



October 27, 2016

Peter Goldmark
Washington State
Commissioner of Public Lands

The Honorable Edward E Wolfe, Chair
Kitsap County Board of Commissioners
614 Division Street MS: 4
Port Orchard, WA 98366

Dear Commissioner Wolfe:

The Washington State Department of Natural Resources (DNR) manages approximately 7,634 acres of State Forest Transfer and Purchase Lands that benefit Kitsap County. These lands generated \$808,000 in the first three quarters of calendar year 2016 and are projected to generate \$830,000 for calendar year 2016 from activities expected to occur under current contracts. This represents a decrease of \$139,000 from the 2016 projection in the July 2016 report.

Net value under contract after calendar year 2016 is estimated at \$1,444,000. This income information does not include anticipated revenues from additional planned activities for which contracts have not been finalized. Projections of income after July 2, 2013 reflect the management fee of 25 percent, as adopted by the Board of Natural Resources on that date.

Some counties receive portions of their income from leases and fees; however, the majority of income reflected in this report is derived from timber sales. As most revenue stems from timber sales, these projections can fluctuate depending upon when timber harvests actually occur. Market conditions, contract requirements, and regulatory requirements influence timber purchasers' decisions about when to harvest. Harvesting could occur earlier if conditions warrant. Changes in purchasers' plans for harvest will be reflected in future reports. The next projection of State Forest Land revenues will be available in January 2017.

I appreciate how necessary revenue is to the success of county functions. DNR consistently strives to ensure that we realize the maximum available income from the State Forest Transfer and Purchase Lands we manage on behalf of the counties. Should you have any questions regarding this information, please contact Art Tasker, South Puget Sound Region Manager, at 360-825-1631 or at art.tasker@dnr.wa.gov.

Sincerely,

Peter Goldmark
Commissioner of Public Lands

Enclosures

Department of Natural Resources
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COUNTY INCOME REPORT
EXPLANATION OF TABLES
October 2016

Two categories of lands are managed by the Washington State Department of Natural Resources (DNR) specifically to benefit counties:

1. **State Forest Transfer Lands.** Lands acquired by counties through tax foreclosures were transferred to DNR to manage. Management fee rates are established by the Board of Natural Resources. Currently, counties receive 75 percent of the revenue from these lands.
2. **State Forest Purchase Lands.** State-issued bonds were used to acquire certain parcels from private owners. Typically, these forest lands had been severely logged and were in need of active management. Allocation of revenue from these lands was determined when purchase was authorized, as follows: 26.5 percent to the county in which the property is located; 50 percent to DNR for management expenses; and the remaining 23.5 percent to the State General Fund.

Nineteen counties include these types of State Forest Lands within their county boundaries.

Income from management activities on State Forest Lands is designated for allocation to several taxing districts in each county. Only a small amount is available to the county for discretionary use.

Revenue from State Forest Lands originates primarily from timber sales. These amounts vary widely as market conditions fluctuate. Smaller portions of revenue are derived from activities such as communication site leases, rights-of-way easements for utilities and roads, special forest products, special uses, and interest. Income will also vary with the number of revenue-generating activities within a given year. Variables responsible for high revenues in one year can lead to reduced income the following year.

- **Table 1** shows the annual revenue for each county from calendar year 2007 through the third quarter of calendar year 2016. This table illustrates the variability in total revenues from year to year.
- **Table 2** shows *projected* revenue for all 19 counties from all activities on State Forest Lands for calendar year 2016 and 2017.
- **Table 2A** shows *projected* revenue for each timber sale on State Forest Lands *in your county* anticipated to occur for 2016 and beyond (enclosed if applicable).
- **Table 3** shows the volume and net value *under contract* as of December 31, 2017 that is *not currently scheduled for harvest until after December 2017* (enclosed if applicable).

Projections were developed by DNR region staff by contacting each timber purchaser that has rights to an upcoming sale. Purchasers were asked how much and when they planned to harvest the timber from each sale. These projected timber revenues should be considered *rough estimates only*; actual activity will depend on individual sale characteristics (species, volume, location, etc.), combined with outside market factors as determined by each purchaser.

The schedule of future timber sales from State Forest Lands in your county is available upon request from Department of Natural Resources' region staff.

Table 1. Revenue to Counties from State Forest Transfer and Purchase Lands (Calendar Years)

Updated: 10/19/2016

| County | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Jan-Sept 2016 |
|---------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|-------------------|
| Clallam | 5,903,404 | 9,323,340 | 4,173,346 | 6,229,596 | 5,502,033 | 4,738,336 | 5,643,329 | 8,487,731 | 3,367,255 | 4,996,576 |
| Clark | 5,614,184 | 1,088,753 | 1,977,893 | 8,793,446 | 4,601,597 | 8,528,782 | 7,191,261 | 6,388,518 | 5,843,215 | 4,236,554 |
| Cowlitz | 1,599,865 | 1,299,756 | 2,914,752 | 3,709,692 | 1,534,691 | 1,557,816 | 1,598,498 | 1,067,106 | 4,025,043 | 896,191 |
| Grays Harbor | 1,078,365 | 404,882 | 1,007,779 | 2,178,958 | 1,991,750 | 2,168,671 | 1,075,212 | 875,687 | 1,237,018 | 2,245,818 |
| Jefferson | 762,629 | 1,409,138 | 669,093 | 981,510 | 3,082,453 | 740,481 | 661,568 | 1,085,477 | 2,873,748 | 1,498,038 |
| King | 3,638,003 | 1,836,570 | 1,053,232 | 2,737,595 | 2,474,997 | 1,112,153 | 741,392 | 2,818,269 | 719,497 | 2,251,063 |
| Kitsap | 400,093 | 798,357 | 244,491 | 495,884 | 55,958 | 877,589 | 743,958 | 293,314 | 851,397 | 807,860 |
| Klickitat | 4,157,236 | 490,525 | 1,037,450 | 327,073 | 209,403 | 559,355 | 289,623 | 215,737 | 352,380 | 15,326 |
| Lewis | 4,421,392 | 4,715,266 | 6,738,048 | 6,147,429 | 11,076,482 | 3,439,911 | 4,280,541 | 8,677,045 | 3,864,910 | 4,232,954 |
| Mason | 2,585,862 | 2,416,073 | 1,500,640 | 3,062,868 | 2,616,802 | 2,024,430 | 1,337,166 | 3,067,093 | 8,005,336 | 2,556,788 |
| Pacific | 2,621,728 | 963,320 | 3,428,025 | 2,060,204 | 2,547,153 | 441,369 | 3,446,724 | 1,267,286 | 1,227,526 | 170,478 |
| Pierce | 1,435,948 | 1,509,353 | 742,913 | 1,523,600 | 214,159 | 178,426 | 121,558 | 222,815 | 32,691 | 232,358 |
| Skagit | 10,635,736 | 11,723,743 | 5,704,325 | 8,746,747 | 11,679,594 | 9,093,422 | 5,976,604 | 7,452,783 | 7,366,574 | 7,716,621 |
| Skamania | 540,697 | 324,117 | 253,914 | 1,215,005 | 747,982 | 926,532 | 1,367,876 | 2,415,852 | 1,028,598 | 716,653 |
| Snohomish | 11,391,018 | 6,323,157 | 10,138,226 | 13,132,194 | 13,981,341 | 5,682,380 | 11,786,058 | 9,251,851 | 7,184,736 | 3,996,440 |
| Stevens | 42,239 | 40,587 | 79,484 | 47,542 | 59,973 | 64,654 | 69,322 | 70,725 | 63,533 | 93,111 |
| Thurston | 4,915,648 | 1,777,592 | 2,625,128 | 7,964,904 | 4,200,388 | 1,660,728 | 5,017,407 | 2,999,025 | 4,368,648 | 7,991,099 |
| Wahkiakum | 571,852 | 1,170,658 | 1,516,340 | 1,820,052 | 1,400,872 | 1,956,441 | 1,742,003 | 1,631,697 | 800,955 | 894,765 |
| Whatcom | 2,420,510 | 6,067,453 | 3,569,263 | 2,405,630 | 3,543,071 | 4,468,281 | 3,763,694 | 2,178,129 | 4,022,292 | 1,286,141 |
| Totals | \$67,490,683 | \$53,682,639 | \$49,374,342 | \$73,579,929 | \$71,520,698 | \$50,219,757 | \$56,853,794 | \$60,466,140 | \$ 57,235,352 | 46,834,834 |

Note: Revenue is received daily by the Department of Natural Resources for activities on State Forest lands and deposited daily at the Office of State Treasurer. Effective February 1998 these monies are remitted to each county via wire transfer a minimum of four times per month. Due to the specific date monies are received by the Department and the cutoff dates used by the State Treasurer for wire transfers, the revenue for the current period may be different than actual remittances to date.

**Table 2. Total Projected Revenues to Counties from State Forest
Transfers and Purchase Lands ^{1/}**
(Dollars in Thousands)

| County | October thru December 2016 | | January thru December 2017 | |
|---------------|-----------------------------------|-------------------|-----------------------------------|-------------------|
| | High | Medium | High | Medium |
| Clallam | \$315.6 | \$315.6 | \$1,038.6 | \$1,993.3 |
| Clark | 732.7 | 732.7 | 1,507.0 | 1,778.5 |
| Cowlitz | 723.2 | 723.2 | 87.7 | 825.2 |
| Grays Harbor | 0.8 | 326.3 | 2.1 | 1,948.8 |
| Jefferson | 191.3 | 191.3 | 159.3 | 1,055.1 |
| King | 164.6 | 164.6 | 91.1 | 677.0 |
| Kitsap | 21.9 | 21.9 | 44.7 | 889.1 |
| Klickitat | 13.9 | 13.9 | 13.9 | 13.9 |
| Lewis | 1,120.3 | 1,133.3 | 1,681.0 | 1,868.9 |
| Mason | 7.6 | 531.2 | 150.6 | 2,880.8 |
| Pacific | 1,258.2 | 1,979.1 | 107.6 | 234.0 |
| Pierce | 0.0 | 350.2 | 143.8 | 1,031.7 |
| Skagit | 2,226.6 | 2,645.0 | 5,208.5 | 8,317.5 |
| Skamania | 132.6 | 132.6 | 856.7 | 2,087.3 |
| Snohomish | 2,082.8 | 2,197.2 | 1,397.0 | 3,098.3 |
| Stevens | 1.6 | 1.6 | 75.6 | 75.6 |
| Thurston | 189.5 | 659.9 | 1,364.9 | 2,600.3 |
| Wahkiakum | 0.0 | 0.0 | 1.7 | 1.7 |
| Whatcom | 640.5 | 640.5 | 220.7 | 1,363.4 |
| Totals | \$9,823.7 | \$12,760.1 | \$14,152.4 | \$32,740.4 |

^{1/} **High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted.
Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.**

Note: Projected revenues are based on timber purchaser's logging plans as of October 2016. These plans change with changes in the economy and the business needs of each purchaser. Department of Natural Resources' region staff should be contacted concerning possible fluctuations in timber harvest for sales currently under contract and the schedule of future sales on State Forest Lands in your county.

Table 2A. Projected Timber Harvest Revenues to Kitsap County from State Forest Transfer and Purchase Lands by Legal Description
 (Thousands of Dollars) ^{1/}

| Sale App. Number | Sale Name | Expiration Date | Legal Description | | | October thru December 2016 | | January thru December 2017 | | Value Under Contract after Dec-17 |
|------------------|-------------|-----------------|--------------------|------------|----------|----------------------------|--------------|----------------------------|----------------|-----------------------------------|
| | | | Section | Township | Range | High | Medium | High | Medium | |
| 92036 | Green Simon | 06/30/17 | 9, 10, 15, 16 | 24N | 1W | 0.0 | 0.0 | 0.0 | 150.4 | 0.0 |
| 92037 | Muffet | 09/30/18 | 8, 9, 17 14, 15 | 24N 24N | 1W 2W | 0.0 | 0.0 | 0.0 | 694.0 | 555.2 |
| Total | | | | | | \$0.0 | \$0.0 | \$0.0 | \$844.4 | \$555.2 |

^{1/} High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted.
 Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.
 Values are cumulative from high to medium probability.

Note: Projected revenues are based on timber purchaser's logging plans as of October 2016. These plans change with changes in the economy and business needs of each purchaser. Department of Natural Resources regional staff should be contacted concerning possible changes in timber harvest plans and for copies of sale area maps for specific locations of timber sales within the legal descriptions listed above.

Table 3. Volume and Net Value of Timber under Contract on State Forest Transfer and Purchase Lands for Harvest after Calendar Year 2017 ^{1/}

| <u>County</u> | <u>Volume (mbf)</u> | <u>Net Value</u> |
|---------------|---------------------|--------------------|
| Clallam | 0 | \$0 |
| Clark | 180 | 38,879 |
| Cowlitz | 0 | 0 |
| Grays Harbor | 112 | 27,553 |
| Jefferson | 0 | 0 |
| King | 0 | 0 |
| Kitsap | 1,712 | 555,199 |
| Klickitat | 0 | 0 |
| Lewis | 7,544 | 2,755,725 |
| Mason | 0 | 0 |
| Pacific | 0 | 0 |
| Pierce | 0 | 0 |
| Skagit | 1,662 | 252,464 |
| Skamania | 2,039 | 434,987 |
| Snohomish | 5,884 | 1,134,030 |
| Thurston | 440 | 108,305 |
| Wahkiakum | 0 | 0 |
| Whatcom | 0 | 0 |
| Totals | 19,572 | \$5,307,142 |

^{1/} Counties currently receive **75%** of revenue from State Forest Transfer land and **26.5%** of revenue from State Forest Purchase land.

Note: The sales represented here are currently under contract as of **October 2016**. This timber could be harvested at any time depending on market conditions and business needs as determined by each purchaser. Sales to be sold in the future could provide additional revenue to your county. Department of Natural Resources' region staff should be contacted concerning future sale activity and dates.