

SENATE BILL REPORT

SB 5372

As of January 24, 2023

Title: An act relating to authorizing the department of natural resources to create and manage a trust land transfer program.

Brief Description: Authorizing the department of natural resources to create and manage a trust land transfer program.

Sponsors: Senators Rolfes, Short, Lovelett, Randall, Saldaña, Shewmake, Torres and Van De Wege; by request of Department of Natural Resources.

Brief History:

Committee Activity: Agriculture, Water, Natural Resources & Parks: 1/26/23.

Brief Summary of Bill

- Authorizes the Department of Natural Resources to create and manage a trust land transfer program to transfer economically under-performing state lands to other purposes, and acquire replacement property to provide sustainable revenue to trust beneficiaries.

SENATE COMMITTEE ON AGRICULTURE, WATER, NATURAL RESOURCES & PARKS

Staff: Jeff Olsen (786-7428)

Background: Trust Land Transfer. The trust land transfer (TLT) is a land management tool used in the Capital Budget since 1989 that enables the Department of Natural Resources (DNR) to reposition Common School Trust lands out of trust status, and replaces them with lands that can generate revenue for trust beneficiaries. Common School Trust parcels identified for the TLT are typically transferred to other public agencies or programs and managed as conservation or recreational areas.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Under the TLT, a prioritized list of state trust land parcels is developed and submitted to the Legislature. The Legislature provides an appropriation in the capital budget, and the estimated value of the timber on the parcel goes to the Common School Construction Account. The value of the bare land goes to the Real Property Replacement Account, and is used to purchase replacement lands that will generate revenue for trust beneficiaries. Generally, properties must have high timber-to-land-value ratios, typically 80 percent timber value and 20 percent land value. According to the DNR TLT report to the Legislature in December of 2021, over the last 32 years, the Legislature has provided \$882.7 million to facilitate the transfer of 125,968 acres of state Common School Trust lands to other uses, and has purchased 55,546 acres of replacement lands.

The 2021 supplemental budget contained a proviso directing DNR to convene a work group of trust land beneficiaries and stakeholders to develop recommendations for the TLT process. The work group submitted a report to the Legislature in December of 2021 outlining several changes to the TLT process including removing the requirement that the timber value on proposed transfers is at least 80 percent of the total land value, expand the TLT to all trust lands, dedicate all funding to the purchase of replacement lands, and provide sufficient funding to administer the TLT.

Land Bank. DNR manages a state land bank. The land bank provides a mechanism used for the purchasing, selling, and transferring land that allows DNR to replace less productive land with more productive land, while maintaining the trust land base. Lands held in the land bank may not exceed 1500 acres.

Land Transfers. In certain circumstances, DNR may transfer or dispose of lands without public auction. These circumstances include transfers under ten contiguous acres, transfers with values under \$25,000, and transfers in certain counties with a population under 25,000 with timber harvest deferrals. DNR may only transfer such property for fair market value, and if the transfer is in the best interest of the state or affected trust. Proceeds from certain real property transferred or disposed of must be deposited in the Parkland Trust Revolving Account to buy replacement lands in the same county.

Summary of Bill: DNR is authorized to create and manage a TLT program to transfer under-performing land with high ecological or public benefit to acquire real property to provide long-term, sustainable revenue to trust beneficiaries. The lands selected for transfer may be deemed appropriate for state parks, fish and wildlife habitats, natural area preserves, natural resources conservation areas, community forests, recreation, or other public purposes. DNR may use legislative appropriations for approved trust land transfers to acquire replacement property. DNR may use transfer authorities to complete transfers under the program, and pay for the administrative expenses to complete the transfer, including the cost of staff time, appraisals, surveys, environmental reviews, and other similar costs.

When administering the TLT, any citizen, state and federal agencies, counties, cities, towns, tribes, nonprofit organizations, special purpose districts, public development authorities,

and other political subdivisions of the state, may nominate a parcel of state land or state forestland for the trust land transfer program. DNR shall perform an initial review to determine whether the transfer of a nominated parcel is in the best interest of the trust, and whether a public agency is willing to take ownership and manage the parcel. DNR may require prenomination review of parcels over 9000 acres or parcels over an estimated appraised market value of \$30 million. If DNR determines through its initial review that transfer would be in the best interest of the trust, and a public agency is able to take ownership and manage the land, DNR shall consult with potentially affected tribes to identify and address cultural resource issues.

After DNR's initial review and tribal consultation, DNR may submit parcels to an advisory committee that must evaluate and prioritize nominated parcels according to criteria approved by the Board of Natural Resources (Board), including social, ecological, economic, and other values. The advisory committee may include representatives of trust beneficiaries, public agencies, tribes, overburdened communities, vulnerable populations, and other stakeholders as determined by DNR.

DNR, with approval of the Board, determines the final, prioritized list of trust land transfer parcels to submit to the Legislature. If a legislative appropriation includes a trust land transfer parcel, and the Board determines that the transfer is in the best interest of the trust for which the land is held, DNR shall complete the transfer.

The Board may exchange state forestland for obtaining land with greater natural resource or income-producing potential when it is in the best interest of the state or affected trust. The exchange may not be used to reduce the publicly owned forestland base.

In addition to funds transferred due to the transfer of real property, the Natural Resources Real Property Replacement Account may also consist of the value of land, timber, other valuable materials, and improvements owned by the state.

The restriction that DNR may not hold more than 1500 acres in a land bank is removed. DNR, with the approval of the Board, may exchange property held in the land bank for any lands of equal value, including state forestlands. If a DNR lessee owns and resides in a house located on land being held in the land bank, the Board may sell the land directly to the lessee for fair market value.

The restriction that the Board must use the proceeds from the transfer or disposal of state forestlands to purchase replacement lands within the same county is modified to allow the purchase of forestland for the benefit of the county. The transfer may also include the cost of DNR's administrative expenses to complete the transfer. The legislative authority of the county from which the real property was transferred or disposed may request that DNR distribute a percentage of the proceeds associated with valuable materials.

Appropriation: None.

Fiscal Note: Requested on January 21, 2023.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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