

# HOUSE BILL REPORT

## HB 2310

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### As Reported by House Committee On:

Natural Resources

**Title:** An act relating to the highest responsible bidder for sales of valuable materials from state-owned aquatic lands.

**Brief Description:** Determining a "highest responsible bidder" for valuable materials on state-owned lands.

**Sponsors:** Representatives Jackley, Sump, Doumit, Rockefeller and Eickmeyer; by request of Department of Natural Resources.

### Brief History:

#### Committee Activity:

Natural Resources: 1/22/02 [DP].

#### Brief Summary of Bill

- Allows the Department of Natural Resources to consider, before rewarding a contract for the sale of valuable materials, whether a high bidder has within the past five years failed to execute other sales in which he or she was the high bidder.

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### HOUSE COMMITTEE ON NATURAL RESOURCES

**Majority Report:** Do pass. Signed by 11 members: Representatives Doumit, Chair; Rockefeller, Vice Chair; Sump, Ranking Minority Member; Buck, Eickmeyer, Ericksen, Jackley, McDermott, Orcutt, Pearson and Upthegrove.

**Staff:** Jason Callahan (786-7117).

### Background:

In 1982 the Legislature vested specific authority for the Department of Natural Resources (DNR) to sell timber and other valuable resources from state lands. The DNR sells a variety of resources from state lands, including timber, stone, gravel, and geoducks. Before valuable materials can be sold, the sale must be properly noticed so that the maximum number of potential buyers are aware of the pending sale. The DNR is

required to publish the notice of sales in newspapers no less than twice within the four-week period leading up to a sale. In addition, the notice of sale must be posted in the DNR's Olympia office, and in both the DNR's regional office and the county auditor's office for the county in which the sale is occurring. The notice must include the exact location of each parcel offered for sale and the estimated volume of all valuable materials to be sold.

Most sales conducted by the DNR must be done at public auction and offered to the highest responsible bidder. However, the DNR does have the authority to offer a direct sale without notice or advertising for sales appraised at \$20,000 or less. Direct sales may only go forward after the DNR has established procedures that ensure competitive market prices and accountability.

Generally, sales are awarded to the highest responsible bidder; however, there is an enumerated list of factors, other than bid price, that the DNR may consider before awarding a sales contract. These include the bidder's ability to perform the contract, whether the bidder has previously complied with the terms of past contracts, whether the bidder has been convicted of a crime related to public lands, and whether the bidder is controlled by, or will subcontract with, bidders that are not responsible. If the DNR finds that the high bidder meets any of these criteria, it can offer the sale to the next highest bidder, or cancel the sale altogether.

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**Summary of Bill:**

In addition to the final bid price, the Department of Natural Resources is allowed to consider whether a bidder for a sale of valuable materials has in the past five years failed to complete a sale that he or she was awarded. Failure to complete a sale includes not entering into the resulting contract, or not paying the difference between the deposit and the total amount due. If the department determines that the apparent high bidder fits this description, it may award the sale to the next responsible bidder or reject all bids.

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**Appropriation:** None.

**Fiscal Note:** Not Requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Delays caused by defaulting parties to a contract can lead to significant delays and even the inability to harvest specific geoduck tracks. The Department of Natural Resources has faced three failed contracts, and one has cost the department nearly \$1 million. This change in the law will allow the department to be able to better predict income and receive it on a regular basis. This bill encourages responsibility.

**Testimony Against:** None.

**Testified:** Loren Stern, Department of Natural Resources.