
SECOND SUBSTITUTE SENATE BILL 6539

State of Washington 65th Legislature 2018 Regular Session

By Senate Ways & Means (originally sponsored by Senators Braun, Rivers, and Wilson)

READ FIRST TIME 02/06/18.

1 AN ACT Relating to ensuring compliance with the state's fiduciary
2 duty in managing state trust lands; adding a new section to chapter
3 79.10 RCW; and creating new sections.

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

5 NEW SECTION. **Sec. 1.** In order to ensure the state is managing
6 state lands and state forestlands, as defined in RCW 79.02.010, in
7 the most efficient and effective manner possible for the trust
8 beneficiaries and allowable multiple uses for the people of
9 Washington, the legislature finds that an evaluation of the current
10 state land portfolio and management practices is appropriate. The
11 legislature's goal in establishing this evaluation is to ensure the
12 state's fiduciary duty is being met, increase the amount and
13 stability of revenue from state lands and state forestland over time,
14 and develop tools to better estimate this asset value.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 79.10
16 RCW under the subchapter heading "general provisions" to read as
17 follows:

18 (1) The department must endeavor to generate an average of two
19 hundred thirty million dollars from state lands and state forestlands

1 each year, which represents the approximate high water mark for such
2 revenue since 2000.

3 (2) By December 1, 2018, the department must evaluate its lands
4 portfolio and revenue streams, management practices, and transaction
5 processes, and develop options and recommendations designed to ensure
6 the state's fiduciary duty is being met and increase the amount and
7 stability of revenue from state lands and state forestland over time.
8 In conducting this evaluation, the department must seek to account
9 for the volatility of forest product markets and consider ways to
10 mitigate the impact of market downturns on its revenues. The
11 department must provide these options and recommendations to the
12 appropriate committees of the senate and house of representatives.

13 (a) The evaluation must specifically include an analysis of
14 options that would leverage the earning potential for high value, low
15 performing portions of state lands, with suggested legislative
16 recommendations to enhance revenue generation from these types of
17 lands, including the sale of these lands to convert the asset into
18 one of the permanent funds managed by the state investment board.

19 (b) Regarding state forestlands, the evaluation must specifically
20 include an analysis of options and recommendations for:

21 (i) The creation of a unitary trust for the revenue derived from
22 state forestlands. The evaluation must include methods for allocating
23 disbursements to the benefiting counties. The department must consult
24 with the affected counties, their association, and the office of
25 financial management. The recommendations may include options;

26 (ii) Any alternative management focus, such as returning the
27 lands to the counties for their management, leasing the lands to
28 private timber investment management organizations, and the sale and
29 conversion of the lands into a trust account similar to the permanent
30 funds managed by the state investment board; and

31 (iii) Any other options for legislative consideration.

32 (3) In evaluating annual revenue under this section, the
33 department must annually adjust the two hundred thirty million dollar
34 goal for inflation and may not count any trust land transfer funds
35 towards the goal.

36 NEW SECTION. **Sec. 3.** Subject to the availability of amounts
37 appropriated for this specific purpose, the joint legislative audit
38 and review committee must develop methods or tools to estimate the
39 current asset value of state lands and forestlands, as defined in RCW

1 79.20.010. The methods should be designed to be as accurate and
2 resource-efficient as possible and be designed to allow repeated
3 estimates over time. The methods must allow for the segregation of
4 different asset classes, and at a minimum allow for the tracking
5 values over time for the following: Forestland, irrigated
6 agricultural land, nonirrigated agricultural land, and commercial
7 real estate land. The committee may recommend other asset classes to
8 track in addition to those listed. The joint legislative audit and
9 review committee must submit a summary of its selected method or
10 tools and an initial estimate by December 1, 2021.

11 NEW SECTION. **Sec. 4.** (1) Within existing appropriations, the
12 department of natural resources must prepare an evaluation of use
13 authorizations and leases of state-owned aquatic lands for industrial
14 and commercial uses in existence on January 1, 2018, except for use
15 authorizations and leases for purposes of marinas and moorage. The
16 evaluation must include:

17 (a) A summary of each lease and use authorization, including
18 lease term, rental rate, and use conditions;

19 (b) A listing of annual revenues obtained from each lease and use
20 authorization;

21 (c) The methods or formula used to value and establish payment
22 for each lease and use authorization;

23 (d) A summary of actual inspections conducted and monitoring
24 reports submitted over the previous ten years relating to compliance
25 with the terms of the lease or use authorization as well as
26 compliance with all applicable water quality and other local, state,
27 or federal environmental, public health, and safety standards;

28 (e) A description of the applicable requirements for inspection
29 and monitoring under the terms of the leases and use authorizations
30 as well as other applicable local, state, and federal regulatory
31 requirements;

32 (f) A summary of any lease and use authorization compliance
33 activities performed by the department to ensure the protection of
34 the state's aquatic resources, consistent with RCW 79.105.010, is
35 maintained.

36 (2) The department of natural resources must submit the
37 evaluation, including any recommendations for legislative or
38 administrative actions, to the appropriate policy and fiscal

1 committees of the senate and house of representatives by December 1,
2 2018.

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