AN ACT Relating to the sale of timber from state trust lands; amending RCW 79.15.510, 79.15.520, and 79.15.060; adding a new section to chapter 79.15 RCW; creating new sections; and providing an expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. Sec. 1. The legislature finds that it is in the best interest of the trust beneficiaries to capture additional revenues while providing for additional environmental protection and improving forest health on state trust lands. Further, the legislature finds that contract harvesting is one method to achieve these desired outcomes while also providing the department of natural resources with the ability to offer opportunities to merchandise high value wood. The legislature intends that the department of natural resources should have the ability to expand their contract sales in areas where other sales do not generate as much revenue or provide resource management benefits. The legislature further intends that the department of natural resources distribute the increased contract harvest authority across all trusts and markets.
Sec. 2.  RCW 79.15.510 and 2004 c 218 s 6 are each amended to read as follows:

(1) The department may establish a contract harvesting program for directly contracting for the removal of timber and other valuable materials from state lands and for conducting silvicultural treatments consistent with RCW 79.15.540.

(2) The contract requirements must be compatible with the office of financial management's guide to public service contracts.

(3) The department may not use contract harvesting for more than twenty percent of the total annual volume of timber offered for sale. However, volume removed primarily to address an identified forest health issue under RCW 79.15.540 may not be included in calculating the ten percent annual limit of contract harvesting sales.

Sec. 3.  RCW 79.15.520 and 2004 c 218 s 7 are each amended to read as follows:

(1) The contract harvesting revolving account is created in the custody of the state treasurer. All receipts from the gross proceeds of the sale of logs from a contract harvesting sale must be deposited into the account. Expenditures from the account may be used only for the payment of harvesting costs incurred on contract harvesting sales and for payment of costs incurred from silvicultural treatments necessary to improve forest health conducted under RCW 79.15.540. Only the commissioner or the commissioner's designee may authorize expenditures from the account. The board of natural resources has oversight of the account, and the commissioner must periodically report to the board of natural resources as to the status of the account, its disbursement, and receipts. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

(2) When the logs from a contract harvesting sale are sold, the gross proceeds must be deposited into the contract harvesting revolving account. Moneys equal to the harvesting costs must be retained in the account and be deducted from the gross proceeds to determine the net proceeds. The net proceeds from the sale of the logs must be distributed in accordance with RCW 43.30.325(1)(b). The final receipt of gross proceeds on a contract harvesting sale must be retained in the contract harvesting revolving account until all required costs for that
sale have been paid. The contract harvesting revolving account is an interest-bearing account and the interest must be credited to the account. The account balance may not exceed \((\text{five}\) million\) dollars at the end of each calendar year. Moneys in excess of \((\text{five}\) million\) dollars must be disbursed according to RCW 79.22.040, 79.22.050, and 79.64.040. If the department permanently discontinues the use of contract harvesting sales, any sums remaining in the contract harvesting revolving account must be returned to the resource management cost account and the forest development account in proportion to each account's contribution to the initial balance of the contract harvesting revolving account.

**Sec. 4.** RCW 79.15.060 and 2003 c 334 s 329 are each amended to read as follows:

(1) For the sale of valuable materials under this chapter, if the board is required by law to appraise the sale, the board must establish a minimum appraisal value that is valid for a period of one hundred eighty days, or a longer period as may be established by resolution. The board may reestablish the minimum appraisal value at any time. For any valuable materials sales that the board is required by law to appraise, the board may by resolution transfer this authority to the department.

(2) Where the board has set a minimum appraisal value for a valuable materials sale, the department may set the final appraisal value of valuable materials for auction, which must be \((\text{equal to or greater than the board's minimum appraisal value})\) based on current market prices. The department may also appraise any valuable materials sale not required by law to be approved by the board.

**NEW SECTION.** Sec. 5. A new section is added to chapter 79.15 RCW to read as follows:

(1) The department is directed, to the extent possible under current law consistent with its responsibility to the trust beneficiaries, to consider requests from purchasers for timber sale extensions and to provide flexibility in timber sale contract administration to help mitigate against the potential for contract default.
By December 1, 2009, the department shall report to the appropriate committees of the legislature on the status of existing contracts, contract extensions, contract defaults, and shall provide a timber market forecast for 2010 and 2011.

*NEW SECTION. Sec. 6. The department of natural resources must report to the appropriate committees of the legislature by December 1, 2013, on the effectiveness of the twenty percent contract harvesting program. The report must include a comparison of the revenues generated through contracts compared to other sale processes, including differences in management costs, efficiencies, and market opportunities. The report must provide recommendations regarding the department's contract harvesting program and the contract harvest volume limit.

*Sec. 6 was vetoed. See message at end of chapter.

NEW SECTION. Sec. 7. This act expires January 1, 2014.

Passed by the Senate April 22, 2009.
Passed by the House April 25, 2009.
Approved by the Governor May 8, 2009, with the exception of certain items that were vetoed.
Filed in Office of Secretary of State May 11, 2009.

Note: Governor's explanation of partial veto is as follows:
"I am approving, except for Section 6, Engrossed Senate Bill 6166 entitled:

"AN ACT Relating to the sale of timber from state trust lands."

Section 6 requires the Department of Natural Resources to prepare a report for which no funding was provided in the budget. In these challenging economic times, state agencies are already struggling to meet their existing obligations. This requirement places a large, unfunded burden upon the agency. For this reason, I have vetoed Section 6 of Engrossed Senate Bill 6166.

With the exception of Section 6 of Engrossed Senate Bill 6166 is approved."