

**ESB 6140** - H AMD TO AGNR COMM AMD (H-4922.1/18) **1466**  
By Representatives Tharinger, Taylor

**ADOPTED 03/08/2018**

1 On page 4, beginning on line 31 of the striking amendment, strike  
2 all of section 6 and insert the following:

3  
4 "NEW SECTION. **Sec. 6.** A new section is added to chapter 79.10  
5 RCW to read as follows:

6 (1) Subject to the availability of funds appropriated for this  
7 specific purpose, the department of natural resources must conduct an  
8 asset valuation of state lands and state forestlands held in trust and  
9 managed by the department. The asset valuation required in  
10 subsections (3) and (4) may be provided through contracted services.

11 (2) The department must describe all trust lands, by trust,  
12 including timber lands, agricultural lands, commercial lands, and  
13 other lands, and identify revenues from leases or other sources for  
14 those lands. The department must briefly describe the income from  
15 these trust lands, and potential enhancements to income, including  
16 intergenerational income, from the asset bases of these trusts.

17 (3) The asset valuation must estimate the current fair market  
18 value of these lands for each trust beneficiary, including the  
19 separate beneficiaries of state lands as defined in RCW 79.02.010, and  
20 the beneficiaries of state forestlands as specified in chapter 79.22  
21 RCW. The estimation of current fair market values must specify the  
22 values by the various asset classes, including but not limited to:  
23 timber lands; irrigated agriculture; dryland agriculture, including  
24 grazing lands; commercial real estate; mining, and; other income  
25 production. The asset valuation must also estimate the value of  
26 ecosystem services and recreation benefits for asset classes that  
27 produce these benefits. The legislature encourages the department and

1 its contractors to develop methods and tools to allow tracking of the  
2 estimated fair market values over time.

3 (4) For each of the different asset classes and for each of the  
4 various trusts, the asset valuation must calculate the average annual  
5 gross and net income as a percentage of estimated current asset value.

6 (5) The department must provide a progress report by December 1,  
7 2018. A follow-up progress report must be provided by December 1, 2019  
8 and may include any initial recommendations. The final report must be  
9 submitted by June 30, 2020 and must include options to:

10 (a) Improve the net rates of return on different classes of  
11 assets;

12 (b) Increase the reliability of, and enhance if possible, revenue  
13 for trust beneficiaries; and

14 (c) Present and explain factors that either (i) define, (ii)  
15 constrict, or (iii) define and constrict the department's management  
16 practices and revenue production. The factors to be considered  
17 include, but are not limited to: statutory, constitutional,  
18 operational, and social."

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20 On page 6, after line 11 of the striking amendment, insert the  
21 following:

22  
23 **"Sec. 8.** RCW 79.64.110 and 2017 3rd sp.s. c 13 s 315, 2017 3rd  
24 sp.s c 1 s 986, and 2017 c 248 s 6 are each reenacted and amended to  
25 read as follows:

26 (1) Any moneys derived from the lease of state forestlands or  
27 from the sale of valuable materials, oils, gases, coal, minerals, or  
28 fossils from those lands, except as provided in RCW 79.64.130, or  
29 the appraised value of these resources when transferred to a public  
30 agency under RCW 79.22.060, except as provided in RCW 79.22.060(4),  
31 must be distributed as follows:

32 (a) For state forestlands acquired through RCW 79.22.040 or by  
33 exchange for lands acquired through RCW 79.22.040:

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1 (i) The expense incurred by the state for administration,  
2 reforestation, and protection, not to exceed twenty-five percent,  
3 which rate of percentage shall be determined by the board, must be  
4 returned to the forest development account created in RCW 79.64.100.  
5 During the 2015-2017 and 2017-2019 fiscal biennia, the board may  
6 increase the twenty-five percent limitation up to twenty-seven  
7 percent.

8 (ii) Any balance remaining must be paid to the county in which  
9 the land is located or, for counties participating in a land pool  
10 created under RCW 79.22.140, to each participating county  
11 proportionate to its contribution of asset value to the land pool as  
12 determined by the board. Payments made under this subsection are to  
13 be paid, distributed, and prorated, except as otherwise provided in  
14 this section, to the various funds in the same manner as general  
15 taxes are paid and distributed during the year of payment. A county  
16 may pay, distribute, and prorate payments made under this subsection  
17 of moneys derived from state forestlands acquired by exchange  
18 pursuant to section 3122, chapter 2, Laws of 2018, for the property  
19 identified in the LEAP capital document No. 2017-2H acquired through  
20 RCW 79.22.040 within the same county, in the same manner as general  
21 taxes are paid and distributed during the year of payment for the  
22 former state forestlands that were subject to the exchange.

23 (iii) Any balance remaining, paid to a county with a population  
24 of less than sixteen thousand, must first be applied to the  
25 reduction of any indebtedness existing in the current expense fund  
26 of the county during the year of payment.

27 (iv) With regard to moneys remaining under this subsection  
28 (1)(a), within seven working days of receipt of these moneys, the  
29 department shall certify to the state treasurer the amounts to be  
30 distributed to the counties. The state treasurer shall distribute  
31 funds to the counties four times per month, with no more than ten  
32 days between each payment date.

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1 (b) For state forestlands acquired through RCW 79.22.010 or by  
2 exchange for lands acquired through RCW 79.22.010, except as  
3 provided in RCW 79.64.120:

4 (i) Fifty percent shall be placed in the forest development  
5 account.

6 (ii) Fifty percent shall be prorated and distributed to the  
7 state general fund, to be dedicated for the benefit of the public  
8 schools, to the county in which the land is located or, for counties  
9 participating in a land pool created under RCW 79.22.140, to each  
10 participating county proportionate to its contribution of asset  
11 value to the land pool as determined by the board, and according to  
12 the relative proportions of tax levies of all taxing districts in  
13 the county. The portion to be distributed to the state general fund  
14 shall be based on the regular school levy rate under RCW 84.52.065  
15 (1) and (2) and the levy rate for any maintenance and operation  
16 special school levies. With regard to the portion to be distributed  
17 to the counties, the department shall certify to the state treasurer  
18 the amounts to be distributed within seven working days of receipt  
19 of the money. The state treasurer shall distribute funds to the  
20 counties four times per month, with no more than ten days between  
21 each payment date. The money distributed to the county must be paid,  
22 distributed, and prorated to the various other funds in the same  
23 manner as general taxes are paid and distributed during the year of  
24 payment.

25 (2) A school district may transfer amounts deposited in its debt  
26 service fund pursuant to this section into its capital projects fund  
27 as authorized in RCW 28A.320.330."

28 Renumber the remaining sections consecutively and correct any  
29 internal references accordingly. Correct the title.

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EFFECT: Strikes the section requiring the Department of  
Natural Resources (DNR) to evaluate the DNR's lands portfolio and  
revenue streams. Adds a section requiring the DNR to conduct an  
asset valuation of the state trust lands and state forestlands held

in trust and managed by the DNR. Authorizes the DNR to retain the services of a contractor to perform a portion of the asset valuation. Requires an initial progress report on the asset valuation to be submitted to the Legislature by December 1, 2018, and a final report to be submitted to the Legislature by June 30, 2020. Adds a section to specify that a county may pay, distribute, and prorate payments for specified former Common School Trust land exchanged into the State Forestlands Trust in the same manner as general taxes are paid for the former state forestlands that were subject to the exchange.

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