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**SECOND SUBSTITUTE SENATE BILL 6539**

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**State of Washington 65th Legislature 2018 Regular Session**

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

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

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

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

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

(1) The department must endeavor to generate an average of two hundred thirty million dollars from state lands and state forestlands each year, which represents the approximate high water mark for such revenue since 2000.

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

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

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

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

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

(iii) Any other options for legislative consideration.

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

NEW SECTION. **Sec.**  Subject to the availability of amounts appropriated for this specific purpose, the joint legislative audit and review committee must develop methods or tools to estimate the current asset value of state lands and forestlands, as defined in RCW 79.20.010. The methods should be designed to be as accurate and resource-efficient as possible and be designed to allow repeated estimates over time. The methods must allow for the segregation of different asset classes, and at a minimum allow for the tracking values over time for the following: Forestland, irrigated agricultural land, nonirrigated agricultural land, and commercial real estate land. The committee may recommend other asset classes to track in addition to those listed. The joint legislative audit and review committee must submit a summary of its selected method or tools and an initial estimate by December 1, 2021.

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

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

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

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

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

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

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

(2) The department of natural resources must submit the evaluation, including any recommendations for legislative or administrative actions, to the appropriate policy and fiscal committees of the senate and house of representatives by December 1, 2018.

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