

HOUSE BILL REPORT

HB 2036

As Reported By House Committee On:

Appropriations

Title: An act relating to funding management of the common school trust lands.

Brief Description: Funding management of the common school trust lands.

Sponsors: Representatives H. Sommers, Buck, Lantz, Regala, Anderson, Ogden and Rockefeller; by request of Commissioner of Public Lands and Superintendent of Public Instruction.

Brief History:

Committee Activity:

Appropriations: 3/3/99, 3/6/99 [DPS].

Brief Summary of Substitute Bill

- Pooling of Department of Natural Resources trust funds is no longer required.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 31 members: Representatives Huff, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Alexander, Republican Vice Chair; Doumit, Democratic Vice Chair; D. Schmidt, Republican Vice Chair; Barlean; Benson; Boldt; Carlson; Clements; Cody; Crouse; Gombosky; Grant; Kagi; Keiser; Kenney; Lambert; Linville; Lisk; Mastin; McIntire; McMorris; Mulliken; Parlette; Regala; Rockefeller; Ruderman; Sullivan; Tokuda and Wensman.

Staff: Jeff Olsen (786-7157).

Background:

The Department of Natural Resources manages approximately 2.3 million acres of land known as enabling act trust lands. The lands are managed in trust for public educational and institutional beneficiaries. Revenues are generated from timber sales,

leases, sale of materials, and interest income, and they are redirected in the capital budget back to the specific trust beneficiary.

The department receives up to 25 percent of the trust revenues to pay for the management costs of these lands. The revenues are deposited into the resource management cost account (RMCA). In 1993, the Legislature enacted a law that allows for the pooling of funds within this account. In 1996, the Legislature asked the Attorney General to render an opinion clarifying the authority and responsibilities of the state in managing lands that the state holds in trust for the common schools, universities, and other purposes. The opinion concluded that there must be a separate accounting of each individual trust's revenues and expenses.

Trust land categories include:

- agricultural school;
- capitol buildings and grounds;
- charitable, educational, penal and reform institutions;
- common schools;
- scientific schools;
- normal schools; and
- the University of Washington.

Summary of Substitute Bill:

Pooling of trust moneys within the resource management cost account is no longer required. If it is in the best interest of the trust, moneys may be loaned to other trusts to pay for management costs. An annual accounting of each trust fund's expenditures must be conducted. Expenditures made from another trust's revenue will be accounted for and considered a debt.

Substitute Bill Compared to Original Bill: The substitute bill removes the provision that allows the Department of Natural Resources to increase the management fee from 25 percent to 35 percent, and it also eliminates the \$10 million general fund-state appropriation to the resource management cost account.

Appropriation: None.

Fiscal Note: Requested on February 26, 1999.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: (Original bill) The Department of Natural Resources currently has a deficit in the common school trust account. This deficit is masked by the pooling of all trust account funds within the resource management cost account. Even though current statute allows pooling, a 1996 attorney general opinion states that it is unconstitutional. In addition, the concept of pooling has not worked. The size of the common school trust is too large, and its share of the costs and needs for management money are so great it outbalances the combined reserves of the other trusts. There is not a point where the common school trust could pay back the other trusts before the fund balance is depleted. This bill represents four things that the department is committed to do to address this issue: 1) cut expenditures; 2) review how costs are allocated; 3) raise the deduction of the management fee over the next four years; and 4) receive a \$10 million appropriation.

Testimony Against: (Original bill) While the commissioner claims to have reduced expenditures by \$20 million, the top 24 managers at the Department of Natural Resources have received pay increases of 10 percent or more. This bill only covers up mismanagement.

Testified: (In support) Jennifer Belcher, Commissioner of Public Lands.

(Opposed) Brian Blake, citizen.