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**ESB 6140** - H AMD TO AGNR COMM AMD (H-4922.1/18) **1466**

By Representatives Tharinger, Taylor

**ADOPTED 03/08/2018**

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

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

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

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

 (3) The asset valuation must estimate the current fair market value of these lands for each trust beneficiary, including the separate beneficiaries of state lands as defined in RCW 79.02.010, and the beneficiaries of state forestlands as specified in chapter 79.22 RCW. The estimation of current fair market values must specify the values by the various asset classes, including but not limited to: timber lands; irrigated agriculture; dryland agriculture, including grazing lands; commercial real estate; mining, and; other income production. The asset valuation must also estimate the value of ecosystem services and recreation benefits for asset classes that produce these benefits. The legislature encourages the department and its contractors to develop methods and tools to allow tracking of the estimated fair market values over time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

 Renumber the remaining sections consecutively and correct any 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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