





# BNR Study Session: Objective Function and Discount Rate

A Presentation to the Board of Natural Resources  
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January 20, 2026



# Agenda

- Sustainable Harvest Calculation:
  - Authorization & Policy
- Eastside Sustainable Harvest:
  - Operating Environment, Project Process, Decision Making
- Presentations: Objective function and Discount Rate
- Upcoming Study Sessions & Board presentations



# DNR's Authorizing Framework

- Enabling Act 1889, Constitution 1889
- Federal Laws, e.g. Endangered Species Act, 1973
- Tribal Treaties 1854-56
- Powers of the Board (RCW 43.30.215), 1957
- Multiple Use (RCW 79.10.100 - .120), 1971
- Natural Area Preserves (RCW 79.70), 1972
- **Sustainable Harvest (RCW 79.10.300 - .340), 1971**
- Natural Resource Conservation Areas (RCW 79.71), 1987
- Laws of General Applicability



# Sustainable Harvest

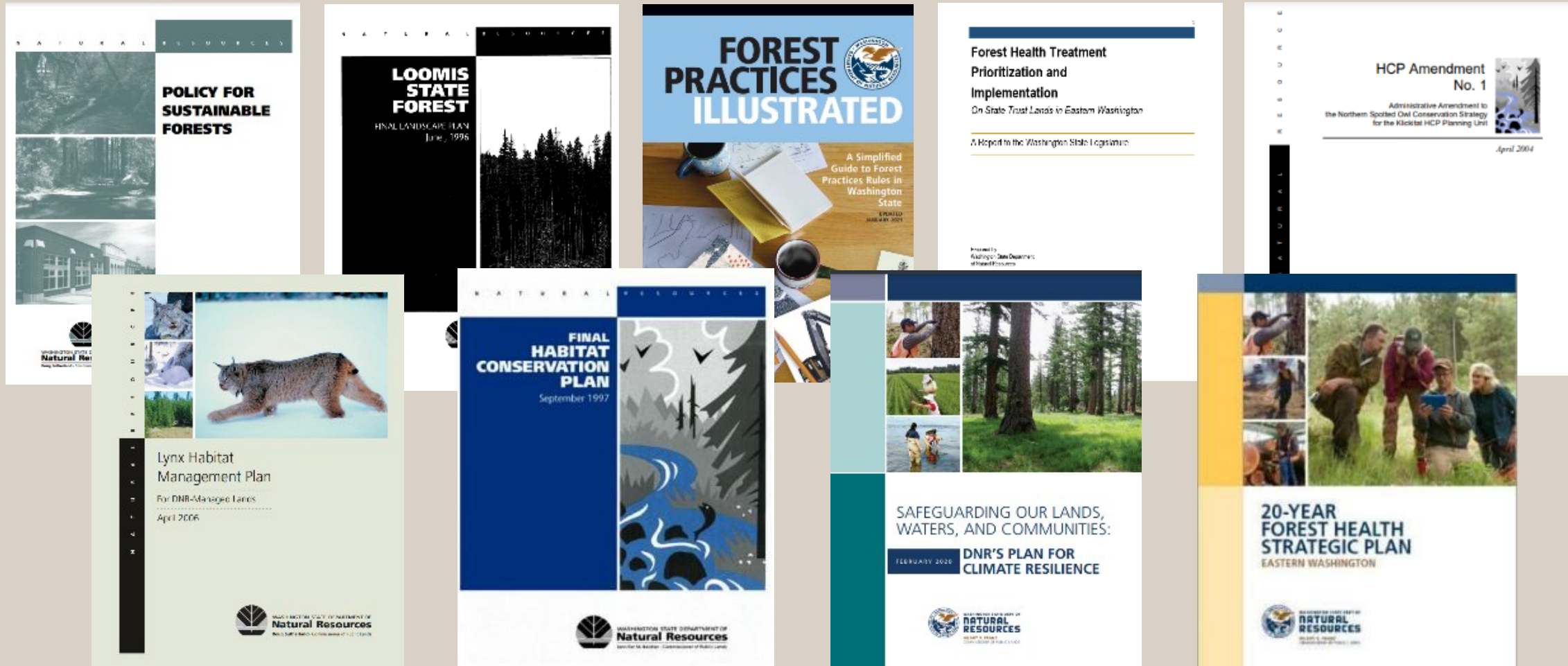
- [RCW 79.10.300\(5\)](#) defines the “Sustainable harvest level” as “the **volume of timber** scheduled for sale from state-owned lands during a **planning decade** as **calculated** by the department and approved by the board.”
- [RCW 79.10.310](#) defines “sustained yield plans” as “management of the forest to provide **harvesting on a continuing basis** without major prolonged curtailment or cessation of harvest.”

# Policy on Definition of Sustainability

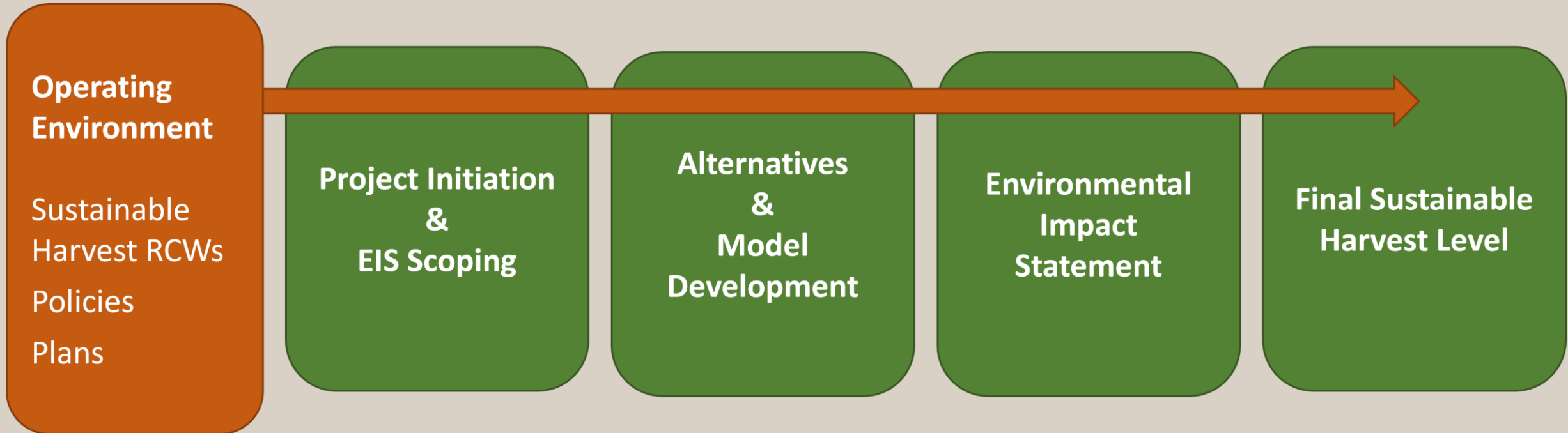
- “...a separate long-term decadal sustainable harvest level for each of several distinct sustainable harvest units.”
- “...mean annual timber volume for any decade should not vary up or down more than 25 percent from the level of the preceding decade...”
- “...optimize the economic value of forest stands and timber production over time, in calculating the sustainable harvest level...”
- “...DNR relies primarily on net present value as the most comprehensive and direct way to measure financial returns...”



# DNR's Eastside Operating Environment



# ESHC Project Process Overview



# No Action Alternative

**“...provides a benchmark from which the other alternatives can be compared” and is “...typically defined as what would be most likely to happen if the proposal did not occur.” – SEPA Handbook**

Current conditions and operating environment as a baseline.



Will utilize the recommendation on objective function

# ESHC Decision-making Process

## Input from:

DNR Region Staff  
DNR Subject Matter Experts  
Technical Advisory Committee  
Tribes  
Public comments from scoping

## Staff reports:

Developed to provide staff recommendations

## SHC Steering Committee:

Deputy Supervisor for State Uplands  
Assistant Deputy Supervisor for State Uplands  
Uplands Division Managers  
NE & SE Region Managers

## Board of Natural Resources:

Some reports will be presented to the BNR with recommendations

# BNR Resolution 1591

- “...directs DNR staff to follow the direction in the 2006 Policy for Sustainable Forest to utilize a **comprehensive approach to review the discount rate** including, but not limited to, yield rates for long-term municipal bonds and discount rates used by other public land trusts...”
- “...before making a recommendation to the Board for the discount rate to be used in the 2025-2034 SHC.”

# Staff Presentations Today

## Objective Function

- Primary metric that is quantified in the strategic harvest models.
- Current objective is **economic value**.
- Will offer options for how to define the objective within the strategic harvest models.

## Discount Rate

- Used to calculate **Net Present Value (NPV)**.
- Provides information on how to value future revenue relative to present-day revenue.
- Will offer information on a range of values for consideration.

**\*These topics will be brought to the Board for guidance/decision-making on February 3<sup>rd</sup>, 2026 .**





# February 3<sup>rd</sup> BNR Meeting

## Staff Recommendations Coming to the Board:

- 1. Objective Function:** continue to maximize Net Present Value (NPV) as the objective for the SHC.
  - Use adjusted appraisal prices as the SHC prices.
  - Use actual management costs.
- 2. Discount Rate:** default the discount rate to the current growth rate of 1.7% for the base model.
  - Conduct a sensitivity analysis on future action alternatives for viability.

# BNR Study Sessions for ESHC

**February 18<sup>th</sup>, 2026**

- Environmental Impact Statement

**March 16<sup>th</sup>, 2026**

- Action Alternatives & Multi-objective Optimization

**April 21<sup>st</sup>, 2026**

- Financial Analysis and Metrics

**May ?, 2026**

- TBD



# BNR Meeting Presentations for ESHC

## **February 3<sup>rd</sup>, 2026:**

- Objective Function & Discount Rate

## **March 3<sup>rd</sup>, 2026:**

- No planned presentation

## **April 7<sup>th</sup>, 2026:**

- No planned presentation

## **May 5<sup>th</sup>, 2026:**

- Action Alternatives & Financial Analysis



# Environmental Impact Statement

## Scoping

- Public Comment
- Scoping Summary

## Draft EIS

- Run Models
- Analyze
- Prepare & Publish
- Public Comment

## Final EIS

- Comment Summary w/ Responses
- Finalize
- BNR sets SHL



