

SENATE BILL REPORT

SB 6062

As of January 18, 2024

Title: An act relating to the authority of the department of natural resources to lease trust assets for the benefit of trust beneficiaries and the state.

Brief Description: Concerning the authority of the department of natural resources to lease trust assets for the benefit of trust beneficiaries and the state.

Sponsors: Senators Torres and Van De Wege; by request of Department of Natural Resources.

Brief History:

Committee Activity: Agriculture, Water, Natural Resources & Parks: 1/18/24.

Brief Summary of Bill

- Allows the Department of Natural Resources (DNR) to lease trust assets, deemed to be temporarily available for use on nonstate land.
- Establishes that leases for trust assets may not to exceed 20 years.
- Requires DNR to follow certain leasing provisions for leases of state lands when leasing trust assets.

SENATE COMMITTEE ON AGRICULTURE, WATER, NATURAL RESOURCES & PARKS

Staff: Karen Epps (786-7424)

Background: The Department of Natural Resources (DNR) manages a number of different categories of land, each for a specific purpose and under different management requirements. These include approximately 3 million acres of federally-granted lands and state forest lands, which DNR manages to support common schools, counties, and other public institutions.

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.

DNR has the authority to lease state lands for various purposes, including commercial, industrial, residential, agricultural, and recreational uses, in order to obtain a fair-market rental return to the state or appropriate trust. DNR also manages more than 600,000 acres of state forest lands which were acquired primarily through tax foreclosures in the 1920s and 1930s, and to a lesser extent through purchases by the state or gifts to the state. State forest lands are managed for the benefit of the counties in which the lands are located.

DNR generally may not lease state lands for longer than ten years, although longer leases are specifically authorized in multiple instances. Lands leased for agricultural purposes may not exceed 25 years, except leases for tree fruit or grape production, which may be for up to 55 years. Leases for commercial, industrial, or business purposes may extend to 99 years, but leases that extend terms beyond 55 years must be reported to the Office of Financial Management and the appropriate committees of the Legislature within 30 days of the date of the execution of the lease. Share crop leases may not exceed ten years.

Summary of Bill: DNR may lease trust assets, deemed to be temporarily available for use on nonstate lands, for commercial, industrial, residential, agricultural, and recreational purposes in order to obtain a market rental return and if the lease is in the best interest of the state or affected trust. Trust assets may be leased for a term not to exceed 20 years.

DNR must exercise general supervision and control over the lease of state trust assets. If DNR leases trust assets, the lease must contain the specific use or uses to which the asset is to be employed. During the lease of any trust asset, DNR may alter and amend the terms and conditions of the lease if, in the opinion of DNR, it is in the best interest of the state and in agreement with the lessee.

Appropriation: None.

Fiscal Note: Requested on January 13, 2024.

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

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

Staff Summary of Public Testimony: PRO: This bill will allow DNR to lease trust assets for the benefit of trust beneficiaries. Trust assets are non-land assets such as water or water infrastructure, as well as tractors and other personal property owned by DNR. DNR manages a number of non-land assets and they do not currently have the authority to lease. DNR can currently lease land and infrastructure attached to the land on the land for any legal purpose, but cannot lease assets that are not attached to the land. Water is the biggest asset that would fall under this bill. DNR has over \$1 billion in assets that cannot be put to the most productive use because they cannot use that asset on anything other than DNR trust land. This bill does not change the nature of any of DNR's water rights, does not create a water bank, and does not provide DNR with any special considerations over water rights.

This bill allows DNR to lease water in the same way as other landowners.

OTHER: The Yakama Nation would like to get advanced notice before the lease is negotiated with a 60-day timeframe. Water in eastern Washington and elsewhere is becoming more and more valuable. There needs to be consideration about the protection of cultural resources and treaty resources before a transfer of water goes through the process with the Department of Ecology. There needs to be an opportunity for tribes to ask for consultation.

Persons Testifying: PRO: Senator Nikki Torres, Prime Sponsor; Duane Emmons, Department of Natural Resources; Christina Frantz, Department of Natural Resources.

OTHER: Dawn Vyvyan, Yakama Nation.

Persons Signed In To Testify But Not Testifying: No one.