

SENATE BILL REPORT

SB 5270

As Passed Senate, February 15, 2017

Title: An act relating to expiration dates affecting the department of natural resources' contract harvesting program.

Brief Description: Concerning expiration dates affecting the department of natural resources' contract harvesting program.

Sponsors: Senators Hawkins, Takko and Pearson; by request of Department of Natural Resources.

Brief History:

Committee Activity: Natural Resources & Parks: 1/26/17, 1/31/17 [DP].

Floor Activity:

Passed Senate: 2/15/17, 46-0.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Removes expiration dates to permit the contract harvesting program to continue at current levels.

SENATE COMMITTEE ON NATURAL RESOURCES & PARKS

Majority Report: Do pass.

Signed by Senators Pearson, Chair; Hawkins, Vice Chair; Van De Wege, Ranking Minority Member; Fortunato and McCoy.

Staff: Kelsey Morfitt (786-7407)

Background: Department of Natural Resources (DNR). DNR exercises general supervision and control over the sale of valuable materials, including timber. Valuable materials on state lands may be sold separately from the land, when DNR determines that it is in the best interest of the state to do so.

Contract Harvest Program. DNR appraises timber stands for sale, details the sale terms, and sells the right to harvest and remove the timber to the highest bidder at auction. In 2003, DNR was authorized to create a contract harvest program. This allows DNR to contract with

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an individual to harvest the timber and sort the logs for DNR while DNR maintains ownership of the harvested timber and may sell it at market price. Initially, DNR was permitted to contract up to 10 percent of the total timber available for sale.

The Legislature created a revolving account to accept proceeds from contract harvest log sales and to pay the associated costs of such sales. After making deductions for its management costs, DNR distributes the net proceeds from contract harvest sales to the appropriate beneficiary account. The 2003 law set the maximum account balance at \$1 million, measured at the end of the fiscal year, with any excess funds subject to automatic distribution.

In 2009, the Legislature modified DNR's contract harvest and timber sale authority in several ways:

- increased the maximum authorized use of contract harvesting from 10 to 20 percent of DNR's total annual volume of timber offered for sale;
- increased the maximum account balance from \$1 million to \$5 million, as measured by the end of the calendar year instead of the fiscal year;
- directed DNR to set final timber appraisal value based on current market prices; and
- directed DNR to provide flexibility where possible in timber sale contract management to mitigate against contract defaults.

Each of the changes made in 2009 were set to expire January 1, 2014. In 2014, the Legislature approved the extension of the contract harvest program until January 1, 2019. The 2014 legislation maintained the 2009 changes.

Summary of Bill: The sunset provision of the Contract Harvest Program is repealed; making permanent DNR's authority to use contract harvesting for up to 20 percent of DNR's total volume of timber sales.

One provision of the Contract Harvest Program will still expire January 1, 2019. That provision directs DNR to:

- consider sale extension requests;
- provide flexibility in timber sale contract administration to help mitigate against the potential for contract default; and
- produce timber market forecasts for 2010 and 2011.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: The Contract Harvest Program is an efficient way to funnel revenue back to the state. The program is good for the trust beneficiaries and the benefits reflect current market conditions, and competitive bidding for the harvesters and timber. Other benefits of this program include: a higher level of oversight; additional

professional growth for DNR, which helps with recruitment and retention; and that funds can be returned to the trust within three to six months instead of 12 to 24 months.

Persons Testifying: PRO: Senator Brad Hawkins, Prime Sponsor; Ken Maurer, RSG Forest Products, Inc; Darin Cramer, DNR/Division Manager.

Persons Signed In To Testify But Not Testifying: No one.