

SENATE BILL REPORT

2SSB 5074

As Passed Senate, March 17, 2003

Title: An act relating to the authority of the department of natural resources to contract for the harvest of timber from state trust lands.

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).

Brief History:

Committee Activity: Natural Resources, Energy & Water: 1/22/03, 1/29/03 [DPS-WM].

Ways & Means: 2/10/03, 2/17/03 [DP2S].

Passed Senate: 3/17/03, 47-2.

SENATE COMMITTEE ON NATURAL RESOURCES, ENERGY & WATER

Majority Report: That Substitute Senate Bill No. 5074 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Morton, Chair; Hewitt, Vice Chair; Doumit, Fraser, Hale, Hargrove, Honeyford, Oke and Regala.

Staff: Vic Moon (786-7469)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5074 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Brown, Doumit, Fraser, Hale, Honeyford, Johnson, Parlette, Regala, Roach, Sheahan, B. Sheldon and Winsley.

Staff: Richard Ramsey (786-7412)

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 of Bill: 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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For (Natural Resources, Energy & Water): The ability to contract harvest timber from some state lands will allow greater benefit to the trusts and more environmental protection in difficult to harvest areas.

Testimony Against (Natural Resources, Energy & Water): None.

Testified (Natural Resources, Energy & Water): PRO: Howard Thronson, Department of Natural Resources; Bill Pichell, Washington Contract Loggers.

Testimony For (Ways & Means): The bill will enable the trusts to get more bang for their buck by marketing products more specifically to purchasers. A pilot program suggests the beneficiaries will see revenues 15 percent to 22 percent higher on stands subject to harvest by the department. With DNR conducting the harvests, forest stands with environmental sensitivity and sites with forest health problems can generate timber that would otherwise not be harvested.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): PRO: Senator Bob Morton, prime sponsor; Bruce Mackey, Department of Natural Resources; Bill Pickell, Washington Contract Loggers Assn.