



Trust Land Transfer Revitalization Phase 2

Taxing Districts Focus Group Meeting #7

April 5, 2023
11 a.m. - 12 p.m.



Agenda



Time	Topic	Lead
1:00 – 1:10 p.m.	Welcome & Introductions	Sarah
1:10 – 1:50 p.m.	<ul style="list-style-type: none">• TLT Legislative Update• Outreach Process for TLT on State Forestlands• Solutions for Mitigating Impacts to Taxing Districts	Sarah
1:50 – 2:00 p.m.	Next Steps	Sarah/Cathy



Trust Land Transfer Legislative Update

HB 1460

Trust Land Transfer Legislative Update



- There is broad support from all sides so we're still hopeful this will be passed this session.
- The bill contains language for both Encumbered Lands work and the Trust Land Transfer work since both relate to buying and selling state forestland (county trust land).
- This bill gives us more tools to transfer unproductive lands out of trust status and acquire better assets for the trusts.
- Made it through the Senate Ways & Means Committee on Monday.
- Next step: Senate Floor for debate.



Outreach Process for TLT on State Forestlands

Trust Land Transfer Process Improvement



- DNR conducts best interest of the trust analysis.
- DNR completes outreach to counties and taxing districts.
- Outreach will occur before the list of parcels is sent to the advisory committee.
- The level of outreach depends on the # of acres of State Forestland within the parcel.
- Larger transfers also include an option for a third-party review of DNR's estimated valuation of the parcel.



State Forestlands Outreach, 0-20 acres



- DNR sends-an informational email to counties and impacted junior taxing districts.
- Information includes proposed transfer description with map, # of acres of State Forestlands in the parcel, and a brief explanation of why the transfer has been proposed.



State Forestlands Outreach, 20.1 – 400 acres



- Email outreach AND
- DNR holds a webinar for counties and junior taxing districts to provide information and gather feedback on possible impacts.
- DNR emails the county and its taxing districts to inform them whether the parcel will, or will not, be included in the list sent to the advisory committee.
- DNR will provide counties the opportunity to request an independent, third-party review of DNR's estimated valuation of the parcel.



State Forestlands Outreach, 400+



- Email and webinar outreach AND
- Follow-up remote meetings at the request of tax districts/county.
- The county may:
 - Conduct any additional financial analysis necessary to determine potential impacts on their taxing districts.
 - Make a recommendation to DNR on whether to include the parcel on the list sent to the advisory committee, based on feedback from taxing districts.
- Counties given the opportunity to request an independent, third-party review of DNR's estimated valuation of the parcel.



Clarifying Roles



- DNR sends timber revenue to the respective county where timber is harvested and informs the county how much revenue was generated for any respective tax parcel numbers.
- DNR has no role in the implementation, coordination, or oversight of county tax assessor and county tax revenue functions.
- County government makes the ultimate approval or denial decision.





Solutions for Mitigating Impacts to Taxing Districts

Solutions in the TLT Toolkit



- Cash for ~~Timber~~ Counties
- Revenue Pooling and Distribution: Cross-county
- Replacement Land: New Tax Code Area
- The Simple Solution

Cash for Counties



Current legislation, HB 1460:

The legislative authority of the county from which the real property was transferred or disposed under subsection (1)(b) of this section may request in writing that the department distribute a percentage of the proceeds associated with valuable materials. Upon such a request, and subject to prior approval by the board, the department shall distribute the requested percentage of proceeds associated with valuable materials as provided in RCW 79.64.110.





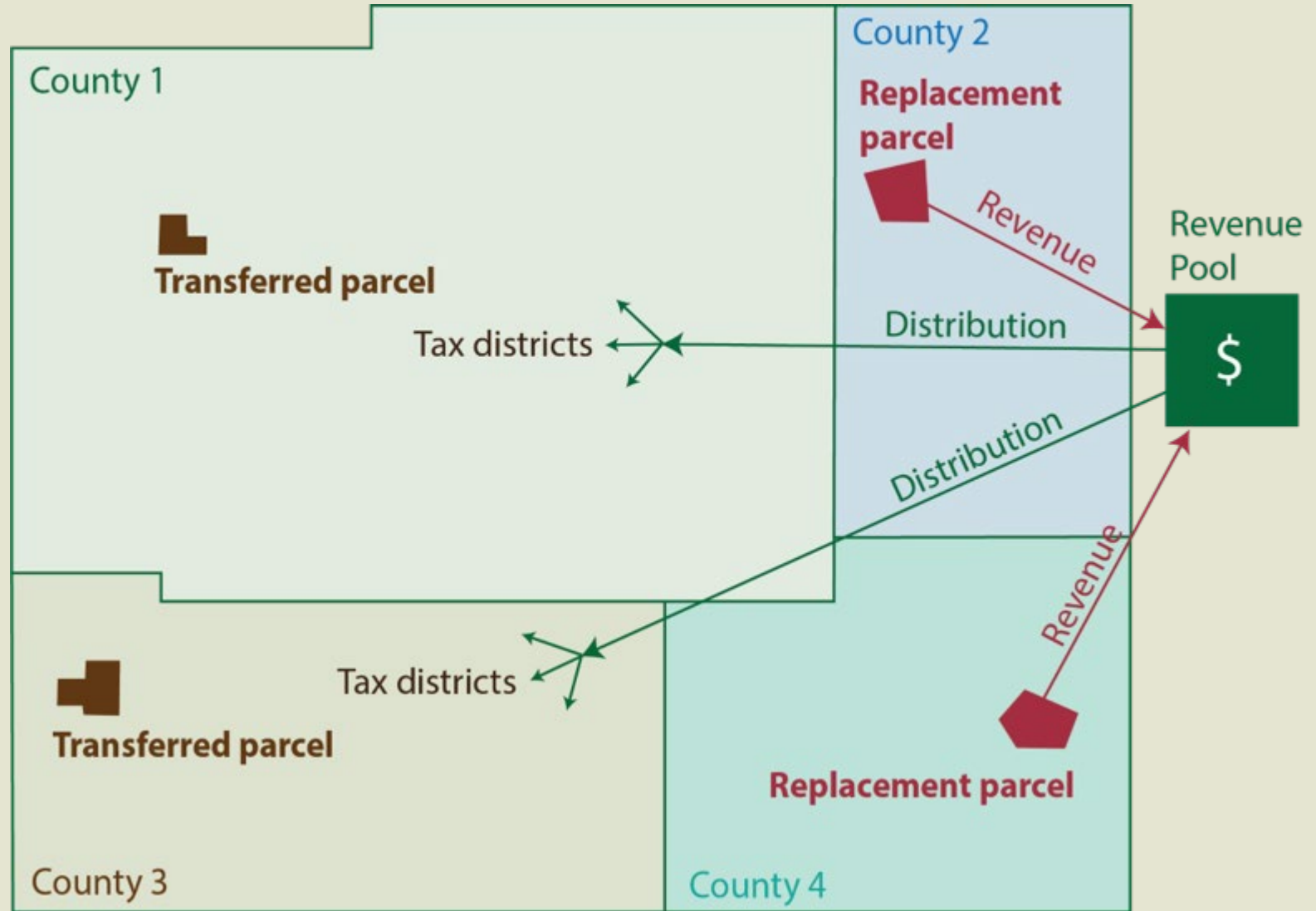
Feedback from the Solutions Subcommittee:

- This option makes TLT more flexible and could provide funding for juniors that were relying that revenue.
- Care needs to be taken with this option as it poses a risk to impact intergenerational equity.
- Recommended that this solution remain in the toolbox in the event it is needed in the future.

Revenue Pooling and Distribution: Cross-county



State Forestland Pool. As authorized by RCW 79.22.140 where land can be replaced anywhere and future revenue is credited to its former taxing district according to percent of contribution. Currently only available for counties with population less than 25,000 with lands encumbered by endangered species.



Revenue Pooling and Distribution: Cross-county



- This solution will require a change in statute to expand beyond counties with population below 25,000. HB 1460 currently shows this change.
 - A county may or may not be willing to have private lands within their county become public lands, and for those lands to be managed on behalf of beneficiaries in another county.
- Solution:*** Both counties involved sign an agreement to participate. HB 1460 currently addresses this



Revenue Pooling and Distribution: Cross-county



- How this solution will affect property taxes; many counties already have a small tax base due to the presence of federal lands.

Solution: The lands being transferred must be placed into conservation status so they are eligible for payment in lieu of taxes (PILT). The PILT payment would go to the county in which the replacement lands are purchased, and the revenue from timber harvest on the replacement lands would go to the county from which the lands were transferred.



Revenue Pooling and Distribution: Cross-county



- Land use on the replacement parcel may change over time.

Solution: Per the agreement, the county in which the replacement parcel is purchased is prohibited from taking any action that would impede revenue-generating activity on that parcel. They could opt to leave the agreement, which requires paying the other county the full value of the replacement parcel. HB 1460 currently addresses this.



Revenue Pooling and Distribution: Cross-county



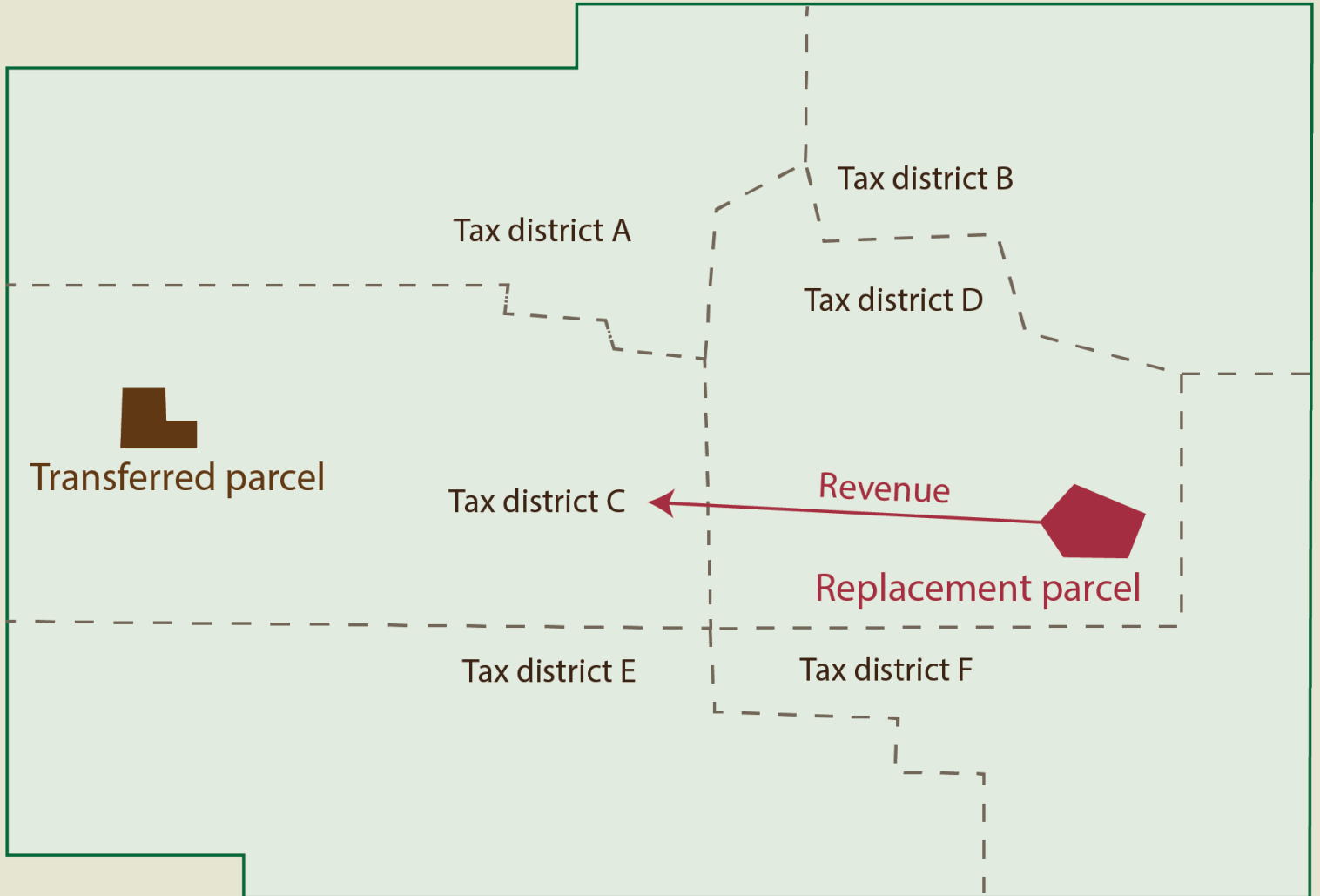
Feedback from the Solutions Subcommittee:

- Implementing this option would be difficult for county assessors, not as much for treasurers. Outreach for proposed parcels should include assessors and treasurers.
- Important to communicate the process and outcomes clearly to county residents and junior taxing district representatives.
- Recommended that this solution remain in the toolbox in the event it is needed in the future.

Replacement Land: New Tax Code Area



When a replacement parcel is located in a different tax area code than the parcel being transferred, counties could have the flexibility to assign the replacement parcel to the *affected* taxing district.



Replacement Land: New Tax Code Area



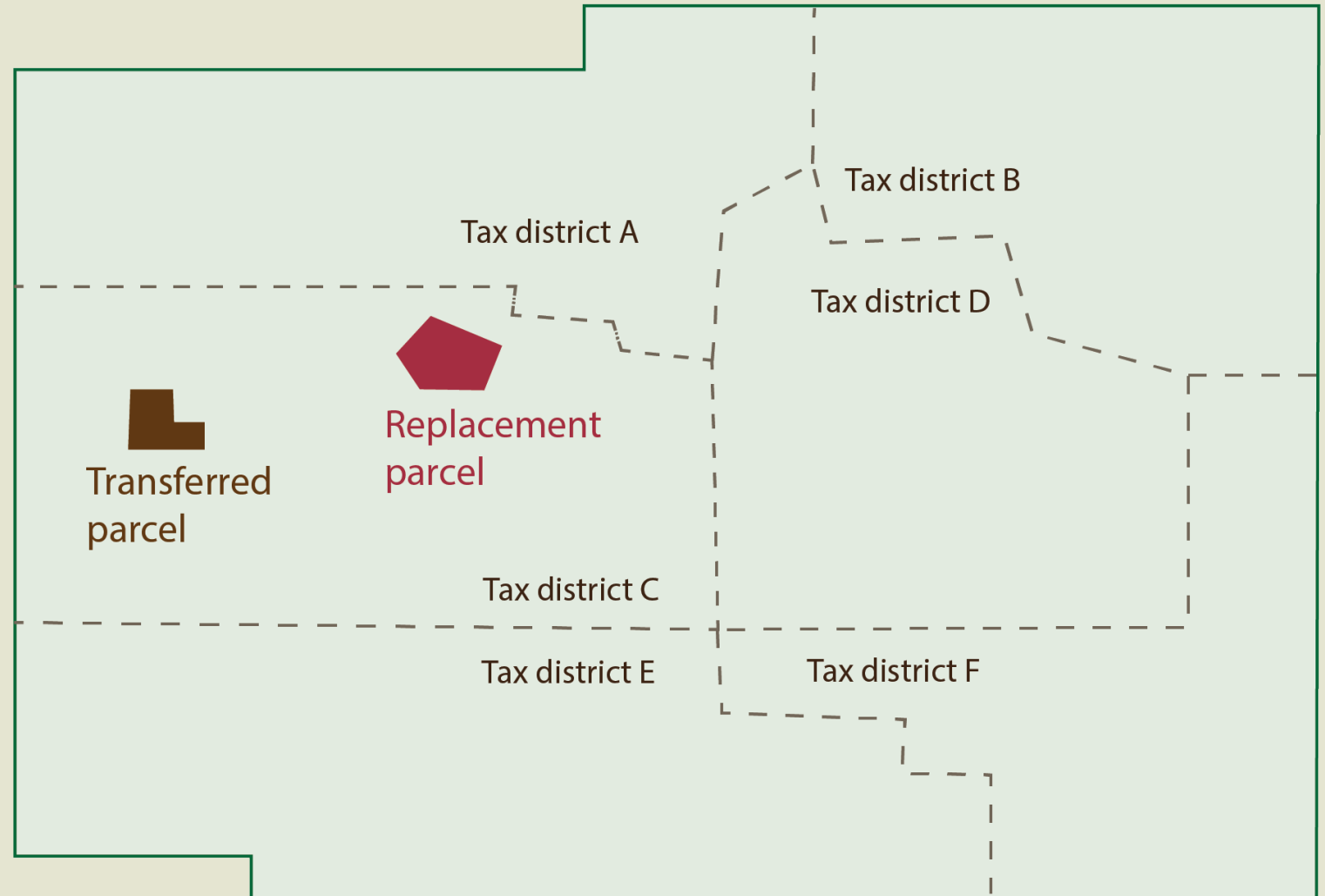
Feedback from the Solutions Subcommittee:

- This solution was implemented with Blanchard Mountain.
- Concerns: would add additional work to county staff and long-term county oversight will be complicated if staff are unable to incorporate new tax codes into currently tracking systems. More chance for errors.
- Some counties would not be able to implement this solution.
- Recommended that this solution remain in the toolbox as an option in the event it is needed in the future.

The Simple Solution



A replacement parcel is found within the same tax area code. The replacement parcel is not an inter-trust exchange parcel using Common School trust land, but would be newly purchased private timber land.



The Simple Solution



- County would lose the private timberland annual tax revenue, but that revenue is quite low and the county would still receive the forest excise tax.
- Some counties already have a lot of public lands and rely heavily on property taxes. Transfers could have significant cumulative impacts on these counties.
- Counties could request PILT payments for the loss.
- Revenue generated from the replacement lands would far outweigh PILT.



The Simple Solution



Feedback from the Solutions Subcommittee:

- The simplest for DNR to implement if land is available that is in the best interest of the trust.
- This solution could still impact junior taxing districts depending on district boundaries.
- Concerns: excise tax and loss of taxes from private land purchases.
- Recommended that this solution remain in the toolbox in the event it is needed in the future.



Next Steps

Webpages



New webpages will be posted by the end of May, linked to the land transactions page (www.dnr.wa.gov/managed-lands/land-transactions)

- About TLT
- Nominating a Parcel
- Determining Eligibility
- Prioritization
- The Advisory Committee
- Transfer and Replacement
-and more!

Trust Land Transfer



Morning Star Natural Resources Conservation Area

WHAT IS TRUST LAND TRANSFER?

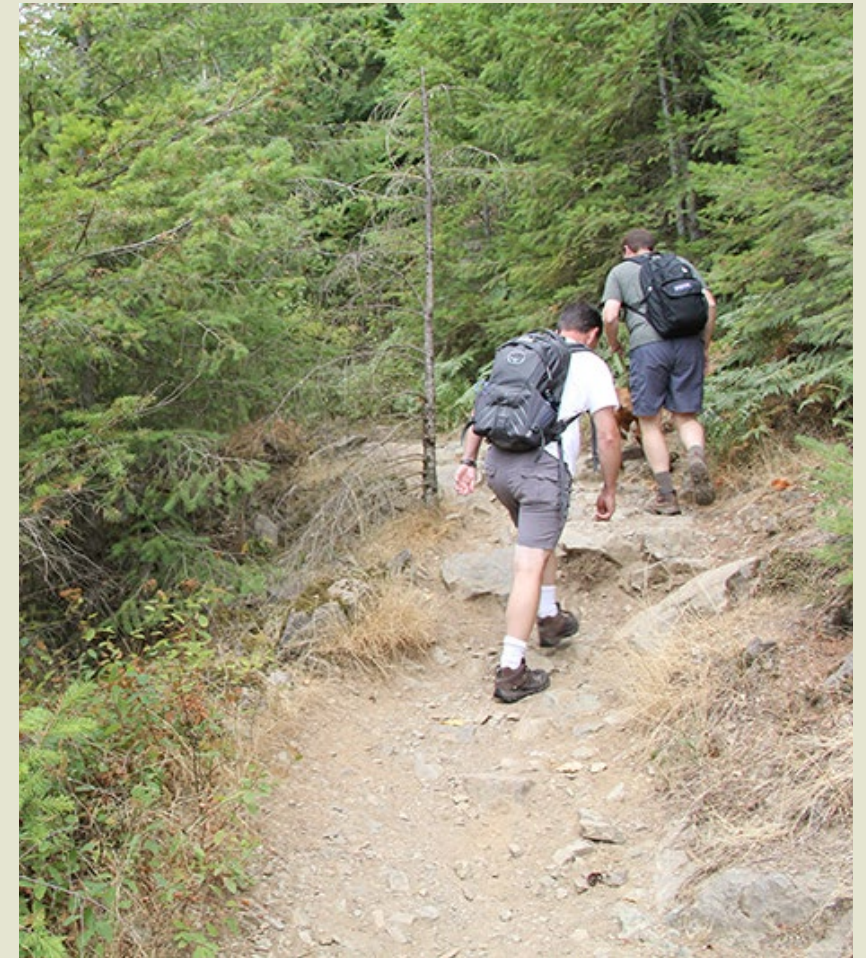
DNR manages state trust lands to produce revenue for trust beneficiaries through timber harvest, agriculture, and other activities, and to meet wildlife habitat and other ecological goals. Revenue from state trust lands funds schools, roads, hospitals, and other essential needs of the people of Washington.

However, some of the lands that DNR manages are **financially underperforming**. Many of these lands also have high ecological values such as rare plant communities and unique

Application Period for 2025-27 Biennium



- Currently projected to run from August 1 to September 30, 2023
- Application and manual under development, will be posted on new webpages in May
- In the meantime, announcements will be posted on the land transactions page (www.dnr.wa.gov/managed-lands/land-transactions)



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.



Thank you!

