

**Trust Land Transfer Proviso Workgroup Meeting 3 August 6, 2021 12-4pm**

Member	Attendance
Randy Newman	Present
Heidi Eisenhour	Present
Rob Gelder	Present
Jim Freeburg	Present
Justin Allegro	Present
Matt Comisky	Present
Cynthia Wilkerson	Present
Peter Herzog	Present
Angus Brodie	Present
Russ Pfeiffer-Hoyt	Present
Randy Johnson	Absent

**DNR Staff Present:**

Lisa Anderson  
David Gordon  
Cyndi Comfort  
Tyson Thornburg

**Business Items:**

- Workgroup members agreed to have the meeting be recorded.
- Notes from the second Workgroup Meeting will be approved at the fourth Workgroup meeting.

**Presentations from TLT Members:**

Russ Pfeiffer-Hoyt (Washington State School Directors Association) and Randy Newman (Office of Superintendent of Public Instruction)

- The workgroup members gave a presentation with their concerns, opportunities, and priorities for the project.
- Questions and Discussion:
  - A workgroup member asked what percentage of capital school construction projects comes from the trust versus straight capital appropriations.

- The presenter replied that local districts put in about \$3B in local funding for school construction projects, and the state put in about \$1B. If the demand is high from local school districts, they rely more on the legislature and state bonds funding. The revenue from the common school trust has been relatively flat for the past several biennium. There is always competition for state bonding capacity between school construction, higher education, and other state facility needs. As of June 30th, there was only about \$1M in the common school construction account while there were about \$200M in obligations.
  - A workgroup member asked if they thought DNR should value lands for their highest and best use and potential zoning development, especially as it relates to clean energy.
    - The presenter said they felt DNR does a good job of evaluating replacement lands. They said DNR should not purchase any additional shrub steppe lands as there is currently a surplus of that type of land.
  - A workgroup member asked if the replacement land value costs offset the revenue for the common school construction account.
    - The presenter said the money to fund TLT projects is being used to supplant revenue that would have otherwise been used for common school construction.

#### Justin Allegro (The Nature Conservancy)

- The workgroup member gave a presentation with their concerns, opportunities, and priorities for the project.
- Questions and Discussion:
  - A workgroup member asked if the presenter was suggesting that the trust should retain the values of carbon offsets when it disposes of properties (similar to retaining mineral rights when disposing of a property).
    - The presenter said they hadn't considered that, but it could be an option to explore. They were thinking that if the timber value were lower and the 80/20 rule was not met, DNR could say that the timber growth value in those areas could equal an amount including the carbon benefits.
  - A workgroup member said the legislature had identified the forest products sector and working forests as a tool to address carbon in WA. They asked how the presenter views removing lands from working status for carbon access interacting with the legislature's idea.
    - The presenter said they would share a report that looks at the assumed forest products and mill residues as a component of the potential of land along with wildfire. The report accounts for those values assuming continued wood product use and an additional 30 years of rotation for land valuation. Each individual project needs to be looked at for potential values.

- A workgroup member asked how the presenter addresses the additionality aspect that's required in most carbon market programs, with the assumption that those lands would never be harvested.
  - The presenter said the trust has a constitutional requirement to be made whole financially, so there should be a plan for the acres. They saw additionality in the trust land transfer projects because the trust was seeking to make money off of the transfers to make the trusts whole. No matter what there is a mandate to generate resources off of trust lands.

#### Peter Herzog (WA State Parks)

- The workgroup member gave a presentation with their concerns, opportunities, and priorities for the project.
- Questions and Discussion:
  - A workgroup member said they supported the presenter's point about diving into the financial analysis of trust land transfers because of the financial impact on rural counties related to recreation. Based on real number collected, the average recreation wages paid per year in Clallam County is about \$27,000 which is less than wages from wood products. They asked how benefits from state parks filter down to local communities.
    - The presenter said revenue generated for local communities comes from sales tax generated from recreation. The workgroup member said it would be helpful to have a presentation on taxes given that different tax districts don't receive sales tax.
  - A workgroup member asked what planning efforts are underway to identify potential parcels for state parks.
    - The presenter replied there are a couple ideas in the works, including some properties around the Spokane area.
  - A workgroup member asked about the 50-year leases for trust land and asked if it had been beneficial to state parks or if it has been hard to work with.
    - The presenter said it's inefficient to have multiple state agencies administering land. Their preference would be to turn over properties identified for state parks use entirely to state parks. The workgroup member said they have strong concerns about the 50-year leases and being able to cancel them when a better opportunity arises.
    - DNR staff said there was a brief period of time where a couple dozen 50-year leases were issued through the TLT program. A number of those lessees have elected to buy out their lease, but most of the leases have been phased out.

#### Commissioner Heidi Eisenhour (Jefferson County)

- The workgroup member gave a presentation with their concerns, opportunities, and priorities for the project.
- Questions and Discussion:

- A workgroup member asked what the current zoning is for the Dabob bay property that the presenter mentioned.
  - The presenter said there is a mixed zoning for that parcel (including rural residential and forest zoning) and would bring some additional information to the next meeting. The workgroup member asked if the current zoning of the parcel is the best zoning that the trust could get from the parcel. The presenter said it takes a while for zoning to be updated and achieve a zoning that would make the parcel more profitable, so it may take a while to wait for the highest-and-best-use zoning. The Shoreline Management Act also adds layers of regulation.
- A workgroup member said the Growth Management Act (GMA) also hampers the ability to update zoning for parcels for a higher-and-better-use.

Matt Comisky (American Forest Resource Council)

- The workgroup member gave a presentation with their concerns, opportunities, and priorities for the project.
- Questions and Discussion:
  - A workgroup member asked if the presenter could talk more about the loss of volume from the marketplace and unintended consequences. They asked if the speakers' recommendation to value properties for their potential use is consistent with the concern of TLT's impact on the marketplace.
    - The speaker said they felt like some parcels will make sense to transfer for an economic or ecological aspect, but this would be a limited list that has likely already been addressed by TLT. Valuing the land for its potential use is targeted at parcels that would be valuable to transfer and replace with lands with a higher earning potential. Other parcels that should stay in long-term forestry production but have been proposed are concerning, given unintended consequences for the trust.
  - A workgroup member asked for the speaker's opinion on shoreline properties.
    - The speaker responded that it would depend on the property. The problem is that each parcel is unique and while some properties may make sense to transfer out of trust status, others may not. Management opportunities for the future need to be considered along with wildfire growth when considering properties for TLT.

Jim Freeburg (North Cascades Conservation Council)

- The workgroup member gave a presentation with their concerns, opportunities, and priorities for the project.
- Questions and Discussion:
  - A workgroup member asked if the speaker had an idea of what criteria they wanted to include for TLT properties.
    - The speaker said criteria could include parcels with significant ecological value, a dead asset, or a parcel with particular social support for conservation.

#### Commissioner Rob Gelder (Kitsap County)

- The workgroup member gave a presentation with their concerns, opportunities, and priorities for the project.
- Questions and Discussion:
  - A workgroup member asked how common the speaker's experiences with TLT are among counties and if they are shared by other counties.
    - The speaker said there are counties with a higher level of acreage and tax base that's carved out. The counties may not be trying to create open space because land under county ownership does not generate any tax dollars, but counties may be interested in an asset that may benefit their residents. The speaker's county has probably 12,000 acres of mostly-naturalized areas. They have been working to create a park system to support the recreational component.

#### Cynthia Wilkerson (WA Department of Fish and Wildlife- WDFW)

- The workgroup member gave a presentation with their concerns, opportunities, and priorities for the project.
- Questions and Discussion:
  - A workgroup member asked what the speaker's proposal would be for dealing with a transition from the 80/20 rule.
    - The speaker said they didn't know enough about the system to have an answer at this point.
  - A workgroup member asked if WDFW is well suited to directly purchase DNR properties instead of going through the TLT process.
    - The speaker said in some cases they are able to do a direct purchase, but it depends on the individual parcels. There is not a great fund source for purely recreational-use lands though.
  - A workgroup member asked if there was a value to the beneficiaries to using grant money rather than using TLT. A different workgroup member responded that it was dependent on where the funding came from. The difference would be what happens to the money after the purchase. After the TLT transfer, the timber value is deposited in the common school construction account, whereas in a direct purchase no funds would go in the common school construction account.

#### Angus Brodie (Department of Natural Resources)

- The workgroup member gave a presentation with their concerns, opportunities, and priorities for the project.
- Questions and Discussion:
  - A workgroup member asked if the speaker felt that TLT had run its course or if adjustments could be made to improve the tool.
    - The speaker said in the traditional sense TLT may not be as useful as it used to be, but the workgroup had the opportunity to reinvigorate the program through their recommendations.
  - A workgroup member asked if there was an expansive vision to expand the list of eligible receiving entities for TLT parcels and if legislative changes were needed.

- The speaker said that was a good discussion topic for the group. There has been only one transfer to a Tribe thus far. Legislative changes for receiving entities have not been explored yet.
- A workgroup member asked if DNR has explored some ideas for outside funding sources (outside the capital and operating budget) so the program is additive funding and not supplanting existing funding.
  - The speaker said DNR had not been thinking about funding outside the capital budget process, and it was an interesting concept that should be explored.
- A workgroup member asked if there was an opportunity for communities that are economically disadvantaged to acquire lands for active forest management, such as a community forest.
  - The speaker said it could be a topic that the group explores.

**Parking Lot:**

- 101 on taxes and what the source of tax revenue that supports local taxing districts.
- An in depth discussion of the 80/20 rule