



HILARY S. FRANZ

COMMISSIONER OF PUBLIC LANDS

Washington State Department of Natural Resources

State Lands Report

Board of Natural Resources:

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Deputy Supervisor for State Uplands

June 4, 2019



DNR State Uplands

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

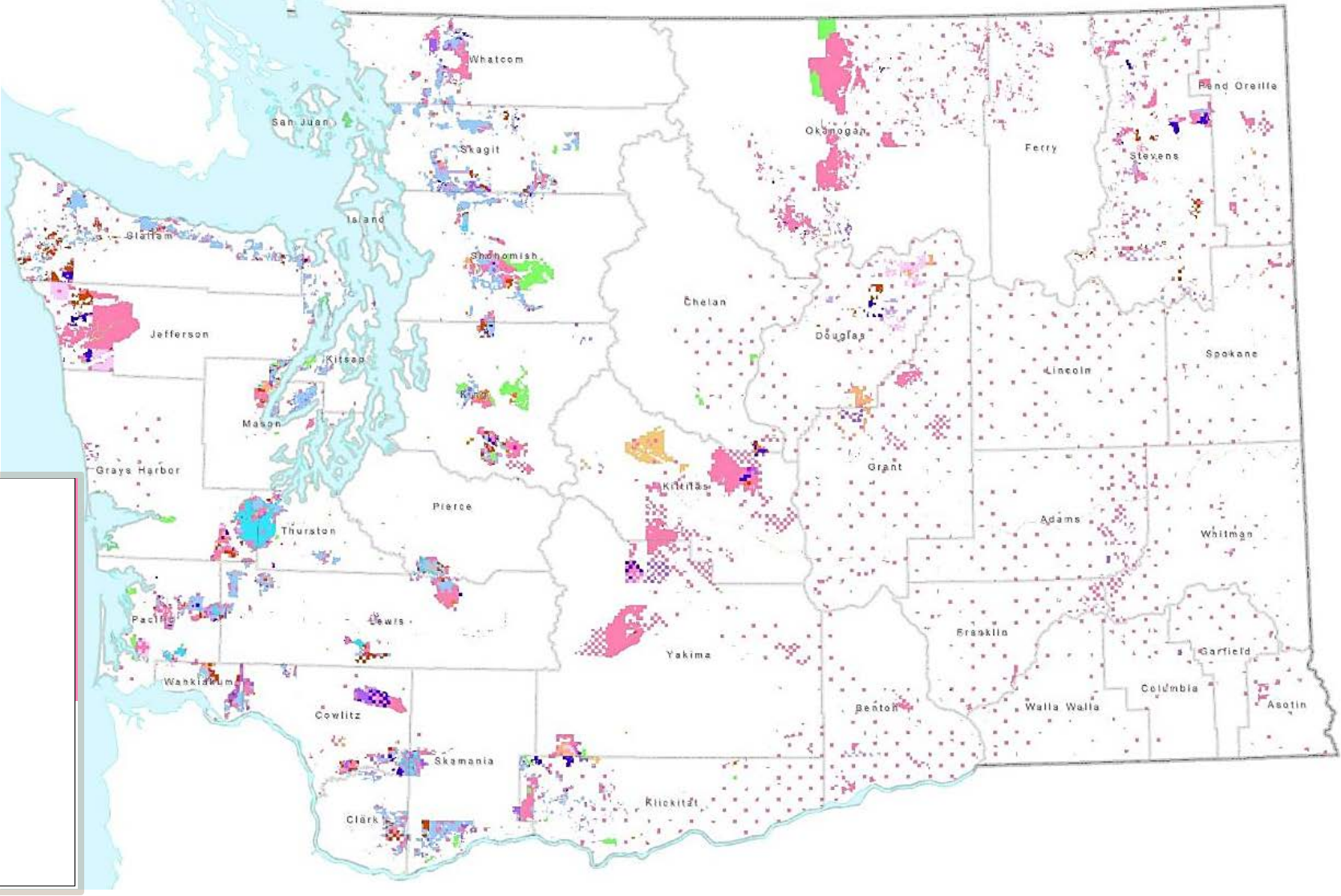


Today's Conversation

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



State Uplands



State Uplands

Total area:
3.1 million
acres

Trust Lands
2.9 million
acres

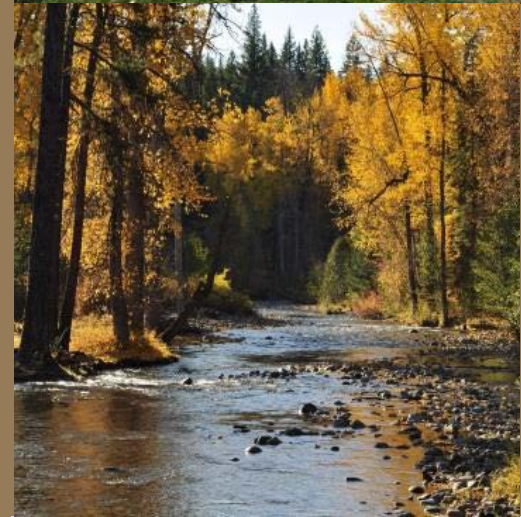
Community
Forest Trust
52,000
acres

Conservation
Lands
161,000
acres

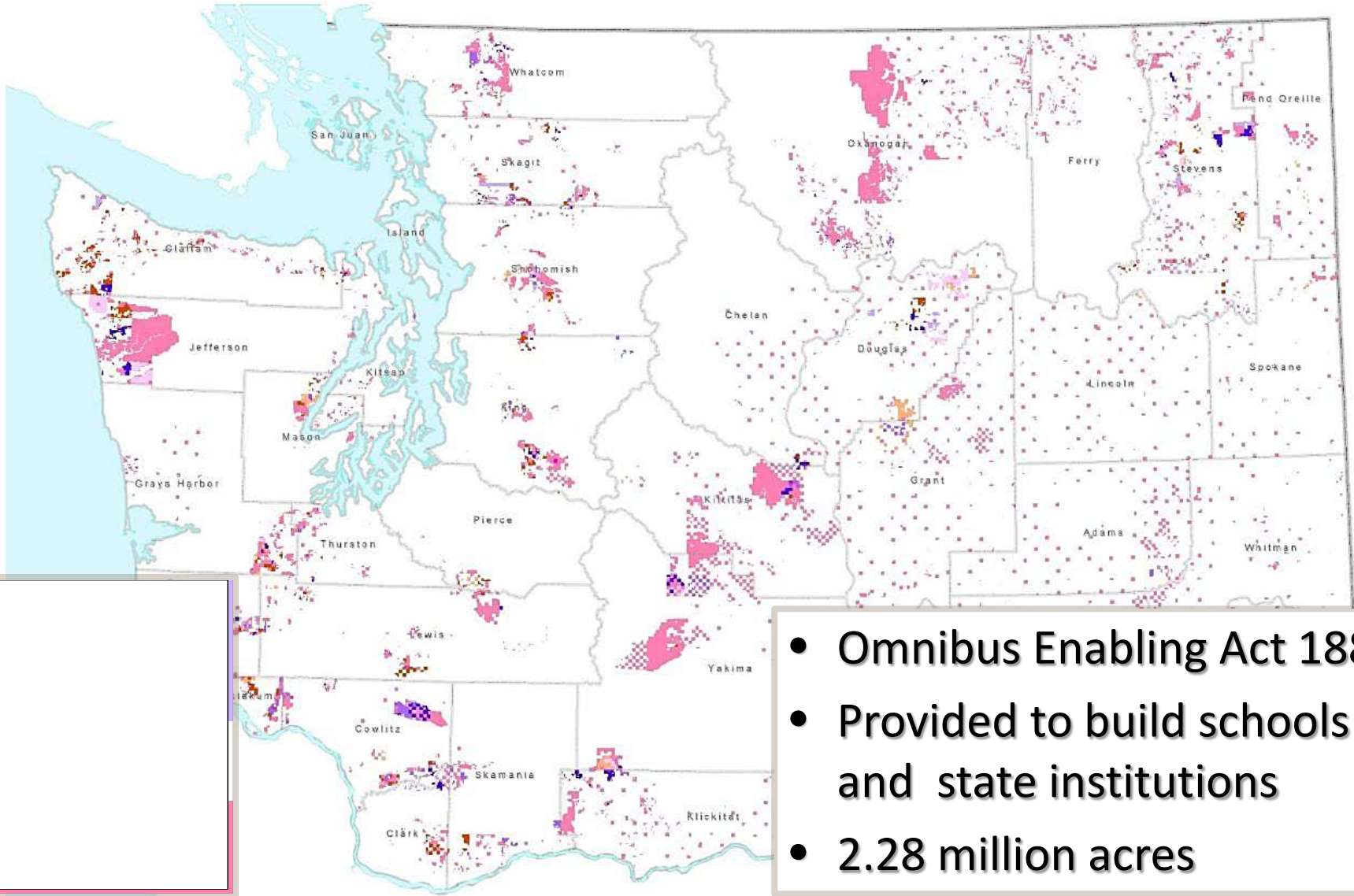


State Uplands

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



Federal Granted Lands



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



State Forestlands



DNR's Trust Mandate

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

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



2018 Revenue (in millions)

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



Forestry

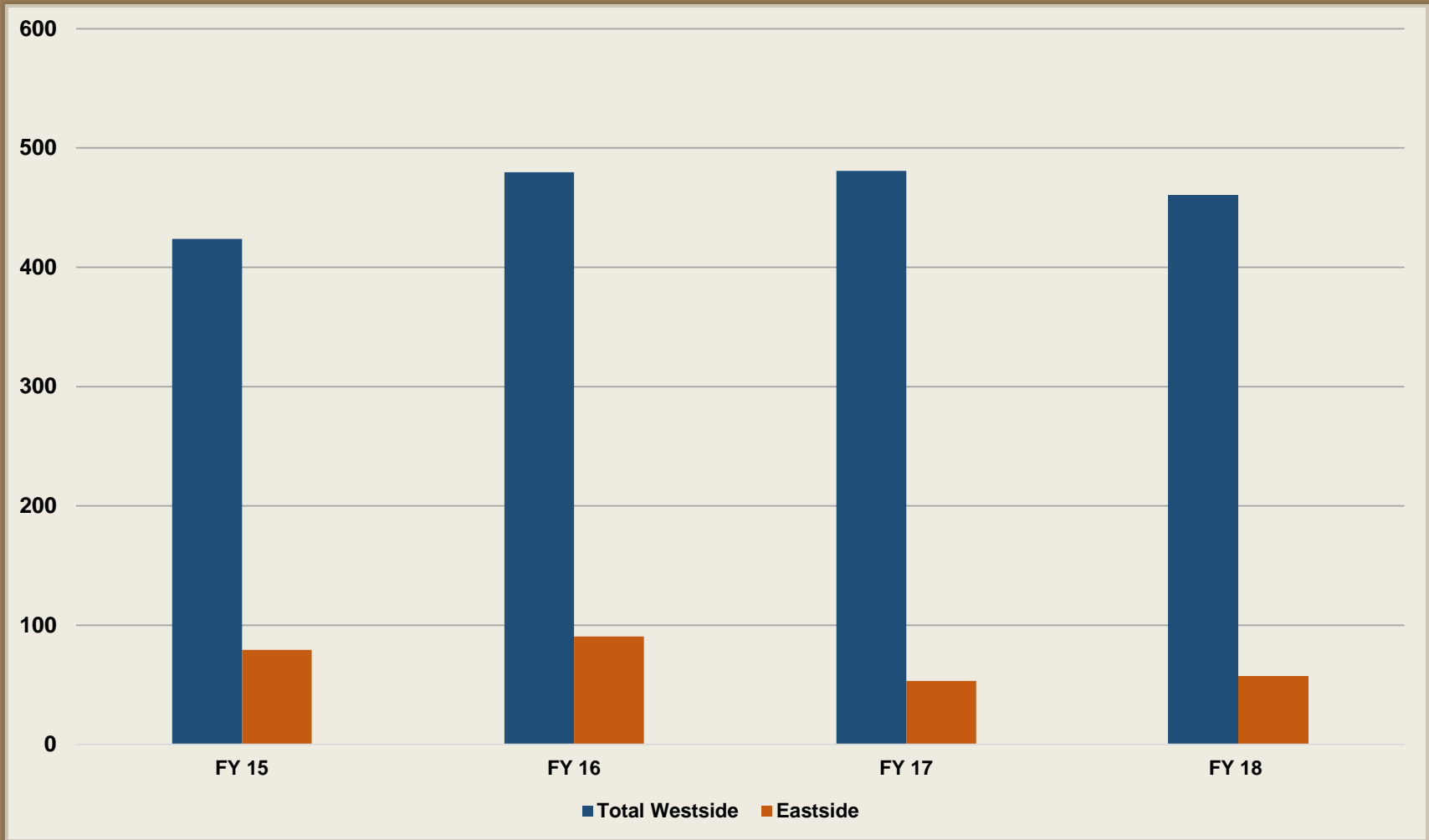
2 million forested acres

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



Timber Volume Sold (MMBF)

FY15-FY18 Sold Sales



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

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





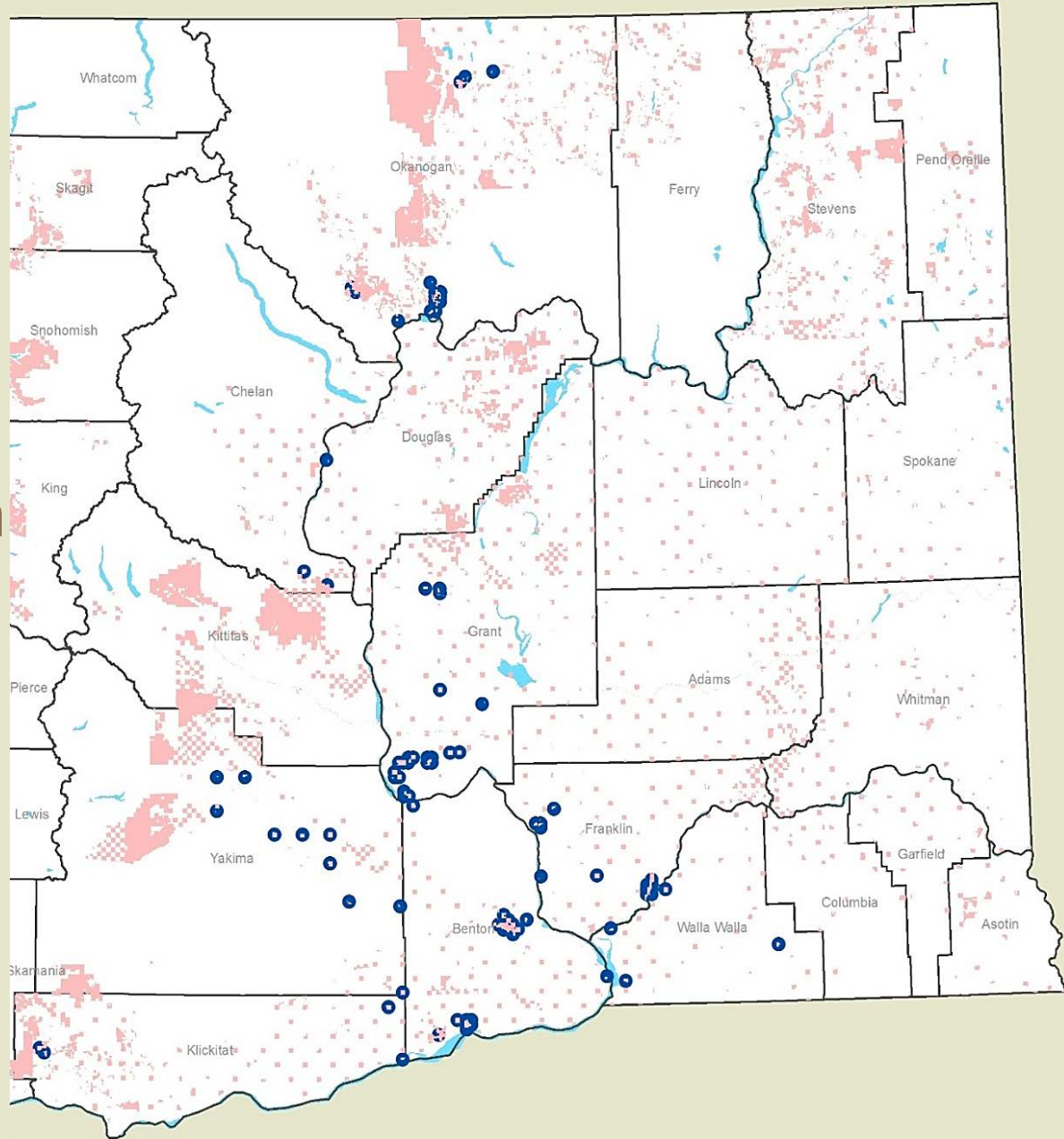
Agriculture

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



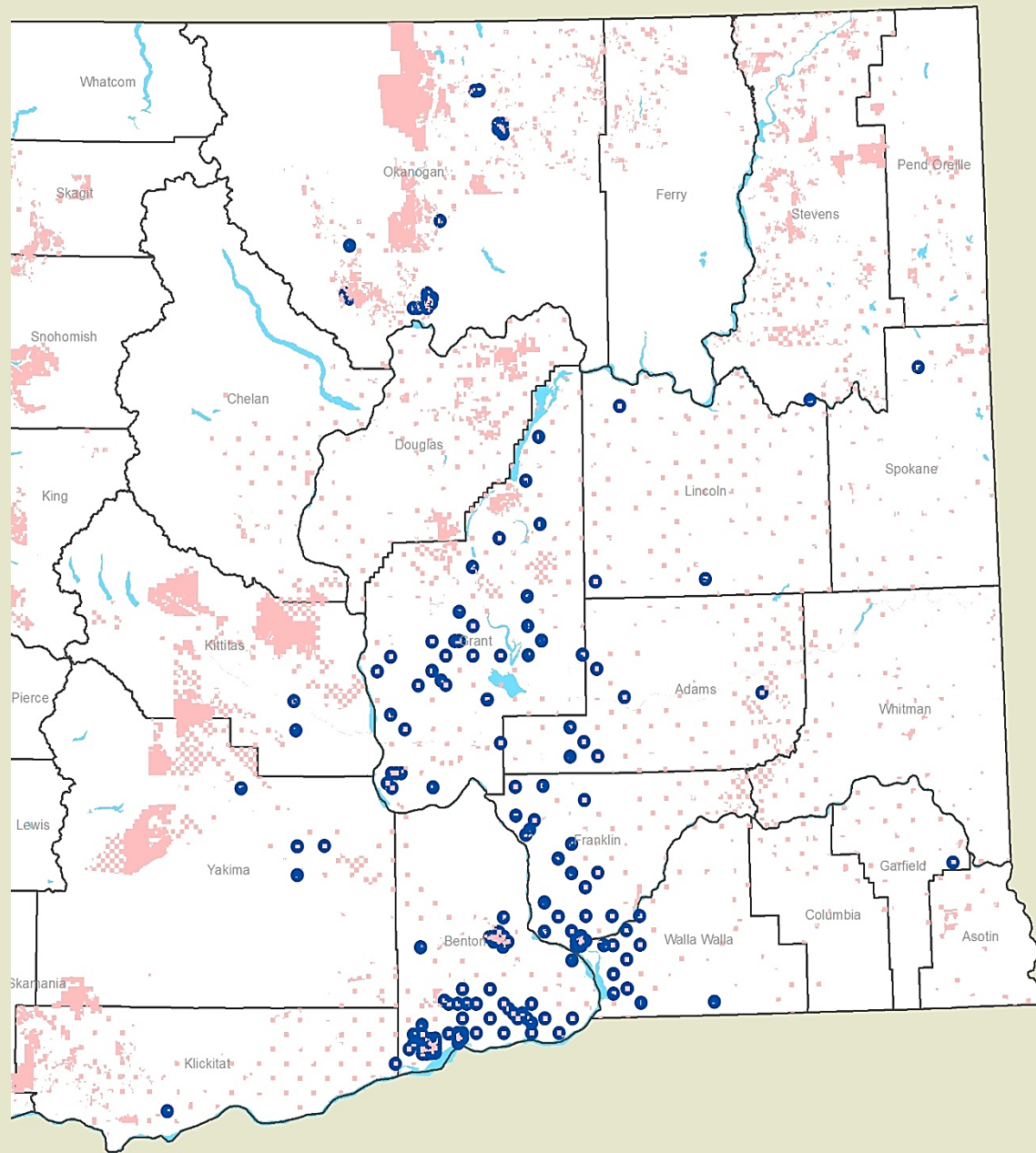
Orchards & Vineyards

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



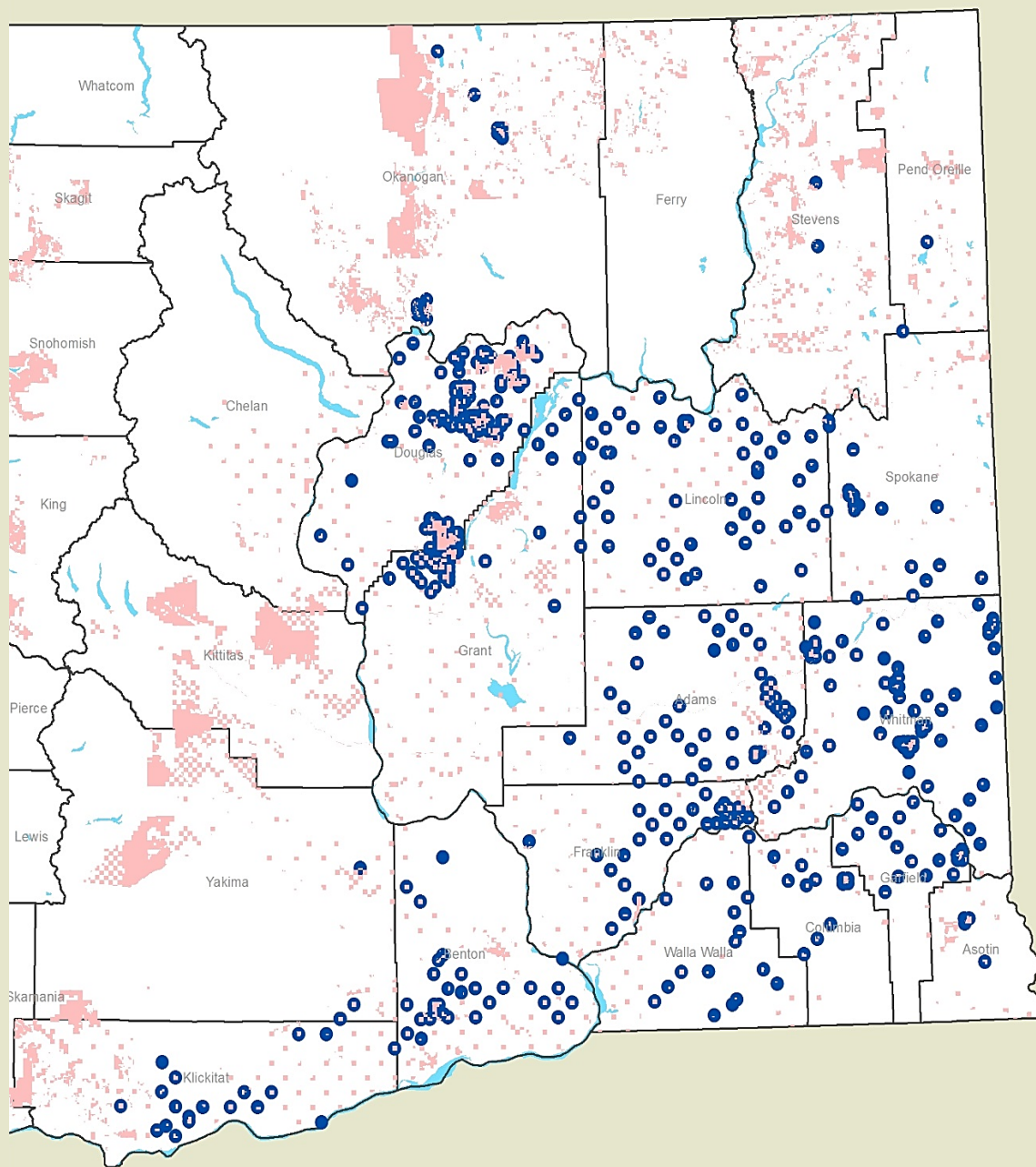
Irrigated Row Crops

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



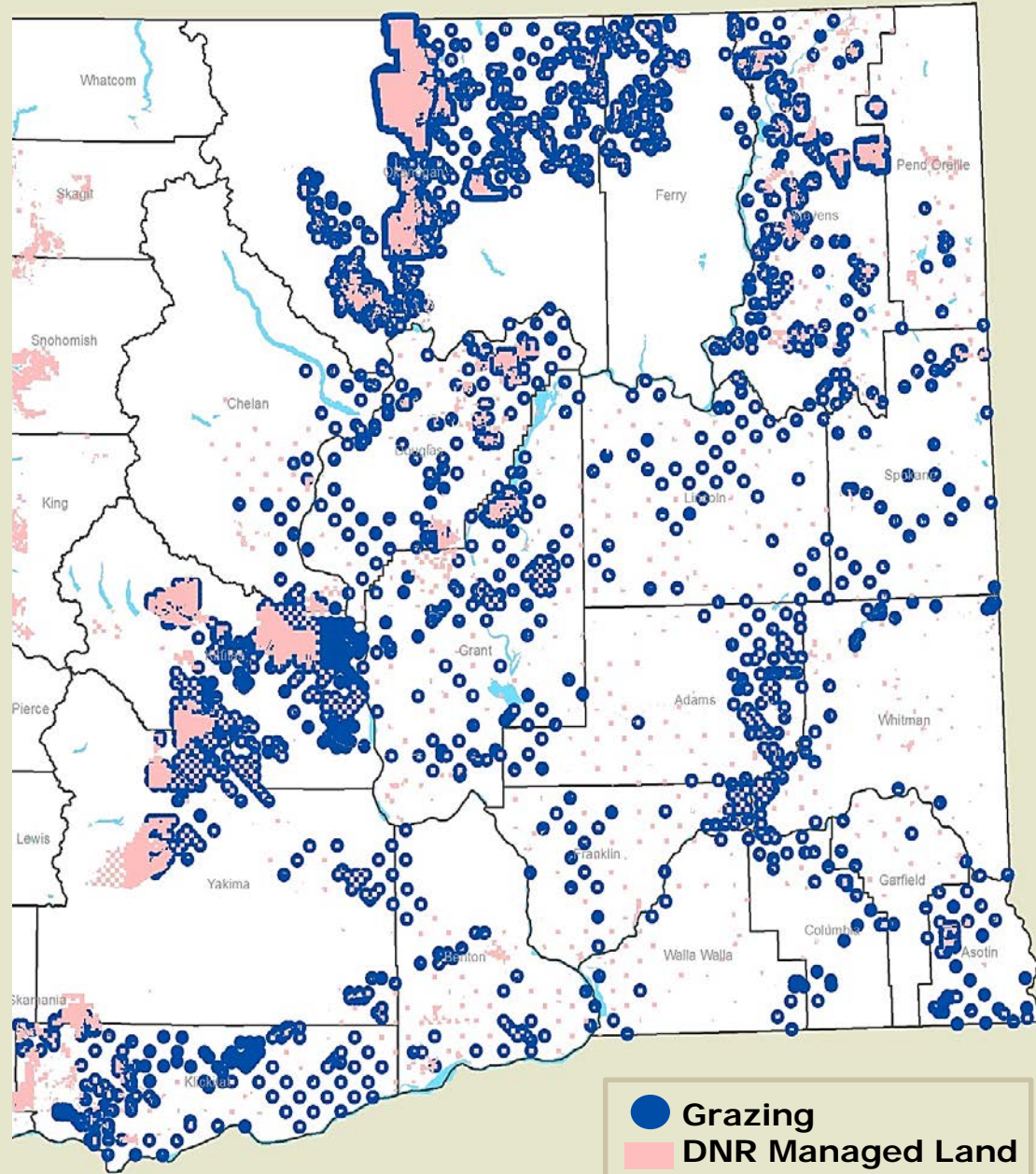
Dryland

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



Grazing

- 538,665 acres
 - 739 leases
- ## Range Permit
- 318,235 Acres
 - 41 Permits
- \$ 1.0 million in FY18 revenue



Water

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

Positioning portfolio:

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



Commercial Real Estate

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



Communication Sites

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



Special Use, Easements, Mining and Minerals

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



Asset Management

2018 Trust Transactions

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

2015-18 Trust Transactions (Avg.)

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

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



Conservation Purchases

2018 Conservation Transactions

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

2015-2018 Averages

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

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



Community Forests

Manage two community forests

- Klickitat Canyon
- Teanaway

Recreation Plan

- ESSB 6095



Teanaway



Klickitat Canyon



Recreation

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



























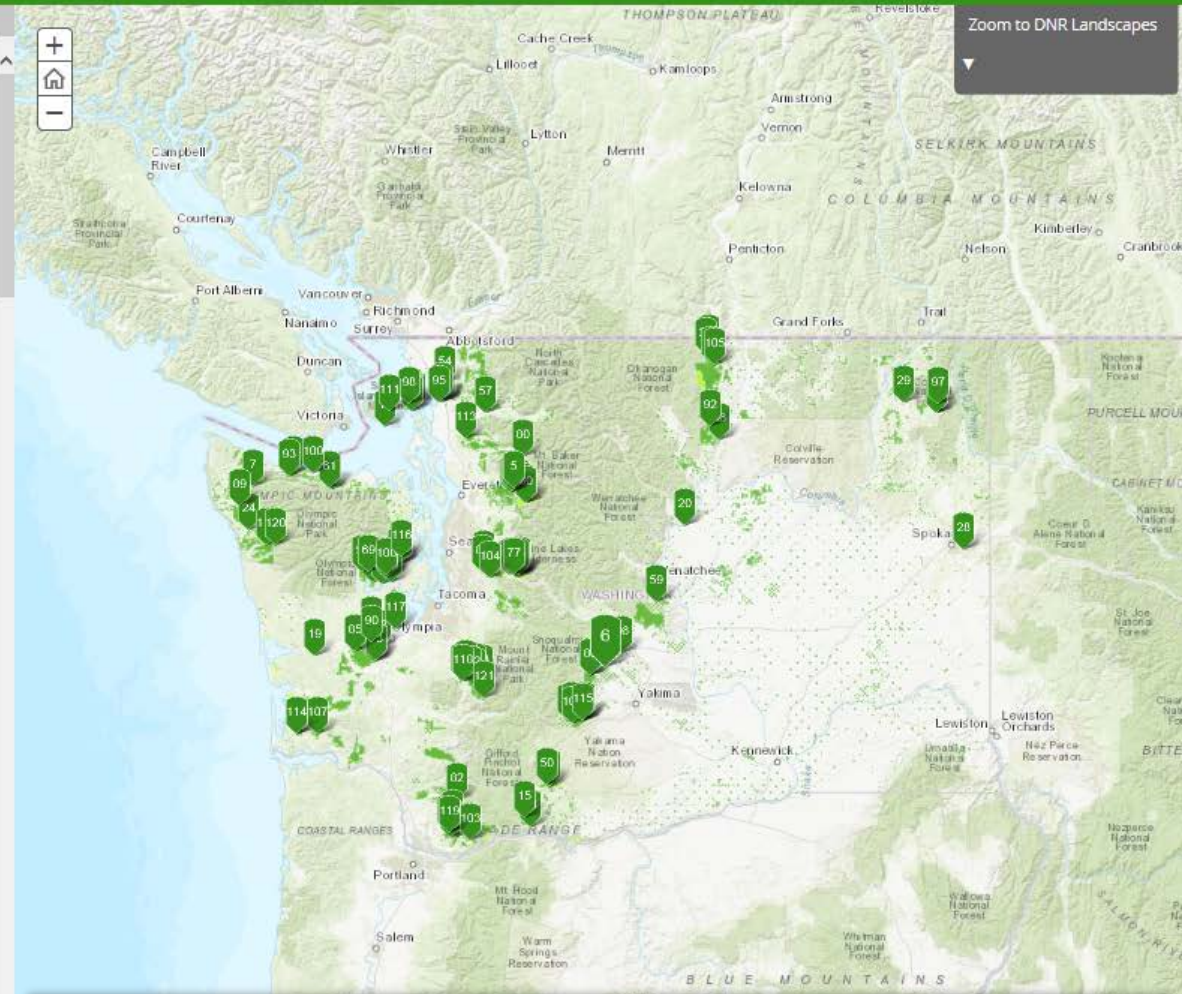
Explore Washington DNR-managed lands

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



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

 1 Road Sno Park	 2 Altium Camp	 3 Altium Meadows	 4 Aldrich Lake
 5 Ashland Lakes	 6 BBQ Rats	 7 Bear Creek	 8 Beaver Creek
 9 Beaver Plant Lake	 10 Big Greider Lake	 11 Bird Creek	 12 Blanchard Lower
 13 Blanchard Upper	 14 Buck Creek 1	 15 Buck Creek 2	 16 Camp Spillman
 17 Cattle Point	 18 Champion Beach	 19 Chehalis River Surge Plain	 20 Chelan Butte Sky Park
 21 Cold Creek	 22 Cold Springs	 23 Copper Creek Hut	 24 Cottonwood



Zoom to DNR Landscapes

Check it out at dnr.wa.gov/go



2018 Recreation Highlights

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

Plans for 2019 and beyond



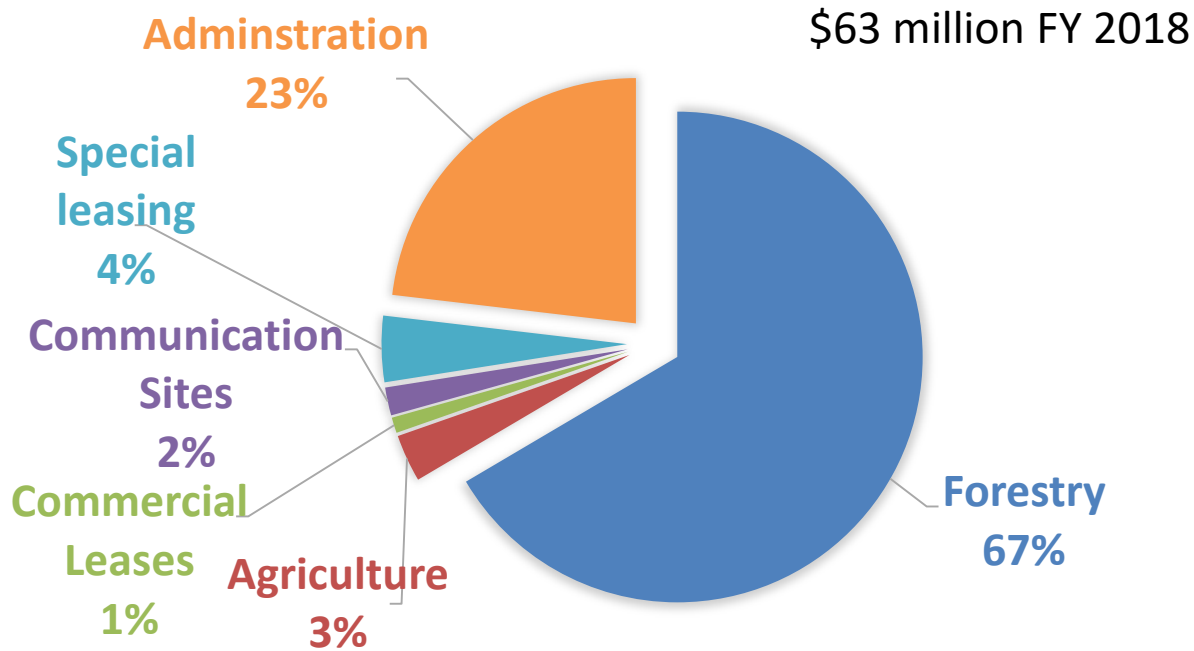
2018 Revenue

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

(Dollar value in millions)



Expenditures



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



Expenses to Revenue

Asset Class	Acres (thousands)	Expenditure	Revenue	Profit\ Loss
		(\$/acre/year)		
Forestry	2,000	27	87	60
Agriculture	890	3	29	26
Commercial	9	90	1,213	1,123
Communication Sites	<1	1,442	4,726	3,284
Special Use	<1	3,581	5,641	2,059
Overall	2,900	22	76	54

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

Benchmarks

Forestry - \$20¹-\$33² per acre

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



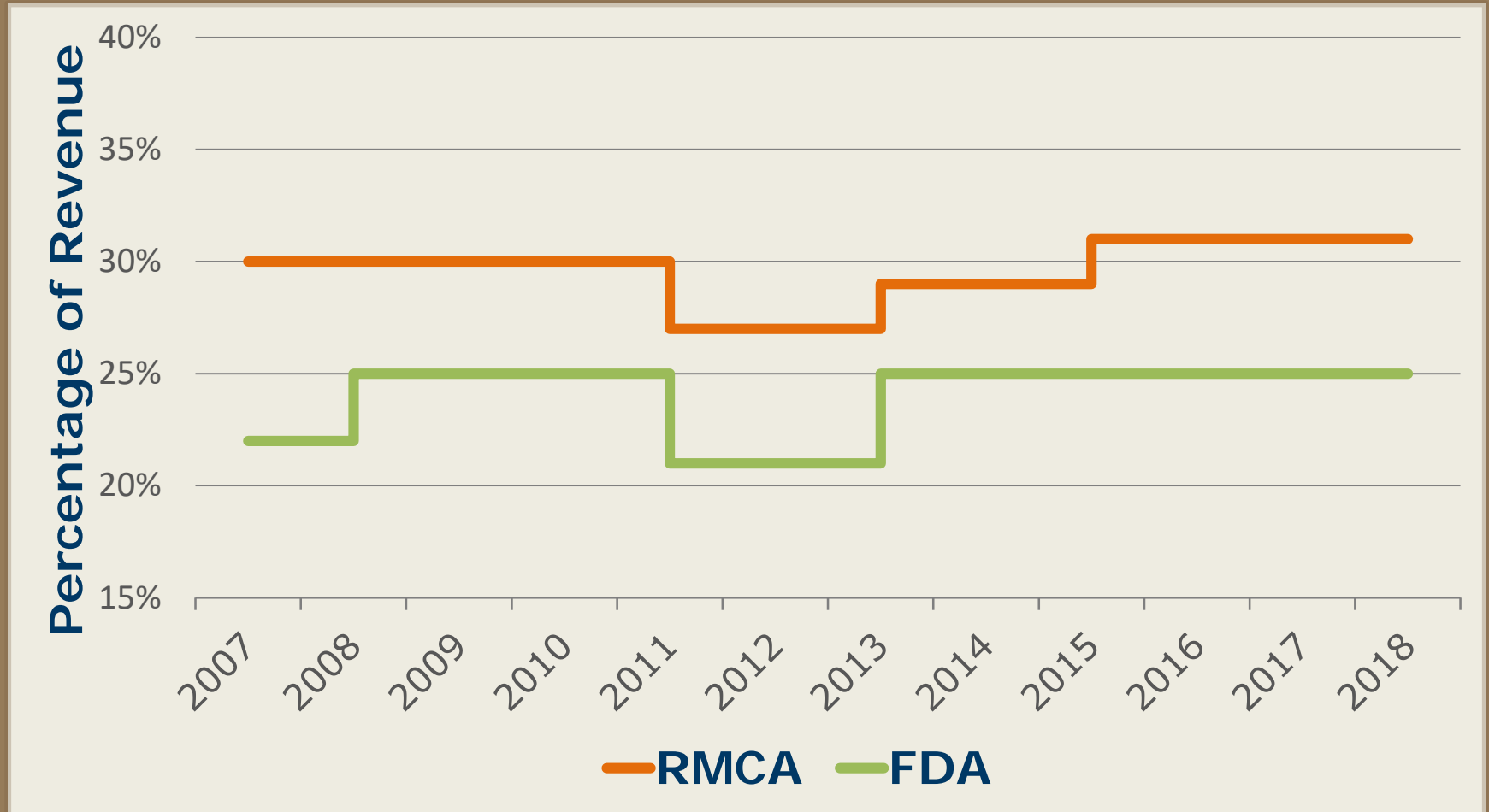
Funding

State Trust Lands funded by revenue generated

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



Management Rates



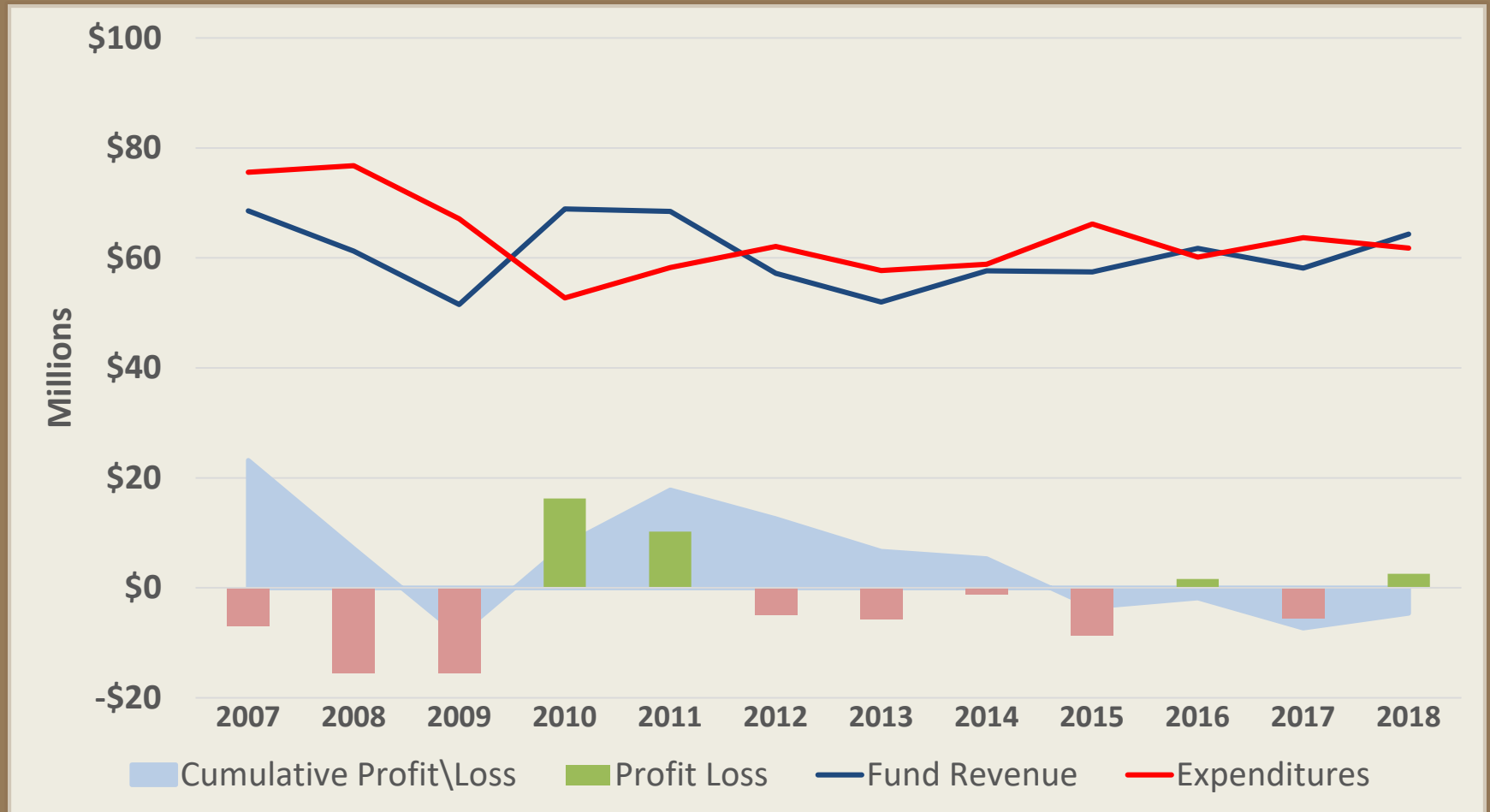
Expenses to Fund Revenue

Asset Class	Acres (thousands)	Expenditure	Fund Revenue	Profit Loss
		\$/acre/year		
Forestry	2,000	27	25	(2)
Agriculture	890	3	9	6
Commercial Leases	9	90	376	286
Communication Sites	>1	1,442	1,390	(52)
Special use	>1	3,581	1,712	(1,870)
Overall	2,900	22	23	1

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



Combined Funds (RMCA & FDA)

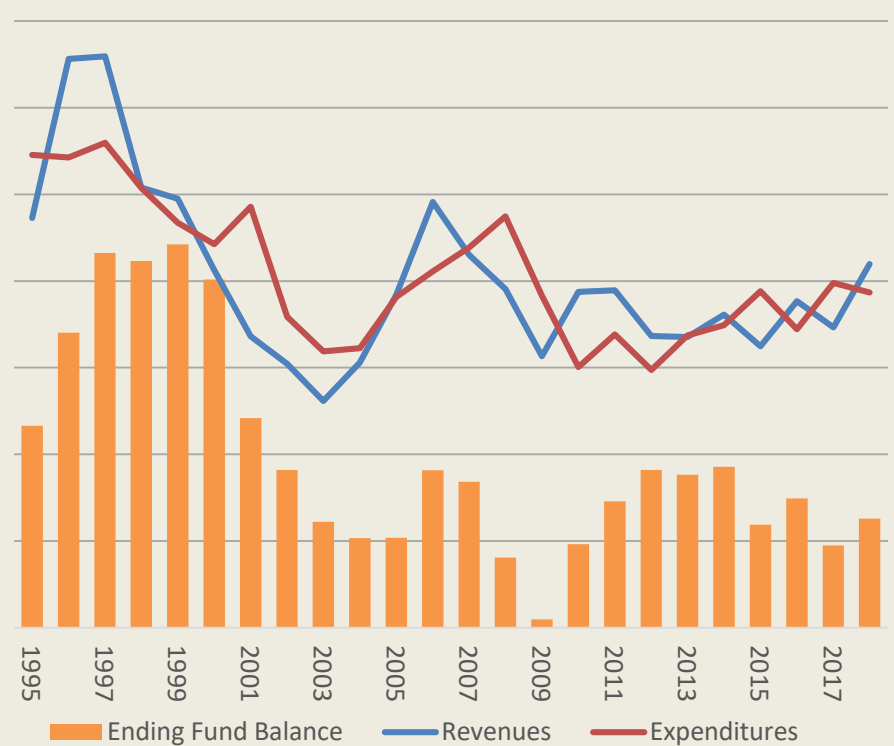
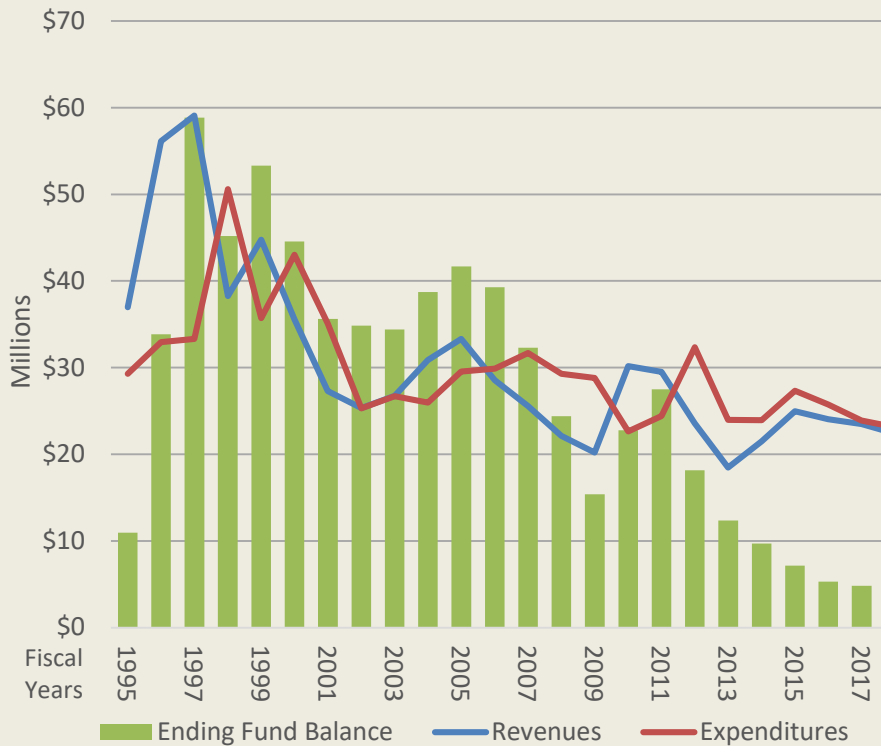


Fund balances

Forest Development Account

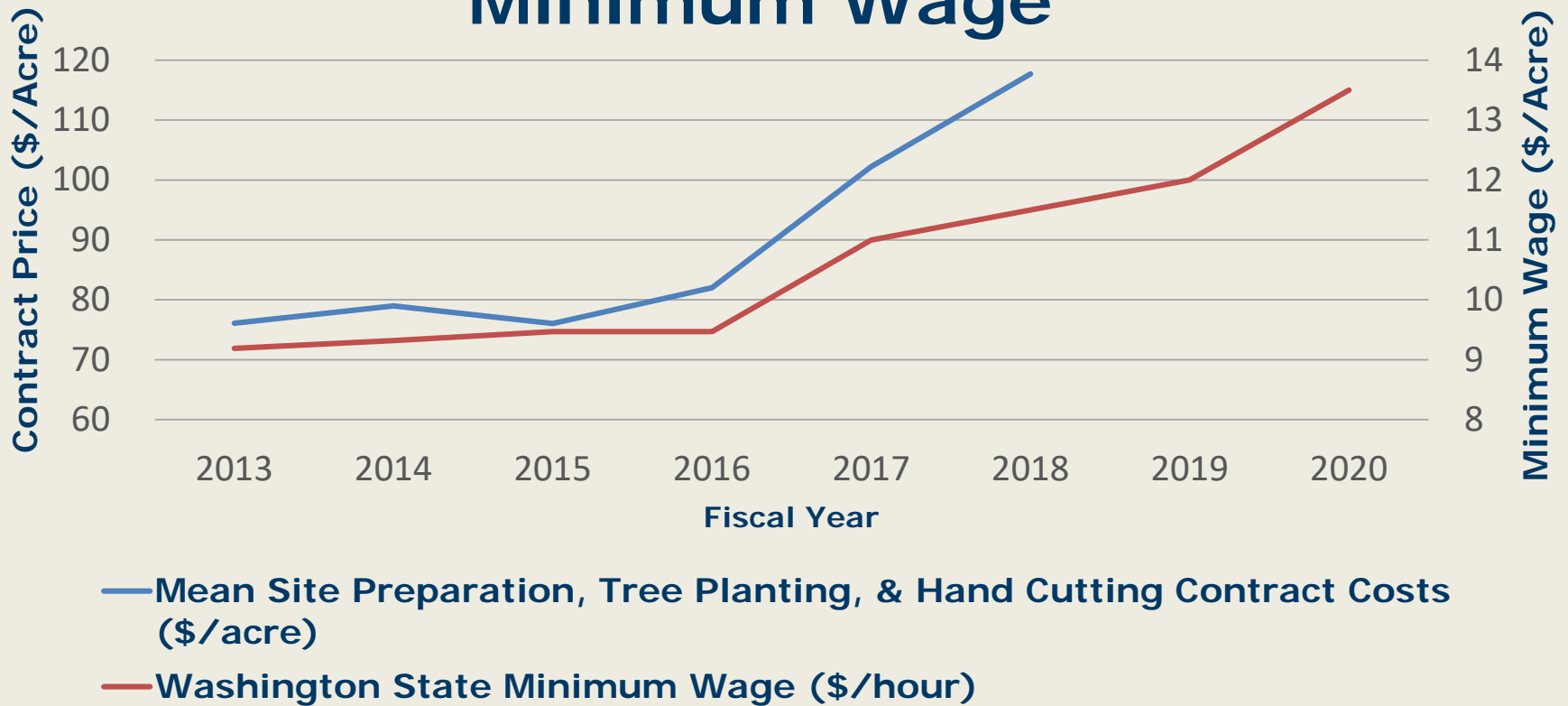
Resource Management Cost Account

Real 2018 dollars

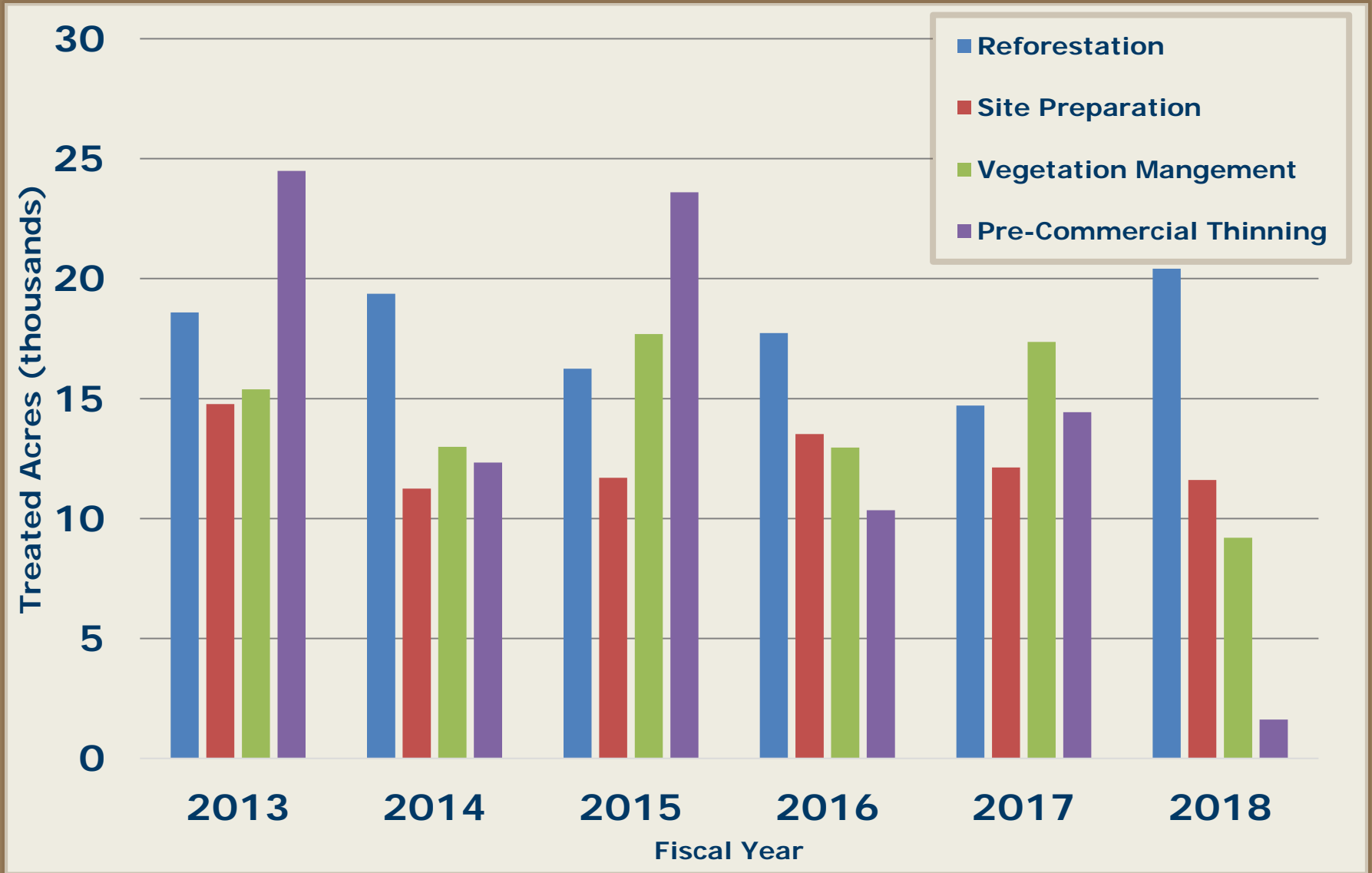


Costs

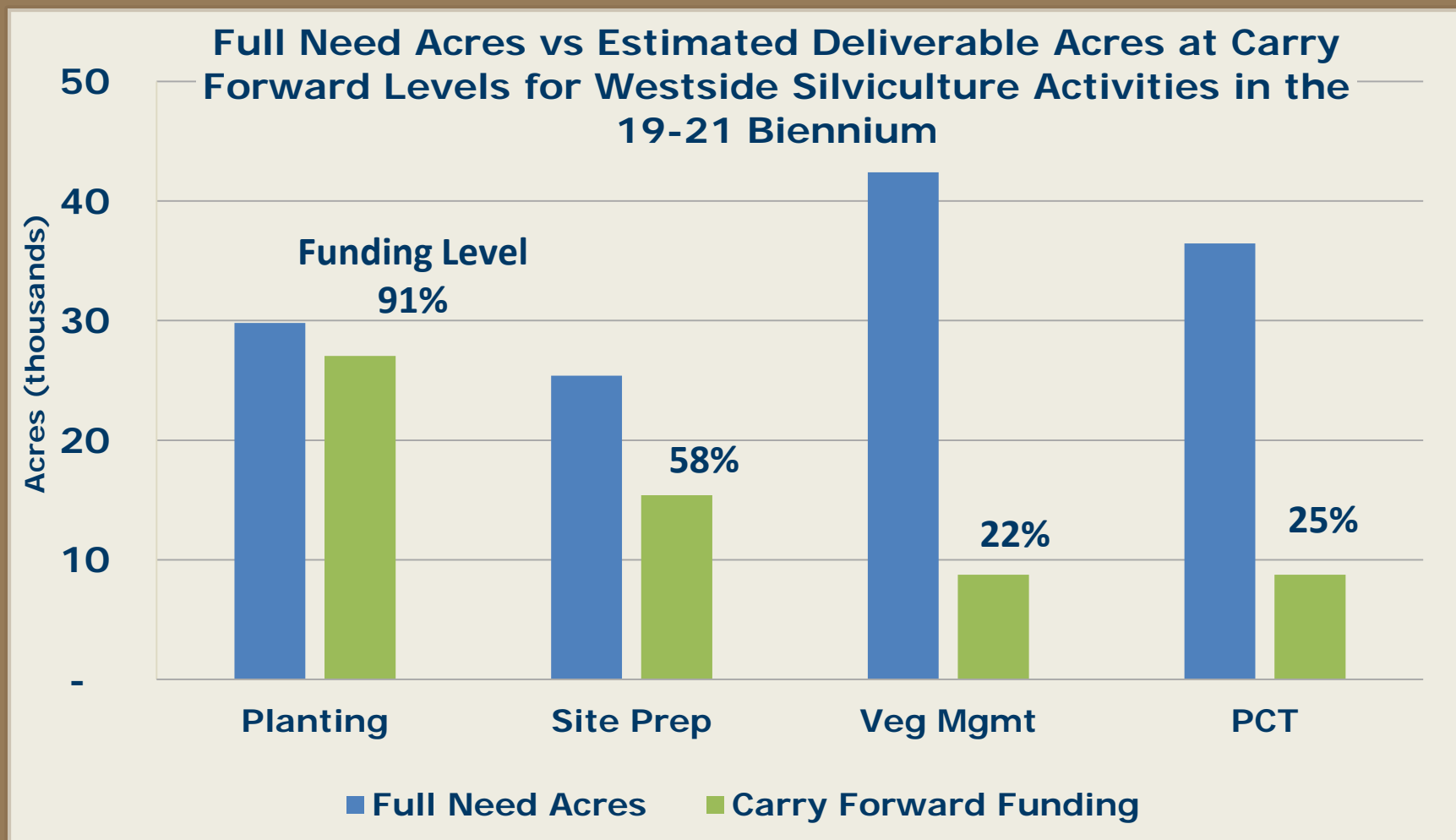
DNR Westside Silviculture Contract Prices and Washington Minimum Wage



Silviculture



Investment Needs: Silviculture



PCT=Pre-commercial thinning



Next Biennium 19-21

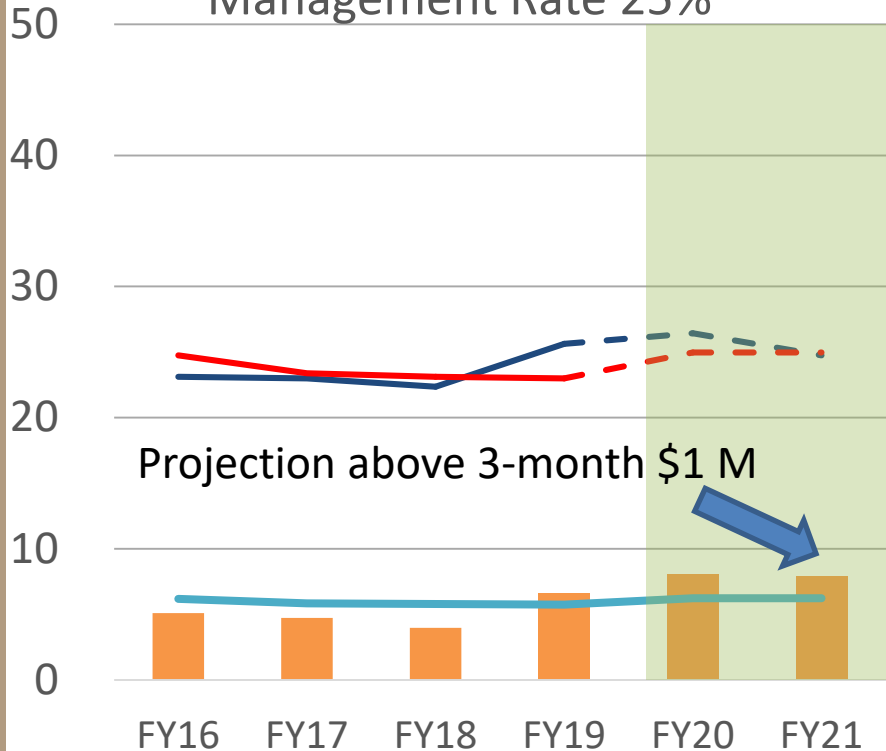
- **Goals**
 - Achieve revenue, volume and investment deliverables
 - Achieve 3-month ending fund balances
- **Challenges**
 - Absorb \$6 million COLA
 - Invest \$1-\$2 million to grow revenue
 - Invest \$11 million in silviculture needs
 - Pay \$1.1 million to complete the Trust Lands Performance project



Fund Projections

FDA

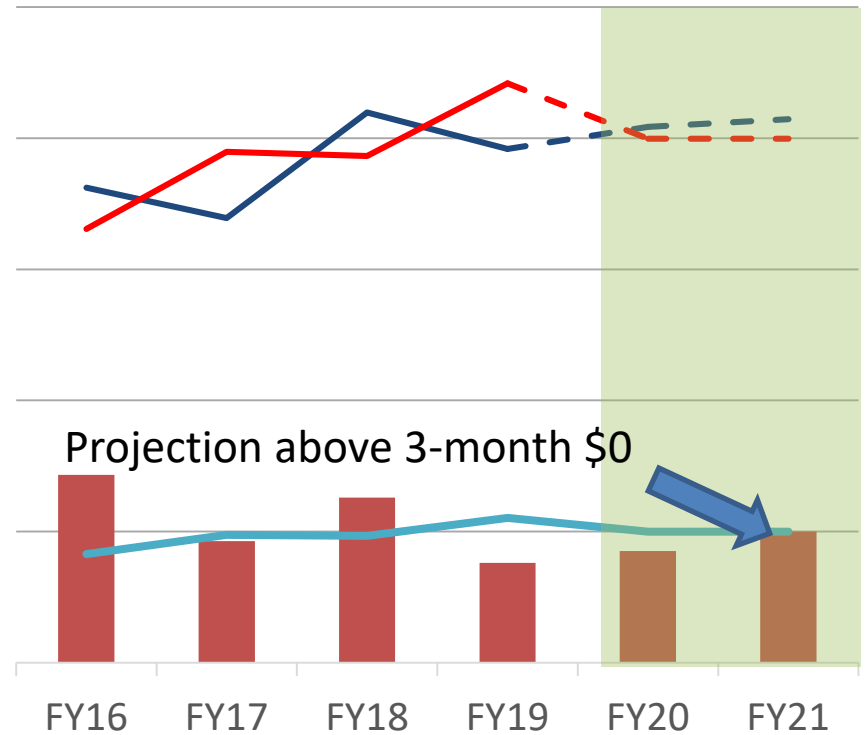
Management Rate 25%



- Ending Fund Balance
- Revenue
- Expenditures
- 3-Month Minimum Fund Balance

RMCA

Management Rate: 31%



- Ending Fund Balance
- Revenue
- Expenditures
- 3-Month Minimum Fund Balance



Next Steps

- Complete 17-19 budget
- Report back
- Recommend Management Rate change
 - Silviculture,
 - Trust Land Performance Project, or
 - Other investments





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