



**HILARY S. FRANZ**

COMMISSIONER OF PUBLIC LANDS

# Washington State Department of Natural Resources

# State Lands Report

## Board of Natural Resources:

**Duane Emmons**

Product Sales & Leasing Division Manager

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Conservation, Recreation & Transactions Division Manager

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Deputy Supervisor for State Uplands

**May 7, 2019**



# DNR State Uplands

- In every County
- Fund:
  - School construction
  - Higher education
  - State services
  - Local county services
- Provide:
  - Economic opportunity
  - Diverse recreation in working landscapes

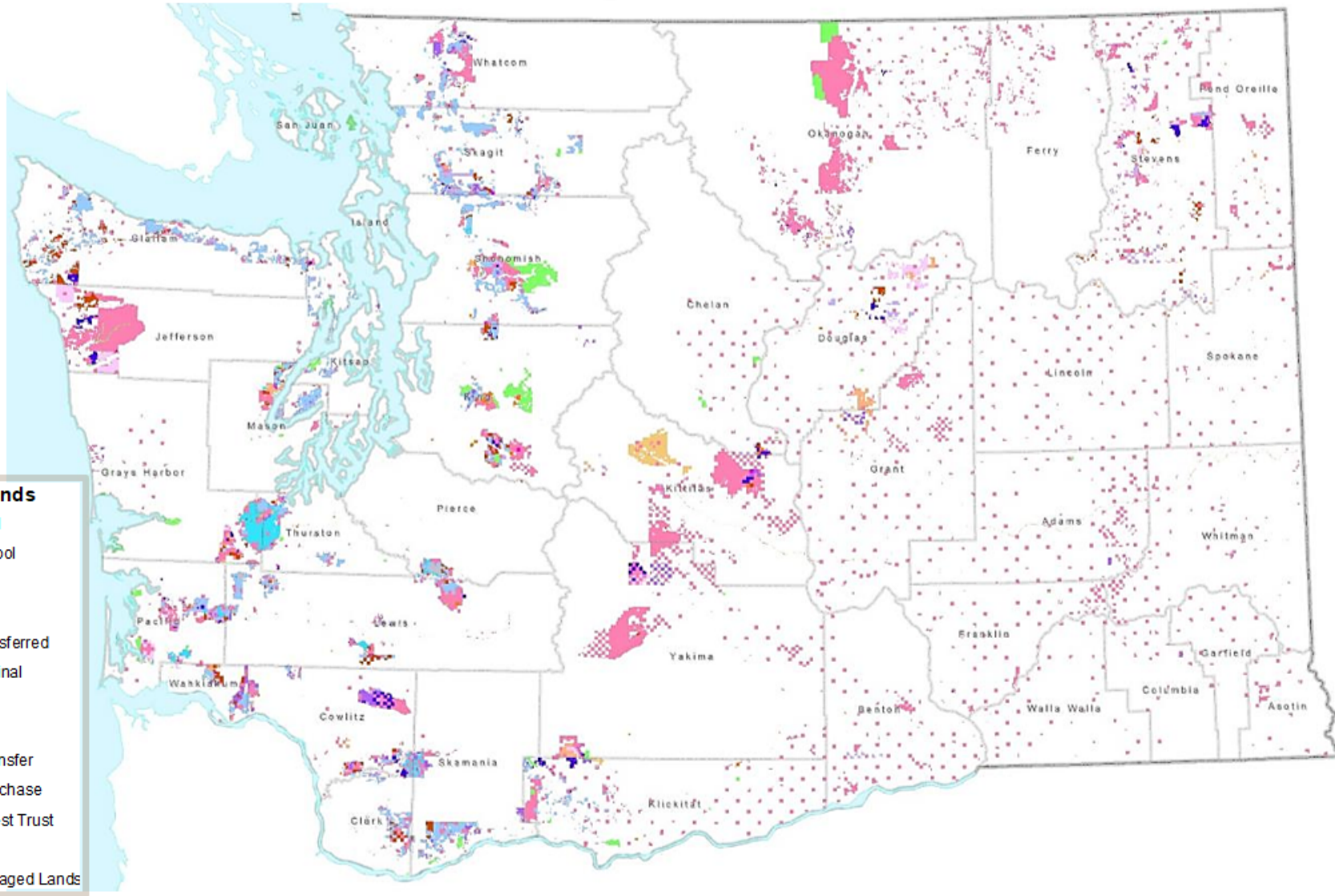


# Today's Conversation

- Overview of DNR managed lands
- Report on revenue generation in each business area
- Describe how we manage these public lands for both their given mandates and for the general public
- Report on fund balances and opportunities for growth



# State Uplands



# State Uplands

**Total area:  
3.1 million  
acres**

**Trust Lands  
2.9 million  
acres**

**Community  
Forest Trust  
52,000  
acres**

**Conservation  
Lands  
161,000  
acres**

## DNR-Managed Lands

- Common School
- Agricultural School
- Scientific School
- Normal School
- University - Transferred
- University - Original
- CEP and RI
- Capitol Grant
- State Forest Transfer
- State Forest Purchase
- Community Forest Trust
- NAP / NRCA
- Other DNR-Managed Lands

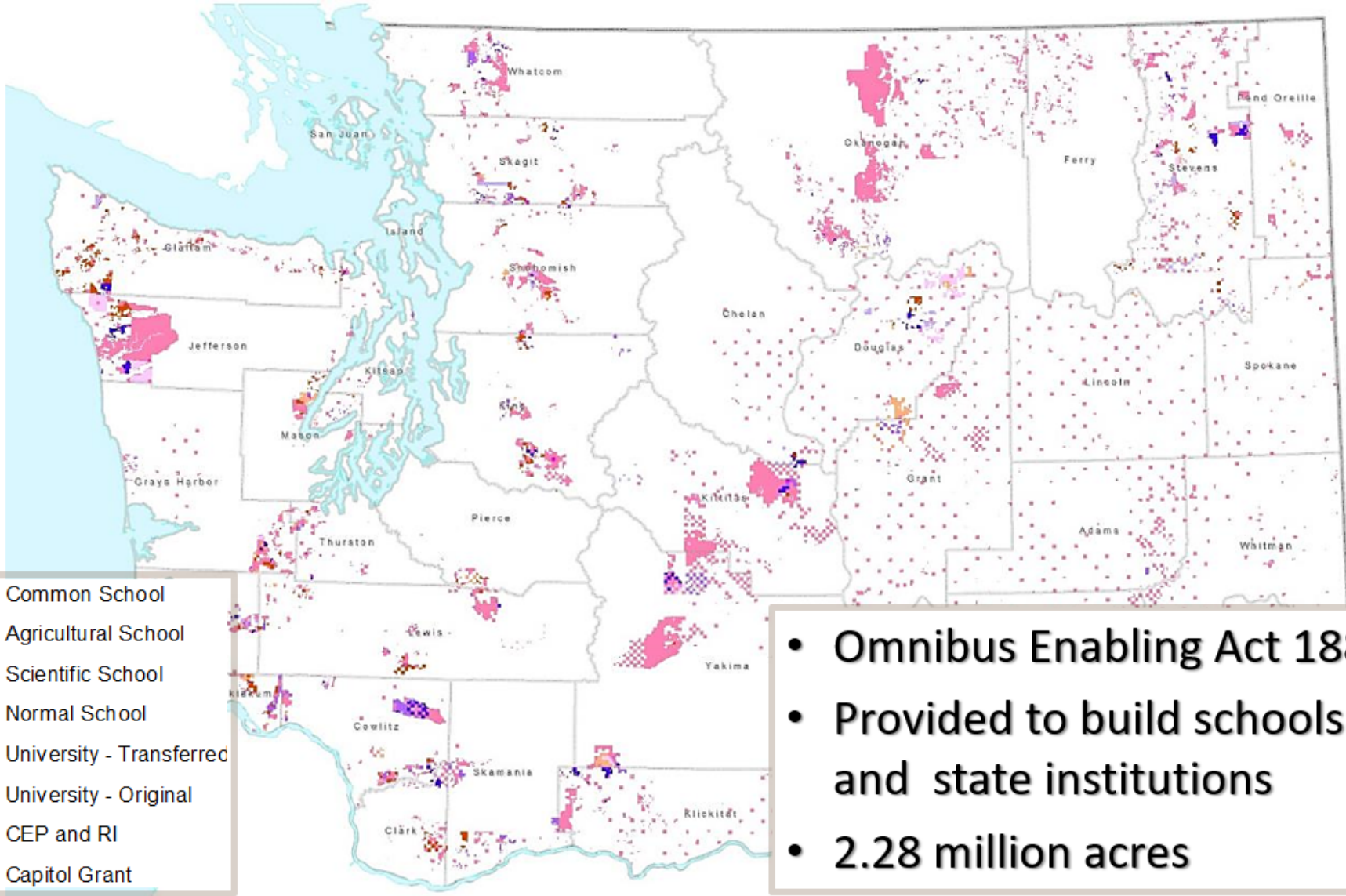


# State Uplands

- **Trust Lands**
  - Fiduciary duty
  - Multiple use
- **Community Forest Trust**
  - Non fiduciary
  - Protection of working forests
  - Multiple use
- **Conservation Lands**
  - Conservation of species, plant communities, and ecosystems
  - Multiple Use



# Federal Granted Lands





- Omnibus Enabling Act 1889
- Provided to build schools and state institutions
- 2.28 million acres



# State Forestlands



 State Forest Transfer  
 State Forest Purchase



# DNR's Trust Mandate

DNR has legal fiduciary responsibility under the State Enabling Act, State Constitution, and Statutes that includes duties to:

- **Generate revenue for each trust, in perpetuity**
- **Preserve the corpus of the trust**
- **Act prudently to reduce the loss for the trust**
- **Maintain undivided loyalty to the beneficiaries**
- **Act impartially with respect to current and future beneficiaries**



# 2018 Revenue (in millions)

Business Area	Gross Revenue
Forestry	\$174.4
Agriculture Leases	\$24.4
Grazing	\$1.2
Commercial	\$10.8
Communication Sites	\$4.7
Property Leases – Including Green Energy	\$2.0
Rock, Sand, & Gravel	\$2.1
Special Forest Products, Rights of Way, Misc.	\$1.3
<b>Total</b>	<b>\$220.9</b>



# Forestry

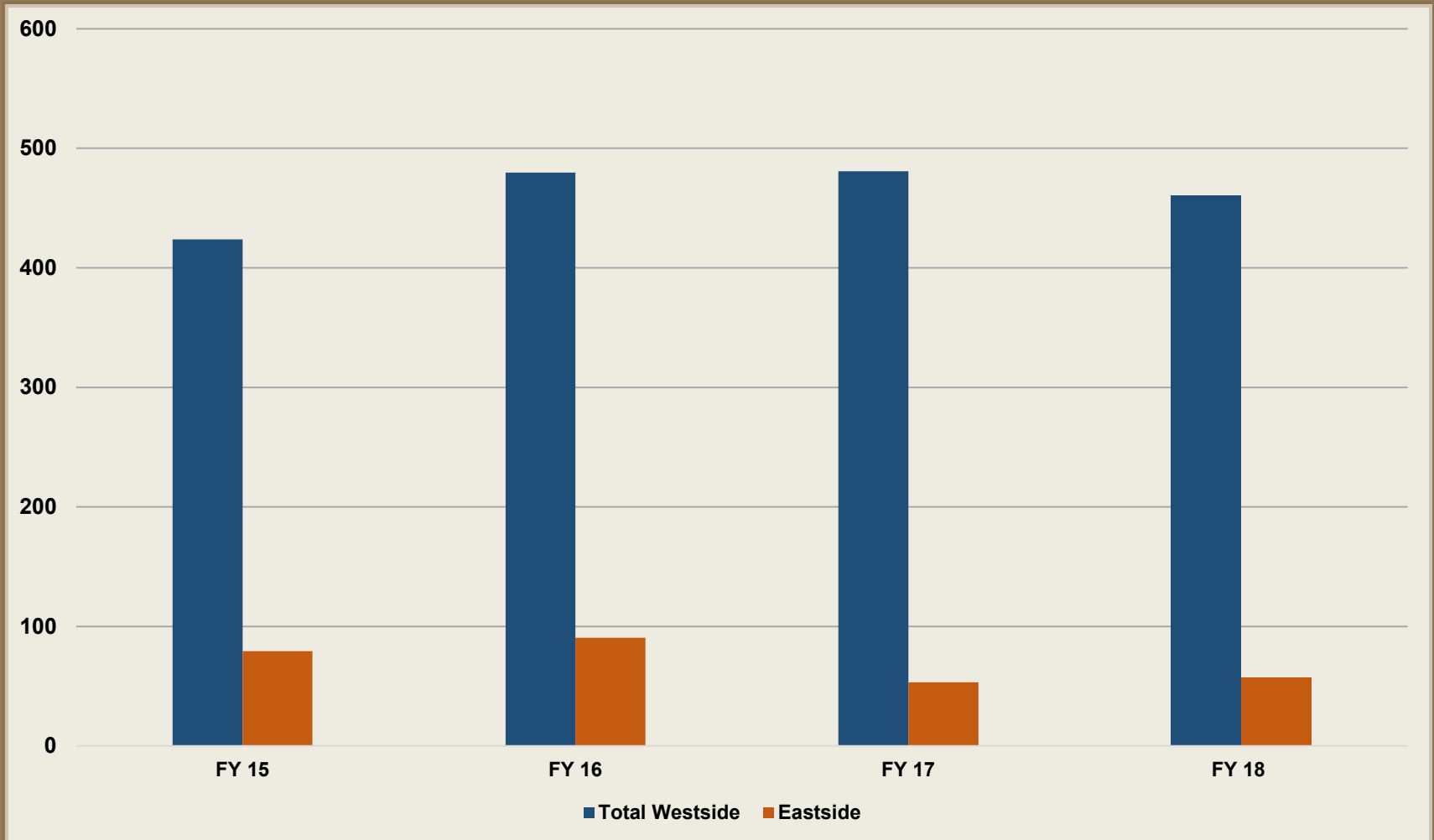
## 2 million forested acres

- **Westside**
  - 1.38 million acres
  - \$166.2 m FY18 revenue
- **Eastside**
  - 677k acres
  - \$8.2 m FY18 revenue



# Timber Volume Sold (MMBF)

## FY15-FY18 Sold Sales



# Westside Sustainable Harvest Unit Volume Sold (MMBF) FY15-FY17 Sold Sales

Sustainable Harvest Unit	FY 15	FY 16	FY 17	FY 18	SHU Total
Capitol Forest	41	49	54	55	199
Clallam	20	16	15	20	71
Clark	22	10	16	4	52
Cowlitz	7	7	2	3	19
Federal	177	188	191	184	740
Grays Harbor	0	0	2	0	2
Jefferson	0	7	1	7	15
King	7	2	4	5	18
Kitsap	4	2	5	4	15
Lewis	14	16	20	35	85
Mason	14	11	9	11	45
OESF	23	68	63	61	215
Pacific	1	9	6	4	20
Pierce	0	7	2	1	10
Skagit	38	38	35	38	149
Skamania	7	10	8	5	30
Snohomish	23	27	30	10	90
Thurston	14	2	0	0	16
Wahkiakum	3	4	5	5	17
Whatcom	8	6	13	11	38
<b>Total Westside</b>	<b>424</b>	<b>480</b>	<b>481</b>	<b>460</b>	<b>1383</b>





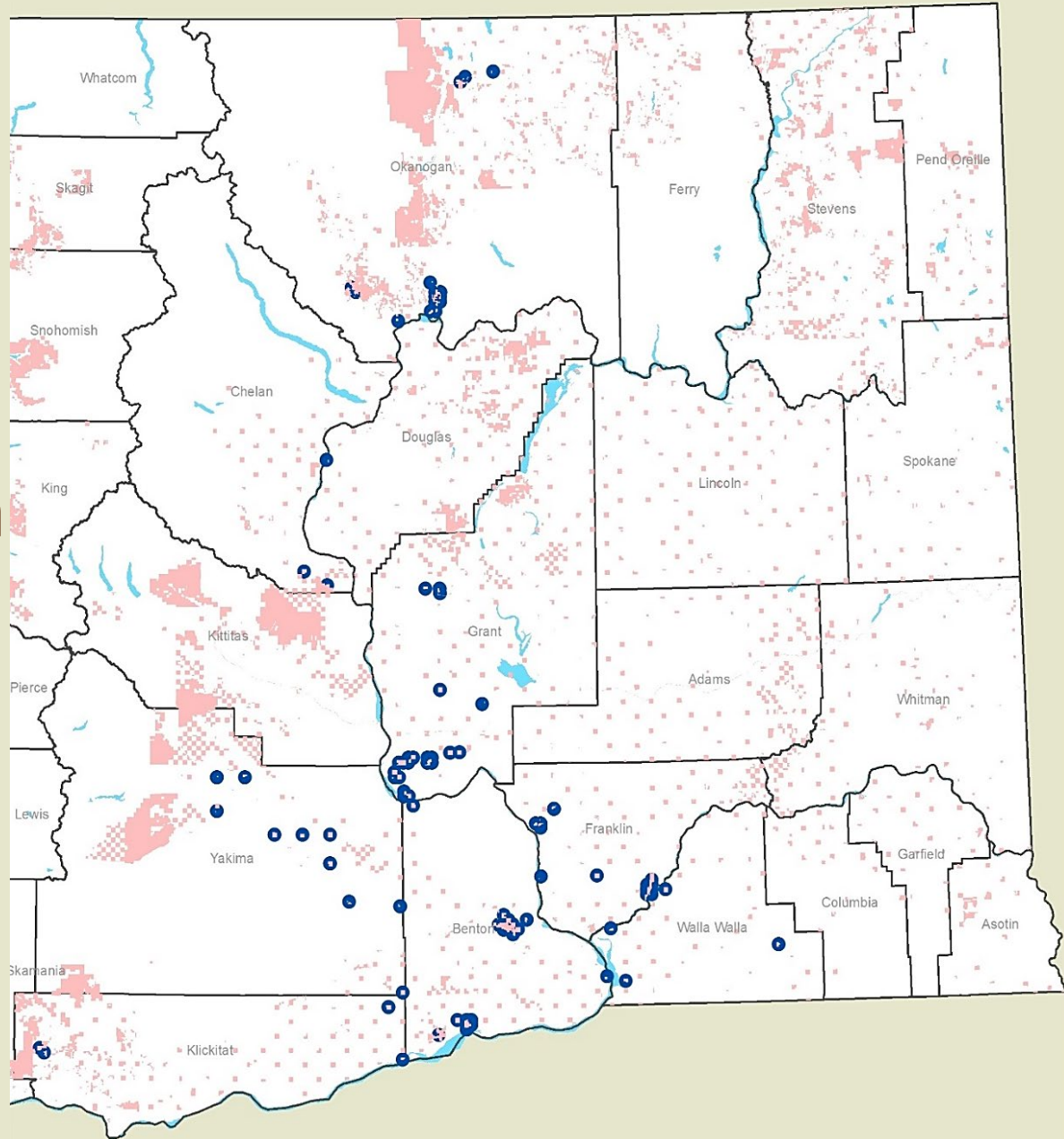
# Agriculture

- **843,000 acres of agricultural lands are leased:**
  - **Irrigated Row Crops**
  - **Orchard**
  - **Vineyard**
  - **Dryland**
  - **Grazing**
- **\$25.7 million in FY18 revenue**



# Orchards & Vineyards

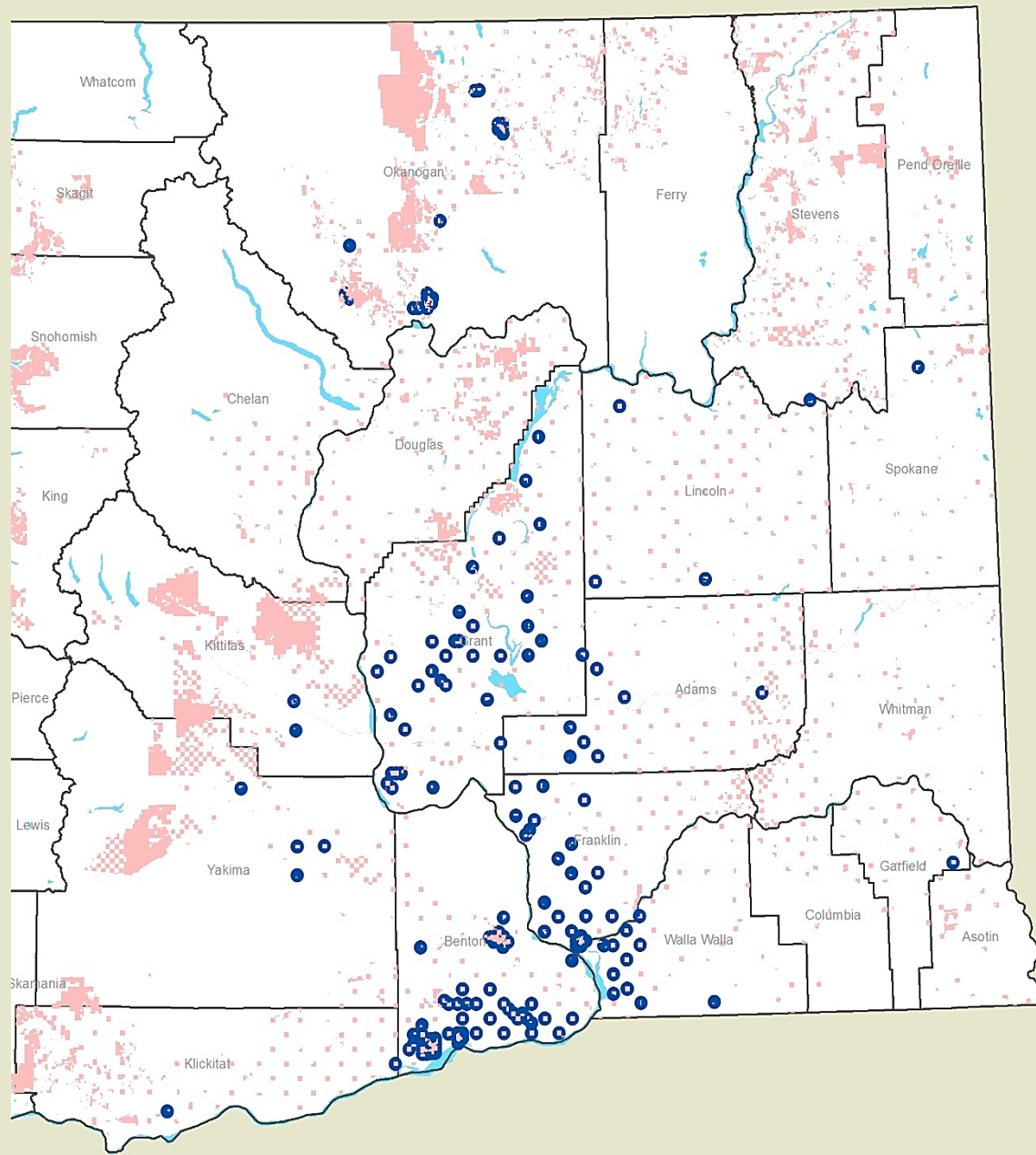
- 18,253 acres
- 103 leases
- \$8.5 million in FY18 revenue





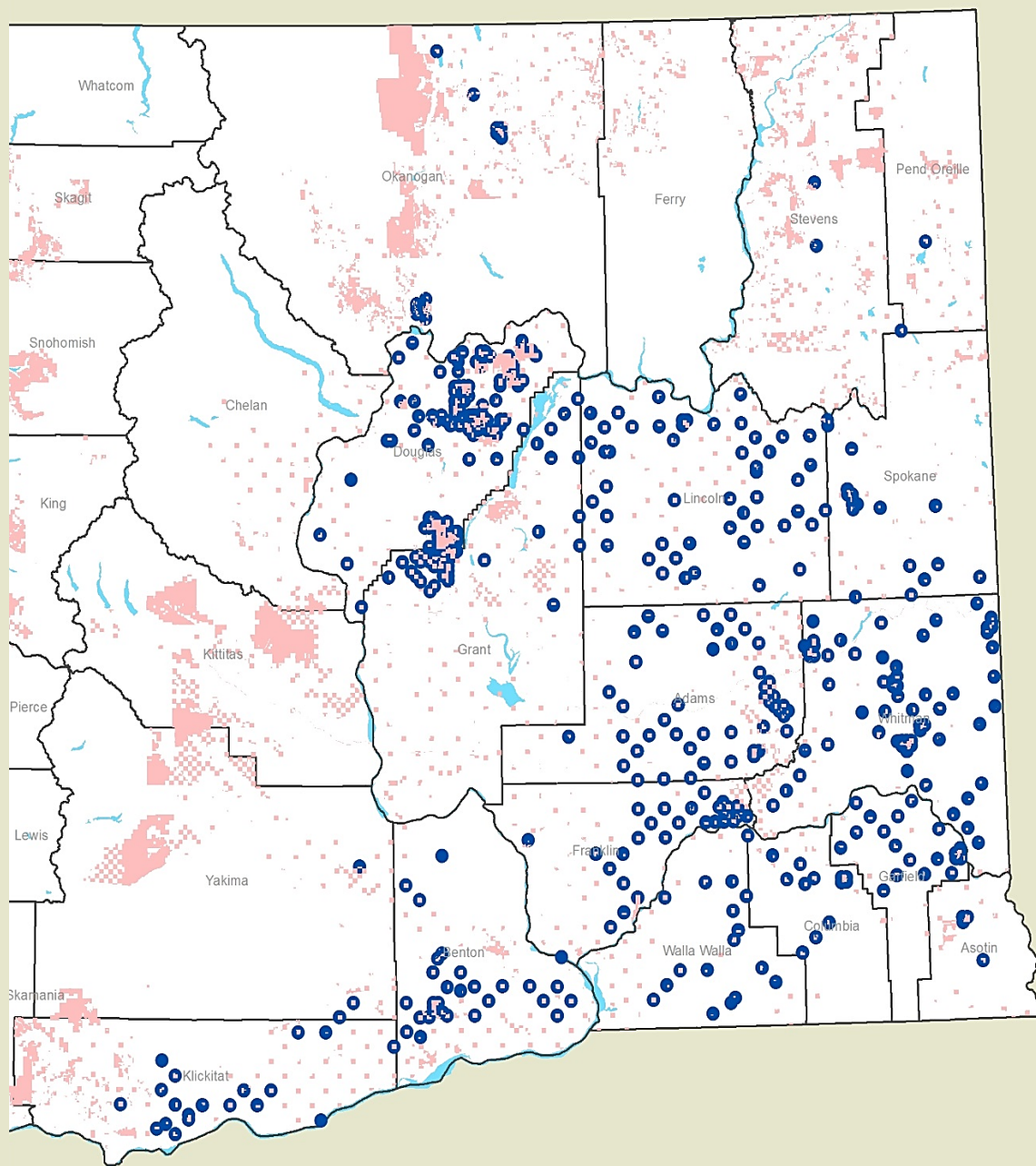
# Irrigated Row Crops

- 32,340 acres
- 120 leases
- \$10.4 million in FY18 revenue



# Dryland

- 136,343 Acres
- 537 leases
- \$5.5 million in FY18 revenue



# Grazing

- 538,665 acres

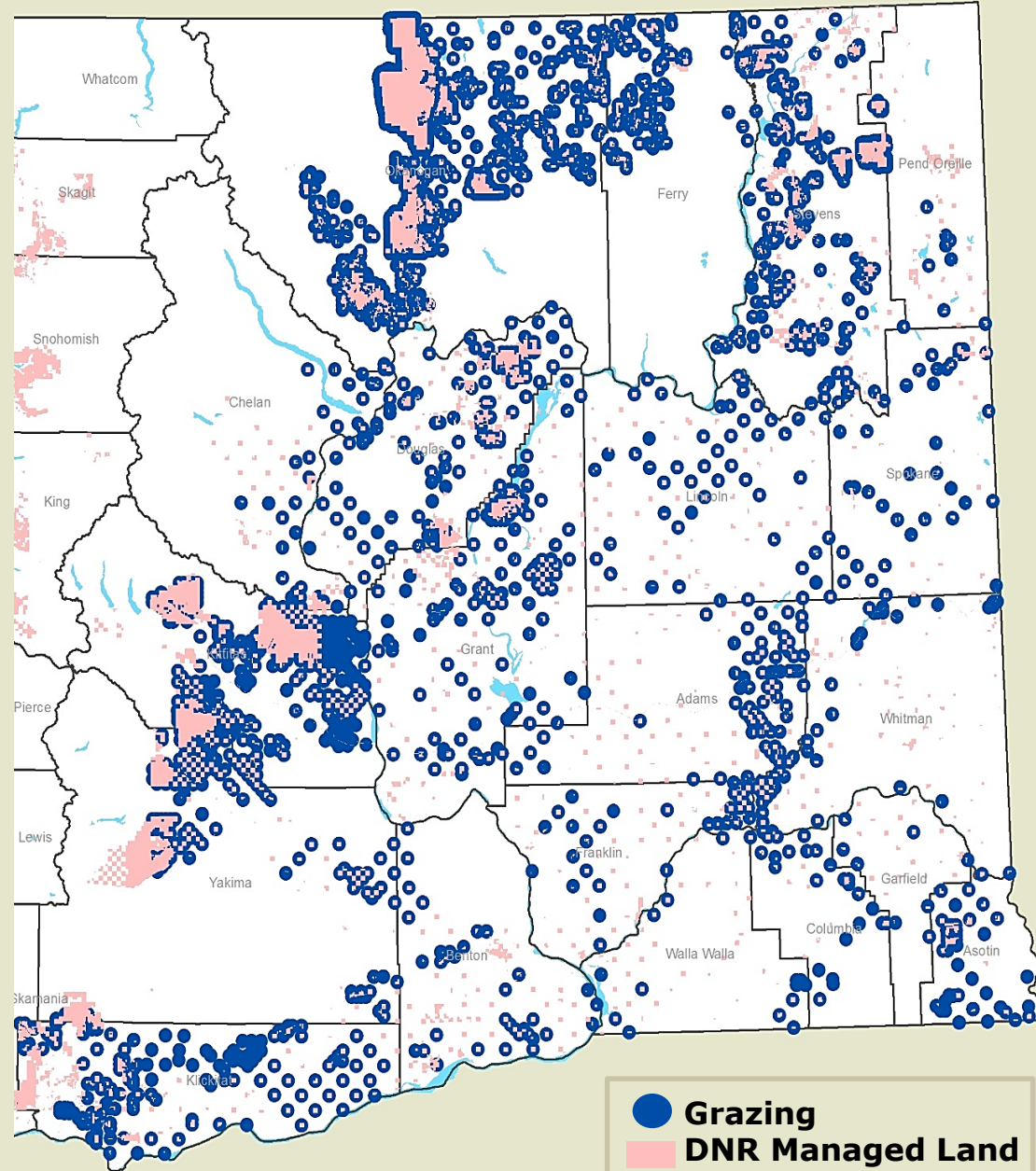
- 739 leases

## Range Permit

- 318,235 Acres

- 41 Permits

**\$ 1.0 million in  
FY18 revenue**



# Water

- 300 water rights
- 3,000 claims
- Numerous water service contracts with irrigation districts & US Bureau of Reclamation water in the Odessa/Columbia Basin Project

## Positioning portfolio:

- Allow for moving water rights to develop new lands
- Positioning for drought impacts
- Working to get off of declining ground water supplies



# Commercial Real Estate

- 29 ground leases
- 10 improved leases
- 9,000 acres
- Rezoning of transition lands to increase value
- \$10.8 million in FY18 revenue



# Communication Sites

- **104 Communication Sites statewide on fewer than 1,000 acres**
- **426 leases including:**
  - **40 County EMS/Public Works**
  - **60 Federal (DOJ, Military, Coast Guard)**
  - **34 Amateur Radio**
- **\$4.7 million in FY 18 revenue**



# Special Use, Easements, Mining and Minerals

- Renewable Energy
- Special Use Leases
- Mining and Minerals
- Easement Granting
- 375 leases
- Fewer than 1000 acres under exclusive use lease
- 7609 easements
- \$5.4 million in FY 18 revenue



# Asset Management

## 2018 Trust Transactions

- **11 Projects**
- **Disposition of 1,515 Acres (\$3.8 m)**
- **Acquisition of 406 Acres (\$1.05 m)**

## 2015-18 Trust Transactions (Avg.)

- **17.5 Projects**
- **Disposition of 3,129 Acres (\$15.5 m)**
- **Acquisition of 1,844 Acres (\$10.5 m)**

Transaction Name	Transaction Type	Asset Class	County	Acres Acquired	Acres Disposed	Value
Porter North	Acquisition	Forest	GRY	4.92	0	16000
South Ebey	Disposition	Forest	SNO	0	0.29	2200
Northport Work Center	Disposition	Urban/Rural	STE	0	0.33	54000
Odlin South	Disposition	Forest	SAN	0	103	194000
Porter 33 - Everson	Acquisition	Forest	GRY	33	0	39600
Pasco 16 R-3	Disposition	Urban/Rural	FRA	0	37.86	1400000
Kelleher Road	Disposition	Agriculture	SKG	0.9	4.5	7690
Tukes Reservoirs	Disposition	Urban/Rural	CLR	0	5	175000
Sand Canyon Airport	Disposition	Urban/Rural	STE	0	89	259000
Stemilt 2	Disposition	Forest	CHE	0	1275.47	1778000
Briarwood	Acquisition	Forest	SKG	368	0	991000
				<b>406.82</b>	<b>1515.45</b>	<b>\$4,916,490</b>





# Conservation Purchases

## 2018 Conservation Transactions

- **17,056 acres protected**
- **12 projects**
  - **9 purchase**
  - **3 easement**
- **\$16.5 million**

## 2015-2018 Averages

- **9,115 acres protected**
- **17.75 projects**
  - **16.25 purchase**
  - **1.5 easement**
- **\$17.9 million**

Transaction Name	Transaction Type	Funding	Grant/SiteName	Acres Acquired	Value
I-90 Phase V - King	Conservation Easement	Federal Grants	I 90 Wildlife Corridor Phase 4	80.43	300000
Mt. St. Helens Forest 2	Conservation Easement	Federal Grants	Mt St Helens	7760.73	3730000
SPS Coastal Forest 2	Conservation Easement	Federal Grants	South Puget Sound Coastal	7391.61	6634000
Scaggs & Flaig	Acquisition	Special Lands	Kennedy Creek	4.7	80000
Simonyi	Acquisition	Special Lands	Stavis	5.14	90000
Abner	Acquisition	Special Lands	Schumacher Creek	5.1	77000
McCook	Acquisition	Special Lands	Stavis	30	372500
Camp Discovery Rd	Acquisition	Special Lands	Dabob Bay	213.78	1529000
Marker, Don	Acquisition	Special Lands	Stavis	19.5	476000
Marker, Jon & Toni	Acquisition	Special Lands	Stavis	23.16	745000
Weyerhaeuser	Acquisition	Special Lands	Chehalis River SP	1469.24	1854000
Fiorito	Acquisition	Special Lands	Middle Fork Snoqualmie	53.1	620000
				<b>17056.49</b>	<b>\$16,507,500</b>



# Community Forests

## Manage two community forests

- Klickitat Canyon
- Teanaway

## Recreation Plan

- ESSB 6095



Teanaway



Klickitat Canyon



# Recreation

- Trust Mandate and Recreation
- Diverse Opportunities:
  - Horseback riding and pack stock
  - Hiking
  - Mountain biking
  - Camping
  - Fishing/hunting
  - Rock climbing
  - Snow activities
  - 4x4, ORV, and dirt bikes

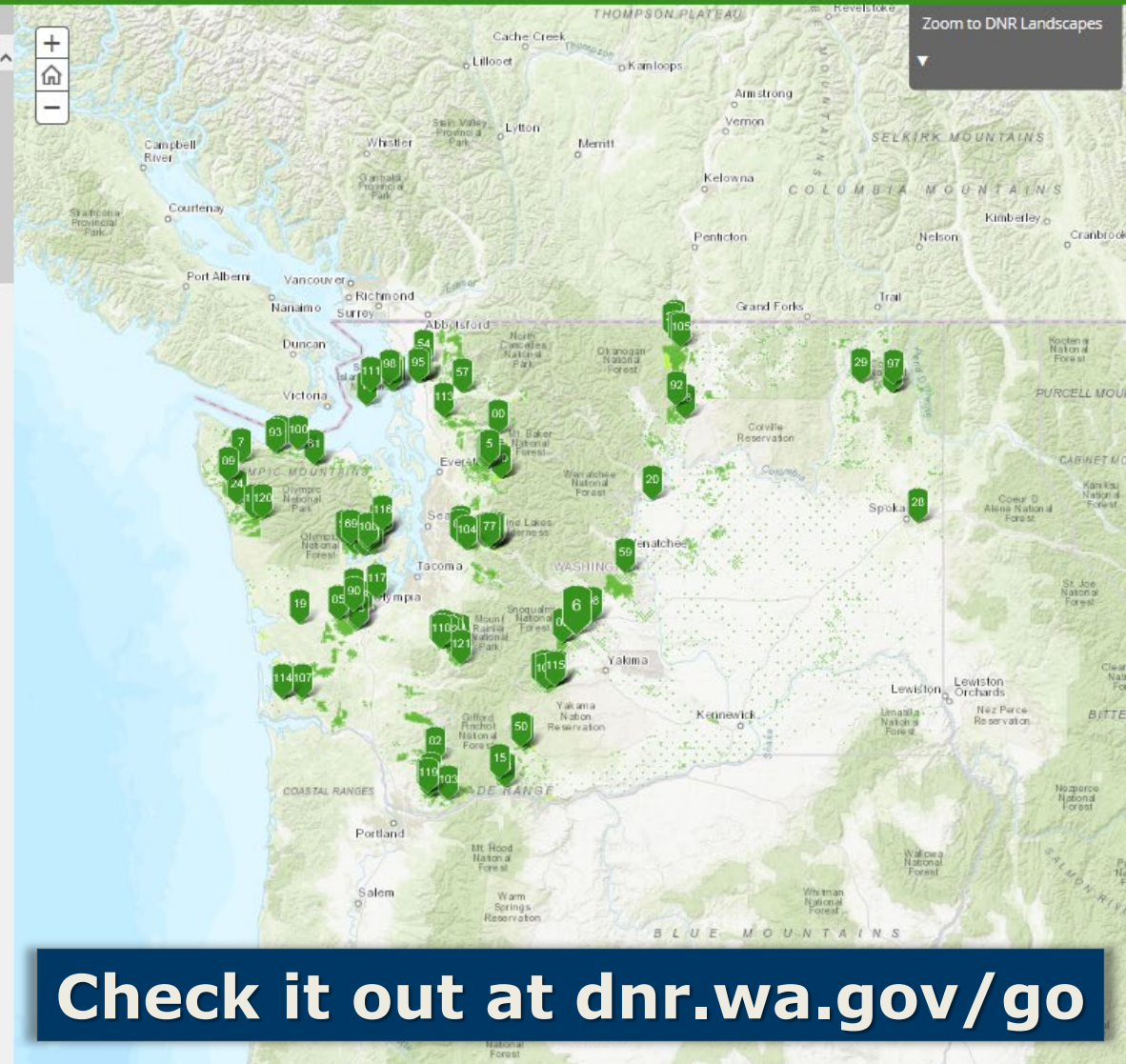
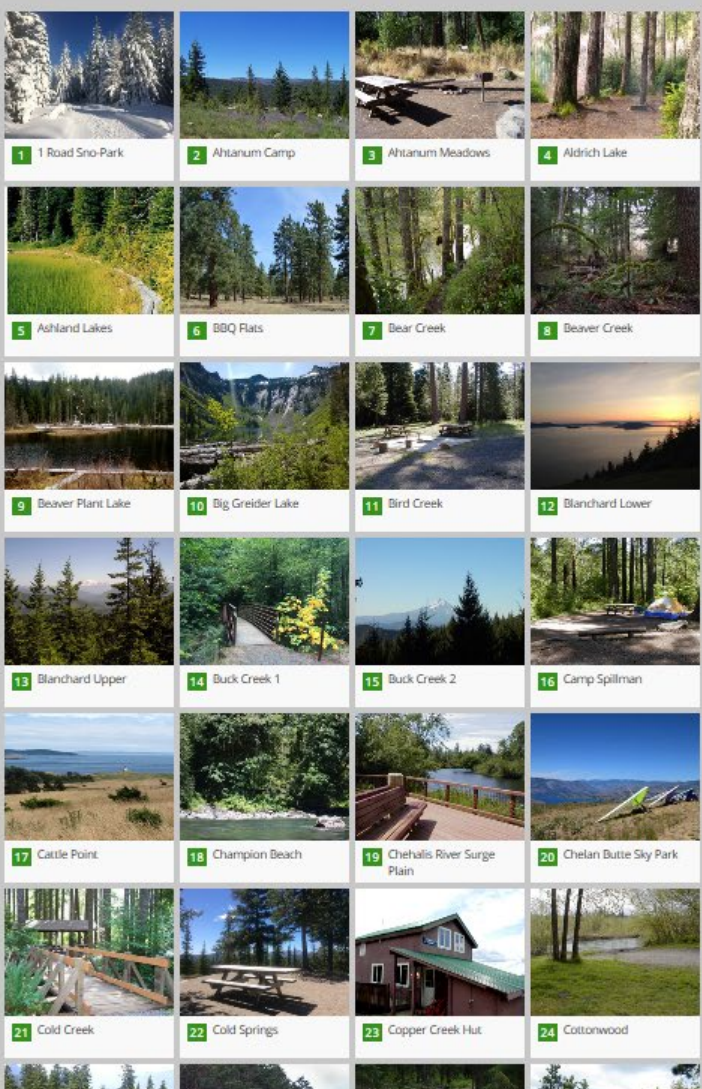


# Explore Washington DNR-managed lands

Navigate to DNR recreation sites by using the various tabs, below. Click on a site for a window with more information. For site status and details, click the "More Info" link in each site's window.



- Accessible Amenities Available
- Campground
- Day Use Area
- Trailhead use: motorized
- Trailhead use: non-motorized**
- Water Activities
- Winter Recreation



**Check it out at [dnr.wa.gov/go](http://dnr.wa.gov/go)**



# 2018 Recreation Highlights

- 69,000 hours of volunteer engagement and support in 2018
- Approx. 50 miles of new trail
- Approx. 70 new campsites statewide
- Started Discover Pass library checkout program
- Coordinated with other land managers

## Plans for 2019 and beyond



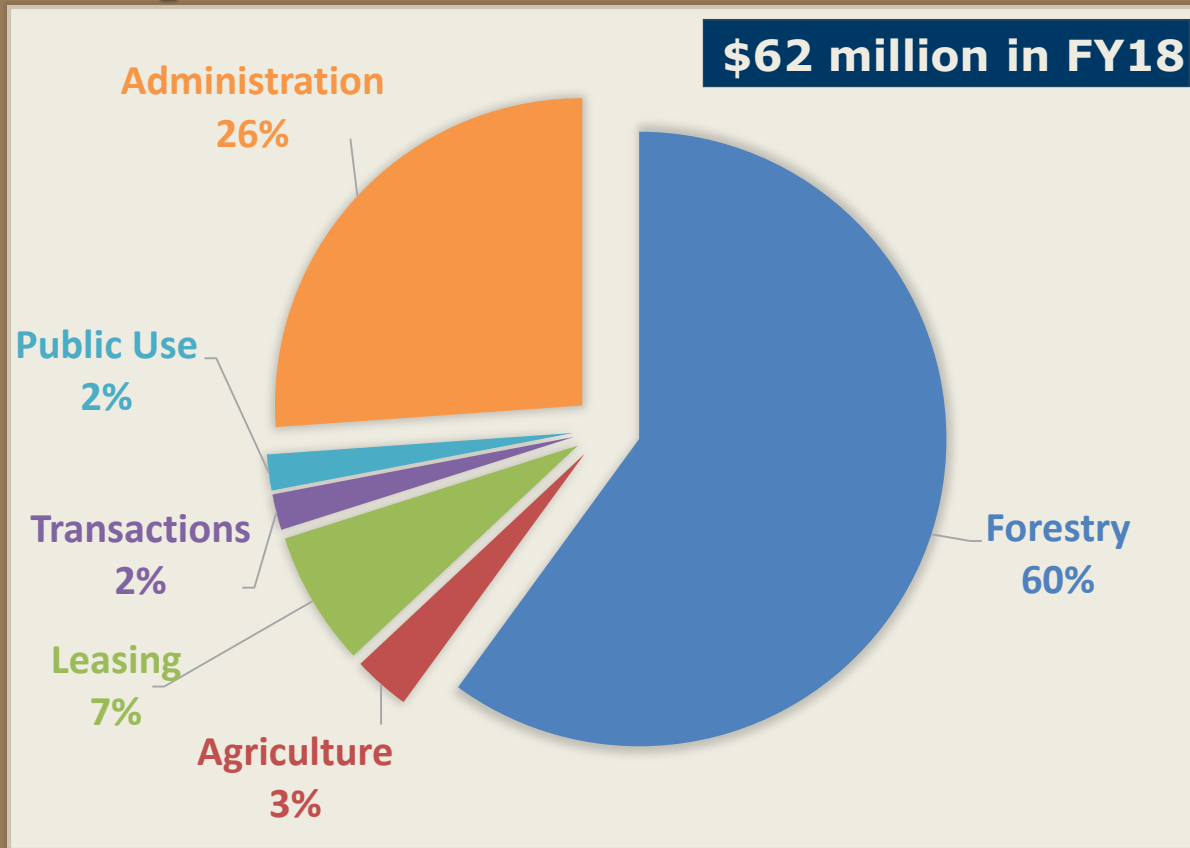
# 2018 Revenue

<b>Business Area</b>	<b>Gross Revenue</b>
Forestry	\$174.4
Agriculture	\$25.7
Commercial	\$10.8
Communication Sites	\$4.7
Special Use	\$5.5
<b>Total</b>	<b>\$221.0</b>

(Dollar value in millions)



# Expenditures



- Reduced purchasing power
- Increasing costs
- Investment needs to grow



# Expenses to Revenue

Asset Class	Acres (thousands)	Expenditure	Revenue (\$/acre/year)	Profit\ Loss
Forestry	2,000	26	87	61
Agriculture	890	3	29	26
Commercial	9	74	1,213	1,139
Communication Sites	<1	1,392	4,726	3,334
<b>Others</b>	<b>&lt;1</b>	<b>3,588</b>	<b>5,641</b>	<b>2,053</b>
<b>Overall</b>	<b>2,900</b>	<b>21</b>	<b>76</b>	<b>56</b>

Note: Fiscal 2018 data, includes RMCA, FDA and Ag Trust revenues and expenditures

## Benchmarks

### Forestry - \$20<sup>1</sup>-\$33<sup>2</sup> per acre

1. Arney J., 2016 The Economic Results of a PNW Silvicultural Costs Survey: Are You Swimming Above or Below the Financial Waterline? Forest Biometrics Research Institute
2. Baker S., Mendell B., and Lang A, 2017 Survey of Silvicultural Practices and Costs of Timberland Owners and Managers in the U.S. Northwest. Forisk LLC, P.O. Box 5070, Athens, GA 30604





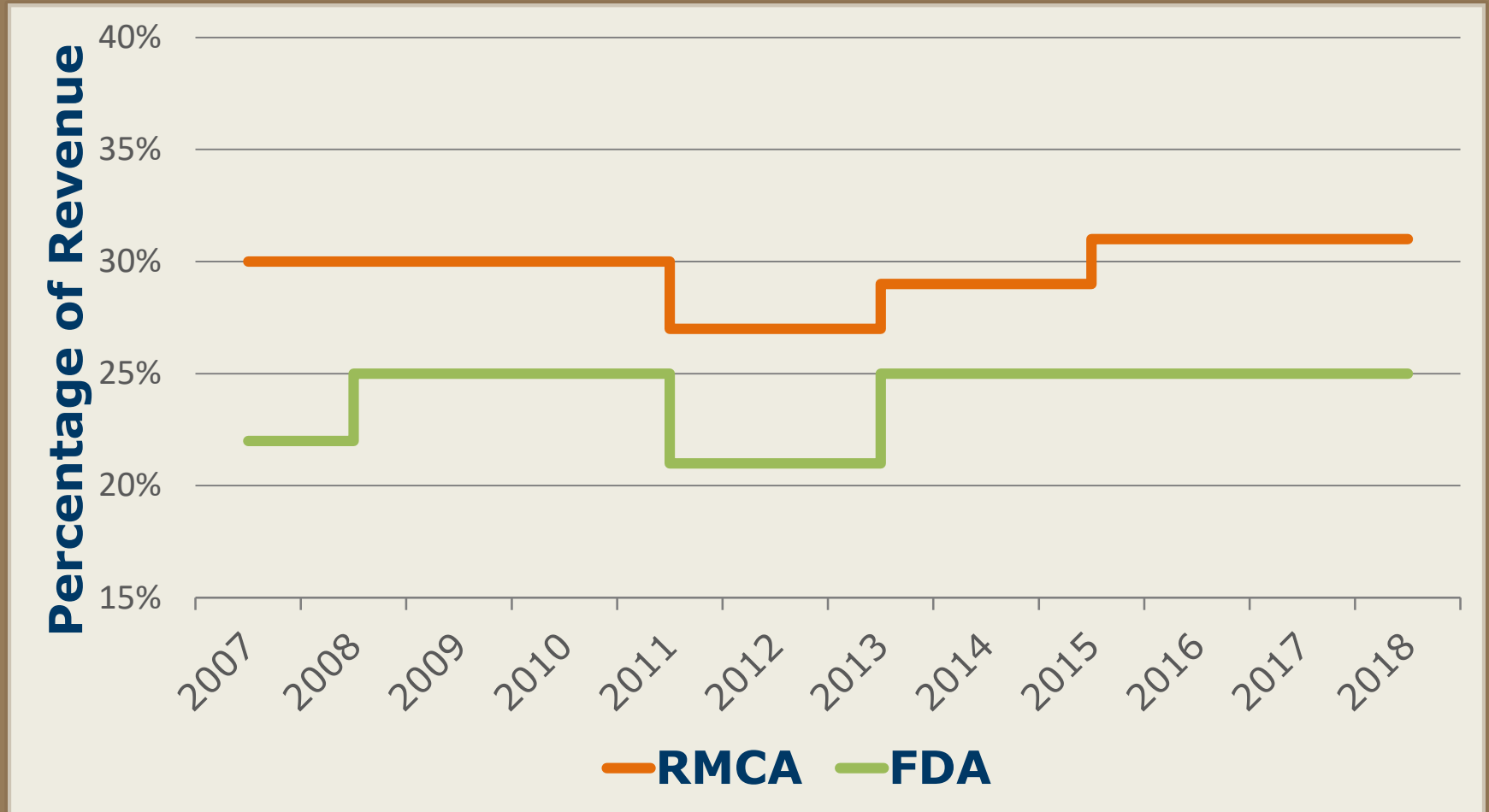
# Funding

## State Trust Lands funded by revenue generated

- Resource Management Cost Account
  - (*RMCA: RCW 79.64.040*)
- Forest Development Account
  - (*FDA: RCW 79.64.100 and RCW 79.64.110*)
- Budget provisos
  - RMCA – 32%
  - FDA – 27%



# Management Costs



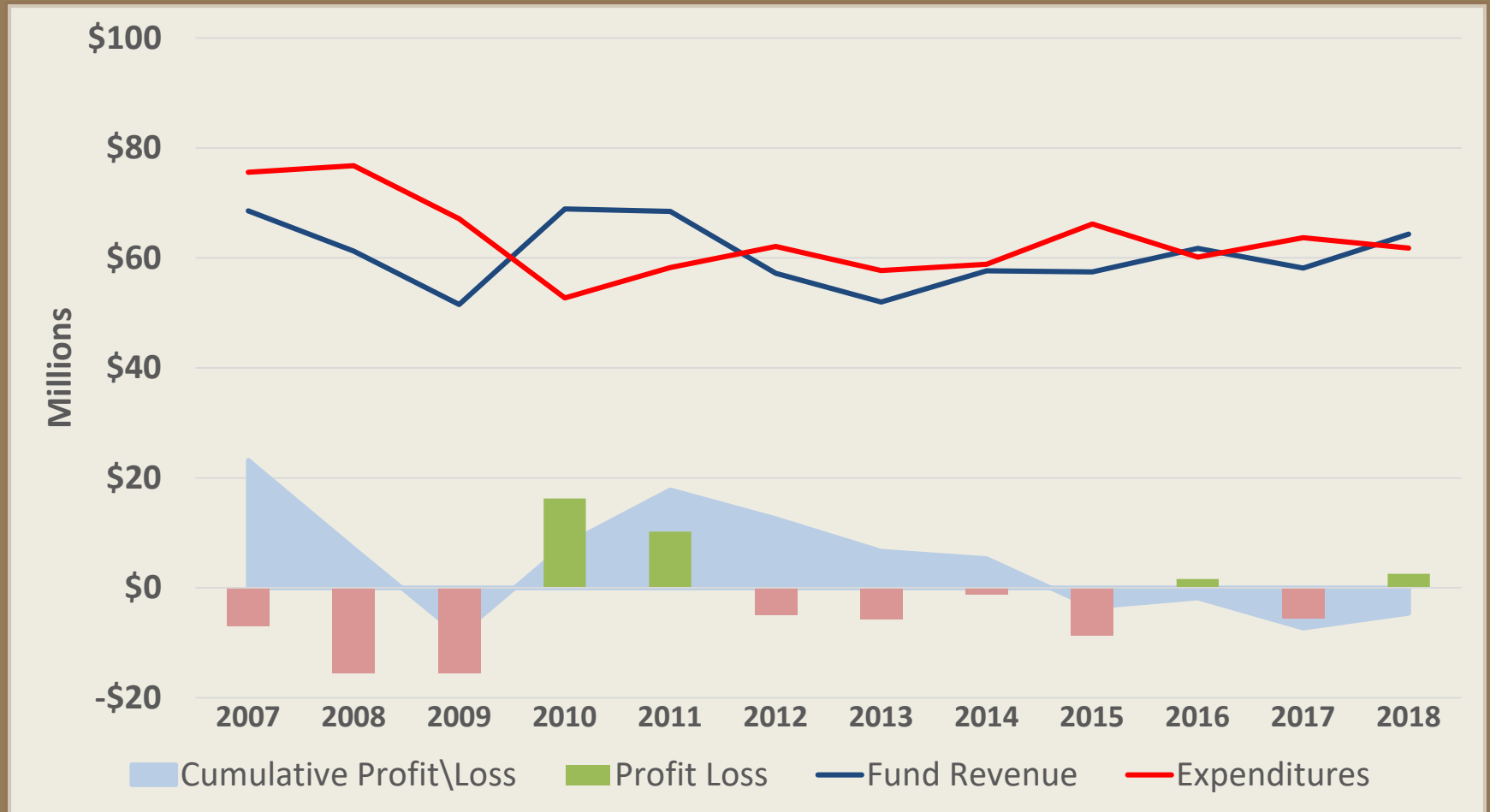
# Expenses to Fund Revenue

<b>Asset Class</b>	<b>Acres (thousands)</b>	<b>Expenditure</b>	<b>Fund Revenue (\$/acre/year)</b>	<b>Profit Loss</b>
Forestry	2,000	26	25	(1)
Agriculture	890	3	9	6
Commercial Leases	9	74	1,213	1,139
Communication Sites	>1	1,392	1,404	12
Others	>1	3,588	1,707	(1,881)
<b>Overall</b>	<b>2,900</b>	<b>21</b>	<b>25</b>	<b>4</b>

Note: Fiscal 2018 data, includes RMCA, FDA and Ag Trust revenues and expenditures



# Combined Funds (RMCA & FDA)

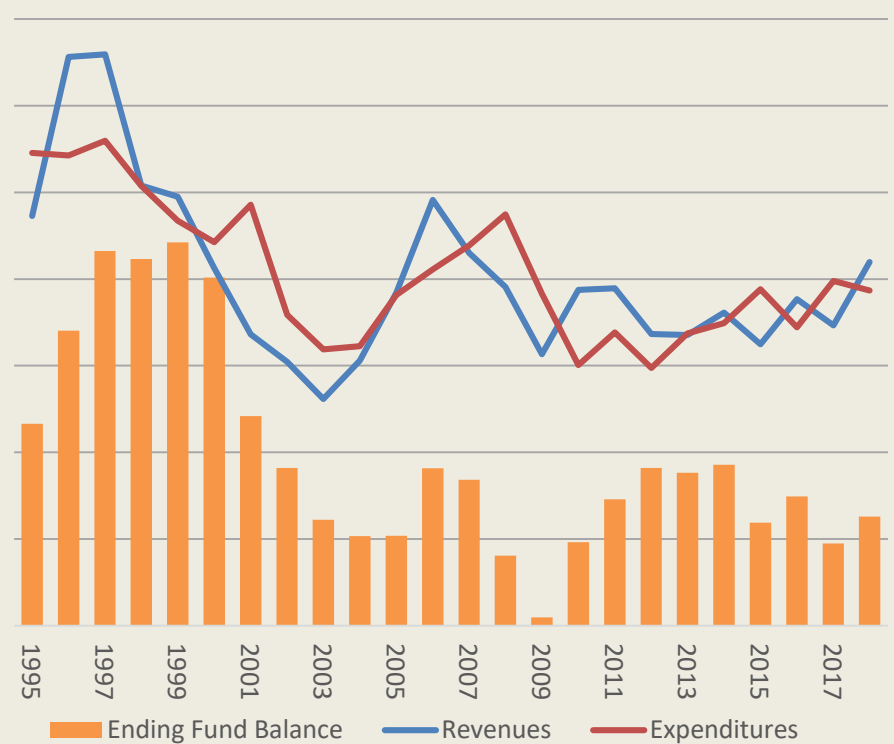
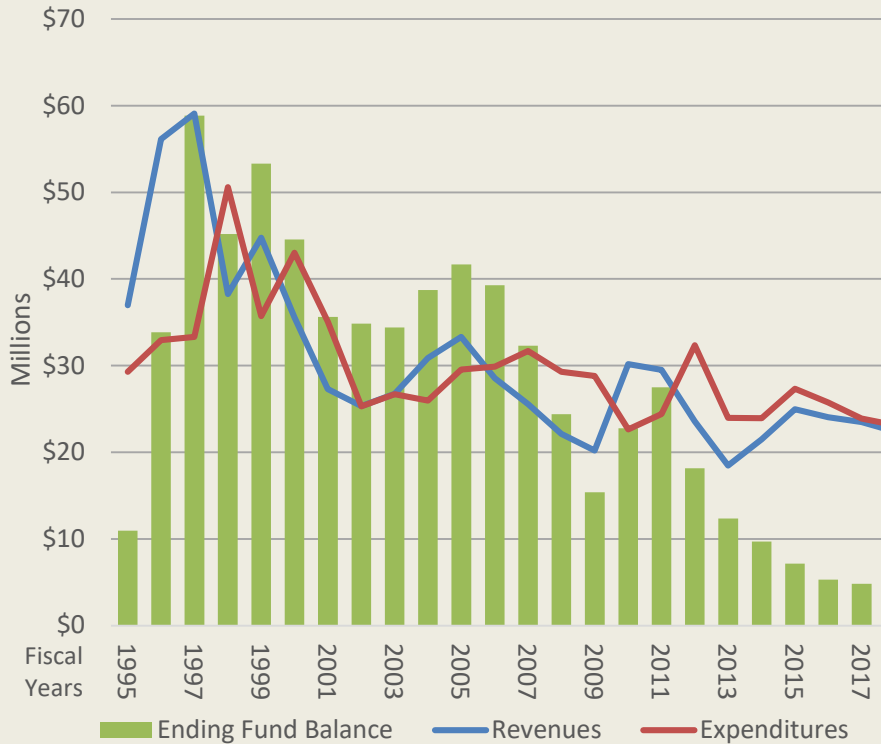


# Fund balances

## Forest Development Account

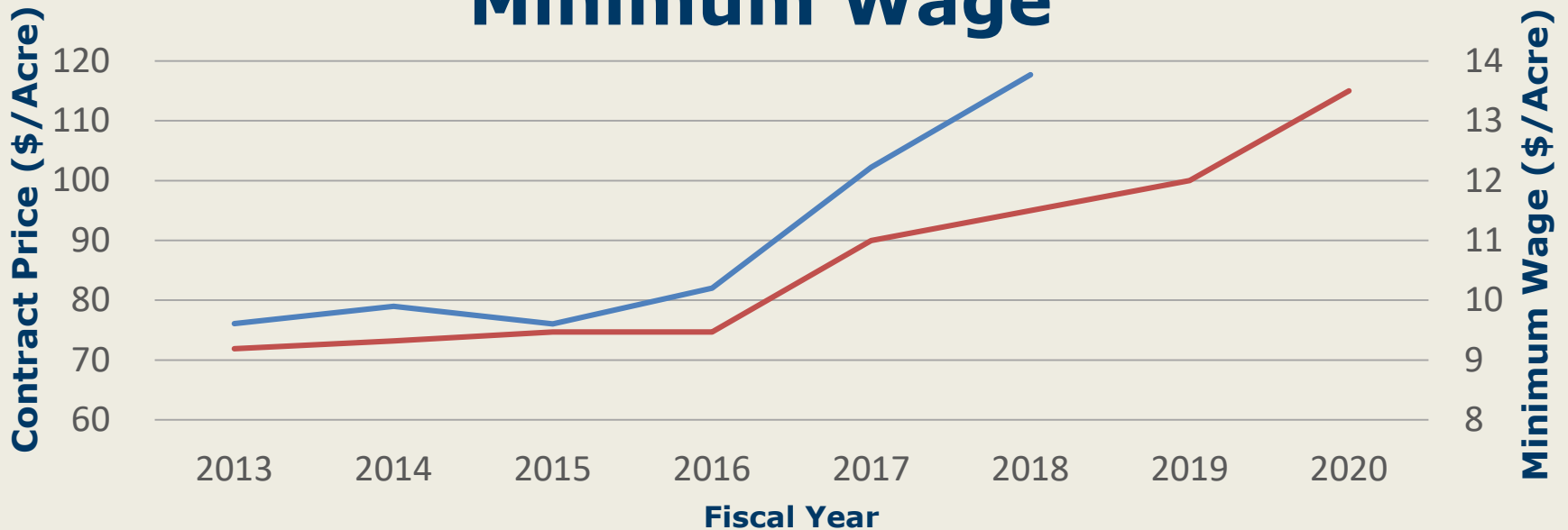
## Resource Management Cost Account

Real 2018 dollars



# Costs

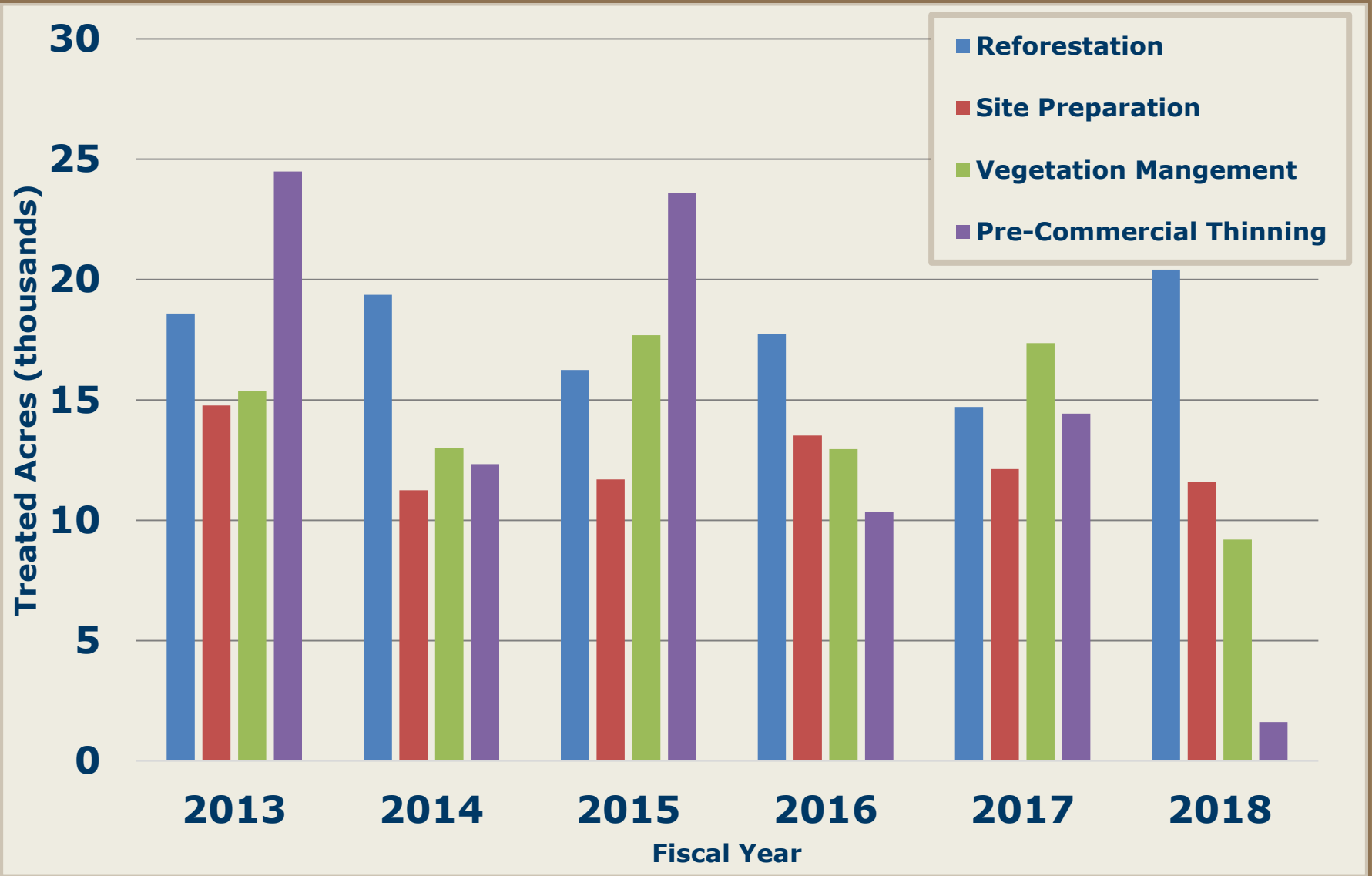
## DNR Westside Silviculture Contract Prices and Washington Minimum Wage



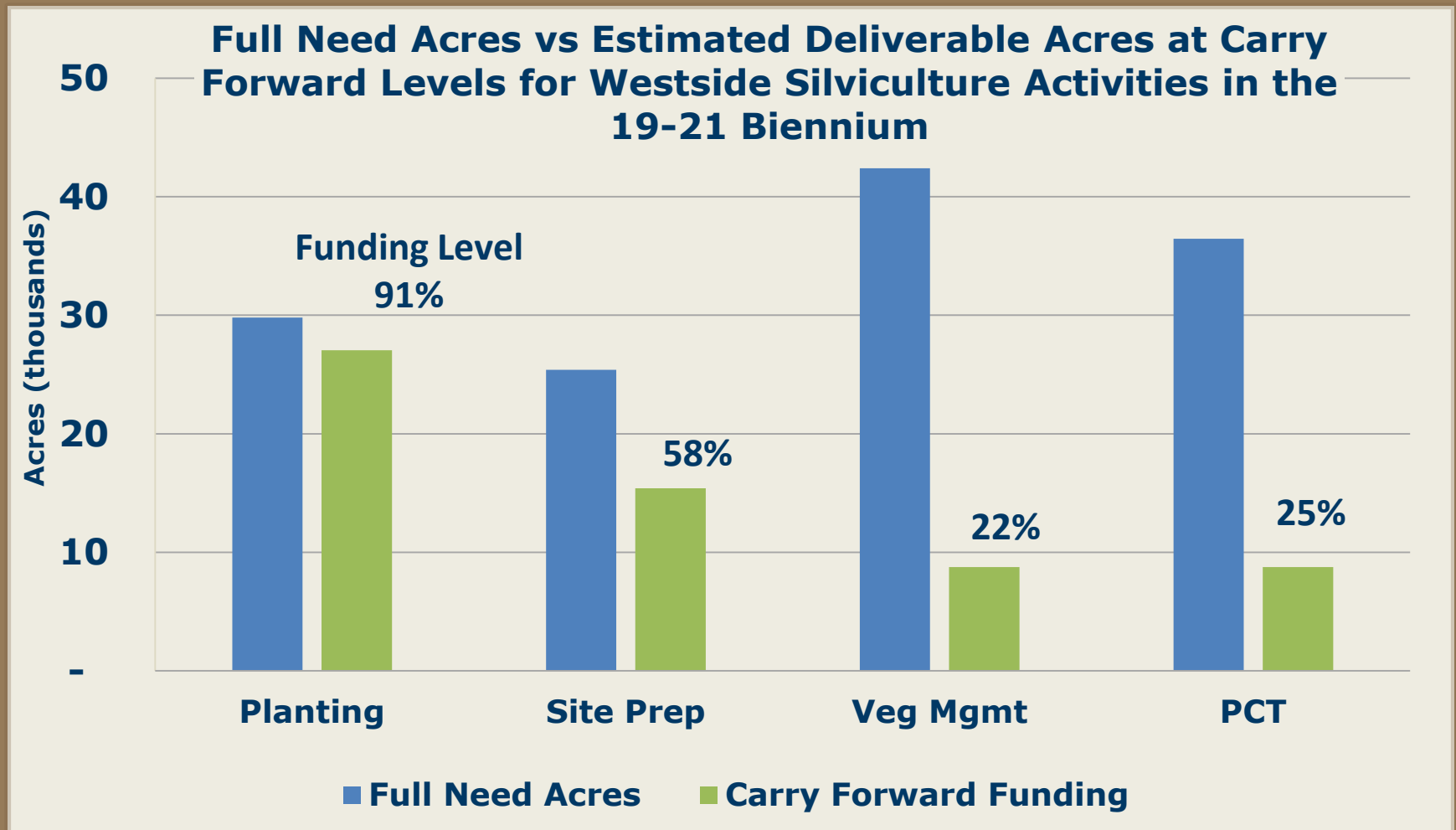
- Mean Site Preparation, Tree Planting, & Hand Cutting Contract Costs (\$/acre)
- Washington State Minimum Wage (\$/hour)



# Silviculture



# Investment Needs: Silviculture





# Future Growth

- Green Energy
- Commercial
- Irrigated Agriculture

It takes money to make money

- Budget Request
  - Trust Performance
  - Green Energy
  - Commercial





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