



Department of Natural Resources



Board of Natural Resources: Trust 101

April 4, 2023

Sarah Ogden, Trust Outreach Specialist

Michael Kearney, Division Manager - Product Sales and Leasing

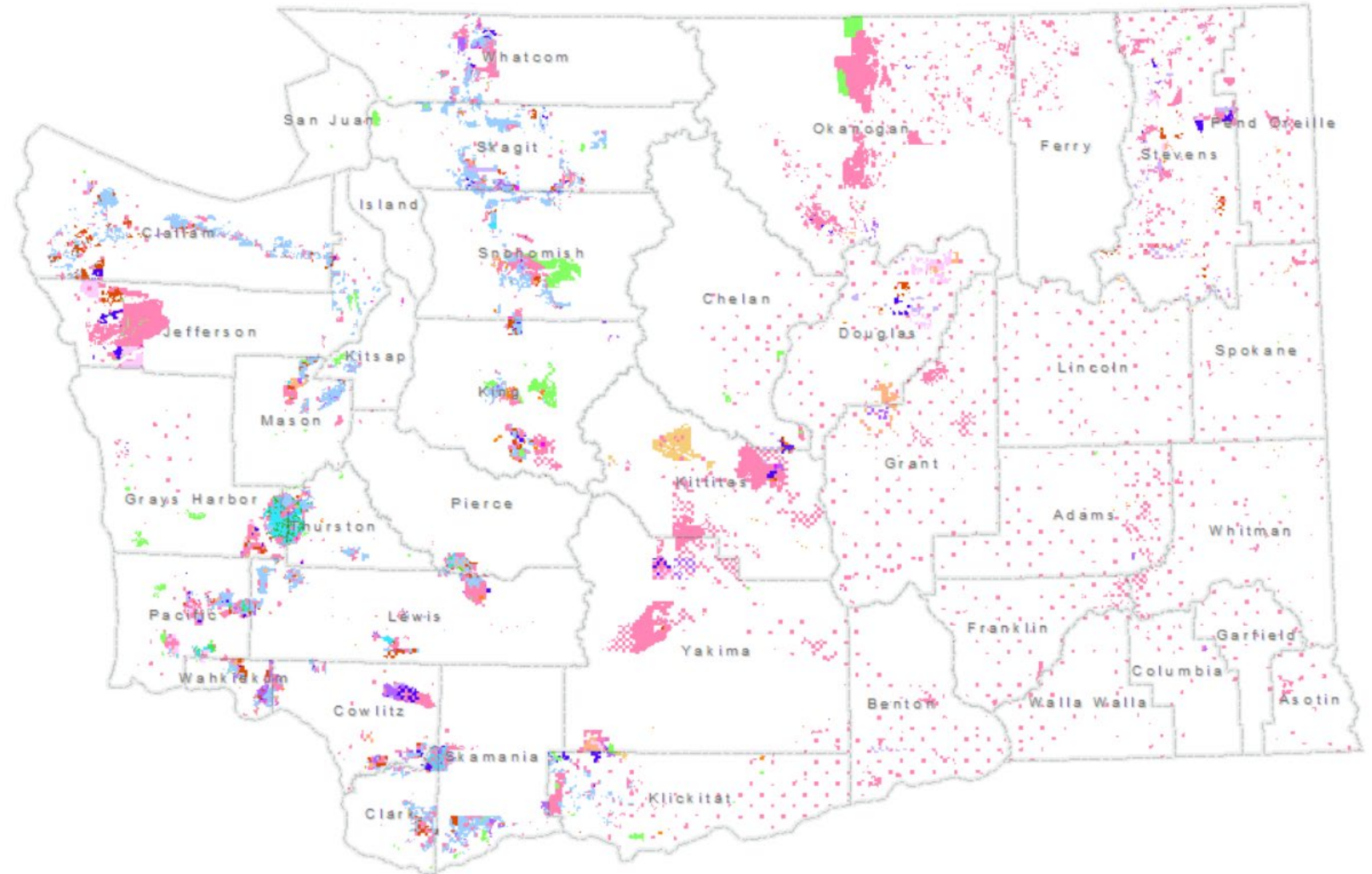
Trust Obligations

As manager of state trust lands, DNR has legal fiduciary responsibilities to:

- Generate revenue and other benefits for each trust, in perpetuity
- Preserve the corpus of the trust
- Exercise reasonable care and skill
- Act prudently to reduce the risk of loss for the trusts
- Maintain undivided loyalty to beneficiaries
- Act impartially with respect to current and future beneficiaries

DNR Managed Lands

- Common School (3)
- Agricultural School (4)
- Scientific School (10)
- Normal School (8)
- University - Transferred (5)
- University - Original (11)
- CEP and RI (6)
- Capitol Grant (7)
- State Forest Transfer (1)
- State Forest Purchase (2)
- Community Forest Trust (48)
- NAP / NRCA (74 / 75)
- Other DNR-Managed Lands
- University Repayment (41)
- Forest Board Repayment (42)

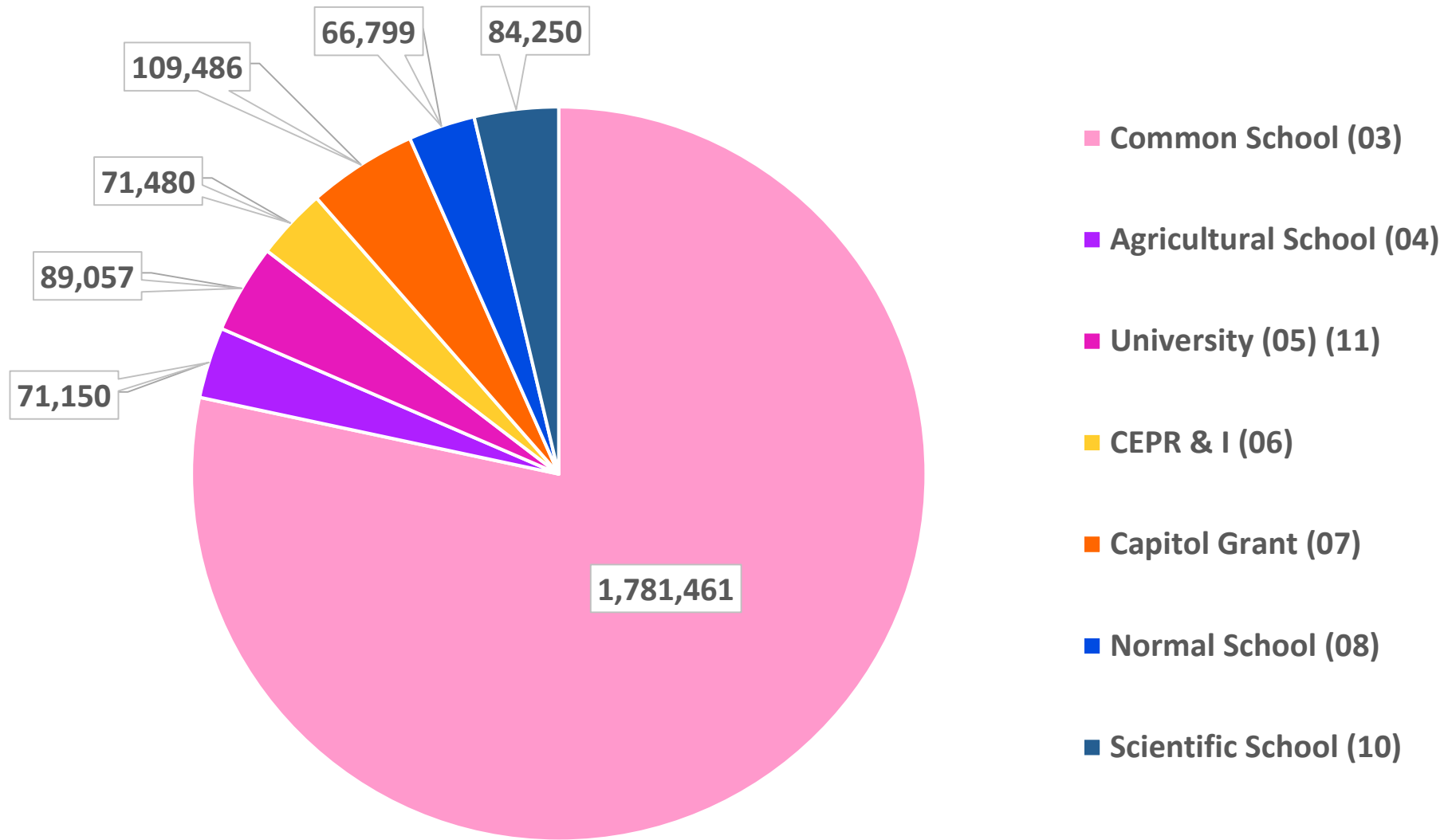


State Lands

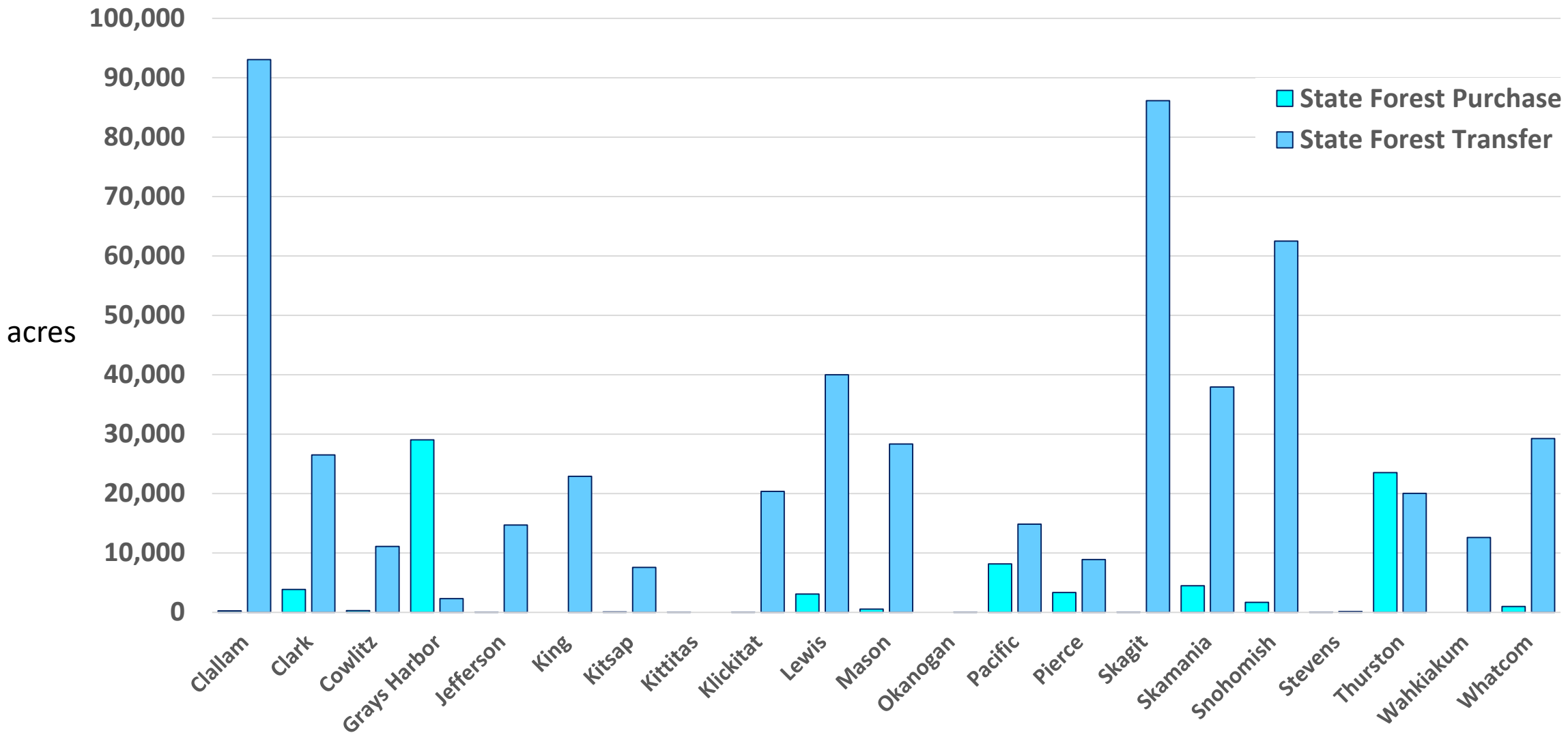
- Federally granted land through the Enabling Act of 1889
- Affirmed by State Constitution, governed by Statute
- ~3 million acres across the state currently managed by DNR
- Beneficiaries primarily public schools, universities, and colleges
- Revenue distribution:
 - Variable depending on beneficiaries
 - 31% for DNR management rate



State Lands Trust Acres



State Forestlands



State Forest Transfer Lands (01)

- Foreclosed lands in counties
- Transferred to state ownership
- Managed in trust by DNR for counties
- 540,000 acres
- 21 counties are direct beneficiaries
- Most counties redistribute to junior taxing districts
- Revenue distribution:
 - 75% to counties
 - 25% DNR management

Baltimore Plot Timber Sale

		Distribution %	Amount
Trust 01 percentage of sale	61%		\$2,549,245
Forest Development Account (FDA)		25%	\$637,311
Trust Distribution		75%	\$1,911,934
Trust 03 percentage of sale	39%		\$1,629,845
Resource Management Cost Account (RMCA)		31%	\$505,252
Trust Distribution		69%	\$1,124,593
	Total Sale Price		\$4,179,090



Baltimore Plot Timber Sale

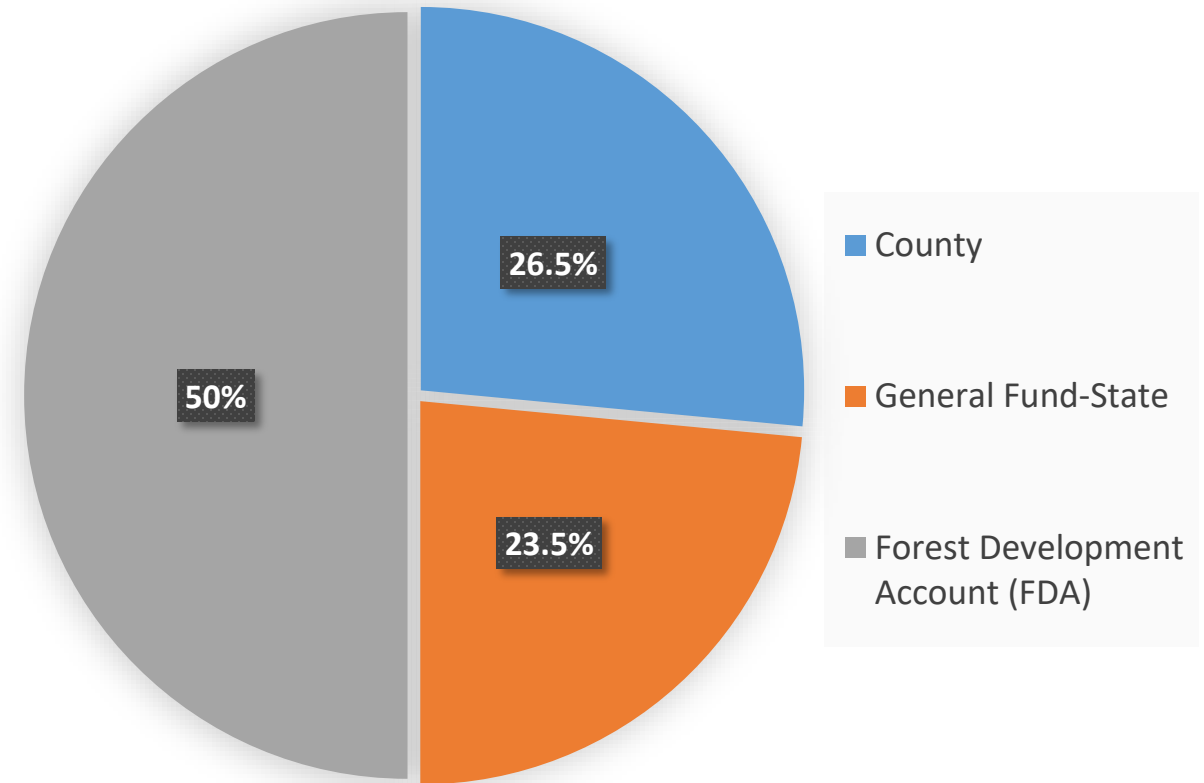
Trust 01 County Distribution	% of total distribution	Amount of distribution
County Regular	13.71%	\$262,056
Roads	17.87%	\$341,682
Regional Fire Authority #1 - EMS	5.82%	\$111,192
Rochester SD #411 - General	28.94%	\$553,385
State Treas-Tax Levies	19.67%	\$376,126
State Treas-Tax Levies 2	10.64%	\$203,446
Timberland Library	3.35%	\$64,046
Total Distribution	100.00%	\$1,911,934



State Forest Purchase Lands (02)

- Land purchased and owned by the state
- Managed by DNR
- ~80,000 acres
- Purpose is to keep land in working forest

Revenue Distribution



Delta Charlie Timber Sale

Sale Price	\$2,210,320
Trust 02 - 44%	\$972,541
Trust 42 - 56%	\$1,237,779

Trust 02 Distribution	%	Amount
General Fund-State	23.5%	\$228,547
Forest Development Account	50%	\$486,270
State School #1	5.32%	\$51,736
State School #2	2.84%	\$27,637
County	3.53%	\$34,296
Veterans Relief	0.00%	\$44
Port	0.85%	\$8,285
Library	0.81%	\$7,853
Roads	4.74%	\$46,073
Hospital 1	1.34%	\$13,042
School Enrichment (Elma)	7.07%	\$68,757
Total distribution	100.00%	\$972,541

Other Trusts and Trust Codes

- Escheat (09)
- Community and Technical College Forest Reserve (12)
- Administrative Sites (13)
- University Repayment (41)
- Forest Board Repayment (42)
- CEP and RI Transferred (46)
- Natural Area Preserves (74)
- Natural Resource Conservation Areas (75)
- Water Pollution Control District (77)

Forest Board Repayment – Trust 42

- How the debt came to be
 - Large tracts of Forest Board Land came into management that were unstocked, understocked, and younger age class.
 - Forest Development Account had insufficient revenue from sale of merchantable timber of Forest Board Land.
 - Resource Management Cost Account was receiving more funds than expending on federal trust land grant management. (RCW 79.64.030)

Forest Board Repayment – Trust 42

- Amount of debt (1986)

Trust	Dollars	Percent
Common School	\$19,509,533.03	29.96%
University	\$14,373,567.90	22.08%
Normal	\$7,439,360.16	11.42%
Capitol	\$23,791,178.41	36.54%
TOTAL	\$65,113,639.50	



Forest Board Repayment – Trust 42

- The Repayment Arrangement
 - 1986 – an independent accounting firm was engaged to audit the interfund loan account and find ways to repay the debt.
 - 1988 – Session Laws of 1988, Ch.70 authorized the Board of Natural Resources to approve transfer of timber cutting rights.
 - Selection of the timber stands using DNR's geographic information systems (GIS) based on selected criteria.

Forest Board Repayment – Trust 42

- Selection Criteria
 - Forest Board Purchase ownership
 - Located in one of 5 contiguous blocks
 - Land use in even-aged forest management
 - Age 40 years or older
 - Parcel size of at least 40 acres

Forest Board Repayment – Trust 42

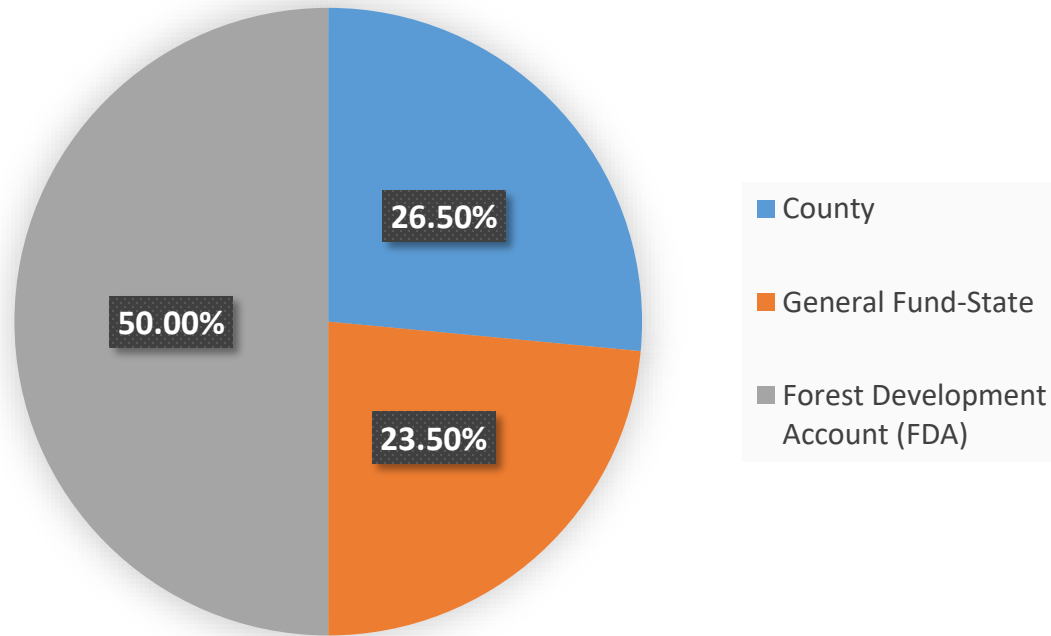
- Board of Natural Resources Resolution No. 635 (March 1990)
 - Directed the transfer of cutting rights (timber deed)
 - A 32.95% interest in the timber rights granted for loan repayment
 - \$50,740,071.60 repaid to Common School, Capitol Building, and Normal School trusts

Trust	Dollars	Percent
Common School	\$19,509,533.03	29.96%
University	\$14,373,567.90	22.08%
Normal	\$7,439,360.16	11.42%
Capitol	\$23,791,178.41	36.54%
TOTAL	\$65,113,639.50	

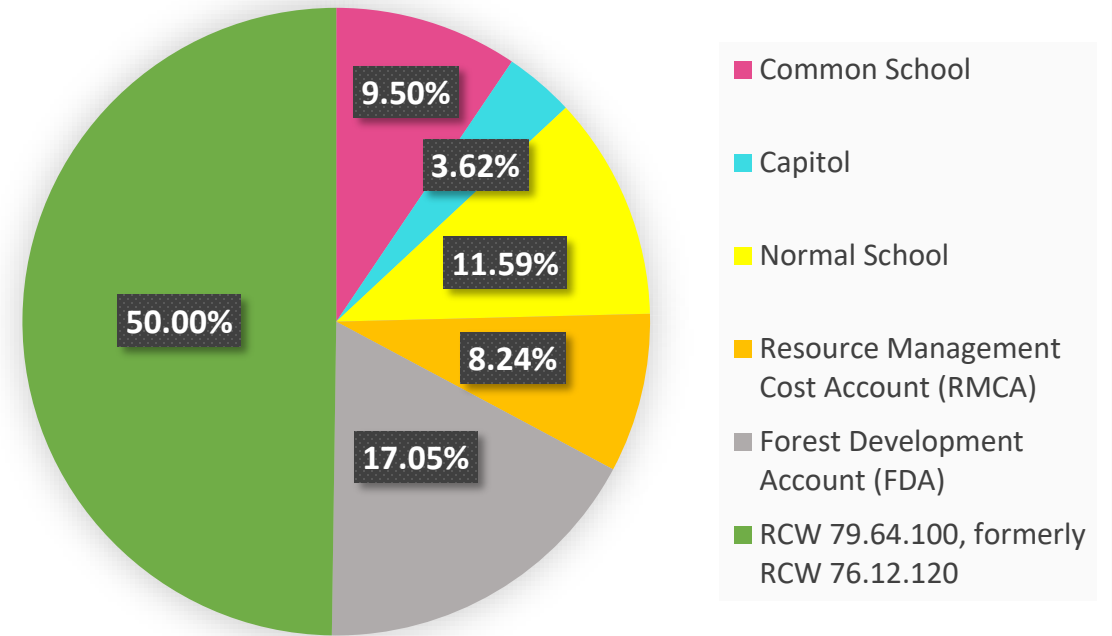


Forest Board Repayment – Trust 42

State Forestland Purchase



Forest Board Repayment



Delta Charlie Timber Sale

Sale Price	\$2,210,320
Trust 02 - 44%	\$972,541
Trust 42 - 56%	\$1,237,779

Trust 42 Distribution		%	Amount
Common School (03)		9.50%	\$117,589
Capitol (07)		3.62%	\$44,808
Normal School (08)		11.59%	\$143,459
RMCA		8.24%	\$101,993
FDA		17.05%	\$211,041
Per RCW 79.64.100	General Fund-State	11.75%	\$145,439
	FDA	25.00%	\$309,445
	State School #1	2.66%	\$32,923
	State School #2	1.42%	\$17,587
	County	1.76%	\$21,825
	Veterans Relief	0.00%	\$28
	Port	0.43%	\$5,273
	Library	0.40%	\$4,997
	Roads	2.37%	\$29,319
	Hospital 1	0.67%	\$8,299
School Enrichment (Elma)	3.53%	\$43,754	
Total		100.00%	\$1,237,779



Forest Board Repayment – Trust 42

- Select Guiding Principles
 - Durability - 40/50 year timeline
 - Termination of Rights/Reversion/Compensation
 - Uncertainty of Timber Value
 - Review in 2030



