

FINAL BILL REPORT

2SSB 5074

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Synopsis as Enacted

Brief Description: Establishing contract harvesting of timber on state trust lands.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Morton, Oke, Doumit, T. Sheldon, Fraser and Rasmussen; by request of Commissioner of Public Lands).

Senate Committee on Natural Resources, Energy & Water
Senate Committee on Ways & Means
House Committee on Agriculture & Natural Resources
House Committee on Appropriations

Background: The Department of Natural Resources (DNR) sells timber from state forest lands by putting tracts of timber up for bid. DNR examines the tract to be sold, establishes an appraised value for the timber, and sets this value as the minimum bid for the timber sale. The successful bidder who is awarded the contract generally has three years to harvest the timber from the sale.

DNR is not authorized to contract with someone to harvest and process the timber so that DNR can sell sorted logs. It is suggested that DNR may be better able to take advantage of the timing of sales, reduce pre-sale costs, and deal with sensitive environmental problems if they have this additional authority.

Summary: DNR must establish and implement contract harvesting when it can increase revenues for the trust beneficiaries and increase environmental protection. "Contract harvesting" is defined as a situation in which DNR contracts with an individual to harvest timber on state forest lands and process the timber into logs sorted by DNR specifications. DNR then sells the individual log sorts.

Contract harvesting cannot be used for more than 10 percent of the total annual volume of timber offered for sale. All contracts must be compatible with the Office of Financial Management (OFM) guide to public service contracts.

The Board of Natural Resources must determine whether any special appraisal practices are necessary for logs sold by the contract harvesting method, and if so, adopt them. When considering adopting special appraisal practices, the board must consider and adopt procedures to rapidly market and sell log sorts that fail to receive the required minimum bid at auction. The board must also establish policies and procedures for DNR to evaluate and select contract harvesters. The procedures must include a method for certified contract harvesters who are excluded from the list of approved contract harvesters to appeal the decision to not include these harvesters on the list to the board.

For tax purposes, a government agency that harvests or markets timber must provide the harvester purchasing the timber with information about its harvesting and marketing costs. Harvesting and marketing costs are excluded from the stumpage value of timber from public land if the timber is harvested by a government agency.

The contract harvesting revolving account is created in the custody of the State Treasurer. Appropriations are not required for expenditures from the account, but the account is subject to allotment procedures. All receipts from the gross proceeds of the sale of logs from contract harvesting must be deposited into this account. Expenditures may only be used for paying the costs of contract harvesting sales, and may only be authorized by the Commissioner of Public Lands or the commissioner's designee. Interest generated by the account must be credited to the account.

The final receipt of gross proceeds on a contract sale must be kept in the contract harvesting revolving account until all required costs for that sale are paid. The net proceeds from the sale are paid to the State Treasurer for distribution to the appropriate trust accounts after the authorized deductions are made.

The balance in the contract harvesting revolving account cannot exceed \$1 million at the end of each fiscal year. Moneys in excess of \$1 million must be disbursed to the trust beneficiaries in accordance with existing procedures. If DNR terminates the use of contract harvesting sales, any existing funds in the contract harvesting revolving account must be returned to the resource management cost account and the forest development account in proportion to each account's initial contribution to the establishment of the contract harvesting revolving account.

DNR must provide a report to the appropriate legislative committees by December 31, 2006, on the costs and effectiveness of the contract harvesting program.

Votes on Final Passage:

Senate	47	2
House	95	0

Effective: July 27, 2003