



DEPARTMENT OF NATURAL RESOURCES

Annual Report 2008



WASHINGTON STATE DEPARTMENT OF
Natural Resources

Caring for
your natural resources ...
now and forever

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

Doug Sutherland
Commissioner of
Public Lands
(2001-2009)

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DEPARTMENT OF NATURAL RESOURCES

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2008

Caring for
your natural resources...
now and forever

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.



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

A Message from the Commissioner of Public Lands

The Washington State Department of Natural Resources (DNR) worked this year with partners from the public, private, nonprofit and educational sectors to protect your resources and lands, both public and private. These partnerships are helping to restore Puget Sound, protect working forests and other open lands, and assure long-term, non-tax revenue for public schools, county services and other trust land beneficiaries.

Some of DNR's accomplishments in 2008 were large and visible—removing 1,349 tons of toxic creosote-treated wood from Puget Sound, protecting 12.7 million acres of non-federal land from wildfire, enforcing science-based forest practices rules on private and other nonfederal forestlands, and dedicating the 71,000-acre Naneum Ridge State Forest. Other steps we took were less visible to the eye but also critically important to current and future generations—helping lead statewide planning to respond to a changing climate, positioning trust land resources to support cleaner energy production, protecting wildlife and plant habitat, and keeping working forests working to support local economies.

Also notable in 2008 were the start-ups, pilot projects, and other steps that will help make Washington an environmentally greener state and better place to live. As a former city mayor and county executive, I know how much people value having healthy



© SCOTT MITCHELL PHOTO

August 1, 2007
Public invited for first time to nominate aquatic ecosystem sites as aquatic reserves.

November 1, 2007
DNR holds open house on creosote cleanup project in waters off Port Townsend.

March 5, 2008
DNR unveils redesigned website.

March 14, 2008
Forest health pilot project launched in Stevens County.

'08

JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER JANUARY FEBRUARY MARCH



Fiscal Year 2008 begins

2007 ◀

▶ 2008



environments in which to live and work—whether it is an urban area, a rural community, a waterway, or a forest. This year, DNR initiated:

- ▶ A pilot project that will grow into a statewide program empowering small forest owners to improve forest health on their lands;
- ▶ A coordinated effort to advance urban forestry in communities, large and small;
- ▶ Initiatives and plans to help communities reduce wildfire risks; and
- ▶ Statewide outreach to align recreational uses of trust lands with DNR’s trust mandate and ecological responsibilities.

In looking at what DNR has accomplished and what it has started over the past eight years, I am most proud that DNR continues to be known for its expertise and the respect it shows to citizens and stakeholders of all types. It couldn’t happen without the department’s many dedicated employees who come to work each day, caring for your natural resources.

I am honored to have served as your Commissioner of Public Lands for the past eight years. I believe that the best of what our state has to offer, in both natural and human resources, is yet to come. I’m grateful to have been a part of helping make it happen.

DOUG SUTHERLAND
 COMMISSIONER OF PUBLIC LANDS
 (2001-2009)

“What DNR has accomplished and started over the past eight years is due to the many dedicated DNR employees who come to work each day caring for your natural resources.”

March 15, 2008
 DNR holds all-day safety summit for ORV riders near Capitol State Forest.

April 29, 2008
 Fidalgo Bay Aquatic Environmental Reserve established, see page 10.

June 7, 2008
 Naneum Ridge State Forest dedicated, see page 7.

June 30, 2008
 New interagency dispatch center announced, see page 13.

August 18-26, 2008
 Swanson Lake fire burns 13,192 acres on DNR, private and Bureau of Land Management lands.

October 9, 2008
 Forest Stewardship Council ‘green certification’ for 145,000 DNR-managed acres on Westside is announced, see page 7.



FSC, THE MARK OF RESPONSIBLE FORESTRY
 © 1996 FOREST STEWARDSHIP COUNCIL
 A.C. CERTIFICATE NUMBER: BV-FM / COC-080501

APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER



Fiscal Year 2008 ends



Fiscal Year 2009 begins



Working for Washington's sustainable future



As the steward of public lands and resource protection, DNR works to meet the needs and expectations of a growing population while safeguarding Washington state's rich natural heritage legacy. We do this by seeking a blend of trust revenue, healthy ecosystems, jobs, recreation, and other benefits for the people of Washington—in other words, a long-term vision of Washington's future.



Vibrant Economy

Since 1889, DNR and its predecessor agencies have been entrusted to care for state trust lands for current and future generations.



The department also protects public resources and landscapes that maintain

viable forestry, aquaculture, and other industries. Revenue produced from the 3.1 million acres of trust lands serves a wide range of beneficiaries and provides non-tax revenue to support about one-third of all school construction. The lands DNR manage also support universities, prisons, hospitals, and other institutions, as well as services in 21 counties. Other lands, such as the 2.6 million acres of aquatic areas DNR manages, help support the state general fund, local access, and local economies.

- ▶ Revenue from local timber sales provides substantial support to buy medical equipment for Forks Community Hospital.
- ▶ Thirty-one of 76 public ports in Washington have cooperative agreements with DNR to generate income from aquatic lands while ensuring public access and environmental protection.
- ▶ Forest practices are processed in a timely manner so private forest managers and family forest owners can pursue their livelihoods while protecting public resources.
- ▶ DNR efforts to prevent conversion of working forests to other uses buffers neighboring forestlands from development and maintains local timber jobs.



Social Goals and Expectations

Washington residents treasure clean water and air, and healthy ecosystems. The state's forests, shorelines, and other natural areas are the respites, playgrounds and educational resources for our rapidly growing urban areas. Each



year DNR-managed public lands receive about nine million visits from people who come to enjoy hiking, hunting, fishing, camping, trail riding, bird-watching, and numerous other outdoor pursuits. The state's Multiple Use Act opens DNR-managed lands to public use as long as assets are protected for their statutory purpose, and public safety and resources (including wildlife and fish habitat, water and air quality) are not harmed.

- ▶ Aquatic leases on the Seattle urban waterfront assure public access to the water on most piers, while Aquatic Reserves like Cypress Island open access to a remote natural environment.
- ▶ Planning groups of citizens with varied interests are helping redesign rules and regulations for recreation on DNR trust lands.
- ▶ The Forestry Riparian Easement Program, administered by DNR's Small Forest Landowner Office, has protected 4,753 acres of streamside forest in Washington by purchasing 256 easements from landowners who leave trees next to streams on their land to protect fish and water quality.
- ▶ DNR makes possible jobs to firefighters, loggers and other contractors through its role to protect Washington's natural resources on state and private land.
- ▶ Through the Students in the Watershed Program, DNR helps elementary and high school students learn about natural resources and ecosystems.



Healthy Ecosystems

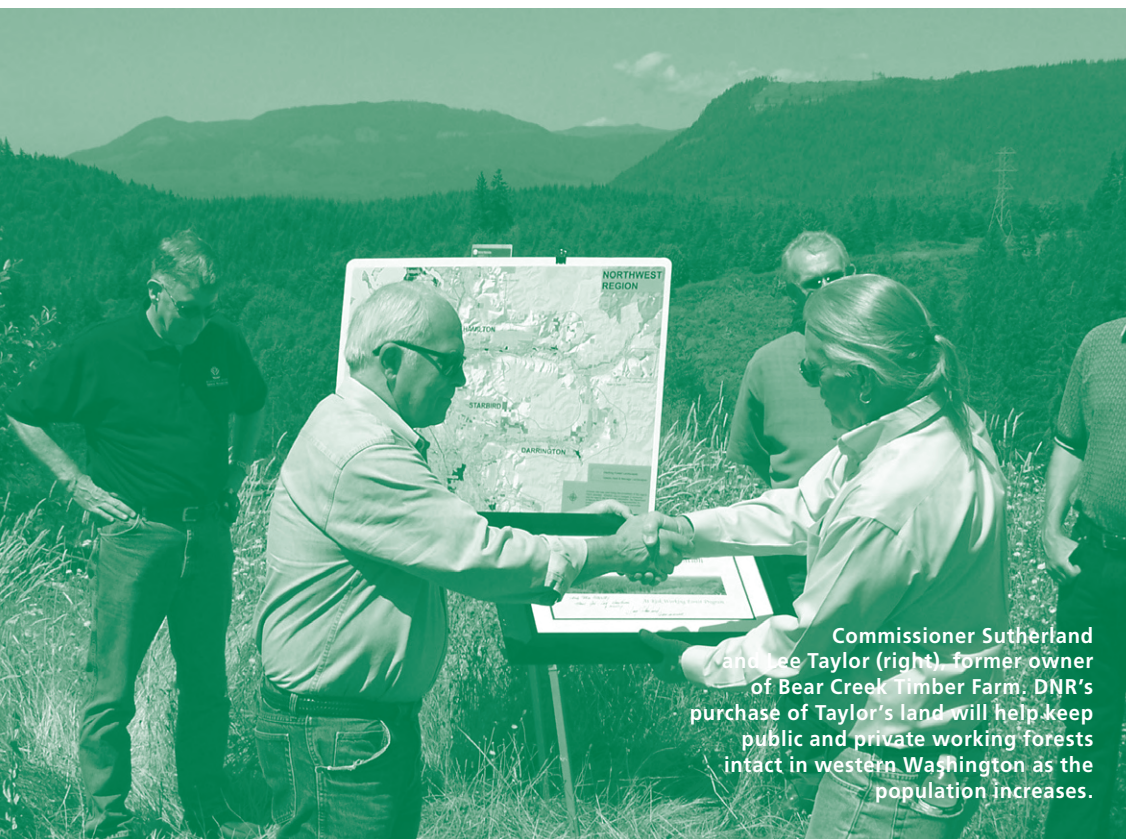
By assisting communities and private landowners, and by managing trust land forests, aquatic lands, pastures, farms and other lands, DNR maintains more than the health and integrity of



natural ecosystems; we also maintain public resources, such as clean water and air. One example is the 1997 Habitat Conservation Plan that spans up to 100 years and encompasses 1.8 million acres of forests on state trust lands. We use computer models, rules, monitoring and scientific study to safeguard natural resources. We manage trust lands to reflect the variety of ecosystems across the landscape—forestlands with trees of varying species and ages.

- ▶ DNR transferred nearly 2,400 acres to the Natural Areas Program in 2008 through the Trust Land Transfer Program.
- ▶ Wind power projects installed on state trust lands so far have the maximum capacity to produce 105 megawatts annually with more to come.
- ▶ The Stevens County Forest Health Pilot Project strategy is reaching out to help landowners learn how to take recommended actions that improve their forest conditions.
- ▶ DNR has removed 5,373 tons of toxin-containing, creosote-treated wood from in and around Puget Sound since October 2004.
- ▶ DNR provided workshops to inform forest landowners of the extent, timing, and steps they could take to mitigate wood-destroying insect activity in trees damaged in a December 2007 windstorm.

To meet the needs of the current generation without compromising opportunities for future generations, DNR's natural resource management and protection balances economic, ecosystem and societal needs for today and into the future.



Commissioner Sutherland and Lee Taylor (right), former owner of Bear Creek Timber Farm. DNR's purchase of Taylor's land will help keep public and private working forests intact in western Washington as the population increases.

BEAR CREEK PHOTO: BOB REDLING / DNR. TREE: ROBERT VAN PELT

LAND MANAGEMENT

Steward of state lands and resources for current and future generations

▶ Our stewardship of 3.1 million acres of upland trust lands—forest, range, farmland, orchards, and commercial properties—provides non-tax support for public schools, universities and other institutions



Bear Creek Tree Farm

A 985-acre tract of prime Snohomish County forestland under threat of being converted into home sites and other uses was purchased for the Common School trust this year. The \$4.15 million purchase of the Bear Creek Tree Farm—approved in May by the Board of Natural Resources—was the largest so far, following legislative authorization for DNR to acquire more working forest properties facing development pressures. The site, just 10 miles from Interstate 5, is a productive tract that will help buffer thousands of acres of nearby state trust land from non-forest development.

The purchase, and several smaller purchases also in 2008, strengthen long-term revenue prospects for building public schools. Purchase funds came from the sale or transfer of other state trust lands. DNR sells, exchanges or transfers trust lands that can no longer be managed effectively for revenue to trust beneficiaries; often, parcels are inefficient for commercial forestry when they are too close to land with homes and other incompatible uses.

Eastside Old-Growth Guide



A new guide published by DNR in October 2008 helps foresters and researchers more accurately identify older trees and forests in eastern Washington.

The 165-page *Identifying Old Trees and Forests in Eastern Washington*, written and illustrated by University of Washington ecologist Robert Van Pelt, completes the two-volume set of 'old-growth' guides—a western Washington guide was published in 2007. The publications complete a process that began in 2004 when the legislature asked DNR to inventory old-growth forest stands on state lands as defined by an independent scientific panel.

◀ Ponderosa pine tolerates drought, heat, rocky soils, and surface fire, making it part of most eastern Washington habitats. Some trees live for centuries such as this one in the south Cascades.

“Partnerships help protect working forests and other open lands, and assure long-term, non-tax revenue for public schools, county services and other trust beneficiaries.”

Land Exchanges

In January 2008, the Board of Natural Resources approved the South Stevens Exchange, which exchanged 3,875 acres of state trust land for 2,880 acres of privately owned land in several eastern Washington counties. The lands exchanged were of equivalent values based on independent appraisals. A second phase of the exchange—655 acres of trust land for 531 private acres of equal value—was approved in December 2008. The exchanges help consolidate trust forestlands and add agricultural holdings to diversify trust holdings.

DNR held three public hearings in April 2008 concerning a proposed exchange of up to 155,000 acres with the Washington Department of Fish and Wildlife (WDFW). If completed, each agency would consolidate holdings. DNR would acquire thousands of acres of forestland between Yakima and Wenatchee. WDFW would acquire trust land in-holdings in its managed wildlife areas.

DNR’s long-term asset management strategy is to consolidate trust lands into larger, more contiguous ownership blocks for long-term trust revenue, wildlife habitat management, and public access. The strategy also seeks, when possible, more diversified sources of revenue to the trusts that help fund the construction of public schools, universities, and other public institutions in Washington.

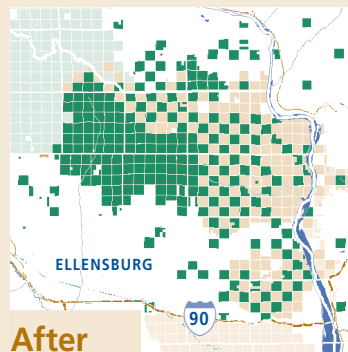
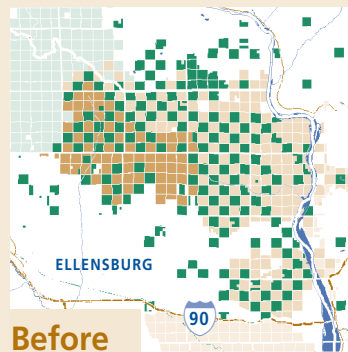
Naneum Ridge State Forest

In June 2008, one of DNR’s largest trust land exchanges ever—netting 62,000 acres of forestland—culminated with the official naming of Naneum Ridge State Forest, north of Ellensburg. Commissioner Sutherland was joined at the dedication by exchange supporters, including the Rocky Mountain Elk Foundation,



Kittitas County Field and Stream Club, Audubon Washington, and The Nature Conservancy. The transaction helped form the bulk of the 71,000-acre state forest. The Central Cascades Exchange, which closed in 2008,

helped consolidate thousands of acres of state trust land into three main forest blocks in the central Cascades. Consolidating ownerships helps DNR manage working forests for long-term revenue to trust beneficiaries, wildlife and plant habitat, and public access.



DNR Forestlands Earn ‘Green Certification’

In May 2008 DNR earned Forest Stewardship Council (FSC) ‘green certification’ for its management of about 145,000 acres of forested state trust lands in western Washington. FSC certification covers the South Puget Habitat Conservation Plan (HCP) Planning Unit—from the Kitsap Peninsula to the foothills of the Cascade Mountains east of Seattle and Tacoma. FSC is an independent, not-for-profit organization that promotes responsible management of the world’s forests. Timber and non-timber products with its seal must be harvested in a manner that maintains forest biodiversity and ecological processes as well as productivity. Certification of this portion of DNR-managed lands triples the amount of FSC-certified acres in Washington, allowing an increase of the amount of certified timber for suppliers and mills. In 2006, DNR obtained certification from the Sustainable Forestry Initiative® Program (SFI) for management of all forested state trust lands it manages statewide. Dual FSC and SFI certification gives DNR long-term potential to build a larger base of purchasers and provide consumers greater choice.

Recreation Group Meets

The 2008 Legislature unanimously adopted a DNR proposal to create the Sustainable Recreation Work Group to make recommendations on a long-term vision for outdoor recreation on DNR-managed lands. These lands increasingly face challenges from overcrowded trails and recreation sites, new forms of recreation, incompatibility of some activities with habitat and species protection, and rapid growth of motorized and mechanized outdoor sports. The 28-member panel was appointed by Commissioner Sutherland and began meeting in September. Work group members have developed a vision for recreation and will tackle important issues in 2009. The group relies on public input to help develop recommendations. In fall 2008, DNR sponsored nine public workshops and an online survey to gather information, and presented it to the work group.

Management Fee Raised

The Board of Natural Resources in March increased the fee DNR retains for managing trust lands. The decision raised the management fee for trust lands granted at statehood from 28 percent to the legislatively authorized 30 percent ceiling. The 22 percent management fee for State Forest trust lands DNR manages to support counties' services also was raised to 25 percent. The fee is deducted from gross revenues generated by timber sales, leases, and other activities on trust lands. It pays for replanting after timber harvests, controlling invasive weeds, and infrastructure to increase long-term revenue to trust beneficiaries.

The fee also pays for environmental protections, such as some \$10 million for marbled murrelet nest site surveys and protections, and \$2 million to create riparian forest and headwaters conservation strategies. Annually, the fee funds \$1.5 million to research and monitor endangered species.



TRUST LANDS PROVIDE WIND POWER POTENTIAL

DNR-managed lands are a big part of Washington state's wind-powered future. In 2008, DNR had some 20 wind power leases, including six that were generating electricity. Leases in southeast and central Washington where most of the projects are located brought in almost \$600,000 in FY 2008.

As wind projects go through the various phases of development, DNR collects rent at different amounts for each phase. There also are different rent structures when a project begins operating. Most leases provide the state either a percentage of the gross revenues from electricity produced from turbines on state land, or a rate-based rent where the revenue is a rate per kilowatt hour of electricity produced by wind turbines on trust land. DNR expects revenues to increase dramatically over the next few years as more wind power projects begin operating.

DNR began exploring wind power leasing in 2001 and leased the first property in 2003. With state law requiring power companies to expand production of 'green' energies (including wind) to 15 percent of total production, more leases and trust revenues are forecasted to come from wind-generated power. Nearly 100 more parcels of state trust land also have wind power potential.

State Leases Vineyard

DNR signed a master lease with Vintage Partners LLC in April 2008 to develop 404 acres of irrigated Common School trust land for vineyards and wineries in the Red Mountain American Viticultural Area (AVA) in Benton County. The lease was awarded through a public auction to the bidder with the proposal most beneficial to the trust in the longterm.

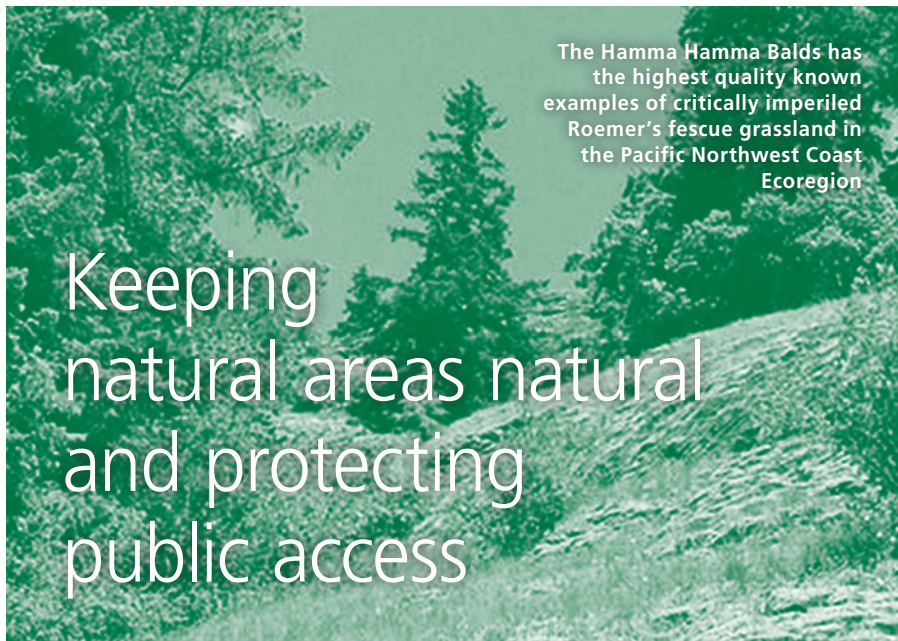
Eighty acres of the parcel are scheduled to be planted with grapes and 300 acres on the site will be planted by 2014. In addition to several wineries, the site will feature retail space, eateries and conference facilities. Premium grape varieties planted will include cabernet, merlot, malbec and others.

The long-term vision of the agricultural lease is to develop premium vineyards for several small wineries on the site that will eventually bring in an estimated \$500,000 a year to help build public schools. The state trust lands leased for wine production in the Red Mountain AVA are projected to provide \$1 million annually by the middle of the next decade.

Statewide, DNR leases or permits the use of more than a million acres of trust land to farmers and ranchers for agricultural and grazing production, part of efforts in recent years to diversify trust revenue sources.

Dryland Agriculture Leases

Dryland agricultural farming is a major source of revenue from trust lands in DNR's Southeast Region. In fiscal year 2008, some 550 agricultural leases on 148,000 acres of trust land in the 15-county region produced \$6.8 million for trust beneficiaries. The FY 2008 revenue was about twice the amount produced in FY 2005, with much of the increase due to a spike in commodity prices last year. Leases are structured to approximate the fair market value of private leases in the area; sharecrop rents provide the state from 23 percent to 28 percent (plus leasehold tax) of the lessee's crop. DNR markets its annual share of about 600,000 bushels of wheat and other crops.



The Hamma Hamma Balds has the highest quality known examples of critically imperiled Roemer's fescue grassland in the Pacific Northwest Coast Ecoregion

CHRIS CHAPPELL

Keeping natural areas natural and protecting public access

Hamma Hamma Balds

An area of high quality, sensitive plant habitat in Mason County received special protection this year through the state's Trust Land Transfer (TLT) Program. The Board of Natural Resources approved the transfer of 957 acres of Common School Trust land to the Hamma Hamma Balds Natural Area Preserve (NAP) to protect Roemer's fescue grassland—critically imperiled and in danger of extinction in the Pacific Northwest Coast Ecoregion.

The TLT Program identifies Common School Trust properties to transfer to protected status or to other public agencies to manage for ecological and social goals. The Common School Construction Account is reimbursed with legislatively appropriated funds for the appraised value of timber; the appraised land values are used to acquire other lands more suitable for trust revenue. The legislature appropriated \$100 million for transfers in the 2007-09 biennium, which ends June 30, 2009.

The 4,980 acres transferred so far in the 2007-09 biennium have brought \$35.3 million for school construction and \$6 million to replace trust lands. Recent transfers include:

- ▶ 850 acres to Pend Oreille County for outdoor recreation.
- ▶ 842 acres to protect undisturbed old forest and the City of Tacoma's water source in the Charley Creek NAP in eastern King County.

- ▶ 852 acres added to the Mt. Si Natural Resources Conservation Area (NRCA), bringing the NRCA to more than 10,000 acres.

From the beginning of the 2001-03 biennium through the end of 2005-07 biennium, more than 16,700 acres have been transferred, bringing millions of dollars to build public schools and replace lands.

Conservation Acquisitions

DNR this year helped unlock a three-year stalemate over a historic tract of prime old-growth Douglas-fir trees. Owners of the 142-acre Allen Estate in Ashford wanted to log towering trees at the main entrance to Mount Rainier National Park. Local businesses viewed the trees as essential to attracting tourists to the area. DNR agreed to hold a conservation easement in perpetuity to ensure the property's use as habitat and to prevent future development. Working with the Cascade Land Conservancy, DNR purchased a conservation easement for more than 8,000 acres of commercial forestland in the Green River watershed from a timber company. A federal Forest Legacy program grant paid for a \$2.2 million conservation easement purchase of property adjacent to state trust land and will permanently protect it from development.

DNR used a \$1.58 million grant from the Washington Wildlife and Recreation Program to acquire 88 acres in the Stavis Natural Resources Conservation Area near Bremerton this year. The property, sold by a willing private owner, is highly threatened by development and contains high quality forest and habitat.

Outdoor Learning

Washington's Students in the Watershed Program, a DNR co-sponsored annual environmental education program, marked its 13th year in May 2008 as more than 200 fourth-grade students came to Belfair State Park to spend a day outside learning about forests, wildlife and bugs in local streams. Teachers for the day-long event were North Mason High School students who worked throughout the year with DNR and other natural resource experts studying stream water quality and forest stewardship. The teenagers shared their knowledge with the fourth-graders from Sand Hill Elementary and Belfair Elementary schools at the event. Some of the 4,200 students who have participated in past events have since become high school teachers. Others have gone on to careers influenced in some way by their participation in the program. Additional backers of the program are the North Mason School District, Hood Canal Salmon Enhancement Group, Hood Canal Institute, Washington State Parks, Mason County Public Health and the Belfair community.



JANET PEARCE / DNR

- ▲ DNR participates in several innovative hands-on environmental education programs including Students in the Watershed.

Managing aquatic lands and building partnerships to restore Puget Sound

FIDALGO BAY AQUATIC RESERVE IS DNR'S NEWEST ENVIRONMENTAL AQUATIC RESERVE

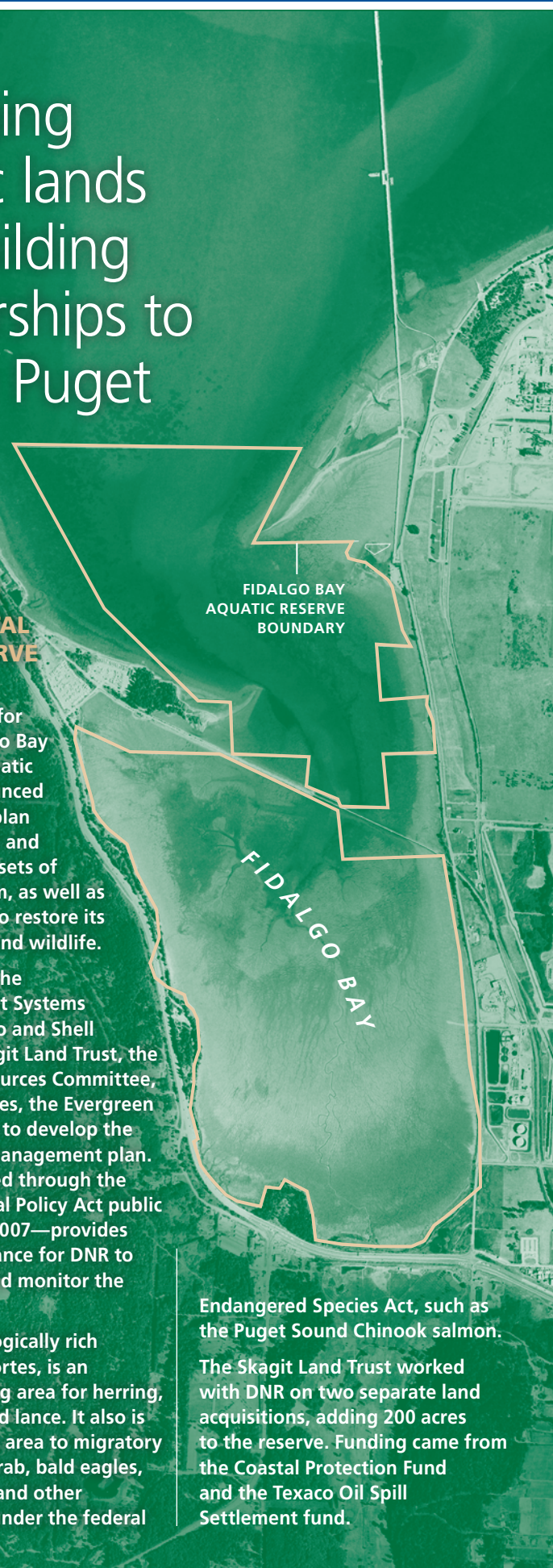
A new long-term management plan for the 650-acre Fidalgo Bay Environmental Aquatic Reserve was announced in April 2008. The plan lists characteristics and natural resource assets of the bay's ecosystem, as well as the opportunities to restore its habitat for plants and wildlife.

DNR worked with the Samish Tribe, Skagit Systems Cooperative, Tesoro and Shell Refineries, the Skagit Land Trust, the Skagit Marine Resources Committee, the City of Anacortes, the Evergreen Islands, and others to develop the aquatic reserve's management plan. The plan—reviewed through the State Environmental Policy Act public review process in 2007—provides management guidance for DNR to protect, restore, and monitor the reserve area.

Fidalgo Bay, a biologically rich estuary near Anacortes, is an important spawning area for herring, surf smelt, and sand lance. It also is home and foraging area to migratory birds, Dungeness crab, bald eagles, peregrine falcons, and other species protected under the federal

Endangered Species Act, such as the Puget Sound Chinook salmon.

The Skagit Land Trust worked with DNR on two separate land acquisitions, adding 200 acres to the reserve. Funding came from the Coastal Protection Fund and the Texaco Oil Spill Settlement fund.



Before



After

Spartina Eradication

Efforts to eradicate spartina, an invasive plant first introduced into Washington waters more than a century ago, took major strides this year. In Willapa



Bay, one of the spartina-infested areas in the state, the plant spread from about 300 acres in 1984 to more than 8,500 acres

by 2003. Using legislatively appropriated funding DNR worked with the Washington departments of Agriculture and Fish and Wildlife on a major control program in the bay. In 2007, an estimated 2,310 acres of spartina, about 99 percent of the total infestation, were treated in Willapa Bay. By the end of the 2008 treatment season, fewer than 200 acres remained to be treated.

Maury Island Lease

In December, DNR granted a 30-year lease for a dock across state-owned aquatic lands in the Maury Island Aquatic Reserve. A management plan was developed after a two-year public process that included State Environmental Policy Act review. The agreement with Northwest Aggregates follows the plan and replaces a lease last renewed in 1988. Commissioner Sutherland signed the lease after approval of required permits from the state Department of Ecology, Department of Fish and Wildlife, King County Shoreline Management Act, and U.S. Army Corps of Engineers. The U.S. Fish and Wildlife Service and NOAA Fisheries established that the project would not harm endangered species. DNR's lease requires a smaller footprint for the dock to minimize sun shading and prevent storm water runoff onto state-owned aquatic lands. The lease also prohibits exterior lighting over the water after dark during herring spawning. The company must remove the dock when its operations cease.

Center for Wooden Boats on Lake Union

Opportunities for the public to access Lake Union and appreciate the art, science and heritage of wooden boat construction got a boost from a five-year agreement signed in September 2008 by DNR and the Center for Wooden Boats in Seattle.

The agreement allows the Center to keep its docks open to the public to display wooden watercraft, and maintain a floating workshop, multi-use building, and public parking lot. In addition to providing public access to Lake Union, which has many miles of privately controlled shoreline, the agreement helps protect habitat by minimizing the amount 'non-water-dependent uses'—those that do not need to be on or next to the water.

In this biennium (2007-09), DNR has surpassed its goals by adding 20 public use and access agreements to its aquatics leases. In the past four years, DNR has successfully negotiated to include public access to the water in 45 agreements with other state agencies, local jurisdictions, nonprofit organizations, and individual lessees.

Lake Washington Dry Docks

A project to remove two sunken dry docks in Lake Washington began in September 2008 with completion anticipated in early 2009. Funds come from the Derelict Vessel Removal Program, \$1 million from the 2007 Legislature, a King County WaterWorks grant, and contributions from other sources including the vessels' former owners. Under the Derelict Vessel Act, DNR obtained custody of the vessels to remove them after securing the necessary permits.

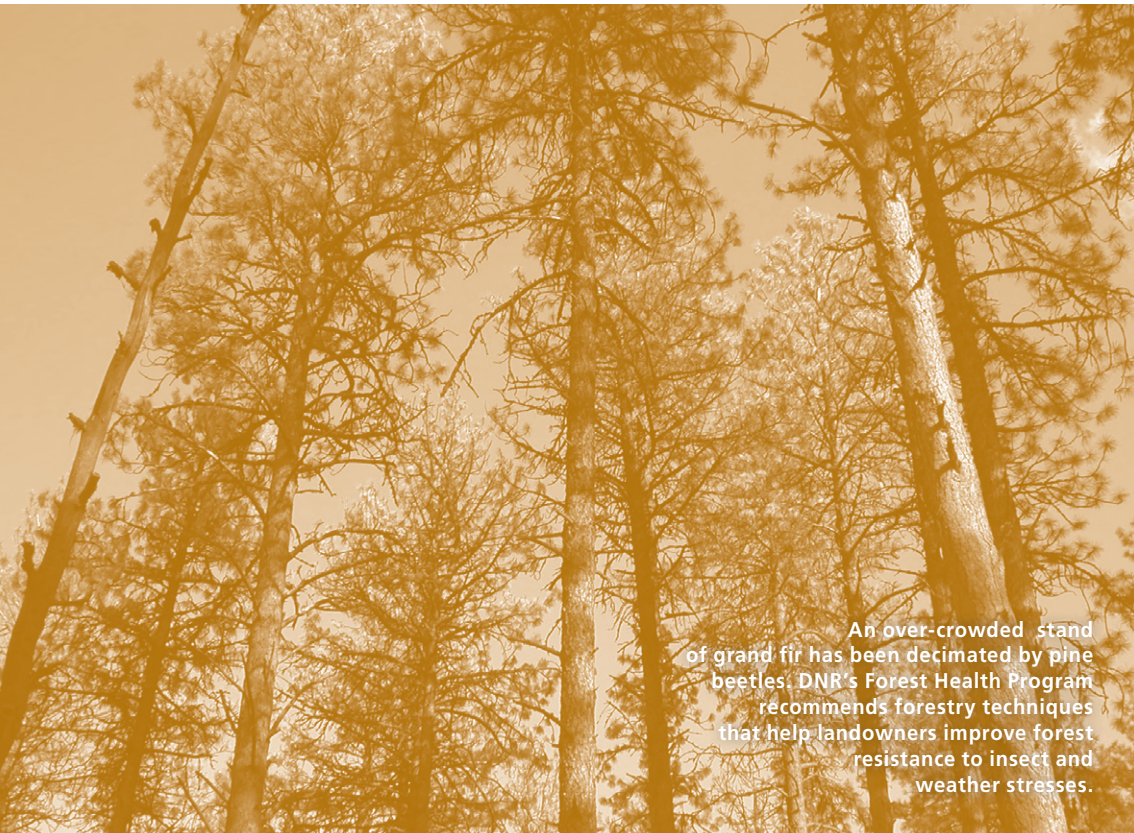
In fiscal year 2008, DNR removed 18 vessels through the program. DNR is authorized under a 2002 state law to work with owners and other agencies to seek solutions for the vessels that pose navigational or environmental hazards including removing and disposing of vessels. The program also provides matching funds and assistance for cities, ports, and other agencies. As part of DNR's effort to help clean up Puget Sound, the program was enhanced with \$2 million from the 2007 Legislature to dispose of larger vessels. The legislature temporarily added \$1 to the \$2 existing recreational boat license fee that helps fund the program to about \$750,000 annually. The public can report derelict vessels and public agencies can apply for matching grants online at www.dnr.wa.gov

Aquatics HCP Update

DNR worked this year with the U.S. Fish and Wildlife Service and the National Marine Fisheries Service to develop the nation's first Aquatic Lands Habitat Conservation Plan (HCP). It will cover 2.6 million acres of state-owned aquatic lands and establish conservation strategies for log-booming and storage, structures over the water, and authorized shellfish growing and harvesting on state-owned aquatic lands to help the recovery of 23 aquatic species. Information available on DNR's website (www.dnr.wa.gov) in support of the HCP includes data about all bridges, floats, docks, and other structures built over water in the state. Development of the HCP began in 2004 and has included input from the public, tribes, public and private agencies, and an independent science review panel, plus data collection by environmental consultants. A draft HCP is scheduled to be released in 2009 for public review and comment under the national and state environmental policy acts.

Creosote Removal Helps Restore Puget Sound

DNR launched a project to remove creosote-laden docks at the former ASARCO smelter in Pierce County where 2,300 pilings cover 2 acres of water atop a federal Superfund site. A study, to be coordinated with the U. S. Environmental Protection Agency and due in May 2009, will examine how to remove the deteriorating docks without disturbing contaminated sediments. The study will be paid for by DNR's Creosote Removal Program (from the state's Toxics Fund) and Point Ruston, LLC, the site's developer. DNR-led efforts to clean up Puget Sound have included removing 5,373 tons of creosote-treated wood in and around the Sound since October 2004 when the Creosote Removal Program began. Creosote clean up is one of several DNR activities that support the Puget Sound Partnership's effort to clean up Puget Sound by 2020.



An over-crowded stand of grand fir has been decimated by pine beetles. DNR's Forest Health Program recommends forestry techniques that help landowners improve forest resistance to insect and weather stresses.

FIR STAND: DNR PHOTO FILES. FIREFIGHTER: RANDY WARNOCK / DNR

RESOURCE PROTECTION

Using science and partnerships to safeguard resources, now and forever

▶ We protect public resources and manage wildfire on 12.7 million acres of private, tribal and state lands.



Forest Health

This year, DNR began its expanded program to address forest health issues in Washington. After a four-year public policy collaboration between DNR and government agencies, conservation groups, industry, tribes and universities, legislation was passed in 2007 designating DNR as the state's lead forest health agency and giving the department new tools and authorities. DNR initiated a pilot project in Stevens County to test forest health improvement strategies. The department gathered input from a broad range of stakeholders to identify where and how to test various outreach and communications options, methods to inventory forest conditions for assessing forest health risks, and ways to assist landowners in taking appropriate action. DNR is also working with federal officials to coordinate state priorities with federal decisions, such as federal land management plans, endangered species recovery, and biomass utilization.

Urban & Community Forestry

DNR used new legislative authorization this year to begin strengthening urban and community forests—noncommercial forests whose sizes and composition are largely unknown but may well contribute to long-term storage of atmospheric carbon and bring other benefits. The Evergreen Communities Act, passed by the 2008 Legislature, authorizes DNR's Urban and Community Forestry Program to develop and conduct inventories and assessments of community and urban forests throughout the state. The new legislation also makes DNR's program more competitive for federal grant funds. It gives the department, in partnership with the Washington State Department of Community, Trade and Economic Development, a mechanism to encourage local governments to develop and implement their urban forestry management plans and ordinances. The new law creates a new grant program for local governments' urban forestry programs and gives preference in certain grant programs for local governments with qualifying urban forestry programs.

Climate Change

In December 2008, a panel formed by DNR and the Department of Ecology released a report suggesting ways that forest landowners, governments, industries, and developers could help mitigate climate change. The recommendations to the 2009 Legislature will suggest that new forestry-based carbon offset projects and other incentives for voluntary action by forest landowners be incorporated into a regional greenhouse gas cap-and-trade system. The Forest Sector Workgroup on Climate Change Mitigation included representatives of environmental and energy advocacy groups, land trusts, large and small forest landowners and manufacturers, the power sector, and state, local and tribal governments.

In addition, the Governor's Climate Action Team, which included Commissioner Sutherland and other senior business and government leaders, completed its work and released a report in December 2008. DNR staff served on technical work groups that helped examine and develop natural resources-related portions of the team's report.

This year DNR released a summary of its agency activities to address climate change:

- ▶ Managing more than 2 million acres of forested trust land that sequesters and stores large amounts of carbon that would otherwise be released to the atmosphere.
- ▶ Improving forest health, including DNR's large-scale pilot programs in eastern Washington to improve forests' resilience to disease and wildfire.
- ▶ Operating a community and urban forestry program to help local governments inventory and plant more trees in urban areas to absorb more atmospheric carbon and help cool buildings.
- ▶ Developing renewable energy resources, such as wind power on DNR-managed trust lands in eastern Washington and exploring development of solar energy 'farms', markets for forest biomass, and other resources.

Storm Recovery

DNR coordinated the removal of several tons of woody debris left on private farmland in the upper Chehalis River Valley after a fierce storm in early December 2007. The storm's high winds and heavy rains produced a 500-year flood event that caused rivers to surge out of their banks and inundate parts of Lewis, Pacific, and Grays Harbor counties. In January 2008, DNR announced it would remove woody debris washed onto farmers' fields by floodwaters at no cost to owners. The department's costs were partially defrayed by chipping much of the gathered wood to market as fuel.

The storm's hurricane-force winds also damaged 600-800 million board feet (mmbf) of standing timber—the equivalent of 15 to 20 percent of the entire state's annual harvest. The Board of Natural Resources approved the sale of about 113 mmbf of wind-damaged timber from state trust land using an expedited but fully complete forest practices application process.

▼ State Land Commissioner Sutherland, DNR managers, and media watch DNR crews remove woody debris along the Chehalis River near Pe Ell following a catastrophic December 2007 storm.



Landslide on Forestland Study

The Forest Practices Board in 2008 provided \$1.7 million for a study of whether its rules are effective in reducing landslide and sediment flowing into rivers and streams. The Mass Wasting Prescription Scale Effectiveness Monitoring Project and its initial budget were proposed in 2007 before a storm brought record rainfall to southwest Washington during Dec. 1-3, 2007. The intensity and extent of the storm damage exceeded the study's original design. The study is part of the Board's adaptive management program—scientific studies are conducted to help the Board determine whether changes to forest practices rules are needed.



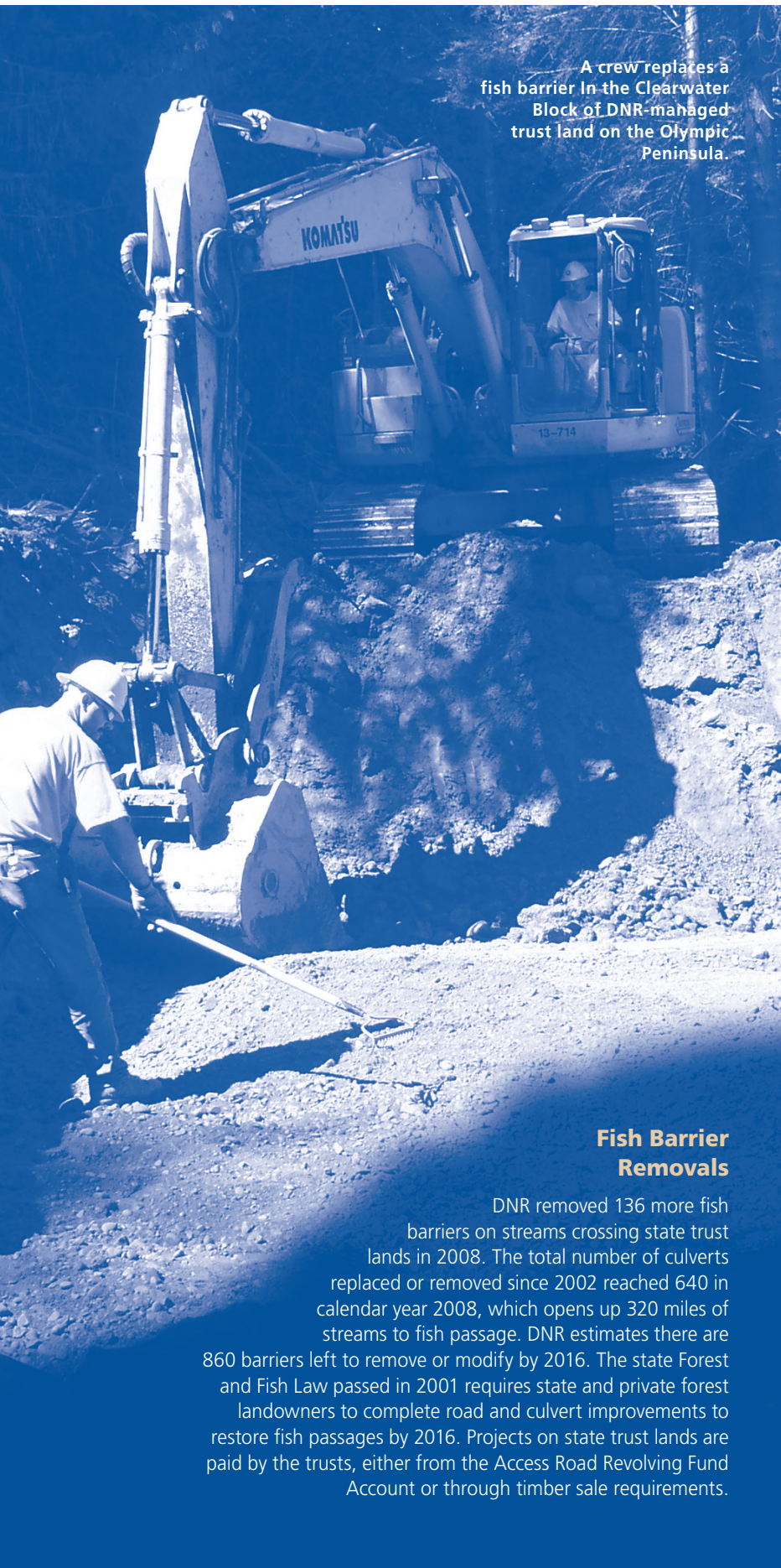
2008 Fire Season

A wet winter and cooler-than-usual spring in 2008 resulted in fire danger levels that were less extreme overall compared with the past two decades. Wildfires on DNR-protected lands in 2008 consumed 19,613 acres—the largest was the Swanson Lake Fire in Lincoln County during August. It burned 13,192 acres on private, DNR, and Bureau of Land Management lands including 10 buildings, two of which were private residences.

DNR fire crews worked on a total of 862 fires in 2008: 808 on DNR-protected lands and 54 in other jurisdictions. DNR met its annual performance goal by keeping 93 percent of fires to less than 10 acres. During the season DNR lent the assistance of 135 employees to help combat wildfire in 10 other states. Most of the crews traveled to Oregon and California to work fires, including a fire in July that burned nearly 163,000-acres near Big Sur in California.

Communications Center

Helping coordinate DNR's fire protection activities in eastern Washington is a new dispatch center in Colville. The Northeast Washington Interagency Communications Center was dedicated in June 2008 as a one-stop facility for the wildland fire communications and dispatch of regional firefighting operations of DNR, U.S. Forest Service, Bureau of Land Management, and U.S. Fish and Wildlife Service. The new facility will allow the agencies to better coordinate their resources for safety and efficiency when responding to wildfires.



A crew replaces a fish barrier in the Clearwater Block of DNR-managed trust land on the Olympic Peninsula.

Fish Barrier Removals

DNR removed 136 more fish barriers on streams crossing state trust lands in 2008. The total number of culverts replaced or removed since 2002 reached 640 in calendar year 2008, which opens up 320 miles of streams to fish passage. DNR estimates there are 860 barriers left to remove or modify by 2016. The state Forest and Fish Law passed in 2001 requires state and private forest landowners to complete road and culvert improvements to restore fish passages by 2016. Projects on state trust lands are paid by the trusts, either from the Access Road Revolving Fund Account or through timber sale requirements.

Northern Spotted Owl

In December the Washington State Forest Practices Board adopted an emergency rule for timber harvest at certain northern spotted owl sites. The new rule is effective January 1 and expires December 31, 2009. It replaces a rule that expired December 31, 2008, prohibiting decertification of spotted owl site centers. Under the new rule, forest landowners may apply to harvest timber at certain spotted owl sites without review under the State Environmental Policy Act, but only after certain conditions have been met. Landowners must demonstrate the absence of northern spotted owls at a site by submitting survey information to the State Department of Fish and Wildlife. In addition, a spotted owl conservation advisory group must determine that the site need not be maintained while the Forest Practices Board develops a long-term strategy for the owl's conservation. The new emergency rule represents an interim approach regarding the conservation of northern spotted owls on non-federal lands. During the 2009 calendar year, the Forest Practices Board will develop a long-term conservation strategy for spotted owls on non-federal lands in Washington.

A work group established by the Board in July 2008 will make recommendations emphasizing voluntary incentive-based conservation approaches for the endangered owl. The group includes representatives from organizations involved in spotted owl conservation, the forest products industry, DNR, and others. The group is scheduled to complete work by November 2009.

Roadside Guide

DNR published Roadside Geology of Mount Rainier National Park and Vicinity (Geology and Earth Resources Information Circular 107), a 200-page book with photos, illustrations, and text describing the beauty and hazards of Washington's largest volcano. Authored by Patrick T. Pringle, a former DNR employee who now teaches earth sciences at Centralia College, the book is designed for anyone with a basic understanding of geology. As Washington's geological survey, DNR keeps the public, government, and industry informed about the consequences of geologic events. In July, DNR conducted its fourth annual state Decision-Makers Field Conference, which focused on the costs and practice of seismic safety in Washington.

Webster Nursery

The Webster Nursery celebrated its 51st year in 2008, with over 801 million seedlings grown so far. The 270-acre facility near Olympia produces 2 million to 4 million tree seedlings each year to help private land owners comply with State Forest Practices Act replanting rules. It also produces 6 to 8 million seedlings a year to be planted after harvests on DNR-managed trust lands. In March and April 2009, the first crop will be sown into a new 50,000-foot greenhouse addition.

MATT MISKOVIC / DNR



2008 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)

- 16 Timber Sold
- 17 Silviculture
- 18 Timber Volume Harvested
- 19 Timber Acres 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.
- ▶ Counties that contain State Forest Lands, but are not listed for an activity, did not have that activity during Fiscal Year 2008.
- ▶ Numbered notes apply only to the page on which they appear.
- ▶ Totals may not add, due to rounding.

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Timber Sold

July 1, 2007 – June 30, 2008

● 2008 Annual Report to Trust Beneficiaries per RCW 79.10.010

'08

Trust / Beneficiaries	Number of Acres	Volume ¹ (mbf) ²
State Forest Transfer (formerly known as Forest Board Transfer lands)		
Clallam	1,270	43,859
Clark	676	24,407
Cowlitz	344	9,006
Grays Harbor	52	2,369
Jefferson	183	6,976
King	247	11,418
Kitsap	146	3,079
Klickitat	939	3,946
Lewis	479	20,152
Mason	382	6,232
Pacific	597	11,780
Pierce	112	5,479
Skagit	1,394	42,713
Skamania	125	4,059
Snohomish	1,111	39,062
Thurston	278	11,175
Wahkiakum	168	8,119
Whatcom	434	19,591
Subtotal - Transfer	8,937	273,422
State Forest Purchase (formerly known as Forest Board Purchase lands)		
Clark		
Cowlitz		
Grays Harbor ³	527	14,699
Lewis	29	928
Pacific ⁴	141	8,974
Pierce ⁴	4	42
Skamania		
Thurston ³	99	2,401
Whatcom		
Subtotal - Purchase	800	27,044
Common School,* Indemnity & Escheat	11,826	200,915
Agricultural School	1,860	31,658
University - Transferred & Original	1,055	23,309
CEP & RI**	661	8,284
Capitol Building	1,811	54,683
Normal School	878	25,307
Scientific School	1,143	15,625
Subtotal - Granted Trusts	19,234	359,781
TOTAL – ALL TRUSTS	28,971	660,247

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

² mbf: thousand board feet

³ Includes Forest Board repayment. (See Fiscal Section, page 23, note 9.)

⁴ 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; 12/08.

* Common School Trust received additional timber volume of 12,570 mbf from 1,110 acres through the Trust Land Transfer Program.

** Charitable, Educational, Penal and Reformatory Institutions.

Silviculture¹

July 1, 2007 – June 30, 2008

● 2008 Annual Report to
Trust Beneficiaries
per RCW 79.10.010

'08

Trust / Beneficiaries	Acres Planted ²	Stems per Acre ³	Precommercially Thinned Acres ⁴
State Forest Transfer (formerly known as Forest Board Transfer lands)			
Clallam	812	337	86
Clark	449	311	217
Cowlitz	168	387	92
Jefferson	197	285	0
King	239	380	97
Kitsap	35	302	38
Klickitat	351	304	0
Lewis	660	404	0
Mason	131	317	118
Pacific	275	401	21
Pierce	192	248	0
Skagit	746	303	0
Skamania	31	382	99
Snohomish	852	295	104
Thurston	476	468	46
Wahkiakum	228	390	0
Whatcom	300	309	13
Subtotal - Transfer	6,142		931
State Forest Purchase (formerly known as Forest Board Purchase lands)			
Clark	5	188	0
Cowlitz	34	207	0
Grays Harbor	278	395	58
Pacific	30	359	148
Pierce	28	397	0
Thurston	294	482	75
Subtotal - Purchase	669		631
Common School, Indemnity & Escheat	9,651	694	4,683
Agricultural School	590	278	0
University - Transferred & Original	575	754	686
CEP & RI	578	336	553
Capitol Building	899	363	459
Normal School	329	292	286
Scientific School	704	344	6
Subtotal - Granted Trusts			
TOTAL - ALL TRUSTS	20,137		8,235

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

² Acres planted include all planting processes and all tree species.

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

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

Note

Numbers may not add due to rounding.

Source

DNR Planning and Tracking System database, 8/08.

Timber Volume¹ Harvested

July 1, 2007 – June 30, 2008

● 2008 Annual report to
Trust Beneficiaries
per RCW 79.10.010

'08

Trust / Beneficiaries	Volume (mbf) ²
State Forest Transfer (formerly known as Forest Board Transfer lands)	
Clallam	27,859
Clark	7,703
Cowlitz	4,027
Grays Harbor	104
Jefferson	3,335
King ³	8,275
Kitsap	410
Klickitat	7,143
Lewis	8,340
Mason	8,053
Pacific	4,036
Pierce	4,288
Skagit	42,010
Skamania	1,268
Snohomish	29,053
Thurston	3,234
Wahkiakum	3,628
Whatcom	19,060
Subtotal - Transfer	181,826
State Forest Purchase (formerly known as Forest Board Purchase lands)	
Clark	20
Cowlitz	3,055
Grays Harbor ⁴	14,348
Lewis	819
Pacific ⁵	9,724
Pierce ⁵	668
Skamania	8
Thurston ⁴	29,099
Whatcom	-7,347
Subtotal - Purchase	50,393
Common School, Indemnity & Escheat	165,609
Agricultural School	18,350
University - Transferred & Original	15,320
CEP&RI	10,780
Capitol Building	23,841
Normal School	8,920
Scientific School	29,351
Comm Coll. Forest Res.	345
2nd Cl. Tide/Shoreland	60
Subtotal - Granted Trusts	272,577
TOTAL - ALL TRUSTS	504,796

¹ Volume harvested is estimated for sales partially harvested.

² mbf: thousand board feet

³ Includes Water Pollution Control data.

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

⁵ 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, 12/08.

Timber Acres Harvested¹

July 1, 2007 – June 30, 2008

2008 Annual report to Trust Beneficiaries per RCW 79.10.010

'08

Trust / Beneficiaries	Acres Commercially Thinned/ Small Wood ²	Acres Partially Cut/ Older Stand Thinning ³	Acres Clearcut/ Regeneration Harvest	Total Acres ⁴	Average Year of Clearcut Stand
State Forest Transfer (formerly known as Forest Board Lands)					
Clallam	0	0	796	796	1939
Clark	0	102	284	386	1944
Cowlitz	0	28	117	145	1938
Grays Harbor	0	0	2	2	1938
Jefferson	0	0	95	95	1951
King ***	77	0	183	260	1935
Kitsap	0	24	10	34	1945
Klickitat	0	145	450	595	1928
Lewis	21	43	313	377	1941
Mason	0	118	337	455	1940
Pacific	0	178	75	253	1939
Pierce	0	44	51	95	1924
Skagit	53	50	842	945	1935
Skamania	0	241	11	252	1952
Snohomish	165	294	553	1,012	1934
Thurston	0	0	164	164	1933
Wahkiakum	0	0	72	72	1928
Whatcom	0	0	367	367	1928
Subtotal – Transfer	316	1,267	4,722	6,305	1937
State Forest Purchase (formerly known as Forest Board Lands)					
Clark	0	8	0	8	
Cowlitz	0	0	73	73	1928
Grays Harbor *	0	0	455	455	1939
Lewis	0	0	25	25	1936
Pacific **	0	48	146	18	1929
Pierce **	0	17	1	18	
Skamania	0	16	0	16	
Thurston *	0	0	430	430	1936
Whatcom	0	0	46	46	1933
Subtotal – Purchase	0	89	1,176	1,265	1935
Common School, Indemnity/Escheat	197	2,995	8,081	11,273	1932
Agricultural School	76	146	1,473	1,695	1930
University - Transferred/Original	106	429	321	856	1943
CEP&RI	14	151	224	389	1921
Capitol Building	12	209	842	1,063	1939
Normal School	1	2	368	371	1928
Scientific School	355	183	761	1,299	1939
Subtotal - Granted Trusts	761	4,115	13,675	18,400	NA
TOTAL – ALL TRUSTS	1,077	5,471	18,077	24,625	

¹ The department tracks harvest method information in ten categories; for purposes of this report, per RCW 79.10.010, the data are aggregated into three harvest methods.

² Commercial thinning/small wood generates revenue, promotes growth of the remaining trees and creates desired future forest conditions.

³ Partial cuts/older stand thinnings generate revenue and help achieve desired future forest conditions.

⁴ Total acres include total of all harvest activities.

* includes Forest Board Repayment
 ** Includes University Repayment
 ***Includes Water Pollution Control Div

Notes

► Harvested acres shown are fiscal year 2008 activities only; acres are reported again in the future if additional harvest activities occur. Acres harvested are estimated for sales partially harvested. Timber volume harvested per acre depends on site-specific conditions and harvest method.

► Sales which contain more than one trust beneficiary report estimated acres 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 TSC348P2, 12/08.

Deferrals

Formerly known as Acres Off-Base for Harvest

July 1, 2007 – June 30, 2008

- 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.”
- 2008 Annual report to Trust Beneficiaries per RCW 79.10.010

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Trust / Beneficiaries	No Deferral Acres	Short-Term Deferral Acres	Long-Term Deferral Acres
State Forest Transfer (formerly known as Forest Board Transfer lands)			
Clallam	70,073	0	16,561
Clark	23,539	0	1,135
Cowlitz	9,898	0	394
Grays Harbor	1,841	0	323
Jefferson	12,688	0	375
King	16,837	542	4,995
Kitsap	6,764	0	584
Klickitat	16,613	0	2,703
Lewis	36,324	0	1,553
Mason	23,592	389	2,333
Okanogan	9	0	0
Pacific	10,826	72	3,512
Pierce	7,807	0	563
Skagit	59,754	0	16,968
Skamania	28,358	0	7,730
Snohomish	50,905	82	7,171
Stevens	120	0	7
Thurston	17,575	0	1,255
Wahkiakum	8,651	0	3,654
Whatcom	25,206	0	9,888
Subtotal - Transfer	427,379	1,085	81,705
State Forest Purchase (formerly known as Forest Board Purchase lands)			
Clallam	182	0	49
Clark	2,332	0	1,310
Cowlitz	246	0	20
Grays Harbor	23,943	0	2,974
Jefferson	18	0	0
Kitsap	76	0	0
Klickitat	36	0	0
Lewis	2,839	0	47
Mason	395	0	101
Pacific	6,168	162	1,464
Pierce	3,137	0	64
Skamania	3,141	0	1,109
Snohomish	1,557	0	5
Stevens	40	0	0
Thurston	19,642	0	1,995
Whatcom	649	0	274
Subtotal - Purchase	64,400	162	9,411
Common School, Indemnity & Escheat	849,268	2,087	129,376
Agricultural School	48,574	0	3,702
University – Original & Transferred	43,756	1,007	9,910
CEP&RI	34,916	62	4,116
Capitol Building	78,750	763	17,362
Normal School	42,935	19	8,690
Scientific School	54,604	150	8,084
Community & Technical College	3,061	0	61
Other Lands*	524	0	82,432
Forest Reserve			
TOTAL – ALL TRUSTS	1,648,167	5,336	354,849

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, are included in the Olympic Experimental State Forest deferral areas, or are the result of the Settlement Agreement reached in 2006, the 2006 Riparian Restoration Strategy or the 2006 Policy for Sustainable Forests Old-Growth Policy (all of these decisions were included in the 2007 sustainable harvest adjustment for western Washington State Trust forestlands). 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.
- Numbers may not add due to rounding or potential double counting.

* Includes Land Bank, Natural Resources Conservation Areas, Natural Area Preserves, administrative sites, TIDE-2nd, UC-Private, and Water Pollution Control trust data.

Sources

- Deferral Status of State Forestlands, DNR Land Management Division 2008



2008 ANNUAL REPORT

Fiscal Data

These pages account for the revenues DNR generated, collected and expended during Fiscal Year 2008 (July 1, 2007 – June 30, 2008).


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.

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

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 2008).

ACRONYMS

ACTMA	Agricultural College Trust Management Account
AFRS	Agency Financial Reporting System
ALEA	Aquatic Lands Enhancement Account
CEP&RI	Charitable, Educational, Penal and Reformatory Institutions Trust
COLA	Cost of Living Adjustment
CWU	Central Washington University
EWU	Eastern Washington University
FDA	Forest Development Account
FY08	Fiscal Year 2008 (July 1, 2007 – June 30, 2008)
K-12	Kindergarten-12th grade schools
RMCA	Resource Management Cost Account
TESC	The Evergreen State College
UW	University of Washington
WSU	Washington State University
WWU	Western Washington University

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. For fiscal year 2008, this category includes operating transfers out by the state treasurer for the DIS Information Technology Investment Pool per SHB 1128. Operating transfers include transfer attributed to prior period revenue.

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 2008 do not include the interfund transfers (sub-object MB) from General Fund to the Agricultural College Trust Management Account in the amount of \$1,021,000 (see footnote #5) and the Derelict Vessel Removal Account in the amount of \$2,000,000 (see footnote #8).

3 LAND TRANSFERS

Real Property Replacement: During fiscal year 2008, a total of \$4,649,800, 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 2008 a total of \$2,962,000 was distributed to the Common School Construction Account from the Trust Land Transfer program.

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 2008 sales and existing contracts was \$3,609,186 to the RMCA. A total of \$27,804,431 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 2008 the total interfund transfer from General Fund was \$1,021,000.

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 account's total fiscal activity for fiscal year 2008:

Beginning Balance	\$610,871
Revenue:	
Licensing	2,303,008
Expenditures:	
Natural Resources	(\$2,021,303)
Parks and Recreation	(101,387)
Fish and Wildlife	(246,122)
Expenditure Subtotal	(2,368,811)
Net Fiscal Activity	(65,804)
Ending Balance	\$545,068

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, the Recreation and Conservation Funding Board, and the Puget Sound Partnership (a new agency in fiscal year 2008) 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 account's fund fiscal activity for fiscal year 2008:

Beginning Balance	\$8,249,455
Revenue:	
Natural Resources	\$11,806,406
Fish and Wildlife	33,264
Distribution to Fourth Class Towns	(63,311)
Operating Transfer for DIS IT Pool	(18,000)
Revenue Subtotal	11,758,360
Expenditures:*	
Natural Resources	(3,291,256)
Fish and Wildlife	(3,055,652)
Parks and Recreation	(174,350)
Agriculture	(1,030,316)
Rec. and Conserv. Funding Board	(2,337,168)
Health	(88,352)
Puget Sound Partnership	(182,433)
Expenditure Subtotal	(10,159,527)
Net Fiscal Activity	1,598,833
Ending Balance	\$9,848,287

*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 account's total fund fiscal activity for FY 2008:

Beginning Balance	\$770,107
Revenue:	
Natural Resources	\$885
Licensing	748,636
Interfund transfer from General Fund	2,000,000
Revenue Subtotal	2,749,521
Expenditures:*	
Natural Resources	(504,581)
Licensing	(15,504)
Expenditure Subtotal	(520,085)
Net Fiscal Activity	2,229,436
Ending Balance	\$2,999,543

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

9 FOREST AND FISH SUPPORT ACCOUNT

This account was created in 2007 to provide for activities pursuant to the state's implementation of the forests and fish report as defined in chapter 76.09 RCW and related activities, including, but not limited to, adaptive management, monitoring, and participation grants to tribes, state and local agencies, and not-for-profit public interest organizations.

DNR spends from the fund for these purposes and the Department of Revenue spends from the account for the purpose of administering the collection of revenue for the fund. Sources of revenue for this account include surcharge on timber and wood product manufacturers, extractors, and wholesalers per RCW 82.04.260 (12).

DNR administers this fund and only the DNR fiscal activity is reported on the Department Administered Funds section of the annual report. The following is the account's total fiscal activity for fiscal year 2008:

Beginning Balance	\$0
Revenue:	
Dept. of Revenue	\$3,760,290
Revenue Subtotal	\$3,760,290
Expenditures:*	
Natural Resources	(2,177,290)
Expenditure Subtotal	(2,177,290)
Net Fiscal Activity	1,583,000
Ending Balance	\$1,583,000

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

10 FDA/RMCA LOAN REPAYMENT

The Board of Natural Resources Resolution #635 in 1990 and Resolution #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 \$2,960,232 was distributed to the trusts from timber harvested during fiscal year 2008. The RMCA received \$715,058 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 2008 and in total since the adoption of resolution 635 in 1990 are:

	FY 2008	Total-to-date
Common School Construction Account	\$673,515	\$17,512,417
Capitol Building Construction Account	256,744	6,675,734
Normal School Permanent Account	921,861	21,469,639
State University Permanent Account	393,055	10,223,563
Total Trust Funds	\$2,245,174	\$55,881,352

Resource Management Cost Account

Common School Trust	\$224,739	\$5,833,389
Capitol Building Trust	85,737	2,225,871
Normal School Trust	273,564	7,100,476
University School Trust	131,018	3,407,854
Total RMCA	\$715,058	\$18,567,590

11 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.

12 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.

13 FISCAL ACTIVITY FOR OTHER TYPE FUND(S) ADMINISTERED BY DNR

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 fiscal year 2008, this fund had revenue of \$22,832,152 and expenses of \$24,067,536.

14 RMCA PORTION OF TRUST LAND REVENUES

The Resource Management Cost Account received 30 percent on most transactions and the trusts received 70 percent of revenue from trust lands during fiscal year 2008. In fiscal year 2008, per board resolutions 1234, 1243, and 1256, the RMCA portion fluctuated between 28 percent and 30 percent.

Also, some revenue 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 #18 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	\$52,605,453	\$37,180,225	\$0	\$15,425,229
Timber sales-related	430,526	320,345	0	110,182
Leases	26,371,822	18,433,363	239,499	7,698,960
Misc. interest income	223,147	152,301	302	70,544
Fees/service charges	145,764	39,832	0	105,932
Operating transfer - in	898,254	673,515	0	224,739
Subtotal	80,674,967	56,799,579	239,802	23,635,586
Forest Board Repayment				
Sales	877,562	0	0	877,562
Operating transfer-out	(1,044,469)	0	0	(1,044,469)
Total trust activity	80,508,060	56,799,579	239,802	23,468,679
<u>Non-Trust Activity</u>				
STO interest	1,140,748	116,320	0	1,024,428
Land sales/TLT	6,571,186	2,962,000	0	3,609,186
Other Revenue	271,938	0	220,469	51,469
Total non-trust activity	7,983,872	3,078,320	220,469	4,685,083
GRAND TOTAL	\$88,491,932	\$59,877,900	\$460,271	\$28,153,762

CAPITOL BUILDING TRUST

Source / Activity	Total Revenue	Cap. Bldg. Construction	RMCA
<u>Trust Activity</u>			
Timber sales	\$6,591,884	\$4,661,528	\$1,930,356
Timber sales-related	91,642	64,192	27,450
Leases	238,805	168,341	70,465
Late interest	111,238	78,091	33,147
Fees/service charges	1,405	0	1,405
Operating transfer – in	342,481	256,744	85,737
Subtotal	7,377,456	5,228,896	2,148,560
Forest Board Repayment			
Sales	334,592	0	334,592
Operating transfer – out	(353,978)	0	(353,978)
Total trust activity	7,358,070	5,228,896	2,129,174
<u>Non-Trust Activity</u>			
STO interest	132,400	7,709	124,691
Other Revenue	4,047	0	4,047
Total non-trust activity	136,447	7,709	128,738
GRAND TOTAL	\$7,494,517	\$5,236,605	\$2,257,912

NORMAL SCHOOL TRUST

Source / Activity	Total Revenue	Capital Projects	Normal School Perman.	RMCA
<u>Trust Activity</u>				
Timber sales	\$ 3,015,873	\$0	\$2,149,489	\$ 866,384
Timber sales-related	8,796	0	6,160	2,636
Leases	177,499	125,415	491	51,593
Late interest	189	132	0	57
Fees/service charges	403	0	0	403
Operating transfer – in	1,195,425	0	921,861	273,564
Subtotal	4,398,185	125,547	3,078,001	1,194,637
Forest Board Repayment				
Sales	1,070,192	0	0	1,070,192
Operating transfer – out	(1,201,169)	0	0	(1,201,169)
Total trust activity	4,267,207	125,547	3,078,001	1,063,659
<u>Non-Trust Activity</u>				
STO interest	67,958	5,667	0	62,291
Land sales/trust land transfer	0	0	0	0
Other Revenue	2,022	0	0	2,022
Total non-trust activity	69,979	5,667	0	64,313
GRAND TOTAL	\$4,337,186	\$131,214	\$3,078,001	\$1,127,972

15 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.

16 NEGATIVE TRUST REVENUE

Any negative revenue reflects accounting adjustments (such as bad-debt write-offs, credit memos) from a prior fiscal year. For fiscal year 2008, this includes the operating transfer out by the state treasurer for the DIS Information Technology Investment Pool per SHB 1128.

17 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.

18 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 #10.

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
University - Transferred				
Timber sales	\$2,792,224	\$0	\$1,985,760	\$806,465
Timber sales-related	21,534	0	15,419	6,115
Leases	365,285	0	258,829	106,456
Miscellaneous – trespass	125	0	88	36
Late interest	1,172	0	815	357
Sale of property – other	0	0	0	0
Fees/service charges	46	0	0	46
Operating transfer – in*	2,790,327	2,266,254	393,055	131,018
Operating transfer – out*	(2,266,254)	0	(2,266,254)	0
Total	\$3,704,460	\$2,266,254	\$387,712	\$1,050,494
University – Original				
Timber sales	\$104,354	\$0	\$75,262	\$29,092
Leases	106,189	0	75,233	30,956
Fines and forfeits	12,822	0	8,976	3,847
Late interest	19,259	0	13,528	5,731
Fees/service charges	1,029	0	0	1,029
Operating transfer – in	75,251	75,251	0	0
Operating transfer – out	(75,251)	0	(75,251)	0
Total	\$243,653	\$75,251	\$97,747	\$70,655
University Repayment				
Timber sales	\$461,917	\$0	\$0	\$461,917
Operating transfer – out	(529,762)	0	0	(529,762)
Total	\$(67,844)	\$0	\$0	\$(67,844)
Non-trust allocation				
STO interest	\$66,906	\$5,221	\$0	\$61,685
Non-trust revenue allocation	2,002	0	0	2,002
Total	\$68,907	\$5,221	\$0	\$63,687
GRAND TOTAL	\$3,949,176	\$2,346,726	\$485,459	\$1,116,991

*Fiscal year 2008 University Transferred (trust 05) operating transfer from the permanent account (fund 607) to the bond retirement account (fund 348) is overstated by \$259,676 (see footnote #19).

19 OVERSTATED REVENUE

In fiscal year 2007, \$659,676 of revenue to the University Bond Retirement Fund was recorded to the University Permanent Fund but was not transferred to the University Bond Retirement Fund. As a result, the University Bond Retirement Fund was understated by \$659,676, while the University Permanent Fund was overstated by the same amount. Beginning in March 2008, the department began transferring revenues that otherwise would have gone to the University Permanent Fund to the University Bond fund to reverse the effect on revenues to the two funds. As a result, in fiscal year 2008, revenues to the University Bond Retirement Fund are \$259,676 higher, while revenues to the University Permanent Fund are \$259,676 lower than they otherwise would have been. The balance of \$400,000 will be corrected in fiscal year 2009.

20 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) for the fiscal year 2006 report. These differences resulted in fiscal year 2007 corrections. The revenue reported by source reflects DNR's actual revenue activity for fiscal year 2007. The fiscal year 2007 adjustments are the amounts required to reconcile actual DNR revenue with the revenue amounts reported in the state's financial system. There were no adjustments for fiscal year 2008.

21 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 Recodified to 79.64.100 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 2008

	Grant Lands	State Forest Lands*
2008 Trust Charges	\$48,263,361	\$24,518,617
RMCA Expenditures	48,263,361	—
FDA Expenditures	—	\$24,518,617
Cumulative Debt/Loan	0	0

FISCAL YEAR 2008 MANAGEMENT FUND DEBT STATUS

As of June 30, 2008, 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.

'08

REVENUE BY SOURCE ¹	FY 2008	FY 2007
Sales		
Timber sale removals	\$167,711	\$181,785
Timber sale-related activities	1,002	282
Forest road assessments	13,427	11,077
Nursery seedling sales	3,637	2,767
Miscellaneous	387	716
	<u>\$186,165</u>	<u>\$196,627</u>
Leases		
Agriculture	\$15,388	\$11,806
Aquatic	19,183	20,454
Commercial real estate	9,199	9,713
Mineral and hydrocarbon	2,913	9,231
Communication sites	3,491	3,398
Rights-of-way	976	1,375
Miscellaneous	2,003	1,615
	<u>\$53,153</u>	<u>\$57,592</u>
Other Revenue		
Interest income	\$4,545	\$4,379
Fire assessments and cost reimbursement	10,963	8,023
Grants and contributions	19,850	25,510
Permits, fees, and related charges	3,193	4,261
Miscellaneous ¹⁵	4,284	(1,404)
	<u>\$42,835</u>	<u>\$40,770</u>
Total Revenue from Operations	\$282,153	\$294,988
Other Activity		
Land transfers ³	\$7,612	\$48,585
Land bank ⁴	3,609	821
	<u>\$11,221</u>	<u>\$49,407</u>
Adjustments¹⁹	<u>\$0</u>	<u>(\$220)</u>
Total Revenue¹⁹	\$293,374	\$344,175

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)

'08

EXPENDITURES BY PROGRAM²	FY 2008	FY 2007
Operating		
Agricultural resources	\$1,677	\$1,346
Asset management & protection	10,136	8,865
Product sales & leasing	31,465	27,934
Land management	23,477	21,694
Aquatic resources*	9,029	21,222
Administration	4,408	4,466
Interagency payments	10,605	9,917
Agency support	18,975	18,685
Geology & Earth resources	3,091	2,708
Forest practices	14,182	11,509
Engineering services	19,134	17,214
Resource protection	21,311	19,202
Fire suppression	24,787	47,488
	<u>\$192,276</u>	<u>\$212,250</u>
Capital		
Recreation	\$654	\$1,717
Aquatic resources projects	1,326	1,810
Real estate and property acquisition	17,751	65,295
Facilities	1,596	801
Small timber landowner program	4,356	5,074
Miscellaneous	169	459
	<u>\$25,853</u>	<u>\$75,157</u>
Total Expenditures²	<u>\$218,129</u>	<u>\$287,407</u>

DID YOU KNOW?
DNR has 1,248 permanent employees. DNR generates revenue to cover (2/3+) of its operating costs.

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 2007 Aquatic Resources expenditures include \$11 million in one-time settlement costs for tribal shellfish litigation.

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.

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DNR-ADMINISTERED FUNDS

Fund Title	Beginning Balance 7/1/07	Revenue	Expenditure	Ending Balance 6/30/08
Trust Management Accounts*				
Forest development (FDA)	\$26,406	\$18,526	(\$24,519)	\$20,414
Resource management (RMCA)**	42,519	46,176	(48,263)	40,431
Agricultural college (ACTMA)	73	1,026	(899)	201
	<u>\$68,998</u>	<u>\$65,728</u>	<u>(\$73,681)</u>	<u>\$61,046</u>
Other DNR-Administered Funds				
Access road revolving	\$5,366	\$13,466	(\$15,187)	\$3,645
Aquatic lands dredged material	1,206	137	(527)	815
Aquatic lands enhancement ⁷	N/A	11,788	(3,291)	N/A
Clarke-McNary	255	2	(1,613)	(1,355)
Conservation areas stewardship	259	35	(17)	277
Contract harvesting revolving	733	11,972	(11,953)	752
Derelict vessel removal ⁸	N/A	2,001	(505)	N/A
Forest and fish support ⁹	N/A	0	(2,177)	N/A
Forest fire protection assessments	4,233	9,204	(9,421)	4,016
Landowner contingency forest fire	1,670	507	(213)	1,964
Off-road vehicle ⁶	N/A	0	(2,021)	N/A
Park land trust revolving	106	3	(46)	62
Real property replacement ³	31,152	6,166	(4,362)	32,955
School construction revolving	56	2	0	58
State forest nursery revolving	1,277	3,647	(3,917)	1,007
Surface mining reclamation	460	1,767	(1,507)	720
Surveys and maps	2,054	934	(1,366)	1,623
	<u>\$48,825</u>	<u>\$61,631</u>	<u>(\$58,122)</u>	<u>\$46,541</u>
Total DNR-Administered Funds¹³	<u>\$117,823</u>	<u>\$127,359</u>	<u>(\$131,803)</u>	<u>\$107,587</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 \$27,804,431 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)

'08

FUNDS ADMINISTERED BY OTHER ENTITIES

Fund Title	Revenue	DNR Expenditure	Net Fiscal Activity
Trust Current Funds ¹²			
Common school construction	\$59,878	\$0	\$59,878
Community college forest reserve*	86	0	86
WSU bond retirement ¹⁸	1,232	0	1,232
UW bond retirement	2,347	0	2,347
CEP&RI	3,835	0	3,835
EWU capital project	33	0	33
CWU capital project	33	0	33
WWU capital project	33	0	33
TESC capital project	32	0	32
Capitol building construction	5,237	0	5,237
Forest board counties	52,647	0	52,647
	\$125,392	\$0	\$125,392
Trust Permanent Funds ¹²			
Agricultural college (WSU)	\$4,297	\$0	\$4,297
Normal school (EWU, CWU, WWU, TESC)	3,078	0	3,078
Common school (K-12)	460	0	460
Scientific (WSU)	6,057	0	6,057
State university (UW) ¹⁸	485	0	485
	\$14,378	\$0	\$14,378
Other Funds			
General fund	\$25,973	(\$69,028)	(\$43,055)
State building construction	2	(9,407)	(9,405)
Disaster response	0	(5,000)	(5,000)
Motor vehicle	3	0	3
Air pollution control	189	(156)	33
State toxics control	0	(1,002)	(1,002)
State wildlife	70	0	70
Developmental disabilities community trust	9	0	9
Water quality	0	(1,348)	(1,348)
Nova program	0	(353)	(353)
Industrial insurance premium refund	0	(32)	(32)
	\$26,247	(\$86,326)	(\$60,080)
Total other fiscal activity	\$166,018	(\$86,326)	\$79,691
Total all funds and activity¹³	\$293,374	(\$218,129)	

(pages 28 & 29)

* 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 federally granted state lands.

'08

Fund Balance (July 1, 2007)		\$42,518,865
<hr/>		
RMCA Revenue		
Operating Revenue	\$46,413,541	
Operating transfer out for DIS IT Pool	(238,000)	
		<hr/>
Total Revenue		\$46,175,540
Less: Expenditures ²		
Agricultural resources	\$1,644,423	
Asset management & protection	2,237,521	
Product sales & leasing	11,954,482	
Land management	11,149,243	
Correctional Camps	922,391	
Administration	917,309	
Interagency payments	4,278,349	
Agency support	6,700,639	
Aquatic resources	5,535,449	
Engineering services	2,025,139	
		<hr/>
Total operating expenditures	\$47,364,945	
Total capital expenditures	898,415	
		<hr/>
Total expenditures		<u>48,263,361</u>
RMCA Fund Balance (June 30, 2008)*		<u>\$40,431,045</u>

Totals may not add due to rounding.

* The RMCA trust balance includes \$27,804,431 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.

'08

Source	REVENUE		DISTRIBUTION		
	Grand Total All Funds	Trust Current Funds ¹²	Trust Permanent Funds ¹²	Resource Management Cost Account ¹⁴	
Sales					
Timber sales ^{10, 14, 18}	\$84,406,422	\$45,304,743	\$15,528,698	\$23,572,981	
Timber sale-related activities ¹	700,488	390,282	141,060	169,146	
Trust land transfer program ³	2,962,000	2,962,000	0	0	
Land sales (includes land bank) ⁴	3,609,186	0	0	3,609,186	
	<u>\$91,678,096</u>	<u>\$48,657,025</u>	<u>\$15,669,758</u>	<u>\$27,351,313</u>	
Leases					
Agriculture					
Dryland	\$6,909,767	\$4,356,174	\$596,170	\$1,957,423	
Irrigated	7,752,852	5,081,292	436,254	2,235,306	
Grazing and other	695,082	453,728	38,176	203,179	
Aquatic lands	19,183,548	11,146,864	0	8,036,683	
Special use	1,264,975	830,928	61,545	372,502	
Commercial real estate	9,191,916	6,428,310	78,645	2,684,961	
Mineral and hydrocarbon	2,682,856	1,658,116	107,180	917,561	
Rights-of-way	848,019	341,166	192,950	313,902	
Communication sites	2,313,999	1,177,579	476,866	659,554	
Special forest products	394,379	252,189	29,249	112,941	
	<u>\$51,237,393</u>	<u>\$31,726,346</u>	<u>\$2,017,035</u>	<u>\$17,494,012</u>	
Other Revenue					
Interest income	\$2,468,702	\$464,224	\$29,308	\$1,975,170	
Non-trust revenue ¹⁵	84,145	0	0	84,145	
Operating transfer ^{1, 11}	(629,946)	3,558,155	(3,558,155)	(629,946)	
Permits, fees, and miscellaneous ^{1, 16}	163,253	41,939	220,469	(99,154)	
	<u>\$2,086,154</u>	<u>\$4,064,317</u>	<u>(\$3,308,378)</u>	<u>\$1,330,215</u>	
Total Revenue	<u>\$145,001,643</u>	<u>\$84,447,688</u>	<u>\$14,378,415</u>	<u>\$46,175,540</u>	

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 management of upland state grant lands, each of which supports a specific, designated beneficiary.

'08

	Granted Trusts	Land Bank*	Total Uplands
Trust Balance (July 1, 2007)	\$13,759,817	\$23,219,001	\$36,978,818
Upland Revenue			
Operating revenue	32,909,725	4,585,430	37,495,155
Operating transfer out for DIS IT Pool	(192,800)	0	(192,800)
Total Revenue	32,716,925	4,585,430	37,302,355
Less: Expenditures ²			
Agricultural resources	1,644,423	0	1,644,423
Asset management & protection	2,237,521	0	2,237,521
Product sales & leasing	11,954,482	0	11,954,482
Land management	11,149,243	0	11,149,243
Correctional camps	922,391	0	922,391
Administration	716,256	0	716,256
Interagency payments	2,969,130	0	2,969,130
Agency support	5,199,287	0	5,199,287
Engineering services	2,025,139	0	2,025,139
Total operating expenditures	38,817,871	0	38,817,871
Total capital expenditures	898,415	0	898,415
Total expenditures	39,716,286	0	39,716,286
Trust Balance (June 30, 2008)	\$6,760,451	\$27,804,431	\$34,564,882

DID YOU KNOW?
DNR is largely self-supporting.

Totals may not add due to rounding.

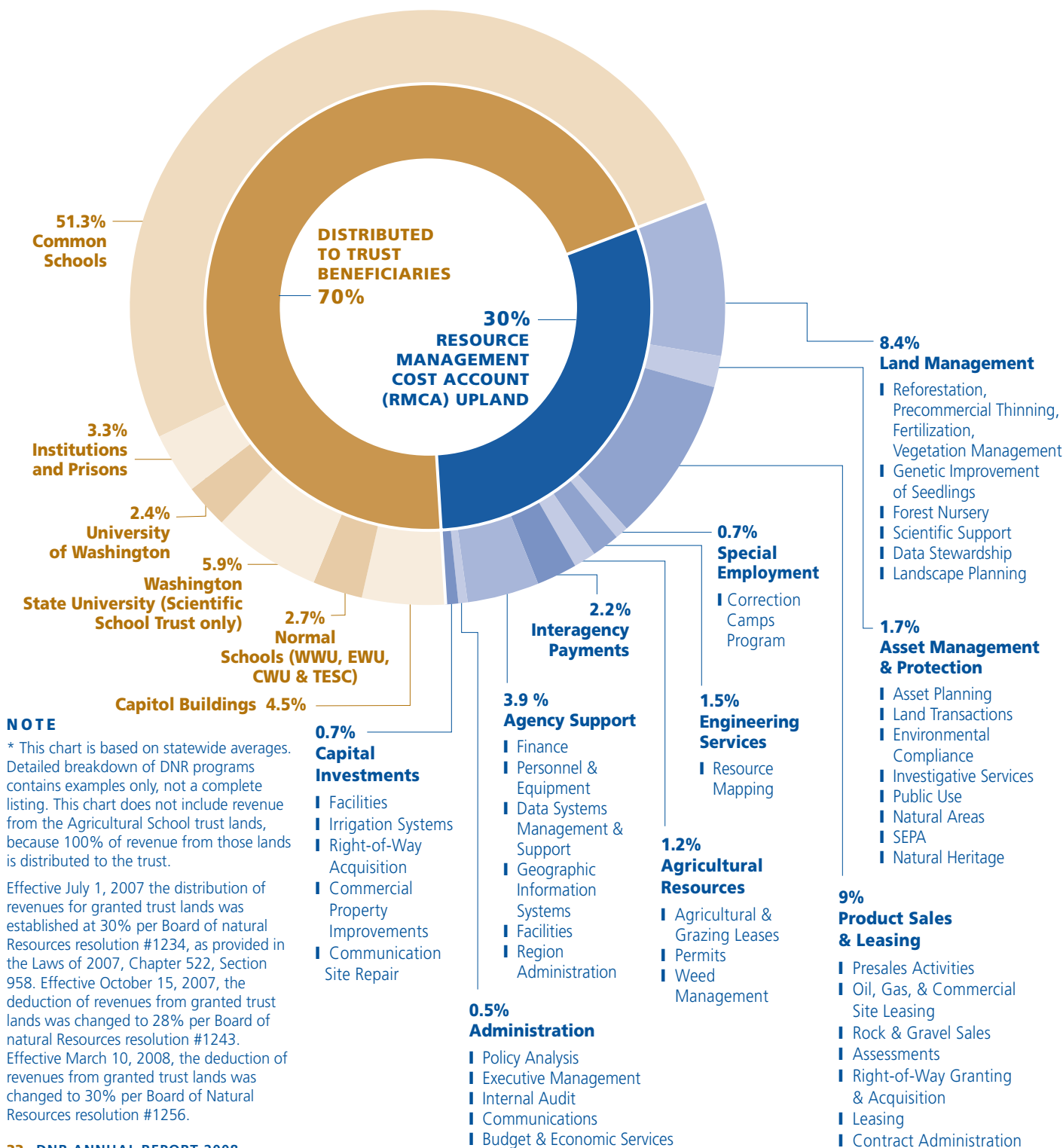
* Land bank revenue is dedicated by law (RCW 79.19) to purchases of lands that replace previously sold trust lands.

See fiscal notes, pages 22-25

General* Distribution of Revenue from Upland State Grant Lands

Generally, by law, each beneficiary of the granted 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 in fiscal year 2008, 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.

'08

REVENUE		DISTRIBUTION		
Source	Total Funds	Common School Construction	Common School Permanent	Resource Management Cost Account ¹⁴
Sales				
Timber sales ^{10, 14}	\$53,503,707	\$37,853,739	\$0	\$15,649,967
Timber sale-related activities ¹	430,526	320,345	0	110,182
Trust land transfer program ³	2,962,000	2,962,000	0	0
Land sales (includes land bank) ⁴	3,609,186	0	0	3,609,186
	\$60,505,419	\$41,136,084	\$0	\$19,369,335
Leases				
Agriculture				
Dryland	\$5,167,330	\$3,688,990	\$0	\$1,478,340
Irrigated	7,145,527	5,058,225	0	2,087,302
Grazing and other	626,666	440,319	0	186,348
Aquatic Lands	0	0	0	0
Special use	1,146,448	808,477	0	337,971
Commercial real estate	9,070,585	6,419,435	0	2,651,149
Mineral and hydrocarbon	1,063,008	681,607	70,626	310,776
Rights-of-way	348,733	79,185	168,874	100,674
Communication sites	1,505,286	1,044,120	0	461,165
Special forest products	298,239	213,006	0	85,233
	\$26,371,822	\$18,433,363	\$239,499	\$7,698,960
Other Revenue				
Interest income	\$1,363,896	\$268,621	\$302	\$1,094,972
Non-trust revenue ¹⁵	51,469	0	0	51,469
Operating transfer ¹	(20,691)	0	0	(20,691)
Permits, fees, and miscellaneous ^{1, 16}	220,017	39,832	220,469	(40,284)
	\$1,614,691	\$308,453	\$220,771	\$1,085,466
Total Revenue	\$88,491,932	\$59,877,900	\$460,271	\$28,153,761

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.

'08

REVENUE		DISTRIBUTION		
Source	Total Funds	UW Bond Retirement	State (UW) University Permanent	Resource Management Cost Account ¹⁴
Sales				
Timber sales ¹⁸	\$3,787,206	\$0	\$2,418,783	\$1,368,424
Timber sale-related activities ¹	81,902	0	59,777	22,125
Land sales (includes land bank)	0	0	0	0
	\$3,869,108	\$ 0	\$2,478,560	\$1,390,548
Leases				
Agriculture				
Dryland	\$282,459	\$0	\$200,402	\$82,057
Irrigated	0	0	0	0
Grazing and other	34,445	0	24,187	10,258
Aquatic lands	0	0	0	0
Special use	5,795	0	4,092	1,703
Commercial real estate	103,472	0	73,293	30,179
Mineral and hydrocarbon	719	0	511	208
Rights-of-way	26,066	0	18,524	7,541
Communication sites	0	0	0	0
Special forest products	18,519	0	13,052	5,466
	\$471,474	\$ 0	\$334,062	\$137,412
Other Revenue				
Interest income	\$87,337	\$5,221	\$14,343	\$67,773
Non-trust revenue ¹⁵	2,002	0	0	2,002
Operating transfer ^{1, 11}	(476,132)	2,341,505	(2,341,505)	(476,132)
Permits, fees, and miscellaneous ^{1, 16}	(4,613)	0	0	(4,613)
	(\$391,406)	\$2,346,726	(\$2,327,163)	(\$410,970)
Total Revenue¹⁹	\$3,949,176	\$2,346,726	\$485,459	\$1,116,991

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.

'08

REVENUE		DISTRIBUTION	
Source	Total Funds	CEP&RI Account	Resource Management Cost Account ¹⁴
Sales			
Timber sales	\$3,598,092	\$2,532,732	\$1,065,359
Timber sale-related activities ¹	8,194	5,745	2,449
Land sales (includes land bank)	0	0	0
	\$3,606,286	\$2,538,477	\$1,067,809
Leases			
Agriculture			
Dryland	\$741,902	\$523,581	\$218,321
Irrigated	3,248	2,339	909
Grazing and other	10,920	7,672	3,248
Aquatic lands	0	0	0
Special use	3,186	2,240	946
Commercial real estate	11,150	7,898	3,252
Mineral and hydrocarbon	850,458	601,627	248,831
Rights-of-way	20,639	14,459	6,180
Communication sites	126,860	89,087	37,773
Special forest products	22,104	15,698	6,406
	\$1,790,466	\$1,264,600	\$525,866
Other Revenue			
Interest income	\$136,307	\$32,025	\$104,282
Non-trust revenue ¹⁵	3,037	0	3,037
Operating transfer	0	0	0
Permits, fees, and miscellaneous ^{1, 16}	(7,390)	0	(7,390)
	\$131,953	\$32,025	\$99,928
Total Revenue	\$5,528,705	\$3,835,102	\$1,693,602

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.

'08

REVENUE		DISTRIBUTION	
Source	Total Funds	Capitol Building Construction	Resource Management Cost Account ¹⁴
Sales			
Timber sales	\$6,934,365	\$4,918,272	\$2,016,093
Timber sale-related activities ¹	91,642	64,192	27,450
Land sales (includes land bank)	0	0	0
	\$7,026,007	\$4,982,464	\$2,043,543
Leases			
Agriculture			
Dryland	\$120,015	\$84,720	\$35,295
Irrigated	0	0	0
Grazing and other	2,983	2,104	879
Aquatic lands	0	0	0
Special use	18,699	13,402	5,296
Commercial real estate	1,357	977	380
Mineral and hydrocarbon	17,963	12,674	5,289
Rights-of-way	2,797	1,961	836
Communication sites	63,554	44,371	19,183
Special forest products	11,438	8,132	3,306
	\$238,805	\$168,341	\$70,465
Other Revenue			
Interest income	\$243,639	\$85,801	\$157,838
Non-trust revenue ¹⁵	4,047	0	4,047
Operating transfer ¹	(7,889)	0	(7,889)
Permits, fees, and miscellaneous ^{1, 16}	(10,092)	0	(10,092)
	\$229,704	\$85,801	\$143,904
Total Revenue	\$7,494,517	\$5,236,605	\$2,257,912

Totals may not add due to rounding.

See fiscal notes, pages 22-25

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.

'08

REVENUE		DISTRIBUTION		
Source	Total Funds	EWU, CWU WWU, TESC Capital Projects	Normal School Permanent	Resource Management Cost Account ¹⁴
Sales				
Timber sales ^{10, 14}	\$4,211,298	\$0	\$3,071,350	\$1,139,948
Timber sale-related activities ¹	1,753	0	1,230	523
Land sales (includes land bank) ⁴	0	0	0	0
	<u>\$4,213,051</u>	<u>\$0</u>	<u>\$3,072,580</u>	<u>\$1,140,471</u>
Leases				
Agriculture				
Dryland	\$82,356	\$58,883	\$0	\$23,473
Irrigated	29,301	20,729	0	8,572
Grazing and other	5,137	3,633	0	1,504
Aquatic lands	0	0	0	0
Special use	9,727	6,809	0	2,918
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	28,582	20,007	0	8,575
Rights-of-way	699	0	491	207
Communication sites	0	0	0	0
Special forest products	21,698	15,353	0	6,344
	<u>\$177,499</u>	<u>\$125,415</u>	<u>\$491</u>	<u>\$51,593</u>
Other Revenue				
Interest income	\$75,189	\$5,799	\$4,930	\$64,461
Non-trust revenue ¹⁵	2,022	0	0	2,022
Operating transfer ¹	(125,233)	0	0	(125,233)
Permits, fees, and miscellaneous ^{1, 16}	(5,341)	0	0	(5,341)
	<u>\$(53,364)</u>	<u>\$5,799</u>	<u>\$4,930</u>	<u>\$(64,092)</u>
Total Revenue	<u>\$4,337,186</u>	<u>\$131,214</u>	<u>\$3,078,001</u>	<u>\$1,127,972</u>

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.

'08

REVENUE		DISTRIBUTION		
Source	Total Funds	WSU Bond Retirement	Scientific Permanent	Resource Management Cost Account ¹⁴
Sales				
Timber sales	\$8,076,436	\$0	\$5,743,247	\$2,333,189
Timber sale-related activities ¹	33,865	0	27,447	6,418
Land sales (includes land bank)	0	0	0	0
	\$8,110,301	\$0	\$5,770,694	\$2,339,607
Leases				
Agriculture				
Dryland	\$408,431	\$0	\$288,493	\$119,937
Irrigated	494,650	0	356,127	138,523
Grazing and other	3,235	0	2,293	942
Aquatic lands	0	0	0	0
Special use	80,621	0	56,954	23,668
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	44,221	0	31,022	13,199
Rights-of-way	3,286	0	2,318	967
Communication sites	498,578	0	357,146	141,432
Special forest products	21,193	0	15,007	6,186
	\$1,554,215	\$0	\$1,109,360	\$444,855
Other Revenue				
Interest income	\$186,079	\$9,954	\$9,203	\$166,922
Non-trust revenue ¹⁵	5,291	0	0	5,291
Operating transfer ¹¹	0	832,020	(832,020)	0
Permits, fees, and miscellaneous ^{1, 16}	(4,559)	0	0	(4,559)
	\$186,811	\$841,974	(\$822,817)	\$167,654
Total Revenue	\$9,851,327	\$841,974	\$6,057,237	\$2,952,115

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.)

'08

Fund Balance (July 1, 2007)		\$73,126
<hr/>		
Revenue		
Operating revenue	5,497	
Interfund transfer in from General Fund	1,021,000	
		<hr/>
Total Revenue		1,026,497
Less: Expenditures ²		
Agricultural resources	\$32,456	
Asset management & protection	72,565	
Product sales & leasing	325,959	
Land management	294,453	
Correctional camps	14,803	
Administration	6,304	
Interagency payments	45,428	
Agency support	47,742	
Engineering services	58,923	
		<hr/>
Total operating expenditures	\$898,633	
Total capital expenditures	0	
		<hr/>
Total expenditures and other charges		<u>898,633</u>
ACTMA Fund Balance (June 30, 2008)		<u>\$200,990</u>

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.

'08

REVENUE		DISTRIBUTION	
Source	Total Funds	WSU Bond Retirement	Agricultural College Permanent
Sales			
Timber sales	\$4,295,319	\$0	\$4,295,319
Timber sale-related activities ¹	52,605	0	52,605
Asset transfer/loan repayment	0	0	0
Land sales (includes land bank)	0	0	0
	<u>\$4,347,924</u>	<u>\$0</u>	<u>\$4,347,924</u>
Leases			
Agriculture			
Dryland	\$107,275	\$0	\$107,275
Irrigated	80,127	0	80,127
Grazing and other	11,696	0	11,696
Aquatic lands	0	0	0
Special use	500	0	500
Commercial real estate	5,352	0	5,352
Mineral and hydrocarbon	5,021	0	5,021
Rights-of-way	2,742	0	2,742
Communication sites	119,720	0	119,720
Special forest products	1,189	0	1,189
	<u>\$333,622</u>	<u>\$0</u>	<u>\$333,622</u>
Other Revenue			
Interest income	\$5,658	\$5,128	\$530
Non-trust revenue	0	0	0
Operating transfer ¹¹	0	384,629	(384,629)
Permits, fees, and miscellaneous	0	0	0
	<u>\$5,658</u>	<u>\$389,757</u>	<u>(\$384,099)</u>
Total Revenue	<u>\$4,687,204</u>	<u>\$389,757</u>	<u>\$4,297,447</u>

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 granted state 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.

'08

REVENUE		DISTRIBUTION	
Source	Total Funds	Aquatic Lands Enhancement	Resource Management Cost Account ¹⁴
Aquatic Resources Activities			
Leases	\$19,183,548	\$11,146,864	\$8,036,683
Mineral and hydrocarbon	672,884	342,201	330,683
Rights-of-way	443,058	245,562	197,496
Interest income ¹	370,598	51,676	318,922
Non-trust revenue ¹⁵	16,278	0	16,278
Miscellaneous ^{1, 16}	(24,769)	2,107	(26,876)
Total Revenue	\$20,661,596	\$11,788,410	\$8,873,187

RMCA – AQUATIC

Revenue, Expenditures and Fund Balance

Trust Balance (July 1, 2007)		\$5,540,051
Aquatic Revenue		
Operating Revenue	8,918,386	
Treasurer transfer out for DIS IT Pool	(45,200)	
Total Revenue		8,873,186
Less: Expenditures ²		
Aquatic resources	\$5,535,449	
Administration	201,053	
Interagency payments	1,309,219	
Agency support	1,501,352	
Total operating expenditures	8,547,074	
Total capital expenditures	0	
Total expenditures		8,547,074
Trust Balance (June 30, 2008)		\$5,866,163

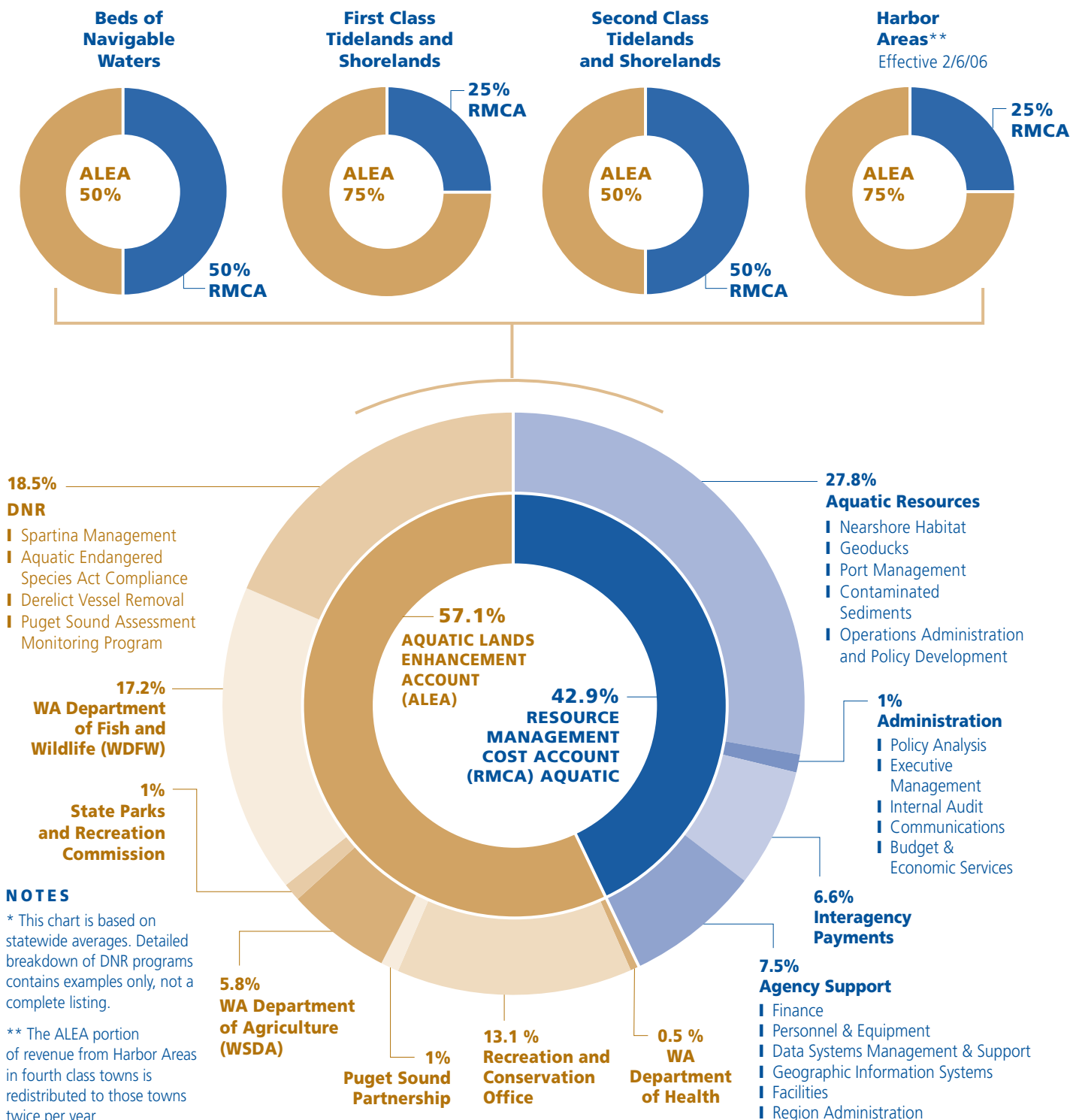
Totals may not add due to rounding.

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 trust land management expenses (e.g., reforestation, preparing timber sales) on State Forest Lands.

'08

Fund Balance (July 1, 2007)		\$26,405,851
<hr/>		
Revenue		
Operating revenue	18,676,424	
Treasurer transfer out for DIS IT Pool	(150,000)	
Total revenue		18,526,424
Less: Expenditures ²		
Agricultural resources	\$0	
Asset management & protection	793,509	
Product sales & leasing	7,184,990	
Land management	8,356,339	
Correctional camps	820,693	
Administration	457,080	
Interagency payments	1,920,271	
Agency support	2,990,800	
Engineering services	1,348,577	
Total operating expenditures	\$23,872,258	
Total capital expenditures	646,358	
Total expenditures and other charges		24,518,616
FDA Fund Balance (June 30, 2008)		\$20,413,658

Totals may not add due to rounding.

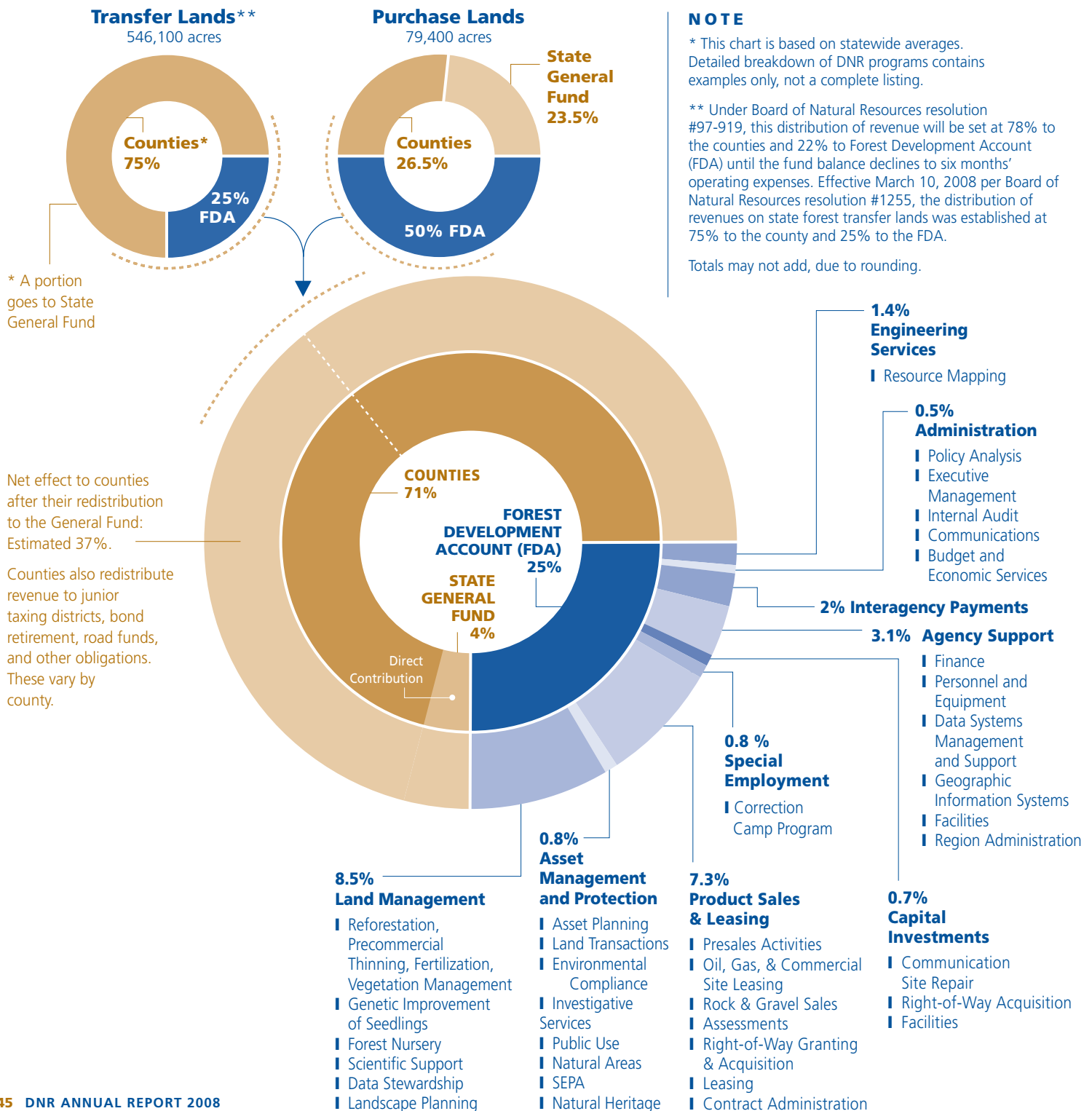
See fiscal notes, pages 22-25

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 fiscal year 2008, 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.



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.

'08

REVENUE		CONTRIBUTING LANDS	
Source	Total	Transfer Lands	Purchase Lands
Sales			
Timber sales	\$71,871,696	\$62,835,555	\$9,036,141
Timber sales-related activities ¹	301,812	298,984	2,828
	\$72,173,508	\$63,134,539	\$9,038,970
Leases			
Agriculture/minor forest products	\$265,124	\$173,314	\$91,810
Commercial/special use	63,393	47,795	15,598
Mineral and hydrocarbon	117,787	117,787	0
Rights-of-way	113,274	114,372	(1,098)
Communication sites	1,171,379	740,816	430,564
	\$1,730,957	\$1,194,083	\$536,874
Other Revenue			
Interest income ¹	\$186,415	\$169,799	\$16,617
Permits, fees, and miscellaneous ¹	17,260	5,260	12,000
Treasurer's revenue ¹⁷	103,456	N/A	N/A
FDA non-trust revenue ¹⁵	(63,323)	N/A	N/A
	\$243,808	\$175,059	\$28,617
Total Revenue	\$74,148,273	\$64,503,680	\$9,604,460

N/A—not applicable

Totals may not add due to rounding.

See fiscal notes, pages 22-25

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 Forest Development Account (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. Effective March 10, 2008 per Board of Natural Resources resolution #1256, the distribution of revenue on state forest transfer lands was established at 75% to the county and 25% to the Forest Development Account (FDA).

'08

REVENUE DISTRIBUTION		CONTRIBUTING LANDS	
Recipient	Total	Transfer Lands	Purchase Lands
County			
Clallam	\$6,587,489	\$6,587,489	\$0
Clark	2,198,510	2,197,185	1,325
Cowlitz	1,457,395	1,042,639	414,756
Grays Harbor	641,770	14,301	627,469
Jefferson	1,225,703	1,225,703	0
King	2,700,128	2,700,128	0
Kitsap	158,712	132,101	26,611
Klickitat	2,078,126	2,078,126	0
Lewis	2,533,425	2,480,882	52,543
Mason	2,943,097	2,942,786	311
Okanogan	22	22	0
Pacific	1,218,557	833,247	385,311
Pierce	1,161,633	1,135,543	26,090
Skagit	11,328,631	11,328,631	0
Skamania	307,800	302,937	4,863
Snohomish	7,162,300	7,162,300	0
Stevens	47,448	47,448	0
Thurston	2,796,741	1,000,172	1,796,569
Wahkiakum	1,023,187	1,023,187	0
Whatcom	4,973,251	5,153,673	(180,422)
Treasurer's revenue ¹⁷	103,456	N/A	N/A
	\$52,647,381	\$49,388,499	\$3,155,425
Forest Development Account			
Trust activity	\$18,521,423	\$15,067,421	\$ 3,454,002
Permits, fees, and miscellaneous ¹	68,323	47,760	20,563
Treasurer's revenue	0	N/A	N/A
FDA non-trust revenue ^{15, 16}	(63,323)	N/A	N/A
	\$18,526,422	\$15,115,181	\$3,474,565
General Fund - State	\$2,974,470	\$0	\$2,974,470
Total Revenue	\$74,148,273	\$64,503,680	\$9,604,460

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

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.



DNR HELPS REMOVE FISH BARRIERS ON PRIVATE LAND

DNR's Small Forest Landowner Office helps administer a cost-share program helping private landowners remove more than 137 fish passage barriers since 2003, opening up more than 343 miles of passage.

DNR MANAGES NATURAL AREAS ACROSS THE STATE

DNR manages more than 126,000 acres in 29 Natural Resources Conservation Areas 53 Natural Area Preserves that protect high-quality examples of Washington's natural features across the state for education, research and low-impact uses.

DNR-MANAGED LANDS HELP STORE CARBON

Washington's 2.1 million acres of forested state trust lands store large amounts of carbon—an estimated 200 million tons—that would otherwise contribute to atmospheric greenhouse gasses.

DNR GENERATES NON-TAX REVENUE

In fiscal year 2008, DNR generated approximately \$161 million for trust beneficiaries including construction for public schools, universities, prisons, other institutions, and county services.

DNR LEASES WIND PROJECTS FOR 'GREEN ENERGY'

Wind projects on state trust lands could produce 105.4 megawatts annually at full capacity—more than 100 other DNR-managed parcels have wind-power potential.

DNR HELPS PREVENT WILDFIRE RISKS

To reduce the risks of catastrophic wildfire, DNR has helped 41 communities develop wildfire protection plans in 18 counties where homes have been built in or near forests.

DNR PHOTO FILES

Did You Know?

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