

## **Common School Trust Beneficiaries Perspective of Trust Land Transfer August 1<sup>st</sup>, 2021**

- Randy Newman, Office of Superintendent of Public Instruction
- Russ Pfeiffer-Hoyt, Washington State School Directors Association

### **1) Why is TLT important to the beneficiaries of the Common School Trust?**

When functioning properly, TLT can be a tool to dispose of lands with little current or future value and replace them with lands of greater revenue and land value growth potential. Our goal is to make TLT function to benefit the Common School Trust, following core trust management principles.

### **2) What issues do we have with TLT?**

A) When does TLT work best for the trust? Examples include:

- High elevation portions of Morning Star
- Columbia Gorge Scenic Area steep rock talus

B) When does TLT not benefit the trust? Examples include:

- Lopez Island Park Transfer
- Middle Fork Snoqualmie

C) TLT must function within fulfillment of the DNR's trust management obligations, including undivided loyalty to the beneficiaries.

D) All TLT proposal must go through the DNR's internal process before being forwarded to the legislature for consideration. The DNR manages lands that require multidecadal planning and capital investments. The DNR as a land management agency must be in control of that planning and investment.

E) Diminishment of the trust corpus when replacement lands generate insufficient revenue or land value growth. With land replacement disconnected from land disposal there is no clear way to compare lost revenue streams or land value of disposed lands with those of the replacement lands.

F) Capital funds that would have gone directly to fund school construction are diverted to fund TLT. In essence, TLT is funded with what would be the schools' own money. The timber value of TLT is not additive to the Common School Construction Account but merely supplants capital funds that would have otherwise gone to school construction. This is especially of note since the legislature greatly underfunds what should be its portion of school construction statewide.

G) We are concerned about under-valuation of properties being transferred. There is no competitive bidding process or other mechanism to serve as a check on valuations.

-Valuations should include analyses of future revenue streams of lands slated for transfer and the replacement property should have the same or greater revenue potential.

H) We are concerned about the transfer of properties with current or future residential or commercial value without first maximizing that value for the trust. Properties that could be developed should not be

transferred until they have attained the highest and best use zoning. Sagebrush steppe land that currently has low value may be ideal for green energy leases or as mitigation property for other green energy leases in the future.

Current law includes a platting requirement and 160-acre parcel size limit for sale of Common School trust land. While these requirements could be updated, they represent clear limits set by legislation to minimize abuses when selling trust lands. The TLT program should also have comparable limits set by legislation to protect the trust.

I) We are concerned about transfer of productive forestland. It is difficult to secure new productive forest parcels. It doesn't make sense to transfer productive forestland unless the residential or commercial value exceeds the forest value.

J) Since the legislature has not kept up with funding current obligations such as the Teanaway Community Forest, or Encumbered Lands, it doesn't make sense to take on more funding obligations for additional conservation lands.

K) Since inter-trust transfers from State Forest land to Common School trust are often a component of TLT, we are concerned about the differential impacts on individual school districts when replacement land is not in the same school district.

L) While it is not always feasible, we prefer having replacement lands lined up at the time of TLT so that the transferred and replacement lands can be evaluated at the same time. We recognize that this might require a restructuring of the accounts used for real property replacement. This should include an analysis of future revenue streams.

M) Real Property Replacement Account – The value of the transferred trust lands deposited in the account should receive a rate of return equal to or greater of their future revenue potential until replacement land is secured.

### **3) What opportunities do we see for TLT?**

We think that the TLT program has largely run its course. The main properties for which the program was created have already been transferred. While some good TLT candidates may remain, we are concerned that some parcels now being transferred or proposed for transfer would generate more revenue for the trust if developed or sold. The focus of the TLT program must be to improve revenue and value for the trust.