



**HILARY S. FRANZ**  
COMMISSIONER OF PUBLIC LANDS

## ABOUT DNR

Led by Commissioner of Public Lands Hilary Franz, DNR manages nearly 6 million acres of state-owned forest, range, commercial, agricultural, conservation, and aquatic lands across Washington. Of those, more than half are held in trust to produce income to support public schools and other essential services. State trust lands managed by DNR provide other public benefits, including outdoor recreation, habitat for native fish and wildlife, and watersheds for clean water.

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# Encumbered Lands Pilot Project



## TRUST LANDS REINVESTMENT

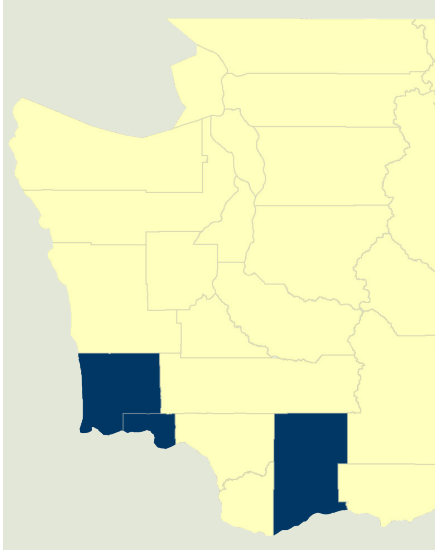
**The Department of Natural Resources is seeking \$28.3 million from the Legislature for an Encumbered Lands Pilot Project to assist three counties in Southwest Washington. This proposal is the first of four stages that use a trust land exchange and reinvestment strategy to solve for a loss of revenue-generating capacity due to encumbered timber lands.**

## THE PROBLEM

Wahkiakum, Pacific, and Skamania counties rely on forestry revenue from trust lands to sustain public services and to provide benefits back to their communities. These counties have experienced a disproportionate economic impact for obligations under the Endangered Species Act (ESA).

Many forest lands that once generated funding for the counties are now “encumbered” by restrictions to harvest due to ESA obligations, and are no longer able to produce revenue. These counties rely on legislative capital funding to pay for essential community services that were once paid for with timber revenue.

The result of not taking action would leave county governments unable to sustain public services without ongoing biennial legislative appropriations.



## THIS PROPOSAL

**This Pilot Project includes a three-tiered solution that (1) restores lost revenue to the counties and strengthens the community ties with their forest economy, (2) increases non-tax trust revenue in the state through asset diversification, and (3) reduces the long-term dependency on legislative capital funding.**

### RESTORES A LOST REVENUE STREAM FOR RURAL COMMUNITIES

In this proposal, the amount of forested trust lands that generate funding for Wahkiakum, Pacific, and Skamania counties will increase by exchanging encumbered forested trust lands with other unencumbered trust lands within the counties. In addition, this proposal will strengthen the connection between forestry management and the forest economy in these communities.

### DIVERSIFIES INVESTMENTS TO INCREASE RETURNS

This proposal includes acquiring new, diverse assets to increase non-tax revenue from trust lands. The unencumbered forested lands within the counties that are exchanged/reassigned to produce revenue for the counties will be compensated for with these new assets. Because these other trust lands are not bound by county boundaries, they have the ability to draw revenue from anywhere in the state. These new assets will include one or more types and will be targeted to collectively meet or exceed the return associated with forested lands in the three counties.

### REDUCES DEPENDENCY ON LEGISLATIVE CAPITAL FUNDING

Increasing the amount of county revenue-generating trust lands in these three counties will decrease the counties' dependency on ongoing capital budget funding while also contributing to the overall economy. The Legislature currently provides limited capital funding support to these counties; however, as a matter of necessity, counties use it to address immediate needs resulting in an ongoing cycle of legislative funding requests. This Pilot Project begins to break that endless cycle to realize a solution for long-term revenue sources for the counties.

## BACKGROUND

This request responds to legislative direction to develop a comprehensive alternative to the series of biennial "State Forest Land Replacement" budget requests that DNR has made since 2011. Per the Legislature's direction, this request was developed with the involvement of a steering committee<sup>1</sup> comprised of trust beneficiaries and stakeholders, which has met regularly since August 2017. This proposal fulfills the state's responsibilities to trust beneficiaries while alleviating disproportionate economic impacts to rural, resource-dependent communities.

The work of the committee resulted in two primary approaches towards addressing the situation:

**TRUST LANDS REINVESTMENT** – Exchange trust lands within the counties to restore county revenue streams, and acquire new, diverse assets to compensate exchanged trusts while increasing overall revenue. This Pilot Project addresses approximately one-quarter of the lands that could ultimately be exchanged in all three counties.

**SKAMANIA/U.S. FOREST SERVICE** – Skamania County is composed of approximately 85 percent National Forest Lands. The Trust Lands Reinvestment solution will help Skamania; however, due to the magnitude of the quantity of encumbered lands in Skamania, additional efforts are also underway to engage with the U.S. Forest Service to explore options for cooperative forest management on state and federal forestland that could benefit the county.

<sup>1</sup> The Encumbered Lands Steering Committee includes County Commissioners from Pacific, Wahkiakum, and Skamania counties, as well as representatives from: the Office of the Superintendent of Public Instruction, Washington State School Directors Association, a land trust, and the forest industry. The DNR Deputy Supervisor for State Uplands chairs the committee.