

# HOUSE BILL REPORT

## SHB 1418

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### As Amended by the Senate

**Title:** An act relating to eliminating the pooling of the resource management cost account and removing reference to agricultural college lands.

**Brief Description:** Eliminating pooling of the resource management cost account and removing reference to agricultural college lands.

**Sponsors:** By House Committee on Natural Resources (originally sponsored by Representatives Buck and Regala; by request of Commissioner of Public Lands and Department of Natural Resources).

**Brief History:**

**Committee Activity:**

Natural Resources: 2/11/97, 2/26/97 [DPS].

**Floor Activity:**

Passed House: 3/14/97, 94-0.

Senate Amended.

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### HOUSE COMMITTEE ON NATURAL RESOURCES

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Buck, Chairman; Sump, Vice Chairman; Thompson; Regala, Ranking Minority Member; Butler, Assistant Ranking Minority Member; Alexander; Anderson; Pennington and Sheldon.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives Chandler and Hatfield.

**Staff:** Linda Byers (786-7129).

**Background:** In 1996, the Legislature asked the attorney general to render an opinion on a number of questions related to the management of the state's federal grant lands and forest board transfer lands. The Legislature also made the rather unusual request of asking the attorney general to consider the validity of existing statutes on the management of these lands.

The attorney general completed the requested opinion in August 1996. The opinion identifies two areas of current law which may be constitutionally defective. The first

area involves the accounting of trust funds within the resource management cost account, the account used for management expenses for the federal grant lands. In 1993, the Legislature passed a measure which allowed for the pooling of funds within this account. The attorney general opinion finds that there must be a separate accounting of each individual trust's revenues and expenses and that the Legislature's action in 1993 does not meet this requirement.

A second subject area addressed by the attorney general opinion is that of the payment of management expenses for one particular trust, the trust established for the support of an agricultural college. This trust provides support to Washington State University (WSU). The Legislature asked the attorney general if expenses for the management of these particular trust lands could be charged against the proceeds from the sale of these lands or from the sale of resources from these lands. The attorney general analyzed the provisions of the Enabling Act and a second piece of federal legislation dealing with land grants for agricultural colleges, the Morrill Act of 1862. The opinion finds that the Morrill Act prohibits the state from deducting the expenses of managing the agricultural college lands from proceeds derived from the sale of those lands including proceeds from the sale of resources that are part of the lands. The opinion notes that expenses for the management and administration of the agricultural college lands must come from the treasury of the state.

**Summary of Bill:** Two changes are made to the operation of the resource management cost account. First, references to the pooling of funds within the account are removed. Funds in the account derived from sales, leases, and other revenue-generating activities on the common school lands, the university lands, the scientific school lands, the normal school lands, the capitol building lands, and the institutional federal grant lands may be used solely for the management and administration of state lands of the same trust. Second, a reference to the agricultural college lands is removed. The costs and expenses incurred in managing the agricultural college lands may not be deducted from proceeds derived from the sale of those lands or from the sale of resources that are part of those lands.

**EFFECT OF SENATE AMENDMENT(S):** (1) The Senate amendment removes the language in the House bill specifying that the costs and expenses necessarily incurred in managing and administering the agricultural college lands shall not be deducted from proceeds derived from the sale of agricultural college lands including the sale of resources that are part of those lands. Instead, the Senate amendment provides that no part of the gross proceeds from leases, sales, contracts, licenses, permits, easements, and rights of way on or related to the agricultural college lands may be used to defray the costs or expenses incurred in managing and administering the lands. All gross proceeds must be made available to WSU. (2) Current law identifies the agricultural college lands as the lands held in trust for the use and support of agricultural colleges. The Senate amendment adds a second definition of these lands, identifying them as all public lands awarded to the state under section 16

of the Enabling Act and all lands acquired as the result of the sale or exchange of the lands. (3) The Senate amendment also amends three sections of current law that are not amended in the underlying House bill: one section that allows DNR to purchase improvements made to state-owned lands, the section that creates the RMCA, and a section that directs the Board of Natural Resources to determine the amount necessary to manage and administer various public lands and to provide by rule for the deduction of this amount from various proceeds.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 1997.

**Testimony For:** This is a narrowly defined bill addressing the two issues raised in the attorney general opinion. The bill resolves the two issues, and changes to other statutes are not necessary. This bill is very important for WSU. It has been illegal to deduct the management expenses for the agricultural college lands. WSU has an obligation to its students to see that this practice is discontinued. The amount that was deducted is large, and the total continues to grow with interest as time goes on. It is significant for all the trusts in the state to eliminate the pooling provision.

**Testimony Against:** Other statutes need to be amended in order to complete the task identified in the attorney general opinion.

**Testified:** Pat McLain, Department of Natural Resources (in favor); and Larry Ganders and Doug Lawrence, Washington State University (in favor with concerns).