



FINAL ASSET STEWARDSHIP PLAN

January 1998



WASHINGTON STATE DEPARTMENT OF
Natural Resources

Jennifer M. Belcher - Commissioner of Public Lands



Authority

This Plan was approved and adopted by the Board of Natural Resources January 6, 1998.

Board of Natural Resources

The following individuals were seated on the Board at the time of adoption.

Jennifer Belcher, *Chair, Commissioner of Public Lands*
Terry Bergeson, *Superintendent of Public Instruction*
David Thorud, *Dean, College of Forest Resources, University of Washington*
Bob Paylor, *County Commissioner representing the Forest Board counties*
Bob Nichols, *Executive Policy Division, OFM - designee for Governor Gary Locke*
James Zuiches, *Dean, College of Agriculture and Home Economics, Washington State University*

Acknowledgments

Department Of Natural Resources Staff

Team Members

Joy Keniston-Longrie, *Division Manager, Resource Planning and Asset Management*
Catherine Elliott, *Assistant Division Manager, Resource Planning and Asset Management*
Terry Graham
Peggy Murphy
Richard Ramsey
Anne Sharar
Don Vogt
Carol Grant

Production

Anne Sharar
Blanche Sobottke
Dena Scroggie

We appreciate the contributions of:

Former Asset Stewardship team members

Michael Perez-Gibson
Phil Clark
Jerry Probst

Executive Management Staff

Kaleen Cottingham, *Deputy Commissioner*
Charlie Baum, *Supervisor*
Stan Biles, *Senior Policy Advisor*
Paul Silver, *Deputy Supervisor*
John Daly, *Deputy Supervisor*
Paul Dziedzic, *Education Beneficiary Liaison*

Region Managers who hosted public meetings

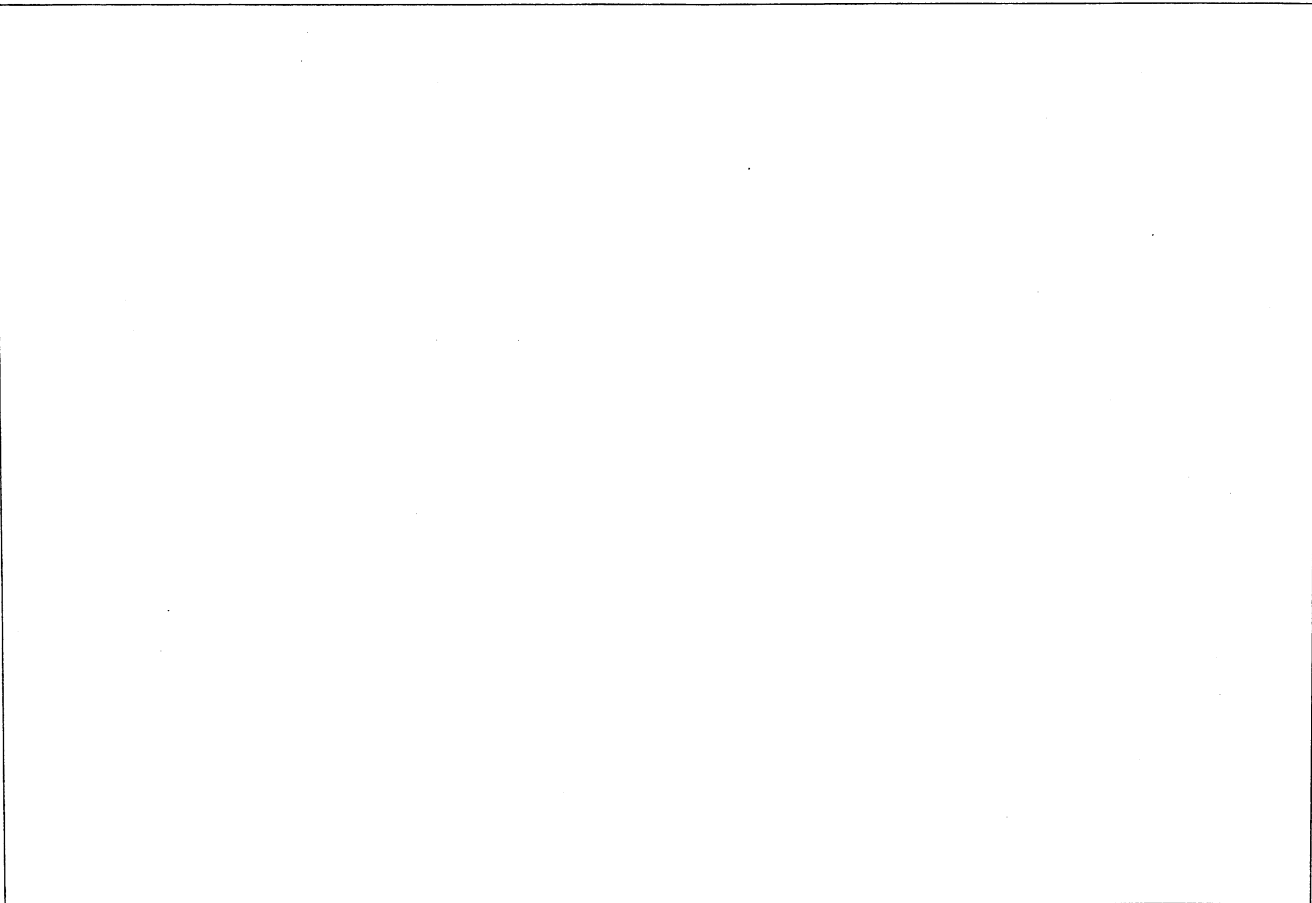
Bill Boyum, *Southeast*
Bonnie Bunning, *South Puget Sound*
Rick Cooper, *Southwest*
Bill Wallace, *Northwest*

Division Managers and Staff

Loren Stern, *Agricultural Resources*
Rinee Merritt, *Agricultural Resources*
Maria Peeler, *Aquatic Resources*
Pat McLain, *Financial Management*
Jim Smego, *Financial Management*
Michael Perez-Gibson, *Forest Resources*

Special thanks to the members of the Beneficiary Group, Key Publics Group and Portfolio Advisory Committee

WASHINGTON STATE UNIVERSITY



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WASHINGTON STATE DEPARTMENT OF
Natural Resources

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Commissioner of Public Lands

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Dear Reader:

I'm proud to present the Asset Stewardship Plan, adopted by the Board of Natural Resources on January 6. At the heart of this plan are strategies that lay the groundwork for well-informed decisions to position the many assets in our care for improved outcomes over the next century.

Pressures on the state lands and resources we manage for Washington's citizens will continue to increase. It's estimated that our state will have 8.4 million residents by 2020, an increase of 2.8 million from today. Decisions about which lands to keep, exchange, or sell will be important for every Washington resident, now and in the future. This plan will help us make critical choices to address the challenges and opportunities posed by Washington's significant population growth.

As we implement the strategies discussed in the plan, I'm confident we'll find innovative ways to:

- maintain healthy and productive trust lands,
- provide the greatest possible sustainable benefits to current and future generations of Washingtonians,
- work collaboratively with each trust's beneficiaries to establish the most appropriate asset mix,
- decide which lands to keep or sell to provide ongoing revenue for trust beneficiaries and for local services,
- meet growing public needs for recreation,
- provide broad public benefits from aquatic resources managed on behalf of all Washington residents, and
- improve the department's business practices and systems using technological innovations.

The Asset Stewardship Plan contains a summary of how we came to manage the current mix of assets. It's also a commitment to doing our best to address changing and widely expanding public needs and values through wise repositioning and sustainable management. By proceeding prudently now, we can conserve and enhance our rich endowment for generations to come.

Sincerely,

JENNIFER M. BELCHER
Commissioner of Public Lands

Department of Natural Resources
Olympia, Washington 98504-7000
(360) 902-1000





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Guiding Principles

These are statements of what we believe to be important in the execution of our departmental responsibilities. As such, they should guide our deliberations in policy development and program implementation, and lead us to better decisions.

Asset Management

- The asset value of Washington's public lands will be protected and enhanced over time. We recognize the asset value to include economic, ecological and social values.
- Where trust lands are involved, the trust mandate will be our primary consideration.
- The trust lands shall be managed in a way that both protects and advances the fiduciary best interests of the designated trust beneficiaries.
- The economic and ecological values of our lands are inherently related, and we will integrate these values in our decision making for the lands we manage.
- Management activities should generate an equitable return to each generation of trust beneficiaries, taking care to not favor one generation over another.
- Direct and immediate protection will be provided for natural resources at risk of loss or unacceptable decline over time, whether under our management or regulatory control.
- Management activities on public lands will consider and seek to minimize negative impacts to our neighbors' lands.
- Appropriate public use of public lands will be welcomed; inappropriate public use will be discouraged.
- The public will be encouraged to participate in our policy-making processes regarding management of public lands.

Regulatory Programs

- Regulatory programs will be designed and administered to protect public resources and assure the sustainability of Washington's natural resources.
- Regulations must be understood to be effective and will be written and communicated as clearly as possible.
- Our enforcement efforts should encourage voluntary compliance and collaboration.

-
- Rules and the enforcement of rules should be applied consistently and fairly.
 - Both real and perceived conflicts of interest, between our regulatory and proprietary programs, and with the regulated community, should be avoided.
 - The public will be encouraged to participate in developing regulations to protect public resources.


Service to the Public

- The quality of our work will be the measure of our success.
- The general public, tribes, and governmental agencies are our partners in the attainment of department goals and objectives.
- Respect and integrity should be apparent in our behavior and decisions.
- We will be efficient in the use of public resources to achieve our programs.
- We anticipate public needs and try to meet them when appropriate.

Professional Conduct

- People are treated with respect and courtesy.
- We each do our job to the best of our ability.
- We help each other succeed.
- We avoid both real and perceived conflicts of interest in the performance of our jobs.
- We maintain high personal standards of ethical behavior.

*Adopted by DNR's Management Team,
July 6, 1994
Revised 1997*



Establishing an Asset Stewardship Plan

Introduction

Washington State is a unique place whose extraordinary features are attracting many people who want to share in its natural beauty. A significant part of our character is related directly to the physical aspects of a state that boasts (not unfairly) of some of the world's cleanest air and water, tallest mountain peaks, beaches on vast oceans and open spaces, oldest forests, most important and rare estuaries, greatest productive capacity for agriculture and timber, and diversity of fish and wildlife. As a result, our population has grown by nearly 22 percent during the last decade and is expected to double over the next 50 years. The state now faces extraordinary challenges in preparing to meet quickly changing and widely expanding public needs and values.

Fortunately, Washington's history includes many examples of its people's willingness to be visionary and to make prudent decisions regarding our future, and the continued prosperity of these important aspects of our character — our natural resources. During the 1930s the state accepted the deeds to almost 600,000 acres of forest lands cut over and left to the counties in tax foreclosures, and since has invested millions of dollars to replant them, protect them from forest fires and manage them to assure the continuation of a forest products industry in Washington (the Forest Board lands); the Shoreline Management Act was adopted through the Initiative process to protect our significant shorelines; the Growth Management Act was enacted by the Legislature to assure that the character of Washington is maintained despite the overwhelming changes brought about by exceptional population growth; a coalition of more than 75 organizations came together to propose, and two Governors led the fight for, a ten-year program to purchase thousands of acres of land to support wildlife needs and recreation opportunities (Washington Wildlife and Recreation Program) to assure future citizens the opportunity to enjoy the lands as we have.

Yet the Washington we call home is threatened with the continued loss of these resources — old growth forests, wetlands, salmon runs, forest orchids, eel grass beds — largely due to continued population growth and the demand for resources to keep pace with ever growing needs. It will require extraordinary efforts to continue to protect our extraordinary wealth and ensure that even greater value and opportunities are available to our children and grandchildren.

The State's Portfolio

Washington has a complex system for financing public institutions to provide vital services and infrastructure for our citizens. This system is composed of many assets, including earnings from investments, taxes, land holdings, endowments, federal funds, licenses/permits/fees, lotteries, liquor profits, grants and private funds.

One of the key assets in this system is land, and Washington is rich in publicly owned lands, compared to other states. These lands include state parks and recreational areas, wildlife preserves and refuges, aquatic lands, forest and agricultural lands, and conservation lands.

Currently the state owns:

- 2.1 million acres of aquatic lands managed by the State Department of Natural Resources (DNR)
- 2.1 million acres of forest lands, managed by the DNR
- 1 million acres of agricultural, grazing, and commercial lands managed by the DNR
- 76,000 acres of conservation lands (Natural Area Preserves and Natural Resources Conservation Areas) managed by the DNR
- 130,000 acres of parks and recreational lands managed by the State Parks and Recreation Commission
- 850,000 acres of wildlife preserves and refuges managed by the Washington State Department of Fish and Wildlife

Establishing a Strategy

Today's Washington is not the infant state of 1889 that received the federal trust and aquatic legacies; nor is it the Depression-era state that took responsibility for Forest Board lands. In another 50 years, Washington won't be the state it is today. At statehood, forested land was more valuable when cleared for agriculture. Today, just 100 short years later, forests are immensely valuable as sources of fiber, revenue, fish and wildlife habitat and recreational opportunity. And in that time we've learned much about the need to be strategic in our efforts to manage the lands to meet those many values.

Due in part to our good stewardship thus far, the values and benefits from state lands are greater and more diverse than at statehood. Our citizens' values and expectations reflect the incredible diversity of benefits from these lands, including:

- income to trust beneficiaries, including money for schools and public services
- commodities such as timber for houses, range forage, agricultural produce, shellfish, minerals
- jobs and tax revenue generated through production, harvest and processing of commodities from state lands
- amenities that include scenic landscapes, open space and visible confirmation that Washington is "the Evergreen State"
- clean air and water resources of very high quality
- ecological values that include biological diversity and habitat for fish and wildlife, including threatened and endangered species
- opportunities for recreation, tourism, and navigation on the state's waters
- special places that fulfill our spiritual needs
- cultural resources that document and preserve our Native American and early European settlements and heritage
- future health values in the form of undiscovered medicines
- a sense of community, place, security and cultural diversity.

Increasing recognition of the complex relationship between trust mandates and habitat and ecosystem management requires careful asset stewardship planning. The listing of several species of fish and wildlife as threatened or endangered under the Endangered Species Act creates a corresponding obligation of the state and other landowners to correct this circumstance and to prevent future listings. These listings have jeopardized our ability to

generate revenue for the beneficiary institutions and increased operating costs, but the public increasingly has demanded and expects a more deliberate, holistic approach to managing these lands so that benefits and values generate an equitable return for current and future generations.

During this same time period, several courts rendered opinions which made the management of trust lands much more complex; the Skamania ruling affirmed the fiduciary obligation of the trust manager to act with undivided loyalty to the trusts, while the "Classic U" case and the challenge to the Forest Land Management Plan set forth the obligation of the trust manager to abide by other laws designed to protect public resources. Additionally, the court-upheld ban on log exports from state trust lands further affirmed the right of Congress to act outside the trust mandate in order to benefit the state and nation as a whole.

Thus we have come to recognize the complexity of managing to achieve the direction of the constitution to manage to benefit all the people of the state while carrying out our fiduciary obligation to named beneficiaries.

Washington's current population of 5.5 million is expected to reach 8.4 million by 2020, and with this increase in population will surely come increased complexity.

The growth in population has specific effects on state lands, including: more children needing more class rooms (and a related demand for more money from our product sales); more people seeking high quality affordable forest product building materials for housing; more developed land placing greater pressure on recreational lands. A few years ago hundreds of people rode mountain bikes on state lands; now thousands do, and soon there will be tens of thousands. Similar growth in recreational pressure affects state lands such as Mount Si Natural Resources Conservation Area in King County, which has become the most popular hiking trail in the state, with 80,000 hikers each year.

Discussions about these issues have renewed our awareness of the challenge of maintaining an asset based in land during times of great change and great population growth. We believe the value of maintaining land as a vital part of the state's asset portfolio is so significant that the challenge must be met.

Land is a marvelous asset for public ownership from both social and fiscal perspectives. Real estate investments have been well regarded as a hedge against inflation because of their continuing appreciation. At the same time well managed natural resource lands offer an ongoing source of revenue from products of their forests, fields and waters. Additional social benefits, such as recreational access, are frequently compatible with sustainable management.

Good stewardship requires us to regularly examine our assets, the condition of their health and well being, and their ability to continue to meet the state's needs. This report is the Department of Natural Resources' attempt to do that for the lands we manage as part of the state's portfolio of assets. (The report does not cover lands managed by other state agencies.) This is a report about the lands and resources, their economic and other values, the benefits they provide to the people of the state, and most importantly, how we intend to ensure that the lands continue to be one of the state's most valued assets, in perpetuity.

The development of an effective asset stewardship strategy should help

ensure that state lands provide the same, or even greater, benefits in the future as today. A strategy for asset stewardship which considers the entire endowment of resources and the long-term changes in population and citizen needs will assist the Board of Natural Resources and the department to manage and position state lands and assets to take advantage of opportunities, to minimize risk and to increase benefits for current and future beneficiaries and residents.

This Report

The report provides:

- a summary of the department's process for asset stewardship planning
- a brief history of the state's acquisition of lands managed by DNR
- the legal framework under which they're managed
- information about the lands and resources on those lands, including information about their various economic values
- recommended strategy for assuring the future value of these land-based assets



The Department's Process for Establishing an Asset Stewardship Plan

When the department began to consider an integrated asset stewardship approach for managing all its assets, it built upon a tradition of successful planning and managing assets separately. Past and current planning efforts, such as calculating sustainable harvest levels, the Forest Resource Plan, the Agricultural and Grazing Lands Plan and the Aquatic Lands Strategic Plan, were hailed as visionary and progressive as each was introduced. Each brought order, consistency and greater certainty to management of a particular kind of asset — forested, agricultural, or aquatic lands and resources. These advances have set the stage for moving on to considering all the distinct types of assets together. While many people focus on the department's fiduciary responsibilities as manager of the trust lands, this analysis and report focuses on all the assets the department manages, including those held in public trust for all the people of Washington.

The department formally began the asset stewardship planning process in November 1994. Before looking to the future, it's been vital to assess where we are now: what lands and resources the department currently manages and the conditions which affect our choices. As we assembled and shared this fundamental information, the department asked many interested parties what questions must be answered to be sure that our decisions lead to assembling the best mix of assets and managing them to optimize opportunities universally and for specific trusts. These discussions centered on the current department-managed land and asset base and how it came to be, how laws and department policy affect our options for asset selection and management, drivers or conditions beyond our control, and what we hope to achieve in the next century with the assets entrusted to us. Drawing upon these conversations and the baseline information, we developed a series of draft recommendations, or draft strategies, for the Board of Natural Resources to review beginning in June 1997 and consider for implementation over the next 10 to 20 years. These draft strategies included recommended areas of further investigation, specific asset management actions and ways to strengthen the department capacity.

Advisory Groups

Three advisory bodies have helped the department understand the wide range of expectations that Washington citizens have for lands and assets we manage, and the correspondingly diverse perspectives about priorities in planning for the future.

A **Portfolio Advisory Committee**, comprised of investment professionals and portfolio managers, has offered insight regarding financial strategies such as adopting a portfolio perspective for managing and allocating assets and stabilizing the income to beneficiaries. These financial experts met five times between January 1996 and June 1997 with department staff. They

confirmed the direction of the Deloitte & Touche economic assessment work, then reviewed the completed economic assessment and found it credible. The Portfolio Advisory Committee has encouraged the department to develop asset performance standards which are appropriate to public land management and to set asset goals for individual trusts. The committee also met with staff in August 1997, and representatives discussed the draft strategies with the Board of Natural Resources in September 1997. A summary of their comments is found in the Public Involvement section of the appendix.

A Beneficiary Group has provided informed feedback about the concerns and preferences of the specific public institutions. This group includes representatives of public education institutions, including K-12 and higher education, Forest Board counties and state agencies. The beneficiary group met five times between January 1996 and June 1997 to identify key issues which concern them, review the economic assessment work done to date, and suggest approaches the department might consider. The Beneficiary Group met again with staff in August 1997 to discuss the draft strategies, and representatives discussed the draft strategies with the Board of Natural Resources in September 1997. A summary of their comments is found in the Public Involvement section of the appendix.

A Key Publics Group, representing a broad range of citizen groups, including environmental, recreational and commercial users of department-managed state lands has helped the department understand the diversity of opinions held by our customers. The Key Publics Group met twice between January 1996 and June 1997. The Key Publics Group also met with staff in August 1997 to review the draft strategies, and representatives of the group discussed the draft strategies with the Board of Natural Resources in September 1997. A summary of their comments is found in the Public Involvement section of the appendix.

Members of both the Beneficiary and Key Publics groups have expressed a wide range of expectations and desires, though there has been general agreement about the need to preserve the trust over time.

Some beneficiaries have indicated they believe the department should maximize immediate income to beneficiaries while others have stated a preference for a consistent, predictable revenue stream. Several have said asset management choices should favor long-term health of trust lands and consider non-market values like peace of mind about existence of forests, endangered species, environmental health and leisure opportunities.

There has been similar divergence in opinions expressed by Key Publics group members. Recreationists seek continuing access to pursue activities such as hiking, mountain biking, snowmobiling, off-road vehicle use and horseback riding. Industrial users of forest land have recommended maintaining the productive capacity of the land and conducting a timber harvest program that meets but does not exceed legal requirements for environmental protection and addressing the needs of endangered species. Some Key Publics representatives have requested that the department provide maximum protection for ecological values regardless of the effect on present or future income for beneficiaries. Finding a balance among these conflicting perspectives is one of the challenges of developing strategies for asset stewardship. The department is committed to ongoing dialogue with beneficiaries, those who rely on state lands for all manner of uses and benefits, and the general public.

The contributions of all three advisory groups, as well as the general public, have been carefully considered in formulating this strategy. Names of members of the Portfolio Advisory Committee, the Beneficiary Group and the Key Publics Group are listed in the Public Involvement section of the appendix.

Baseline Economic Assessment

An important key to understanding where we are and where we might want to go, both now and in the future, is an economic valuation of department-managed assets and lands. Deloitte & Touche LLP, an international business consulting and accounting firm, produced a technical report during June 1996 detailing the market value and financial performance of the assets for Fiscal Year 1995. This report also estimated the non-market benefits produced by these lands, including "active" non-market benefits such as those associated with recreational opportunities, and the "passive" non-market value of certain lands for their sheer existence in public ownership. The findings of this analysis are summarized generally in the Economic Assessment section of the appendix and more specifically in the Asset Profile section of this report. At the request of beneficiaries, the department asked Deloitte to provide a trust-specific assessment utilizing the same 1995 information. This report segregates information about DNR-managed assets by trust ownership. It was brought to the Board of Natural Resources in June 1997.

Identifying and Revising the Strategies

The department developed draft strategies for examining the lands portfolio. Some of these draft strategies apply to the entire land base managed by the DNR, while others concern specific trust holdings or business practices. The department presented the recommended draft strategies and a time line for their implementation to the Board of Natural Resources in June 1997.

At the request of the Board, the department then conducted a substantial public review process over the summer and fall. The draft plan and strategies were reviewed in meetings with the Key Publics Group, Beneficiaries Group and Portfolio Advisory Committee. In addition, five public meetings were held across the state to hear the perspectives of interested citizens. (See the Public Involvement section of the appendix for more information.)

The final strategies adopted by the Board build on the information already gathered, plus the public input received, and meet the department's constitutional and statutory obligations. They are contained in the plan section labeled Strategies.



Legal Framework and History

Legal Framework

The lands and resources managed by the department are vast, valuable and varied. They are subject to complex laws, including constitutional provisions, statutes and the common law, that are sometimes in tension with each other and difficult to apply. Each land ownership category has its own laws and purposes. The upland trusts — federal grant lands and the forest board lands — are managed to provide financial support for specific, named beneficiaries. The conservation lands or natural areas are managed to protect specific, high quality ecological values. Federal statutes such as the Endangered Species Act and the Clean Water Act and state statutes such as the Forest Practices Act, Growth Management Act, State Environmental Policy Act and the Shoreline Management Act apply to all the lands managed by the department.

In addition to the specific legal directives for each land category the department seeks to:

- manage prudently,
- serve the interests of beneficiaries,
- serve the citizens of the state,
- diversify the assets where it is prudent and appropriate to the purposes for which the assets are managed,
- treat all beneficiaries and citizens impartially,
- maintain the assets in perpetuity by reasonably balancing the long-term and short-term interests of current and future beneficiaries and citizens.

History of State-owned Lands

The Department is the primary land manager for the state, managing 2.1 million acres of aquatic lands, 2.1 million acres of forest lands and 1 million acres of agricultural and commercial lands (uplands), and 76,000 acres of conservation lands. Each is described below.

Aquatic Lands

At statehood, Washington claimed equal footing with the eastern states and, through the state constitution, asserted ownership of approximately 2.1 million acres of aquatic lands. These include the bedlands of marine waters (tidelands and bedlands), navigable lakes and rivers (shore lands and bedlands), aquatic-dependent plants and animals, and other commodities associated with the waters or submerged lands.

The constitution nullified any territorially-granted property rights and claims to the state's navigable waters. Washington State thus entered the Union as a "non-riparian" state, which means that upland property owners did not automatically acquire title to submerged lands adjacent to their property. The state retained ownership of land beneath navigable waters. The new state's decision makers were concerned with protecting navigation and preventing monopolistic control of the critical harbor areas. The bedlands underlying the navigable waters were preserved in state ownership, and not subject to sale.

Federal treaties with native American tribes apply to the state's aquatic land holdings, which today means that tribes retain certain rights to fish, including shellfish. The state constitution could nullify territorial provisions and grants but could not alter federal legislation, such as treaties.

Management of the aquatic lands is subject to the Public Trust Doctrine. Through the Public Trust Doctrine the state preserves the public's rights of ownership and access to the aquatic resources of the state. The Public Trust Doctrine is a common law doctrine of property based on judicial decision making and legal precedent dating back to the Roman Code of Justinian. It has been used by various states, including Washington, to protect public access and use of water bodies.

The state constitution authorized the leasing and sale of saltwater tidelands and lake and river shorelands. Beginning at statehood, the state aggressively sold these rights to encourage waterfront and port development, and the revenue generated from leases and sales supported the state general fund. In 1971, the "Gissberg Amendment," codified as RCW 79.94.150 (2), halted the sale of aquatic lands. Because the majority of the sales had occurred in urban areas, the state's current aquatic tidelands and shorelands ownership is primarily in non-urbanized areas. The state still owns approximately 40 percent of the tidelands and 70 percent of the shorelands in the state.

In 1984, the Legislature enacted a comprehensive Aquatic Lands Management Act, codified in Chapters 79.90 - 79.96 RCW. This codification not only set the policy for aquatic land and aquatic resources management but set formulas for rent determination and use of revenues. This law identifies five priorities: (1) encourage direct public use and access; (2) foster water-dependent uses; (3) ensure environmental protection; (4) utilize renewable resources; and, (5) generate income in a manner consistent with these priorities.

Also in 1984, the state established the Aquatic Lands Enhancement Account (ALEA) as a means to assure that revenues generated from leases, user fees and product sales, such as geoducks, are used to enhance this valuable asset. ALEA grants and disbursements to state and local government agencies, tribes and others support the stewardship of these 2.1 million acres of aquatic lands by preserving resources and developing and enhancing public shoreline access.

In summary, the state-owned aquatic lands represent commitment to meeting critical public purposes such as navigation, habitat protection and access to waters of the state.

Upland Trust Lands — Federal Grant Lands

TERRITORIAL LAND GRANTS

The federal government historically granted lands to new territorial governments for the purposes of education. The Organic Act, creating the Washington Territory, approved March 2, 1853, reserved sections 16 and 36 of each township to benefit common schools. Later federal legislation in 1854 and 1864 granted 72 sections of land to the Territory of Washington to establish a state university. This educational grant required that the land not be sold for less than \$10.00 an acre and approved leasing of land. A federal land grant for educational needs also occurred when new states were admitted to the Union.

ENABLING ACT, 1889

During the 1800s, when a territory sought statehood, an enabling act passed by Congress specified the terms of entrance to the Union. The Enabling Act of 1889 spelled out the terms for statehood for Washington, Montana, and the Dakotas. The act also granted federal lands for specific purposes. Sections 16 and 36 in each township, for example, were designated for the “support of common schools.” Smaller acreages were granted for “public buildings at the state capitol,” for “the support of agricultural colleges,” for “establishment and maintenance of a scientific school,” for “state normal schools” and for “state charitable, educational, penal and reform institutions.” Today, these grants are the foundation for the educational trusts that benefit the K-12 common schools, University of Washington, Washington State University, Western, Eastern, and Central Washington universities, and The Evergreen State College. Other trust beneficiaries include the buildings on the Capitol Campus in Olympia, and facilities managed by the departments of Social and Health Services and Corrections. By statute, revenues from these trusts support capital investments.

Of Washington’s original total of 3.2 million acres granted at statehood, 2.3 million acres of granted lands remain in state ownership. Because these lands were granted by section, Washington owns forest lands, agricultural and grazing lands and some urbanized lands.

The Enabling Act establishes requirements that the state must follow in selling granted lands, the most prominent being disposition at public sale for not less than fair market value. It authorizes the lease of these lands under regulations prescribed by the Legislature and the exchange of lands of equal value. The Enabling Act contemplated the sale of timber and other crops from the lands, as well as oil, gas, and other mineral leasing. It also requires that permanent funds be created from the proceeds of permanent dispositions of certain lands received to support and maintain the institutions identified in the Enabling Act.

STATE CONSTITUTION, 1889

Following adoption of the Enabling Act, the people of the Washington Territory held a convention to draft a state constitution and form a state government. The constitution, as ratified, accepted the Enabling Act grant lands. The state constitution specified that the granted lands are held in trust for all the people of the state. This language has been reflected in many state statutes as requiring that the best interests of the state could be considered along with the best interests of the trusts for which they are managed. For example, in the area of forest resources, RCW 79.01.124 provides that “the best interest of the state” must be considered before timber or fallen timber is to be sold. RCW 79.01.212 further requires that the State find “that the best interests of the state may be subserved” before a confirmation of a timber sale is entered.

The original common school grant created a “checkerboard” pattern of state owned lands across the state that is still evident in eastern Washington. Elsewhere, land in the territory was already withdrawn as federal forest land, Indian reservations or private property homesteads. The Enabling Act allowed the state to select other lands “in lieu” of land sections granted to the state where conflicts existed with lands reserved for other purposes by the federal government. The Loomis State Forest in Okanogan County is an example of “in lieu lands” that were selected in this manner. These *in lieu* selections, and later, exchanges, created large, more consolidated blocks of forest land.

The Enabling Act also included some management requirements for the granted lands, which are evident in the department's management activities today. For example, the state conducts public auctions for the sale of timber or other valuable material. Mineral leases may be made for a term no longer than 20 years and leases may not be for an area larger than a section (640 acres).

The constitution also established permanent fund accounts to support certain of the designated trust beneficiaries. Beginning at statehood, all proceeds from trust lands, primarily from land sales, were deposited into the permanent fund accounts for the educational trusts. The interest from the management of these investment accounts is distributed to the trust beneficiaries. The permanent funds are managed by the State Investment Board which maintains separate accounts for the federally granted trust beneficiaries (e.g., Common School, Normal School, Agricultural School, etc.). In general, the revenue from the department's management of renewable resources, such as timber and agriculture, is paid directly to the institutions. Proceeds from the sale of land and non-renewable resources, such as sand and gravel, are paid into these permanent fund accounts.

The state constitution also imposed certain management restrictions and limitations on the sale of grant lands, which slowed the rate of disposition and contributed to preservation of state land holdings. No more than half the granted lands could be sold prior to January 1, 1905. Further, the size of sale parcels is limited to no larger than 160 acres, with a five acre maximum size within two miles of a city. These conditions limit opportunities for concentration of granted land in large, private ownerships as a result of state sales. The state constitution further imposes restrictions for land disposal at a public auction by specifying the sale price as the appraised or greater value. This continues in current land sales procedures.

The importance of education to the authors of the state constitution is evident from the safeguards attached to the management of the common school trust's permanent fund. The constitution specifies that the principal of the common school fund shall remain permanent and irreducible, that the Legislature may make further provisions for enlarging the fund and that the fund shall be exclusively applied to the current use of the common schools. These same provisions continue today in management of the common school permanent fund. It is the responsibility of the state to fund education. The federally granted trust lands represent one small but important part of that funding.

A 1967 amendment to the state constitution altered the permanent fund formula for the common school trust. From statehood until this change, revenues from all common school land and product sales were deposited in the permanent fund. Beginning in 1967, revenue from management of the common school trust lands and interest from the permanent fund have been paid directly to the school construction fund. This has caused the principal for the common school permanent fund to remain relatively constant rather than increasing like the other permanent funds. This change permitted a larger flow of funds to meet school construction needs seen as critical at the time.

STATUTES AFFECTING THE FEDERALLY GRANTED LANDS

Amendments to the Enabling Act, state constitution and statutes have refined management direction for state-owned lands. Several key changes include the ability to exchange land. The Land Bank statute, Chapter 79.66 RCW, limits sale and exchange options, reinforces the policy that the pub-

licly-owned forest land base will not be diminished. These limit the department's ability to freely dispose of lands.

The establishment of the Resource Management Cost Account (RMCA) created a stable source of funds for management, administration and production expenses of the granted lands.

In summary, the Enabling Act, state constitution and statutes relating to the federally granted trusts have created a legacy of perpetual benefit for the trust beneficiaries and the people of the state. The many statutes and court decisions interpreting the state's trust obligations have also prescribed prudent asset management.

Upland Trust Lands — Forest Board Lands

During the early part of the 20th century logged or burned-over land was considered worthless because there was an abundance of first growth timber. Logging companies cut existing marketable timber and moved on to the next stand. Reforestation was not considered economically feasible, and in many cases lands were left bare after they were logged and foreclosed by counties for unpaid taxes.

Western Washington counties and some counties in eastern Washington found themselves holding thousands of acres of logged or inaccessible forest lands that had been forfeited by landowners for non-payment of property tax. These lands, if they had any merchantable wood left, were sold by the counties to the highest bidder for as low as ten cents per acre down and ten cents per acre per year for ten years. In many cases, the new owners stripped the land of any remaining value and let the land again go back to the counties for unpaid taxes. Counties were left with lands that were considered "waste lands."

In the early 1920s the Washington State Legislature authorized and funded the purchase of logged-over but potentially productive forest lands. The purpose was to reforest and protect the lands in a system that provided professional management and administration. There are nearly 44,000 acres of Forest Board Purchase lands, the first 33,000 of which are part of the Capitol State Forest near Olympia.

In 1927 legislation was passed to offer an opportunity for counties to transfer cut or burned-over lands they had acquired by tax foreclosure or other means to the state for reforestation, protection and administration as part of the state forest system. This category of lands is referred to as Forest Board Transfer lands. There are nearly 550,000 acres of Forest Board Transfer lands located in 21 counties, mostly in western Washington.

At the time, a nationwide timber shortage was forecast because of similar conditions across the country. This was a major concern of public administrators and business interests because Washington's economy was heavily dependent on timber. These factors strongly influenced the established purpose of the Forest Board lands to maintain a timber industry. Controlling wildfires was also an important concern of Washington State officials in the 1930s. Logging practices left broken trees and large accumulations of slash. This condition provided fuel for forest fires. Because of fires and logging practices, much of the forest land grew back slowly by natural seeding. The forest that developed was often a mixture of coniferous and deciduous species with little market value.

The legislature had directed that a major portion of revenues derived from Forest Board lands be directed to the counties to be distributed. The state agreed to administer, replant and protect these lands, and to distribute a portion of the revenue from the lands to the counties after deducting administration, protection and reforestation costs. The counties distribute the proceeds to junior taxing districts. The legislature also authorized the exchange of Forest Board lands which aided in connecting these properties with other forest lands to form a more efficient and effective system of management.

The legal authority for these Forest Board lands resides not in the Enabling Act or the constitution, but in statutes codified in Chapter 76.12 RCW. According to RCW 76.12.030, such Forest Board lands “shall be held in trust and administered and protected by the department as other state forest lands.”

The department manages the Forest Board lands similarly to other forest lands. Currently, the Forest Resource Plan provides the policy framework for managing all state managed forest lands. The department established nurseries and developed management plans for these lands to achieve the purposes as directed by statute. The activities of a professional staff have created productive forest lands from “waste lands.” Reforestation and protection efforts have resulted in high quality timber that will be marketable at record levels during the next decade. Projections are that Forest Board lands will account for over 40 percent of the harvest volume from state lands during that time.

Forest Board lands are forever reserved from sale but can be reconveyed to counties for public park uses. Thus, the obligation to these lands is not simply to produce income. The Forest Board lands are held in one trust with multiple beneficiaries. Each of the 21 forest board counties benefits from management of the Forest Board lands within its boundaries. The requirement that the department consider the “best interests of the state” is consistent in statutes dealing with both granted lands and Forest Board lands.

In summary, the Forest Board lands have a substantial presence in western Washington and create a perpetual endowment of forests and forest products, characterized by conservative management and substantial legal constraints on transactions.

Upland Trust Lands — Community and Technical College Trust Lands

In 1990 the Legislature established a trust to benefit the state’s community college system and directed the department acquire lands in urbanizing areas. The lands are to be managed in the same way as other upland trust lands. The department acquired and is managing approximately 3,300 acres of forest land on this trust’s behalf.

Conservation Lands

Unaltered ecosystems — the storehouses of natural diversity — are highly evolved, interactive associations of the land and its species which cannot be duplicated in an artificial setting. In 1972 the state legislature recognized the need to protect such areas and passed the Natural Area Preserves Act (Chapter 79.70 RCW). The first Natural Area Preserve acquisitions, Goose and Sand islands in Grays Harbor County, were com-

pleted in 1973. Preserves provide the state's highest degree of protection to species and ecosystems. Public access is limited to approved scientific research and educational visits. In 1981, the legislature amended the statute and established the Natural Heritage Program within the department. The program was developed to identify outstanding natural areas through a statewide inventory of natural communities, species, and features and to help preserve these areas in the Natural Area System. The department in 1983 completed preparation of the first Natural Heritage Plan. Updated biennially, the plan presents criteria for selection and approval of natural areas, lists natural heritage resources to be considered for protection, outlines methods of protection and identifies roles of various agencies and groups in natural area protection efforts.

During the 1970s, a portion of Mount Si in King County was purchased and set aside as a conservation area under RCW 43.51.940-945. When the legislature passed the Natural Resources Conservation Areas Act (Chapter 79.71 RCW) in 1987, Mount Si was designated as a Natural Resources Conservation Area (NRCA) and additional acquisitions followed. Conservation areas are established for their outstanding scenic and ecological values and are available for low-impact public use and environmental education. The lands are purchased from willing sellers.

During the 1989-91 biennium the legislature adopted the Trust Land Transfer program. This provided an innovative approach to the transfer of Common School trust lands with very significant natural, park or recreational attributes — but difficult to manage for income production — to more appropriate ownership as State Parks and NRCAs. Since 1989, the Trust Land Transfer program has received \$271 million in legislative appropriations. This program has improved trust holdings by ridding the trusts of difficult-to-manage properties and maintaining trust values through purchase of replacement properties with greater income production potential. Through legislative appropriations of \$70 million made between 1990 and 1991, trust land transfers to State Parks totaled 10,860 acres.

In 1990, the Legislature approved the Washington Wildlife and Recreation Program and appropriated money to acquire land for wildlife and recreation projects (RCW 43.98A). Seven million dollars was appropriated by the Legislature to the department for NRCA and NAP land purchases. By the end of 1992 the department had acquired 42,000 acres of NRCA lands through trust land transfers and the Washington Wildlife and Recreation Program. The department now manages approximately 47,000 acres within NRCAs and about 26,000 acres as NAPs.



Legal Tools for Stewardship of Land-based Assets

Significant legal tools from the Enabling act, the State Constitution, the common law and the statutes are available to the department, which are designed to enhance the stewardship of lands. These legal authorities are intended to assist, as well as establish important limitations in protecting, diversifying, repositioning and making the lands productive in perpetuity. These tools include the Land Bank, statutes permitting sales-followed-by-replacement, exchange statutes, and multiple use statutes.

Land Bank

The Land Bank was established in chapter 79.66 RCW in 1977. Proceeds of permanent dispositions of granted lands, under constitutional provision and statutes, are deposited in permanent funds. The Land Bank statutes provided a formal mechanism for trust lands to be sold and to be replaced so that no permanent disposition of lands is made. The chapter is used to sell lands which have low potential for natural resource management or low income generating potential or which, because of geographic location or other factors, are inefficient for the department to manage. The legislature has found that it is important to acquire lands for long-term management to replace those sold so that the publicly owned land base will not be depleted and the publicly owned forest base will not be reduced. Additional limitations of the chapter include that it cannot be used as an exercise of eminent domain acquisition of property and the total acreage held in the Land Bank is not to exceed 1,500 acres. The purpose of the chapter is to provide a means to facilitate such sales and purchases so that the diversity of public uses on the trust lands will be maintained. In making these determinations, the department is to comply with local land use plans and applicable growth management principles. By statute, the lands to be purchased are to be desirable for addition to the public lands of the state because of the potential for natural resource or income production of the property. The chapter also allows for certain exchanges for other property which has greater potential for natural resource or income production or which could be more efficiently managed by the department. Appropriation may be made from the Forest Development Account (FDA) or the Resource Management Cost Account (RMCA) for the purposes of the chapter. The chapter also created a Land Bank Technical Advisory Committee to provide professional advice and counsel to the Board regarding Land Bank sales, purchases and exchanges involving urban property. At intervals to be determined by the Board, the department is to identify trust lands which are expected to convert to commercial, residential or industrial uses within 10 years.

Real Property Replacement Account

This account was established in 1992 in RCW 43.30.265 to hold funds received in payment for transfers in lieu of condemnations, transfers to public agencies, and transfers to resolve trespass and property ownership disputes, permitted under RCW 79.01.009. Public agency is broadly defined and includes the United States and any Indian tribe recognized as such by

the federal government. The proceeds are to be used to buy replacement property for the affected trust in order to maintain the real property asset base managed by the department. The account is to be used to complete transactions without reducing the real property asset base. RCW 79.01.009 allows for direct transfers or sales without public auction but only after appraisal, for at least fair market value, and only if the transaction is in the best interest of the state or affected trust.

Park Land Transfer and Trust Land Transfer

These two innovative programs provide the department with significant opportunities to purchase specific parcels of trust lands, transfer them to their highest and best public use, and acquire replacement land better suited to be managed for the trusts. See RCW 43.30.115; 43.30.265; RCW 43.51.270. Areas desirable for recreation or of natural significance, such as intact ecosystems, which could not be effectively managed for long-term income production are purchased from the trusts with general fund monies and replaced with more suitable lands.

Currently, the focus is on Common School lands. The largest portion of the value of lands which has been included in this program consists of the timber value. When a transfer is made with general fund money, the timber value is deposited in the Common School construction account. The land value is retained by the department to acquire replacement land. This is to comply with the intent to maintain the land base of the affected trusts.

Exchanges

Over the past 30 years the department has completed land exchanges encompassing more than a half million acres of forest land in western Washington. The vision and result of this massive repositioning effort was to consolidate or “block up” department-managed lands to achieve management cost reductions through increased efficiency. Our partners in these exchanges have typically been other large forest landowners and the federal government.

The legislature adopted exchange authority for Forest Board lands in 1937 and for trust lands in general in 1957. Exchanges are carried out to better position the trust land base within the statutory constraints of maintaining the state land and commercial forest base. Exchanges are subject to the approval of the Board of Natural Resources.

If the department decides to exchange urban land for Land Bank land, public agencies are to be notified and they may apply to purchase the urban land. Public agencies have up to one year to purchase the land without the need for public auction as authorized by RCW 79.01.009.

Urban/Transition Lands Program

As land uses and population patterns shifted over the years, some forest and agricultural lands have become potentially more valuable for other uses and increasingly more difficult to manage for commodity production. Trust lands identified as likely to convert to commercial, industrial and residential use within 10 years are managed as “transition lands.” This term, used in a report to the legislature by the DNR in 1981, recognizes that these lands are in a state of transition from traditional forestry or agricultural resource uses to potentially much more valuable uses. Prior to 1981, the DNR managed these lands under its Urban Lands program. By 1980 about

120,000 acres fell into this category, and the Board of Natural Resources adopted a general policy for the management of transition lands. As the Independent Review Committee noted in its June 1995 report to the Board of Natural Resources, this policy confirmed and clarified existing DNR practices and responsibilities for activities such as land sales and exchanges, leasing, negotiation of rights-of-way and property appraisals. The Land Bank Act of 1984, as noted, has provided the department additional guidance and authority for transition land management. Unmanageable parcels could be disposed of and the proceeds used to acquire other properties more suited for commercial leasing. Though the DNR may not deplete the publicly owned land base or reduce the publicly owned forest land base, it may reposition this base.

In 1988 the department finalized the Transition Lands Policy Plan, which sets out the management goal of “effectively manag[ing] transition lands to enhance the financial performance of trust assets.”

The 1990 Growth Management Act gives local governments the authority to develop plans that designate and protect lands within their boundaries for resource production, urban growth and environmental protection. The department works actively with local jurisdictions to assure that state lands are treated as fairly as those of other owners and that appropriate use designations are applied to both transition lands and those lands slated for long-term resource management.

Multiple Use Requirement

In chapter 79.68 RCW, the legislature directed the department to utilize a multiple use concept in the management of state lands where this is in the best interests of the state, the general welfare of the citizens of the state, consistent with the applicable trust provisions of the lands involved. Multiple use is defined as the management and administration of lands to provide for several uses simultaneously on a single tract and/or a planned rotation of one or more uses on and between specific portions of the total ownership managed by the department. The legislature found that multiple uses additional to and compatible with those basic activities necessary to fulfill the financial obligations of trust management include but are not limited to:

- recreation areas
- recreation trails for both vehicular and nonvehicular uses
- special educational or scientific studies
- experimental programs by various public agencies
- special events
- hunting and fishing and other sports activities
- maintenance of scenic areas
- maintenance of historical sites
- municipal or other public watershed protection
- greenbelt areas
- public rights of way
- other uses or activities by public agencies

If such uses are not compatible with the trust financial obligations, they may be permitted in return for compensation to the affected trust. The chapter authorizes the department to identify and withdraw from all conflicting uses, at such times and for such periods as it shall determine appropriate, limited acreage of public lands. Acreages so withdrawn are to be maintained for the benefit of the public and, in particular, of the public schools, colleges and universities, as areas which may be observed, studied,

enjoyed, or otherwise utilized, the natural or ecological systems thereon, whether such systems be unique or typical to the State of Washington. This must be in the best interests of the beneficiaries of granted lands.

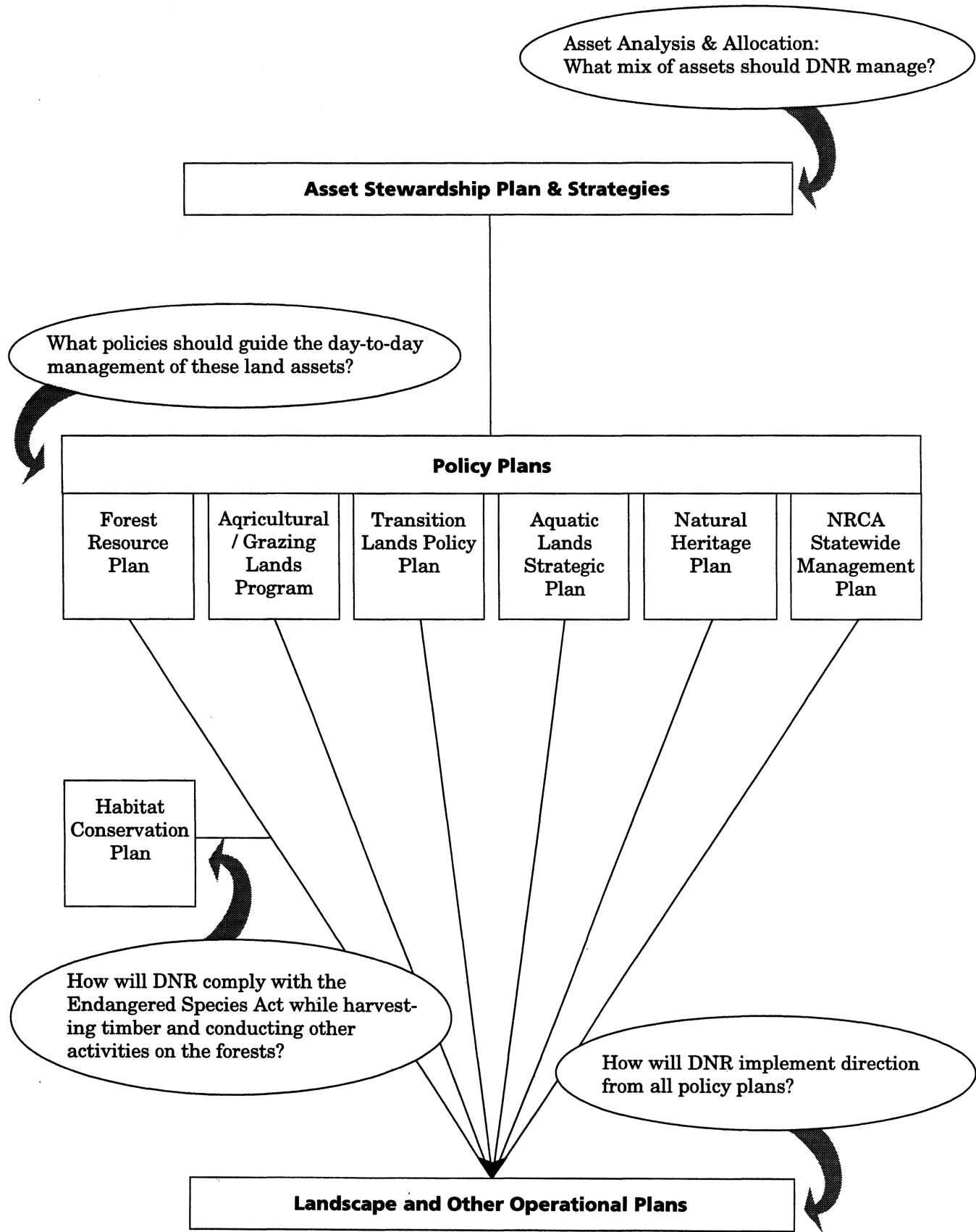


Relationship of the Asset Stewardship Plan to Other Management Plans

The department develops long-term plans for managing the lands and resources in its care. In general, plans outline the obligations, goals and objectives for the particular assets addressed; how the department will endeavor to exercise its judgment reasonably and balance the long-term and short-term interests involved. When a plan includes assets of more than one trust, the department develops the plan to benefit each of the affected trusts.

The Asset Stewardship Plan will provide the consistent, overarching connection to bring the department's asset and land planning efforts together. The strategies in the plan will guide the Board's decisions, and perhaps influence the legislature's decisions, on what kind of land assets to keep, acquire and dispose of. Once land is retained or acquired asset-specific policy plans guide the day-to-day management. These plans include: the 1992 Forest Resource Plan; the Transition Lands Policy Plan (1988); the Agricultural and Grazing Lands Program Policy Plan (1988); the Natural Resources Conservation Area Statewide Management Plan (1992); the Natural Heritage Plan (1995); and the 1992 Aquatic Lands Strategic Plan. While each of these plans addresses issues related to the specific asset class, they were not integrated with the plans addressing other assets.

The following graphic illustrates the relation of the stewardship plan to other department plans.





Profile of Assets

Description of State Lands

Introduction

We have traced the history of state lands in three broad categories or classes: aquatic, upland trust and conservation. This section describes the state land assets by natural resource attributes, characterized as 10 asset classes. Examples include forest, agriculture, grazing, commercial and aquatic assets. Differentiation by resource asset class enables a relevant discussion of value and management approach. The description of each asset class includes a general overview of the characteristics of the asset class; estimates of the values and benefits currently generated; the department's current approach to managing the class; and, very generally, the anticipated pressures, constraints, and opportunities facing each class now and into the future.

Several trust ownerships may be included in each asset class. For example, the forest resource asset class includes lands from several trusts — common school, university, forest board, etc. Trust ownership is not bounded by any one resource asset class. The tables at the end of this section summarize the trust ownership by asset class.

The values, benefits and economic impact estimates for each asset class were calculated through an independent economic analysis conducted by Deloitte & Touche LLP, under contract with the department. The analysis, published in June 1996, provides a snap shot of assets for the fiscal year ending June 1995. The economic analysis, referred to below as “the Deloitte & Touche report,” is intended to be used in its entirety and is subject to important limiting conditions and assumptions that affect the findings and conclusions. To fully appreciate the analysis, one should read the full report.

1. Aquatic Resources

OVERVIEW AND PURPOSES

The department manages state-owned aquatic lands consisting of the beds and shores of navigable rivers and lakes and bedlands and portions of the tidelands of the saltwater marine areas. These lands were acquired by the state at the time of statehood and are managed for the benefit of current and future citizens. The state conserves and protects the aquatic resources and seeks to enhance the public's access to these resources.

In 1984, the Legislature gave specific direction for the management of these lands. In that direction, aquatic lands are to be managed to provide public benefits for all citizens of the state. These benefits include: (1) encouraging direct public use and access; (2) fostering water-dependent uses; (3) ensuring environmental protection; (4) utilizing renewable resources; and (5) generating revenue in a manner consistent with 1-4.

The state-owned submerged lands today include approximately 40 percent of the tidelands, 70 percent of the shorelands, and 10 percent of the productive shellfish lands of the state. Saltwater tidelands are those areas between ordinary high tide and extreme low tide. Saltwater bedlands are areas waterward of low tide. Shorelands are associated with lakes and rivers. The total acreage is approximately 2.1 million acres, or 37.5 percent of the total state land managed by the department.

BENEFITS

The Deloitte & Touche report estimates the 1995 aquatic resources trust value at \$196 million and \$6.3 million in trust income for an estimated return on investment of 6.3 percent, reflecting both income and appreciation. The indirect salary benefits associated with the diverse aquatic resources in 1995 were estimated at \$434 million and approximately \$47 million in state and local taxes were paid. Approximately 17,000 jobs were generated as a result of economic activity on state-owned aquatic lands in 1995. Non-market benefits, such as fishing, boating, etc., generated during 1995 were estimated at \$71 million.

In addition to their importance for commerce and navigation, the benefits of the marine environs of the state are substantial and reflect the essence of the quality of life for which the Northwest is famous. The sheltered harbors of Puget Sound have been favored for settlement and commerce; these habitats support plants and animals; the navigable rivers and lakes of eastern Washington serve similar functions for the communities east of the Cascades; and Native Americans developed settlements clustered on saltwater and freshwater shores. Washington's aquatic lands are the foundation of a healthy and productive aquatic ecosystem and its waterways are economic and social "magnets."

MANAGEMENT APPROACH

Historic uses have created both opportunities and challenges in managing aquatic lands. On the one hand, port and commercial development have made some aquatic lands a significant source of income. On the other hand, pollution and general degradation of aquatic areas is a complex problem over which the department has had limited influence. Many of the worst instances of pollution occurred years ago at industrial and commercial operations that located on waterways in order to have transportation readily available. The majority of these polluted submerged lands pre-date the department's creation.

The Aquatic Lands Strategic Plan recognizes the problems associated with polluted and contaminated submerged sites and identifies strategies to deal with these issues. The strategies include both clean-up efforts working with other agencies and parties and preventive and protective programs to minimize future contamination. Recent efforts at developing a coordinated sediment strategy offer great hope of an inter-agency approach to these complex issues.

The key issues associated with aquatic land management include: 1) habitat protection, 2) water quality enhancement, 3) physical improvements and access for public use, 4) equitable leasing programs, 5) shellfish and other renewable resource production, 6) viable economic development programs, and 7) public outreach and education efforts.

FUTURE DIRECTION

Growing population and greater urban densities have the potential to degrade aquatic resources unless appropriate measures are taken. Habitat loss or degradation and past resource management decisions have caused some species of trout and salmon to decline. The federal listing of these species under the Endangered Species Act could place severe restrictions on managing the aquatic resource. However, proactively managing these state-owned aquatic lands could help ensure future species protection in a way that also sustains the other public benefits from this asset.

The projected growth in population for the state will increase both public demand for access to state-owned waters and public pressure for access to shores and beaches. In urban areas where the Growth Management Act encourages population additional management activities could be needed to protect aquatic resources.

2. Agricultural Resources

OVERVIEW AND PURPOSES

The state-owned agricultural resources include irrigated farmland, dryland farms, vineyards and orchards. Most agricultural lands are located in eastern Washington. The department manages approximately 189,000 acres of agricultural land through leases to private individuals or corporations. Lands under lease include approximately 128,000 acres of dryland grain production, 23,000 acres of irrigated row crops, 8,000 acres of orchards and vineyards and 30,000 acres not in current production. Lands not in current production include those with land form or geographic limitations and lands in the federal government conservation reserve program. Agricultural lands comprise about 3.2 percent of the acreage of the state-owned lands under department management.

BENEFITS

The Deloitte & Touche report estimates the 1995 trust value of these agricultural lands at approximately \$84 million. Revenues generated from these lands contribute to financial support for common schools, universities and other state institutions and provide a relatively stable revenue flow, generating \$3.9 million in 1995 to the trust beneficiaries. The 1995 rate of return on investment, including appreciation, was estimated to be 6.7 percent. Cities, counties and the general public benefit from associated tax revenues, employment, and recreation opportunities. More than 4,500 jobs in 1995 were attributable to activities associated with these state-owned agricultural lands, with local economies benefiting from related salaries valued at \$32 million. Based on activity associated with these agricultural lands, approximately \$3.3 million was paid in taxes to state and local governments. The 1995 non-market benefits attributable to these agricultural lands include 118,000 user days of recreation, primarily from hunting. The annual benefit of non-market activities for 1995 is estimated at approximately \$800,000.

MANAGEMENT APPROACH

Administration of these agricultural lands is primarily through lease management. Approximately 800 agricultural leases are currently in force, a significant number of them with leaseholders who have made investments to improve the productivity of state-owned agricultural lands. Rents are based on specific crop types and locations, and are cash per acre, a percentage of the crop, or a combination of both.

These state-owned agricultural lands are subject to specific, recently adopted environmental protection standards. Legislation enacted in 1993, "Ecosystem Standards for Agricultural and Grazing Lands," established environmental protection measures to maintain fish and wildlife habitat on state-owned lands. These environmental standards are implemented on state lands through Resource Management Plans (RMPs), which are incorporated in agricultural leases. The productivity of these agricultural resource lands and maintenance of fish and wildlife habitats on associated streams and riparian areas are ensured by the leaseholders' stewardship practices and the state's protection of these public resources.

FUTURE DIRECTION

Availability of water influences both the capacity for production of agricultural products and the revenue potential from land leases. Water for leased lands is obtained from wells, streams, or through contracts with local irrigation districts. The low probability of obtaining additional water rights for state-owned land is similar to that for private lands. The backlog of water extraction applications and the limited availability of water combines to restrict future opportunities to increase the number of irrigated agricultural lands.

Future management plans for agricultural resources may include analytical evaluation of water-related issues, especially those related to more efficient use of water. The land's revenue potential is affected by the availability of water and the market value of the crop, in addition to other factors. The department will continue to work with lessees to maximize revenue from irrigated lands.

3. Commercial Real Estate

OVERVIEW AND PURPOSE

Growth potential and great variety characterize the commercial real estate asset class, which consists of 48,100 acres of urban and rural lands. Urban lands include those zoned for commercial, industrial and high/moderate density residential uses; rural lands include those zoned for low density residential, forest and agriculture uses that are expected to be zoned for urban uses within approximately 20 years. Current conditions range from fully developed properties with buildings to unimproved land.

Urban lands are located within urban growth boundaries as determined through local planning under the Growth Management Act. Generally, urban lands have good access and utilities, such as power, sewer and water, provided. These lands are typically zoned for retail, residential, office space and industrial uses. Rural lands are located outside urban growth boundaries but do not include areas which are forest and other resource lands as designated by the local government. Typical uses on these lands include recreation / resorts, campgrounds, agriculture and residential. Urban and rural transition properties are dispersed across the state with the majority located in the Puget Sound area and in southeast Washington.

MANAGEMENT APPROACH

This asset class was established to foster strategic development of lands with a higher and better use than for commodity production. This strategy is articulated in the Transition Lands Policy Plan adopted by the Board of Natural Resources in 1988. Local government comprehensive planning under the state's Growth Management Act and increasing population greatly affect which transition lands have income generation potential. The

purpose of this asset class is to take advantage of opportunities created by local planning decisions and population growth. The central questions for these transition properties relate to the timing and character of conversion to an urban-type land use and whether the department should make investments to directly enhance the property value or market the property for others to develop.

The department uses three strategies in managing transition properties. The first strategy is to enhance the value of the property through such activities as platting or subdividing a property, or developing the roads or utilities, and then selling the property. The second strategy is to lease the ground with the lessee developing and owning the improvements. Third, the department leases state-owned lands and associated improvements for income generation.

Undeveloped transition properties are managed through a variety of interim land uses, such as forestry, grazing and special use leases. This means that until a "higher and better use" is available, these lands will be managed to produce revenue from commodity sales or leases. Those transition properties classified as urban lands have the capacity and probability of being developed within the next 20 years, while rural lands do not. Undeveloped urban lands provide the greatest growth potential in this asset class.

BENEFITS

The estimated trust value of the transition properties for 1995 is \$146 million. The asset class produced trust revenue of \$2.3 million for fiscal year 1995 for an estimated return on investment of 4.6 percent, including appreciation. Income from the extraction of natural resources from undeveloped urban and rural lands is credited to other asset classes (i.e., timber sales revenue credited to forest resources asset class). The true return on investment for this asset class would be considerably higher than 4.6 percent if it were limited to considering only lands currently leased for commercial purposes (2,000 acres). The indirect benefits — wages and salaries — of urban and rural lands for 1995 are estimated at approximately \$70 million. Business activity associated with these land resulted in state and local taxes totaling approximately \$6.7 million.

FUTURE DIRECTION

Local community preferences concerning the conversion and development of resource lands present the most significant challenge in managing this asset class. Preferences by neighbors and the general public for outdoor recreation and preservation of open spaces affect undeveloped lands in this asset class. Those properties with an existing urban-type use will remain urban in nature. Those designated for future urban-type uses, currently in historical commodity production usage, may face neighborhood challenges. Properly managed, the transition property base shows outstanding potential for income generation and value growth.

4. Communication Sites

OVERVIEW AND PURPOSE

Mountain tops, prominent ridges or hills and transportation corridors characterize this asset class. These geographic features are important to both the private and public sectors for the placement of facilities used in cellular communications, microwave transmissions, and television and FM radio broadcasting. The network of communication sites managed by the

department, along with sites on other lands, is also part of the state's emergency management communications system. The department has 101 communications sites which are utilized for these purposes. Twenty-six have state-owned buildings and towers; the remainder are improvements constructed and owned by lessees. The communication sites have approximately 400 leases and 1,500 transmitters or repeaters. Sixty of the sites are west of the Cascade Mountains and the remaining 41 lie to the east.

MANAGEMENT APPROACH

Communication sites are divided among five categories based on criteria such as population and geographic area served, ease of access for facility installation, and maintenance and availability of commercial and standby power. The department places emphasis on those classes with the greatest income potential. Gross revenues are derived from facility rents, site rents, and fees for road use and power.

BENEFITS

Deloitte & Touche estimated the trust value of the Communications Resources at \$9 million in 1995. The asset class produced \$1.1 million of trust revenue for the same fiscal year. With an estimated three percent capital appreciation this asset class had an estimated return on investment of 15.1 percent for fiscal year 1995. At present, there are no obvious higher and better uses for these highly specialized sites.

FUTURE DIRECTION

It appears probable that the current level of revenue for this asset class will continue over the next 20 years. Long-term advances in communication technology may bring changes to the facilities currently utilized in the industry. Two communication industry developments, satellites and fiber optics, will likely result in long-term changes which reduce the need for the current communication sites. Low earth orbiting and mid-level earth orbiting satellites offer superior communications to the current land-based, line-of-sight technologies that use state-owned communication sites. The pace of changes in this industry makes long-term planning difficult. However, mountain top communication sites are likely locations for communication facilities for the anticipated needs of the state's projected population growth.

The high cost of satellite communications and the efficiency of the existing digital radios suggest continued demand for the sites for the next 20 years. The communications sites are expected to provide increased income and add value to the asset class as a result of new lease agreements.

5. Forest Resources

OVERVIEW AND PURPOSES

The greatest land and commodity values for Department-managed assets are concentrated in the forest resources asset class. About two-thirds of the more than 2.1 million acres of state-owned forest land is located in western Washington and the Olympic Peninsula, with the rest on the eastern slopes of the Cascade Range and in the northeastern portion of the state.

The forest resources represent an intricate web of ecological and human activities. Viewed broadly, this asset class consists of entire ecosystems carrying natural components of waters above and below the ground, sensitive plants and animals, young seedlings and majestic old growth trees — all contributing to healthy air, water quality and habitats for many species.

BENEFITS

The trust value of the forest resources asset class is estimated at \$5.9 billion. This accounts for all but 15 percent of the total estimated trust value of \$6.97 billion for all asset classes. Over 90 percent of the value of the forest resource asset class is in standing timber. During 1995 approximately \$140 million in trust revenue flowed directly from these forests to the trusts. The 1995 return on investment, including appreciation, was estimated to be 8.5 percent. In addition, in 1995 this commercial forestry activity yielded indirect monetary benefits of \$224 million in salaries and approximately \$47 million paid in state and local taxes. The active non-market benefit for 1995 was estimated to be \$158 million.

Besides the monetary benefits afforded the trusts and the public, the department's public ownership of forests contributes to a strong national and international natural resources industry. State-owned timber lands represent 12 percent of Washington's commercial forest lands. Northwest timber purchasers and timber-dependent communities rely heavily on a stable state timber sales program because of the recently reduced flow of timber from federal lands. Unprocessed logs from state lands cannot be sold for export. State-owned forest resources help maintain a traditional way of life and a quality of life in timber-dependent communities. The department is a model for environmental protection in its management of state forest lands.

MANAGEMENT APPROACH

The Forest Resource Plan, adopted by the Board of Natural Resources in 1992, is intended to guide state forest management until 2002. This policy plan replaced the Forest Land Management Plan (FLMP), adopted in 1983. The primary goal of the plan, and the department's management approach, is to conserve and enhance the natural resources of state forest land while producing long-term, stable income from these lands. The 40 policies described in the plan address trust asset management, forest land planning and silviculture. Key policies state that the department:

- as trustee, manages state forest lands for public institutions which are trust beneficiaries and will give priority to its trust responsibilities;
- will manage state forest lands to produce a sustainable even-flow harvest of timber;
- will identify state forest lands with special ecological features which fill critical gaps in ecosystem diversity and will seek legislation and funding to move these lands from trust ownership to protective status;
- will reduce impacts of clearcutting by generally limiting the size of harvest areas to 100 acres and requiring a "green-up" (buffer) on adjacent areas;
- will fully comply with all laws of general applicability, and where appropriate will provide greater protection of soils, watersheds and other public resources than the law requires;
- recognizes that forests managed for income exist as complex natural ecosystems;
- will strive to be a good and responsible neighbor, respecting needs and opinions of adjacent landowners;
- will work with local governments to coordinate mutually beneficial actions in areas where department-managed forest lands can act as a buffer to spread of development and provide beneficial open space.

The Forest Resource Plan incorporated substantial policy changes from the FLMP:

- more emphasis on protecting ecosystem diversity and providing habitat for endangered and threatened wildlife and plants;

-
- establishment of the Olympic Experimental State Forest in western Washington,
 - calculation of sustainable even-flow harvest by individual county for Forest Board Transfer lands and by department region for federal grant lands and Forest Board Purchase lands;
 - development of landscape planning as an implementation tool.

The listing of the northern spotted owl as a threatened species in 1990 significantly reduced the volume of timber DNR offered at auction in the first half of the decade. However, the department sold 607 million board feet of timber in the fiscal year ending in June of 1995 and anticipates average annual sales levels of approximately 655 million board feet in the 1997-2006 decade, based on the sustainable harvest calculation.

The department has proposed a Habitat Conservation Plan (HCP) as an alternate method of complying with the federal Endangered Species Act and to provide greater certainty in management, stability in harvest levels and flexibility in operations. As adopted, the HCP would affect 1.6 million acres of state lands within the range of the northern spotted owl. The HCP would offset any harm caused to individual listed animals with a plan that promotes conservation of the species as a whole. Under the HCP, incidental take of a listed species, including disturbances of habitat of endangered or threatened species, would be allowed within limits of a permit issued by the federal government. If issued to the department, the incidental take permit would allow incidental take of northern spotted owls, marbled murrelets, and other listed upland species on state lands. Incidental take of selected other species would be permitted if they become listed at some point in the future.

On-the-ground inventories of state-owned forests are ongoing, with the current statewide update, begun in 1991, scheduled to be completed by 2003. This enhanced information provides the foundation to support forestry analytic tools and primary activities to increase the value of the forest land asset base in two ways. First, the inventory information, when combined with silvicultural guidelines that set priorities and specify target returns, will allow managers to achieve maximum growth in stand volume and value. Second, the inventory provides baseline information useful for marketing decisions, such as the current and projected mix of products available on state lands.

FUTURE DIRECTION

The department is committed to exceptional management of its forest resources to assure a productive forest land base. This includes achieving and maintaining healthy forests, fertile soil, clean air, abundant water, robust populations of fish and animals and recreational opportunities while generating income for trust beneficiaries, both short- and long-term.

In addition to selling timber at auction, the department will continue to expand its marketing of special forest products such as poles, floral greens and mushrooms. Direct sales to mills, using loggers under contract to the department, are being tested and may offer chances to fully utilize the materials removed from our forests, simultaneously capturing greater trust income and protecting resources for future use.

With increasing population, opportunities may emerge to realize income from current forest asset non-market benefits, particularly in terms of recreational activities or recreation sites located near high-population urban areas.

6. Grazing Lands

OVERVIEW AND PURPOSES

Much of the original checkerboard pattern of state land ownership still exists in eastern Washington today. Many eastern Washington lands not suitable for agricultural production because of insufficient water are often suitable for livestock grazing when protective environmental practices are implemented. Leased grazing lands total approximately 530,000 acres, primarily located in eastern Washington.

BENEFITS

The Deloitte & Touche report estimated trust income from grazing leases at approximately \$500,000 in 1995, with an estimated rate of return of 2.4 percent based on lease income and appreciation. The grazing lands have an estimated trust value of \$100 million. The indirect benefits, such as wages and salaries, are estimated at approximately \$45 million for 1995. Approximately \$5.6 million in state and local taxes was paid on activities associated with grazing lands. The non-market benefits generated during 1995, for example recreation and hunting, are estimated to be approximately \$17 million.

MANAGEMENT APPROACH

The department manages grazing lands primarily through the leasing process. Land is leased through public auction, which maximizes rent potential through competitive bidding by ranchers who live in the area or own adjacent lands. The department manages approximately 1,200 grazing leases. The ratio of livestock per range acre is set by the department and is limited by the quantity of forage and water available.

Some forest lands, primarily in eastern Washington, are also managed as livestock rangelands through the range permit process. Approximately 300,000 acres of forest lands are leased as livestock grazing rangelands. Approximately 50 range permits are managed for rangeland grazing in the forest resource asset class.

The department requires all new grazing leases and grazing range permits to incorporate Resource Management Plans. Legislation passed in 1993 led to development of the "Ecosystem Standards for State-Owned Agricultural and Grazing Lands" implemented on state lands through Resource Management Plans. These standards primarily address water quality and quantity and maintenance and restoration of fish and wildlife habitat within the ecosystem. All leases and permits contracted after 1994 for agricultural and grazing lands include these Plans. Many similar environmental protections are included in current leases.

FUTURE DIRECTION

Management of these grazing lands into the future will require better protection of streams and associated riparian zones which is critical to certain fish species. Salmonid species, such as trout and salmon, are declining in population in significant numbers and regulatory restrictions could impact grazing opportunities. Restrictions on grazing activities may be imposed by the federal government if there is a salmonid listing under the Endangered Species Act. New leases and permits that incorporate Resource Management Plans will provide environmental controls regarding stock watering practices and riparian protection on grazing lands.

Water is a limiting factor that affects the economic value of the land. Conversion of grazing lands to more lucrative irrigated agriculture or orchards

depends on the availability of additional water. The low probability of obtaining additional water rights for state-owned land is similar to that for private lands. The backlog of water extraction applications and the limited availability of water combines to restrict future opportunities to increase the number of irrigated lands. The department will continue to pursue appropriate measures for increasing water availability to these lands.

7. Mineral Assets

OVERVIEW AND PURPOSES

The total value and location of mineral resources on department-managed lands, including submerged lands, is unknown. Mineral resources associated with the state-owned lands are divided into two groups; 1) sand, gravel, and rock and 2) metallic minerals, non-metallic minerals, and oil and gas deposits. Uncertainties regarding geographic location and distribution of mineral resources prevent a realistic assessment of their potential value. For example, future discoveries of valuable mineral commodities, such as natural gas or gold, could yield new revenues for the trust beneficiaries and the state's taxpayers, but investing in exploration is an investment decision made predominately by the private sector. It is not possible to say whether this asset class will experience significant change in value.

The state owns mineral rights to lands in various asset classes: 1) 2.7 million acres of uplands where the state owns the surface and mineral rights, 2) approximately two million acres of aquatic lands where the state owns surface and mineral rights, and 3) 700,000 acres where the state sold the surface rights but retained the mineral rights.

BENEFITS

The valuation conducted by Deloitte & Touche reflects data applicable to approximately 700,000 acres of "mineral rights only" lands, including 2,000 acres of active mineral resource deposits (mostly sand and gravel). The estimated trust value of active sand, rock and gravel operations is approximately \$10 million for 1995. The mineral leases generated approximately \$1.1 million in revenue in 1995, while indirect salary benefits generated from the active mineral resource leases are estimated at approximately \$18 million. Approximately \$1.7 million in state and local taxes were paid on activities associated with the mineral asset. The rate of return on investment in 1995, including appreciation, was estimated to be 14.7 percent.

MANAGEMENT APPROACH

Mineral resource lands are managed using long-term leases, with the lessee developing the capital infrastructure for the operations. The investment risk factor is very low with this asset class since extraction expenses and capital development are paid by the lessee. Commodity values are determined by the location and transportation costs of sand, rock and gravel.

FUTURE DIRECTION

Plans for maximizing the financial potential of these resources should include a field inventory of sand, gravel and rock, and consistent designation of mineral lands under the Growth Management Act.

Sand, gravel and rock extraction leases are the primary revenue generating activities for the mineral resources. However, neighborhood and public objections can prevent extraction of these resources. When the mineral resource areas are designated, according to Growth Management Act guidelines, potential residential buyers are notified of nearby sand and gravel

resource areas. This could minimize future legal challenges to proposed sand, gravel and rock extraction operations.

The Growth Management Act requires counties to identify mineral resource areas in their jurisdictions. However, some counties designate only active mineral resource extraction areas and other counties do not designate any mineral resource areas. Population growth generates demand for new residential and commercial construction, which needs a supply of sand and gravel. The majority of local Puget Sound sand and gravel deposits are depleted or are nearing depletion and neither the short-term nor long-term demand for building materials can be met through current sources. Rock formations on department-managed forest lands, which are close to urban populations, are a valuable resource.

An inventory of mineral resources and a current economic evaluation of known deposits and leases is needed in order to develop a mineral resources management plan. A mineral resources management plan could include flexible alternative management options to respond to future identification of mineral deposits and associated opportunities to expand revenue from these assets.

8. Monetary Assets

OVERVIEW AND PURPOSES

The monetary assets consist of 14 department-managed funds and 5 permanent funds managed by the Washington State Investment Board (Investment Board). The department-managed funds are used for operational activities and management responsibilities, such as reforestation, transactions, preparing product sales, and are not held for financial investment purposes. These funds include: the resource management cost account, the forest development account, the access road revolving fund, surveys and maps account, landowner contingency forest fire account, Parkland and trust revolving fund, aquatic lands dredged material account, natural resources conservation areas stewardship account, school construction revolving fund, surface mining reclamation account, real property replacement account, Clarke-McNary fund, forest fire protection assessment account and the state forest nursery account.

The permanent funds, managed by the Investment Board, are irreducible funds invested for general income support of statutorily-named beneficiaries. These funds include: (1) the common school permanent fund, (2) the university permanent fund, (3) the scientific school permanent fund, (4) the agricultural school permanent fund, and (5) the normal school permanent fund. These funds have been assigned to support, respectively, (1) the K-12 school system, (2) the University of Washington, (3) Washington State University, (4) Washington State University, and (5) Eastern Washington University, Central Washington University, Western Washington University and The Evergreen State College.

BENEFITS

For 1995, the Deloitte & Touche report estimated, the permanent fund accounts had a total value of \$513 million and generated a net of \$29.6 million in trust income for an estimated 12.7 percent rate of return, including income and appreciation. Between 1992 and 1995 returns ranged from -1.51 percent to 13.7 percent. The 4-year average was 9.01 percent.

MANAGEMENT APPROACH

The permanent funds are invested according to law and the policies of the Investment Board. Currently, all permanent funds are invested in bonds. The Investment Board is an independent state agency charged with the management of various public and employee pension funds. It consists of 9 voting members and 5 non-voting members selected through a variety of means. The Commissioner of Public Lands and the Department of Natural Resources have no authority with respect to the Investment Board.

FUTURE DIRECTION

The Investment Board is currently evaluating its approach toward the smaller accounts it manages, which include the federal grant land permanent fund accounts. The Investment Board may seek greater collaboration with the Board of Natural Resources in setting objectives for managing the permanent funds.

9. Natural Areas

OVERVIEW AND PURPOSE

The Department manages approximately 73,000 acres of natural areas — Natural Area Preserves (NAPs) and Natural Resources Conservation Areas (NRCAs). Preserves are established to protect high quality examples of typical or unique terrestrial and aquatic ecosystems, rare plant and animal species and unique geological features in Washington. Preserves provide the highest level of protection for the state's natural heritage. In addition, NAPs:

- serve as a genetic resource of native plants and animals, especially rare species;
- serve as baselines in comparing natural and managed environments; and
- provide outdoor laboratories for scientific research and education.

The department manages approximately 26,000 acres in 46 preserves throughout the state. Outstanding examples of grasslands, wetlands, high and low elevation forests, and coastal estuaries are among the habitats protected. Preserve management emphasizes protection of the special features for which a preserve was established. Due to the sensitivity of these sites, public access is generally limited to approved scientific research and educational visits.

Natural Resource Conservation Areas are created to protect their outstanding ecological and scenic values and also to provide opportunities for environmental education and low impact public use. Special features on conservation areas include: coastal and high elevation forests, scenic vistas, active bald eagle sites and unique plant communities. Public use is allowed only where it will not negatively affect the area's protected resources. The department manages approximately 47,000 acres in 23 NRCAs primarily in western Washington.

BENEFITS

According to the Deloitte & Touche report, in 1995 the state's ownership and management of natural areas resulted in annual active non-market benefits (primarily from low impact public use/recreation) of approximately \$488,000. Approximately 50 jobs were generated from these non-market activities and approximately \$184,000 were paid in state and local taxes.

FUTURE DIRECTION

The Deloitte & Touche economic analysis concluded Washington residents place a passive non-market value of \$1.3 billion on 100,000 acres of the state's most pristine lands, suitable for designation as natural area preserves. This "existence" or "passive" valuation suggests a high level of support for natural areas and a willingness to pay to conserve resources of natural area quality.

10. Administrative Resources

OVERVIEW AND PURPOSES

Administrative assets are the underlying foundations that allow the department to operate. Through its employees, tools, machinery, computers, and facilities throughout the state the department is able to carry out its natural resource management activities. This asset class includes:

- 1,386 full-time employees
- facilities at 59 sites across the state, including a headquarters at Olympia and regional offices in Colville, Ellensburg, Sedro Woolley, Forks, Enumclaw, Chehalis, and Castle Rock
- 3,566 pieces of office equipment
- 1,553 pieces of transportation equipment
- 4,673 pieces of construction equipment and
- 4,332 pieces of computer equipment and intellectual property, such as the geographic information system and data

BENEFITS

The Deloitte & Touche report estimated the value of administrative resources at approximately \$25 million. Because these assets generate no direct income no return on investment was calculated.

MANAGEMENT APPROACH

Because administrative resources exist to support the management of other assets they are not subject to asset allocation as envisioned with implementation of this strategy. Future analyses will not focus on administrative resources.

TRUST OWNERSHIP

As noted in the introduction to this section, the trusts may own land in many different asset classes. Aquatic lands and natural areas are the two exceptions. The public trust and public ownership purposes of these asset classes make them distinct from the federally granted trust lands and the forest board lands and focus their ownership on specific asset classes.



Asset Classes by Trust

Note: Information cited in the following charts is derived from the department's Annual Report for Fiscal Year 1996 and the Geographic Information System as of October 1996 and Aquatics' Asset Performance System as of September 1996.

- The FY96 Annual Report provides financial and acreage figures as of June 30, 1996.
- The GIS (Geographic Information System) records land-based information.
- The APS (Asset Performance System) records financial and land-based data.
- Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY96 Annual Report) and the GIS system.
- Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

State-owned Aquatic Lands — Public Trust

Beneficiaries: Washington state residents

Total Acreage: 2,100,000

TYPE OF AQUATIC ASSET	* ACRES/MILES
Bedlands of navigable rivers and lakes	800,000 acres
Shorelands of navigable rivers and lakes	89,600 acres
Beds of marine lands	1,152,000 acres
Tidelands	131,200 acres
Shorelands	5,000 lineal miles
Tidelands	3,000 lineal miles
Harbor areas	7,040 acres

* NOTE: Acres/miles are not mutually exclusive; some lands may appear in more than one classification.

BEDLANDS: Lands lying waterward of and below the line of navigability on rivers and lakes not subject to tidal flow, or the extreme low tide mark in navigable tidal waters, or the outer harbor line where a harbor area has been created.

SHORELANDS: Shores of a navigable lake or river belonging to the state, not subject to tidal flow, lying between the line of ordinary high water and the line of navigability.

TIDELANDS: The lands between the line of ordinary high tide and the line of extreme low tide.

Source: Aquatic Lands Strategic Plan, 12/9

LEASES, EASEMENTS AND SALES:

Number of water-dependent use authorizations (e.g. leases, easements, materials sales)	103
Number of non-water-dependent uses authorizations	9
Number of aquaculture leases	12

Source: Asset Performance System 9/9

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Agricultural School Trust

Designated Beneficiary: Washington State University

Total Acreage: 70,651

Source: Annual Report, June 30, 1996

ASSET CLASSES: The following asset classes are described in the Deloitte & Touche Report and are reported in DNR's geographic information tracking systems:

ASSET CLASS ACRES*, AGRICULTURAL SCHOOL TRUST

Forest Resources	57,002
Agriculture	7,376
Grazing	5,075
Commercial Real Estate	17
Communication Sites: 10 leases**	3
Acres, not yet classified	1,181
Mineral Rights only**	18,474

* acreage numbers are rounded
** not included in land acreage

Source: Geographic Information System
Land Use/Land Cover, October, 1996

ROAD MILES

The road miles include all road mileage, ranging from highways to unpaved gravel logging roads, identified on DNR's geographic information system for all asset classes managed for the Agricultural School Trust. The GIS road mileage inventory is updated through field information and sales activities.

Total Road Miles: 290

Source: GIS System, 10/96

STREAM MILES

The stream miles include all stream types identified on the GIS system. The information is gathered from aerial photography, historic information, field surveys by DNR personnel and other agencies' staff, tribal sources and other land professionals.

Total Stream Miles: 505 miles

Source: GIS System, 10/96

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Agricultural School Trust (continued)

FOREST RESOURCES ASSET CLASS INFORMATION

SITE CLASS

"Site class" refers to the productivity of an acre of forest land. The following site classes reflect the timber producing capability of the forest class asset that is located on the west side of the Cascade Mountains. The eastern Washington forests are not classified according to site class, primarily because a majority of the forest stands are actually a combination of tree species rather than a single species, as is typical of westside forests.

WESTSIDE FOREST ASSET CLASS: SITE CLASS ACRES, AGRICULTURAL SCHOOL TRUST

Site I	Site II	Site III	Site IV	Site V	Total
2600	2800	12,900	7,100	1,800	27,200 acres

Site I and Site II are the best timber productivity acres.
Site III are average timber productivity acres.
Site IV and Site V are the poorer timber productivity acres.

Source: GIS 10/96

ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

"On-base" and "off-base/deferred" acres describe forest lands in relationship to a predictable expectation of timber production per acre. The term on-base means forest acres that can produce an anticipated level of harvestable timber. Off-base/deferred forest acres mean that the amount of timber that the parcel may grow is unknown. Factors that influence harvestability include roads, bogs, streams, habitat provisions for wildlife species and geographic restrictions such as rocky soil. The Habitat Conservation Plan applies to specific DNR-managed forest lands on the west side of the Cascade Mountains and the eastern slopes of the Cascade range.

HABITAT CONSERVATION PLAN: ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

On-base: 26,520 acres	Off-base/deferred: 5,996 acres	Total: 32,516 acres
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On-base forest acres: Forestland acres that contribute to the timber harvest calculation.

Off-base/deferred forest acres: Forestland acres not currently included in the harvestable timber inventory, but may have the potential to come on base in the future.

Source: HCP 1/95

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Capitol Building Trust

Designated Beneficiary: Development of Washington State Capitol

Total Acreage: 107,511

Source: Annual Report, June 30, 1996

ASSET CLASSES: The following asset classes are described in the Deloitte & Touche Report and are reported in DNR's geographic information tracking systems:

ASSET CLASS ACRES*, CAPITOL BUILDING TRUST

Forest Resources	100,488
Agriculture	2,236
Grazing	1,211
Commercial Real Estate	221
Communication Sites: 5 leases**	1
Acres, not yet classified	3,355
Mineral Rights only**	32,736

* acreage numbers are rounded

** not included in land acreage

Source: Geographic Information System
Land Use/Land Cover, October 1996

ROAD MILES

The road miles include all road mileage, ranging from highways to unpaved gravel logging roads, identified on DNR's geographic information system for all asset classes managed for the Capitol Building Trust. The GIS road mileage inventory is updated through field information and sales activities.

Total Road Miles: 452

Source: GIS System, 10/96

STREAM MILES

The stream miles include all stream types identified on the GIS system. The information is gathered from aerial photography, historic information, field surveys by DNR personnel and other agencies' staff, tribal sources and other land professionals.

Total Stream Miles: 908

Source: GIS System, 10/96

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Capitol Building Trust (continued)

FOREST RESOURCES ASSET CLASS INFORMATION

SITE CLASS

"Site class" refers to the productivity of an acre of forest land. The following site classes reflect the timber producing capability of the forest class asset that is located on the west side of the Cascade Mountains. The eastern Washington forests are not classified according to site class, primarily because a majority of the forest stands are actually a combination of tree species rather than a single species, as is typical of westside forests.

WESTSIDE FOREST ASSET CLASS: SITE CLASS ACRES, CAPITOL BUILDING TRUST

Site I	Site II	Site III	Site IV	Site V	Total
7,800	14,100	48,300	14,800	3,100	88,100 acres

Site I and Site II are the best timber productivity acres.

Source: GIS System, 10/96

Site III are average timber productivity acres.

Site IV and Site V are the poorer timber productivity acres.

ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

"On-base" and "off-base/deferred" acres describe forest lands in relationship to a predictable expectation of timber production per acre. The term on-base means forest acres that can produce an anticipated level of harvestable timber. Off-base/deferred forest acres mean that the amount of timber that the parcel may grow is unknown. Factors that influence harvestability include roads, bogs, streams, habitat provisions for wildlife species and geographic restrictions such as rocky soil. The Habitat Conservation Plan applies to specific DNR-managed forest lands on the west side of the Cascade Mountains and the eastern slopes of the Cascade range.

HABITAT CONSERVATION PLAN: ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

On-base: 71,171 acres Off-base/deferred: 17,300 acres Total: 88,471 acres

On-base forest acres: Forestland acres that contribute to the timber harvest calculation.

Off-base/deferred forest acres: Forestland acres not currently included in the harvestable timber inventory, but may have the potential to come on base in the future.

Source: HCP, 1/9

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provide financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Charitable, Educational, Penal & Reformatory Institutions Trust (CEP & RI)

Designated Beneficiaries: Departments of Corrections and Social and Health Services

Total Acreage: 73,334

Source: Annual Report, June 30, 1996

ASSET CLASSES: The following asset classes are described in the Deloitte & Touche Report and are reported in DNR's geographic information tracking systems:

ASSET CLASS ACRES*, CEP & RI TRUST

Forest Resources	40,927
Agriculture	16,825
Grazing	12,604
Commercial Real Estate	612
Communication Sites: 5 leases**	77
Mineral Resources, leases**	300
Acres, not yet classified	2,366
Mineral Rights only**	31,537

* acreage numbers are rounded
** not included in land acreage

Source: Geographic Information System
Land Use/Land Cover, October, 1996

ROAD MILES

The road miles include all road mileage, ranging from highways to unpaved gravel logging roads, identified on DNR's geographic information system for all asset classes managed for the CEP & RI Trust. The GIS road mileage inventory is updated through field information and sales activities.

Total Road Miles: 286

Source: GIS System, 10/96

STREAM MILES

The stream miles include all stream types identified on the GIS system. The information is gathered from aerial photography, historic information, field surveys by DNR personnel and other agencies' staff, tribal sources and other land professionals.

Total Stream Miles: 412

Source: GIS System, 10/96

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Charitable, Educational, Penal & Reformatory Institutions Trust (CEP & RI) (continued)

FOREST RESOURCES ASSET CLASS INFORMATION

SITE CLASS

"Site class" refers to the productivity of an acre of forest land. The following site classes reflect the timber producing capability of the forest class asset that is located on the west side of the Cascade Mountains. The eastern Washington forests are not classified according to site class, primarily because a majority of the forest stands are actually a combination of tree species rather than a single species, as is typical of westside forests.

WESTSIDE FOREST ASSET CLASS: SITE CLASS ACRES, CEP & RI TRUST

Site I	Site II	Site III	Site IV	Site V	Total
3,200	10,600	10,800	3,000	500	28,100 acres

Site I and Site II are the best timber productivity acres.

Site III are average timber productivity acres.

Site IV and Site V are the poorer timber productivity acres.

Source: GIS System, 10/96

ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

"On-base" and "off-base/deferred" acres describe forest lands in relationship to a predictable expectation of timber production per acre. The term on-base means forest acres that can produce an anticipated level of harvestable timber. Off-base/deferred forest acres mean that the amount of timber that the parcel may grow is unknown. Factors that influence harvestability include roads, bogs, streams, habitat provisions for wildlife species and geographic restrictions such as rocky soil. The Habitat Conservation Plan applies to specific DNR-managed forest lands on the west side of the Cascade Mountains and the eastern slopes of the Cascade range.

HABITAT CONSERVATION PLAN: ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

On-base: 28,089 acres	Off-base/deferred: 7,227 acres	Total: 35,316 acres
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On-base forest acres: Forestland acres that contribute to the timber harvest calculation.

Off-base/deferred forest acres: Forestland acres not currently included in the harvestable timber inventory, but may have the potential to come on base in the future.

Source: HCP, 1/96

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Common School Trust, *including Indemnity and Escheat Lands*

Designated Beneficiaries: Common Schools (K-12) construction

Total Acreage: 1,781,617

Source: Annual Report, June 30, 1996

ASSET CLASSES: The following asset classes are described in the Deloitte & Touche Report and are reported in DNR's geographic information tracking systems:

ASSET CLASS ACRES*, COMMON SCHOOL TRUST

Forest Resources	1,111,640
Agriculture	143,769
Grazing	473,661
Commercial Real Estate	18,429
Communication Sites: 283 leases **	15
Acres, not yet classified	34,118
Mineral Resources leases**	1,700
Mineral Rights only**	504,856

* acreage numbers are rounded
** not included in land acreage

Source: Geographic Information System
Land Use/Land Cover, October, 1996

ROAD MILES

The road miles include all road mileage, ranging from highways to unpaved gravel logging roads, identified on DNR's geographic information system for all asset classes managed for the Common School Trust. The GIS road mileage inventory is updated through field information and sales activities.

Total Road Miles: 6,399

Source: GIS System, 10/96

STREAM MILES

The stream miles include all stream types identified on the GIS system. The information is gathered from aerial photography, historic information, field surveys by DNR personnel and other agencies' staff, tribal sources and other land professionals.

Total Stream Miles: 11,302

Source: GIS System, 10/96

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Common School Trust (continued)

FOREST RESOURCES ASSET CLASS INFORMATION

SITE CLASS

"Site class" refers to the productivity of an acre of forest land. The following site classes reflect the timber producing capability of the forest class asset that is located on the west side of the Cascade Mountains. The eastern Washington forests are not classified according to site class, primarily because a majority of the forest stands are actually a combination of tree species rather than a single species, as is typical of westside forests.

WESTSIDE FOREST ASSET CLASS: SITE CLASS ACRES, COMMON SCHOOL TRUST

Site I	Site II	Site III	Site IV	Site V	Total
40,200	85,900	224,000	129,800	53,800	533,700 acres

Site I and Site II are the best timber productivity acres.

Site III are average timber productivity acres.

Site IV and Site V are the poorer timber productivity acres.

Source: GIS System, 10/96

ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

"On-base" and "off-base/deferred" acres describe forest lands in relationship to a predictable expectation of timber production per acre. The term on-base means forest acres that can produce an anticipated level of harvestable timber. Off-base/deferred forest acres mean that the amount of timber that the parcel may grow is unknown. Factors that influence harvestability include roads, bogs, streams, habitat provisions for wildlife species and geographic restrictions such as rocky soil. The Habitat Conservation Plan applies to specific DNR-managed forest lands on the west side of the Cascade Mountains and the eastern slopes of the Cascade range.

HABITAT CONSERVATION PLAN: ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

On-base: 502,890 acres Off-base/deferred: 187,253 acres Total: 690,143 acres

On-base forest acres: Forestland acres that contribute to the timber harvest calculation.

Off-base/deferred forest acres: Forestland acres not currently included in the harvestable timber inventory, but may have the potential to come on base in the future.

Source: HCP, 1/96

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provide financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Community and Technical College Trust

Designated Beneficiaries: Community and Technical Colleges

Total Acreage: 3,314

Source: Annual Report, June 30, 1996

ASSET CLASSES: The following asset classes are described in the Deloitte & Touche Report and are reported in DNR's geographic information tracking systems:

ASSET CLASS ACRES*, COMMUNITY AND TECHNICAL COLLEGE TRUST

Forest Resources	3,322
Agriculture	0
Grazing	0
Commercial Real Estate	0
Communication Sites	0
Acres, not yet classified	0
Mineral Rights only**	0

* acreage numbers are rounded

** not included in land acreage

Source: Geographic Information System
Land Use/Land Cover, October 1996

ROAD MILES

The road miles include all road mileage, ranging from highways to unpaved gravel logging roads, identified on DNR's geographic information system for all asset classes managed for the Community and Technical College Trust. The GIS road mileage inventory is updated through field information and sales activities.

Total Road Miles: 28

Source: GIS System, 10/96

STREAM MILES

The stream miles include all stream types identified on the GIS system. The information is gathered from aerial photography, historic information, field surveys by DNR personnel and other agencies' staff, tribal sources and other land professionals.

Total Stream Miles: 16

Source: GIS System, 10/96

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Community and Technical College Trust (continued)

FOREST RESOURCES ASSET CLASS INFORMATION

SITE CLASS

"Site class" refers to the productivity of an acre of forest land. The following site classes reflect the timber producing capability of the forest class asset that is located on the west side of the Cascade Mountains. The eastern Washington forests are not classified according to site class, primarily because a majority of the forest stands are actually a combination of tree species rather than a single species, as is typical of westside forests.

WESTSIDE FOREST ASSET CLASS: SITE CLASS ACRES, COMMUNITY AND TECHNICAL COLLEGE TRUST

Site I	Site II	Site III	Site IV	Site V	Total
800	2,500	30	0	0	3,330 acres

Site I and Site II are the best timber productivity acres.

Site III are average timber productivity acres.

Site IV and Site V are the poorer timber productivity acres.

Source: GIS System, 10/96

ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

"On-base" and "off-base/deferred" acres describe forest lands in relationship to a predictable expectation of timber production per acre. The term on-base means forest acres that can produce an anticipated level of harvestable timber. Off-base/deferred forest acres mean that the amount of timber that the parcel may grow is unknown. Factors that influence harvestability include roads, bogs, streams, habitat provisions for wildlife species and geographic restrictions such as rocky soil. The Habitat Conservation Plan applies to specific DNR-managed forest lands on the west side of the Cascade Mountains and the eastern slopes of the Cascade range.

HABITAT CONSERVATION PLAN: ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

On-base: 3,217 acres	Off-base/deferred: 77 acres	Total: 3,294 acres
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On-base forest acres: Forestland acres that contribute to the timber harvest calculation.

Off-base/deferred forest acres: Forestland acres not currently included in the harvestable timber inventory, but may have the potential to come on base in the future. Source: HCP, 1/97

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provide financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Forest Board Transfer Trust & Purchase Lands

Designated Beneficiaries: County/Local Government and State
General Fund

Total Acreage: 620,137

Source: Annual Report, June 30, 1996

ASSET CLASSES: The following asset classes are described in the Deloitte & Touche Report and are reported in DNR's geographic information tracking systems:

ASSET CLASS ACRES*, FOREST BOARD TRANSFER TRUST & PURCHASE LANDS

Forest Resources	607,933
Agriculture	399
Grazing	438
Commercial Real Estate	3,317
Communication Sites: 181 leases**	9
Acres, not yet classified	8,050
Mineral Rights only**	27,026

* acreage numbers are rounded
** not included in land acreage

Source: Geographic Information System
Land Use/Land Cover, October, 1996

ROAD MILES

The road miles include all road mileage, ranging from highways to unpaved gravel logging roads, identified on DNR's geographic information system for all asset classes managed for the Forest Board Transfer Trust & Purchase Lands. The GIS road mileage inventory is updated through field information and sales activities.

Total Road Miles: 2,832

Source: GIS System, 10/96

STREAM MILES

The stream miles include all stream types identified on the GIS system. The information is gathered from aerial photography, historic information, field surveys by DNR personnel and other agencies' staff, tribal sources and other land professionals.

Total Stream Miles: 4,913 miles

Source: GIS System, 10/96

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Forest Board Transfer Trust & Purchase Lands (continued)

FOREST RESOURCES ASSET CLASS INFORMATION

SITE CLASS

"Site class" refers to the productivity of an acre of forest land. The following site classes reflect the timber producing capability of the forest class asset that is located on the west side of the Cascade Mountains. The eastern Washington forests are not classified according to site class, primarily because a majority of the forest stands are actually a combination of tree species rather than a single species, as is typical of westside forests.

WESTSIDE FOREST ASSET CLASS: SITE CLASS ACRES, FOREST BOARD TRUST & PURCHASE LANDS

Site I	Site II	Site III	Site IV	Site V	Total
55,450	159,000	212,350	124,550	33,350	584,700 acres

Site I and Site II are the best timber productivity acres.

Site III are average timber productivity acres.

Site IV and Site V are the poorer timber productivity acres.

Source: GIS System, 10/96

ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

"On-base" and "off-base/deferred" acres describe forest lands in relationship to a predictable expectation of timber production per acre. The term on-base means forest acres that can produce an anticipated level of harvestable timber. Off-base/deferred forest acres mean that the amount of timber that the parcel may grow is unknown. Factors that influence harvestability include roads, bogs, streams, habitat provisions for wildlife species and geographic restrictions such as rocky soil. The Habitat Conservation Plan applies to specific DNR-managed forest lands on the west side of the Cascade Mountains and the eastern slopes of the Cascade range.

HABITAT CONSERVATION PLAN: ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

On-base: 514,039 acres Off-base/deferred 91,476 acres Total: 605,515 acre

On-base forest acres: Forestland acres that contribute to the timber harvest calculation.

Off-base/deferred forest acres: Forestland acres not currently included in the harvestable timber inventory, but may have the potential to come on base in the future.

Source: HCP, 1/97

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provide financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Normal School Trust

Designated Beneficiaries: Eastern Washington University, Western Washington University, Central Washington University and The Evergreen State College

Total Acreage: 64,311

Source: Annual Report, June 30, 1996

ASSET CLASSES

The following asset classes are described in the Deloitte & Touche Report and are reported in DNR's geographic information tracking systems:

ASSET CLASS ACRES*, NORMAL SCHOOL TRUST

Forest Resources	55,210
Agriculture	3,320
Grazing	4,702
Commercial Real Estate,	0
Communication Sites	0
Acres, not yet classified	1,079
Mineral Rights only**	25,101

* acreage numbers are rounded

** not included in land acreage

Source: Geographic Information System
Land Use/Land Cover, October 1996

ROAD MILES

The road miles include all road mileage, ranging from highways to unpaved gravel logging roads, identified on DNR's geographic information system for all asset classes managed for the Normal School Trust. The GIS road mileage inventory is updated through field information and sales activities.

Total Road Miles: 355 miles

Source: GIS System, 10/96

STREAM MILES

The stream miles include all stream types identified on the GIS system. The information is gathered from aerial photography, historic information, field surveys by DNR personnel and other agencies' staff, tribal sources and other land professionals.

Total Stream Miles: 470 miles

Source: GIS System, 10/96

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Normal School Trust (continued)

FOREST RESOURCES ASSET CLASS INFORMATION

SITE CLASS

"Site class" refers to the productivity of an acre of forest land. The following site classes reflect the timber producing capability of the forest class asset that is located on the west side of the Cascade Mountains. The eastern Washington forests are not classified according to site class, primarily because a majority of the forest stands are actually a combination of tree species rather than a single species, as is typical of westside forests.

WESTSIDE FOREST ASSET CLASS: SITE CLASS ACRES, NORMAL SCHOOL TRUST

Site I	Site II	Site III	Site IV	Site V	Total
2,348	5,100	14,759	6,605	5,768	34,580 acres

Site I and Site II are the best timber productivity acres.

Site III are average timber productivity acres.

Site IV and Site V are the poorer timber productivity acres.

Source: GIS System, 10/96

ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

"On-base" and "off-base/deferred" acres describe forest lands in relationship to a predictable expectation of timber production per acre. The term on-base means forest acres that can produce an anticipated level of harvestable timber. Off-base/deferred forest acres mean that the amount of timber that the parcel may grow is unknown. Factors that influence harvestability include roads, bogs, streams, habitat provisions for wildlife species and geographic restrictions such as rocky soil. The Habitat Conservation Plan applies to specific DNR-managed forest lands on the west side of the Cascade Mountains and the eastern slopes of the Cascade range.

HABITAT CONSERVATION PLAN: ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

On-base: 33,609 acres Off-base/deferred: 11,291 acres Total: 44,900 acres

On-base forest acres: Forestland acres that contribute to the timber harvest calculation.

Off-base/deferred forest acres: Forestland acres not currently included in the harvestable timber inventory, but may have the potential to come on base in the future.

Source: HCP 1/97

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Scientific School Trust

Designated Beneficiary: Washington State University

Total Acreage: 80,497

Source: Annual Report, June 30, 1996

ASSET CLASSES: The following asset classes are described in the Deloitte & Touche Report and are reported in DNR's geographic information tracking systems:

ASSET CLASS ACRES*, SCIENTIFIC SCHOOL TRUST

Forest Resources	66,480
Agriculture	6,119
Grazing	6,720
Commercial Real Estate	21
Communication Sites: 10 leases**	1
Acres, not yet classified	1,157
Mineral Rights only**	27,875

* acreage numbers are rounded

** not included in land acreage

Source: Geographic Information System
Land Use/Land Cover, October 1996

ROAD MILES

The road miles include all road mileage, ranging from highways to unpaved gravel logging roads, identified on DNR's geographic information system for all asset classes managed for the Scientific School Trust. The GIS road mileage inventory is updated through field information and sales activities.

Total Road Miles: 381

Source: GIS System, 10/96

STREAM MILES

The stream miles include all stream types identified on the GIS system. The information is gathered from aerial photography, historic information, field surveys by DNR personnel and other agencies' staff, tribal sources and other land professionals.

Total Stream Miles: 668 miles

Source: GIS System, 10/96

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

Scientific School (continued)

FOREST RESOURCES ASSET CLASS INFORMATION

SITE CLASS

"Site class" refers to the productivity of an acre of forest land. The following site classes reflect the timber producing capability of the forest class asset that is located on the west side of the Cascade Mountains. The eastern Washington forests are not classified according to site class, primarily because a majority of the forest stands are actually a combination of tree species rather than a single species, as is typical of westside forests.

WESTSIDE FOREST ASSET CLASS: SITE CLASS ACRES, SCIENTIFIC SCHOOL TRUST

Site I	Site II	Site III	Site IV	Site V	Total
4,700	24,200	12,000	12,800	1,500	55,200 acres

Site I and Site II are the best timber productivity acres.

Site III are average timber productivity acres.

Site IV and Site V are the poorer timber productivity acres.

Source: GIS System, 10/96

ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

"On-base" and "off-base/deferred" acres describe forest lands in relationship to a predictable expectation of timber production per acre. The term on-base means forest acres that can produce an anticipated level of harvestable timber. Off-base/deferred forest acres mean that the amount of timber that the parcel may grow is unknown. Factors that influence harvestability include roads, bogs, streams, habitat provisions for wildlife species and geographic restrictions such as rocky soil. The Habitat Conservation Plan applies to specific DNR-managed forest lands on the west side of the Cascade Mountains and the eastern slopes of the Cascade range.

HABITAT CONSERVATION PLAN: ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

On-base: 54,352 acres Off-base/deferred: 9,011 acres Total: 63,363 acres

On-base forest acres: Forestland acres that contribute to the timber harvest calculation.

Off-base/deferred forest acres: Forestland acres not currently included in the harvestable timber inventory, but may have the potential to come on base in the future. Source: HCP 1/97

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provide financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

University Trust, Original and Transfer

Designated Beneficiary: University of Washington

Total Acreage: 86,740

Source: Annual Report, June 30, 1996

ASSET CLASSES: The following asset classes are described in the Deloitte & Touche Report and are reported in DNR's geographic information tracking systems.

ASSET CLASS ACRES*, UNIVERSITY TRUST, ORIGINAL AND TRANSFER

Forest Resources	57,661
Agriculture	8,735
Grazing	17,377
Commercial Real Estate	101
Communication Sites	0
Acres, not yet classified	2,866
Mineral Rights only**	9,427

* acreage numbers are rounded
** not included in land acreage

Source: Geographic Information System
Land Use/Land Cover, October 1996

ROAD MILES

The road miles include all road mileage, ranging from highways to unpaved gravel logging roads, identified on DNR's geographic information system for all asset classes managed for the University Trust, Original and Transfer. The GIS road mileage inventory is updated through field information and sales activities.

Total Road Miles: 393

Source: GIS System, 10/96

STREAM MILES

The stream miles include all stream types identified on the GIS system. The information is gathered from aerial photography, historic information, field surveys by DNR personnel and other agencies' staff, tribal sources and other land professionals.

Total Stream Miles: 500

Source: GIS System, 10/96

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.

University Trust, Original and Transfer (continued)

FOREST RESOURCES ASSET CLASS INFORMATION

SITE CLASS

"Site class" refers to the productivity of an acre of forest land. The following site classes reflect the timber producing capability of the forest class asset that is located on the west side of the Cascade Mountains. The eastern Washington forests are not classified according to site class, primarily because a majority of the forest stands are actually a combination of tree species rather than a single species, as is typical of westside forests.

WESTSIDE FOREST ASSET CLASS: SITE CLASS ACRES, UNIVERSITY TRUST, ORIGINAL AND TRANSFER

Site I	Site II	Site III	Site IV	Site V	Total
3,600	3,600	31,200	2,200	2,400	43,000 acres

Site I and Site II are the best timber productivity acres.
Site III are average timber productivity acres.
Site IV and Site V are the poorer timber productivity acres.

Source: GIS, 10/96

ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

"On-base" and "off-base/deferred" acres describe forest lands in relationship to a predictable expectation of timber production per acre. The term on-base means forest acres that can produce an anticipated level of harvestable timber. Off-base/deferred forest acres mean that the amount of timber that the parcel may grow is unknown. Factors that influence harvestability include roads, bogs, streams, habitat provisions for wildlife species and geographic restrictions such as rocky soil. The Habitat Conservation Plan applies to specific DNR-managed forest lands on the west side of the Cascade Mountains and the eastern slopes of the Cascade range.

HABITAT CONSERVATION PLAN: ON-BASE AND OFF-BASE/DEFERRED FOREST ACRES

On-base: 37,640 acres	Off-base/deferred: 10,727 acres	Total: 48,367 acres
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On-base forest acres: Forestland acres that contribute to the timber harvest calculation.
Off-base/deferred forest acres: Forestland acres not currently included in the harvestable timber inventory, but may have the potential to come on base in the future. Source: HCP, 1/97

NOTE: Information cited in this chart is derived from the Department's Annual Report for fiscal year 1996 and the Geographic Information System as of October 1996. The Annual Report provides financial and acreage figures as of June 30, 1996. The GIS system records land-based information. Changes in ownership due to transactions are entered into the financial accounting system immediately; completing the documentation and updating GIS records takes an additional two to six months. Therefore, due to timing differences, specific trust acreage numbers differ between the financial system (FY 96 Annual Report) and the GIS system. Deloitte & Touche acreage figures may vary due to date (June 1995), changing uses and differences in asset class definitions.



Assumptions

Before developing strategies which might be applied in the future, the department stated its assumptions. These assumptions are based on our understanding of our obligations as a land manager and trust manager, the laws and statutes which guide us, informed expectations about population growth and similar factors which are likely beyond our control.

These are our assumptions:

- The state land we manage is part of the larger portfolio of state assets.
- Land is a desirable, valuable and durable asset as part of the state's portfolio.
- DNR will remain a land manager and the state legislature will add both categories of land and specific acreages.
- The trust lands shall be managed in a way that both protects and advances the fiduciary best interests of the designated trust beneficiaries.
- It is our obligation to maintain the health and productivity of land-based assets.
- Attributes, characteristics, uses and commodities of the land base which are not valuable today may become very valuable in the future. Consequently, we must not foreclose options.
- Intergenerational equity demands that benefits to today's Washington residents and trust beneficiaries from state lands will not be provided at the expense of future generations.
- As the state's population grows, conflicting demands for benefits from and uses of state lands will also increase. This will create both opportunities and challenges.
- The state's land assets are subject to market pressures and opportunities beyond our state boundaries and national borders.
- To manage assets effectively and efficiently in the future the department will likely need to develop new administrative systems and tools or improve existing ones.
- Future requirements for protection of as yet unlisted species may affect management options for lands not covered by the Habitat Conservation Plan.



Asset Stewardship Strategies

(Adopted by Board of Natural Resources on January 6, 1998)

I. Strategies for the entirety of the land holdings

1. Evaluate world, national and northwest trends in agriculture, forestry, aquatic and mineral markets, particularly in the following areas:
 - impacts from other countries developing their resources and markets
 - impacts of population growth and the related increased need for products and/or reduced supply
 - impacts from GATT and NAFTA and other international agreements
 - impacts of, or changes to, congressionally driven subsidies and related incentives
 - impacts of, or opportunities related to, "green" and other international marketing certification efforts
 - impacts on revenue production of the prohibition on exporting logs from state lands

Following this evaluation, develop a plan to capture opportunities or react to trends related to world, northwest and national markets for all our commodities. Develop a comprehensive product marketing program to assure that "fair market value" is achieved in all sales, leases and contracts.

As part of this plan, the department will build capacity to regularly review our market plans and market evaluation methodologies. This will include the capacity inside the department but will also include the use of expertise outside the department.

Key question: What commodities will be in demand in the foreseeable future and how should the DNR position itself to be competitive in its chosen markets?

2. Continue to evaluate, prioritize, and act on opportunities to block up or reposition trust lands. Expand our program to include, where appropriate, eastern Washington exchanges and consolidations. Develop a specific strategy to get the federal agencies, the President, and Congress to address comprehensive exchanges with the USDA Forest Service and the Bureau of Land Management. Develop a prioritization process for addressing these opportunities.

Key question: Where are there opportunities to improve trust performance through repositioning trust assets?

3. Conduct a thorough assessment of our agricultural land holdings, including all crop land and grazing land, as we did many years ago prior to deciding to block up forest land. The assessment will be the foundation for strategic decisions about the type and intensity of agricultural holdings that should continue to be part of the trusts.

The assessment will evaluate:

- the opportunities and challenges of owning agricultural land
- the potential future trends in agriculture or related areas
- agricultural marketing opportunities, including the opportunities for export and the impact from imports
- water availability and the impacts of water related issues
- potential market niche opportunities
- the ecological impacts from certain agricultural or management practices
- grazing fees and the impact the federal grazing fees have on our fee structure
- ownership and management trends of other land-owning states
- the impacts, including the impact on property values, taxes, and income, from the state buying additional agricultural land, selling agricultural land, or maintaining the current agricultural land holdings

Following the assessment, the department will update the agricultural resources plan.

Key questions: What are the appropriate kinds of agricultural lands that the department should manage for the various trusts? Should we work to “block” agricultural lands for greater productivity and efficiency of management?

4. Conduct an analysis of the potential for generating revenue for beneficiaries from non-commodity values occurring on state lands. This analysis will include an evaluation of recreational use and water and air quality protection. The analysis will address, from a risk management perspective, the additional cost of liability associated with charging for public use, the revenue potential from protecting water quality (i.e., for municipal drinking water sources) or air quality (i.e., carbon sequestration pollution credits) and the potential for generating revenue from securing clean water and stable watersheds to provide water for future populations.

Key questions: Are there opportunities to generate revenue for the trust beneficiaries from the non-market benefits generated and values existing on trust land, both now and in the future? If so, how do we capture these opportunities?

5. Conduct an evaluation of our current transitional land holdings. Update the current criteria for identifying lands likely to be pressured by growth to convert or become otherwise incapable of generating revenue through traditional land management methods. Develop an inventory of transition lands desired by local government for park or other public facilities and an assessment of the likelihood of those entities being funded to acquire the land. Develop criteria and a plan for evaluating at what point land should be actively converted by the department (either by sale or development) from resource production to “higher” economic use. Evaluate the issues related to opportunities for acquiring improved properties and the skills and structures needed for effective management of commercial properties. Develop a strategy for assuring that the trusts capture the development potential of transition lands.

Key question: What steps should the department take to ensure the trusts capture appropriate revenue potential and do not foreclose future options on transition lands?

-
6. Evaluate our legal management tools to see if there are gaps or inconsistencies, or if there are tools that would benefit all trusts (i.e., exchange laws, pooling of revenue, conservation easements).

Key question: Are there changes in the statutory and constitutional frameworks that we should pursue to enhance the management and performance of the trusts?

7. Take a proactive posture in securing additional support for and further articulation of the Public Trust Doctrine to benefit the public's use of its aquatic land holdings and to expand the public's access to all aquatic lands, by litigating an appropriate case.

Key question: Where and how can the department be most effective in securing public access to aquatic lands?

8. Develop an acquisition plan for assuring that we meet the legislature's intent to secure lands that preserve the natural or ecological systems, whether unique or typical to the state, which may be important to be observed, studied, enjoyed or otherwise used by the people of Washington.

Key question: What areas and features should be protected through the Natural Area Preserve and Natural Resources Conservation Areas programs to best assure that unique or typical natural or ecological systems can forever be observed, studied and enjoyed by the people of Washington?

9. Conduct an assessment of aquatic holdings, both fresh water and marine, to identify opportunities for buying or exchanging aquatic land. Evaluate opportunities for other uses of land and for asset management to provide public benefits, including:
 - collaborative planning and partnerships with neighboring landowners and other governments and agencies to enhance and protect aquatic resources and ensure integration of upland and aquatic uses and protection.
 - habitat for water-dependent species, particularly current and historic habitat for salmonid and other species likely to be listed under the Endangered Species Act.
 - ensuring environmental protection of aquatic resources by incorporating comprehensive assessment of river systems, wetlands, estuaries and bays in ongoing watershed planning which considers the connections between waters and submerged lands and surrounding riparian areas, wetlands and the lands beyond; and recognizes the resulting corridors, from the mountain or upland sources to ultimate freshwater or marine destinations;
 - mitigation options to protect the resources;
 - utilizing renewable resources;
 - encouraging direct public use and access;
 - fostering water-dependent uses;
 - incorporating true economic value of these assets through environmental cost accounting and transgenerational interest and natural increased value.

II. Strategies related to specific trusts

1. Determine whether the Board of Natural Resources can be, or should be, involved in helping to meet those needs of the beneficiaries that do not directly relate to trust land (i.e., building the K-12 permanent fund from supplemental sources or investment strategies for the permanent funds).

Key question: Is there a role for the Board of Natural Resources in supporting the needs of beneficiaries outside of the Board's role in directing the management of trust lands?

2. With the assistance of the beneficiaries, develop a profile of each trust, including looking at projected growth in enrollment and facility expansion plans, to be used by the department as a means of more strategically contributing to meeting beneficiaries' needs.

Key question: How can DNR best contribute to the revenue needs of the beneficiaries?

3. Analyze each trust's holdings to determine whether the current holdings are appropriately diversified or if further diversification of the land is warranted, considering such things as:
 - appropriately balancing risk factors and rate of return
 - stability and predictability of cash flow
 - preserving management flexibility
 - looking at the possibility of future opportunities, including portfolio growth and expansion

Key question: What are the key factors that should be considered when diversifying trust assets to assure their continued productivity? Apply those factors to ascertain whether each trust has the appropriate mix of assets.

4. Identify, using Deloitte & Touche information, potential "products" of the future and do a trust-specific analysis to determine whether specific trusts' positions could be enhanced by positioning them to be able to take advantage of those future opportunities.

Key question: Does each trust have opportunities related to future markets and if not, can we position them more positively?

5. Develop a set of performance measures, which consider, generally, the unique aspects of public land trusts and, specifically, the uniqueness of the Washington state trusts, against which to measure asset performance.

Key question: What are the appropriate performance measures against which to judge Washington's public land trusts?

6. Develop a set of recommendations and strategies for each trust for achieving:
 - an appropriate asset mix, including a policy and time frame for diversification if appropriate
 - a set of priorities for achieving the desired mix
 - strategies and priorities for sales, purchases and exchanges
 - strategies to incorporate the results of the marketing analysis

-
- update of management plans to include latest technology and knowledge
 - strategies for positioning each trust to take advantage of future potential “products”
 - strategies to manage information as an asset

Key question: What is the appropriate mix of assets for each trust and how should the DNR work to achieve that mix?

III. Strategies for asset-related business practices of the department

1. Conduct a business efficiency review of the department to identify potential areas for improvement. Develop a strategy and prioritized list of business centers to specifically audit and improve. Examples include: 1) the process of selling timber (from the initial pre-sales work through to contract compliance), 2) the process used to resolve trespasses on trust land, 3) leasing processes (including rental determinations and lease compliance), and 4) appraisal processes.

Key question: Where are the greatest opportunities for business improvement and cost reduction?

2. Review and revise department planning systems, policies, and procedures to assure that our planning is integrated, our plans are regularly reviewed and updated, our policies are comprehensive and consistently implemented, and our procedures are clear.

Key question: How can the department assure that we practice integrated management, and that our plans and policies are appropriately implemented?

3. Revamp financial systems, including both expenditure control systems and revenue management systems, to improve information and accountability of both expenditures and revenue production.

Key question: How can the department improve its financial management and reporting systems to provide more accurate, timely information to department managers, beneficiaries and the public?

4. Develop a comprehensive research strategy that, among other things, identifies areas where specific research would enhance the trust value (i.e., genetics), how research conducted by the department should be coordinated to ensure that results are shared across the department and with beneficiaries, Board of Natural Resources and the public; that resources are used efficiently; and that interdisciplinary research and collaboration is achieved, including economic and ecological research when appropriate.

Key question: What information do we need, scientifically, to do a better job of managing the trusts in perpetuity?

5. Solidify a pragmatic approach to Superfund cleanup, including the method for the state to finance such cleanup and mitigation.

Key issue: How can we best assure that hazardous waste sites on aquatic lands are cleaned up to a reasonable standard and at a reasonable cost?

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6. Develop a system that accounts for non-market benefits from state land management (e.g., public use, environmental protection).

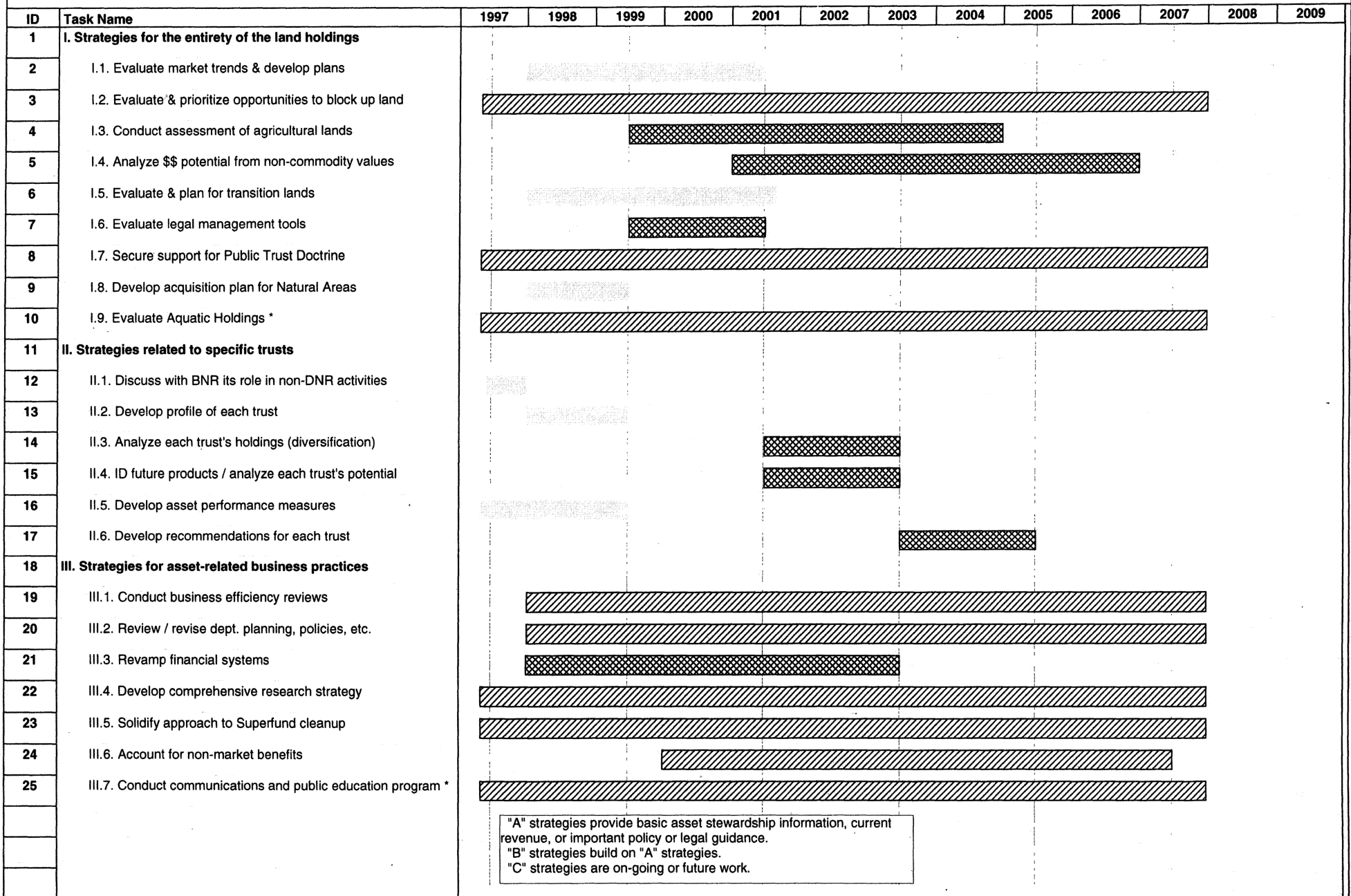
Key question: How do we demonstrate that we are meeting the constitutional mandate to manage the lands to benefit all the people?

7. Develop a public education campaign to inform and educate the public about all state lands and the department's trust responsibilities, targeted to achieve:
- greater public understanding about trust lands, natural areas and aquatic lands;
 - an understanding of the linkages between trust land management and beneficiary institutions;
 - a public that is active and involved in being good stewards of the land.

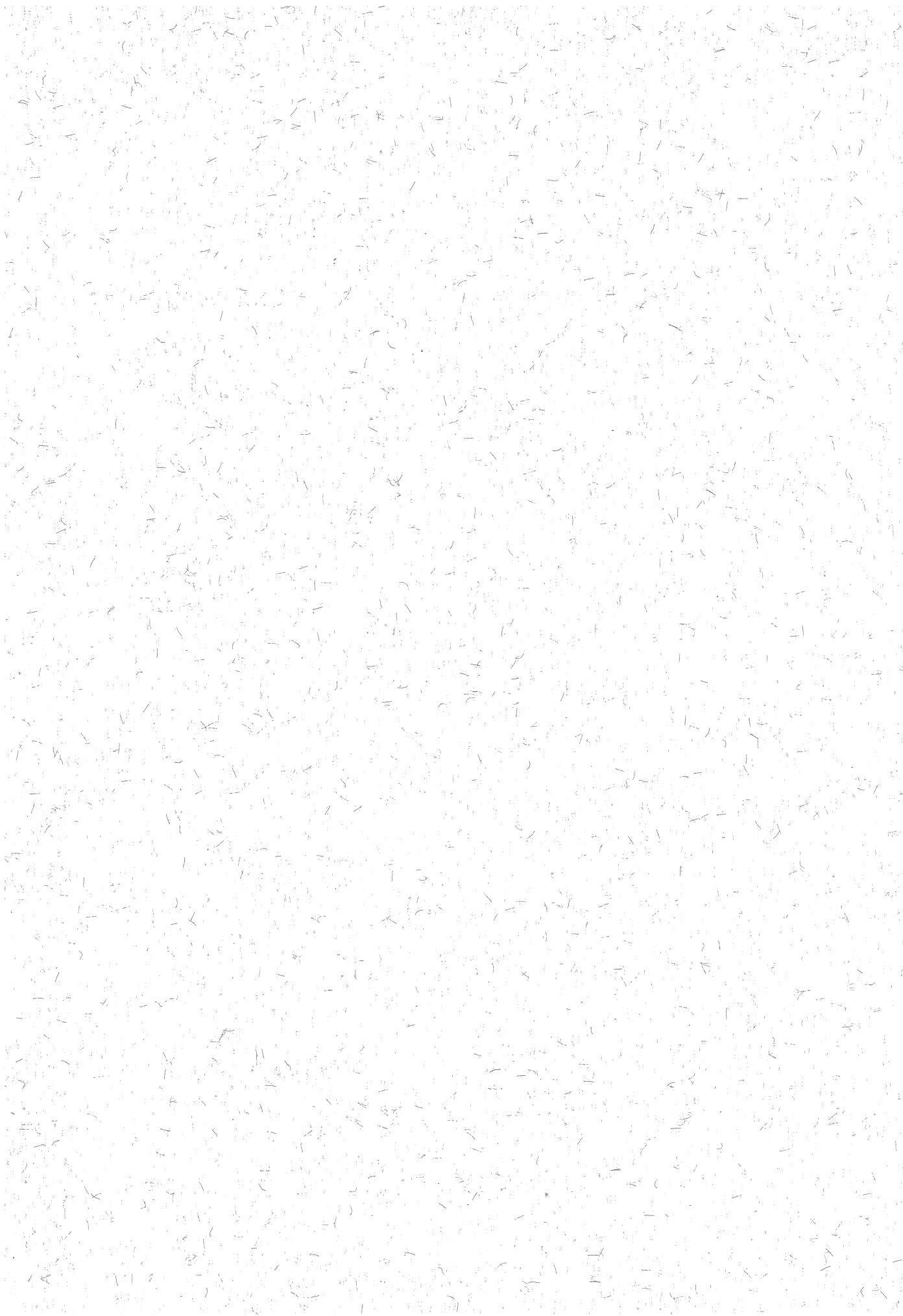
Draft Timing Sequence for Carrying Out Strategies

(in order shown in strategies)

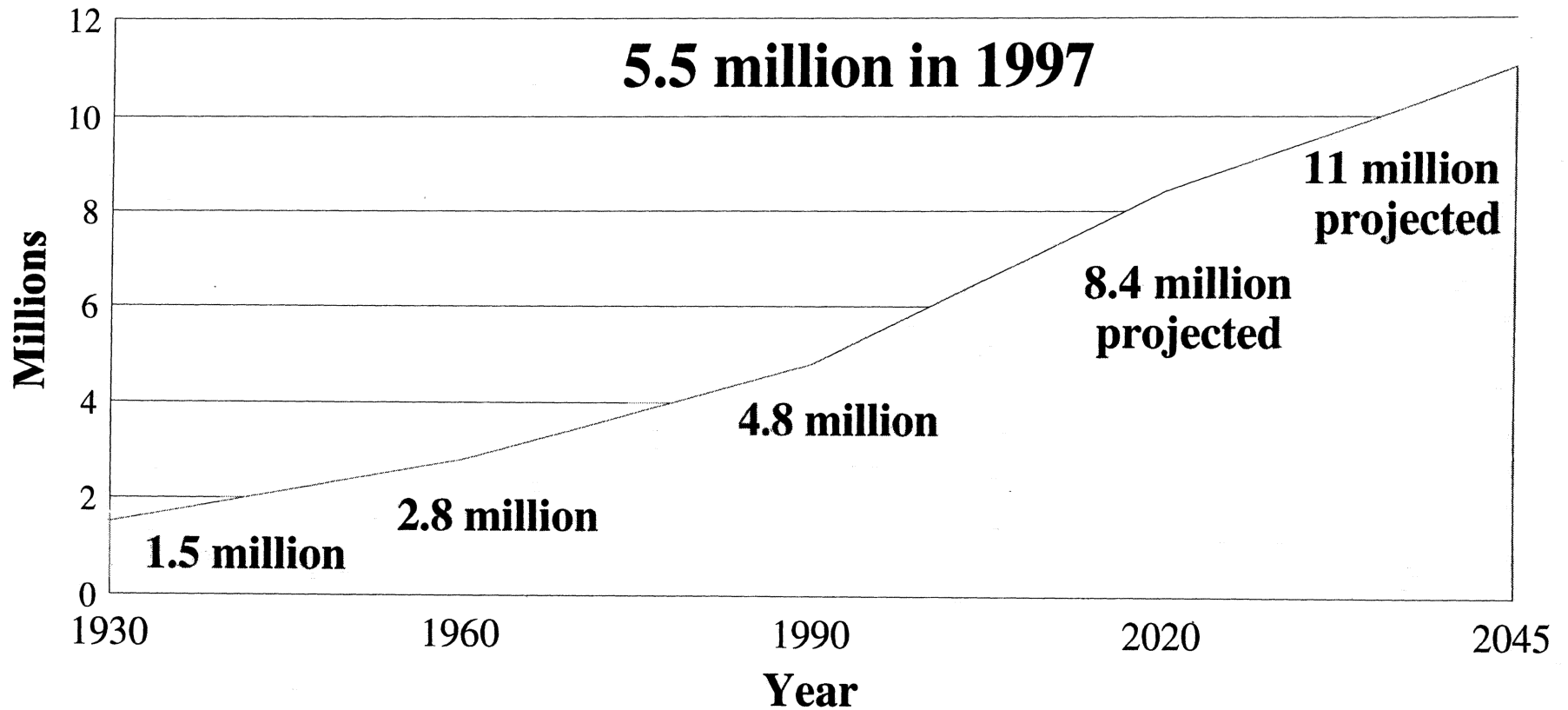
* Revised January 1998

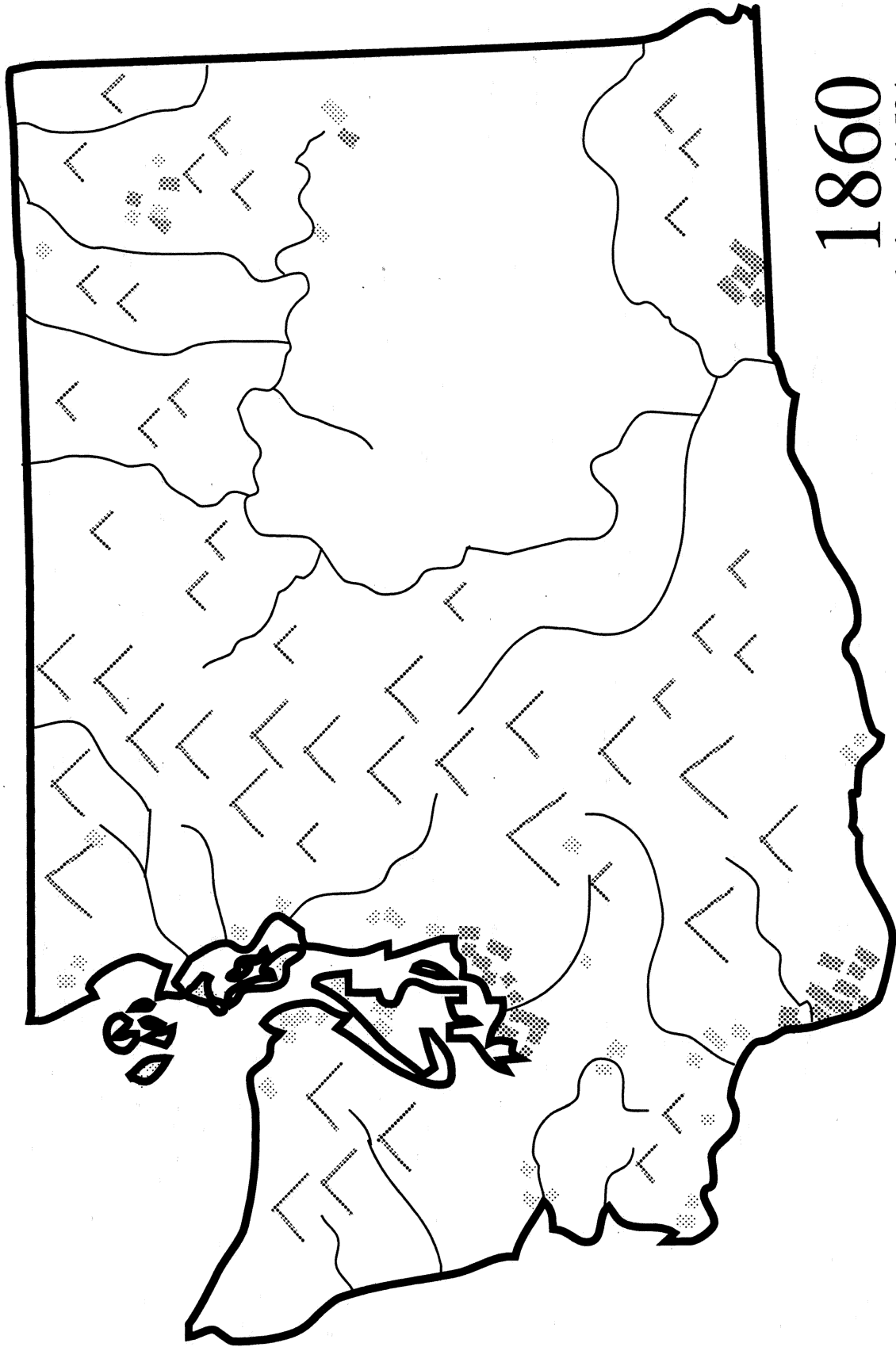


"A" Strategies "B" Strategies "C" Strategies



Washington's Population Is Increasing





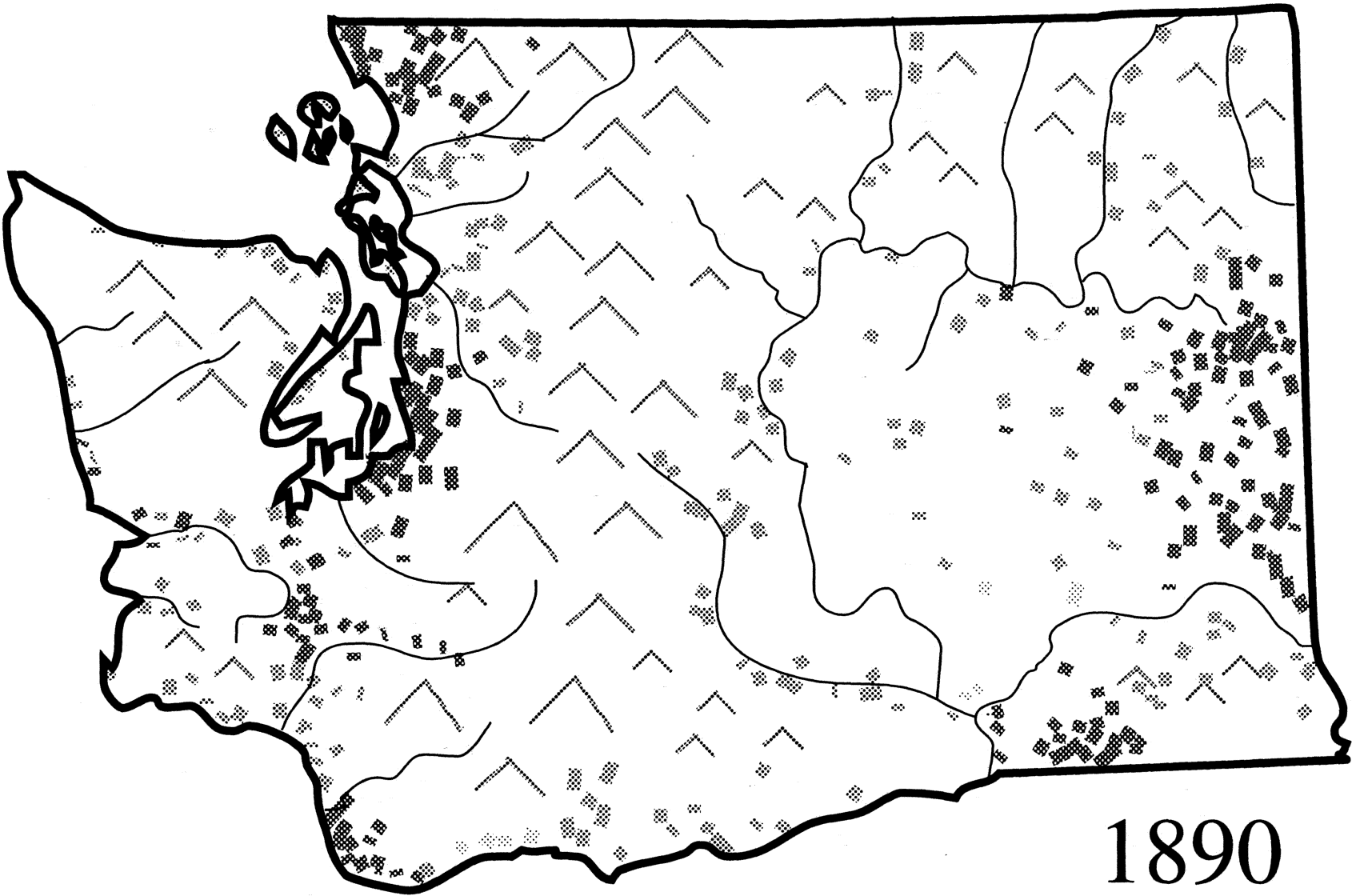
1860

State population—11,594

**Population
Distribution**



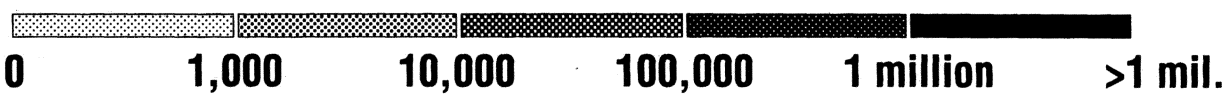
Population distribution is approximate. Color indicates county population.
Individual color blocks do not have numerical value.



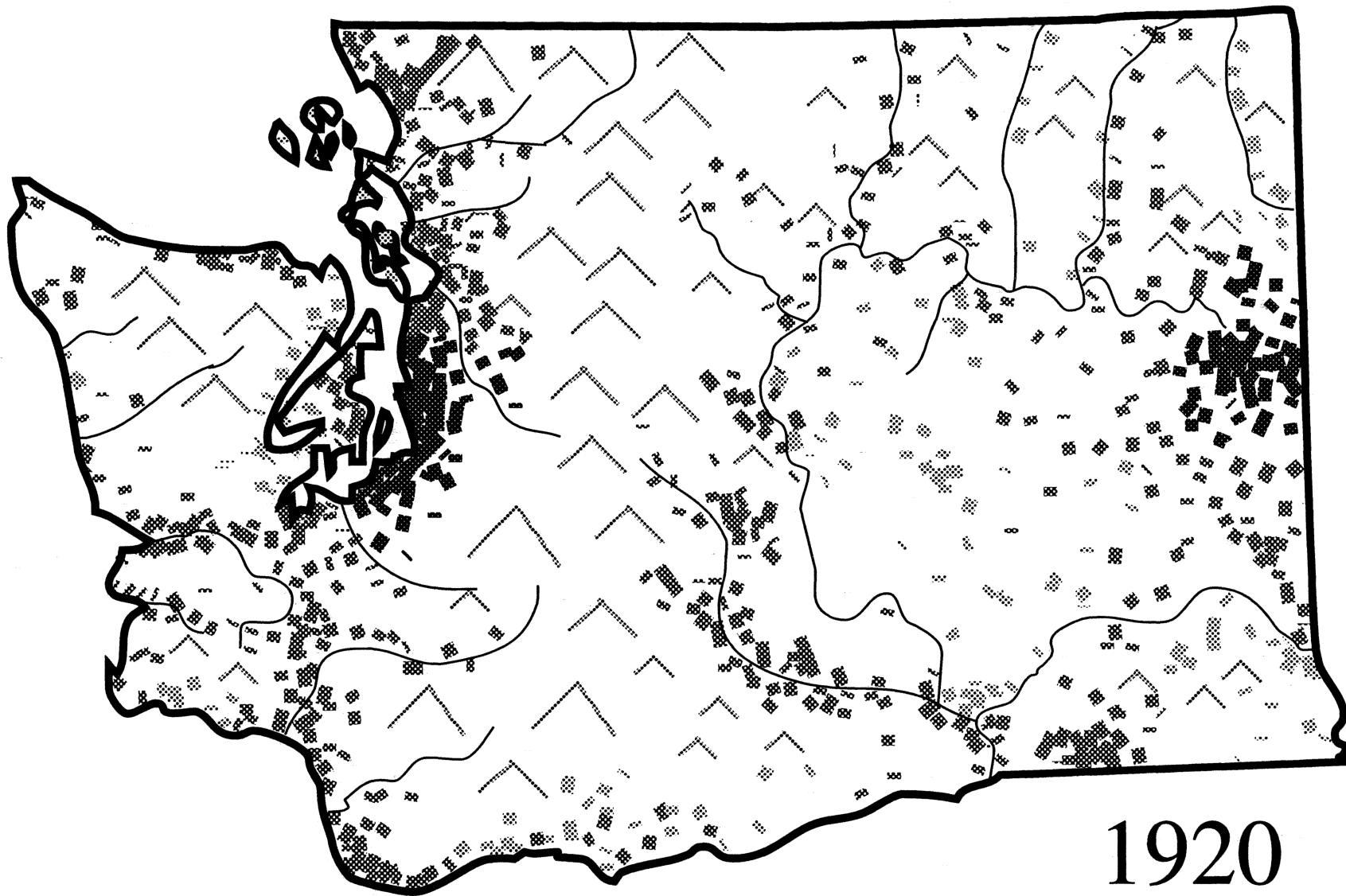
1890

State population—357,232

Population Distribution



Population distribution is approximate. Color indicates county population.
Individual color blocks do not have numerical value.



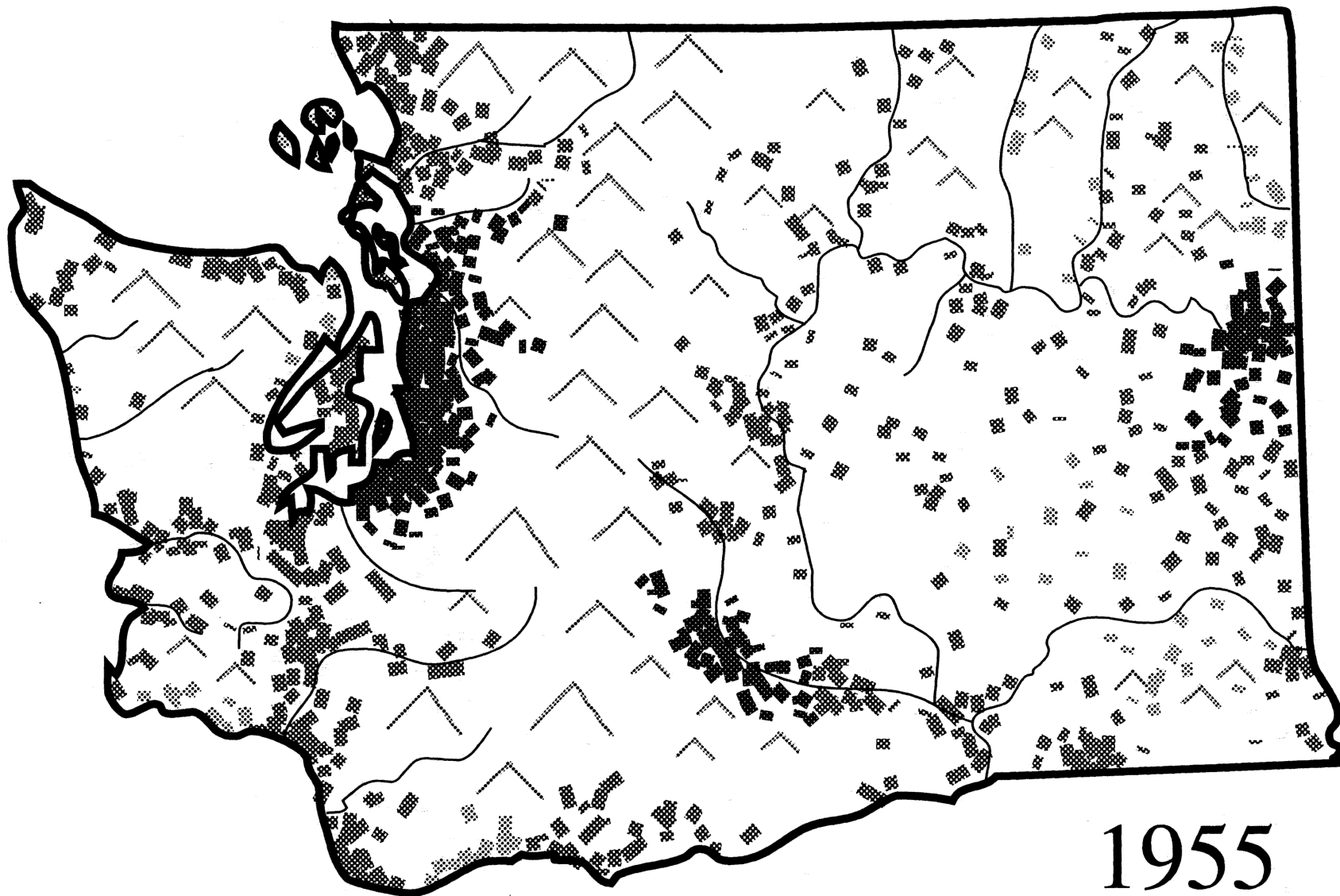
1920

State population—1,356,621

Population Distribution



Population distribution is approximate. Color indicates county population.
Individual color blocks do not have numerical value.



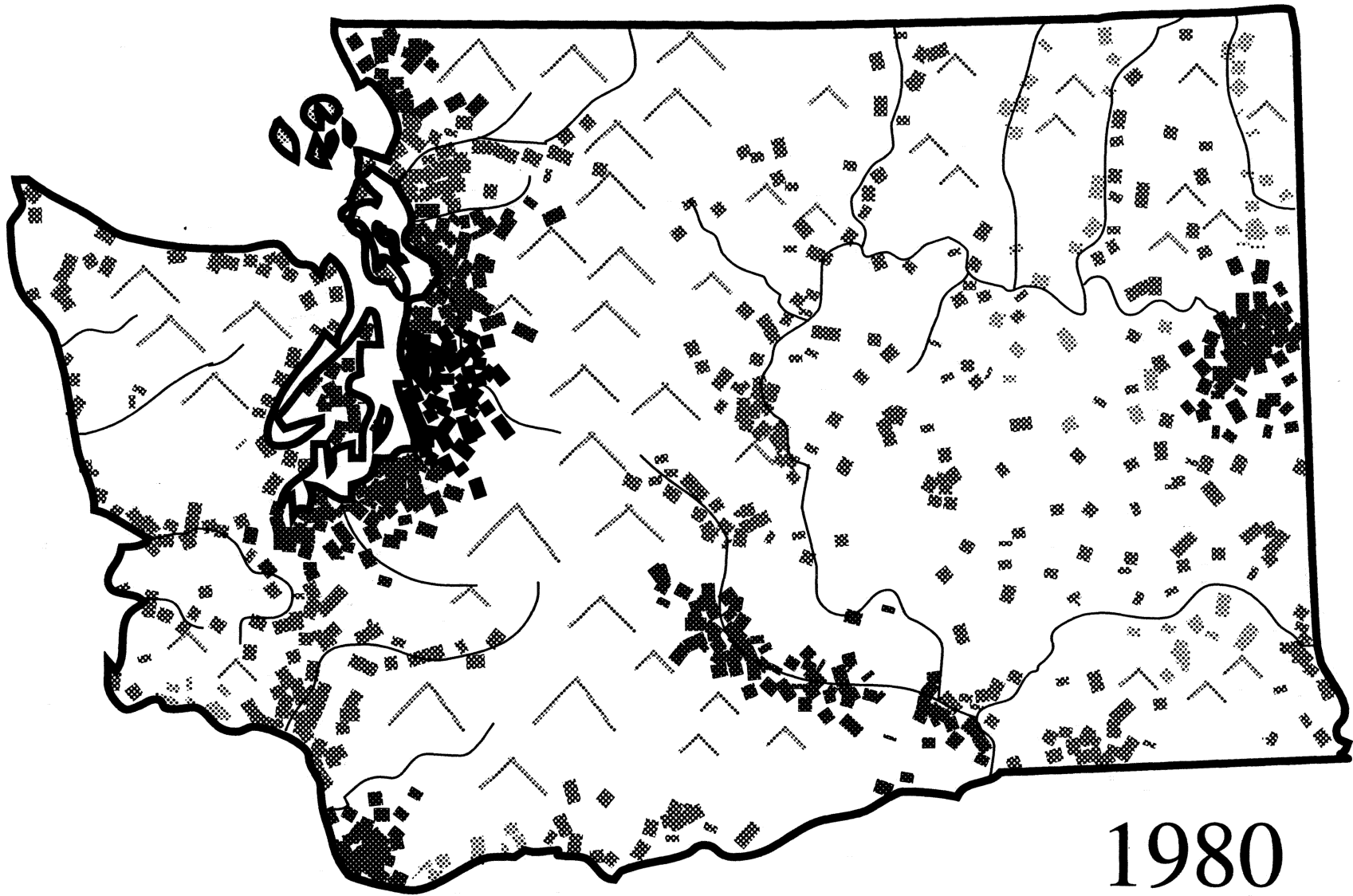
1955

State population—2,580,000

Population Distribution



Population distribution is approximate. Color indicates county population.
Individual color blocks do not have numerical value.



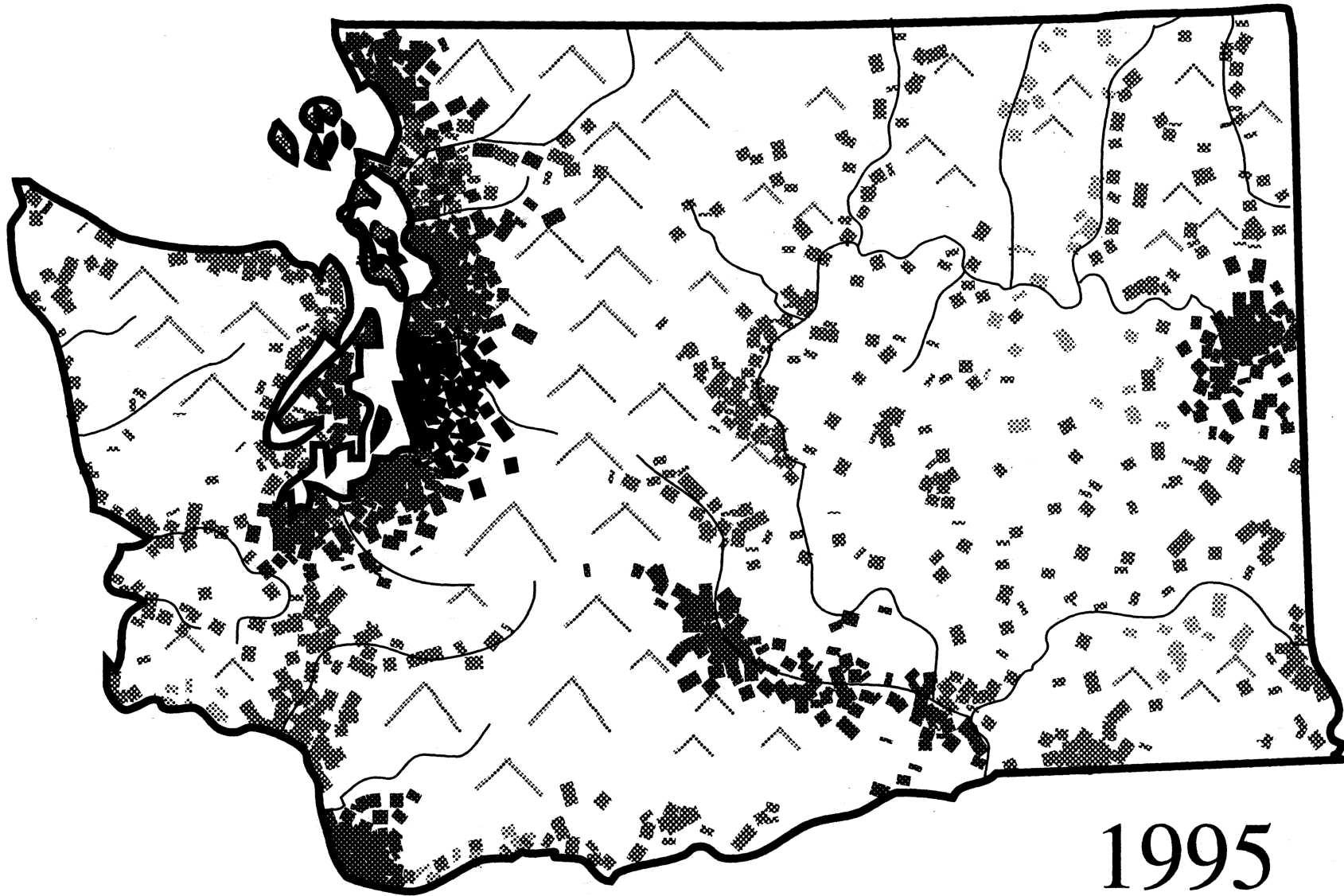
1980

State population—4,132,156

Population Distribution



Population distribution is approximate. Color indicates county population. Individual color blocks do not have numerical value.



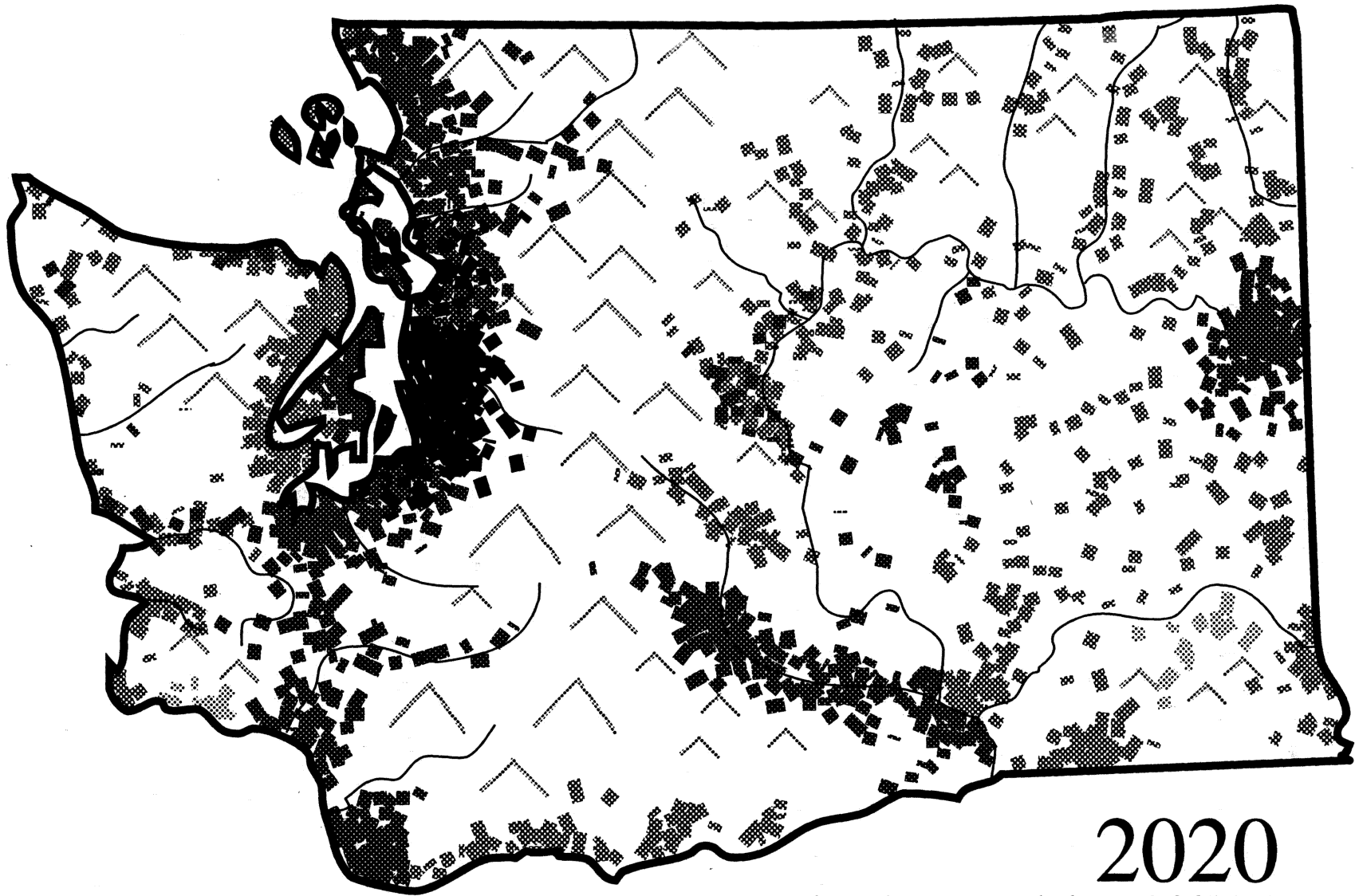
1995

State population—5,429,879

Population Distribution



Population distribution is approximate. Color indicates county population.
Individual color blocks do not have numerical value.



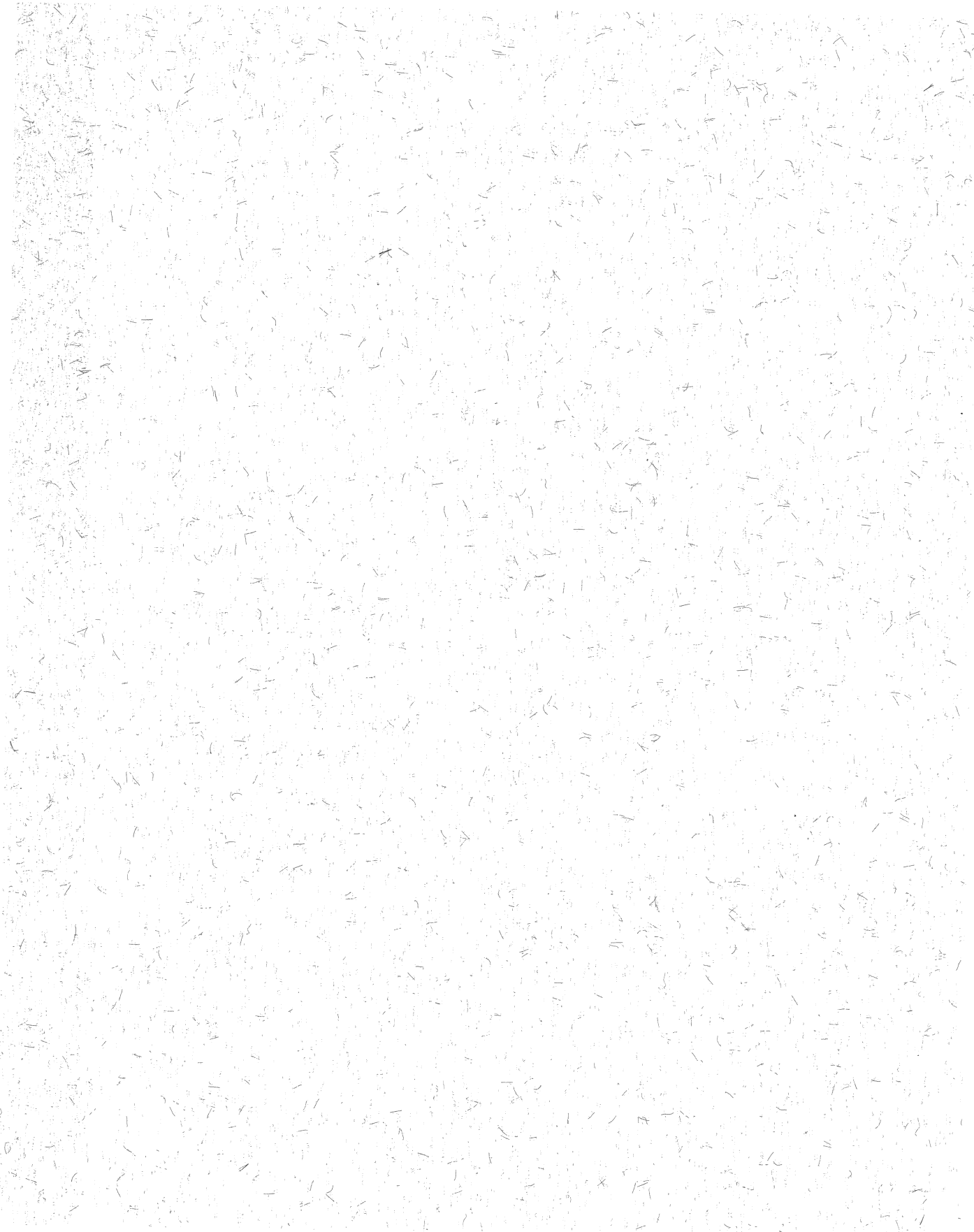
2020

Projected state population—8,365,171

Population Distribution



Population distribution is approximate. Color indicates county population. Individual color blocks do not have numerical value.





Department of Natural Resources Asset Stewardship Public Involvement Process

Public Involvement Overview, Summer and Fall 1997

Public Review of the Draft Plan and Strategies

The department sought feedback on the draft plan and strategies from the three ongoing asset stewardship public involvement groups and the public statewide. During August meetings were held with the Key Publics Group, Beneficiaries Group and Portfolio Advisory Committee. The 28 participants in these meetings selected panelists who presented their viewpoints at the Sept. 2, 1997 meeting of the Board of Natural Resources. (See attached Sept. 2, 1997 public involvement update.) Invitations to attend public meetings in Seattle, Bellingham, Yakima, Vancouver, and Moses Lake were mailed to nearly 4,000 citizens and organizations across the state.

Feedback from Public Meetings

Meetings were held in five cities during September - October 1997 to invite public comment on the draft Asset Stewardship Plan: Seattle, Bellingham, Yakima, Vancouver and Moses Lake. Several themes emerged from all the meetings. The 114 citizens who attended represented a broad range of the department's natural resources customers, agricultural and aquatic lessees, industrial associations and labor unions, local school district beneficiaries, recreationists, environmental organizations, and county and federal governments. An attendance list is attached.

Context: what we learned through these meetings

- **Strong support:** participants in the five public meetings, as well as members of the Beneficiary Group, Key Publics Group and Portfolio Advisory Committee, strongly supported adoption and implementation of an Asset Stewardship Plan. They confirmed the direction of the draft plan and strategies and expressed satisfaction with the planning process to date.
- **No surprises:** participants raised the same sorts of issues, strategies and management challenges as were expressed at August 1997 meetings of the Key Publics Group, Beneficiaries Group and Portfolio Advisory Committee.
- **Differing viewpoints:** participants represented a variety of interests and sometimes conflicting perspectives. They engaged in lively discussions of the purpose of Asset Stewardship planning and the outcomes they considered desirable. They offered constructive suggestions for implementing various strategies and managing trust and other state lands with beneficiaries' and the public's interests in mind.

-
- Draft strategies cover most concerns: most of the concerns expressed at the public meetings already are addressed by the draft strategies or will be considered further during implementation. However, the need for a strategy to address aquatic resources was raised at two meetings. Many comments fell within the category of management issues.

Themes heard at August 1997 Key Public Meeting and Fall 1997 public meetings:

There was general agreement on these themes:

- Trust lands and other lands are valuable assets.

The state should:

- Retain ownership of these lands and protect the resources.
- Continue to allow public access for recreation and education and for enjoyment of nature.
- Seek alternative sources of funding for common school construction; trust land revenues alone won't meet beneficiaries' current or future needs.

The department should:

- Create an informed and responsible public: Educate the public about purposes and appropriate use of trust lands and other state lands. Seek to instill a stewardship ethic.
- Explore charging access fees to cover costs associated with public use of trust lands.
- Seek new ways to generate revenue through potential future products such as water, pharmaceuticals, and other aspects of the landscape.
- Recognize that population growth creates both opportunities and challenges for DNR-managed state lands.

Diverse opinions were heard:

- **Land Base:** Some public meeting participants recommended rapidly adding to the forest land base (Bellingham meeting) and close-in transition lands in fast growing counties (Seattle, Vancouver); others expressed the opinion that land should be left in private ownership, and that only public-public land exchanges or purchases should be pursued (Bellingham, Yakima).
- **Transition Lands:** Transition lands are defined as lands currently being managed for natural resource production that have characteristics indicating an opportunity for a higher economic return by conversion to another use. Participants differed in their opinions about appropriate uses of these lands. Some stated that the department should not develop real estate or manage commercial properties (Seattle, Moses Lake); others thought it wise to increase trust revenues through these uses (Bellingham, Vancouver).
- Several neighbors of DNR-managed lands didn't want timber harvest near their properties (Vancouver), while other meeting participants encouraged the purchase of more forest lands in developing areas to be managed for multiple uses or kept green (Seattle).
- **Natural Areas Program:** Some participants encouraged the department to create more Natural Area Preserves and Natural Resource Conservation Areas to meet future population needs and protect natural resources (Seattle, Bellingham); others said the department should seek direction from the legislature on how much "is enough"

(Moses Lake). Still others said that these lands should be managed by a different state agency than DNR (Seattle, Bellingham).

- **Beneficiary Revenue:** Some public meeting participants said that the department should maximize revenue to beneficiaries through traditional management activities to support local communities (Bellingham), or perhaps through new products (Seattle). Others favored accepting lower revenue by retaining assets such as grazing land that offer lower return but support community stability (Moses Lake), and managing to achieve high quality ecosystems (Seattle, Bellingham, Vancouver).

Beneficiaries and Portfolio Advisory Committee agreed with some of the points raised by Key Publics and public meeting participants, but differed on others:

- Beneficiaries agreed that the department should educate the public about purposes and appropriate use of trust lands and other state lands.
- Beneficiaries agreed that the trusts should be compensated for non-market uses of trust lands. They supported evaluating fees for recreational access.
- Beneficiaries said that no more should be expected of trust lands than well managed private lands, beyond intergenerational equity. Public meeting participants felt that public lands have a greater obligation to provide public access (Yakima) and protection of resources (Seattle).
- The Beneficiaries' preference for maximizing income was characterized by some meeting participants (Seattle) as shortsighted and neglectful of the importance of the educational value of the forests' existence.
- Portfolio Advisory Committee members agreed with Key Publics and some public meeting participants that performance measures and asset stewardship benchmarks should be established.
- Portfolio Advisory Committee members recommended purchasing land in urban areas where the values will increase. Some public meeting participants stated a preference for the department to focus on managing natural resources rather than lands with other current or potential future uses.
- Portfolio Advisory Committee members suggested assessing ecological and social benefits in terms of risk and showing this as "risk-adjusted return" since department actions to avoid environmental damage could reduce risk to the portfolio. Many at the public meetings agreed with this, but one meeting participant said that accounting for non-market benefits goes beyond the DNR's function as a trust manager since there is no direct benefit to beneficiaries.

Panel Presentations to the Board of Natural Resources, September 2, 1997

Summary

Key Publics Group's main points:

- Keep state lands open to the public for recreation and other uses.
- Be precise in distinguishing between trust lands and other lands such as aquatic lands and natural areas managed by the Department of Natural Resources, and the purposes of those lands.
- Educate the public about the role of trust lands in providing income for named beneficiaries.
- Recreation is an asset, and the DNR should find ways to market this asset to capture its financial value for the trusts.
- Involve the public — and especially user groups — as well as beneficiaries in making decisions about assets.
- Establish asset stewardship benchmarks to show stewardship accomplishments (such as miles of roads no longer needed) and publish audit annually.
- Pursue ways to capture non-commodity values of the trust lands: fees for recreation, water and air quality credits, genetic value of forests as potential sources for pharmaceutical products
- Focus on sustainability and inter-generational equity.

Beneficiary Group's main points:

- Be explicit that trust lands are to be managed to produce income for a named beneficiary.
- Eliminate any ambiguity about the purpose of trusts lands to provide revenue for named beneficiaries, as opposed to other lands which have different purposes.
- No more should be expected of trust lands than well managed private lands, beyond inter-generational equity. If DNR is not willing to take this stand look at divesting some lands in the course of examining trust portfolios.
- Maximize income from trust lands over generations and look at additional ways (beyond forestry on forest lands) to generate income.
- Compensate the trusts for non-market uses of trust lands.
- Some beneficiaries said that Deloitte & Touche's estimates appear to undervalue forestry and grazing assets. Because of their lack of confidence in the Deloitte figures they want further calculations and analyses.
- Forest Board counties would like DNR to provide volume/value analysis of each county's holdings. Also, fluctuations in revenue levels from year to year make budgeting more difficult for counties.

Portfolio Advisory Committee's main points:

- There are legal constraints which influence the composition of trust portfolios and the ease of diversifying the portfolios.
- If legal changes are needed, consider taking issues to the legislature.
- In working with private clients faced with competing objectives (both long term and short term), advisors would push until one objective is agreed upon as paramount and the others as subordinate. The DNR might want to consider this kind of evaluation when working with the trusts and the public.
- If you're willing to incur more risk, you're possibly able to achieve higher returns.

-
- Establish performance measures and asset stewardship benchmarks.
 - Ecological and social benefits could be assessed in terms of risk and taken as “risk-adjusted return” since department actions to avoid environmental damage could reduce risk to the portfolio.
 - With population growth, it might make sense to buy more land in urban areas where it will appreciate in value.
 - Additional data and analysis beyond the Deloitte & Touche work is needed.
 - State the questions raised by the strategies so it’s clear what information we wish to gain to enable decisions to be made

Beneficiary Group Participants

Superintendent of Public Instruction

Bill Paulson, *Policy Director of Governmental Relations*
(Mike Roberts, January 1996 - January 1997)

Washington Association of School Administrators

Dr. John Fotheringham, *Director*

Washington State School Directors Association

Dr. Larry Swift, *Executive Director*

Washington Education Association

Karen Davis, *Chief Lobbyist*

Eastern Washington University

William Shaw, *Chief Financial Officer*
Dean Dunham, *Student Body President*
Al Brisbois, *Board of Trustees*

Central Washington University

Dr. Ken Hammond, *Faculty*
Arthur Krantz, *Student Representative*
Ron Dotzauer, *Board of Trustees*

Western Washington University

Dr. George Pierce, *Vice President for Business and Financial Affairs*
Renee Y. Roberts, *Budget Director/Capital*
Jennifer Boespflug, *Student Body Vice President*
Wayne Ehlers, *Board of Trustees*

The Evergreen State College

Lee Hoemann, *Executive Assistant to the President*
Richard Cellarius, *Faculty*
Michele Maislen, *Student Body Representative*
Billy Frank, *Board of Trustees*

University of Washington

Neal Lessenger, *Real Estate Officer*
Chuck Williams, *Student Body Vice President*
Gov. Daniel J. Evans, *Board of Regents*

Washington State University

Robert R. Hoon, *Executive Assistant and Real Estate Officer*
Matt Caires, *Student Body President*
Peter Goldmark, *Board of Regents*
Richard Albrecht, *Board of Regents*

Governor's Office of Financial Management

Jim Cahill, *Budget Assistant*

Washington Association of County Officials

Fred Saeger, *Executive Director*
Jack Westerman III, *Jefferson County Assessor*
Rob Strabbing, *Grays Harbor County Treasurer*

Washington State Association of Counties

Brian Derdowski, *King County Councilman*
Bob Paylor, *Grays Harbor County Commissioner*
Phil Kitchell, *Clallam County Commissioner*

State Board of Community and Technical Colleges

Bill Julius, *Assistant Director of Capital Budget*
Barney Goltz, *Board of Trustees*

Association of Community College Trustees

Barbara Stephenson

State Board of Education

Candy Curl
Neal Supplee

Key Publics Group Participants

Linda Acuri
Washington Association of Conservation Districts

Hedia Adelman
Washington State Department of Ecology

David K. Billingsley
Washington Cattlemens Association

Jerry Bensing
Echo Bay Exploration / Minerals

Mary Blackstone
Washington Trails Association

Jacquelyn Bonomo
National Wildlife Federation

Gretchen Borck
Washington Association of Wheat Growers

Marilyn Breckel
Skamania County

Howard A. Briggs
Washington State Snowmobile Association

Arlene Brooks
Pacific Northwest Four Wheel Drive Association

Peggy Brunton
League of Women Voters of Washington

Victor Buchanan
Pacific Northwest Four Wheel Drive Association

Don Cannard
Chinook Trails Association / National Audubon Society

Nea Carroll

Pam Cheney
Washington State Farm Bureau

Clark Collins
Blue Ribbon Coalition

Diane E. Cooper
Pacific Coast Oyster Growers Association

Tim Cullinan
National Audubon Society

Kathie Currie
Washington Wilderness Coalition

Richard Dahl
Northwest Motorcycle Association

Bruce Davies
Northwest Indian Fisheries Council

Bob Dick
Northwest Forestry Association

Bob Dreyfuss
Clark County Natural Resources Council

Brooke Drury
The Mountaineers, Rivers Council of Washington

Easy
Common Cause

Virginia Felton
The Mountaineers

Mitch Friedman
Northwest Ecosystem Alliance

Karla Kay Fullerton
Washington Cattlemen's Association

Steve Gilbert
King County Biosolids

Ann Goos
Boise Cascade

Dave Halley
Pulp & Paper Resource Council

Chris Hatch
Western Washington University

Dave Heiser
Washington State Parks

Vyrle Hill
Pacific County

Roger Hoesterey
Washington Parks & Recreation Association

David L. Hoff
Washington Prospectors Association

Joy Huber
Rivers Council of Washington

Bill Huff
Hanford Education Action League

Mary Hunt
Washington State Grange

Terry Hunt
Washington State Grange

Daniel H. Hussey
Echo Bay Minerals Company

Ian Jefferds
Pacific Coast Oyster Growers Association

Nancy Keith
Mountains to Sound Greenway

Becky Kelley
Washington Environmental Council

Gordon Kinder <i>The Mountaineers</i>	Roger Reidel <i>Washington State Labor Council, AFL-CIO</i>
Ken Konigsmark <i>Issaquah Alps Trails Club / Mountains to Sound Greenway</i>	W. Tom Rice <i>Echo Bay Mines</i>
Dr. Jeffery A. Krautkraemer <i>Washington State University, Department of Economics</i>	Gerri Rowe <i>Environmental Interests - Clark County</i>
Rick Lago <i>Eastern Washington Dirt Riders Association</i>	Jim Sanderson <i>Washington Trails Association</i>
Bonnie Lawrence <i>Okanogan Resource Council</i>	Chuck Savage <i>Common Cause</i>
Kenton W. Lebsack <i>Washington Cattlemen's Association</i>	Peter Scholes <i>The Trust for Public Lands</i>
Craig Lee <i>The Trust for Public Lands</i>	Jack Schrock <i>Northwest Motorcycle Association</i>
Dennis W. Lisk, Jr. <i>Washington Institute for Policy Studies</i>	Chandra Shah <i>Washington Wilderness Coalition</i>
Elliott Marks <i>The Nature Conservancy</i>	Jean Shaeffer <i>Forest Land Management Committee</i>
Norm McClure <i>Washington Range Association</i>	Chandra Shah <i>Washington Wilderness Coalition</i>
Mike McGlenn <i>Backcounty Horsemen of Washington</i>	Jim Shaw <i>Deloitte & Touche</i>
Wayne Mohler <i>Washington State Snowmobile Association</i>	Mary Ann Simonds
Ron Morgenthaler <i>Northwest Motorcycle Association</i>	Arley Smith <i>Northwest Special Forest Products Association</i>
Jim Murphy <i>Backcounty Horsemen of Washington</i>	Laura Smith <i>The Nature Conservancy</i>
Tom Myrum <i>Washington State Water Resources Association</i>	J. Read Smith
Heather S. Neely <i>Washington State Grange</i>	Tim Smith <i>Pacific Coast Oyster Growers Association</i>
Walt Neff <i>Washington Association of Wheat Growers</i>	Lucy Steers <i>League of Women Voters of Washington</i>
Robin Nelson <i>Cadman, Inc.</i>	Leonard L. Steiner <i>Washington Wildlife Federation</i>
Kim A. Ogden <i>Environmental Interests - Clark County</i>	Morris Stokes <i>Washington Rangeland Committee</i>
Elisa Oksner Shostak <i>Backcountry Bicycle Trails Club</i>	Ron Strabbing <i>Washington Association of County Officials</i>
Tim Olson <i>Northwest Mining Association</i>	Jim Sullivan <i>International Mountain Bicycle Association</i>
William Pickell <i>Washington Contract Loggers Association</i>	Brian P. Sutton <i>Eastern Washington Dirt Riders Association</i>
Mike Poulson <i>Washington State Farm Bureau</i>	Diane Thorn <i>Citizens for WULFF</i>
	Stu Trefry <i>Washington State Department of Agriculture</i>

Art Tuftee
Backcountry Bicycle Trails Club

Jim Tusler
Washington State Labor Council, AFL-CIO

Janet Wainwright
Washington Wildlife & Recreation Coalition

Dick Wallace
Washington State Department of Ecology

Sherilyn Wells
Washington Environmental Council

Jacques White
People for Puget Sound

Jim Wilcox
*NW Steelhead & Salmon Council of Trout
Unlimited*

J. Paul Winn
Environmental Interests - Clark County

George Wood
Washington Association of Wheat Growers

Vim Wright

Portfolio Advisory Committee

Ms. Nancy Boettcher

Vice President and Business Account Officer
US Bank of Washington
Sunnyside, Washington

The Honorable Dan Grimm

Washington State Treasurer
Olympia, Washington

Scott Jackson

Tradec
Seattle, Washington

James Parker

Executive Director
State of Washington Investment Board
Olympia, Washington

Gov. John Spellman

Carney, Badley, Smith and Spellman
Seattle, Washington

Linus Tumbleson

Tumbleson and Associates
Redmond, Washington

Craig Ueland

Managing Director International Operations
Frank Russell Company
Tacoma, Washington

Ms Cynthia Wells

Vice President
Seattle Northwest Securities Corp.
Seattle, Washington

Asset Stewardship Public Meeting Participants, September — October 1997

SEATTLE, WASHINGTON SEPTEMBER 25, 1997

The following persons signed the meeting attendance register:

Bob Mattie and John Kramer
Sun Lakes TV

Donald Taylor
Port of Edmonds

Nick Zorich

Stan Wolfe

Pete Machno
King County Biosolids

Steve Wilson
Entheos

Ken Konigsmark
Issaquah Alps Trails

Jim Tusler
Washington State Labor Council

Kazuko Sheridan
Japan Wood Products Info Center

Molly Cadranell
Nautical Landing

Irwin Krigsman
Illahae Community Club

Elizabeth Monreau
Lake Union / RK Investments

Kathy Kelly
Mary Yeager
PAWS/HOWL

Peter Giles
Northlake Shipyard

Jim Murphy
Backcountry Horsemen

Joel Attaway
Sporting goods industry skier/outdoorsman

Larry Hanson

Doug Miller

Betty Swift
Floating Homes Association

Kathryn Colger
Sprint PCS

Sen. Adam Kline

Becky Kelley
Washington Environmental Council

Brian E. Blake

Patrick Goldsworthy
North Cascades Conservation Council

Ron Morgenthaler
Northwest Motorcycle Association

Jerry and Gail Gullickson
Stump Jumpers Motorcycle Club

Scott Thompson

Karanne Gonzalez
Renee Beane
Kitsap County

Rita E. Beebe
Pt. Townsend School District 50

BELLINGHAM, WASHINGTON SEPTEMBER 29, 1997

The following persons signed the meeting attendance register:

Elizabeth Plunkett
Cape San Juan Commission

John Shavel

Ken Hertz
Blossom Development

Jim Easton
Lurline Halmo
ALRT Corp.

Chuck Parker
Buse Timber and Sales

Butch Koykka
Seattle-Snohomish Mill Co.

Gordon Scott

Richard Grout
Washington State Dept. of Ecology

Geoff Menzies

Bruce and Pati McCaleb

Roger DeSpain
Whatcom County Parks and Recreation

Paul Kriegel

Michael Knapp,
City of Bellingham Planning Dir.

Rand Jack

Jim Sullivan
Whatcom Independent Mountain Pedalers

Mark Shifflette

Marion Will

Helen and Gene Will

Elsa Gruber

Lorie Province
Washington State Labor Council

Judge Godfrey

Barbara Rudge

Richard Whitmore

Will Hamilton

Ken Osborn

N. Roger Scott
Forestry Consultant

Tim Raschko

Gordon Iverson

Dana Graupmann
Pilchuck Audubon Society

**YAKIMA, WASHINGTON
OCTOBER 13, 1997**

The following persons signed the meeting attendance register:

Irene Glessner
West Valley School Dist. #208

Max A. Golladay
Kittitas County Commissioner

Hal Kent
organic farmer

Charlotte Kimsay
Gloria L. Moon
Boise Cascade/Northwest Timber Workers Council

Bertha Ortega
Public Lands Advisory Committee

**VANCOUVER, WASHINGTON
OCT. 20, 1997**

The following persons signed the meeting attendance register:

Kevin Bergquist
Wells Fargo Bank, Portland

Gary Collins
Backcountry Horsemen

Paula Freimuth
4-Wheel Drive Enthusiasts

Pat Bleakney
*former member and chair of
Natural Heritage Advisory Council*

Kathy Rohrer
Educational Service District 112

Lisa Bucy
Clark County Conservation District

Brian Kinnear
Jim Mickel
High Cascade, Inc.

Glenn Lamb
Vancouver-Clark Parks and Recreation

Rhidian Morgan
Plas Newydd Farm

Dennis Mattingly
Starfire Lumber Co.

Paul Clare
Chinook Trails Association

Ted Klump
Chinook Trails Association

Bud Quinn

Shirley Galloway
former legislator

Jerri Bohard
Clark County

Mary Byrne
Ridgefield School District

Paul C. Lane

Holly Myers
former legislator

Roy H. Matson

Sue and Don Cannard

Fred Roger

**MOSES LAKE, WASHINGTON
OCTOBER 29, 1997**

The following persons signed the meeting attendance register:

Ron Rose,
Bonaparte Lake Resort

Gretchen Borck
Washington Association of Wheat Growers

Walt Neff
Washington Association of Wheat Growers

Jack Livingston

Ron Tuckett

Cliff Barbre

Rod and Alice Meseberg
MarDon Resort

Gordon D. Reed
Asotin County Commissioner

Gregory Hicks
UW Law School

Helen Fancher
Grant County Commissioner

Cody Brown
Soap Lake Rod and Gun Club

Ollie Click

Mary Kay Bryan
Washington State Farm Service Agency

Stroud Kunkle
Moses Lake School Board

Tom Brannon
Washington Rangelands Committee

Larry Cochran
Conservation District

Mike Currie
OSPI

The following persons submitted written
comments concerning the Draft Asset
Stewardship Plan:

Easy
Spokane, WA

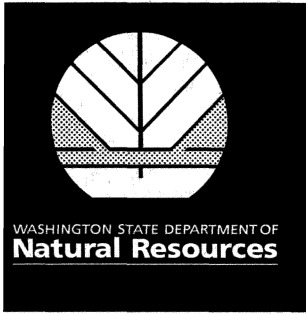
Jack Rand
Deming, WA

John Shavel
Bellingham, WA

Stan Humann
Jocko Burks
*Washington State Society of
American Foresters*
University Place, WA

Andrea Xaver
Mt. Vernon, WA



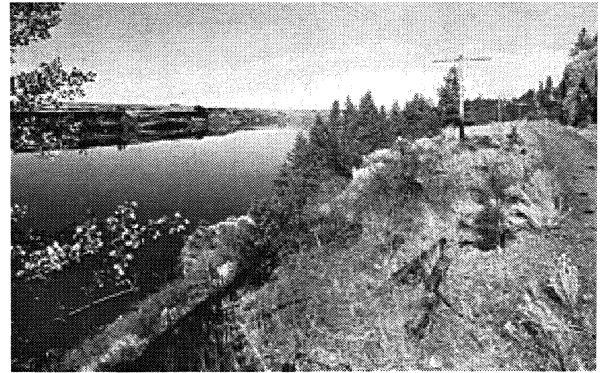


September 1997

Our Land Future

An Overview of the Economic Assessment of DNR-Managed Land and Assets

The Department of Natural Resources (DNR) is working to position our state's endowment for the new century. As manager of our more than 5 million acres of state lands and other diverse assets, DNR has received an important new tool — an economic assessment of the full range of values represented by the endowment. The assessment provides the foundation for DNR's Asset Stewardship Plan, a long-range strategy to get the most out of the endowment for Washington beneficiaries and residents of today and tomorrow.



A rapidly changing state

Washington's population is growing fast. Our population is expected to rise from 5.4 million today to 11 million over the next 50 years. This growth will undoubtedly fuel our state's economy, but it will also have a profound effect on Washington's lands and the quality of life for all residents.

Getting ready for these changes with DNR's Asset Stewardship Plan

DNR is planning for these changes through the Asset Stewardship Plan. This overall, long-term plan will assure that our endowment of lands and assets will be always positioned to meet the best interests of beneficiaries and the public in changing times.

The Asset Stewardship Plan will position DNR to realize the opportunities for benefits from the lands and

assets it manages. The plan looks at the entire endowment of lands and assets DNR manages, not just state trust lands.

The plan is not intended to fix something that is broken with DNR land and asset management; it is the next logical step in a series of decisions starting in 1889 that have improved benefits Washington receives from its lands and assets.

About our endowment

Much of our endowment is a gift of lands Congress granted to Washington at statehood to support the new state. Today DNR-managed lands and assets are predominantly composed of more than 3 million acres of state trust lands that support the state's primary and secondary schools, state universities, regional universities, prisons and charitable institutions, Capitol building construction and improvements, local services in many counties and the state general fund.

The endowment also includes more than 2 million acres of aquatic (submerged) lands, managed as a public trust to maintain the health of aquatic resources, to provide public access benefits, and more.

Land trust assets include forested lands, commercial properties, agricultural and grazing lands, communication sites, mines and more. Non-trust assets managed by DNR include lands managed to preserve special ecological and social values reflecting Washington's ecological heritage.

Our endowment is the legacy that people of great vision entrusted to Washington. Unlike many other states that sold much of their granted lands, Washington retained most of its endowment. DNR manages these lands and assets to produce a diverse package of commodities ranging from mature Douglas fir to geoduck clams, wheat, fruit and other products. DNR-managed lands include mountaintops that are leased for use as telecommunications tower sites. No other state or entity manages a similar portfolio.

Decisions affect everybody's bottom line

DNR creates wealth for Washington by managing the endowment for beneficiaries and all residents of the state. This wealth helps offset taxes and supports the vitality of public institutions. It also creates a variety of other public benefits.

Because DNR management is tied to land, management decisions affect the quality of life of all Washington residents and the state's economic vitality.

Economic assessment key to Asset Stewardship Plan

DNR requested a two-phase economic assessment of the endowment and the wealth it generates as important first steps in its Asset Stewardship Plan process. The assessment combined with the planning process will identify potential opportunities for future benefits.

DNR contracted with and assisted the independent accounting and business consulting firm Deloitte & Touche LLP to complete the assessment in two phases.



Deloitte & Touche's initial asset-specific report (June 1996) reviews the economic condition of DNR-managed lands and assets for the year ending June 30, 1995 (fiscal year 1995). The second phase (June 1997) is a trust-specific assessment, which is based on the same data and fiscal year. Each phase of the economic assessment is descriptive and makes no recommendations.

The Asset Stewardship Plan

Through the Asset Stewardship Plan process, DNR is working with beneficiary representatives, public interest organizations, elected officials, outside economic and public policy experts, tribes, industry representatives, other agencies and advisory groups to get diverse perspectives on how our lands and assets should be managed in the future.

Economic Assessment *First Phase*

The Deloitte & Touche first phase assessment of DNR-managed lands and assets is a first-time, high-level economic overview. It is part of a major strategic plan being developed in which DNR will tailor conventional portfolio management to the unique endowment of lands it manages under state and federal laws for current and future generations of Washington residents.

The report was created using existing DNR data. It is a snapshot of fiscal year 1995 and should not be considered a trend indicator.

DNR's move to obtain a full economic assessment of the lands and assets it manages is also in accordance with state law (RCW 79.01.095) and supported by the Legislature, trust beneficiaries and an Independent Review Committee appointed by the Board of Natural Resources.

Economic assessment tailored to a unique endowment

Deloitte & Touche's initial economic assessment is based on conventional economic assessment methodology, but tailored for the unique portfolio of lands and assets DNR manages. It is believed that no other state has conducted this type of economic assessment.

DNR asked Deloitte & Touche to measure the full range of values represented by its portfolio. The estimated values in the report reflect the special uses and constraints surrounding the portfolio: for example, trusts must be managed in perpetuity - forever - and their uses are subject to specific laws or

gulations which restrict their use, marketability or value. Also, some trust assets are held for specific beneficiaries, such as primary and secondary schools.

The assessment also includes the value represented by non-market uses of the lands, such as recreation.

Framework for the assessment

DNR asked Deloitte & Touche to establish the value, economic benefit, that DNR-managed lands and assets provide to beneficiaries and Washington residents. The initial economic assessment is not property-specific, trust-specific, nor an appraisal. In addition, the assessment employs state-of-the-art contingent valuation theory applied to the asset classes identified by DNR and Deloitte & Touche. The report shows:

Market-based information about the assets

The report includes an estimate of the market-related asset value of the portfolio. It also details direct income to beneficiaries and estimates for rate of return for fiscal year 1995.

Non-market values

These are the benefits produced by the lands that people value, but which are not part of a market. This includes the "active" social value resulting from the ability to use the lands for hiking, fishing, recreation, etc. State lands provide such public benefits as directed by the Multiple Use Act.

Other non-market values include the "passive" social value that results from the existence of the lands for their scenic vistas, special characteristics, plants, wildlife habitat, etc., and knowledge that such benefits will be available for future generations.

Economic Impact Assessment

These are the benefits that flow both from market activity and active non-market activity occurring on state land that impacts the overall economy of the state. The economic assessment measures jobs, wages and salaries, and taxes generated from these activities on DNR-managed lands.

Highlights of the economic report

The Deloitte & Touche economic assessment of DNR-managed assets confirms DNR's earlier estimates of the value of the endowment and validates the fact that DNR manages some incredibly valuable assets.

The complete technical report, available from DNR, should be fully reviewed to accurately interpret the following highlights.

More than 5 million acres

The 5 million acres of DNR-managed lands make up about 8.1 percent of the state's total land base. Included in this total are nearly 2.2 million acres of submerged lands, more than 670,000 acres of retained mineral rights on lands no longer owned by the state and nearly 3 million acres of uplands. Of the uplands reviewed in the report, nearly 2.1 million acres fall in the Forest Resources asset class, which represents about 70 percent of the acreage of the uplands considered in the report.

Estimated Trust Value of all assets \$6.965 billion

Deloitte & Touche estimates the trust value of all of the asset classes for fiscal year 1995 to be \$6.965 billion. The largest trust value is in the Forest Resources asset class worth 84 percent of this total, or \$5.883 billion. (See Exhibits 1-9 and 1-10)



Existence of natural areas estimated to be worth \$1.3 billion

Based on a random survey of Washington households, Deloitte & Touche estimates that Washington residents place a value of \$1.3 billion on the state's most ecologically significant lands - not for sale, but just because the lands are there. The figure represents an estimate of the value that people place on 100,000 acres of the most pristine ecologically valuable lands because of their scenic value and special natural characteristics. The study estimated each Washington household, on average, would pay more than \$6 for every 1,000 acres of areas preserved in non-use status.

This figure was derived from a contingent value survey developed by the Dr. Gardner Brown of the University of Washington Department of Economics and Deloitte & Touche. The survey measured responses from approximately 1,400 randomly selected Washington households. This passive non-market valuation technique is at the forefront of economic valuation theory.

total revenue \$246 million

The total revenue received from all trust assets in fiscal year 1995 was \$246 million (including income from Permanent Funds managed by the Washington State Investment Board). Of this total, \$184 million was directly distributed to accounts for the immediate benefit of trust beneficiaries. The \$184 million is total revenue minus the funds required for DNR to manage the assets, pay operating expenses, and reinvest to keep them productive.

total 1995 return on investments 8.6 percent

The total return on investments for all trust assets, combining current income and appreciation, is estimated to be 8.6 percent for fiscal year 1995. The Forest Resources asset class alone had an estimated return of 7.5 percent.

The 8.6 percent total return compares favorably to the average four-year annual return from the Permanent Funds managed by the Washington State Investment Board. The 8.6 percent average total return on investment was achieved despite constraints on the management of the assets, such as the federal log export ban. This average was estimated using standard valuation methods and considering constraints on DNR-managed assets. (See attached exhibit 1-11)

recreation provides \$248 million

Active non-market benefits from recreation opportunities and the related activities they provide were estimated to provide \$248 million of benefits during 1995. These are activities such as hiking, fishing and hunting on DNR-managed lands. (See Exhibit 1-13)

impacts on state's economy

The report estimates approximately 41,850 jobs, \$826.3 million in salaries and wages and \$111.9 million in state and local taxes were generated in 1995 as a result of commercial, recreational and other activities on DNR-managed lands. The majority of these jobs, wages and taxes are represented in the Aquatic Resources and Forest Resources asset classes. (See Exhibit 1-15)

Deloitte & Touche Charts

The information contained in the attached charts is part of the Economic Analysis Report prepared by Deloitte & Touche LLP for DNR dated June 1996. The report is intended to be used in its entirety and is subject to important limiting conditions and assumptions that affect the findings and conclusions described in the full report. The entire report provides full details of key findings.

What are the asset classes?

1. Administrative Resources

Includes buildings, equipment, mapping technology.

2. Agricultural Resources

Includes agricultural lands and leases, plus irrigation systems.

3. Aquatic Resources

Includes tidal and navigable waters, shellfish resources, and recreation sites.

4. Commercial Real Estate

Includes industrial, commercial and residential leases and buildings.

5. Communication Resources

Includes communication sites, towers and buildings.

6. Forest Resources

Includes timber lands, timber sale contracts, standing timber and special forest products.

7. Grazing Lands

Includes grazing land, leases and permits.

8. Monetary Assets

Includes various trust and non-trust related funds, such as the Resource Management Cost Account, Forest Development Account, various Permanent Funds managed by the Washington State Investment Board, which are part of the federally granted trusts, and more.

9. Natural Preserves/Aquatic Reserves/ Conservation Areas

Includes DNR-managed natural areas.

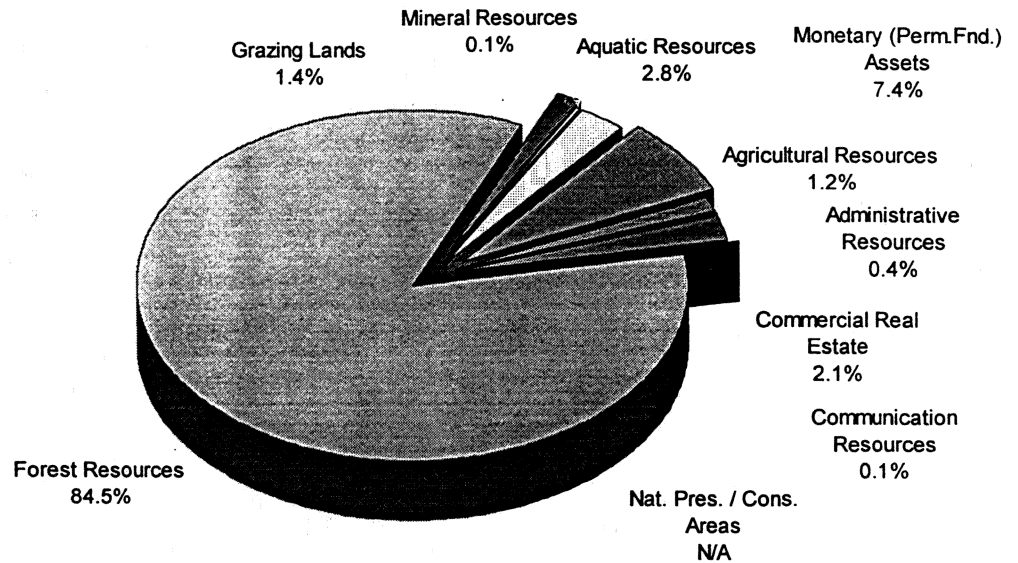
10. Mineral Resources

Includes sand, gravel and rock sale contracts; oil and gas leases; mineral contracts; prospecting leases; mineral rights and more.



**ESTIMATED TRUST
VALUE**

**Exhibit 1-9
Trust Value Allocation by Asset Class**



Source: Deloitte & Touche LLP

**Exhibit 1-10
Trust Value Allocation by Asset Class**

<u>Asset Class</u>	
Agricultural Resources	\$84,000,000
Commercial Real Estate	\$146,000,000
Communication Resources	\$9,000,000
Forest Resources	\$5,883,000,000
Grazing Lands	\$100,000,000
Monetary (Perm. Fund) Assets	\$513,000,000
Mineral Resources	\$10,000,000
Aquatic Resources	\$196,000,000
Nat.Preserve / Conser. Areas	N/A
Administrative Resources	\$25,000,000
Total Indicated Trust Value	\$6,965,000,000

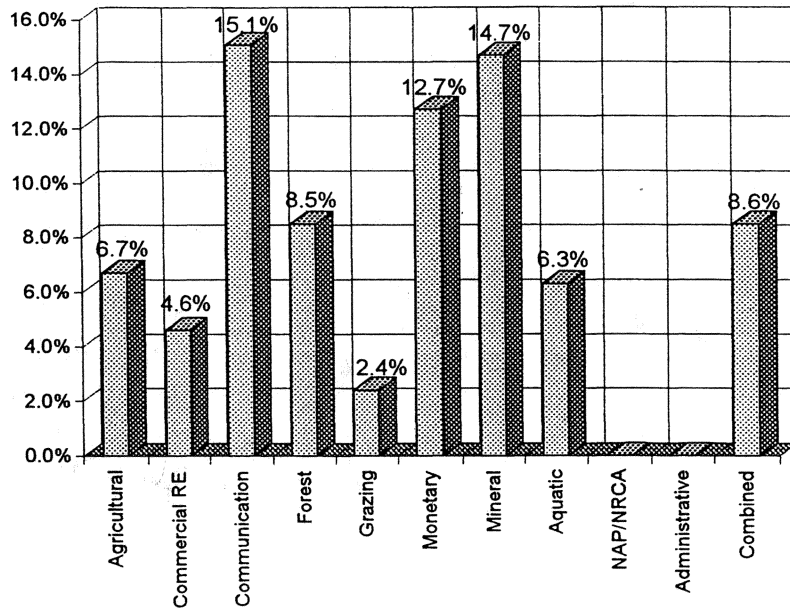
Source: Deloitte & Touche LLP





RETURN ON INVESTMENT

Exhibit 1-11
Total Return on Investment by Asset Class⁴ - Fiscal Year 1995



Source: Deloitte & Touche LLP

Exhibit 1-12
Total Return on Investment by Asset Class - Fiscal Year 1995

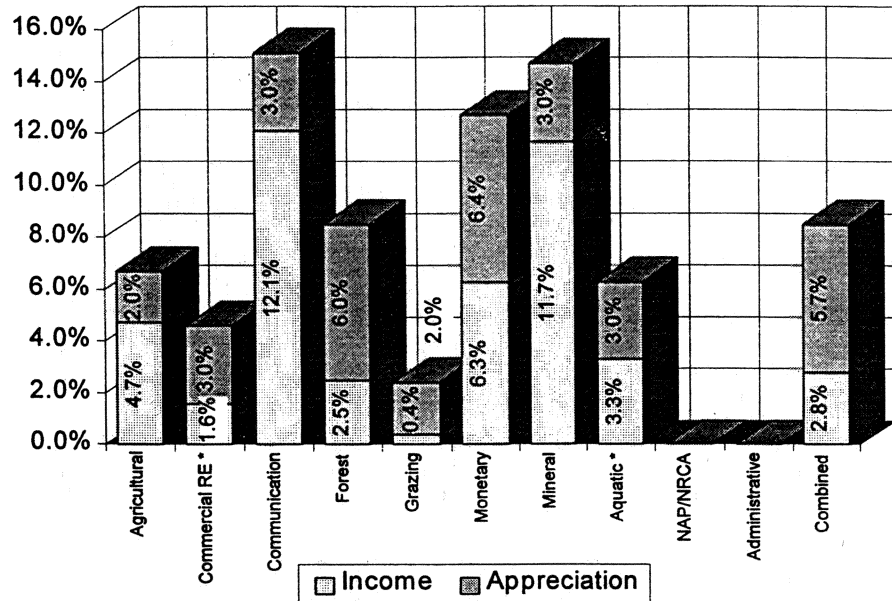
Agricultural Resources	6.7%
Commercial Real Estate*	4.6%
Communication Resources	15.1%
Forest Resources	8.5%
Grazing Lands	2.4%
Monetary (Permanent Fund) Assets	12.7%
Mineral Resources	14.7%
Aquatic Resources*	6.3%
NAP/NCRA	N/A
Administrative Resources	N/A
Combined	8.6%

Source: Deloitte & Touche LLP

⁴ Note that the Commercial Real Estate and Aquatic Resources (marked with " * " in Exhibit 1-12) asset classes include land areas that are not income producing, and that have a Trust Value greater than 50% of the asset class. This results in the reported Return on Investment for the class not being representative of the income returns associated with only the income-producing lands.



Exhibit 3-48
Trust Returns on Investment by Asset Class
DNR Fiscal Year Ended 1995



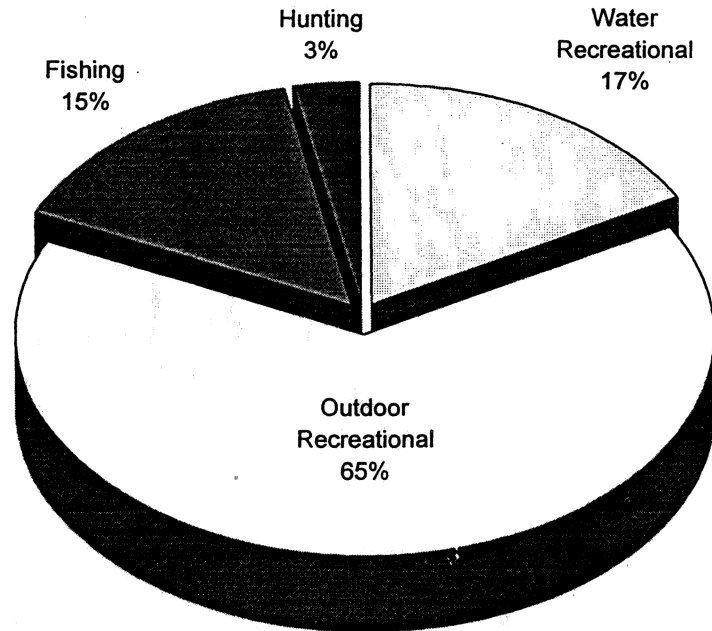
* These asset classes include land areas which are not income producing and that have a Trust Value greater than 50% of the asset class. This results in the reported Return on Investment for the class not being representative of the income returns associated with only the income-producing lands.

Source: Deloitte & Touche LLP



**NON-MARKET
BENEFITS AND
VALUES**

**Exhibit 1-13
Allocation of Annual User Days by Activity**



Source: Deloitte & Touche LLP

**Exhibit 1-14
Annual Active Non-Market Benefits**

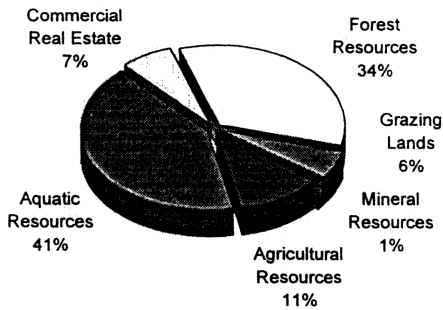
Asset Class	User-Days (Rounded)	Active Non-Market Value (Rounded)
Agricultural Resources	118,000	\$789,000
Aquatic Resources	3,041,000	\$70,875,000
Forest Resources	7,230,000	\$158,063,000
Grazing Lands	758,000	\$17,810,000
Natural Preserves/Conservation Areas	80,000	\$603,000
Total	11,227,000	\$248,140,000

Source: Deloitte & Touche LLP



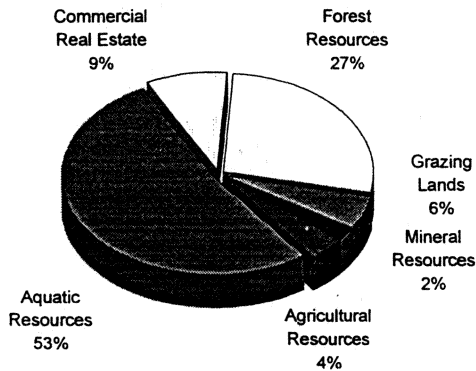
ECONOMIC IMPACTS ANALYSIS

**Exhibit 1-15
Economic Impact Summary**



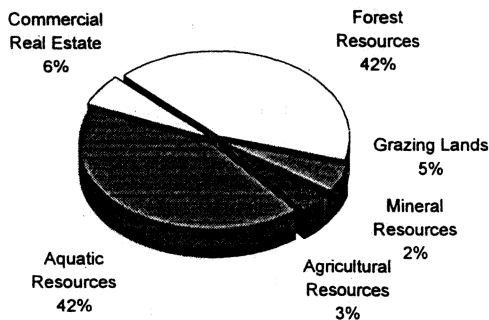
Jobs Generated

ASSET CLASS	TOTAL	NON-MARKET	MARKET
Agricultural Resources	4,570	70	4,500
Commercial Real Estate	2,800	-	2,800
Forest Resources	14,240	6,340	7,900
Grazing Lands	2,510	510	2,000
Mineral Resources	400	-	400
Aquatic Resources	17,280	2,080	15,200
Nat.Preserve / Conser. Areas	50	50	-
Totals	41,850	9,050	32,800



Wage & Salary Income Earned

ASSET CLASS	TOTAL	NON-MARKET	MARKET
Agricultural Resources	\$32,398,300	\$432,300	\$31,966,000
Commercial Real Estate	\$70,395,000	\$0	\$70,395,000
Forest Resources	\$224,970,600	\$54,597,600	\$170,373,000
Grazing Lands	\$45,495,600	\$5,009,600	\$40,486,000
Mineral Resources	\$18,312,000	\$0	\$18,312,000
Aquatic Resources	\$434,233,700	\$20,245,700	\$413,988,000
Nat.Preserve / Conser. Areas	\$488,100	\$488,100	\$0
Totals	\$826,293,300	\$80,773,300	\$745,520,000



Taxes Paid

ASSET CLASS	TOTAL	NON-MARKET	MARKET
Agricultural Resources	\$3,300,100	\$238,100	\$3,062,000
Commercial Real Estate	\$6,742,000	\$0	\$6,742,000
Forest Resources	\$47,002,000	\$21,638,000	\$25,364,000
Grazing Lands	\$5,630,600	\$1,752,600	\$3,878,000
Mineral Resources	\$1,754,000	\$0	\$1,754,000
Aquatic Resources	\$47,348,100	\$7,099,100	\$40,249,000
Nat.Preserve / Conser. Areas	\$184,400	\$184,400	\$0
Totals	\$111,961,200	\$30,912,200	\$81,049,000

Source: Deloitte & Touche LLP



Economic Assessment *Second Phase*

What it means to trust beneficiaries and Washington state

The second phase of the economic assessment is the *trust-specific assessment* — a report that builds on the initial Deloitte & Touche June 1996 report.

The trust-specific report, completed in June of 1997, covers the 10 major trusts managed by DNR and includes monetary assets owned by the trusts that are managed by the Washington State Investment Board. The report is based on the same information as the initial economic assessment and it also covers the same time period, fiscal year 1995.

Report advances the strategy for asset stewardship

The trust-specific report takes another step in DNR's continuing critical and strategic review and planning for trust assets. The various public trust beneficiaries asked DNR to request Deloitte & Touche to provide specific information about the trusts managed for their benefit. Deloitte & Touche accomplished this by further break-down of the information contained in the initial report.

The full economic assessment provides foundation information for a forward-looking, long-term strategy or stewardship of the trust assets. DNR is in the process of developing a strategy for evaluating a variety of issues that affect all of the trusts. The strategies will help articulate appropriate goals for diversification of each trust so that the trust can help meet the needs of the beneficiaries in perpetuity.

In the initial economic assessment, information was organized by asset classes (see page 4).

The trust-specific report segregates information about DNR-managed assets by separate trust ownership for the following trusts and their beneficiaries:

Agricultural School Trust

One of two trusts that benefit Washington State University building construction.

Capitol Building Trust

Benefits the construction of buildings on the state Capitol campus.

Charitable, Educational, Penal & Reformatory Institutions Trust

Benefits the establishment and maintenance of prisons, reformatories, mental hospitals and other public facilities.

Common School Trust

Benefits statewide public school construction (kindergarten - 12th grade).

Community and Technical College Forest Reserve

Benefits statewide community college construction.

Forest Board Purchase Lands

Benefits 19 counties, their junior taxing districts such as libraries and fire districts, and the state general fund.

Forest Board Transfer Trust

Benefits 21 counties, their junior taxing districts such as libraries and fire districts, and the state general fund.

Normal School Trust

Benefits building construction at Eastern, Central and Western Washington universities and The Evergreen State College.

Scientific School Trust

One of the two trusts that benefit building construction at Washington State University.

University Trust (original and transferred)

Benefits building construction at the University of Washington.



certain assets are not recalculated in the trust-specific report

The trust-specific report does not include DNR-managed aquatic lands, the 2.1 million acres of state-owned shorelines, tidelands and beds of marine waters, navigable lakes and streams (known as Aquatic Resources in the initial economic assessment). Income from state aquatic lands is reinvested to keep aquatic lands healthy, and to pay for local projects that improve public access to public waters. These lands are held in trust, not for specific beneficiaries, but for the public. Information about these lands is included in the initial June 1996 assessment.

The trust-specific report also does not include the 3,000 acres of special conservation lands — Natural Resources Conservation Areas and Natural Area Preserves (referred to as Natural Preserves/Aquatic Reserves/Conservation Areas in the initial economic assessment). Natural Area Preserves protect high quality native ecosystems and rare plant and animal species representing Washington's natural heritage and are used for scientific and educational purposes. Natural Resources Conservation Areas protect outstanding scenic and ecological values and provide opportunities for outdoor environmental education and appropriate low-impact use. Information about these lands is included in the initial June 1996 assessment.

The trust-specific assessment evaluates trust value, income, return on investment and the active non-market benefits generated by the assets of each trust, based on the same data as the first phase of the assessment. Active non-market benefits include the estimated benefits derived by Washington citizens from activities such as hiking, fishing, hunting and other recreational uses of state land.

Context for the trust-specific report

The report reflects that DNR manages a diverse, broad and valuable array of assets for trust beneficiaries and the public. However, the report is not an appraisal, but rather a snapshot in time for fiscal year 1995. It will be useful for future comparisons because statistics become more meaningful when presented in the context of time and history.

The snapshot look at fiscal year 1995 does not show the long-term performance of each trust. Ultimately, it's the long-term performance that DNR will examine.

For example, the timing of timber sales may result in the appearance of a lower return to one trust in a particular year, when purchasers are waiting for the best market in order to harvest and sell the timber they've purchased. The trust does not receive the full revenue from a sale until it is harvested. Currently, for

example, approximately two years' worth of timber sales — more than a billion board feet of timber — has been purchased from state trust lands. However, the trusts will not be fully paid for the timber until the purchasers harvest it.

Differences in current asset holdings among the trusts reflect both the original assets given the state and the state's subsequent land transactions. These assets are under constant review by DNR.

The state received different types and amounts of land for the different beneficiaries. Because of the geographic distribution of the federal grant and the unequal distribution of acres between each specific trust, it is apparent that it was not the intent of Congress to make all of the trusts equal. However, DNR has a program of acquiring and exchanging assets as an ongoing process with oversight by the Board of Natural Resources and the Legislature. As a prudent trust manager, DNR's intent is to use the asset stewardship strategy and a wealth of information about the assets, including these assessments, to determine the best investments and allocation decisions for the trusts for current and future beneficiaries. Trust asset management is an ongoing, flexible and long-term process.

Of the millions of acres of land and other assets DNR manages, it will be a challenge to predict which assets will be valuable in the future.

Twenty years ago, few would have predicted how valuable DNR-managed mountaintops would be today. DNR leases these valuable sites for communication tower use. What will be valuable in the future? In addition to forest and agricultural products, will it be clean air, clean water, pharmaceuticals taken from forests? That's why it's important for DNR to make good and prudent decisions about current lands and assets that may have future value potential.



Key findings of report for fiscal year 1995

	Acres (includes lands where mineral rights only are held)	Trust Total Return on Investment (combines current income and asset appreciation; also reflects income from Permanent Funds where applicable)	Active Non-Market Benefits (benefits derived by state from recreation uses of state trust land)
Agricultural Trust	94,500	9.9%	\$4.9 million
Capitol Building Trust	145,000	6.9%	\$8.0 million
Charitable, Educational, Penal & Reformatory Institutions Trust	103,400	7.0%	\$3.6 million
Common School Trust	2,306,200	8.9%	\$102.5 million
Community and Technical College Forest Reserve	3,100	6.0%	\$200,000
Forest Board Purchase Lands	43,200	11.9%	\$3.1 million
Forest Board Transfer Trust	567,400	8.2%	\$39.2 million
Normal School Trust	94,000	10.2%	\$4.6 million
Scientific School Trust	110,700	8.8%	\$5.4 million
University Trust (original and transferred)	98,300	9.3%	\$5.1 million

Source: DNR

Unharvested timber under contract: Hidden wealth for trusts

An explanation of DNR's timber sales process — when and how income is collected for the trusts from timber sales — is not included in the economic assessment, but is important to recognize when considering the economic assessment.

Forest resources comprise the largest trust value management by DNR and include timber lands, timber sale contracts, standing timber and special forest products. According to the initial economic assessment, these assets comprise 84 percent of the total trust value, or \$5.8 billion of the total \$6.9 billion.

In fiscal 1995, like most years, private purchasers bought more state trust land timber than they removed due to timber market conditions. DNR's timber sales process allows purchasers up to three years to harvest and sell their purchased timber. Trusts do not profit until harvested timber is sold. However, sold-but-unharvested timber that remains under contract is money in the bank — hidden wealth — for state trust land beneficiaries.

Currently, the state trusts have nearly a billion board feet of timber sold under contract to purchasers, who will harvest it within the contract period, at a time that's optimal for their business needs. This inventory of unharvested timber under contract has a locked-in sale value of more than \$400 million for the trusts.

Note: The following information is not contained in the trust-specific report.

Timber sales in recent fiscal years (July 1 through June 30):

1996 — 563 million board feet sold

1995 — 607 million board feet sold

1994 — 357 million board feet sold

1993 — 535 million board feet sold

1992 — 504 million board feet sold

1991 — 640 million board feet sold

NR Timber Sales for Fiscal 1995

Trust	Sales Made during fiscal year 1995	Timber Removed during fiscal year 1995	Timber Remaining Under Contract at the end of fiscal year 1995 (includes carry-over from previous years' sales)
Agricultural School	18 million board feet worth \$10.5 million	6.2 million board feet worth \$2.26 million	30.4 million board feet worth \$15.1 million
Scientific School Trust	16.4 million board feet worth \$7.75 million	13.4 million board feet worth \$7.6 million	32.4 million board feet worth \$15.1 million
Capitol Building Trust	24 million board feet worth \$10 million	13.8 million board feet worth \$6.3 million	33 million board feet worth \$14 million
EP&RI Trust	29.2 million board feet worth \$15.7 million	4.6 million board feet worth \$3 million	36.7 million board feet worth \$18.4 million
Common School Trust	198 million board feet worth \$90 million	155.4 million board feet worth \$74 million	390 million board feet worth \$191 million
Community & Technical College Forest Reserve	1.9 million board feet worth \$212,000	—	1.9 million board feet worth \$212,000
Forest Board Purchase Lands	53.2 million board feet worth \$24.6 million	30 million board feet worth \$17 million	88 million board feet worth \$47 million
Forest Board Transfer Trust	223.8 million board feet worth \$110 million	123.6 million board feet worth \$62 million	377.9 million board feet worth \$202.8 million
Normal School Trust	15.7 million board feet worth \$7 million	6.8 million board feet worth \$3.1 million	21.4 million board feet worth \$10 million
University (original and transferred)	26.8 million board feet worth \$9.7 million	15.3 million board feet worth \$7.2 million	41.7 million board feet worth \$15.5 million

Source: DNR

Other facts about DNR's portfolio

88 percent of the portfolio consists of commodity-producing land assets.

More than 90 percent of the value of the forest resource asset class is estimated to be in standing timber.

DNR manages approximately 623,000 acres of Forest Board trust lands to benefit the counties in which they lie and the state general fund. The value of the Forest Resources asset class does not include Forest Board trust lands - 12 percent of DNR-managed trust lands - which by law cannot be sold. However, the value does include the standing timber on those lands, which can be sold.

Innovative processes

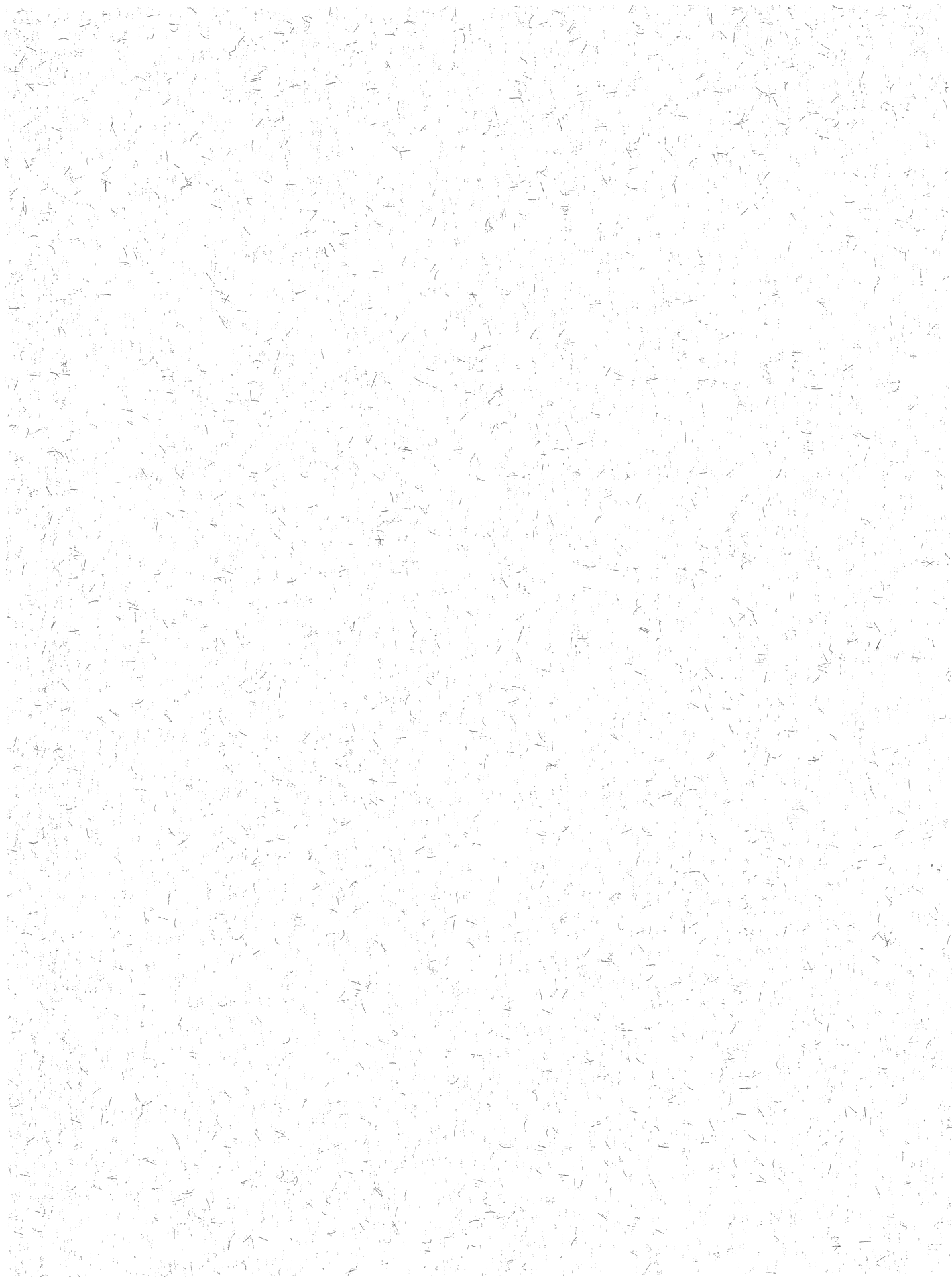
According to Deloitte & Touche, "The economic assessment and the Asset Stewardship Plan are innovative,

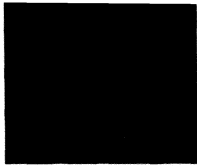
evolutionary processes for which there are few, if any, comparisons. The assessment is a first step toward a practical and functional means of incorporating relevant value and benefit information about DNR-managed lands for use by portfolio managers and trust beneficiaries."

How you can learn more

If you live in Washington and care about the future of the benefits you receive from DNR-managed lands and assets you are invited to learn more about DNR's Asset Stewardship Plan process. For more information, contact Catherine Elliott at the Department of Natural Resources, Resource Planning and Asset Management Division, P.O. Box 47014, Olympia WA 98504-7014 or telephone 360-902-1041.

For more information or to receive this in an alternative format, contact DNR at **360-902-1000** or TTY (360) 902-1125.





Glossary

appreciation: A rise in value or price

asset: A valuable thing that is owned.

asset management: The act, manner or practice of handling or controlling assets. Assets managed by the DNR include land and the natural resources associated with the land.

bedlands, beds: Lands lying waterward or and below the line of navigability on rivers and lakes, or the extreme low tide mark in navigable tidal waters, or the outer harbor line where a harbor area has been created.

beneficiary: The public or a public institution entitled by law to receive benefits from the management of land by the DNR.

blocking up: Consolidation of state land holdings into contiguous parcels to achieve management efficiencies and flexibility.

diversification: The process of selecting different types of assets to compose a portfolio in order to better meet the financial objectives of the portfolio, particularly with respect to financial risk.

economic assessment: The work undertaken by Deloitte & Touche to determine basic economic information about the assets managed by the DNR.

Enabling Act: The Congressional Enabling Act of 1889, which authorized statehood for Washington, and providing grant lands to be held in trust for the support of the state's public institutions and placed limits on the sale, lease and management of the lands.

Forest Board lands: State trust lands of two types: Forest Board (Forest Board Transfer lands) and Forest Board Purchase lands. The Forest Board, a managing agency, was abolished in 1957 and the powers and duties of the board were transferred to the Department of Natural Resources.

Geographic Information System (GIS): A computer system that stores and manipulates spatial data, and can produce a variety of maps and analyses.

goal: The broadly stated end toward which effort is directed.

Habitat Conservation Plan (HCP): An implementable program for the long-term protection and benefit of a species in a defined area; required as part of a section 10 incidental take permit application under the federal Endangered Species Act.

natural areas:

Natural Area Preserve (NAP): A natural area which has been dedicated under the provisions of state law, or formally committed to protection by a cooperative agreement between a government landholder and the Department of Natural Resources.

Natural Resources Conversation Area (NRCA): Washington State lands designated by the Legislature to protect special scenic and/or ecological values.

navigable: The capability and susceptibility of waterways for use for commerce.

objective: The specific, measurable effort related to a goal.

Off-base: Forest lands lacking a predictable expectation of timber production per acre, that are not currently included in the harvestable timber inventory.

on-base: Forest lands with a predictable expectation of timber production per acre that contribute to the timber harvest calculation.

perpetuity: Forever

policy: A relatively permanent guide established by management to bring consistency to an organization's operations and to influence the decisions of lower-level supervision and other organization members.

shorelands: The shores of a navigable lake or river belonging to the state, not subject to tidal flow, lying between the line of ordinary high water and the line of navigability.

stakeholders: Any individual, group or other organization that can place a claim on the organization's attention, resources or production, or is affected by that production.

stewardship: Managing another's property, finances or other affairs in a manner that provides for future needs.

strategy: A pattern of action through which participants propose to modify current circumstances and/or realize latent opportunities. Directs the resources of an organization in which changes in the environment, internal objectives and action sequences are developed into a cohesive whole.

tidelands: The lands between the line of ordinary high tide and the line of extreme low tides.

trust: A fiduciary relationship in which one entity (the trustee) holds the title to property (the trust, estate or trust property) for the benefit of another (the beneficiary).

trust lands: Endowments of land to the state of Washington to be sold, leased or managed to support designated beneficiaries in perpetuity.

trust manager: The DNR is the trust manager for lands and land-related assets owned by the various trusts.

uplands: Land above the line of ordinary high tide.



WASHINGTON STATE DEPARTMENT OF
Natural Resources
Jennifer M. Belcher - Commissioner of Public Lands

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