**6140 AMS VAND S5107.2 - NOT FOR FLOOR USE**

**SB 6140** - S AMD **514**

By Senator Van De Wege

**ADOPTED 02/12/2018**

On page 5, after line 4, insert the following:

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

(1) Subject to the availability of amounts appropriated for this specific purpose, the department must evaluate the department's 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. The evaluation must seek to account for the volatility of forest product markets and consider ways to mitigate the impact of market downturns on its revenues.

(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 transitioning lower performing assets to higher revenue production.

(b) The evaluation must develop alternatives and recommendations relating to fully addressing the existing arrearage volume, including annual updates to the appropriate committees of the legislature on specific progress towards meeting, and the updated timeline to fully address, this shortfall within the ten-year time frame identified by the board of natural resources in November 2017.

(c) The evaluation must evaluate and develop alternatives and recommendations relating to calculating and addressing arrearage, with a particular focus on ensuring the stability of revenue from state lands and state trust lands over time.

(d) The evaluation must include an assessment of factors that restrict the department from prudent management and revenue production.

(e) 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, and include consultation with the affected counties and their association;

(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 transition of lands into higher revenue producing assets; and

(iii) Any other options for legislative consideration.

(2) The department must develop methods or tools to estimate the current asset value of state lands and state forestlands, as defined in RCW 79.02.010. 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 department may recommend other asset classes to track in addition to those listed.

(3) The department may utilize the services of a contractor for any portion of the evaluation, analysis, and tool and method development required by this section.

(4) The department must provide a final report to the appropriate committees of the senate and house of representatives by June 30, 2020, that includes the evaluation, analysis, and tools and methods required by this section. The department must provide progress reports by December 1, 2018, and December 1, 2019.

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

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

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

(c) A summary of the methods or formula used to value and establish payment for each type of lease and easement;

(d) A summary description of inspection and monitoring efforts completed over the previous ten years relating to compliance with the terms of the lease or easement as well as compliance with all applicable water quality and other local, state, or federal environmental, public health, and safety standards;

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

(f) A summary description of the lease and easement 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."

Renumber the remaining section consecutively and correct any internal references accordingly.

**SB 6140** - S AMD **514**

By Senator Van De Wege

**ADOPTED 02/12/2018**

On page 1, line 3 of the title, after "79.17.200;" insert "adding a new section to chapter 79.10 RCW; creating a new section;"

EFFECT: Directs the department of natural resources (DNR) to conduct an evaluation of specified aspects of the DNR state land and state forestland portfolio, revenue streams, and management and transaction processes designed to increase the amount and stability of revenue generation, with a final report due by June 30, 2020. Requires DNR to evaluate certain industrial and commercial leases and easements on state-owned aquatic lands relating to matters including terms, revenue, and inspections and compliance, with a report due by December 1, 2018.