



DEPARTMENT OF NATURAL RESOURCES

# Annual Report

# 2006

Presenting the work of the past year  
and our goals for a sustainable future  
as steward of Washington's state trust lands  
and other natural resources.



WASHINGTON STATE DEPARTMENT OF  
**Natural Resources**  
Doug Sutherland - Commissioner of Public Lands

This report was prepared by the Washington State Department of Natural Resources (DNR)

**Doug Sutherland**  
Commissioner of  
Public Lands

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**DID YOU KNOW?**

A few facts about DNR.

DNR manages more than 5.3 million acres of state lands:

- ▶ 2.9 million acres of upland trust lands, including forest, range, agricultural land, and commercial properties that support public schools, universities, prisons, and other state institutions.
- ▶ 2.4 million acres of aquatic lands: many beaches, the bedlands under Puget Sound, the coast, natural lakes, and navigable rivers.
- ▶ 119,000 acres of Natural Areas that protect rare and threatened species as well as high-quality examples of the native ecosystems and landscapes of Washington.

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# A Message from the Commissioner of Public Lands



Effective stewardship of Washington’s natural resources across our state’s diverse landscapes requires a comprehensive approach to management. It requires us to look at the big picture, and to understand that the goals and accomplishments of a single year contribute to a much larger process designed to sustain these resources for both present and future generations.

Among the landmark achievements of 2006 was the signing of the Forest Practices Habitat Conservation Plan, protecting streams and stream-side habitat in state and private forests across Washington. We made significant progress on long-term projects, like creosote cleanup in Puget Sound. We continued to cultivate new economic opportunities, like leases for wind power and winery and vineyard development in eastern Washington; and we invested in the future through environmental education.

The Future of Washington’s Forests Project facilitated key research and produced policy recommendations to address the changing nature of the state’s forests and forest industry. ▶

**WORKING TO SUSTAIN WASHINGTON’S DIVERSE AND ABUNDANT RESOURCES FOR BOTH PRESENT AND FUTURE GENERATIONS**

# 2006

**November 7**  
DNR begins a comprehensive evaluation of wildland fire protection, which will lead to the development of a new strategic plan designed to respond to current conditions and improve the effectiveness and efficiency of wildland fire protection.  
*See page 12*

**January 27**  
DNR Foresters Jason Fieghner and Chris Michaels are honored as Wilderness Rescue Heroes at the 12th Annual Real Heroes Breakfast of Tacoma-Pierce County.



**February 14**  
With funding from the Interagency Committee for Outdoor Recreation, DNR hires two new trail wardens to provide public education and enforcement within the Mountains to Sound Greenway corridor.

JULY    AUGUST    SEPTEMBER    OCTOBER    NOVEMBER    DECEMBER    JANUARY    FEBRUARY    MARCH

Fiscal Year 2006 begins

2005 ◀ | ▶ 2006

© SCOTT MITCHELL PHOTO



**OUR VISION**

► At DNR, we envision a future in which our human and natural environment provides abundant and diverse social, ecological, and economic benefits for all the people of Washington, in this and all future generations. In acting to ensure this vision, we achieve sustainability.

Another focus in 2006 was evaluation of forest health conditions and development of strategies for addressing them. The critical nature of this work became quite apparent as DNR met the challenges of an intense wildfire season.

In December, we said thanks and farewell to two of DNR's great friends: Pat McElroy and Board of Natural Resources member, Ted Anderson. We wish them the best in their future pursuits.

DNR's accomplishments in 2006 demonstrate our commitment to sustainable resource management and reflect the variety of work we do to preserve Washington's natural legacy, serve present and future beneficiaries, and protect the environment. As we move forward in 2007, we'll continue to pursue the goal of sustainability, seeking out new solutions, opportunities, and partnerships to meet the challenges ahead.



**DOUG SUTHERLAND**  
COMMISSIONER OF PUBLIC LANDS



**April 3**  
Volunteers and DNR staff celebrate Earth Day at Mima Mounds Natural Area Preserve, where they remove invasive weeds from this National Natural Landmark site.

**June 5**  
Commissioner Sutherland and Governor Gregoire sign the Forest Practices Habitat Conservation Plan. See page 15



**July 24**  
Lightning starts the Tripod Complex wildland fire, which by mid-September burns more than 175,000 acres in Okanogan County. See page 14

**August 10**  
DNR's Geology & Earth Resources Division hosts the 2nd Annual Decision-Makers Field Conference to educate legislators and others about Washington's geological hazards.

**September 15**  
At the Western Washington Fair in Puyallup, Commissioner Sutherland hands out Douglas-fir seedlings grown by Webster Forest Nursery.

**October 31**  
82 acres of tidelands in the southern part of Fidalgo Bay are added to lands managed by DNR as a protected area. The total 532 acre area is under consideration for state Aquatic Reserve status.



APRIL      MAY      JUNE      JULY      AUGUST      SEPTEMBER      OCTOBER      NOVEMBER      DECEMBER

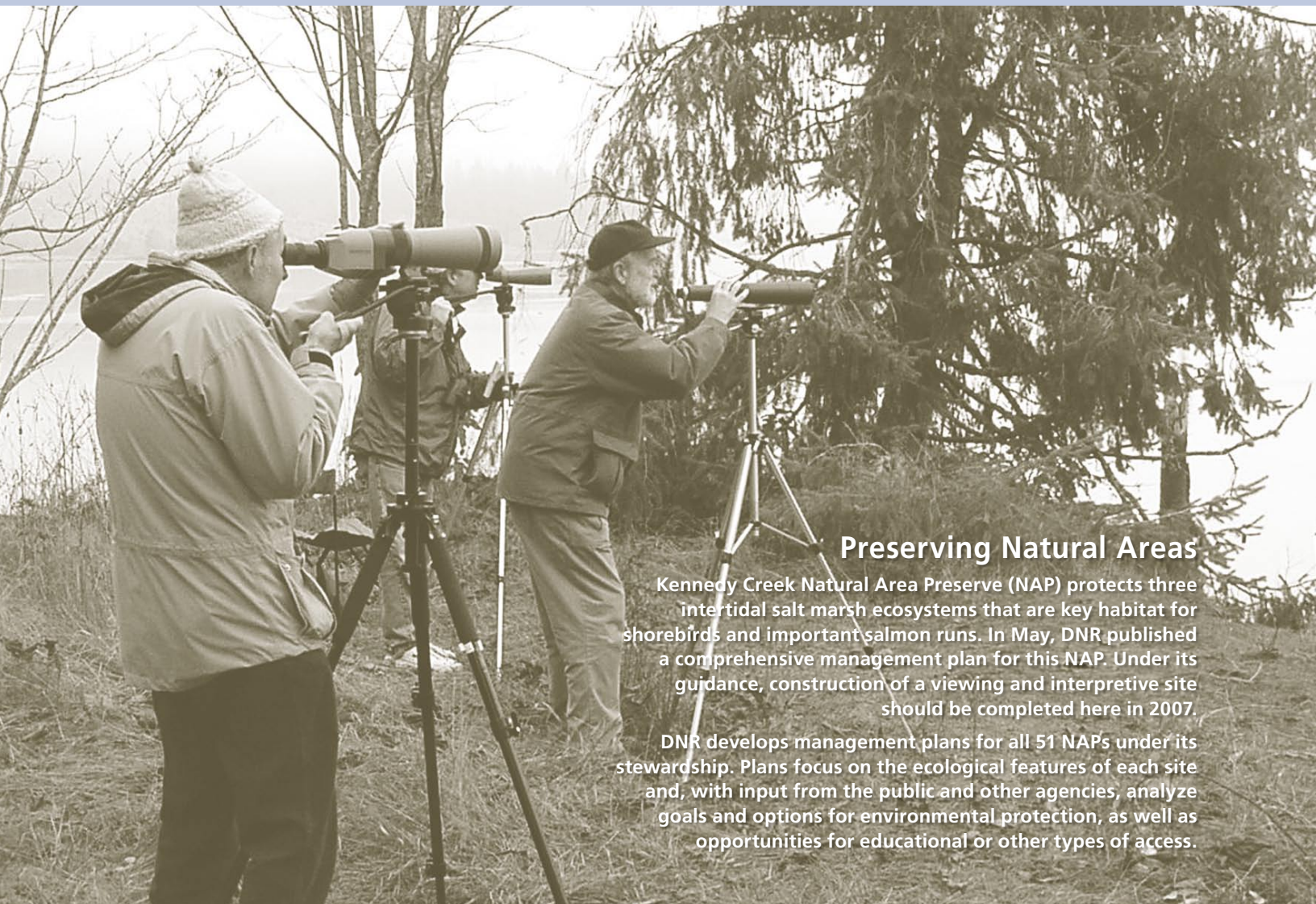
Fiscal Year 2006 ends

Fiscal Year 2007 begins

## LAND MANAGEMENT

# Ensuring the vitality of Washington's resources

State lands were established as perpetual trusts when Washington became a state in 1889, and these trust lands still support Washington's public schools, universities, and other key institutions. As steward of this legacy, DNR works to ensure the ongoing vitality of our state's trust lands, managing resources sustainably so they continue to yield benefits for the people of Washington now and in the future.



## Preserving Natural Areas

Kennedy Creek Natural Area Preserve (NAP) protects three intertidal salt marsh ecosystems that are key habitat for shorebirds and important salmon runs. In May, DNR published a comprehensive management plan for this NAP. Under its guidance, construction of a viewing and interpretive site should be completed here in 2007.

DNR develops management plans for all 51 NAPs under its stewardship. Plans focus on the ecological features of each site and, with input from the public and other agencies, analyze goals and options for environmental protection, as well as opportunities for educational or other types of access.



LUIS PRADO / DNR

## UPLAND TRUST LANDS

# Implementing Sustainable Forest Management

### SUSTAINABLE FORESTRY INITIATIVE®

In September 2006, all forested trust lands managed by DNR achieved “green” certification under the Sustainable Forestry Initiative® (SFI®) Program. This certification is widely accepted by retailers and home builders who favor wood products from sustainably managed forests. An independent third party audit and review conferred SFI® Program certification for trust lands in eastern Washington, and re-certified those in western Washington, originally certified in 2005.

The auditors recognized as exemplary nine DNR sustainable management practices that exceeded SFI® Program requirements. Among the practices they commended was the publication of the Washington Natural Heritage Plan, which they acknowledged as “an excellent commitment to wildlife management, conservation of biological diversity, and cooperation between many partners.”

### FOREST LAND PLANNING

Forest land planning was initiated in western Washington, beginning with the South Puget Habitat Conservation Plan (HCP) planning unit, and proceeding to the Olympic Experimental State Forest and the Columbia HCP planning units. Guided by the Policy for Sustainable Forests, the sustainable harvest calculation, and the 1997 Habitat Conservation Plan, this process helps DNR develop management strategies to guide on-the-ground activities within individual planning units. Input from

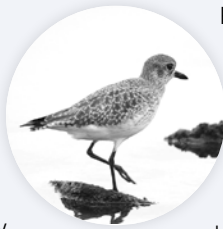
public agencies, tribes, organizations, and individuals continues to be a critical part of the process, allowing DNR to address issues affecting each unique area and advance the goals of sustainable forestry.

### POLICY FOR SUSTAINABLE FORESTS

In July, the state Board of Natural Resources approved the Policy for Sustainable Forests, replacing the 1992 Forest Resource Plan and furnishing the integrated management guidance needed to support healthy forest ecosystems and provide economic and social benefits. Adoption of the policy followed the settlement of a legal challenge to the ten-year sustainable harvest calculation for state trust lands. The settlement agreement satisfied the concerns of all parties, and allows DNR to put the sustainable harvest calculation into effect in western Washington.

Implementation of the Policy for Sustainable Forests helps DNR meet the commitments of the Habitat Conservation Plan. The Policy reflects DNR’s dedication to collaborative, holistic management practices, and ensures conservation of old growth forests and habitat for wildlife, as well as development of fire- and disease-resistant forest stands and the sustainable cultivation of benefits for the trusts and the people of Washington.

DNR is collecting data necessary for defining old growth in eastern Washington, and expects to complete this work by December, 2007.



## 2006 PERFORMANCE MEASURE

- Met 100% of the requirements of the Sustainable Forestry Initiative® certification at the 2006 annual review.

## OUR MISSION

► To provide forward-looking stewardship of our state lands, natural resources, and environment. To provide leadership in creating a sustainable future for the Trusts and all citizens.

**Inset: The Black-bellied Plover** (*Pluvialis squatarola*) is among the many species of shorebirds that winter at Totten Inlet in Kennedy Creek Natural Area Preserve.

## UPLAND TRUST LANDS

## Developing Effective Partnerships

LUIS PRADO / DNR

**TIETON FOREST COLLABORATIVE**

In May, DNR signed an agreement with The Nature Conservancy, the USDA Forest Service, and the Washington Department of Fish and Wildlife to enhance management of the forest and shrub-steppe lands in Tieton River Canyon in south-central Washington. The four formed the Tieton Forest Collaborative, a partnership that allows for better stewardship of the landscape as a whole by facilitating cooperation and coordinated management across ownership boundaries. DNR and its partners identified several shared goals, including restoration of the natural plant communities in the area and control of invasive weeds, management of public recreation, and recovery of animals listed as threatened or endangered under the federal Endangered Species Act. Covering nearly 200,000 publicly-owned acres, the Collaborative is the largest of its kind in eastern Washington, and provides a unique opportunity to gain and share knowledge about dry-site forest and shrub-steppe restoration.

**FUTURE OF WASHINGTON'S FORESTS**

The 2005 Legislature appropriated funding for DNR to contract with the University of Washington's College of Forest Resources to study the state's timber supply, its competitive position in regional and global markets, the economic contribution of forestry in the state, and the conversion of forest land to development. The research capabilities of the university provide the foundation for a well-informed policy dialogue on important natural resource, economic development, and land use issues.

Preliminary findings were presented to an October 2006 gathering of about 60 people who discussed ramifications and potential policy responses. At a November forum, more than 80 participants discussed the policy implications and developed legislative recommendations. One finding emphasized that the stable timber supply from state trust lands, 15 percent of the state total, is essential to many of the state's modern saw mills, which then provide a market for timber from private lands. DNR is preparing a summary report of the findings and recommendations for the 2007 Legislature. The final study reports are due June 30, 2007.

**NEW DNR COMPOUND**

May 25 was the grand opening of the State Light Industrial Park in Tumwater, a new facility shared by DNR and the Department of Corrections, Correctional Industries. The 37-acre site contains DNR's warehouse and fire cache, fabrication and maintenance facility, and related offices. Correctional Industries has a warehouse, offices, and product display area. The joint construction project provided both partners with much-needed facilities, while saving millions of dollars in construction costs. The shared common areas also promote management efficiency.

From vineyards to windmills, state trust lands provide a variety of economic opportunities, serving local communities and trust beneficiaries alike.

**2006 PERFORMANCE MEASURES**

- ▶ **Implemented invasive weed control in 37 Natural Areas, thus exceeding by 42% the goal set for 2006.**
- ▶ **Exceeded the timber sale revenue target by \$5 million, for a total of \$208 million for schools, universities, counties, and other public institutions.**



## UPLAND TRUST LANDS

### Cultivating Varied and Effective Programs

#### A MEASURED APPROACH TO WIND ENERGY

There has been a national focus on the need for alternative energy, with particular interest in the clean aspects of wind energy. Over the past several years, DNR has responded to this new market, taking a measured approach and working with energy agencies, industry, and others to develop a program to lease state trust lands in key corridors for wind power.



Leases have been let in four counties primarily along the Columbia River and the eastern slopes of Cascade Mountain passes. Nine parcels of state trust lands have been leased, with several installations now in place and generating both energy for the public and revenue for the school trust. As with most other leases, the state receives an annual base lease amount plus a percentage of the income.

#### ▼ Wind Power

One of 34 towers built on leased trust land as part of the Wildhorse Windpower project. The project will generate income for the Common School trust and contribute to the Kittitas County tax base.

#### OIL AND GAS LEASING

The department continued to market vigorously the oil and gas potential of state trust lands. DNR geologists developed a comprehensive website and traveled throughout the western states giving presentations on the geologic conditions favorable for gas accumulations in Washington. The department also restructured its leasing document to appeal to a broader range of exploration companies and encourage increased annual lease rentals.

DNR's November 2005 and June 2006 auctions brought unparalleled results. More than \$3 million in trust revenue was realized, with a record bid of \$270 per acre for a single tract. Annual leased land rentals will net an additional \$3 million if the leases are held for the full six-year term.

Two exploration wells currently being drilled on private land are located close enough to state leases to have a positive impact on future lease auctions.

#### WINERY & VINEYARD DEVELOPMENT

Development of the first trust parcels in winery and vineyard production in the Red Mountain American Viticultural Area (AVA) moved briskly in 2006. Vineyards were planted on four parcels, four winery sites were cleared and ready for construction, an additional water well was drilled, power utilities were installed, and a major road was constructed on one section of the AVA.

Three trust parcels overlooking the Columbia River in the newly established Horse Heaven Hills AVA brought 1,143 acres of land under lease. The lease involves a new wine grape vineyard, and an organic orchard that will bring a constant stream of revenue to the Common School trust.

## UPLAND TRUST LANDS | NATURAL AREAS

## Working with the Community

**HANDS-ON SCIENCE IN  
NATURAL AREAS**

Lands managed by DNR, especially natural areas established to protect Washington's remarkable landscapes, provide opportunities for education and research. The **Pincroft Natural Area Preserve** (NAP) near Spokane is a rare example of the ponderosa pine/grassland ecosystem once common in the Spokane Valley. Here, students from North Central High School, under the guidance of science teacher Brent Osborn, conduct research on a variety of topics, ranging from analysis of fire danger and fuel loading to assessments of bacteria in the soil. Their work requires hands-on study, beginning with an introduction to Pincroft by scientists from DNR, Washington Department of Fish and Wildlife, Eastern Washington University, and the County Noxious Weed Board. DNR provides further support by



assisting in the development of research questions and methods, refinement of those methods in the field, and field data collection. The students' research projects are presented at the North Central Science Symposium and published in a science journal. This innovative science program entered its fifth year in 2006. The science journal, for which DNR scientists serve as editorial advisors, is in its third year.

**VOLUNTEER PROGRAM**

Among the accomplishments of the volunteer program this year was a project in Capitol State Forest hosted by DNR's Pacific Crest District. Funded by DNR and the Interagency Committee for Outdoor Recreation, the project employed a pack-animal work party to complete critical maintenance on a section of trail that cannot be accessed by motor vehicles. Volunteers, including members of the Back Country Horsemen of Washington, along with 18 stock animals, spent a cool day in March hauling about 18,000 pounds of gravel up the trail. The project successfully addressed a trail maintenance challenge, while further developing beneficial partnerships between DNR and those who enjoy recreation on state trust lands.

Working with educators, volunteers, and other agencies, DNR provides hands-on education and develops safe, sustainable public access on Washington's state lands.

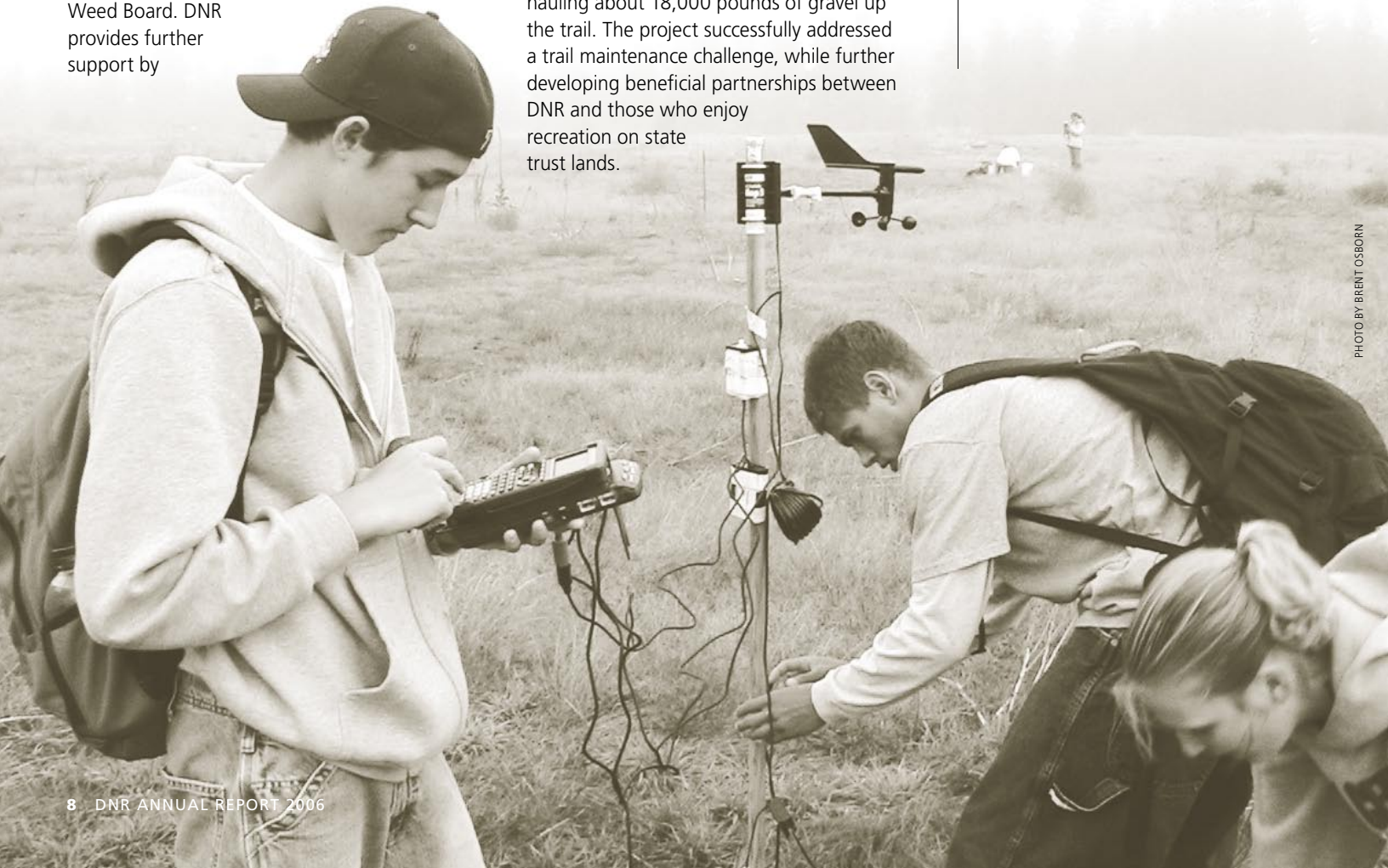


PHOTO BY BRENT OSBORN

## UPLAND TRUST LANDS

### Adapting to Change



JANET PEARCE / DNR

#### PARTNERSHIPS IN EDUCATION

DNR participates in a variety of hands-on environmental education programs statewide, such as internationally recognized Students in the Watershed. Now in its 11th year, this program is the result of a partnership including DNR, North Mason School District, state agencies, and the local community. DNR scientists mentor high school students learning about the Tahuya State Forest on the Kitsap Peninsula. The students provide monitoring and valuable research, becoming educators in their turn when, in the spring, they teach hundreds of fourth-graders about watersheds, stewardship, forest ecology, and forestry.

Project Black Bear, meanwhile, teaches high school students about the complexity of resource management in an urban-interface forest. Students assist DNR with research on bear damage in Capitol State Forest near Olympia by helping with bear damage plot studies, investigating damage control methods, and communicating results to the community.

In Thurston County, Project Bluebird partners Littlerock Elementary School students with Black Hills High School students to build bluebird boxes using wood donated by the Cedar Creek Corrections Facility. Students mount, monitor, and maintain the boxes, often in Natural Area Preserves managed by DNR. Pre-veterinarian students at New Market Vocational Skills Center analyze the nests and their contents (see photo above).

#### SAFE, SUSTAINABLE ACCESS

In 2006, DNR laid the groundwork for a comprehensive recreational access plan for state trust lands. The goal is to provide the public with dependable access to recreational opportunities, while ensuring that all uses are sustainable and compatible with the financial and environmental obligations of the trust. An important step was the completion of a survey of 74 state-owned landscapes actively used by the public. On 85 percent of the surveyed landscapes, public use is neither funded nor managed to ensure compatibility with trust objectives, environmental protection, public safety, or quality of experience for users. To address this problem and



ROSI FRY / DNR

meet commitments set by the Policy for Sustainable Forests, Multiple Use Act, and Habitat Conservation Plan, DNR will request legislative support in 2007 to implement a 10-year management strategy, and will continue to seek support and cooperation among user groups and local governments to balance the needs of the land, of the trust, and of the users.

#### TRUST LAND TRANSACTIONS

Washington's original granted trust lands were widely scattered, varied in productivity, and dominated by forestland. DNR repositions trust lands to enhance their value and income potential, diversify holdings, and improve long-term management options in the businesses of forestry, agriculture and commercial

#### 2006 PERFORMANCE MEASURE

- Encouraged and coordinated the work of volunteers, whose contribution of time to the maintenance of DNR's 143 recreation sites was valued at \$420,000.

property. Applying legislative direction, DNR exchanges or auctions properties outside these core businesses and replaces them with properties that advance trust goals. For example, trust lands are consolidated so that DNR manages whole landscapes instead of scattered parcels, thus reducing costs and enhancing broad public benefits like clean water, recreation, and wildlife habitat.

DNR is developing five potential land exchanges in eastern Washington to dispose of scattered parcels and facilitate each partner's land management goals. If these proposals move forward as envisioned, more than 237,000 acres could change ownership in 29 counties. The largest proposed exchange, with the state Department of Fish and Wildlife, would consolidate ownerships, enhance forest health, and protect critical wildlife habitat and migration routes in the eastern Cascade foothills and shrub-steppe landscapes. Central Cascades, the second largest, encompasses about 119,000 acres and would reduce the scattered, "checkerboard" ownership pattern in Kittitas and Yakima counties.

## AQUATIC LANDS

## Advancing Conservation Efforts

AQUATICS HABITAT  
CONSERVATION PLAN

DNR is preparing a Habitat Conservation Plan (HCP) for state-owned aquatic lands to help reduce the risk of species extinction and contribute to the recovery of species listed under the federal Endangered Species Act. Work began in 2004 with a formal review of DNR's management of state aquatic lands. DNR conducted scientific research to determine which species and habitats require protection, and identify the impact human use of aquatic lands has on those species. Among the uses likely to be covered by the HCP are aquaculture, over-water structures such as docks, public access, and log booming and storage.

Among the species under consideration for inclusion in the aquatic HCP are the Columbia spotted frog, bald eagle, Chinook salmon, and killer whale. DNR also has identified conservation measures and estimated the benefits these would have for species and habitats. This work is now undergoing scientific peer review.

National Environmental Policy Act (NEPA) meetings were held in the fall to solicit public comment and further define the scope of the HCP environmental impact statement. A final draft will appear in 2007, and DNR will seek adoption and implementation in 2009.

▼ **Columbia Spotted Frog**

(*Rana luteiventris*) Found primarily in the wetlands of eastern Washington, the Columbia Spotted Frog's range has declined over the last 50 years, largely due to loss of habitat.

KOPACHUCK BEACH  
RESTORATION

An important part of DNR's stewardship is the role of the Aquatic Lands Program in restoring and protecting aquatic environments. In October, the Program partnered with Washington State Parks to complete a beach restoration project

## Restoration of the Kopachuck State Park shoreline will benefit many species, including juvenile and migrating adult salmon.

at Kopachuck State Park near Gig Harbor. Here, an old 200-foot long bulkhead built of creosote-treated timbers was in danger of breaking away and washing into Puget Sound. The bulkhead was removed, along with concrete slabs, a stairwell, and pilings. In all, the project cleared 18-tons of creosoted wood and about 15 cubic yards of concrete. With this artificial shoreline armoring removed, the natural processes that transport sediment will improve. Restoration of the shoreline will benefit many species, including juvenile and migrating adult salmon.

Restoration projects like this are possible thanks to collaboration with local communities and public agencies, as well as support from capital funds dedicated to restoration of state aquatic lands.

WENDY BROWN / DNR

SPARTINA CONTROL IN  
WILLAPA BAY

At its peak in 2003, the spartina invasion in Willapa Bay covered about 8,500 acres. Following the 2006 season, DNR expects about 1,500 acres of the weed to remain.

Eradication of spartina in Willapa Bay and Grays Harbor is a long-term project involving close collaboration between DNR, Washington State Departments of Agriculture and Fish and Wildlife, US Fish and Wildlife Service, and others. Using chemical, mechanical, and biological control methods, each agency has taken on a different region of the Bay. This year, for the first time, the agencies were able to treat the entire infestation



Shorebirds have come back to areas of the Bay once covered by thick spartina meadows. DNR is planning to lease formerly-infested areas for shellfish production.

RONNY ALTIG © CALIFORNIA ACADEMY OF SCIENCES



AQUATIC LANDS

Removing Hazards

CREOSOTE REMOVAL

DNR has been participating in the removal of creosote from Puget Sound beaches since 2004, and the governor's Puget Sound Initiative is now contributing an additional \$2 million to these efforts. Long used as a wood preservative, creosote is carcinogenic and toxic. Not only does it contaminate the food chain, it also endangers the health of children who play on beach logs and people who burn beach wood. DNR helped remove nearly 550 tons of creosote-treated debris in 2006. A high point in this ongoing effort was the removal of 268 tons from the Dungeness Spit Wildlife Refuge. DNR staff worked with 27 Washington Conservation Corps workers, wildlife refuge staff, and volunteers to identify and prepare contaminated logs for removal by helicopter. Successful projects like this are the result of collaboration with the Washington Department of Ecology, Northwest Straits Commission, and a host of other government agencies and private organizations.

DERELICT VESSEL REMOVAL PROGRAM

DNR's Derelict Vessel Removal Program is a mechanism for dealing with derelict or abandoned vessels, which contain toxic materials and are hazardous to shipping. DNR removed six vessels in fiscal year 2006, secured three that were too expensive to remove, and is in the custody process for four others. Removals are often coordinated with the US Coast Guard and state Department of Ecology during emergency responses to sinking vessels.

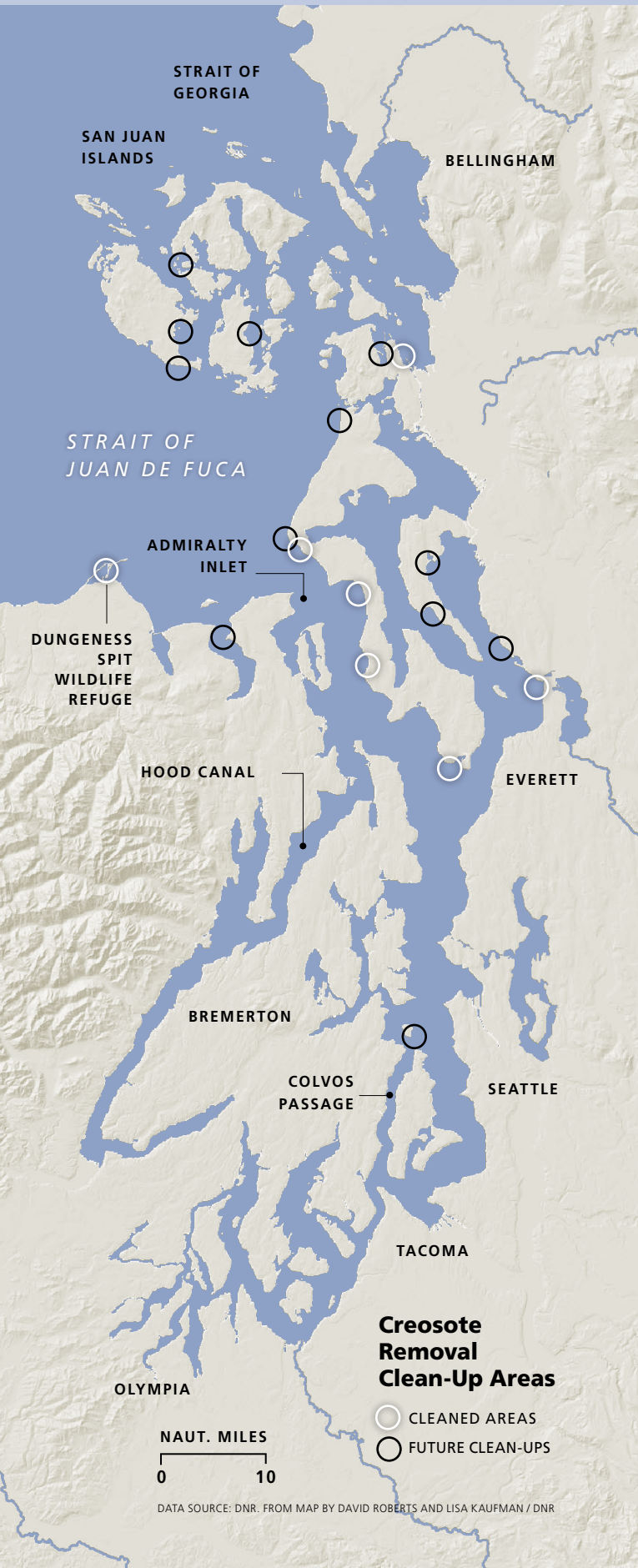


SARAH DZINBAL / DNR

The program also provides funding and expertise to help other public entities remove and dispose of vessels. Since 2003, it has facilitated the removal of more than 200 vessels: about a quarter were removed by DNR, half by other public entities, and the rest by their owners. The 2006 Legislature improved derelict vessel statutes based on DNR's recommendations, making it a misdemeanor to abandon a boat or cause it to become derelict, and allowing vessel owners to request a hearing to challenge a custody decision instead of having to file a lawsuit.

2006 PERFORMANCE MEASURES

- ▶ Treated 1,225 acres of state-owned aquatic lands to eliminate invasive spartina grass. This is 825 acres above the target set for 2006.
- ▶ Ensured that over 10% of water-dependent aquatic leases renewed in fiscal year 2006 included a provision to provide public access.



DATA SOURCE: DNR. FROM MAP BY DAVID ROBERTS AND LISA KAUFMAN / DNR

## RESOURCE PROTECTION

## Safeguarding Washington's natural legacy

Washington is rich in natural beauty and diverse resources. Protecting these resources, addressing natural hazards, and maintaining healthy ecosystems requires a balanced and adaptive management approach. To meet the challenge and safeguard this natural legacy, DNR applies current scientific research and works to anticipate risks, create clear and effective regulations, and build partnerships.

**The Tripod  
Complex Fire**

about 5 miles northeast of Winthrop. By early August, when this photo was taken, the fire had grown to 44,282 acres. In the end, 175,000 state and federal acres were burned.

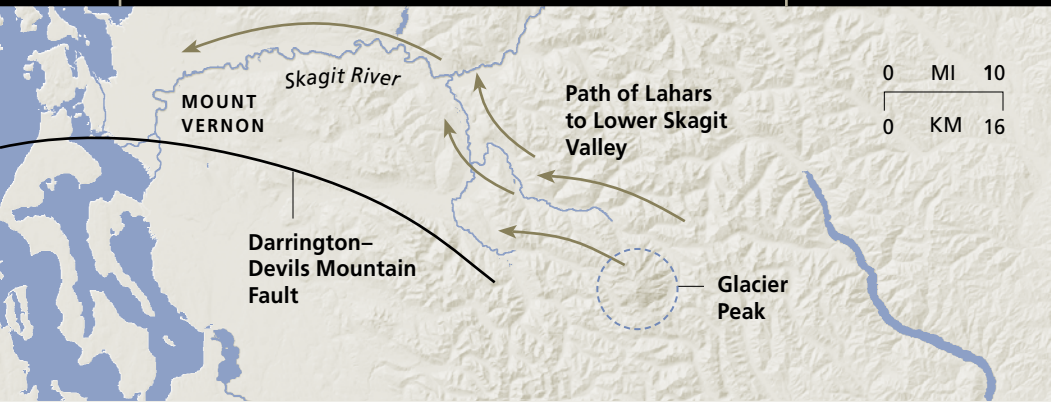
**2006 STRATEGIC  
PLAN FOR WILDFIRE  
PROTECTION**

Since 1986, the last comprehensive look at DNR's fire program, much has changed on the 12.7 million acres of forests protected by DNR. Today, there are an additional 1.6 million people in Washington, a 40 percent population increase, meaning more homes in or near the woods, often without fire protection. Climate changes and other factors have deteriorated forest health conditions. These changes risk public and firefighter safety, increase costs of fire suppression, and accelerate losses of habitat and forest resources.

DNR's 2006 Strategic Plan for Wildfire Protection was prepared with the assistance of an external advisory committee. Also instrumental in developing the plan were the 2005 Fire Suppression Study by the

Joint Legislative Audit and Review Committee (JLARC) and the 2004 Strategic Plan for Healthy Forests.

The plan establishes goals and strategies based on preferred conditions in the year 2020, recognizing that forest health is critical to developing and maintaining fire-resistant forests and to ensuring that conditions are safe, resources and habitat are protected, and wildfire protection is achieved at the lowest net cost to taxpayers and landowners. The plan's other goals emphasize collaborative partnerships, public and firefighter safety, and sustaining economic, ecological, and social resources.



DATA SOURCE: GEOLOGY AND EARTH RESOURCES DIVISION / DNR.

### ◀ Mapping Washington's Geologic hazards

Mudflows triggered by past volcanic activity at Glacier Peak traveled the length of the Skagit River Valley at least twice in the last 5,000 years.



## RESOURCE PROTECTION

### Safeguarding Present and Future Resources

#### GEOLOGIC HAZARD MAPPING

DNR's Geology and Earth Resources Division completed an important block of geologic mapping in the north Puget Lowland. This delineated the Darrington-Deviils Mountain fault zone—a major, active, regional fault crossing north-south lifelines between Seattle and Vancouver, B.C., including Interstate 5 and gas pipelines.

The project also identified the extent of past lahars from Glacier Peak. Lahars are mudflows that originate on the slopes of volcanoes, primarily during eruptions. They traveled the length of the Skagit River Valley at least twice in the last 5,000 years. One of these events deposited five times the amount of material deposited by lahars from Mount St. Helens in 1980. The cities of Lyman, Sedro-Woolley, and Burlington are built on lahar deposits, and geologic mapping is crucial to assessing future danger to these communities.

Similar mapping projects were completed in other parts of the state, advancing our knowledge of, and response to, geologic hazards statewide.

#### FOREST HEALTH PROGRAM

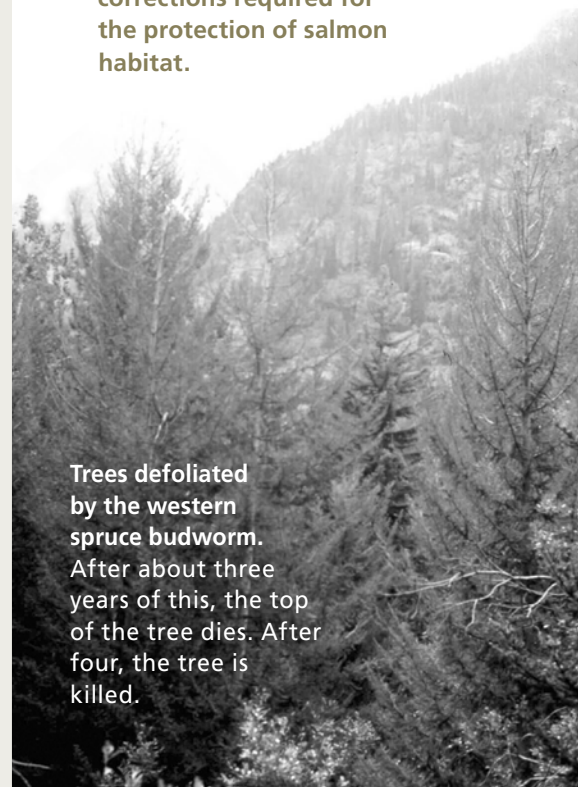
Results of the 2005 annual aerial insect and disease damage detection survey, conducted by DNR and the USDA Forest Service, revealed newly killed trees or current defoliation on approximately 2.5 million acres of forest. This is a significant increase over past years, and reflects new bark beetle damage and expanding western spruce budworm populations. Surveys of the exotic organism "Sudden Oak Death" in western Washington detected it at only one site, downstream from an infested horticultural nursery.

In addition to monitoring forest health, DNR is conducting research and strategic planning for state trust lands, and using federal Western Bark Beetle Prevention and Restoration funds to assist private landowners with forest improvement projects.

DNR held public meetings across Washington to educate citizens about forest health conditions and gather comments on suggested legislation developed by the Forest Health Strategy Work Group. A report, proposed legislation, and forest health budget package will be presented to the 2007 Legislature.

#### 2006 PERFORMANCE MEASURES

- ▶ **Treated 7,865 acres of forest lands for bark beetle infestation, exceeding the target for this year by 5,215 acres.**
- ▶ **Ensured that 99% of large forest landowners inspected by DNR are on-schedule to complete road corrections required for the protection of salmon habitat.**



**Trees defoliated by the western spruce budworm.** After about three years of this, the top of the tree dies. After four, the tree is killed.

FOREST HEALTH PROGRAM / DNR

## RESOURCE PROTECTION

## Safeguarding Present and Future Resources

## MEETING THE CHALLENGES OF THE 2006 WILDFIRE SEASON

DNR met the challenges of the 2006 wildfire season in spite of its length and intensity. No DNR firefighter or member of the public was killed or severely injured as a result of wildfire on lands protected by DNR, and only 4 percent of fires on DNR-protected lands grew beyond 10 acres, due to early detection and rapid response to the wildfires.

The forecast at the start of the 2006 wildfire season was favorable, but the potential for wildfire activity was high, particularly in areas with concentrations of insect-killed dead and dying trees. By July, low precipitation and humidity combined with frequent winds to create extremely dangerous conditions. Lightning-caused fires strained DNR's response capabilities until weather conditions moderated in mid-October. Nine large wildfires occurred east of the Cascade Mountains. More unusually, large, dangerous wildfires burned west of the mountains as well, often close to heavily developed suburban areas. As conditions worsened in August, the governor declared a statewide emergency.

To address these challenges, DNR cooperated with a variety of partners, including local agencies, the Washington State Patrol Fire Marshal's Office, and the Department of Military Emergency Management Division. Cooperation with federal land management agencies facilitated effective sharing of available resources within Washington, and brought in firefighters from across the country. DNR received international firefighting assistance from Canada, Australia, and New Zealand. DNR employees also assisted in firefighting efforts in other states.

By late October, 961 wildfires had burned 51,208 acres on DNR protected lands. More than 462,000 acres burned across all jurisdictions in Washington. Compared to the previous 5-year average, 2006 had about 16 percent more fires; the acreage burned was also much higher.

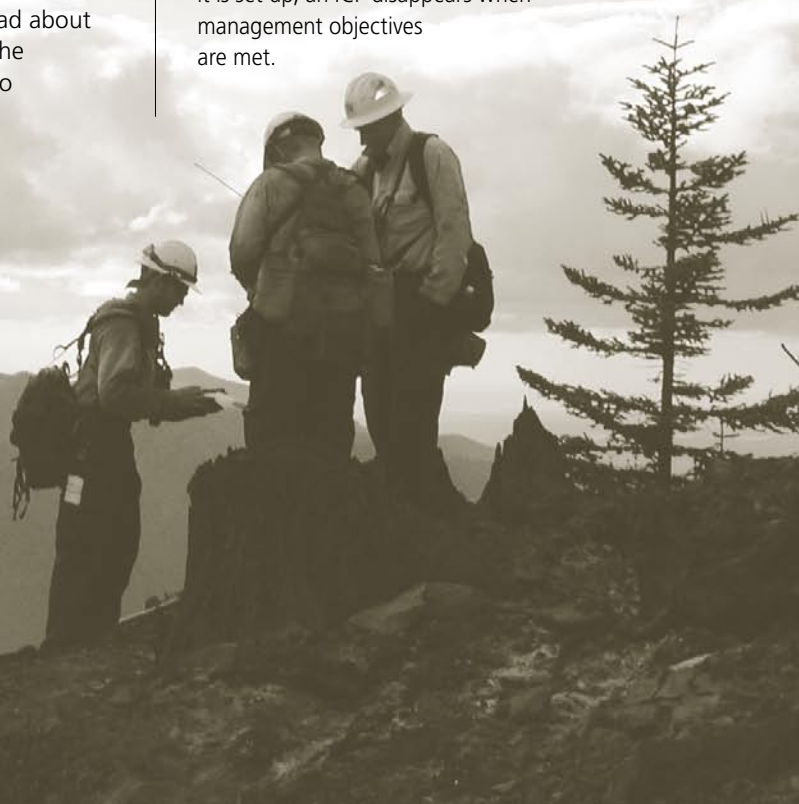


PHOTOS BY ERIC WISCH / DNR

## FIRE CAMPS

An Incident Command Post (ICP) is the hub of operations in wildland fire management. Whether in county fairgrounds or a remote field, the camp is rapidly assembled, often starting with basics like electricity, phone service, and internet access. Along with portable kitchens, showers, and toilets, workspace is provided for those who create plans, track finances, generate maps, and run communications. As quickly as it is set up, an ICP disappears when management objectives are met.

Early detection and rapid response prevented most wildfires on DNR-protected lands from growing larger than 10 acres.





## RESOURCE PROTECTION

## Demonstrating Commitment

**SPOTTED OWL RULES**

The Forest Practices Board enhanced protection for northern spotted owls by adopting two permanent rule amendments. Formerly enacted as emergency rules in 2005, the amendments were made permanent in 2006 following four public hearings. One amendment removes a provision that permitted land harvested by one landowner under an approved conservation plan to be counted also by an adjacent landowner toward the total conserved habitat required within a spotted owl site. The amendment thus strengthens protection for the owl by eliminating the possibility that particular acres within the designated owl habitat area could be counted twice by landowners. This ensures the total required percentage of conserved habitat is maintained. The other amendment prevents decertification of areas identified as spotted owl sites by the US Department of Fish and Wildlife until June 30, 2007, at which time the Board expects to receive guidance from the new federal recovery plan.

**ADAPTIVE MANAGEMENT**

The Forest Practices Board unanimously approved a rule change requiring landowners, before harvesting timber, to locate on the ground the uppermost point of stream flow. This will pinpoint more accurately where protections for non-fish-bearing streams should begin and replaces an earlier option that was based on default basin sizes, which recent scientific research revealed to be inaccurate. Adjusting rules in response to new scientific information is part of the adaptive management process that guides resource protection. Continuing this process, a group of policy and technical experts is working to develop simple, non-technical approaches to protect upper headwater-streams.

**FOREST PRACTICES HCP**

The Washington State Forest Practices Habitat Conservation Plan (HCP) was approved in 2006 by the U.S. Fish and Wildlife Service and NOAA's Marine Fisheries Service. Covering 60,000 miles of stream habitat across 9.3 million acres of private and state forestlands, it protects aquatic species habitat and helps preserve healthy forests. Commissioner Sutherland and Governor Gregoire signed the Implementation Agreement for the plan on June 5. This 50-year agreement with the federal government recognizes that Washington State's Forest Practices Rules meet the requirements of the federal Endangered Species Act for aquatic species and of the Clean Water



LUIS PRADO / DNR

Act. Approval of the plan secures consistent environmental protection and the sustainable economic benefits of responsible forestry, while giving private forest landowners clarity and increased predictability concerning regulations. The HCP employs a robust adaptive-management research and monitoring program and is the product of a decade of collaboration among diverse stakeholders including tribes, forest landowners, and environmental groups.



FITZGERALD'S PHOTOGRAPHY

## Pat McElroy

**HONORING  
37 YEARS OF SERVICE**

We are pleased to honor and thank Pat McElroy for his long and distinguished career with DNR. Since 1963, Pat has filled many roles at DNR, both in the field and at DNR's headquarters. In 1994 he retired, but returned in 2001 as DNR's Executive Director of Regulatory Programs. Never one to slow down, he also became State Forester, elected-fellow of the Society of State Foresters, and President of the National Association of State Foresters. He led DNR through some of the most intense fire seasons in state history, and was instrumental in developing the Forest Practices Habitat Conservation Plan and Strategic Plan for Wildfire Protection.

Over the course of his 37 years at the agency, Pat has been a guiding force in the development of future leaders and stewards at DNR and elsewhere. He retired this year in December.



2006 ANNUAL REPORT

# Timber Management Data

DNR manages 2.1 million acres of forestlands that generate revenue for state trusts, mostly from timber sales. In this section, DNR provides data on timber management activities on forested state trust lands, as required by RCW 79.10.010(3)

- 17 Timber Sold**
- 18 Silviculture**
- 19 Timber Volume Harvested**
- 20 Deferrals** (formerly known as Acres Off-Base for Harvest)

**About These Pages**

- ▶ These pages include data for federally granted trust lands and for legislatively established trust lands, including State Forest Lands (formerly known as Forest Board lands). Trusts are listed individually.
- ▶ Due to technical challenges, the Timber Acres Harvested data were not available at the time of printing. We will resume reporting this data in future annual reports.
- ▶ The Community College Reserve is not listed for activities on pages 17-19 because there was no activity on those lands during FY2006.
- ▶ Counties that contain State Forest Lands, but are not listed for an activity, did not have that activity during Fiscal Year 2006.
- ▶ Numbered notes apply only to the page on which they appear.
- ▶ Totals may not add, due to rounding.

**For More Information**

-  [www.dnr.wa.gov](http://www.dnr.wa.gov)
-  **360-902-1000**
-  [information@dnr.wa.gov](mailto:information@dnr.wa.gov)

'06

# Timber Sold

July 1, 2005 – June 30, 2006

● 2006 Annual Report to  
Trust Beneficiaries  
per RCW 79.10.010

'06

Trust / Beneficiaries	Number of Acres	Volume <sup>1</sup> (mbf) <sup>2</sup>
<b>State Forest Transfer</b> (formerly known as Forest Board Transfer lands)		
Clallam	537	12,821
Clark	722	17,574
Cowlitz	363	9,210
Grays Harbor	56	2,979
Jefferson	92	3,231
King <sup>3</sup>	230	6,057
Kitsap	249	2,647
Klickitat	368	5,580
Lewis	969	27,963
Mason	371	4,921
Pacific	161	6,522
Pierce	224	9,348
Skagit	1,148	38,368
Skamania	2	92
Snohomish	884	34,226
Thurston	210	6,197
Wahkiakum	227	9,030
Whatcom	297	11,680
Subtotal - Transfer	7,110	208,446
<b>State Forest Purchase</b> (formerly known as Forest Board Purchase lands)		
Cowlitz	73	3,424
Grays Harbor <sup>4</sup>	290	7,919
Lewis	195	3,353
Pacific <sup>5</sup>	252	11,627
Pierce <sup>5</sup>	294	4,549
Thurston <sup>4</sup>	265	11,129
Subtotal - Purchase	1,369	42,001
<b>Common School, Indemnity &amp; Escheat</b>	9,570	165,317
<b>Agricultural School</b>	809	11,934
<b>University - Transferred &amp; Original</b>	551	10,107
<b>CEP&amp;RI*</b>	2,170	25,706
<b>Capitol Building</b>	1,024	23,208
<b>Normal School</b>	301	9,605
<b>Scientific School</b>	1,305	31,285
Subtotal - Granted Trusts	15,730	277,162
<b>TOTAL – ALL TRUSTS</b>	<b>24,209</b>	<b>527,609</b>

<sup>1</sup> Timber volume sold per acre depends on site-specific conditions and harvest method.

<sup>2</sup> mbf: thousand board feet

<sup>3</sup> Includes Water Pollution Control data.

<sup>4</sup> Includes Forest Board repayment. (See Fiscal Section, page 23, note 9.)

<sup>5</sup> Includes University repayment data.

## Notes

► Timber is sold before it is harvested. Timber sale contracts are up to two years in length, with timber harvest schedules determined by individual purchasers. Sale and harvest of timber may or may not occur in the same fiscal year. Revenues are generated when timber is harvested.

► Market conditions can influence number of sales and volume sold.

► Sales which contain more than one trust and/or beneficiary report estimated acres and volume for each specific trust. Sales which benefit more than one trust distribute revenues proportionally by volume and not by acres.

► Numbers may not add due to rounding.

## Sources

DNR NaturE  
System database,  
Report TSC311; 12/06.

\* Charitable, Educational,  
Penal and Reformatory  
Institutions.

# Silviculture<sup>1</sup>

July 1, 2005 – June 30, 2006

● 2006 Annual Report to  
Trust Beneficiaries  
per RCW 79.10.010

'06

Trust / Beneficiaries	Acres Planted <sup>2</sup>	Stems per Acre <sup>3</sup>	Precommercially Thinned Acres <sup>4</sup>
<b>State Forest Transfer</b> (formerly known as Forest Board Transfer lands)			
Clallam	476	339	7
Clark	582	290	0
Cowlitz	294	283	0
Grays Harbor	35	450	0
Jefferson	113	350	0
King <sup>5</sup>	390	350	32
Kitsap	171	315	0
Klickitat	55	400	112
Lewis	397	367	0
Mason	469	308	0
Pacific	376	317	8
Pierce	368	211	0
Skagit	1,160	341	113
Skamania	0	0	53
Snohomish	1,475	316	149
Thurston	568	412	0
Wahkiakum	212	374	0
Whatcom	939	320	123
Subtotal - Transfer	8,080	NA	597
<b>State Forest Purchase</b> (formerly known as Forest Board Purchase lands)			
Clark	18	361	0
Grays Harbor	178	363	93
Pacific	58	372	10
Pierce	96	302	0
Snohomish	120	256	143
Thurston	195	439	66
Subtotal - Purchase	665	NA	312
<b>Common School, Indemnity &amp; Escheat</b>	8,318	285	4,959
<b>Agricultural School</b>	745	243	279
<b>University - Transferred &amp; Original</b>	171	244	419
<b>CEP&amp;RI</b>	524	293	442
<b>Capitol Building</b>	1,143	280	163
<b>Normal School</b>	78	341	138
<b>Scientific School</b>	682	328	232
<b>Community College Forest Reserve</b>	0	0	120
<b>Subtotal - Granted Trusts</b>	11,661	NA	6,752
<b>TOTAL - ALL TRUSTS</b>	20,406	NA	7,661

<sup>1</sup> Silvicultural activities are forest management practices; implementation of silvicultural practices varies according to site-specific conditions and availability of management funding.

<sup>2</sup> Acres planted include all planting processes and all tree species.

<sup>3</sup> Stems per acre planted depend on site-specific conditions and anticipated survival rates.

<sup>4</sup> Precommercially thinned acres increase yield rate per acre by selectively decreasing over-crowding of saplings.

<sup>5</sup> Includes Water Pollution Control data.

**Note**

Numbers may not add due to rounding.

**Source**

DNR Planning and Tracking System database, 8/06.

# Timber Volume<sup>1</sup> Harvested

July 1, 2005 – June 30, 2006

● 2006 Annual Report to  
Trust Beneficiaries  
per RCW 79.10.010

'06

Trust / Beneficiaries	Volume (mbf) <sup>2</sup>
<b>State Forest Transfer</b> (formerly known as Forest Board Transfer lands)	
Clallam	26,859
Clark	15,322
Cowlitz	23,789
Grays Harbor	3,778
Jefferson	7,287
King <sup>3</sup>	3,202
Kitsap	416
Klickitat	7,075
Lewis	34,809
Mason	10,411
Pacific	7,914
Pierce	3,566
Skagit	41,818
Skamania	2,605
Snohomish	32,844
Thurston	17,278
Wahkiakum	5,714
Whatcom	25,100
Subtotal - Transfer	269,787
<b>State Forest Purchase</b> (formerly known as Forest Board Purchase lands)	
Cowlitz	262
Grays Harbor <sup>4</sup>	10,243
Lewis	3,132
Pacific <sup>5</sup>	521
Pierce <sup>5</sup>	2,030
Thurston <sup>4</sup>	17,888
Subtotal - Purchase	34,076
<b>Common School, Indemnity &amp; Escheat</b>	240,877
<b>Agricultural School</b>	17,256
<b>University - Transferred &amp; Original</b>	13,299
<b>CEP&amp;RI</b>	14,228
<b>Capitol Building</b>	27,216
<b>Normal School</b>	9,492
<b>Scientific School</b>	31,731
Subtotal - Granted Trusts	354,099
<b>TOTAL - ALL TRUSTS</b>	<b>657,962</b>

<sup>1</sup> Volume harvested is estimated for sales partially harvested.

<sup>2</sup> mbf: thousand board feet

<sup>3</sup> Includes Water Pollution Control data.

<sup>4</sup> Includes Forest Board repayment. (See Fiscal Section, page 23, note 9.)

<sup>5</sup> Includes University Repayment data.

### Notes

▶ Timber is sold before it is harvested. Timber sale contracts are up to two years in length, with timber harvest schedules determined by individual purchasers. Sale and harvest of timber may or may not occur in the same fiscal year. Revenues are generated when timber is harvested.

▶ Sales which contain more than one trust and/or beneficiary report estimated volume harvested for each specific trust. Sales which benefit more than one trust distribute revenues proportionally by volume and not by acres.

▶ Numbers may not add due to rounding.

### Sources

▶ DNR NaturE System database, Report TSC311, 12/06.

# Deferrals

Formerly known as Acres Off-Base for Harvest

July 1, 2005 – June 30, 2006

- With the adoption of the 2004 Sustainable Harvest Level, DNR no longer classifies lands as “off-base” or “on-base,” but instead designates deferral status. Long-term deferral approximates “off-base.”
- 2006 Annual Report to Trust Beneficiaries per RCW 79.10.010

'06

Trust / Beneficiaries	No Deferral Acres	Short-Term Deferral Acres	Long-Term Deferral Acres
<b>State Forest Transfer</b> (formerly known as Forest Board Transfer lands)			
Clallam	36,330	48,715	2,452
Clark	23,393	902	671
Cowlitz	9,782	39	529
Grays Harbor	1,350	780	41
Jefferson	10,592	2,402	198
King*	13,887	258	10,776
Kitsap	6,470	1	1,199
Klickitat	9,101	8,425	2,469
Lewis	31,333	5,218	1,262
Mason	16,466	3,787	5,489
Okanogan	17	0	0
Pacific	9,540	4,825	162
Pierce	7,197	473	809
Skagit	57,971	6,424	12,531
Skamania	20,759	9,127	6,457
Snohomish	48,895	1,236	7,285
Stevens	138	0	7
Thurston	17,696	1,139	280
Wahkiakum	6,636	4,685	1,016
Whatcom	25,199	777	9,579
Subtotal - Transfer	352,752	99,214	63,212
<b>State Forest Purchase</b> (formerly known as Forest Board Purchase lands)			
Clallam	41	186	0
Clark	643	2,067	940
Cowlitz	243	4	19
Grays Harbor	24,346	2,693	325
Jefferson	17	0	0
Kitsap	78	0	0
Klickitat	39	0	0
Lewis	2,855	0	47
Mason	275	92	132
Pacific	2,206	5,572	73
Pierce	2,643	361	249
Skamania	1,104	2,373	781
Snohomish	37	0	5
Stevens	41	0	0
Thurston	20,259	1,567	140
Whatcom	645	66	218
Subtotal - Purchase	55,471	14,981	2,928
<b>Common School, Indemnity &amp; Escheat</b>	765,441	168,901	97,194
<b>Agricultural School</b>	46,829	5,176	2,310
<b>University – Original &amp; Transferred</b>	32,143	16,450	6,822
<b>CEP&amp;RI</b>	31,439	5,206	3,261
<b>Capitol Building</b>	66,250	19,708	11,213
<b>Normal School</b>	39,430	8,166	5,933
<b>Scientific School</b>	45,554	11,653	6,779
<b>Community &amp; Technical College</b>	3,063	0	15
<b>Forest Reserve</b>			
<b>TOTAL – ALL TRUSTS</b>	<b>1,438,373</b>	<b>349,456</b>	<b>199,664</b>

## Notes

► Deferral status is determined by whether the silviculture and land management activities, including harvest, are permitted or deferred for a period of time. *Short-term deferrals* represent forestlands anticipated to be deferred from harvest between 2004 and 2013. *Long-term deferrals* represent forestlands anticipated to be deferred from harvest beyond 2013 and forestlands managed for non-timber harvest revenue objectives.

► Acres are designated as deferrals because they are inoperable, are low site, contain permanent research plots, are upland wildlife management areas, are timber gene pool reserves, are on unstable slopes, in riparian buffers, are located in a northern spotted owl nest patch, contain a northern spotted owl site center, are identified as marbled murrelet habitat, or are included in the Olympic Experimental State Forest deferral areas. A site can be deferred due to one or more factors.

► Deferral classifications are not permanent designations. DNR may change the classification as specific forest stands or sites are re-evaluated. Acreage updates and changes can occur over time due to technological refinements in data gathering and analysis, such as the Forest Resource Inventory System program.

► The Settlement Agreement reached in 2006 (see page 5) may produce some changes to the data that are not yet reflected in the table. Settlement Agreement changes in harvest deferral designations, and changes resulting from the Riparian Forest Restoration Strategy and the Policy for Sustainable Forests, will be included in a new analysis of the sustainable harvest of forested state trust lands in western Washington. This analysis and a recommendation to adjust the sustainable harvest will be presented to the Board of Natural Resources in 2007.

► Numbers may not add due to rounding or potential double counting.

\* Includes Water Pollution Control trust data.

## Sources

► Deferral Status of State Forestlands, DNR Land Management Division 2005



2006 ANNUAL REPORT

# Fiscal Data

These pages account for the revenues DNR generated, collected and expended during Fiscal Year 2006 (July 1, 2005 – June 30, 2006).


Most revenues DNR generated are from activities on upland state trust lands and aquatic lands. (See related stories, pp. 4-11). Distribution of revenue is governed by statute, and varies according to trust and revenue source.


### About These Pages

- ▶ Fiscal information is presented as a combination of tables, pie charts and notes. The notes provide context for the tables.
- ▶ Underlined bold numbers are totals or subtotals.
- ▶ Some pages show dollars in thousands. Totals may not add due to rounding.

### For More Information

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 360-902-1000

 [information@dnr.wa.gov](mailto:information@dnr.wa.gov)

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### STATE FOREST LANDS (formerly known as Forest Board lands)

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There is no individual page for the Community College Forest Reserve Trust. See Fund Activity (page 29).

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# Fiscal Notes

These numbered notes provide context and explanations for data in the tables on the fiscal pages that follow, where they are referred to by numerical superscript. A note may apply to more than one page. Although similar to notes in prior reports, these notes apply only to this report (FY 2006).

## ACRONYMS

<b>ACTMA</b>	Agricultural College Trust Management Account
<b>AFRS</b>	Agency Financial Reporting System
<b>ALEA</b>	Aquatic Lands Enhancement Account
<b>CEP&amp;RI</b>	Charitable, Educational, Penal and Reformatory Institutions Trust
<b>COLA</b>	Cost of Living Adjustment
<b>CWU</b>	Central Washington University
<b>EWU</b>	Eastern Washington University
<b>FDA</b>	Forest Development Account
<b>FY06</b>	Fiscal Year 2006 (July 1, 2005 – June 30, 2006)
<b>K-12</b>	Kindergarten-12th grade schools
<b>RMCA</b>	Resource Management Cost Account
<b>TESC</b>	The Evergreen State College
<b>UW</b>	University of Washington
<b>WSU</b>	Washington State University
<b>WWU</b>	Western Washington University

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## 1 REVENUE SOURCES

Timber sales include non-trust activity for contract harvesting sales.

Timber sales-related activities include contract extensions, slash disposal, trespasses, and default settlement payments.

Miscellaneous sales include publications, GIS data, honor camp activities, and surveys and maps.

Miscellaneous leases include special use and special forest products.

Interest income includes interest on contracts, interest assessed for late payments, and interest earned from account (treasurer's interest).

Permits, fees and related charges include surface mining permits, log patrol licenses, aquatic lands dredged material disposal site fees, forest practices damage assessments and permits, survey records recording fee, application/assignment fees, burning permit fees, and local government assessments.

Miscellaneous other revenue includes prior period adjustments, recoveries of prior biennium expenditures, treasurer transfers, as well as revenue from the Off-Road Vehicle and Natural Resources Conservation Areas Stewardship accounts.

Operating transfers include transfers attributed to prior period revenue.

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## 2 EXPENDITURE CATEGORIES

Administration includes Executive Management, Internal Audit, Communications, and Budget & Economics.

Interagency payments are payments made to other state agencies (Attorney General, State Auditor, General Administration, Dept. of Personnel, Office of Financial Management, Dept. of Information Services, OMWBE, and Secretary of State) for services they provide to the department.

Agency support includes the following programs: Human Resources (personnel, safety, training), Financial Management (accounting, risk management, purchasing), Information Technology, Geographic Information Systems, Facilities, and Region Administration.

Total Expenditures for fiscal year 2006 do not include the interfund transfer (sub-object MB) from 001/1K1 to 830 totaling \$972,000.

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## 3 LAND TRANSFERS

Real Property Replacement: During fiscal year 2006, a total of \$1,559,126, an amount equivalent to the property value, was received from (1) transfers to other government entities, (2) resolution of trespass violations, or (3) transfers in lieu of condemnation. This money is used to acquire replacement trust lands.

Trust Land Transfer: During fiscal year 2006 a total of \$11,311,000 was distributed to the Common School Construction Account from the Trust Land Transfer program.

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## 4 LAND BANK

DNR uses the Land Bank program (RCW 79.19) to reposition trust land assets for better future income production. Through the Land Bank, state trust lands are first auctioned to private buyers. Proceeds of land sales made under this "sell first" process are held in the Resource Management Cost Account (RMCA) until they can be used to purchase replacement trust lands. This revenue from trust property sales should equal or exceed the cost of trust property purchases. However, during any one fiscal year the transactions may not balance (e.g. a property has been sold, but property to replace it has not yet been purchased). Land bank transactions are accounted for by trust within each of DNR's management funds.

Revenue from fiscal year 2006 sales and existing contracts were \$18,965,998 to the RMCA. A total of \$26,297,259 in the RMCA is reserved to acquire property to replace trust property previously sold through the "sell first" process of the Land Bank program.



**5 AGRICULTURAL COLLEGE TRUST MANAGEMENT ACCOUNT**

Per RCW 79.64.090, the revenue on Agricultural College trust lands is distributed 100 percent to the agricultural college permanent fund or WSU bond retirement account. The management of the agricultural college trust lands is funded from the Agricultural College Trust Management Account. This account depends on legislative appropriation for funding. Currently the legislature appropriates the money for this purpose from General Fund under a proviso. For fiscal year 2006 the total interfund transfer from General Fund was \$972,000.

**6 OFF-ROAD VEHICLE (ORV) ACCOUNT**

This fund provides for acquisition, planning, development, maintenance and management of ORV recreation facilities; non-highway roads and non-highway road recreation facilities; education and law enforcement programs related to non-highway vehicles; and construction and maintenance of campgrounds and trailheads.

DNR, the Department of Fish and Wildlife, and the Parks and Recreation Commission spend from the fund in support of these functions. The Department of Licensing collects revenue for the fund from taxes, licenses, permits and fees. DNR administers the fund according to Legislative appropriations. The following is the fund total fiscal activity for fiscal year 2006:

<b>Beginning Balance</b>		<b>\$614,699</b>
<b>Revenue:</b>		
Licensing		2,194,992
<b>Expenditures:</b>		
Natural Resources	\$(1,663,602)	
Parks and Recreation	(121,345)	
Fish and Wildlife	(287,025)	
Expenditure Subtotal		(2,071,972)
Net Fiscal Activity		123,020
<b>Ending Balance</b>		<b>\$737,718</b>

**7 AQUATIC LANDS ENHANCEMENT ACCOUNT**

This fund provides for the purchase, improvement and protection of aquatic lands for public purposes. DNR, the Department of Fish and Wildlife, the Department of Agriculture, the Parks and Recreation Commission, Department of Health and the Interagency Committee for Outdoor Recreation spend from the fund for these purposes. DNR administers this fund, and only the DNR fiscal activity is reported on the Department Administered Funds section of the annual report (page 28).

The following is the total fund fiscal activity for fiscal year 2006:

<b>Beginning Balance</b>		<b>\$8,600,265</b>
<b>Revenue:</b>		
Natural Resources	\$10,978,495	
Distribution to Fourth Class Towns	(46,414)	
Revenue Subtotal		10,932,082
<b>Expenditures:*</b>		
Natural Resources	(2,795,085)	
Fish and Wildlife	(2,918,882)	
Parks and Recreation	(173,000)	
Agriculture	(1,153,290)	
Interagency Comm. for Outdoor Rec.	(2,054,142)	
Health	(18,791)	
Expenditure Subtotal		(9,113,189)
Net Fiscal Activity		1,818,892
<b>Ending Balance</b>		<b>\$10,419,157</b>

\*Expenditures for other agencies include Operating Transfers, if any.

**8 DERELICT VESSEL REMOVAL ACCOUNT**

This fund provides for costs and reimbursements to authorized public entities for the removal of derelict and abandoned vessels. DNR spends from the fund for these purposes and the Department of Licensing spends from the account for the purpose of administering the collection of revenue for the fund. DNR administers this fund and only the DNR fiscal activity is reported on the Department Administered Funds section of the annual report (page 28).

The following is the total fund fiscal activity for FY 2006:

<b>Beginning Balance</b>		<b>\$714,947</b>
<b>Revenue:</b>		
Licensing	\$564,811	
Revenue Subtotal		564,811
<b>Expenditures:*</b>		
Natural Resources	(298,017)	
Licensing	0	
Expenditure Subtotal		(298,017)
Net Fiscal Activity		266,794
<b>Ending Balance</b>		<b>\$981,740</b>

\*Expenditures for other agencies include Operating Transfers, if any.

**9 FDA/RMCA LOAN REPAYMENT**

The Board of Natural Resources resolution #635 in 1990 and #756 in 1992 authorized settlement of the FDA debt to the RMCA by transferring timber-cutting rights on State Forest Purchase lands to the Common School, Capitol Building, Normal School, and University granted trusts. A one-third interest in assets (timber cutting rights) of the FDA on 35,655 acres was transferred to these trusts. The value of these transfers eliminated the debt between FDA and RMCA.

A total of \$3,313,709 was distributed to the trusts from timber harvested during fiscal year 2006. The RMCA received \$828,427 from this activity. Since this is repayment of a loan, the transactions are recorded as an operating transfer rather than current period revenue.

The values from the harvest activity by fund as well as RMCA trust for fiscal year 2006 and in total since the adoption of resolution #635 in 1990 are:

	<b>FY 2006</b>	<b>Total-to-date</b>
Common School Construction Account	\$941,521	\$16,399,269
Capitol Building Construction Account	358,908	6,251,402
Normal School Permanent Account	1,148,987	20,011,313
State University Permanent Account	35,956	9,319,743
<b>Total Trust Funds</b>	<b>\$2,485,372</b>	<b>\$51,981,727</b>

**Resource Management Cost Account**

Common School Trust	\$314,167	\$5,461,953
Capitol Building Trust	119,854	2,084,169
Normal School Trust	382,421	6,648,345
University School Trust	11,985	3,106,581
<b>Total RMCA</b>	<b>\$828,427</b>	<b>\$17,301,048</b>

**10 OPERATING TRANSFERS**

According to the Office of Financial Management's interpretation of generally accepted accounting principles, debt service funds (funds used to pay off debts), such as the UW or WSU Bond Retirement accounts, cannot receive revenue directly. Instead, revenue to these two funds are recorded to the respective permanent funds, and then an operating transfer is made to the appropriate debt service fund.

**11 TRUST FUNDS – CURRENT AND PERMANENT**

Trust Current Funds are funds that individual trust beneficiaries can draw from. Trust Permanent Funds are endowments, which generate interest that can be transferred to the Current Funds.

**12 NATURAL RESOURCES EQUIPMENT ACCOUNT**

Total other fiscal activity does not include funds classified as internal service funds. The Natural Resources Equipment Account is the Department's only internal service fund. This fund is used to maintain, replace and provide equipment to the Department's programs on a rental basis. In 2006, this fund had revenue of \$14,662,220 and expenses of \$17,785,305.

**13 RMCA PORTION OF TRUST LAND REVENUES**

Per Board resolution #1165, the Resource Management Cost Account receives 30 percent on most transactions, and the trusts receive 70 percent of revenue from trust lands. However, some transactions are subject to different distribution ratios. These transactions include aquatic resources, miscellaneous non-trust revenue, interest earnings, land sales transactions and interfund loan repayment, the latter of which affects the Common School, University, Capitol Building and Normal School trusts.

The tables below reflect trust activity with Forest Board Repayment activity. Refer to footnote #17 for trust activity related to University Trust.

**COMMON SCHOOL / ESCHEAT TRUST**

Source / Activity	Total Revenue	Com. Sch. Construct.	Com. Sch. Perman.	RMCA
<u>Trust Activity</u>				
Timber sales	69,906,373	48,886,498	\$0	21,019,875
Timber sales-related	166,839	118,432	0	48,407
Leases	21,640,916	14,352,571	321,274	6,967,071
Late interest	27,269	12,647	0	14,622
Fees/service charges	129,373	1,278	0	128,095
Operating transfer - in	1,255,688	941,521	0	314,167
<b>Subtotal</b>	<b>93,126,458</b>	<b>64,312,947</b>	<b>321,274</b>	<b>28,492,237</b>
Forest Board Repayment				
Sales	1,032,315	0	0	1,032,315
Operating transfer - out	(1,255,688)	0	0	(1,255,688)
<b>Total trust activity</b>	<b>92,903,085</b>	<b>64,312,947</b>	<b>321,274</b>	<b>28,268,864</b>
<u>Non-Trust Activity</u>				
STO interest	650,421	115,179	0	535,242
Land sales/trust land transfer	30,476,998	11,311,000	0	19,165,998
Other Revenue	(183,970)	0	150,057	(334,027)
<b>Total non-trust activity</b>	<b>30,943,449</b>	<b>11,426,179</b>	<b>150,057</b>	<b>19,367,213</b>
<b>TOTAL</b>	<b>\$123,846,534</b>	<b>\$75,739,126</b>	<b>\$471,331</b>	<b>\$47,636,077</b>

**CAPITOL BUILDING TRUST**

Source / Activity	Total Revenue	Cap. Bldg. Construction	RMCA
<u>Trust Activity</u>			
Timber sales	9,274,997	6,531,909	2,743,088
Timber sales-related	427	296	131
Leases	171,672	119,531	52,141
Late interest	48	13	35
Fees/service charges	71	0	71
Operating transfer – in	478,762	358,908	119,854
<b>Subtotal</b>	<b>9,925,977</b>	<b>7,010,657</b>	<b>2,915,320</b>
Forest Board Repayment			
Sales	393,595	0	393,595
Operating transfer – out	(478,762)	0	(478,762)
<b>Total trust activity</b>	<b>9,840,810</b>	<b>7,010,657</b>	<b>2,830,153</b>
<u>Non-Trust Activity</u>			
STO interest	132,084	10,286	121,798
Other Revenue	(20,555)	0	(20,555)
<b>Total non-trust activity</b>	<b>111,529</b>	<b>10,286</b>	<b>101,243</b>
<b>TOTAL</b>	<b>\$9,952,339</b>	<b>\$7,020,943</b>	<b>\$2,931,396</b>

**NORMAL SCHOOL TRUST**

Source / Activity	Total Revenue	Capital Projects	Normal School Perman.	RMCA
<u>Trust Activity</u>				
Timber sales	2,978,215	\$0	2,108,386	869,829
Timber sales-related	600	0	406	194
Leases	121,846	83,144	2,070	36,632
Late interest	5	4	0	1
Fees/service charges	106	0	0	106
Operating transfer – in	1,531,318	0	1,148,897	382,421
<b>Subtotal</b>	<b>4,632,090</b>	<b>83,148</b>	<b>3,259,759</b>	<b>1,289,183</b>
Forest Board Repayment				
Sales	1,258,914	0	0	1,258,914
Operating transfer – out	(1,531,319)	0	0	(1,531,319)
<b>Total trust activity</b>	<b>4,359,685</b>	<b>83,148</b>	<b>3,259,759</b>	<b>1,016,778</b>
<u>Non-Trust Activity</u>				
STO interest	72,383	2,093	0	70,290
Land sales/trust land transfer	0	0	0	0
Other Revenue	(7,570)	0	0	(7,570)
<b>Total non-trust activity</b>	<b>64,813</b>	<b>2,093</b>	<b>0</b>	<b>62,720</b>
<b>TOTAL</b>	<b>\$4,424,498</b>	<b>\$85,241</b>	<b>\$3,259,759</b>	<b>\$1,079,498</b>

**14 NON-TRUST REVENUE**

Non-trust revenue cannot be attributed to a specific trust. Activities include forest road assessments, miscellaneous services, manuals & publications, prior period recoveries and adjustments, application fees, and interest income.

**15 NEGATIVE TRUST REVENUE**

Any negative revenue reflects accounting adjustments (such as bad-debt write-offs, credit memos) from a prior fiscal year.

**16 TREASURER'S REVENUE**

Due to the schedule for distributing revenue, revenue from State Forest Lands may earn interest before it is distributed to the appropriate county. Interest earnings cannot be attributed specifically to Transfer Lands or Purchase Lands. This revenue is accounted for as treasurer's revenue and is distributed to the appropriate county.

**17 UNIVERSITY TRUST — ORIGINAL, TRANSFERRED, REPAYMENT**

The accounting for the University Trust combines activity from original University trust lands, lands which have been transferred to the trust, and the University Trust's share of interfund loan repayment as described in footnote #9.

The following is a breakdown of the different elements contributing to the information for University Grants.

Trust Source/Activity	Total	Bond Retirement	University Permanent	RMCA
<b>University - Transferred</b>				
Timber sales	2,608,157	\$0	1,825,710	782,447
Timber sales-related	0	0	0	0
Leases	248,533	0	173,723	74,810
Miscellaneous – trespass	176	0	123	53
Late interest	20	0	14	6
Sale of property – other	72	0	0	72
Fees/service charges	2,145	0	0	2,145
Operating transfer – in	2,282,813	2,234,872	35,956	11,985
Operating transfer – out	(2,234,872)	0	(2,234,872)	0
<b>Total</b>	<b>\$2,907,044</b>	<b>\$2,234,872</b>	<b>(199,346)</b>	<b>\$871,518</b>
<b>University – Original</b>				
Timber sales	\$ 941,248	\$0	\$ 658,873	\$ 282,375
Leases	105,468	0	73,396	32,072
Fines and forfeits	0	0	0	0
Late interest	0	0	0	0
Operating transfer – in	74,270	74,270	0	0
Operating transfer – out	(74,270)	0	(74,270)	0
<b>Total</b>	<b>\$1,046,716</b>	<b>\$74,270</b>	<b>\$657,999</b>	<b>\$314,447</b>
<b>University Repayment</b>				
Timber sales	\$ 47,942	\$0	\$0	47,942
Operating transfer – out	(47,942)	0	0	(47,942)
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Non-trust allocation</b>				
STO interest	\$ 51,277	\$4,170	\$0	\$47,107
Non-trust revenue allocation	(8,586)	0	0	(8,586)
<b>Total</b>	<b>\$42,691</b>	<b>\$4,170</b>	<b>\$0</b>	<b>\$38,521</b>
<b>TOTAL</b>	<b>\$3,996,451</b>	<b>\$2,313,312</b>	<b>\$458,653</b>	<b>\$1,224,486</b>

**18 UNDERSTATED REVENUE**

Distribution of revenue from Special Use leases to the Common School Construction Account is understated by \$568,000 because of adjustments to FY 2005 revenue. Revenue and distribution figures (e.g., totals, subtotals) that include the revenue distributed to that account are also understated by the same amount.

**19 ADJUSTMENTS DUE TO REVENUE SYSTEM CONVERSION**

In March 2006, DNR implemented a new revenue accounting system. Some system conversion issues resulted in revenue distribution differences between the agency's internal system and AFRS (the state's official system). The values reported represent two internal systems in use during fiscal year 2006 and reflect DNR's actual revenue activity for fiscal year 2006. The adjustments are the amounts required to reconcile actual DNR revenue with the revenue amounts reported in the state's financial system. These adjustment amounts reflect corrections that must be made to the revenue numbers in AFRS. AFRS will be corrected in fiscal year 2007.

**20 State Trust Lands Management Fund Accounting Report**

**STATUTORY AUTHORITY AND REQUIREMENTS**

Subject to legislative appropriation, the Department of Natural Resources is authorized by RCW's 76.12.110 and 79.64.030 to use funds from the Resource Management Cost Account (RMCA) and Forest Development Account (FDA) interchangeably in the management of State Grant Lands and State Forest Lands. The law also states, however, that an annual accounting will be kept of payments made by one fund on behalf of another. For example when RMCA funds are used to pay for activities on State Forest Land, it shall be considered a debt against the FDA. RCW 79.64.030 also requires that the results of the accounting be reported to the legislature at the next regular session.

**ACCOUNTING PROCEDURES**

Beginning with fiscal year 1996, the following Cost Allocation System accounting procedures have been used to calculate any debt or loan between the management funds:

- A.** All operating program expenditures that can be determined to benefit a particular land category are directly charged to that land category.
- B.** Expenditures for the majority of the department's operating programs for which the benefiting land category cannot be determined (indirect expenditures) are allocated to land categories based on staff month percentages derived from personnel time charged directly to those land categories or by Western Washington forested acres.
- C.** Capital outlay expenditures that benefit particular land categories are determined in advance then charged by land category in the ratio set by appropriations.
- D.** Agency Administration and Support costs are allocated to land category based on Agency work plans for the year as established during the budget process.
- E.** Direct charges and indirect charges are totaled by land category within the Cost Allocation System. Expenditures paid from the RMCA and FDA accounts are compared to these total charges for Grant Lands and State Forest Lands to determine how much of the charges were paid from one account on behalf of the other. If RMCA funds were used to pay State Forest charges, a debt principal is incurred in that amount. If State Forest funds were used to pay RMCA charges, the debt principal is reduced by that amount. Funding adjustments may be made periodically during the fiscal year to align expenditures by fund with total charges for Grant Lands and State Forest Lands to prevent the accumulation of any new debt in the year.
- F.** As required by law, interest is charged on the debt incurred. A full year's interest is charged on cumulative debt carried from the previous year. One half year's interest is calculated on the change in the debt principal occurring during the current year.
- G.** Cumulative debt from the preceding year, plus new principal and interest charges are totaled to determine the new cumulative debt.

**RMCA/FDA DEBT/LOAN ACCOUNTING FOR FISCAL YEAR 2006**

	Grant Lands	State Forest Lands*
2006 Trust Charges	\$41,003,272	\$23,895,867
RMCA Expenditures	41,003,272	—
FDA Expenditures	—	\$23,895,867
<b>Cumulative Debt/Loan</b>	<b>0</b>	<b>0</b>

**FISCAL YEAR 2006 MANAGEMENT FUND DEBT STATUS**

As of June 30, 2006, no debt exists between the State Forest Lands (Forest Development Account) and the Grant Lands (Resource Management Cost Account).

\*Formerly known as Forest Board lands.

# Total Revenue and Expenditures

● DNR's expenditures reflect the department's diverse work. Land management activities, funded by trust land revenue, are investments in the long-term benefits and productivity of the resources. Other activities, funded by non-trust revenue sources, support regulatory, assistance and resource protection programs, as well as agency operations.

Capital expenditures include land acquisitions on behalf of state trusts and Natural Areas.

'06

REVENUE BY SOURCE <sup>1</sup>	FY 2006	FY 2005
<b>Sales</b>		
Timber sale removals	\$215,711	\$211,128
Timber sale-related activities	437	540
Forest road assessments	12,017	13,964
Nursery seedling sales	2,579	2,800
Miscellaneous	340	456
	<u>\$231,084</u>	<u>\$228,887</u>
<b>Leases</b>		
Agriculture	\$9,592	\$9,096
Aquatic	17,825	16,760
Commercial real estate	8,424	8,190
Mineral and hydrocarbon	4,429	1,789
Communication sites	2,802	3,223
Rights-of-way	1,547	1,316
Miscellaneous <sup>18</sup>	984	1,865
	<u>\$45,602</u>	<u>\$42,239</u>
<b>Other Revenue</b>		
Interest income	\$2,741	\$1,283
Fire assessments and cost reimbursement	9,361	9,740
Grants and contributions	14,195	17,194
Permits, fees, and related charges	3,272	3,258
Miscellaneous	2,405	1,766
	<u>\$31,975</u>	<u>\$33,241</u>
<b>Total Revenue from Operations</b>	<u>\$308,660</u>	<u>\$304,367</u>
<b>Other Activity</b>		
Land transfers <sup>3</sup>	\$13,069	\$46,250
Land bank <sup>4</sup>	18,966	5,494
	<u>\$32,035</u>	<u>\$51,744</u>
<b>Adjustments<sup>19</sup></b>	<u>\$298</u>	<u>N/A</u>
<b>Total Revenue<sup>18, 19</sup></b>	<u>\$340,994</u>	<u>\$356,111</u>

## DID YOU KNOW?

**Like a business, DNR generates revenue, and most of it goes to state trust beneficiaries.**

Revenues are shown for two years for comparison. Differences between the years reflect changes in market conditions, legal requirements, availability of resources, and other factors.

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

**See fiscal notes, pages 22-25**

## Total Revenue and Expenditures (Continued)

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<b>EXPENDITURES BY PROGRAM<sup>2</sup></b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>Operating</b>		
Agricultural resources	\$2,238	\$1,494
Asset management & protection	8,256	7,579
Product sales & leasing	30,594	18,426
Land management	17,718	16,227
Aquatic resources*	8,602	12,978
Administration	3,666	3,336
Interagency payments	9,360	8,698
Agency support	18,282	17,579
Geologic resources	1,973	2,043
Forest practices & federal assurances	9,957	9,929
Engineering services	14,178	12,777
Resource protection	19,615	19,607
Fire suppression	21,980	17,986
	<u>\$166,420</u>	<u>\$148,661</u>
<b>Capital</b>		
Radio system upgrade	\$0	\$1,041
Recreation	337	323
Aquatic resources projects	6	46
Real estate and property acquisition	20,367	52,158
Facilities	9,557	5,214
Small timber landowner program	3,241	1,907
Miscellaneous	500	1,362
	<u>\$34,007</u>	<u>\$62,051</u>
<b>Total Expenditures</b>	<u><b>\$200,427</b></u>	<u><b>\$210,711</b></u>

**DID YOU KNOW?**

**DNR is largely self-supporting.**

**More than 2/3 of its operating costs are funded by revenue the agency brings in.**

Expenditures are shown for two years for comparison. Differences between the years reflect changes in the programs, legal requirements, salaries and benefits, inflation, and other factors.

\* FY 2005 Aquatic Resources expenditures include one-time settlement costs for contaminated sediment cleanup.

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

**See fiscal notes, pages 22-25**

# Fiscal Activity by Fund

● DNR's fiscal activity includes generating revenue for a variety of funds and accounts, some of which benefit state trust beneficiaries and some of which fund state programs, including DNR's own. DNR's fiscal activity also includes expenditures supporting its work.

Some of the accounts that receive revenue from DNR or that fund DNR's expenditures are managed by DNR; others are managed by other agencies.

'06

## DNR-ADMINISTERED FUNDS

Fund Title	Beginning Balance 7/1/05	Revenue	DNR Expenditure	Ending Balance 6/30/06
<b>Trust Management Accounts*</b>				
Forest development (FDA)	\$32,495	\$22,810	\$(23,896)	\$31,409
Resource management (RMCA)**	17,539	66,855	(41,003)	43,391
Agricultural college (ACTMA)	138	973	(1,090)	20
	<u>\$50,172</u>	<u>\$90,638</u>	<u>\$(65,989)</u>	<u>\$74,821</u>
<b>Other DNR-Administered Funds</b>				
Access road revolving	\$7,964	\$12,059	\$(11,439)	\$8,584
Aquatic lands dredged material	902	651	(373)	1,180
Aquatic lands enhancement <sup>7</sup>	N/A	10,978	(2,795)	N/A
Clarke-McNary	241	4,316	(5,032)	(474)
Conservation areas stewardship	112	96	(0)	208
Contract harvesting revolving	436	13,767	(13,228)	976
Derelict vessel removal <sup>8</sup>	N/A	0	(298)	N/A
Forest fire protection assessments	3,805	8,840	(7,185)	5,460
Landowner contingency forest fire	6,465	17	(3,396)	3,086
Off-road vehicle <sup>6</sup>	N/A	2	(1,664)	N/A
Park land trust revolving	8,733	148	(8,557)	324
Real property replacement <sup>3</sup>	23,544	2,281	(3,140)	22,685
School construction revolving	52	2	0	54
State forest nursery revolving	1,595	2,585	(2,750)	1,430
Surface mining reclamation	344	965	(1,272)	37
Surveys and maps	1,376	1,150	(828)	1,698
	<u>\$55,569</u>	<u>\$57,858</u>	<u>\$(61,956)</u>	<u>\$45,248</u>
<b>Total DNR-Administered Funds</b>	<u><b>\$105,741</b></u>	<u><b>\$148,496</b></u>	<u><b>\$(127,946)</b></u>	<u><b>\$120,068</b></u>

Amounts are reported in thousands of dollars.

Totals may not add due to rounding.

N/A = not applicable

\* These accounts fund DNR's management of state trust lands. Revenue may be carried over from year to year. As a result, any given year's expenditures do not necessarily correlate to that year's revenue. See pages 30, 32, 40, 42, and 44 for more detailed accounting. FDA and RMCA are funded through revenue generated from the lands whose management they support. ACTMA is not funded through such revenue, but instead, through a legislative appropriation from the State General Fund.

\*\* The RMCA trust balance includes \$26,297,259 dedicated by law (RCW 79.19) to land bank purchases of lands that replace previously sold trust lands.

See fiscal notes, pages 22-25

## Fiscal Activity by Fund (Continued)

'06

**FUNDS ADMINISTERED BY OTHER ENTITIES**

<b>Fund Title</b>	<b>Revenue</b>	<b>DNR Expenditure</b>	<b>Net Fiscal Activity</b>
<b>Trust Current Funds <sup>11</sup></b>			
Common school construction <sup>18</sup>	\$75,137	0	\$75,137
Community college forest reserve*	0	0	0
WSU bond retirement	1,121	0	1,121
UW bond retirement	2,313	0	2,313
CEP&RI	3,784	0	3,784
EWU capital project	21	0	21
CWU capital project	21	0	21
WWU capital project	21	0	21
TESC capital project	21	0	21
Capitol building construction	7,019	0	7,019
Forest board counties	72,750	0	72,750
	<b><u>\$162,208</u></b>	<b><u>0</u></b>	<b><u>\$162,208</u></b>
<b>Trust Permanent Funds <sup>11</sup></b>			
Agricultural college (WSU)	\$4,743	0	\$4,743
Normal school (EWU, CWU, WWU, TESC)	3,254	0	3,254
Common school (K-12)	459	0	459
Scientific (WSU)	5,598	0	5,598
State university (UW)	459	0	459
	<b><u>\$14,513</u></b>	<b><u>0</u></b>	<b><u>\$14,513</u></b>
<b>Other Funds</b>			
General fund	\$15,262	\$(49,259)	\$(33,997)
State building construction	6	(16,166)	(16,160)
Disaster response	0	(5,000)	(5,000)
Motor vehicle	2	0	2
Air pollution control	230	(150)	80
State toxics control	0	(1,138)	(1,138)
State wildlife	272	0	272
Developmental disabilities community trust	5	0	5
Water quality	0	(769)	(769)
	<b><u>\$15,777</u></b>	<b><u>\$(72,482)</u></b>	<b><u>\$(56,704)</u></b>
<b>Total other fiscal activity</b>	<b><u>\$192,498</u></b>	<b><u>\$(72,482)</u></b>	<b><u>\$120,016</u></b>
<b>Total all funds and activity<sup>12, 18, 19</sup></b> (pages 28 & 29)	<b><u>\$340,994</u></b>	<b><u>\$(200,427)</u></b>	

\* All revenue for the Community College Reserve Trust was generated from leases. DNR expenditures from the fund were to purchase land for the trust.

Amounts are reported in thousands of dollars.

Totals may not add due to rounding.

See fiscal notes, pages 22-25

# Resource Management Cost Account (RMCA) Upland + Aquatic

## Revenue, Expenditures and Fund Balance

● The Resource Management Cost Account (RMCA) funds DNR's land management activities on state grant lands. DNR deposits a portion of the revenue it generates from these lands into the account, and the Legislature appropriates funds from the account to DNR for expenditures. The RMCA can be used only for land management expenses (e.g., reforestation, preparing timber sales or managing aquatic leases) that support state grant lands.

'06

<b>Fund Balance (July 1, 2005)</b>		<b>\$17,538,579</b>
<hr/>		
<b>RMCA Revenue</b>		<b>\$66,855,402</b>
<hr/>		
<b>Less: Expenditures <sup>2</sup></b>		
Agricultural resources	\$2,199,998	
Asset management & protection	2,101,356	
Product sales & leasing	10,232,543	
Land management	7,177,061	
Correctional Camps	87,578	
Administration	726,790	
Interagency payments	3,790,306	
Agency support	6,363,179	
Aquatic resources	4,745,983	
Engineering services	2,428,727	
<hr/>		
Total operating expenditures	\$39,853,521	
Total capital expenditures	1,149,755	
<hr/>		
Total expenditures and other charges		<u>41,003,275</u>
<b>RMCA Fund Balance (June 30, 2006)*</b>		<b><u>\$43,390,706</u></b>

Totals may not add due to rounding.

\* The RMCA trust balance includes \$26,297,259 dedicated by law (RCW 79.19) to land bank purchases of lands that replace previously sold trust lands.

See fiscal notes, pages 22-25



# State Grant Lands Upland + Aquatic

## Revenue and Distribution

● State grant lands (upland and aquatic) were granted to Washington at statehood by the federal government. Each upland parcel is assigned to a specific state trust dedicated to financially supporting a specific beneficiary (e.g., the Common School Trust supports construction of K-12 schools). The aquatic lands are designated as a public trust to benefit the public as a whole. Income from state grant lands is divided among trust beneficiary accounts and the RMCA, which DNR uses to manage the lands.

'06

	REVENUE		DISTRIBUTION		
	Grand Total All Funds	Trust Current Funds <sup>11</sup>	Trust Permanent Funds <sup>11</sup>	Resource Management Cost Account <sup>13</sup>	
<b>Sales</b>					
Timber sales <sup>9, 13, 17</sup>	\$106,092,821	\$59,648,538	\$16,199,279	\$30,245,004	
Timber sales-related activities <sup>1</sup>	300,578	118,740	97,499	84,339	
Trust land transfer program <sup>3</sup>	11,511,000	11,311,000	0	200,000	
Land sales (includes land bank) <sup>4</sup>	18,965,998	0	0	18,965,998	
	<b>\$136,870,397</b>	<b>\$71,078,278</b>	<b>\$16,296,778</b>	<b>\$49,495,341</b>	
<b>Leases</b>					
Agriculture					
Dryland	\$3,132,445	\$1,893,325	\$317,119	\$922,001	
Irrigated	5,798,354	3,821,069	202,624	1,774,662	
Grazing and other	635,353	422,609	19,653	193,091	
Aquatic lands	17,824,954	10,285,695	0	7,539,259	
Special use <sup>18</sup>	257,239	(38,836)	47,107	248,968	
Commercial real estate	8,418,666	5,686,610	77,351	2,654,706	
Mineral and hydrocarbon	3,929,458	2,386,480	156,542	1,386,436	
Rights-of-way	1,512,310	674,437	235,289	602,584	
Communication sites	2,147,887	1,102,777	400,050	645,060	
Special forest products	394,196	256,202	11,691	126,303	
	<b>\$44,050,863</b>	<b>\$26,490,368</b>	<b>\$1,467,425</b>	<b>\$16,093,070</b>	
<b>Other Revenue</b>					
Interest income	\$1,346,787	\$191,631	\$4,224	\$1,150,932	
Non-trust revenue <sup>14</sup>	(461,862)	0	0	(461,862)	
Operating transfer <sup>1, 10</sup>	(580,945)	3,424,603	(3,424,603)	(580,945)	
Permits, fees, and miscellaneous <sup>1</sup>	323,414	3,131	150,057	170,226	
	<b>\$627,394</b>	<b>\$3,619,365</b>	<b>\$(3,270,322)</b>	<b>\$278,351</b>	
<b>Adjustments <sup>19</sup></b>	<b>244,648</b>	<b>(752,205)</b>	<b>8,213</b>	<b>988,640</b>	
<b>Total Revenue <sup>18, 19</sup></b>	<b>\$181,793,303</b>	<b>\$100,435,806</b>	<b>\$14,502,095</b>	<b>\$66,855,402</b>	

Totals may not add due to rounding.

See fiscal notes, pages 22-25

# Resource Management Cost Account (RMCA) Upland

Revenue, Expenditures and Fund Balance

● This portion of the RMCA supports the land management of upland state grant lands, each of which supports a specific, designated beneficiary.

'06

	Granted Trusts	Land Bank*	Total Uplands
<b>Fund Balance (July 1, 2005)</b>	<b>\$8,081,188</b>	<b>\$7,280,082</b>	<b>\$15,361,270</b>
<b>RMCA Revenue</b>	39,277,265	19,017,177	\$58,294,442
<b>Less: Expenditures</b>			
Agricultural resources	2,199,998	0	2,199,998
Asset management & protection	2,065,461	0	2,065,461
Product sales & leasing	10,232,543	0	10,232,543
Land management	7,177,061	0	7,177,061
Correctional camps	87,578	0	87,578
Administration	726,790	0	726,790
Interagency payments	2,981,631	0	2,981,631
Agency support	4,190,264	0	4,190,264
Engineering services	2,045,518	0	2,045,518
Total operating expenditures	31,706,844	0	31,706,844
Total capital expenditures	1,149,755	0	1,149,755
Total expenditures and other charges	<u>32,856,599</u>	<u>0</u>	<u>32,856,599</u>
<b>RMCA Fund Balance (June 30, 2006)</b>	<b><u>\$14,501,854</u></b>	<b><u>\$26,297,259</u></b>	<b><u>\$40,799,113</u></b>

Totals may not add due to rounding.

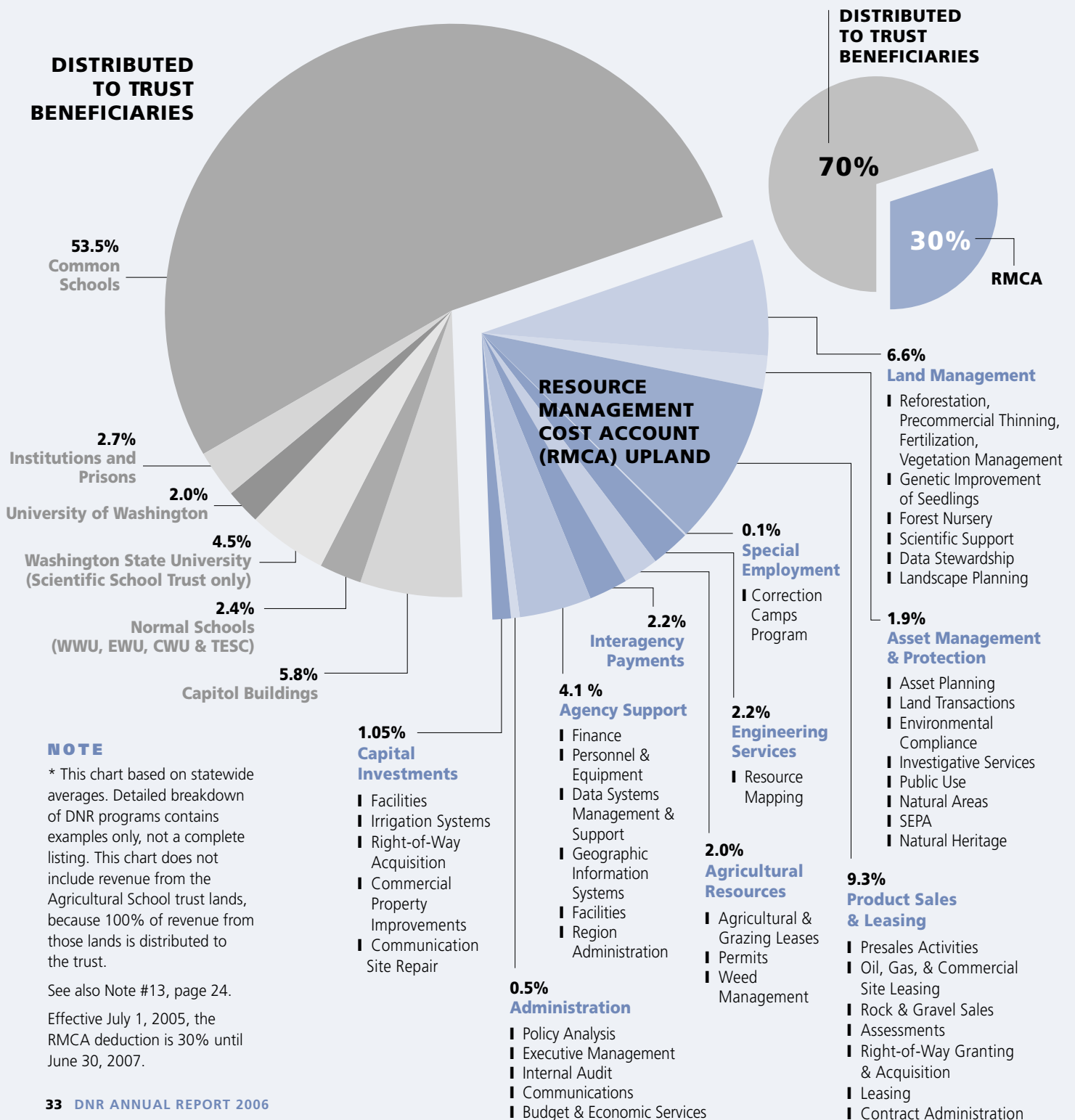
\* Land bank revenue is dedicated by law (RCW 79.19) to purchases of lands that replace previously sold trust lands.

See fiscal notes, pages 22-25

# General\* Distribution of Revenue from Upland State Grant Lands

● Generally, by law, each beneficiary of the upland state grant land trusts receives 70% of the revenue earned from its lands, and the remaining 30% goes to the RMCA to fund DNR's management of the lands. This chart shows the combined distribution, with each trust beneficiary's share proportional

to its share of the total revenue earned, and with the RMCA share divided among DNR's expenditures from the account for upland management activities. Expenditures are appropriated by the Legislature and are ongoing investments to keep the lands productive and to generate future income for the trusts.



# Common School, Indemnity and Escheat Grants

## Revenue and Distribution

Income from these state grant lands and escheat lands (those with no known heirs) supports construction of state public kindergarten through 12th grade schools.

The beneficiary's share of income is distributed to the Common School Construction Account and the Common School Permanent Account, which generates perpetual interest for the support of school construction. This distribution varies by activity and is governed by law.

'06

REVENUE		DISTRIBUTION		
Source	Total Funds	Common School Construction	Common School Permanent	Resource Management Cost Account <sup>13</sup>
<b>Sales</b>				
Timber sales <sup>9, 13</sup>	\$71,162,051	\$49,828,019	0	\$21,334,032
Timber sales-related activities <sup>1</sup>	166,839	118,432	0	48,407
Trust land transfer program <sup>3</sup>	11,511,000	11,311,000	0	200,000
Land sales (includes land bank) <sup>4</sup>	18,965,998	0	0	18,965,998
	<b>\$101,805,888</b>	<b>\$61,257,451</b>	<b>\$ 0</b>	<b>\$40,548,437</b>
<b>Leases</b>				
Agriculture				
Dryland	\$2,372,336	\$1,656,782	0	\$715,554
Irrigated	5,499,095	3,807,192	0	1,691,903
Grazing and other	594,398	411,850	0	182,548
Aquatic Lands	0	0	0	0
Special use <sup>18</sup>	158,234	(60,866)	0	219,100
Commercial real estate	8,286,978	5,670,651	0	2,616,328
Mineral and hydrocarbon	2,485,862	1,506,840	107,129	871,893
Rights-of-way	453,461	130,346	214,145	108,970
Communication sites	1,442,822	989,254	0	453,568
Special forest products	347,729	240,522	0	107,207
	<b>\$21,640,916</b>	<b>\$14,352,571</b>	<b>\$321,274</b>	<b>\$6,967,071</b>
<b>Other Revenue</b>				
Interest income	\$677,690	\$127,826	0	\$549,864
Non-trust revenue <sup>14, 15</sup>	(334,027)	0	0	(334,027)
Operating transfer <sup>1</sup>	(223,373)	0	0	(223,373)
Permits, fees, and miscellaneous <sup>1</sup>	279,441	1,278	150,057	128,106
	<b>\$399,731</b>	<b>\$129,104</b>	<b>\$150,057</b>	<b>\$120,570</b>
<b>Adjustments<sup>19</sup></b>	<b>193,231</b>	<b>(602,494)</b>	<b>(12,110)</b>	<b>807,834</b>
<b>Total Revenue<sup>18, 19</sup></b>	<b>\$124,039,766</b>	<b>\$75,136,633</b>	<b>\$459,221</b>	<b>\$48,443,912</b>

Totals may not add due to rounding.

See fiscal notes, pages 22-25

# University Grants (UW) Original and Transferred

## Revenue and Distribution

Income from these state grant lands supports construction of buildings for the University of Washington. Some of these lands were acquired at the time of statehood, and some lands were transferred to this trust from the CEP&RI trust by the Legislature in 1893. The beneficiary's share of income is distributed to the University Permanent and UW Bond Retirement accounts. This distribution varies by activity and is governed by law.

'06

Source	REVENUE		DISTRIBUTION		
	Total Funds		UW Bond Retirement	State (UW) University Permanent	Resource Management Cost Account <sup>13</sup>
<b>Sales</b>					
Timber sales <sup>17</sup>	\$3,597,346		0	\$2,520,539	\$1,076,807
Timber sales-related activities <sup>1</sup>	176		0	123	53
Land sales (includes land bank)	0		0	0	0
	<b>\$3,597,522</b>		<b>\$ 0</b>	<b>\$2,520,662</b>	<b>\$1,076,860</b>
<b>Leases</b>					
Agriculture					
Dryland	\$194,862		0	\$136,389	\$58,473
Irrigated	0		0	0	0
Grazing and other	15,802		0	10,865	4,937
Aquatic lands	0		0	0	0
Special use	1,700		0	1,190	510
Commercial real estate	103,472		0	71,999	31,473
Mineral and hydrocarbon	8,000		0	5,600	2,400
Rights-of-way	18,690		0	13,083	5,607
Communication sites	0		0	0	0
Special forest products	11,475		0	7,993	3,482
	<b>\$354,001</b>		<b>\$ 0</b>	<b>\$247,119</b>	<b>\$106,882</b>
<b>Other Revenue</b>					
Interest income	\$51,296	\$4,169		\$14	\$47,113
Non-trust revenue <sup>14, 15</sup>	(8,586)	0		0	(8,586)
Operating transfer <sup>1, 10</sup>	0	2,309,142		(2,309,142)	0
Permits, fees, and miscellaneous <sup>1</sup>	2,217	0		0	2,217
	<b>\$44,927</b>	<b>\$2,313,311</b>		<b>\$(2,309,128)</b>	<b>\$40,744</b>
<b>Total Revenue</b>	<b>\$3,996,450</b>	<b>\$2,313,311</b>		<b>\$458,653</b>	<b>\$1,224,486</b>

Totals may not add due to rounding.

See fiscal notes, pages 22-25

# Charitable, Educational, Penal and Reformatory Institutions Grant (CEP&RI)

## Revenue and Distribution

Income from these state grant lands is used to establish and maintain institutions managed by the Department of Corrections (such as prisons) and the Department of Social and Health Services (such as Western State Hospital). The beneficiary's share of income is distributed to the CEP&RI Account.

'06

REVENUE		DISTRIBUTION	
Source	Total Funds	CEP&RI Account	Resource Management Cost Account <sup>13</sup>
<b>Sales</b>			
Timber sales	\$4,217,785	\$2,929,702	\$1,288,083
Timber sales-related activities <sup>1</sup>	63	12	51
Land sales (includes land bank)	0	0	0
	<b>\$4,217,848</b>	<b>\$2,929,714</b>	<b>\$1,288,134</b>
<b>Leases</b>			
Agriculture			
Dryland	\$245,763	\$169,949	\$75,814
Irrigated	780	0	780
Grazing and other	7,738	5,245	2,493
Aquatic lands	0	0	0
Special use	5,543	3,880	1,663
Commercial real estate	11,150	7,759	3,391
Mineral and hydrocarbon	814,664	570,265	244,399
Rights-of-way	11,433	8,003	3,430
Communication sites	122,070	81,796	40,274
Special forest products	4,749	918	3,831
	<b>\$1,223,890</b>	<b>\$847,815</b>	<b>\$376,075</b>
<b>Other Revenue</b>			
Interest income	\$76,125	\$9,640	\$66,485
Non-trust revenue <sup>14, 15</sup>	(12,058)	0	(12,058)
Operating transfer	0	0	0
Permits, fees, and miscellaneous <sup>1</sup>	1,014	0	1,014
	<b>\$65,081</b>	<b>\$9,640</b>	<b>\$55,441</b>
<b>Adjustments <sup>19</sup></b>	<b>2,204</b>	<b>(3,213)</b>	<b>5,417</b>
<b>Total Revenue</b>	<b>\$5,509,023</b>	<b>\$3,783,957</b>	<b>\$1,725,066</b>

Totals may not add due to rounding.

See fiscal notes, pages 22-25

# Capitol Building Grant

## Revenue and Distribution

Income from these state grant lands supports construction of state government office buildings at the Capitol Campus in Olympia.

The beneficiary's share of income is distributed to the Capitol Building Construction Account.

'06

REVENUE		DISTRIBUTION	
Total Revenue and Distribution	Total Funds	Capitol Building Construction	Resource Management Cost Account <sup>13</sup>
<b>Sales</b>			
Timber sale	\$9,753,755	\$6,890,817	\$2,862,938
Timber sales-related activities <sup>1</sup>	427	296	131
Land sales (includes land bank)	0	0	0
	<b>\$9,754,182</b>	<b>\$6,891,113</b>	<b>\$2,863,069</b>
<b>Leases</b>			
Agriculture			
Dryland	\$54,860	\$38,402	\$16,458
Irrigated	0	0	0
Grazing and other	3,300	2,310	990
Aquatic lands	0	0	0
Special use	18,967	13,255	5,712
Commercial real estate	11,714	8,200	3,514
Mineral and hydrocarbon	19,580	13,706	5,874
Rights-of-way	6,012	4,122	1,890
Communication sites	46,033	31,727	14,306
Special forest products	11,207	7,810	3,397
	<b>\$171,672</b>	<b>\$119,531</b>	<b>\$52,141</b>
<b>Other Revenue</b>			
Interest income	\$132,132	\$10,299	\$121,833
Non-trust revenue <sup>14, 15</sup>	(20,555)	0	(20,555)
Operating transfer <sup>1</sup>	(85,167)	0	(85,167)
Permits, fees, and miscellaneous <sup>1, 15</sup>	75	0	75
	<b>\$26,485</b>	<b>\$10,299</b>	<b>\$16,186</b>
<b>Adjustments<sup>19</sup></b>	<b>857</b>	<b>(2,255)</b>	<b>3,112</b>
<b>Total Revenue</b>	<b>\$9,953,196</b>	<b>\$7,018,688</b>	<b>\$2,934,508</b>

Totals may not add due to rounding.

See fiscal notes, pages 22-25



### SUPPORTING CAPITOL CAMPUS PROJECTS

Funds from Capitol Building Grant lands are dedicated to the support of construction and renovation projects on the Capitol Campus—projects like Heritage Park. Completed in the fall of 2006, the park provides recreation and flood protection, while linking the Capitol Campus to Olympia's historic downtown.

# Normal School Grant (EWU, CWU, WWU and TESC)

## Revenue and Distribution

Income from these state grant lands supports construction at Eastern Washington University, Central Washington University and Western Washington University (regional universities). These three universities were originally called 'normal schools.' The Evergreen State College was added to this trust by the Legislature to begin receiving revenue after July 1, 1995.

The beneficiary's share of income is distributed to the Normal School Permanent Account and capital project accounts for each university. This distribution varies by activity and is governed by law.

'06

REVENUE		DISTRIBUTION		
Source	Total Funds	EWU, CWU WWU, TESC Capital Projects	Normal School Permanent	Resource Management Cost Account <sup>13</sup>
<b>Sales</b>				
Timber sales <sup>9, 13</sup>	\$4,509,520	0	\$3,257,283	\$1,252,237
Timber sales-related activities <sup>1</sup>	600	0	406	194
Land sales (includes land bank) <sup>4</sup>	0	0	0	0
	<b>\$4,510,120</b>	<b>0</b>	<b>\$3,257,689</b>	<b>\$1,252,431</b>
<b>Leases</b>				
Agriculture				
Dryland	\$40,274	\$28,192	0	\$ 12,082
Irrigated	20,040	13,876	0	6,164
Grazing and other	4,599	3,204	0	1,395
Aquatic lands	0	0	0	0
Special use	6,779	4,896	0	1,883
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	39,362	26,024	1,470	11,868
Rights-of-way	857	0	600	257
Communication sites	0	0	0	0
Special forest products	9,935	6,952	0	2,983
	<b>\$121,846</b>	<b>\$83,144</b>	<b>\$2,070</b>	<b>\$36,632</b>
<b>Other Revenue</b>				
Interest income	\$72,388	\$2,097	0	\$70,291
Non-trust revenue <sup>14, 15</sup>	(7,570)	0	0	(7,570)
Operating transfer <sup>1</sup>	(272,405)	0	0	(272,405)
Permits, fees, and miscellaneous <sup>1</sup>	119	0	0	119
	<b>\$(207,468)</b>	<b>\$2,097</b>	<b>0</b>	<b>\$(209,565)</b>
<b>Adjustments <sup>19</sup></b>	<b>(736)</b>	<b>(1,036)</b>	<b>(5,901)</b>	<b>6,201</b>
<b>Total Revenue</b>	<b>\$4,423,762</b>	<b>\$84,205</b>	<b>\$3,253,858</b>	<b>\$1,085,699</b>

### DID YOU KNOW?

'Normal schools' were teachers colleges. By granting Washington lands to benefit normal schools, the Enabling Act supported Washington in educating not only children, but also the teachers who taught them.

Totals may not add due to rounding.

See fiscal notes, pages 22-25



# Scientific School Grant (WSU)

## Revenue and Distribution

Income from these state grant lands supports construction of buildings at Washington State University. The beneficiary's share of income is distributed to the Scientific School Permanent and the WSU Bond Retirement accounts. This distribution varies by activity and is governed by law.

'06

REVENUE		DISTRIBUTION		
Source	Total Funds	WSU Bond Retirement	Scientific Permanent	Management Cost Account <sup>13</sup>
<b>Sales</b>				
Timber sales	\$8,123,874	0	\$5,692,966	\$2,430,908
Timber sales-related activities <sup>1</sup>	86,366	0	50,863	35,503
Land sales (includes land bank)	0	0	0	0
	<b>\$8,210,240</b>	<b>0</b>	<b>\$5,743,829</b>	<b>\$2,466,411</b>
<b>Leases</b>				
Agriculture				
Dryland	\$145,400	0	\$101,780	\$43,620
Irrigated	206,474	0	130,659	75,815
Grazing and other	2,428	0	1,700	728
Aquatic lands	0	0	0	0
Special use	66,017	0	45,917	20,100
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	47,579	0	33,305	14,274
Rights-of-way	7,311	0	5,118	2,193
Communication sites	430,081	0	293,169	136,912
Special forest products	7,761	0	2,358	5,403
	<b>\$913,051</b>	<b>0</b>	<b>\$614,005</b>	<b>\$299,045</b>
<b>Other Revenue</b>				
Interest income	\$122,118	\$7,844	\$2,547	\$111,727
Non-trust revenue <sup>14, 15</sup>	(20,051)	0	0	(20,051)
Operating transfer <sup>10</sup>	0	788,116	(788,116)	0
Permits, fees, and miscellaneous <sup>1</sup>	2,329	0	0	2,329
	<b>\$104,396</b>	<b>\$795,960</b>	<b>\$(785,569)</b>	<b>\$94,005</b>
<b>Adjustments<sup>19</sup></b>	<b>47,350</b>	<b>(510)</b>	<b>26,224</b>	<b>21,636</b>
<b>Total Revenue</b>	<b>\$9,275,037</b>	<b>\$795,450</b>	<b>\$5,598,489</b>	<b>\$2,881,098</b>

Totals may not add due to rounding.

See fiscal notes, pages 22-25

# Agricultural College Trust Management Account (ACTMA)

## Revenue, Expenditures and Fund Balance

● This account funds DNR's management of the Agricultural College trust lands. The ACTMA is funded through an appropriation from the state General Fund. (As of July 1, 1999, Agricultural College trust lands do not contribute to the RMCA, which supports DNR's management of other state grant lands.)

'06

**Trust Balance (July 1, 2005)** **\$137,965**

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**Revenue** **535**

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**Less: Expenditures <sup>2</sup>**

Agricultural resources	\$42,792
Asset management & protection	46,489
Product sales & leasing	495,639
Land management	196,791
Correctional camps	14,554
Administration	18,703
Interagency payments	47,756
Agency support	93,277
Engineering Services	88,931

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Total operating expenditures \$1,044,931

Total capital expenditures 45,348

Total expenditures and other charges 1,090,279

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Interfund transfer from General Fund 972,000

**ACTMA Fund Balance (June 30, 2006)** **\$20,221**

Totals may not add due to rounding.

See fiscal notes, pages 22-25

# Agricultural School Grant (WSU)

## Revenue and Distribution

Income from these state grant lands supports construction of Washington State University's buildings. All revenue from these lands is income for the trust, and is divided between the Agricultural College Permanent Account and the WSU Bond Retirement Account. This distribution varies by activity and is governed by law.

'06

REVENUE		DISTRIBUTION	
Source	Total Funds	WSU Bond Retirement	Agricultural College Permanent
<b>Sales</b>			
Timber sales	\$4,728,491	0	\$4,728,491
Timber sales-related activities <sup>1</sup>	46,107	0	46,107
Asset transfer/loan repayment	0	0	0
Land sales (includes land bank)	0	0	0
	<b>\$4,774,598</b>	<b>0</b>	<b>\$4,774,598</b>
<b>Leases</b>			
Agriculture			
Dryland	\$78,950	0	\$78,950
Irrigated	71,965	0	71,965
Grazing and other	7,088	0	7,088
Aquatic lands	0	0	0
Special use	0	0	0
Commercial real estate	5,352	0	5,352
Mineral and hydrocarbon	9,038	0	9,038
Rights-of-way	2,343	0	2,343
Communication sites	106,881	0	106,881
Special forest products	1,340	0	1,340
	<b>\$282,957</b>	<b>0</b>	<b>\$282,957</b>
<b>Other Revenue</b>			
Interest income	\$4,946	\$3,283	\$1,663
Non-trust revenue	0	0	0
Operating transfer <sup>10</sup>	0	327,345	(327,345)
Permits, fees, and miscellaneous	0	0	0
	<b>\$4,946</b>	<b>\$330,628</b>	<b>\$(325,682)</b>
<b>Adjustments <sup>19</sup></b>	<b>(5,560)</b>	<b>(5,560)</b>	<b>0</b>
<b>Total Revenue</b>	<b>\$5,056,941</b>	<b>\$325,068</b>	<b>\$4,731,873</b>

Totals may not add due to rounding.

See fiscal notes, pages 22-25

# Aquatic Lands

## Revenue and Distribution

State-owned aquatic lands (tidelands, shorelands and beds of navigable waters) are a “public trust”—managed to benefit the public as a whole. Revenue from these state grant lands is divided between two accounts: The RMCA-aquatic supports DNR’s management of state aquatic lands and resources, and the ALEA provides for the purchase, improvement and protection of aquatic lands, largely through grants to public entities. Distribution varies according to activity and land classification, and is governed by law.

'06

REVENUE		DISTRIBUTION	
Source	Total Funds	Aquatic Lands Enhancement	Resource Management Cost Account <sup>13</sup>
<b>Aquatic Resources Activities</b>			
Leases	\$17,824,954	10,285,695	7,539,259
Mineral and hydrocarbon	505,373	269,645	235,728
Rights-of-way	1,012,203	531,966	480,237
Interest income <sup>1</sup>	210,093	26,474	183,619
Non-trust revenue <sup>14, 15</sup>	(59,015)	0	(59,015)
Miscellaneous <sup>1</sup>	38,219	1,853	36,366
<b>Adjustments <sup>19</sup></b>	<b>7,629</b>	<b>(137,137)</b>	<b>144,766</b>
<b>Total Revenue</b>	<b><u>\$19,539,455</u></b>	<b><u>\$10,978,495</u></b>	<b><u>\$8,560,960</u></b>

## RMCA – AQUATIC

## Revenue, Expenditures and Fund Balance

<b>Trust Balance (July 1, 2005)</b>	<b><u>\$2,177,309</u></b>
<b>RMCA Aquatic Revenue</b>	8,560,960
<b>Less: Expenditures <sup>2</sup></b>	
Aquatic resources	\$4,745,983
Administration	218,126
Interagency payments	1,365,636
Agency support	1,816,933
Total operating expenditures	8,146,677
Capital expenditures	0
Total expenditures	<u>8,146,677</u>
<b>Trust Balance (June 30, 2006)</b>	<b><u>\$2,591,592</u></b>

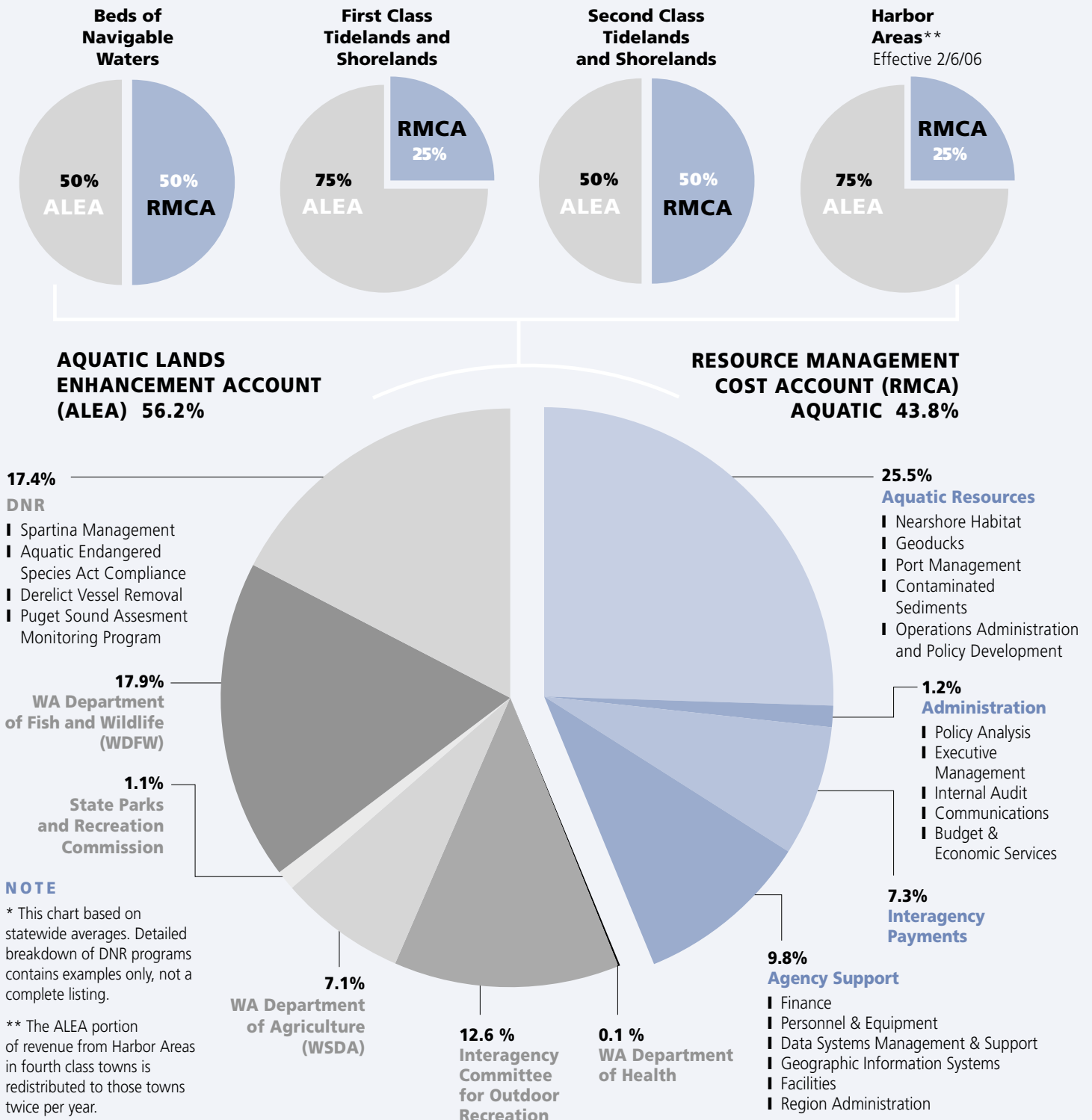
Totals may not add due to rounding.

See fiscal notes, pages 22-25

# General\* Distribution of Revenue from State-Owned Aquatic Lands

By law, revenue from state-owned Aquatic Lands goes to the ALEA for aquatic resource enhancement and to the RMCA to fund DNR's management of state aquatic lands. Distribution differs for different types of aquatic land — see the small pie charts. The large pie chart shows the combined

total distribution, with the ALEA share divided among state agency expenditures from that account, and the RMCA share divided among DNR's expenditures from the RMCA. Expenditures are appropriated by the Legislature and are ongoing investments to keep the submerged lands productive.



See fiscal note #7, page 23.

# Forest Development Account (FDA)

## Revenue, Expenditures and Fund Balance

● The FDA funds DNR's land management activities on State Forest Lands (formerly known as Forest Board lands) in 21 counties. DNR deposits a portion of the revenue it generates from these lands into the FDA, and the legislature appropriates funds from the account to DNR for expenditures. The FDA is used for land management expenses (e.g., reforestation, preparing timber sales) on State Forest Lands.

'06

<b>Fund Balance (July 1, 2005)</b>		<b>\$32,495,491</b>
<hr/>		
<b>FDA Revenue</b>		22,810,213
<hr/>		
<b>Less: Expenditures <sup>2</sup></b>		
Agricultural resources	\$(4,444)	
Asset management & protection	841,736	
Product sales & leasing	6,590,459	
Land management	7,261,207	
Correctional camps	2,001,225	
Administration	378,859	
Interagency payments	1,830,989	
Agency support	3,505,688	
Engineering services	1,246,562	
<hr/>		
Total operating expenditures	\$23,652,281	
Total capital expenditures	243,586	
<hr/>		
Total expenditures and other charges		23,895,867
<hr/>		
<b>FDA Fund Balance (June 30, 2006)</b>		<b>\$31,409,837</b>

Totals may not add due to rounding.

See fiscal notes, pages 22-25

# General\* Distribution of Revenue from State Forest Lands

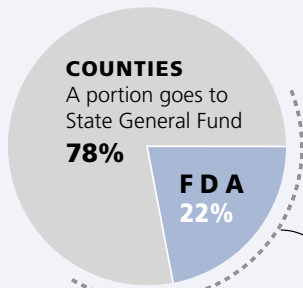
(Formerly Known as Forest Board Lands)

By law, revenue from State Forest Lands (formerly known as Forest Board lands) goes to the county in which the land is located, the State General Fund for the support of Common Schools, and the FDA to fund DNR's management of the lands. Distribution differs for Transfer lands and Purchase lands — see the small pie charts.

The large pie chart shows the combined total distribution for FY 06, with the FDA share divided among DNR's expenditures from the account. Expenditures are appropriated by the Legislature and are ongoing investments to keep the lands productive and to generate future revenue.

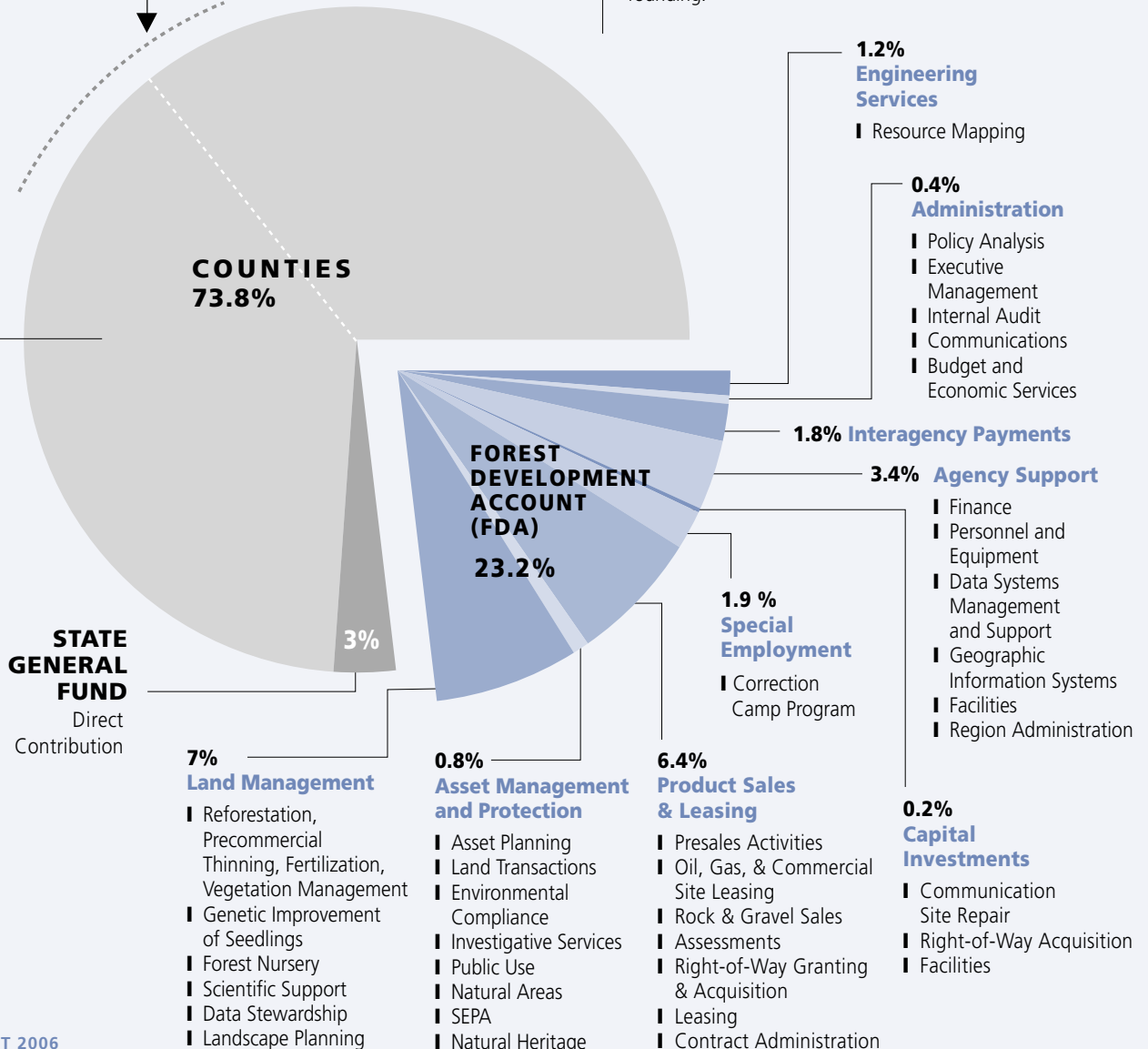
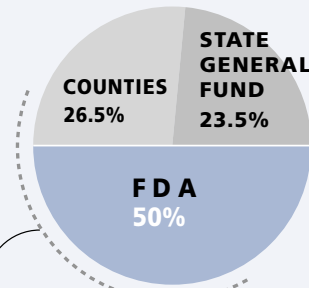
### Transfer Lands\*\*

546,100 acres



### Purchase Lands

79,400 acres



### NOTE

\* This chart based on statewide averages. Detailed breakdown of DNR programs contains examples only, not a complete listing.

\*\* Under Board of Natural Resources resolution #97-919, this distribution of revenue will remain in effect until the fund balance declines to six months' operating expenses, at which time DNR is authorized to reinstate the statutory maximum FDA distribution rate (25% FDA / 75% county).

Totals may not add, due to rounding.

Net effect to counties after their redistribution to the General Fund: Estimated 37%.

Counties also redistribute revenue to junior taxing districts, bond retirement, road funds, and other obligations. These vary by county.

# State Forest Lands

(Formerly Known as Forest Board Lands)

Income from these lands is distributed to the counties in which the lands are located, the state General Fund for the support of common schools, and the Forest Development Account (FDA) for DNR's land management expenses on these lands. There are two categories of State Forest Lands (formerly known as Forest Board lands): Purchase lands and Transfer lands.

**Purchase lands** were given to the state or purchased by the state at low cost. The FDA receives half the income from these lands. The other half is divided between the respective county and the state General Fund for the support of common schools.

'06

REVENUE		CONTRIBUTING LANDS	
Source	Total	Transfer Lands	Purchase Lands
<b>Sales</b>			
Timber sales	\$96,651,009	\$87,411,141	\$9,239,868
Timber sales-related activities <sup>1</sup>	135,959	135,426	533
	<b>\$96,786,967</b>	<b>\$87,546,567</b>	<b>\$9,240,401</b>
<b>Leases</b>			
Agriculture/minor forest products	\$211,465	\$162,984	\$48,481
Commercial/special use	63,332	48,124	15,208
Mineral and hydrocarbon	139,190	139,190	0
Rights-of-way	90,837	87,430	3,407
Communication sites	994,435	639,164	355,271
	<b>\$1,499,259</b>	<b>\$1,076,892</b>	<b>\$422,367</b>
<b>Other Revenue</b>			
Interest income <sup>1</sup>	\$8,202	\$6,819	\$1,383
Permits, fees, and miscellaneous <sup>1</sup>	280	280	0
Treasurer's revenue <sup>16</sup>	113,228	N/A	N/A
FDA non-trust revenue <sup>14</sup>	126,711	N/A	N/A
	<b>\$248,421</b>	<b>\$7,099</b>	<b>\$1,383</b>
<b>Adjustments (FDA, GF-S only) <sup>19</sup></b>	<b>(24,866)</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Revenue</b>	<b>\$98,509,781</b>	<b>\$88,630,558</b>	<b>\$9,664,150</b>

N/A—not applicable

Totals may not add due to rounding.

See fiscal notes, pages 22-25



## BLANCHARD FOREST

Located in Skagit County, Blanchard Forest's 4,800 acres were heavily logged until the 1920s, when a wildfire burned most of the remaining old forest. After landowners abandoned this devastated landscape, Blanchard was deeded to the state to be managed as trust land. Its forests replanted and restored, it now generates income for beneficiaries such as Skagit County services, public schools, and a hospital.



# State Forest Lands (Continued)

**Transfer lands** were forfeited to the counties in which they were located when the private landowners failed to pay property taxes, primarily in the 1920s and 1930s. The counties turned the lands over to the state. DNR now manages these lands and distributes at least 75 percent of the income to the counties and up to 25 percent of the income to the FDA.

(As of July 1, 1997, under Board of Natural Resources resolution #97-919, the amount distributed to the counties increased to 78 percent, and the amount distributed to the FDA was reduced to 22 percent. This change will remain in effect until the fund balance in FDA declines to an amount equal to operating expenses for six months, at which time DNR is authorized to reinstate the statutory maximum distribution to the FDA: 25 percent.)

'06

REVENUE DISTRIBUTION		CONTRIBUTING LANDS	
Recipient	Total	Transfer Lands	Purchase Lands
<b>County</b>			
Clallam	\$5,483,909	\$5,483,909	0
Clark	4,496,323	4,480,223	16,100
Cowlitz	5,169,449	5,168,257	1,192
Grays Harbor	2,148,337	1,261,997	886,340
Jefferson	2,286,824	2,286,824	0
King	866,718	866,718	0
Kitsap	163,223	143,645	19,578
Klickitat	2,204,684	2,204,684	0
Lewis	10,187,580	9,878,937	308,643
Mason	3,104,335	3,102,883	1,452
Okanogan	28	28	0
Pacific	1,940,081	1,914,175	25,906
Pierce	758,589	570,245	188,344
Skagit	10,526,383	10,526,383	0
Skamania	480,434	467,570	12,864
Snohomish	9,041,751	9,041,751	0
Stevens	39,760	39,760	0
Thurston	6,086,388	4,279,942	1,806,446
Wahkiakum	1,285,578	1,285,578	0
Whatcom	6,366,307	6,353,066	13,241
Treasurer's revenue <sup>16</sup>	113,228	N/A	N/A
	<b>\$72,749,910</b>	<b>\$69,356,575</b>	<b>\$3,280,106</b>
<b>Forest Development Account</b>			
Trust activity	\$22,739,123	\$19,272,204	\$ 3,466,920
Permits, fees, and miscellaneous <sup>1</sup>	2,376	1,779	597
Treasurer's revenue	0	N/A	N/A
FDA non-trust revenue <sup>14</sup>	126,711	N/A	N/A
<b>Adjustments <sup>19</sup></b>	<b>(57,993)</b>	<b>N/A</b>	<b>N/A</b>
	<b>\$22,810,217</b>	<b>\$19,273,982</b>	<b>\$3,467,517</b>
<b>General Fund – State*</b>	<b>\$2,916,527</b>	<b>\$0</b>	<b>\$2,916,527</b>
<b>Adjustments <sup>19</sup></b>	<b>33,127</b>	<b>N/A</b>	<b>N/A</b>
	<b>\$2,949,654</b>	<b>\$0</b>	<b>\$2,916,527</b>
<b>Total Revenue</b>	<b>\$98,509,781</b>	<b>\$88,630,558</b>	<b>\$9,664,150</b>

N/A—not applicable.  
Totals may not add due to rounding.

\* Income from Transfer lands is not directly distributed to the State General Fund. However, counties redistribute a portion of their share of income from these lands to the fund.

See fiscal notes, pages 22-25

► DNR's stewardship depends on the expertise of professionals trained in a wide variety of fields. Among DNR's employees, you'll find foresters, geologists, economists, firefighters, engineers, surveyors, biologists and many others.



**DNR KEEPS TRACK OF WASHINGTON'S INACTIVE AND ABANDONED METAL MINES**

DNR's Geology and Earth Resources Division investigates and reports on physical hazards, water and soil contamination, and resource potential at abandoned sites. This information goes into a searchable database.

**DNR HAS ITS OWN COMMERCIAL DIVE TEAM**

Eight highly trained professional divers provide enforcement of geoduck harvesting contracts, remove derelict fishing gear, and assist scientific projects. They also provide dive training to other organizations, including the US Navy.

**DNR IS HOME TO THE NATURAL HERITAGE PROGRAM**

The Program maintains a comprehensive database of Washington's important natural resources, and identifies lands to be added to the state's natural areas system.

**DNR PROTECTS ABOUT 12.7 MILLION ACRES OF TRIBAL, PRIVATE, AND STATE FOREST LANDS FROM WILDFIRE.**

That's more than half of the state's 21.8 million acres of forested land. Federal and tribal agencies provide protection for the remainder.


**DNR-MANAGED AQUATIC LANDS SUPPORT A VARIETY OF PROGRAMS**

In 2006, nearly 2/3 of the dollars generated from state aquatic lands through activities such as geoduck harvesting and marina leases went into the Aquatic Lands Enhancement Account, funding stewardship of aquatic lands as well as local projects that restore and enhance critical aquatic habitat and provide public access to aquatic lands.

Did You Know?

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