



# Impacts of Arrearage on the Sustainable Harvest Calculation

**A report to the Board of Natural Resources**

*presented by*

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*October 4, 2016*



# Purpose

- To compare arrearage scenarios by their relative effects on harvest levels.

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The following scenarios are for comparative purposes only. These numbers should only be viewed in the context of this exercise, as further choices around the Sustainable Harvest Calculation will influence final volume levels.

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# Trust Mandate

As manager of state trust lands, DNR has legal fiduciary responsibilities under the State Constitution to:

- Generate revenue and other benefits for each trust, in perpetuity
- Preserve the corpus of the trust
- Exercise reasonable care and skill
- Act prudently to reduce the risk of loss for the trusts
- Maintain undivided loyalty to beneficiaries
- Act impartially with respect to current and future beneficiaries



# Arrearage

RCW 79.10.300

$$\begin{array}{r} \text{Volume we planned to sell} \\ - \text{Volume we sold} \\ \hline \text{Arrearage} \end{array}$$

RCW 79.10.330

If an arrearage exists, then the department will:

- Conduct an analysis
- Identify greatest return to the trusts
- Offer for sale the arrearage in addition to the sustainable harvest level, if in the best interests of the trusts



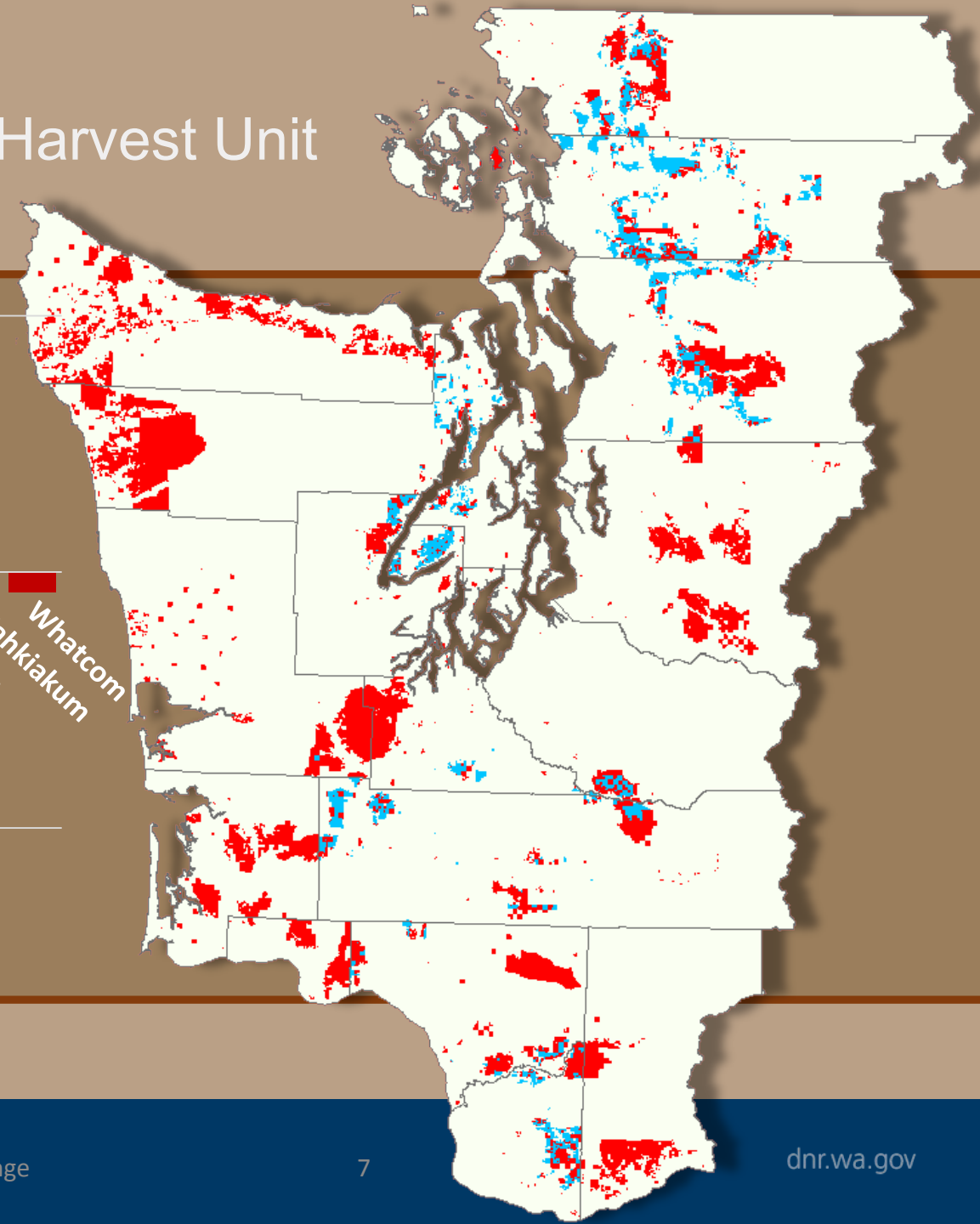
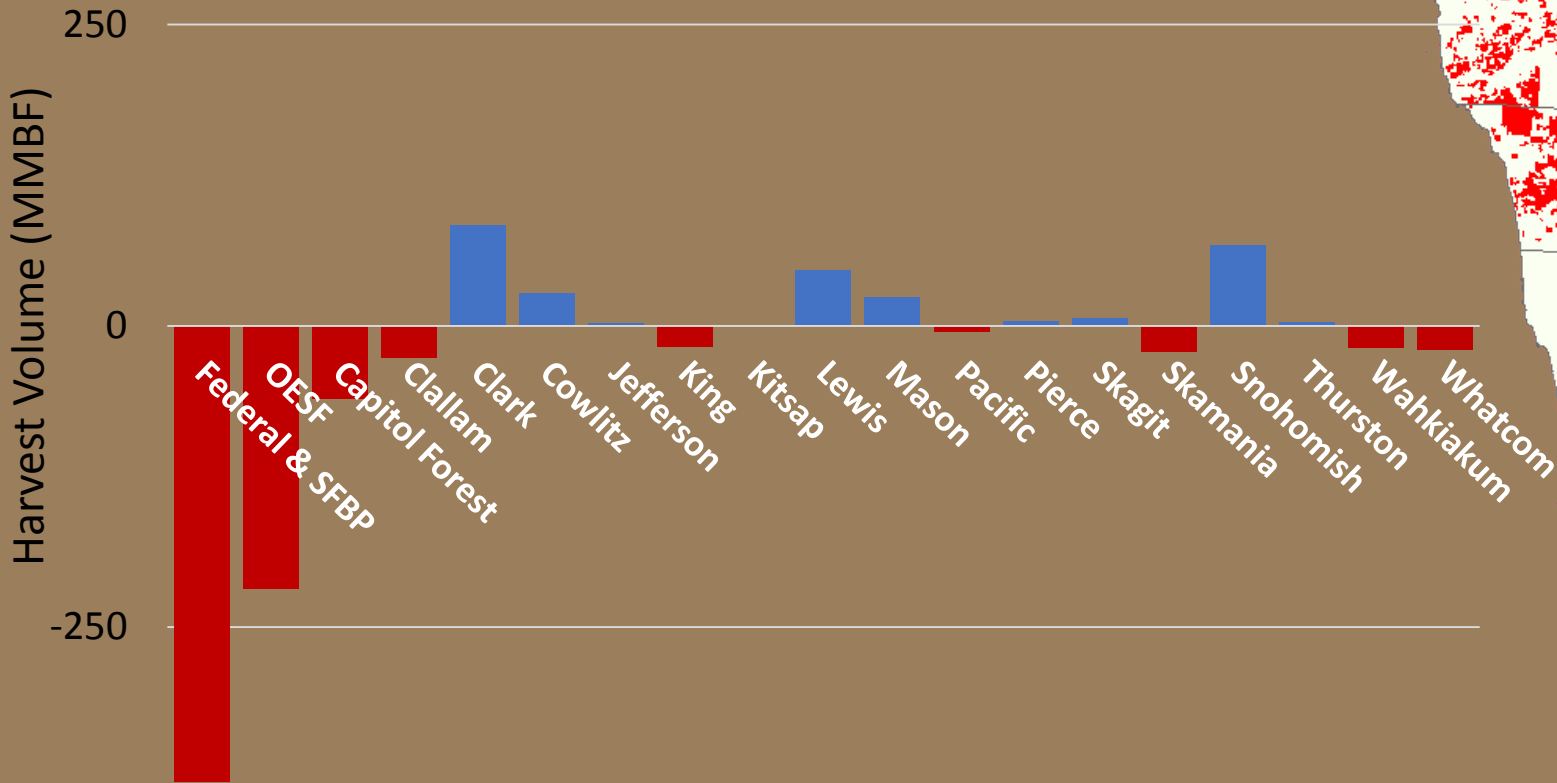
# Arrearage

Western Washington FY 2005-2014

Volume we planned to sell	5,500 MMBF
- Volume we sold	- 5,038 MMBF
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Arrearage	462 MMBF



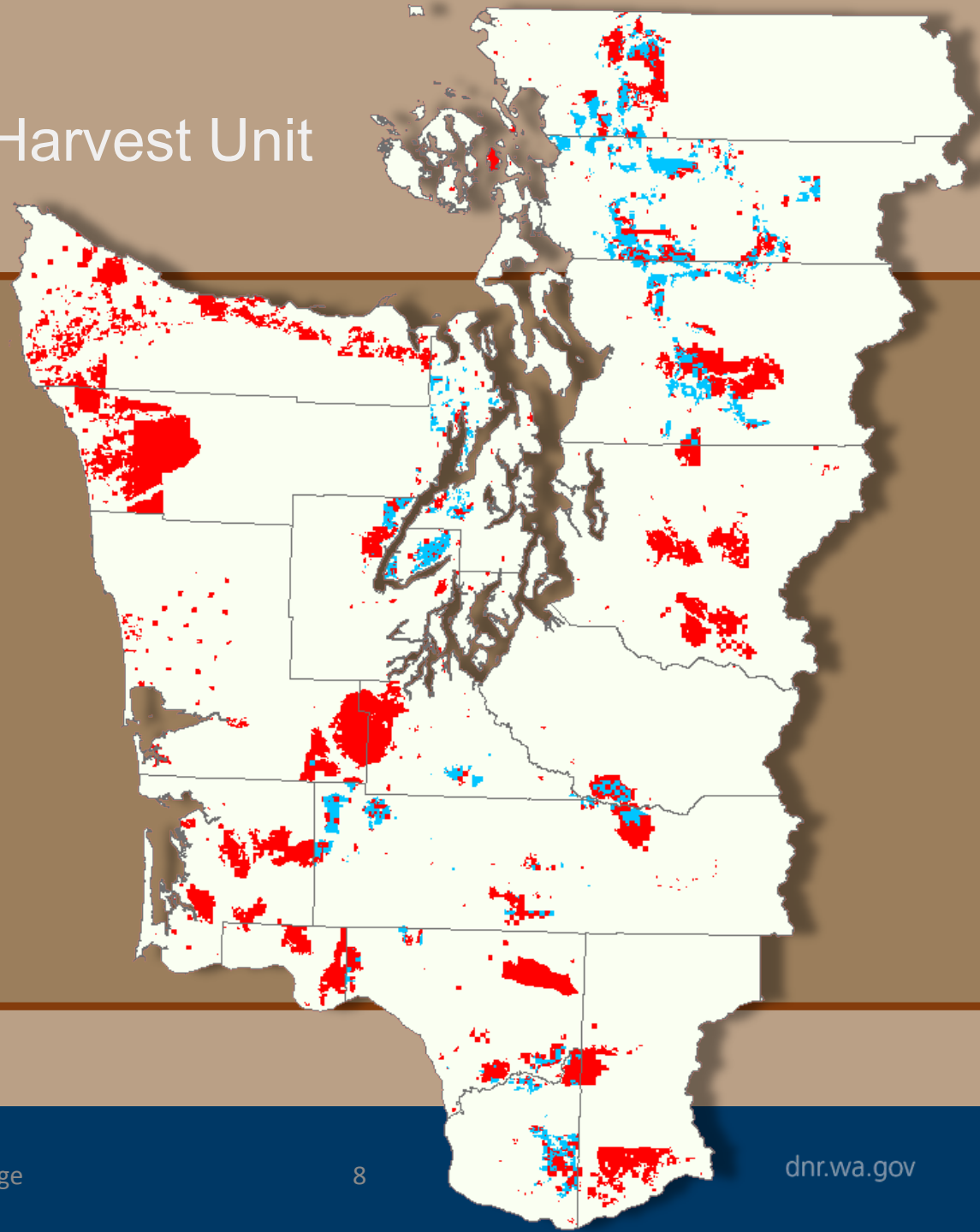
# Arrearage by Sustainable Harvest Unit



# Arrearage by Sustainable Harvest Unit

Only Sustainable Harvest Units in Arrears

702 MMBF





# Choices that had to be made

- Is the arrearage 462 or 702?
- If not rolled in, when should it be offered? 10 years, or less?



# Arrearage Options

Harvest is  
included  
in decadal  
harvest  
level

462 mmbf

from  
SHUs in  
arrears

in 1 year

702 mmbf

from  
SHUs in  
arrears

in 5 years

462 mmbf

from  
SHUs in  
arrears

in 10 years



# Why was there an arrearage?

Trust Land  
Transfers

302 MMBF  
transferred

Riparian  
Harvests

346 MMBF  
unharvested

Murrelet  
Conservation

371 MMBF  
in deferred status

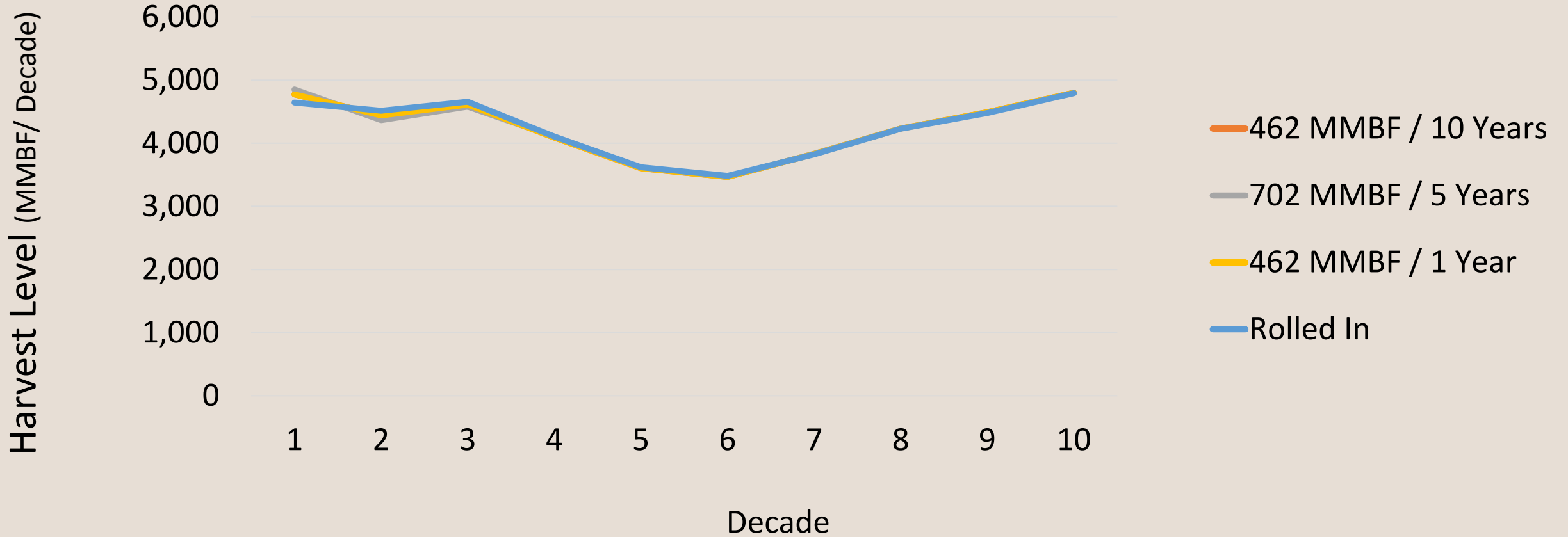
Financial  
Resources



# Arrearage Scenarios



# Scenario Harvest Levels



*Decade 1 Harvest Level (MMBF)  
By Arrearage Scenario*

	Rolled In	462 MMBF / 1 Year	702 MMBF / 5 Years	462 MMBF / 10 Years
Sustainable Harvest Level	4,644	4,310	4,148	4,310
Arrearage Harvest	0	462	702	462
Total Harvest	4,644	4,773	4,850	4,773



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Why these outcomes?

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# Arrearage explained





# Decade 1



# Collect Inventory

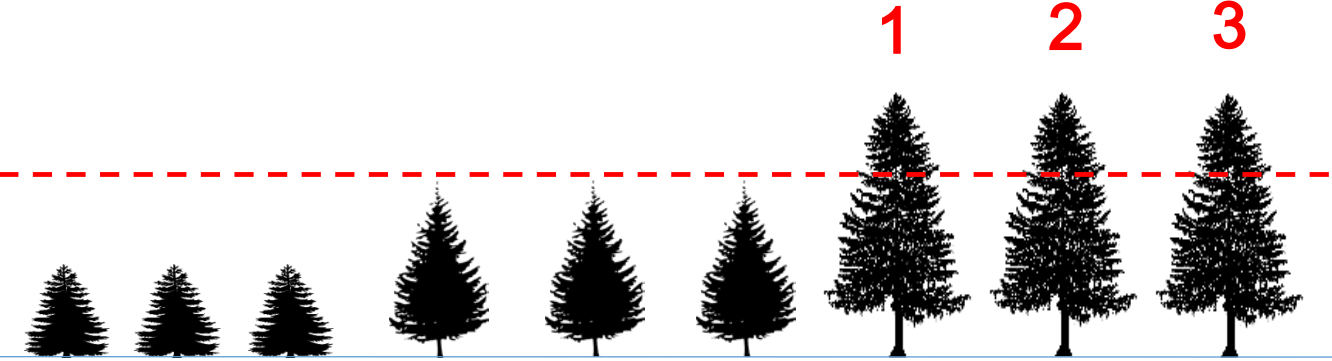


# Calculate Harvest Level



# Calculate Harvest Level

3 trees



Implement harvest schedule



a decade goes by

Implement harvest schedule

2 of 3 were cut



Implement harvest schedule

2 of 3 were cut, 1 became the arrearage



Arrearage

# Decade 2



Arrearage



# Collect Inventory



Arrearage

# Calculate Harvest Level - Options

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# Calculate Harvest Level - Options

Option 1 – Roll it in

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# Calculate Harvest Level - Options

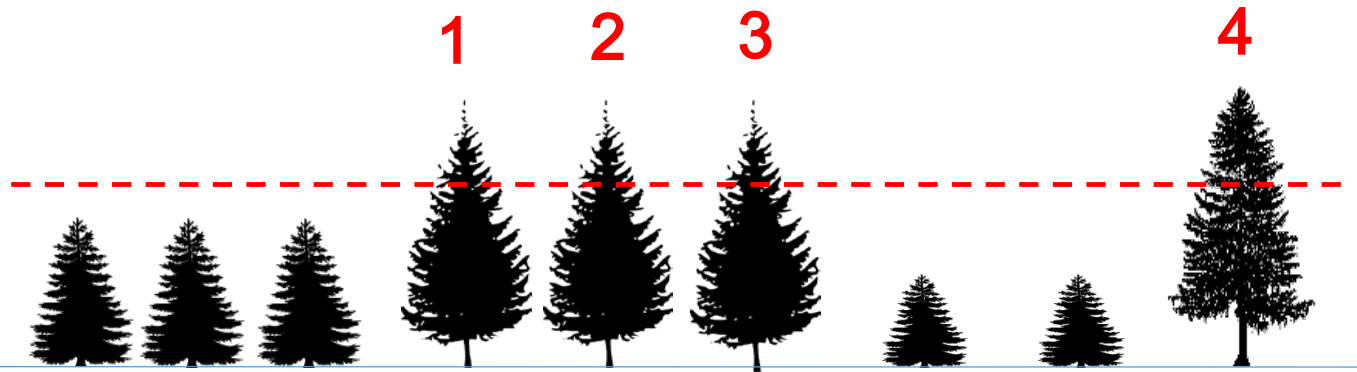
## Option 1 – Roll it in



# Calculate Harvest Level - Options

## Option 1 – Roll it in

Sustainable Harvest Level = 4 trees



Calculate Harvest Level - Options

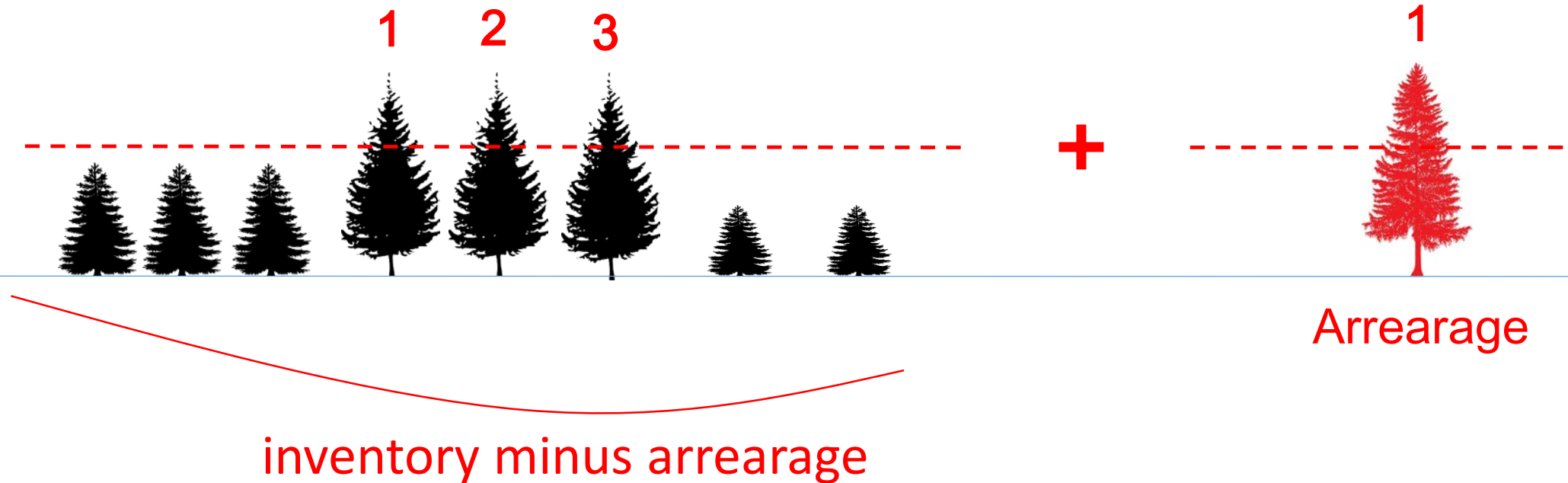
Option 2 – Take it out, add it back

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# Calculate Harvest Level - Options

## Option 2 – Take it out, add it back

Sustainable Harvest Level (3 trees) + Arrearage (1 tree) = Total Harvest 4 trees

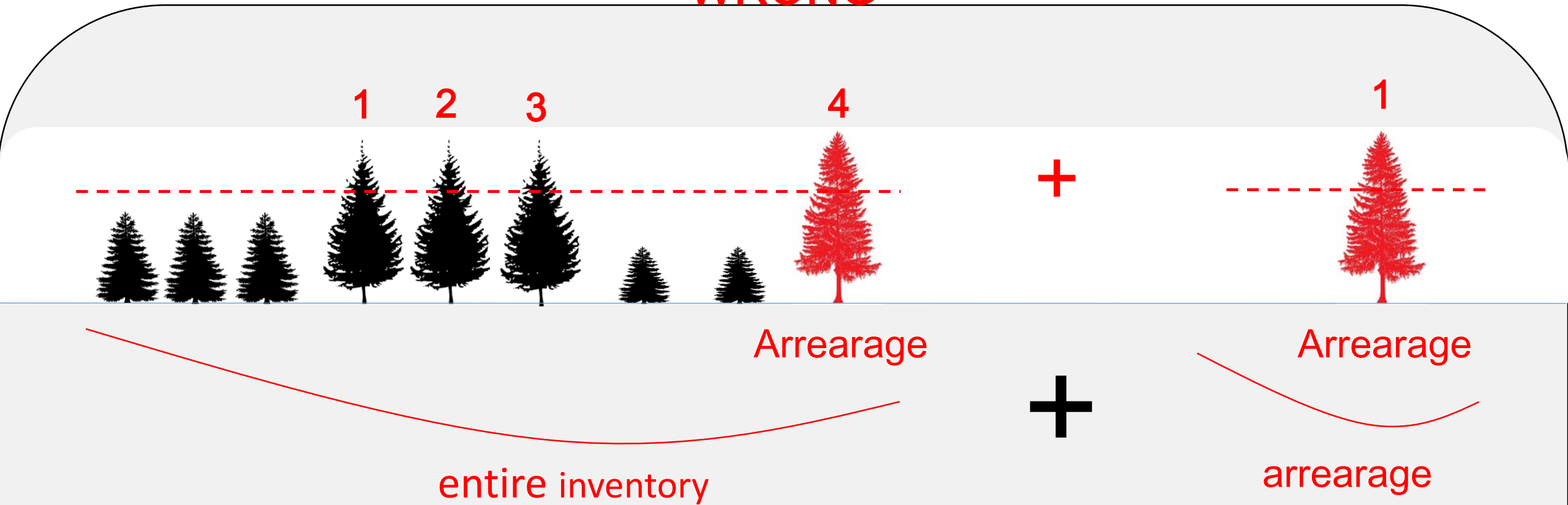


What you can't do is cut 5



What you can't do is cut 5

**WRONG**



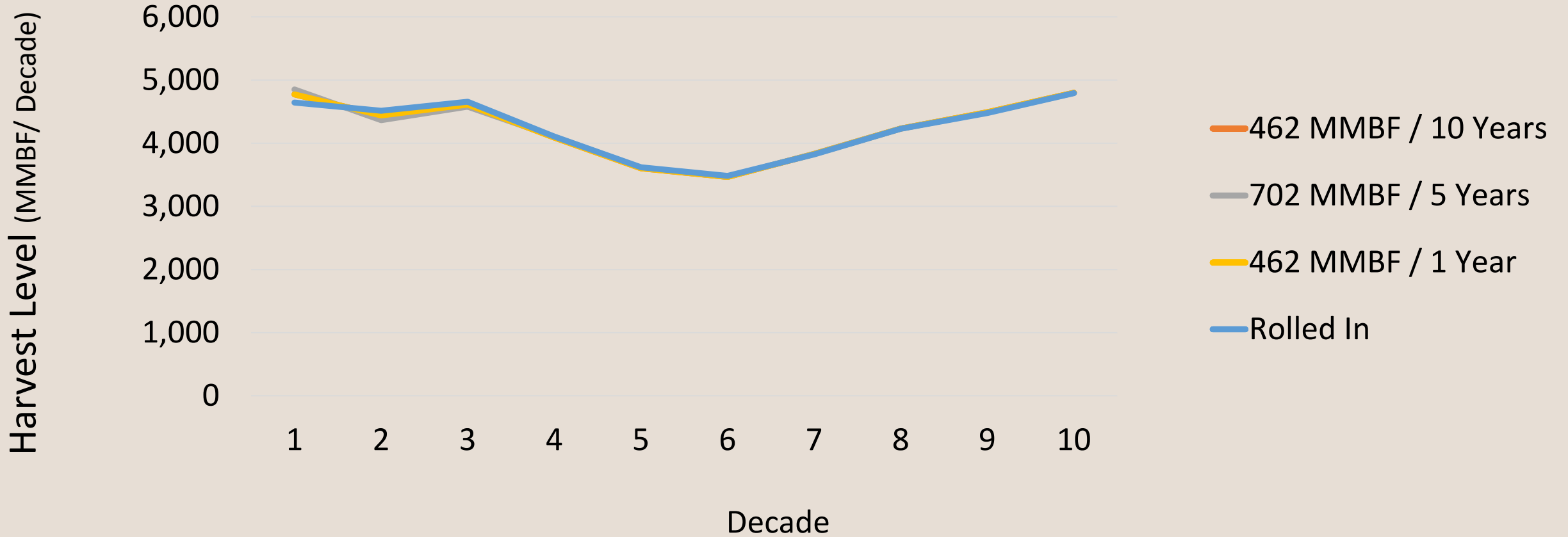
# Arrearage

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Inter-decadal differences



# Scenario Harvest Levels



# Arrearage

## Scenario Harvest Volumes (MMBF)

	Decade 1	Decade 2	Decade 3	Total
Rolled In	4,643	4,513	4,657	13,815
462 MMBF / 10 Years	4,773	4,439	4,609	13,821
702 MMBF / 5 Years	4,850	4,362	4,579	13,792
462 MMBF / 1 Year	4,773	4,439	4,609	13,821



## By Sustainable Harvest Unit

### Decade 1 Harvest Volumes (MMBF/Year)

	2007 Projection	Rolled In	462 MMBF in 10 Years	702 MMBF in 5 Years	462 MMBF in 1 Year
Skamania	5.8	8.0	9.0	9.4	9.0
OESF	52.6	80.7	90.4	94.3	90.4

# In Conclusion

This presentation was to compare arrearage scenarios by their relative effects on harvest levels.

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The previous scenarios were for comparative purposes only. Those numbers should only be viewed in the context of this exercise, as further choices around the Sustainable Harvest Calculation will influence final volume levels.

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