

Trust Land Transfer Proviso

Meeting 1



July 9, 2021, 8-11 a.m.



WASHINGTON STATE DEPARTMENT OF
NATURAL RESOURCES

Agenda

8:00-8:25 a.m.	Welcome and Introductions Round robin	All
8:25-8:45 a.m.	Proviso Review & Role of Work Group How did we get here?	Angus Brodie
8:45-8:55 a.m.	Work Group Process & Timeline Overview of meetings 1 through 7...our road map	Lisa Anderson
8:55-9:15 a.m.	Work Group Charter Review Group discussion and adoption	All
9:15-9:20 a.m.	Break	
9:20-10:45 a.m.	Trust Land Transfer 101 Presentation and Q&A	Laurie Benson
10:45-10:55 a.m.	Scheduling Meetings 2 through 7	Tyson Thornburg
10:55-11:00 a.m.	Wrap-up Preview of next meeting	Lisa Anderson



Proviso, Process, and Timeline



How did This Project Begin?

As part of the 2021-23 Capital Budget, the Washington State Legislature passed a budget proviso specific to trust land transfer (SHB 1080 Sec. 3333).

Work Group

“(1)The department of natural resources shall convene a work group of trust land beneficiaries and stakeholders to develop a recommended process for the way trust land transfer proposals are developed and implemented.

Considerations

Consideration should be made for increasing the income value of the trusts, limiting impacts to trust lands not being considered for transfer, conservation value of lands that are a potential candidate for transfer, and use of the land bank for securing repositioned land that would result from any transferred projects, and any other items necessary for a well-supported program.

DNR Tasks

The department of natural resources must report and make recommendations for the establishment of a new trust land transfer program to the fiscal committees of the Legislature, by December 1, 2021.

(2) For the 2021-2023 fiscal biennium, the department of natural resources may not trade, transfer, or sell any valuable material from the four parcels that comprised the proposed trust land transfer parcels in the 2019-2021 fiscal biennium, known as Blakely Island, Devils Lake, Eglon, and Morning Star.

Slide amended 7/22/21



Work Group Role

“(1)The department of natural resources shall convene a work group of trust land beneficiaries and stakeholders to develop a recommended process for the way trust land transfer proposals are developed and implemented.



Considerations From the Proviso

- Increasing the income value of the trusts
- Limiting impacts to trust lands not being considered for transfer
- Conservation value of lands that are a potential candidate for transfer
- Use of the land bank for securing repositioned land that would result from any transferred projects
- Other items necessary for a well-supported program

(The above items were listed in the proviso, the group will identify WHAT ELSE to consider)



DNR Tasks

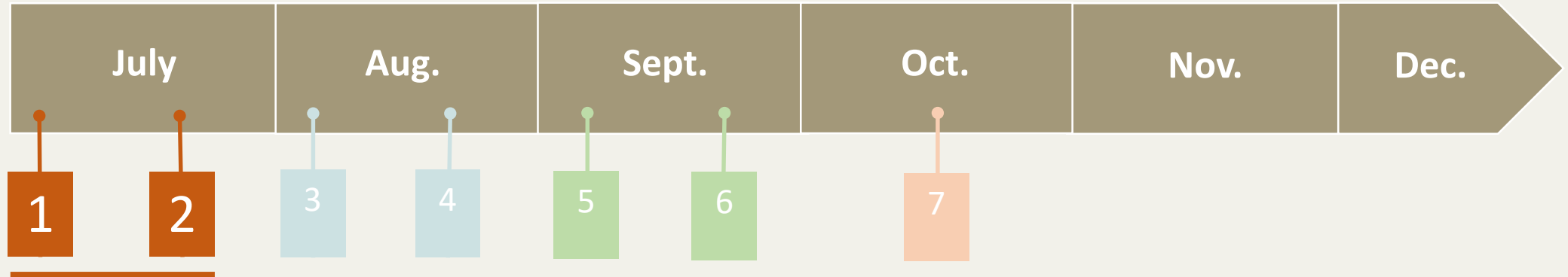
The department of natural resources must report and make recommendations for the establishment of a new trust land transfer program, in the form of proposed legislation, to the fiscal committees of the legislature, by **December 1, 2021.**



Work Group Process and Timeline



Project Timeline

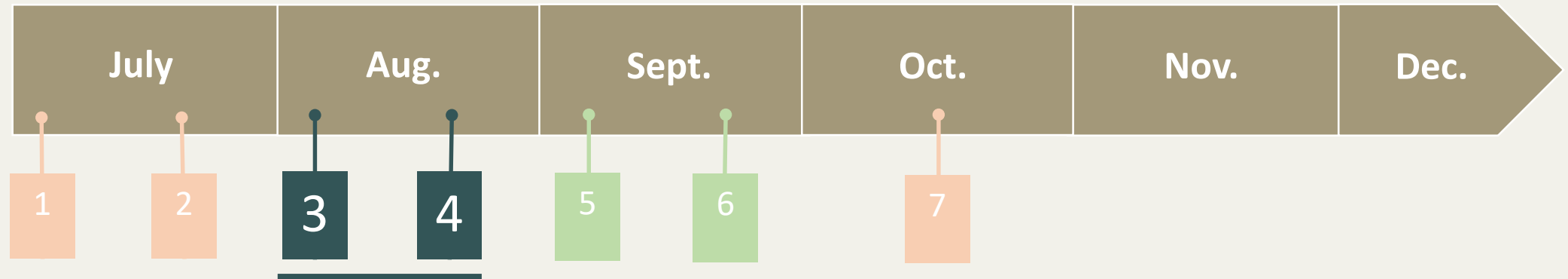


Meetings 1 and 2: Background and Context

- Review trust land transfer (TLT) background information, existing processes, and regulatory framework
- Provide overview of programs and tools related to TLT such as transition lands, State Forest Land Replacement Program (encumbered lands), Community Forest Program, and the land bank



Project Timeline

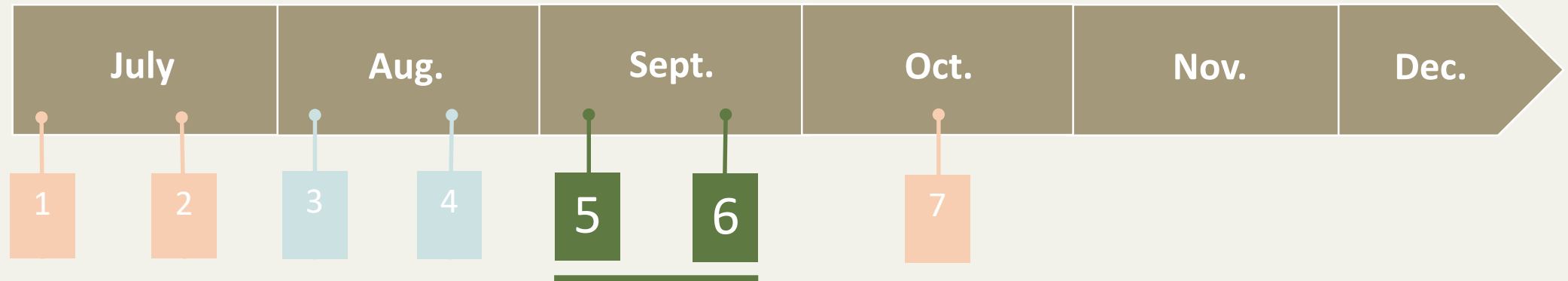


Meetings 3 and 4: Issues and Opportunities

- Work group members present various perspectives related to TLT
- Present and explore examples of other process options
- Group discussion and brainstorming of issues and opportunities for a new TLT process



Project Timeline

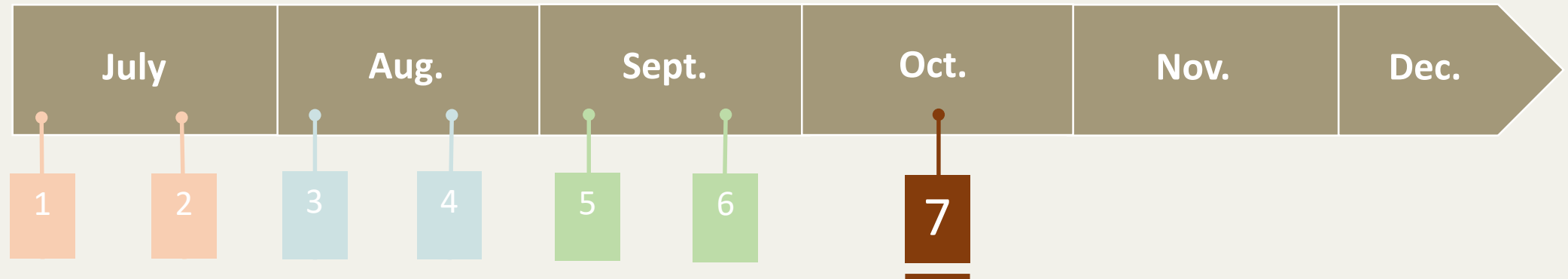


Meetings 5 and 6: Develop New Process Option

- Work group synthesizes issues and opportunities
- Consider, discuss, consolidate and/or reduce new process options
- Work group identifies a recommended option(s) to move forward



Project Timeline

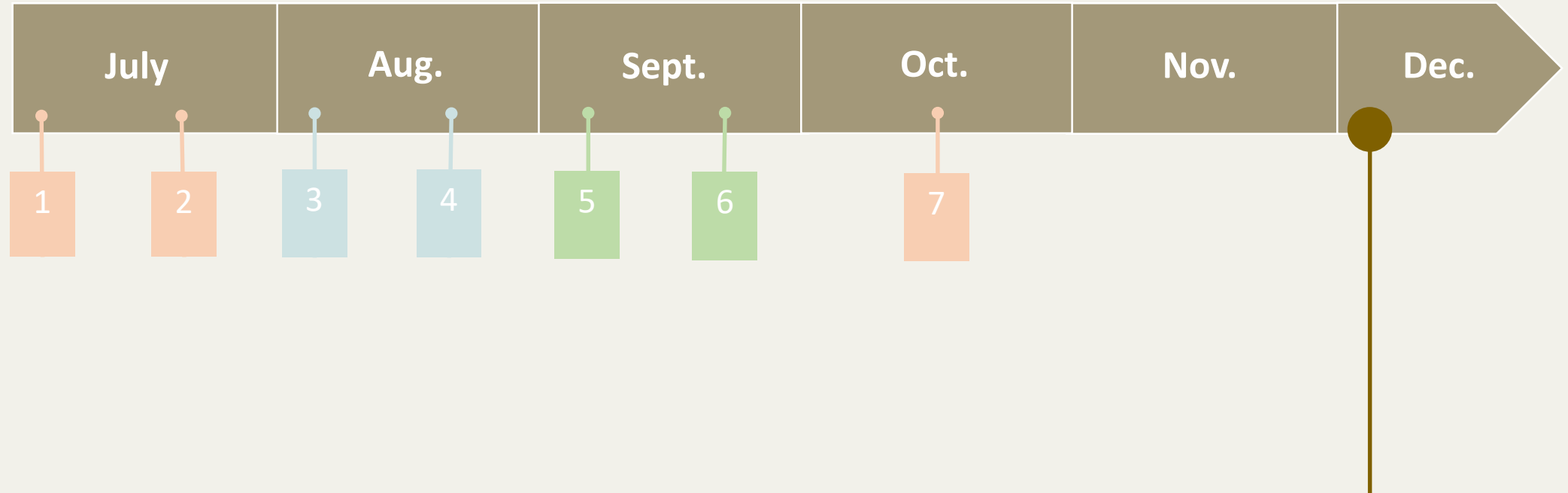


Meeting 7: Summary of Work Group Effort

- Work group reviews draft summary
- Work group identifies what, if any, steps remain related to the new TLT process
- Wrap up



Project Timeline



DNR reports to the legislature in the form of proposed legislation on December 1, 2021



Work Group Charter

Members of the work group will be asked to examine existing agency processes and procedures for conducting acquisitions, exchanges, and transfers specifically related to Trust Land Transfer (TLT), and to obtain, at a minimum, a basic understanding of state trust lands, transition lands, and the State Forestland Replacement/Decumbered Lands program, and Community Forest program.

Members will be asked to develop an understanding of the beneficiary needs as well as the other values/interests associated with state trust lands including conservation, recreation, and working lands.



Understanding Trust Land Transfer



What is Trust Land Transfer (TLT)?

An innovative tool for the Washington State Legislature, through an appropriation to DNR, to address several trust land management needs of the Common School trust:

- Transfer out of economically under-performing state trust lands;
- Acquire funds to purchase replacement lands with higher long-term income producing potential;
- Direct funds to the K-12 Common School Construction Account; and
- Conserve lands that have high ecological or social values.



Three Phases of TLT

Phases	Codified in statute?	Timeline	Who
1. Development of a TLT parcel list*	No	July through September prior to long legislative session	DNR transactions team
2. Development of the Proviso	Not applicable	January through the end of the legislative session	Legislature
3. Implementation of TLT Proviso	Yes	End of legislative session through completion of TLT projects	DNR transactions team

*Work group input on process



Phase 1: Development of a TLT Parcel List

Nomination of Parcels

Each biennium, trust parcels are brought forward by:

- State agencies, counties, public utility districts, and cities
- DNR regions, divisions, or executive management
- Interested citizens, recreation groups, and conservation groups who have found a suitable government agency who is willing to be the long-term owner and steward of the TLT property



Phase 1, Continued

Selection of Parcels

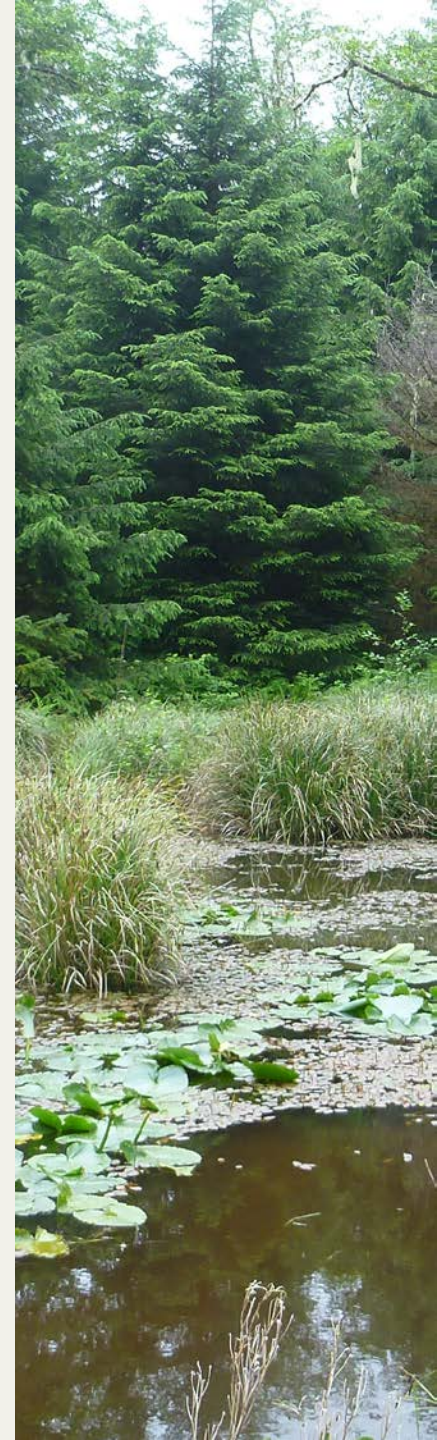
Because the process is not codified, these steps change each biennium.

1. DNR executive management provides guidance to DNR's land transactions team on what the total TLT funding "ask" should be.
2. The DNR land transactions team notifies internal staff and external stakeholders of the nomination process and legislative timelines.
3. Internal staff and external stakeholders identify and nominate TLT candidate parcels.
4. The DNR land transactions staff screens parcels to determine region interest and fit, then compiles the nominated parcels list.



Phase 1, Continued

5. The nominated parcel list is ranked.
6. The TLT candidate project presentation is prepared for Board of Natural Resources consideration.
7. The final TLT candidate parcel booklet is prepared for the Office of Financial Management, Superintendent of Public Instruction, Governor's Office, and legislative committees.



Parcel List Example

Parcel Name	County Legislative District	Receiving Agency	Acres	Timber	Land	Total
Middle Fork Snoqualmie	King/5 th District	DNR Natural Areas	121	\$1,800,000	\$180,000	\$1,980,000
West Tiger	King/5 th District	DNR Natural Areas	97	\$1,620,000	\$290,000	\$1,910,000
Devils Lake	Jefferson/24 th District	DNR Natural Areas	370	\$4,030,000	\$1,300,000	\$5,330,000
Carey Creek	King/5 th District	King County	103	\$1,190,000	\$433,000	\$1,623,000
Dabob Bay Expansion	Jefferson/24 th District	DNR Natural Areas	900	\$4,467,000	\$1,800,000	\$6,267,000
Issaquah Creek	King/5 th District	King County	180	\$2,040,000	\$1,080,000	\$3,120,000
Burley Olalla	Kitsap/26 th District	Kitsap County	320	\$545,000	\$960,000	\$1,505,000
Chelatchie	Clark/18 th District	Clark County	80	\$130,000	\$1,200,000	\$1,330,000
River Road	Clallam/24 th District	Clallam County	400	\$0	\$2,000,000	\$2,000,000
Villier Road	Stevens/7 th District	Lake Spokane Parks District or Stevens County	240	\$0	\$5,000,000	\$5,000,000
Totals			2,811	\$15,822,000	\$14,243,000	\$30,065,000



Phase 2: Development of the Proviso

8. Upon conclusion of the legislative session, the capital budget is finalized. The budget includes a TLT proviso that sets the funding level, defines a parcel list, and provides direction for DNR to implement TLTs.
 - Each capital budget proviso serves as the authorizing and appropriating mechanism for TLT.
 - New provisos are created each biennium, so the TLT program can change slightly over time.



“The appropriations in this section are subject to the following conditions and limitations.....”

1989 (excerpt)

(1) Lands and timber purchased by the department shall be based on a finding ...that, in the interest of the state, the timber on such lands should not be harvested.

(2) The lands and timber purchased under this section shall be managed under either chapter 79.70 or 79.71 RCW, as determined by the board of natural resources.

(3) The land and timber shall be appraised and purchased at full market value.

(4) The proceeds of the sales of timber shall be deposited by the department in the same manner as timber revenues from other common school trust lands except that no deductions shall be made for the resource management cost account under RCW 79.64.040.

(5) The proceeds of the sales of land shall be used by the department to acquire replacement timber land of equal value to be managed as common school trust land and to maintain a sustainable yield.

2019 (excerpt)

(1) The appropriation is provided solely for the department of natural resources to transfer from trust status certain trust lands of statewide significance deemed appropriate for state parks, fish and wildlife habitats, natural area preserves, natural resources conservation areas, department of natural resources community forest open spaces, or recreation purposes.

(3) All reasonable costs incurred by the department to implement this section are authorized to be paid out of the appropriation. Authorized costs include the actual cost of appraisals, staff time, environmental reviews, surveys, and other similar costs, and may not exceed one and nine-tenths percent of the appropriation.

(4) By June 30, 2021, land within the common school trust shall be exchanged for land of equal value held for other trust beneficiaries of the property identified in subsection (1) of this section.



Past TLT Program Performance

Biennium	Appropriation	Acres Transferred	Accumulative Appropriation
89-91	\$171,500,000	44,056	\$171,500,000
91-93	\$57,986,000	7,628	\$229,486,000
93-95	\$50,352,000	7,457	\$279,838,000
95-97	0	0	\$279,838,000
97-99	\$34,500,000	4,799	\$314,338,000
99-01	\$66,000,000	6,677	\$380,338,000
01-03	\$50,000,000	4,717	\$430,338,000
03-05	\$55,000,000	3,974	\$485,338,000
05-07	\$61,610,000	8,542	\$546,948,000
07-09	\$98,985,000	8,778	\$645,933,000
09-11	\$100,133,000	16,538	\$746,066,000
11-13	\$60,490,000	3,773	\$806,556,000
13-15	\$56,345,000	6,289	\$862,901,000
15-17	\$9,784,000	2,118	\$872,685,000
17-19	\$10,000,000	800*	\$882,685,000
Total 1989-2019		126,105	\$882,685,000



Phase 3: Implementation of TLT Proviso

TRUST LAND TRANSFER PROGRAM

Legislative funds:

- ▶ Provide revenue for school construction,
- ▶ Acquire special properties for public benefit.



Legislative money buys original trust land.

Property ownership is transferred to public agencies:

- ▶ DNR (NRCA/NAP)
- ▶ State Parks
- ▶ WDFW
- ▶ Counties/Cities



80% The timber value is used directly to fund school construction.



20%



The bare land value goes toward buying replacement lands. Future revenue from replacement lands also funds school construction.



Common School Construction Account



Phase 3, Continued

1. After the level of appropriation is determined in the capital budget bill, DNR follows the RCWs that govern land transactions.
2. DNR land transactions staff present each TLT project and any associated inter-trust exchanges to the Board of Natural Resources for consideration and approval.



Complexities of Implementation

- Costs incurred by DNR to implement the trust land transfers are paid out of the appropriation; costs are limited to 1.9%.
- The ratio of timber value to land value required by the Legislature has been a moving target and has changed in different provisos.
- Inter-trust exchanges between common school and other trusts have occurred in order to accomplish trust land transfer projects.



Cost of Implementation

- When generating revenue from a timber sale, DNR retains management funds; however, the proviso directly prohibits this in the case of TLT.
- The 1.9% cap does not cover DNR's administrative costs for completing the transactions.



80/20 Ratio of Timber to Land Value

- Properties with high ratios of timber to land value are favored for meeting the aggregate ratio determined by the legislature.
- Some provisos have spelled out the 80% timber value to 20% land value, while others have not.
- Many common school parcels that achieve this 80/20 ratio have already been transferred through the TLT program.

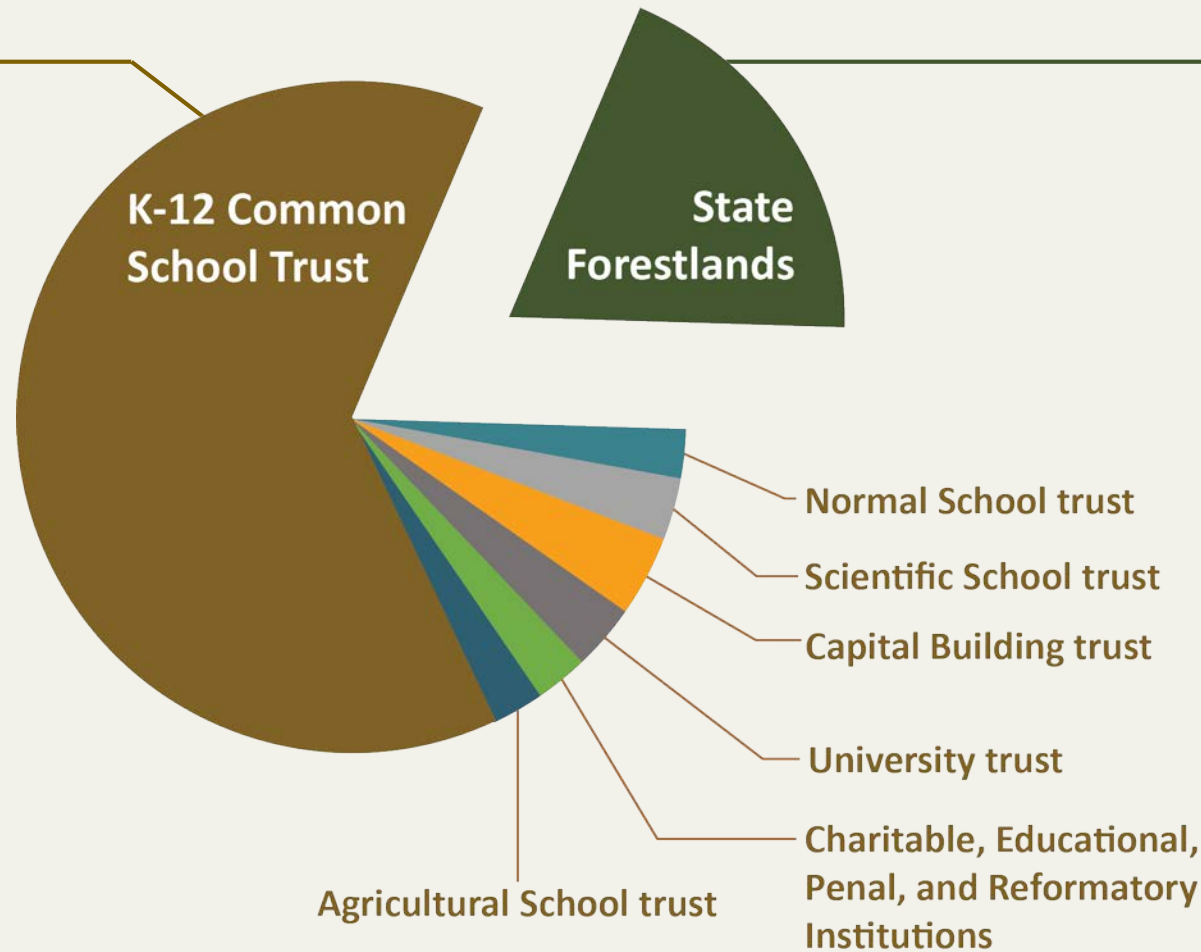


~2.9 Million Acres of State Trust Lands

State Lands

Federally granted lands

- Enabling Act (25 U.S. Statutes at Large, c 180 p. 676)
- State Constitution
- Revenue generated from a variety of sources
- Source of financial support, primarily for public schools and colleges



State Forestlands

Two types: Transfer and Purchase

- > 617,000 acres*
- Transfer lands acquired by counties through tax foreclosures.
- Statutory trusts
- Revenue helps fund county services, state schools, and junior taxing districts
- 21 counties

* Source : Deloitte Report 2020, Appendix D

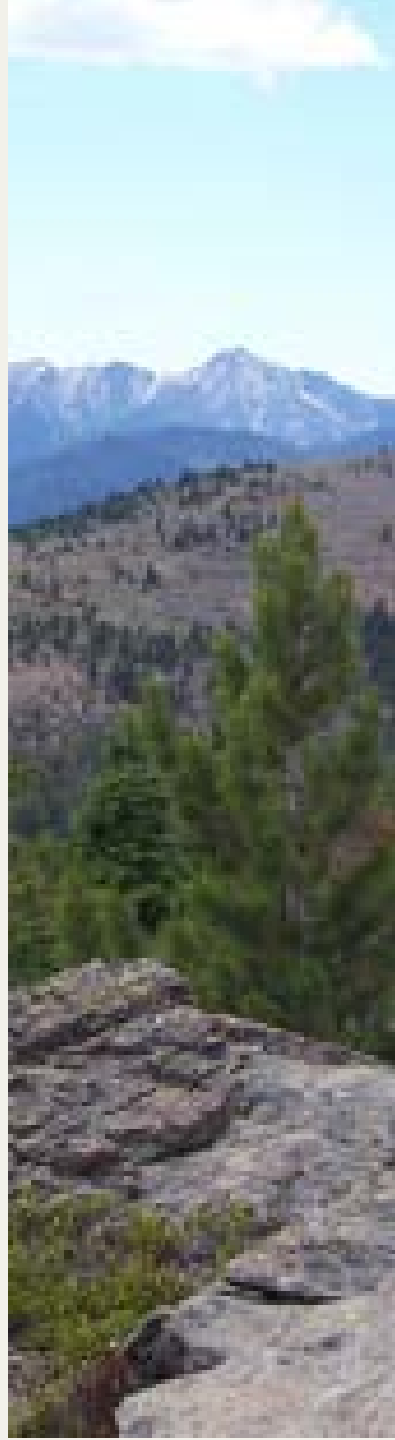
Inter-Trust Exchanges

- The intent of TLT was to address issues with Common School Trust lands.
- The provisos have only allowed DNR to implement TLT transactions using Common School Trust lands.
- There have been times when the lands identified on the list are other trusts. These TLT transactions require an inter-trust exchange.



Conclusion

- The TLT process has three phases: developing a TLT proviso list, developing the proviso, and implementing the proviso.
- Agency-identified complexities of the TLT process include:
 - Generating a list
 - Limiting costs to 1.9% of appropriation
 - Meeting the 80/20 rule
 - Performing inter-trust exchanges





Questions?

