees and vegetation  
17 absorbing water will be removed. There are other ways to fund schools that are more sustainable.

18  
19 **Ed Bowen, citizen, Clallam County**, cited the upcoming proposed timber sales and a significant  
20 trend developing in his area of the state. The package does not include any Clallam sales.  
21 Auction results reflect a negative trend of no bids in Clallam County. In January 2021 and  
22 November 2020, Clallam County timber sales received no bids. That trend is increasing for  
23 Clallam in board sales and regional sales. DNR should consider examining the trend in terms of  
24 performance of the agency. His county is tasked more for increased levies and taxes to pay for  
25 EMS and other burdens in the county.

26  
27 **Miguel Perez-Gibson, Policy Advisor, Washington Environmental Council**, spoke about the  
28 proposed timber sales represent good examples of the long-term challenges and policy actions  
29 that need to be addressed on state forest management. The Lobster timber sale is a good  
30 example. He cited the thinning prescription for a harvest within the riparian management zone,  
31 which is intended to restore the stream. It is assumed that the prescription is based on the  
32 implementation procedures for the HCP riparian forest restoration strategy. The procedures cover  
33 the five western planning units to restore and maintain fresh water habitat for salmonid species  
34 and contribute to the conservation of other species. The prescription calls for falling large  
35 conifers into the stream as down woody material within a six-acre area.

36  
37 He acknowledged the effort and asked for information on how much restoration thinning has  
38 occurred to date to meet HCP goals. He described the specifics of the proposed timber sale and  
39 encouraged the Board to explore those types of questions when considering trust land  
40 performance and modernizing state forest land management.

41  
42 **Sam Chesley, citizen of Gold Bar, WA**. Spoke about Wallace Falls State Park and Middle May  
43 timber sale. He expressed his disappointment that the Middle May and Madera harvests will go  
44 forward. He is a frequent walker to Wallace Falls State Park. He noted that over the years,  
45 hundreds of public statements have been made at Board meetings, thousands of Washington  
46 citizens signed petitions, and alternative forest plans were provided. The result of those efforts  
47 was a political hot potato on the issue as Middle May was passed around from the Board to

1 Snohomish County Council to the Tulalip Tribe. He expressed that the issue is a DNR Board  
2 issue and the Board should have developed a better alternative.

3  
4 **Steven Kropp** spoke in opposition of the Frances 40 timber sale. Although the sale was  
5 scheduled this month, it is not listed in the auction list. He encouraged the Department to  
6 redesign the sale as a thinning or withdraw the application. DNR has plenty of volume in the 40  
7 to 60 year old age class in Pacific County to meet near-term sustainable harvest targets. DNR  
8 should not be logging reclassified murrelet stands as the Department has not completed a  
9 forestland plan for the South Coast Planning Unit and did not provide him with any information  
10 on how the Department plans to meet the 10% to 15% older forest target. He stated that the stand  
11 is exceptionally diverse and he encourages everyone to check out the Center for Responsible  
12 Forestry website to view many photographs of the stand. He encouraged the Department to look  
13 elsewhere to satisfy its sustainable harvest targets.

14  
15 **TIMBER SALES (Action Item)**  
16 **Auction Results for January 2021 & Proposed Timber Sales for March 2021| 3 handouts,**  
17 **including the presentation**  
18 Koshare Eagle, Assistant Division Manager, Product Sales & Leasing Division

19  
20 Ms. Eagle presented the results of the January 2021 auctions. The Department offered 14 sales  
21 totaling 68.0 mmbf. The minimum bids totaled \$22.2 million for an average stumpage of \$327  
22 per mbf. The Department received bids on 12 of the sales. The sales in Clallam County did  
23 receive bids. The Department is experiencing some challenges with hemlock-dominated sales in  
24 that area. Staff is identifying a strategy for the sales. The 12 sales totaled 57.2 mmbf to the sold  
25 volume for fiscal year 2021. When harvested, an estimated \$26.9 million will be provided to the  
26 beneficiaries and the Department's management account. The average bid was \$470 per  
27 thousand mbf with an average of 2.8 bidders per sale.

28  
29 Ms. Eagle invited questions. No questions were offered by the Board.

30  
31 Ms. Eagle presented nine proposed March timber sales totaling 46.2 mmbf. One proposed sale  
32 (Lobster) was previously approved by the Board. No bids were received at that time. The statute  
33 requires notification of the current value of the Lobster sale for consideration of a minimum bid.  
34 Total minimum bids for the sales are 13.7 mmbf at an average of \$295 per mbf.

35  
36 Ms. Eagle invited questions. No questions were offered by the Board.

37  
38 Ms. Eagle requested approval of the proposed sales as presented and noted that the Frances 40  
39 timber sale was scheduled for auction in February. The Board approved the sale in June 2020.

40  
41 MOTION: Commissioner Peach moved to approve the proposed sales.

42  
43 SECOND: Director Brown seconded the motion.

44  
45 ACTION: The motion was approved unanimously.

46

1 **Angus Brodie, Deputy Supervisor, State Uplands**, briefed the Board on a timber sale in  
2 Capitol State Forest. He stated that because of the uniqueness of the situation, this information  
3 will cover the oversight and corrective action. The Smuggler sale was approved in October 2020,  
4 auctioned, and sold on November 17, 2020. The sale was evaluated and designed following all  
5 Department policies and procedures to include a procedure for the protection of old growth  
6 stands in Western Washington.

7  
8 The Smuggler sale contained patches of large diameter trees. In November 2020, staff was  
9 contacted by a concerned citizen about the potential of harvesting old growth timber. Staff met  
10 with the citizen and agreed a further field review was warranted. Following a field review and  
11 additional investigation, staff identified a five-acre tract of forest meeting the criteria for old  
12 growth. Of that five-acre tract, approximately two acres fell inside the sale boundary. To correct  
13 the issue, staff worked with the timber sale purchaser to remove the two acres from the sale. The  
14 five-acre patch of old growth will not be harvested. Mr. Brodie thanked all parties involved for  
15 correcting and amending the sale.

#### 16 17 **PUBLIC COMMENTS FOR CHAIR REPORT**

18 **Ed Bowen, Citizen, Clallam County**, expressed concerns about outreach as the Trust Land  
19 Performance Assessment presentation is vague on how outreach in Clallam County occurred. He  
20 believes there was some reliance on the county's trust land advisory group and asked about the  
21 direction for the future, as the information appears to be a repeat of similar presentations for  
22 performance. It is important for the public to understand the performance goals the Department  
23 is trying to achieve.

24  
25 **Peter Goldman, Director, Washington Forest Law Center**, urged staff to present information  
26 to the Board on the DNR/U.S. Forest Service Ecosystem Carbon Inventory Study 2002 – 2016.  
27 The report was released in October 13, 2020 is a study measuring carbon stocks in different  
28 classifications of forests in the Pacific Northwest. It essentially, it Measured carbon stocks in  
29 different classifications of forests in the Pacific Northwest. An example of results are that  
30 approximately 40% of all carbon stored on U.S. Forest Service land, approximately 11% is on  
31 DNR lands (2 million acres) and 19% is on state and private land (10 million acres). He noted  
32 the study's important findings on sequestration and release concluded DNR forests have an  
33 equivalent emissions and retention similar to private lands and he feels that DNR forests are  
34 underperforming in terms of carbon services.

35  
36 **Dr. Beverly Parsons** spoke about the Trust Lands Performance Assessment and said she hopes  
37 the Department's utilization of the Trust Land Performance Assessment will lead to a break in  
38 the unrelenting 'ground hog day' of prioritizing sales of state land timber over the broader value  
39 of the land. She urged expanded attention to the voice of the public. She asked the Department to  
40 emphasize the work completed by Earth Economics in the assessment and the non-market  
41 benefits of ecosystems, as well as the TLT funding.

42  
43 The slide presentation for the assessment reflects outreach to the same groups that already have a  
44 well-established voice in the Department's work. Today, with social media networks, many ways  
45 are available to publicize ideas and engage in conversations to generate new public voices.  
46 Additionally, she is concerned initial outreach did not include tribes and suggested bringing

1 tribal wisdom to bear on the decisions of how forests are managed and bringing the tribes more  
2 centrally into the conversation by including a tribal member on the Board.

3  
4 **Miguel Perez-Gibson, Policy Advisor, Washington Environmental Council**, cited the Trust  
5 Land Performance Assessment and a graph representing 1996 timber revenue of \$139.83 million  
6 or \$224 million in today's value. Timber revenue in 2018 was \$123 million reflecting a decrease  
7 in timber revenue by 45%. He asked how purchasers fared over the same period in terms of  
8 lumber prices during those years at today's value and whether the Trust beneficiary share has  
9 increased or decreased during that period, as it appears the lumber industry would reflect a  
10 decrease in revenue of 45% from 1996. Rather than trying to bridge revenue by increasing  
11 volume, he questioned how revenue might be increased by modernizing how timber is sold.  
12 Timber sales continue to generate several bidders for each sale, but often there are no bidders.

13  
14 He questioned the possibility of changing marketing methods and considering ways to capture  
15 more value for the volume sold. That could entail expanding the marketing of great quality wood  
16 or engaging in conversations with smaller purchasers as a way to attract more participation. He  
17 stressed the importance of considering the Department's position as well as those who are  
18 purchasing timber.

19  
20 **Matt Comisky, Washington Manager, American Forest Resource Council (AFRC)**, spoke to  
21 constitutional change discussions for some of the land sales issues. However, it is apparent the  
22 Department is not intending to pursue any changes to the constitutional mandate in the  
23 management of land nor approach a broken Congress to discuss the enabling act in the state. He  
24 stated that the state should be proud of the millions of acres of originally granted lands from the  
25 federal government unlike many other western states. He is concerned about the non-market  
26 bucket dialogue because adding dollar signs to social and environmental benefits implies value.  
27 Ecosystem services provide no economic revenue to beneficiaries.

28  
29 He agreed exploration is necessary to identify the decrease in revenue. One citation in the  
30 outreach noted that log values have decreased by 17% while revenue has decreased between 35%  
31 and 45%. It is important to identify the reasons, such as staffing costs, changes in the market, and  
32 the status of the market in 1995 and 1996 as the state was contending with the spotted owl issues  
33 and a change in the overall structure of the industry from large logs to small logs. Much work is  
34 warranted to identify the decrease in revenues.

35  
36 He looks forward to working with the Department and other stakeholders to improve processes  
37 and increasing and stabilizing revenues. He wants to ensure beneficiaries are successful and  
38 members can continue to store carbon and wood products in alignment with RCW 78.45.090. He  
39 suggested offering a series of lightning talks on Trust 101, as it would be beneficial to  
40 understand the membership of the Board of Natural Resources as representatives of the  
41 beneficiaries of the trust lands.

#### 42 **CHAIR REPORT**

#### 43 **Trust Land Performance Assessment Work Plan**

44 **Kristen Ohlson-Kiehn, Assistant Division Manager, Forest Resources Division**

45 **Angus Brodie, Deputy Supervisor, State Uplands**

46  
47

1 Mr. Brodie reported the briefings will continue through a series of updates over the next year on  
2 the progress of the Trust Land Performance Assessment.

3  
4 Kristen Ohlson-Kiehn, Assistant Division Manager, Forest Resources Division, briefed members  
5 on the status of the Trust Land Performance Assessment project, release of reports, outreach  
6 efforts, work plan, and need, purpose, and objectives of the project.

7  
8 During the December 2020 meeting, findings from three reports were summarized. The reports  
9 were produced in response to the 2018 budget proviso to conduct an asset valuation of state trust  
10 lands. The reports included:

- 11
- 12 • DNR’s Legislative Report – *Charting a Course for the Future*. The study summarizes the  
13 findings from subsequent reports, provides additional analysis on the finding, identifies  
14 opportunities and challenges in the current state trust land portfolio, and includes initial  
15 ideas on ways to achieve a transformative or modernized agenda for the future of state  
16 trust lands.
- 17 • Deloitte’s Trust Land Portfolio Evaluation
- 18 • Earth Economics Non-Market Environmental Benefits and Values

19  
20 Initial outreach was conducted to preview the report with the following entities: Washington  
21 State Association of Counties; Washington State Investment Board; University of Washington;  
22 Washington State School Directors’ Association; Office of Superintendent of Public Instruction;  
23 Library Districts; Conservation Caucus; Clallam County community; Washington State  
24 University; Legislative staff briefing; American Forest Resources Council; and other state  
25 government agencies.

26  
27 The 2021 Work Plan depicts actions for each quarter. Briefings to the Board throughout the year  
28 will include updates on the project, progress of outreach, development of Board policy and  
29 legislative proposals, and progress on implementation of actions to improve internal systems to  
30 increase efficiency and effectiveness.

31  
32 Mr. Brodie encouraged citizens to contact staff or attend Board meetings to offer information  
33 and participate in the process.

34  
35 Commissioner Franz commented on the monumental undertaking of the project as it sets forth  
36 opportunities in the future for management of lands to meet all responsibilities to the state and to  
37 the people. Staff is committed to identifying subject matter experts to establish a suite of  
38 committees to provide expertise in the different subject areas in support of the project.

39  
40 Commissioner Peach referred to the recommendation within the Deloitte report to focus on cash  
41 flow and increasing revenue. He suggested the importance of having conversations on both  
42 topics as increasing revenue means losing margin because of increased costs versus fewer sales.  
43 Establishing a reporting system that considers cash flow will be a fundamental step in the  
44 process. Today, DNR receives information from the State Treasurer and he would like financial  
45 reports presented to the Board from the State Treasurer’s Office.

1 Mr. Cahill commented on the timing of information to the Board while considering the timeline  
2 for the 2022 legislative session. He asked about the status of tribal engagement. Ms. Ohlson-  
3 Kiehn affirmed the process would include contact with the tribes. Commissioner Franz added  
4 that the initial outreach was following the initial release of the reports and prior to the release to  
5 the public. The work plan moving forward includes a robust engagement amongst stakeholders,  
6 the public, and legislators throughout the process as recommendations and issues are identified.

7  
8 Ms. Ohlson-Kiehn reviewed the scope of the project compromised of Need, Purpose and  
9 Objectives:

- 10 • NEED - DNR needs to increase the amount and reliability of the revenue it generates  
11 through the assets it manages on state trust lands into perpetuity.
- 12 • PURPOSE - DNR will transform state trust land management:
  - 13 1. Legislative proposals to increase amount and reliability of revenue
  - 14 2. Changes to Board of Natural Resources policies to improve trust asset performance
  - 15 3. Updated operational business practices to increase efficiency and effectiveness
- 16 • OBJECTIVES:
  - 17 1. Increase amount and reliability of revenue
  - 18 2. Sustain the natural resource lands, while seeking opportunities to diversify
  - 19 3. Maintain or enhance the social, environmental, and cultural benefits of state trust  
20 lands consistent with revenue generating purposes of the land
  - 21 4. Feasible solutions Draft – subject to change February 2021

22  
23 Ms. Ohlson-Kiehn invited comments and questions from the Board.

24  
25 Superintendent Reykdal questioned whether the scope of the project is sufficiently  
26 comprehensive to address the larger issues. The scope tends to convey only optimization of  
27 assets for maximum revenue yield rather than addressing larger issues of wildfire risks, forest  
28 management, disease, species preservation, and other forces that might entail an honest  
29 assessment that in the longer term is unlikely to benefit revenue recovery anytime soon. He  
30 suggested framing the scope differently even though those issues likely would be considered in  
31 the larger scope of the project. The Department needs more resources and cannot sustain forest  
32 management practices and maintain existing practices today in the current funding environment.  
33 Perhaps, beneficiaries should receive less in order to maintain forests and forest health. Those  
34 issues pose larger questions that might emerge from the process but were not apparent in the  
35 briefing.

36  
37 Commissioner Franz responded that the Department manages a large asset portfolio of diverse  
38 land with some generating no revenue for many years in rapidly changing environments. The  
39 suite of portfolios include lands that are generating no revenue, but provide great opportunities  
40 while other portfolios are struggling for a variety of reasons, such as wildfire, forest health, or  
41 changes in land use. The Department has the ability to acquire land to diversify its portfolios to  
42 achieve more significant returns. Although the objectives are important, it is also important to  
43 consider all opportunities presented by the report rather than only the challenges.

1 Commissioner Peach asked whether the second objective includes detailing cash flow by the  
2 type of business managed, as it would assist the process of examining the areas of growth and  
3 those areas of decline to help quantify the best areas for investment. Additionally, the concept of  
4 cash flow also includes another financial measure of cash available for distribution or being able  
5 to look at the different business lines and identifying cash availability that could be distributed.  
6

7 Director Brown commented on the importance of framing proposals that recognizes Objectives 1  
8 and 3, as the Legislature has a role to play to help the Department attain the goal of increasing  
9 the amount and reliability of revenue and operating within the context of multiple stakeholders  
10 that value outcomes.

11  
12 Mr. Brodie and Ms. Ohlson-Kiehn agreed and acknowledged the feedback recognizes the  
13 difficulty of ways to develop some solutions to some of the challenges associated with managing  
14 the portfolio. The Board's feedback is helpful in recognizing that Purpose, Need, and Objectives  
15 are drafts developed by staff. Ongoing Board conversations will help incorporate elements into  
16 the Purpose, Need, and Objectives to help guide the work. The work will entail a number of  
17 years with the effort launched this year and legislative proposals targeted for the 2022 session  
18 and future legislative sessions.

19  
20 **ADJOURNMENT**

21 Commissioner Franz adjourned the meeting at 10:56 a.m.  
22  
23

Approved this 2nd day of March, 2021

DocuSigned by:  
Hilary S. Franz  
903456C1CB0C405...  
Hilary S. Franz, Washington State Commissioner of Public Lands

Approved via Webinar

Jim Cahill, Designee for Governor Jay Inslee

Approved via Webinar

Chris Reykdal, Superintendent of Public Instruction

Approved via Webinar

Bill Peach, Commissioner, Clallam County

Approved via Webinar

André-Denis Wright, Dean, College of Agricultural, Human, and Natural Resource Sciences,  
Washington State University

Approved via Webinar

Dan Brown, Director, School of Environmental and Forest Sciences,  
University of Washington

Attest:

Tami Kellogg  
Tami Kellogg, Board Coordinator

Prepared by Puget Sound Meeting Services, psmsoly@earthlink.net