



Trust Land Transfer Revitalization Phase 2



Taxing Districts Focus Group

Kickoff Meeting

September 1, 2022
9-11 a.m.



Agenda



Time	Topic	Lead
9:00 – 9:30 a.m.	Welcome <ul style="list-style-type: none">• Introductions• Group Charter	Sarah
9:30 – 10:00 a.m.	Background and Context: <ul style="list-style-type: none">• Trust Land Transfer (TLT) and TLT Revitalization• What are State Forestlands?• Potential Changes and Impacts• Looking Ahead: Upcoming Meetings	Duane Sarah
10:30 – 10:50 a.m.	Thoughts? Questions?	Sarah
10:50 – 11:00 a.m.	Overview of Next Meeting Wrap-up	Sarah

Welcome and Introductions



- Name
- Affiliation
- Interest in trust land transfer



Group Charter Review



WASHINGTON STATE DEPARTMENT OF
NATURAL RESOURCES
HILARY S. FRANZ | COMMISSIONER OF PUBLIC LANDS

Taxing Districts Focus Group Charter (DRAFT)

Purpose

The Trust Land Transfer (TLT) Tax District Focus Group will evaluate and develop options for avoiding, minimizing, and mitigating impacts to tax districts that result from transferring State Forest Lands with the TLT tool. The group will examine existing options and identify new ones, as well as address any gaps, and evaluate the potential of each option to avoid, minimize and mitigate impacts to tax districts. The group also will propose steps needed to implement each option.

The products of this focus group will be used to inform the Phase 2 Work Group as they consider recommendations to DNR for revitalizing the TLT tool.

Focus Group Member Commitments

Members will be asked to do the following:

- Develop an understanding of State Forest Lands, DNR's fiduciary obligations, the statutes that govern how DNR directly transfers State Forest Land parcels to other public agencies, and how TLTs of State Forest Land transfers can affect revenue for counties and their tax districts.
- Think critically and creatively about all options being contemplated by the Phase 2 Work Group, or new options identified by this focus group, to assist the Phase 2 Work Group in developing recommendations related to including State Forest Lands in the TLT tool.
- Brainstorm pathways for implementation.
- Communicate with and gather input from agency partners, professional association members, constituents, and other interested parties, and share that feedback with the group.

Focus Group Member Time Obligation/Estimate

- Attend 4, 2-hour meetings, scheduled in September – October.
- Provide technical review on any documentation of the focus group's work.

Definitions

Taxing District - the state and any county, city, town, port district, school district, road district, metropolitan park district, regional transit authority, water-sewer district, or other municipal corporation, having the power or legal authority to impose burdens upon property within the district on an ad valorem basis, for the purpose of obtaining revenue for public purposes.

Junior Taxing District - a taxing district other than the state, a county, a county road district, a city, a town, a port district, or a public utility district.



Trust Land Transfer (TLT) And TLT Revitalization

What is Trust Land Transfer (TLT)?



Established in 1989, a land portfolio management tool that is used to **reposition** economically under-performing state trust lands. Through TLT, DNR:

- **Transfers** underperforming state trust lands out of trust status to a receiving agency.
- **Replaces** the transferred parcel with lands that can generate revenue for trust beneficiaries.



How Does TLT Work?



- Lands transferred to DNR's Natural Areas program, another state agency, a tribe, a non-profit organization, or a city or county.
- Receiving agency manages parcel to preserve ecological values and public benefits.
- Funding received from the Legislature is used to purchase replacement lands that generate revenue for the trusts.

32 years | 125,968 acres transferred | 55,546 acres replaced



What is TLT Revitalization?



- An effort to improve TLT to make it more consistent, transparent, repeatable, and effective.
- Work funded in part by a proviso to the 2021-23 Capital Budget (SHB 1080 Sec. 3333).



Revitalization In Two Phases



Phase 1

July to October, 2021

- Develop a new framework for TLT.



Phase 2

January to October, 2022

- Develop the framework into a strong, new, revitalized TLT tool.



New Features of the Revitalized TLT Tool: Examples



- ✓ Improved best interests of the trusts analysis
- ✓ New advisory committee to rank nominated parcels into a prioritized list
- ✓ More robust tracking and reporting
- ✓ New webpages
- ✓ Discontinuation of the 80/20 ratio to open the tool to non-forested parcels
- ✓ Changes to funding allocation to provide more funding for replacement lands
- ✓ Possible expansion of the tool to include State Forestlands





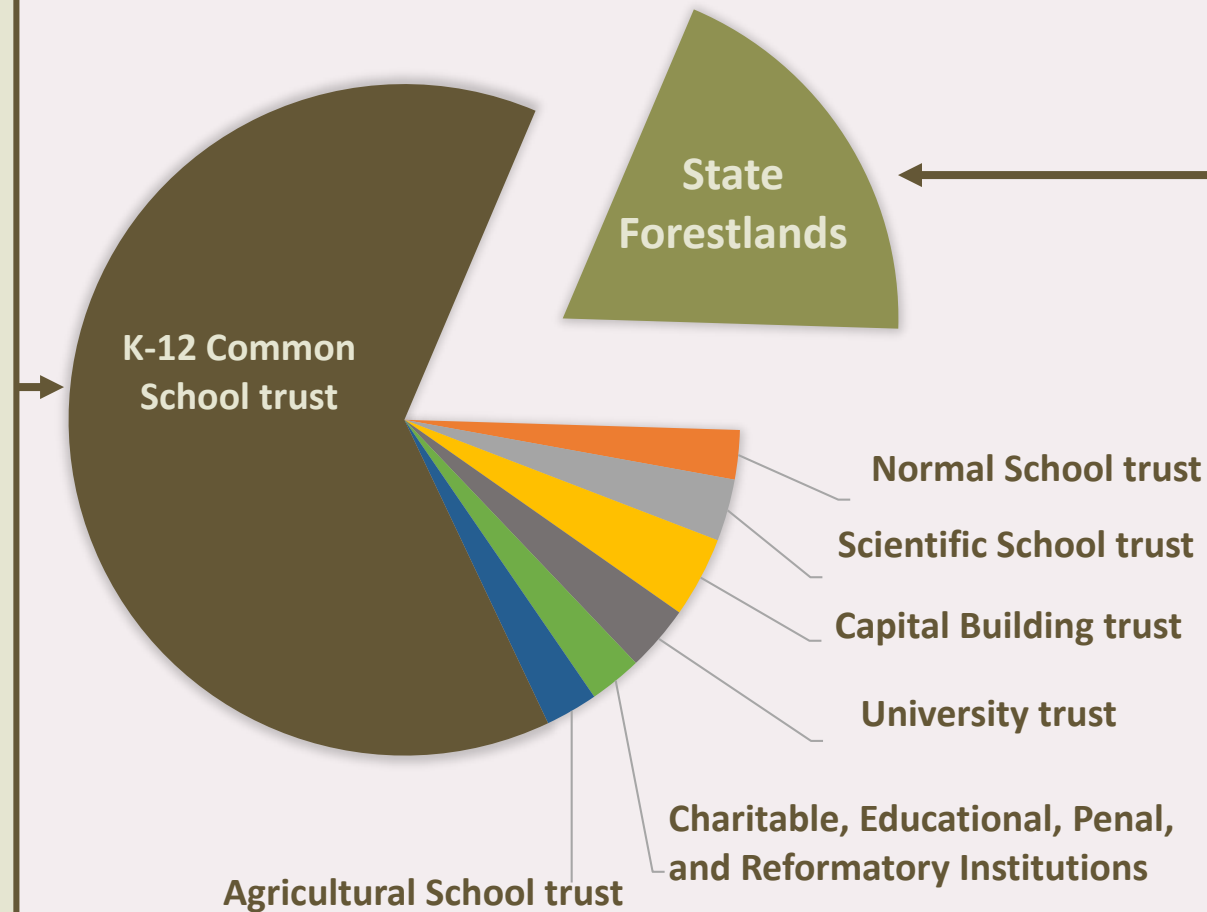
What Are State Forestlands?

Types of State Trust Lands



State Lands Federally granted

- ~2.9 million acres
- Enabling Act (25 U.S. Statutes at Large, c 180 p. 676)
- Revenue generated from a variety of sources
- Granted at statehood
- Source of financial support, primarily for public schools and colleges



State Forestlands

- Two types: Transfer and Purchase
- > 617,000 acres*
- Transfer lands acquired by counties through tax foreclosures.
- Statutory Trusts
- Revenue helps fund county services, state schools, and taxing districts
- 21 counties

State Forestland Revenue from DNR



95% of revenue comes from timber harvest

(average from 2015-2019)

Year	Timber Revenue	Non-Timber Revenue	Total Revenue	Timber Revenue % Total Revenue
2015	\$ 87,259,350	\$ 3,432,249	\$ 90,691,599	96%
2016	\$ 79,822,528	\$ 3,314,629	\$ 83,137,157	96%
2017	\$ 80,480,572	\$ 6,968,298	\$ 87,448,870	92%
2018	\$ 81,051,787	\$ 2,982,762	\$ 84,034,549	96%
2019	\$ 94,133,991	\$ 7,101,884	\$ 101,235,875	93%

From DNR Annual Reports (based on fiscal year)

Agency Management Rates



- Percentage of the revenue used to fund state lands operations, including direct and indirect costs
- State Legislature establishes the statutory limits for management rate percentages
- Board of Natural Resources approves changes to percentages

Resource Management Cost Account (RMCA)

Federally Granted Lands: 31%

Forest Development Account (FDA)

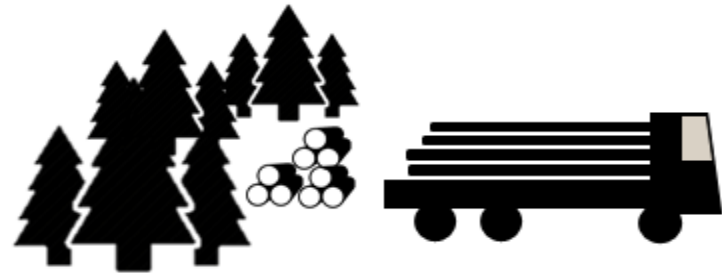
State Forestlands: 25%

How is Revenue Distributed?

RCW 79.64.110



Timber harvest
on State
Forestlands



Gross Revenue



Forest Development
Account
(FDA)

Net Revenue



Office of the
State Treasurer

County Treasurer(s)
*(where State Forestlands
are located)*



Treasurer further
distributes the
revenue to taxing
districts within the
county in accordance
with **RCW
79.64.110.**



What are Taxing Districts?



“Taxing district” means the state and any county, city, town, port district, school district, road district, metropolitan park district, regional transit authority, water-sewer district, or other municipal corporation, *having the power or legal authority to impose burdens upon property within the district on an ad valorem basis, for the purpose of obtaining revenue for public purposes, ...*

“Junior taxing district” means a taxing district other than the state, a county, a county road district, a city, a town, a port district, or a public utility district.



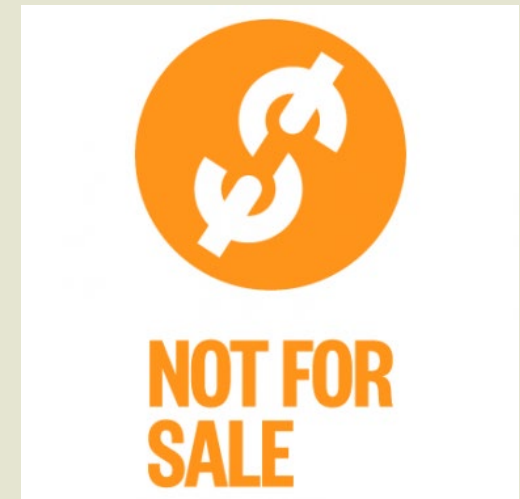
Potential Changes and Impacts

Current State Forestlands Statutes Regarding Disposal



RCW 79.22.050 (Excerpt)

.....all land, acquired or designated by the department as state forestland, **shall be forever reserved from sale**, but the valuable materials thereon may be sold or the land may be leased in the same manner and for the same purposes as is authorized for state lands if the department finds such sale or lease to be in the best interests of the state and approves the terms and conditions thereof.



Current State Forestlands Statutes Regarding Disposal



RCW 79.22.060 (Excerpt)

With the approval of the board, the department may directly transfer or dispose of state forestlands without public auction, if the lands:

- (a) Consist of ten contiguous acres or less;
- (b) Have a value of twenty-five thousand dollars or less; or
- (c) Are located in a county with a population of twenty-five thousand or less and are encumbered with timber harvest deferrals, associated with wildlife species listed under the federal endangered species act, greater than thirty years in length.

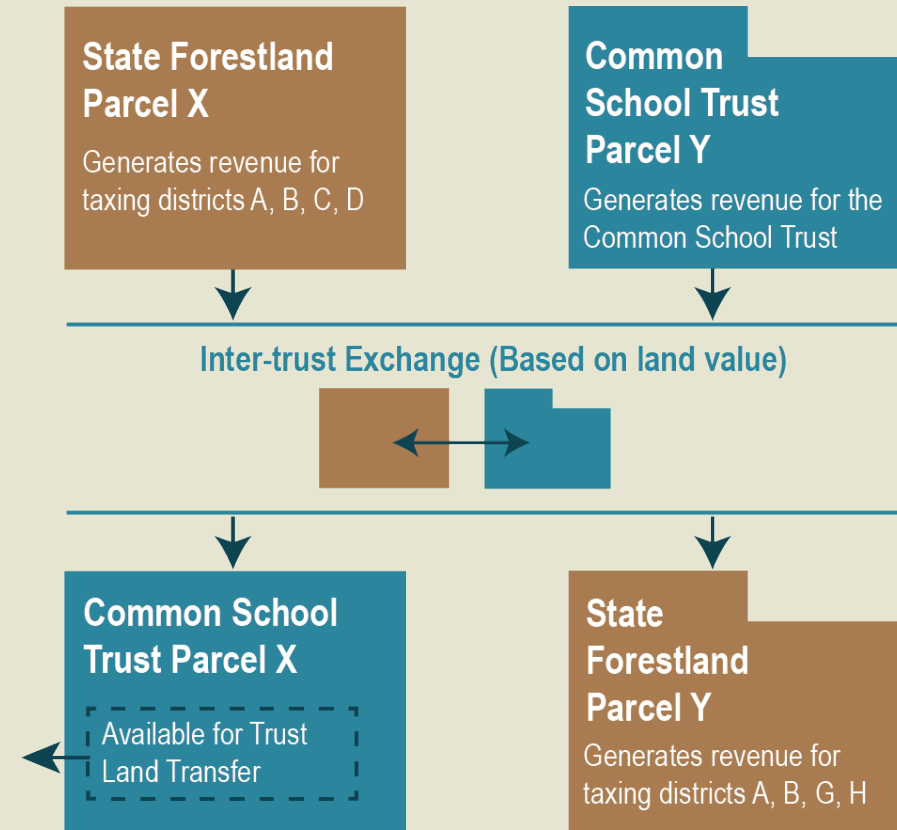
(2) Disposal under this section may only occur in the following circumstances:

- (a) Transfers in lieu of condemnation;
- (b) Transfers to resolve trespass and property ownership disputes; or
- (c) In counties with a population of twenty-five thousand or less, transfers to public agencies.

Why Change the Statutes?



- Current tool limited to Common School Trust, so State Forestlands must first undergo an inter-trust exchange.
- If the statute is changed, tool could be expanded to include State Forestlands. Inter-trust exchanges would be optional.
- Change would provide more flexibility for repositioning State Forestlands.



Potential Impacts on Taxing Districts



Transferring and replacing State Forestlands could affect taxing districts:

- Immediate financial impact of transfer may be minimal if the parcel is producing little to no revenue; however,
- Revenue from replacement lands may benefit a different taxing district, depending on where that land is located.



Purchase of Replacement Lands



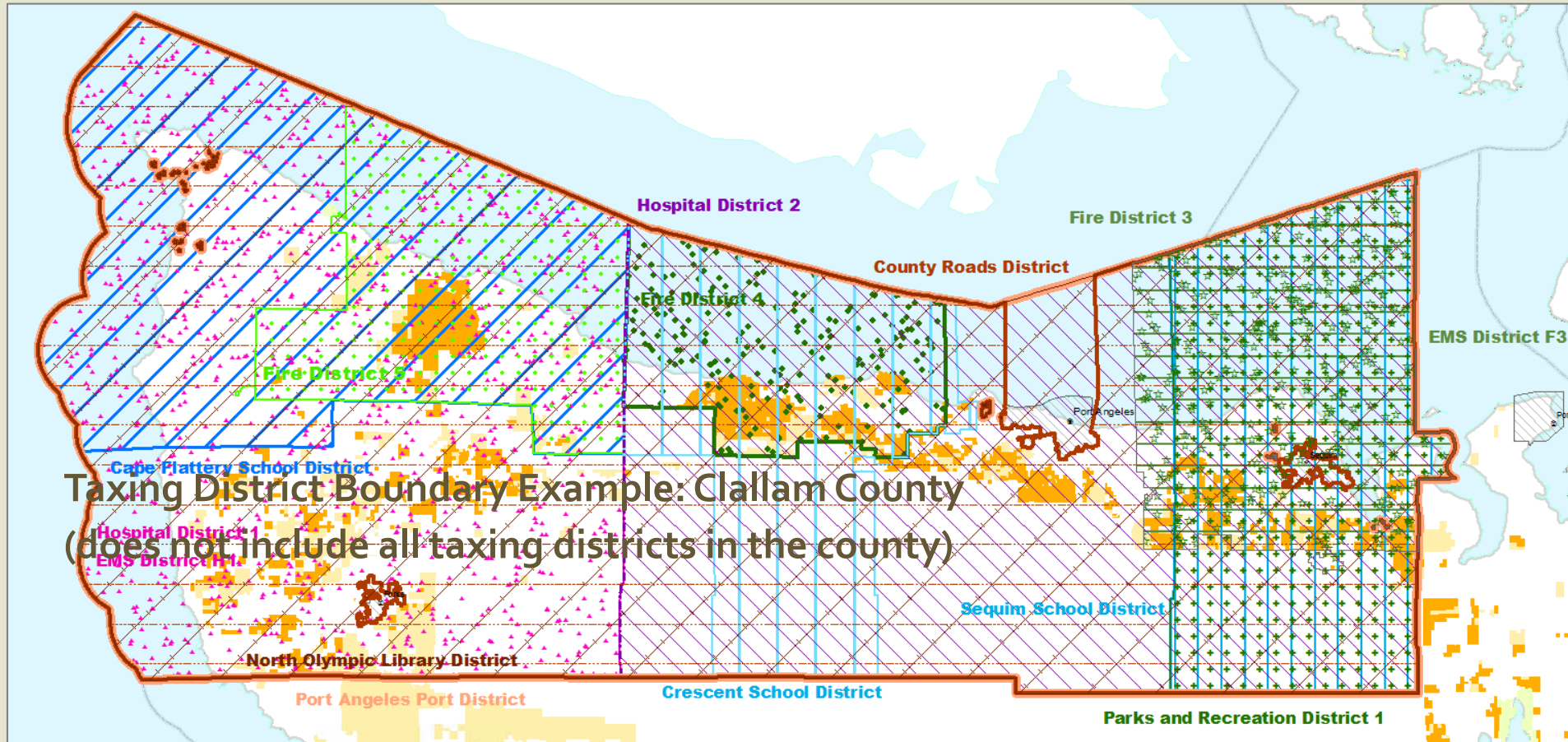
After a transfer, DNR will look for replacement lands:

1. **Within the same taxing district boundary;** if no lands available,
2. **Within a different taxing district boundary in the county;** if no lands available,
3. **Outside the county.**



Option 2 and 3 would result in revenue generated from replacement lands being distributed to different taxing districts than the districts associated with the transferred parcel.

Taxing District Boundary Example: Clallam County



Taxing District Boundary Example: Clallam County
(does not include all taxing districts in the county)

Does not include all taxing districts in the county

Source: Taxing District Supplemental Report - <https://www.dnr.wa.gov/mmltcs>

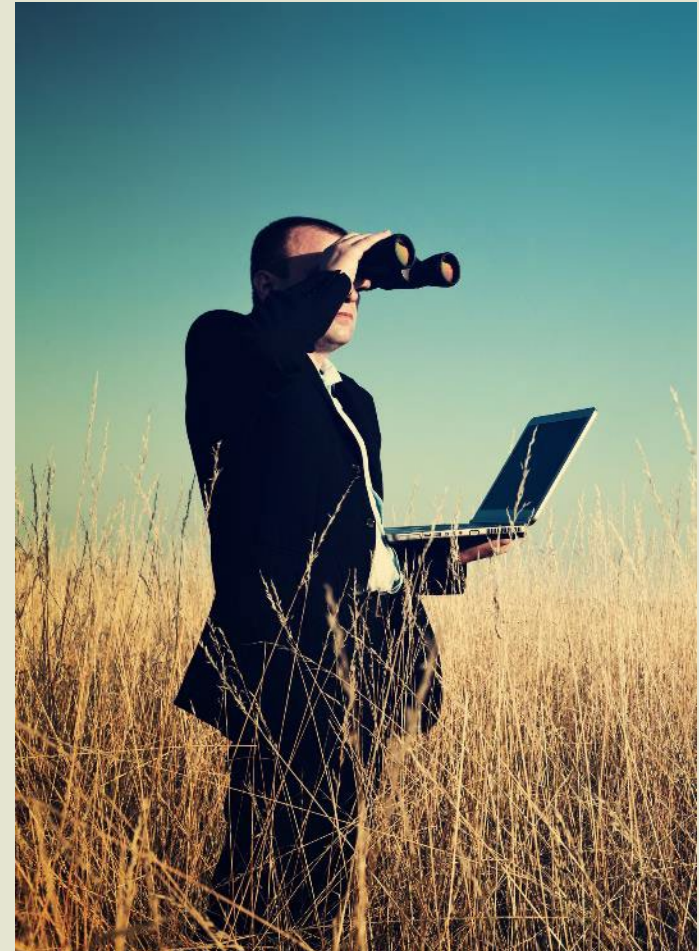


Looking Ahead

Focus Group Goals



- Examine current options in the TLT tool and identify alternatives.
- Evaluate potential of options to avoid, minimize, and mitigate impacts.
- Suggest steps toward implementation of options.



Upcoming Meetings



- **September 16, 2022** – Working Meeting #1
 - Define the problem.
 - **September 29, 2022** – Working Meeting #2*
 - Brainstorm solutions.
 - **October 13, 2022** – Working Meeting #3*
 - Recommend steps toward implementation of options.
- * Separate sub-committee meetings possible





Thoughts? Questions?

Working Meeting #1 Agenda



Topic

Welcome

- Introductions
- Review of Last Meeting

Presentations/Speakers (as/if needed)

Group Problem Discovery

Thoughts? Questions?

Looking Ahead

- Upcoming Meeting

Wrap-up

See you at Working Meeting #1!



September 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	1

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Next Meeting