NATURAL RESOURCES

State Forest Trust Land Replacement Program

2013-2015

WASHINGTON STATE DEPARTMENT OF
Natural Resources
Peter Goldmark - Commissioner of Public Lands

STATE FOREST TRUST LAND
REPLACEMENT PROGRAM
2013-2015 Proposal

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Table of Contents

Overview 3

2013-2015 State Forest Trust Land Replacement Property List 5

Property Maps and Descriptions 6

- Wahkiakum Properties 6
- Pacific Properties 10
- Skamania Properties 14

Executive Summary from *Replacing Encumbered State Forest Lands with Productive Forests* (October 2010) 17

Second Substitute House Bill 1484, *Threatened or Endangered Species – Habitat Open Space* Act, excerpt of Sections 6-10 19

Overview

Contained within this short proposal is the second round of State Forest Trust Land Replacement Program implementation. This program was established in the *Threatened or Endangered Species – Habitat Open Space* Act of 2009 (excerpt of sections 6-10 included within this proposal). The Act provides the necessary tools for the state to maintain long-term working forests and trust revenue to small rural counties. It does so by acquiring productive working forest lands to replace State Forest trust lands encumbered by harvest restrictions due to species listed as threatened or endangered under the federal Endangered Species Act, thereby maintaining the corpus of the State Forest trusts. In October 2010, DNR submitted a report to the Legislature detailing implementation of the program, including an estimate of its cost. (The executive summary from that report is included in this proposal.). The Legislature appropriated $2 million in capital budget funding to support the program in the 2011-2013 Biennium.

This proposal includes properties suitable for transfer under the program. In sum, thirteen properties in Wahkiakum, Pacific and Skamania counties have been identified and prioritized for consideration, with the goal of transferring a total property asset value of $10 million during the 2013-15 Biennium.

As specified by the legislation, appropriations are required to fund the transfer of the total asset value of these State Forest trust properties, including both the land value and the timber value. The land value of these properties goes into the Park Land Trust Revolving Fund to be used to purchase replacement State Forest trust land. According to statute, those funds are to be used solely to purchase replacement lands that will be actively managed as working forest within the same county. It is noteworthy, however, that in 2012 the Legislature passed HB 2329, which created a statutory exception to this requirement. The exception allows a “land pool” to be formed by the Board of Natural Resources for the benefit of counties eligible to participate in the State Forest Trust Land Replacement Program. Replacement trust lands may be purchased in any of these counties and managed in the land pool. Beneficiaries from participating counties would benefit from the management of those lands proportionate to their original contribution to the purchase of the land.

While the land value of these properties will be used to purchase replacement trust lands, the proceeds associated with the timber located on the transferred properties will be distributed in the same way as timber harvest revenue to the county where the transferred land is located. For most counties—including Pacific County—funds are distributed to junior taxing districts and are used to support fire departments, hospitals, libraries and the like. The law provides that, in

counties with populations of less than 16,000 (Wahkiakum and Skamania counties), the county's portion of the revenue from State Forest Transfer trust lands is distributed to the county's current expense fund (RCW 79.64.110 (1)(c)). For those counties, trust revenue plays a significant role in directly financing basic county services. Finally, a portion of the timber proceeds are directed to be deposited in DNR's Forest Development Account that is used to fund the management of State Forest lands (per RCW 79.24.110).

The property values presented in this document are preliminary estimates. The actual property asset values will be determined by a formal market-appraisal process which will—occur preceding the transfer of each of the properties, provide a detailed evaluation of the properties with due diligence, and be based on newly commissioned timber cruises. In short, at the time of this proposal, market and economic uncertainties and gaps in information exist. As a result, it is not known how many of the proposed acres will be transferred. Therefore, preliminary values provided on the property list on subsequent pages serve as proxies for a more detailed market appraisal. DNR will transfer the amount of trust asset that balances the full 2013-15 legislative appropriation against the assets' respective appraised market value.

The legislation directs that appraisals for the parcels and for the valuable materials located on the parcels must be based on their fair market value without consideration of the management or regulatory encumbrances associated with the wildlife species listed under the federal Endangered Species Act. The preliminary analysis in this proposal is based on corporate forest inventory data and has not been field checked. While grounded in data, assumptions of prices (such as log markets) are particularly susceptible to change and volatility. This may result in actual market values that vary from these estimates. These assumptions will be updated as DNR works with the Board of Natural Resources and the Legislature to implement this legislation. Appraised timber and land values may require DNR to adjust property boundaries at their time of transfer from that depicted on enclosed maps. The stumpage analysis used to provide estimated timber values is based on third quarter 2012 delivered log prices per the Washington/Oregon Log Market Report.

Contained in this proposal is a summary of the properties proposed for transfer, property maps and descriptions for each property, the executive summary from the report to the legislature titled *Replacing Encumbered State Forest Lands with Productive Forests* (October 2010), and the legislation enabling this program.

2013-2015 State Forest Trust Land Replacement Property List

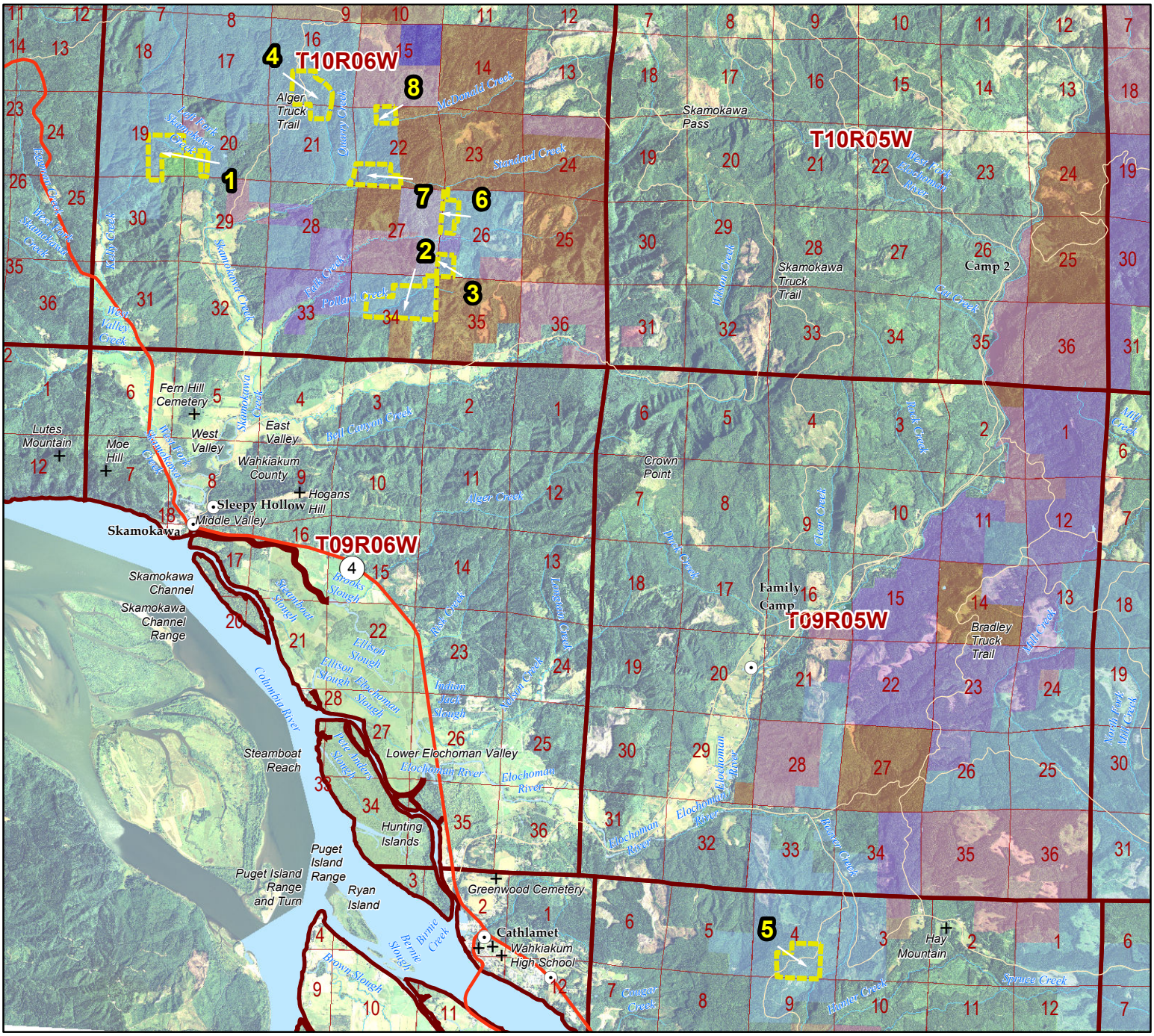
The following property values and areas are preliminary estimates (see Overview for description of property valuation process); actual areas and values will be determined by market appraisals at time of transfer. Given that fact, DNR has proposed property with more value than in the requested funding appropriation. This will assure that DNR has identified enough asset value to use the entire appropriation. This list, therefore, proposes prioritized *candidate* properties, which DNR will transfer as it is able, given the appropriated funding.

DNR proposes to divide the appropriation equally among the eligible counties, and will proceed to transfer the below properties in order, by county, to spend appropriated capital funding.

Property	County	Acres	Timber	Land	Total
Wahkiakum 1	Wahkiakum	112	450,000	60,000	510,000
Wahkiakum 2	Wahkiakum	181	1,200,000	125,000	1,325,000
Wahkiakum 3	Wahkiakum	30	350,000	16,000	366,000
Wahkiakum 4	Wahkiakum	120	1,350,000	55,000	1,405,000
Wahkiakum 5	Wahkiakum	117	1,360,000	115,000	1,475,000
Wahkiakum 6	Wahkiakum	46	530,000	80,000	610,000
Wahkiakum 7	Wahkiakum	78	700,000	35,000	735,000
Wahkiakum 8	Wahkiakum	28	250,000	20,000	270,000
Pacific 1	Pacific	328	3,550,000	148,000	3,698,000
Pacific 2	Pacific	219	3,000,000	100,000	3,100,000
Pacific 3	Pacific	84	920,000	48,000	968,000
Skamania 1	Skamania	92	350,000	40,000	390,000
Skamania 2	Skamania	867	5,200,000	400,000	5,600,000

State Forest Trust Land Replacement Program

Wahkiakum County Proposals



DNR-Managed Lands

- Common School
- Agricultural School
- Scientific School
- Normal School
- University - Transferred
- University - Original
- CEP and RI
- Capitol Grant
- State Forest Transfer
- State Forest Purchase
- NAP / NRCA
- Other DNR-Managed Lands

- Federally Managed Lands
- Other State Agencies
- County, Municipal or University
- Tribal Lands

TRANSFER PARCEL

Property boundaries may vary at time of transfer

0 1 2
Miles

Wahkiakum County

N

November 2012

State of Washington

WASHINGTON STATE DEPARTMENT OF Natural Resources

WAHKIAKUM PROPERTIES

RECEIVING AGENCY: DNR – Natural Areas Program

COUNTY: Wahkiakum

PROPOSED USE: Natural Resources Conservation Area

TRANSFER TYPE: Fee interest

CHARACTERISTICS/BENEFITS:
These properties are situated adjacent to private timber land (with exception to Wahkiakum 4, 5 and 8). They are comprised entirely of State Forest Transfer trust. The properties are portions of designated marbled murrelet occupied sites managed according to DNR's trust lands Habitat Conservation Plan, a designation that will be retained following transfer.

The State Forest Transfer trust benefits by the department disposing of properties that do not generate revenue for a duration of at least 30 years due to their status as habitat. The public benefits by transferring properties to a program that will manage the lands for conservation, in perpetuity.

These transfers are enabled by a program established by Second Substitute House Bill 1484, passed by the Legislature in 2009. Per RCW 79.64.110 (1)(c), Wahkiakum county's portion of the proceeds from these transfers is distributed to the county's current expense fund.

WAHKIAKUM 1

ACRES: 112
TRUST: State Forest Transfer (Trust 01)
LEGAL DESCRIPTION: Portions of SE¼ of Section 19, SW¼ of Section 20, and NE¼ of Section 30, Township 10 North, Range 6 West, W.M.

[Note: Property adjoins other forested state trust land property that is scheduled to be transferred to a Natural Resources Conservation Area through the State Forest Trust Land Replacement Program in the 2011-2013 Biennium.]

WAHKIAKUM 2

ACRES:	181
TRUST:	State Forest Transfer (Trust 01)
LEGAL DESCRIPTION:	Portion of N½ of Section 34, Township 10 North, Range 6 West, W.M.

WAHKIAKUM 3

ACRES:	30
TRUST:	State Forest Transfer (Trust 01)
LEGAL DESCRIPTION:	Portion of SW¼SW¼ of Section 26, Township 10 North, Range 6 West, W.M.

WAHKIAKUM 4

ACRES:	120
TRUST:	State Forest Transfer (Trust 01)
LEGAL DESCRIPTION:	Portions of S½ of Section 16, and N½ of Section 21, Township 10 North, Range 6 West, W.M.

WAHKIAKUM 5

ACRES:	117
TRUST:	State Forest Transfer (Trust 01)
LEGAL DESCRIPTION:	Portion of S½ of Section 4, Township 8 North, Range 5 West, W.M.

WAHKIAKUM 6

ACRES:	46
TRUST:	State Forest Transfer (Trust 01)
LEGAL DESCRIPTION:	Portion of W½NW¼ of Section 26, Township 10 North, Range 6 West, W.M.

WAHKIAKUM 7

ACRES:	78
TRUST:	State Forest Transfer (Trust 01)

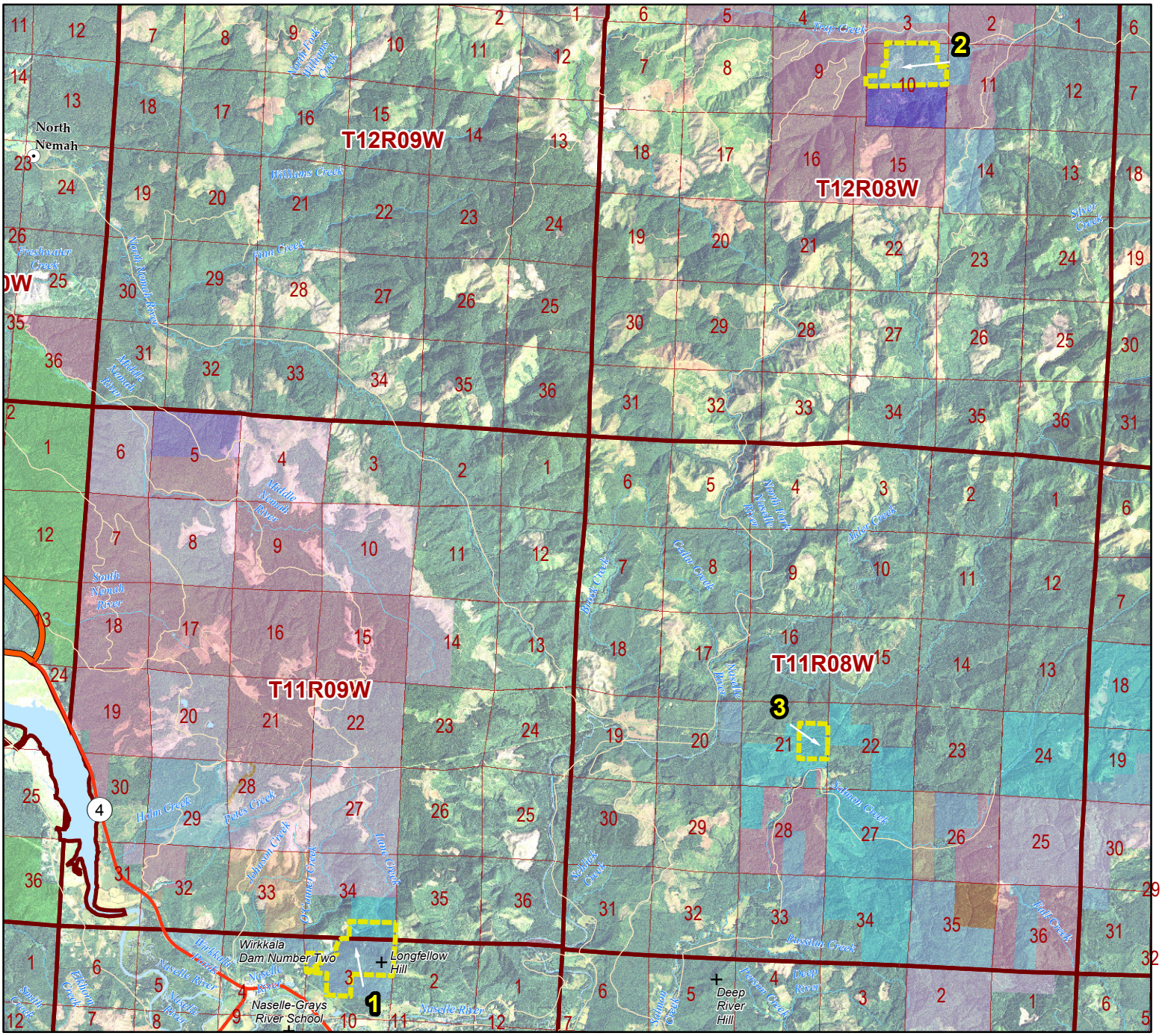
LEGAL DESCRIPTION: Portions of SW¼ of Section 22, and E½SE¼ of Section 21, Township 10 North, Range 6 West, W.M.

WAHKIAKUM 8

ACRES: 28
TRUST: State Forest Transfer (Trust 01)
LEGAL DESCRIPTION: Portions of NE¼NW¼ of Section 22, Township 10 North, Range 6 West, W.M.

State Forest Trust Land Replacement Program

Pacific County Proposals



DNR-Managed Lands

- Common School
- Agricultural School
- Scientific School
- Normal School
- University - Transferred
- University - Original
- CEP and RI
- Capitol Grant
- State Forest Transfer
- State Forest Purchase
- NAP / NRCA
- Other DNR-Managed Lands

- Federally Managed Lands
- Other State Agencies
- County, Municipal or University
- Tribal Lands

TRANSFER PARCEL

Property boundaries may vary at time of transfer

0 1 2
Miles

Pacific County

N

November 2012

State of Washington

WASHINGTON STATE DEPARTMENT OF Natural Resources

PACIFIC PROPERTIES

RECEIVING AGENCY: DNR – Natural Areas Program

COUNTY: Pacific

PROPOSED USE: Natural Resources Conservation Area

TRANSFER TYPE: Fee interest

CHARACTERISTICS/BENEFITS:
Two of these properties are situated adjacent to private timber land (Pacific 1 and 3). They are comprised of both State Forest Transfer trust and State Forest Purchase trust. The properties are portions of designated marbled murrelet occupied sites managed according to DNR's trust lands Habitat Conservation Plan, a designation that will be retained following transfer.

The State Forest trusts benefit by the department disposing of properties that do not generate revenue for a duration of at least 30 years due to their status as habitat. The public benefits by transferring properties to a program that will manage the lands for conservation, in perpetuity.

These transfers are enabled by a program established by Second Substitute House Bill 1484, passed by the Legislature in 2009. Per RCW 79.64.110 (1)(b), Pacific county's portion of the proceeds from these transfers is distributed to the county's junior taxing districts to support local services.

PACIFIC 1

ACRES: 328
TRUST: State Forest Transfer (Trust 01)
State Forest Purchase (Trust 02)
LEGAL DESCRIPTION: Portions of Section 3, Township 10 North, Range 9 West, W.M. and SE¼ of Section 34, Township 11 North, Range 9 West, W.M.

[Note: Property adjoins other forested state trust land property that is scheduled to be transferred to a Natural Resources Conservation Area through the State Forest Trust Land Replacement Program in the 2011-2013 Biennium.]

PACIFIC 2

ACRES:	219
TRUST:	State Forest Transfer (Trust 01)
LEGAL DESCRIPTION:	Portion of N½ of Section 10, Township 12 North, Range 8 West, W.M.

PACIFIC 3

ACRES:	84
TRUST:	State Forest Purchase (Trust 02) University Repayment (Trust 41)
LEGAL DESCRIPTION:	Portion of E½ of Section 21, Township 11 North, Range 8 West, W.M.

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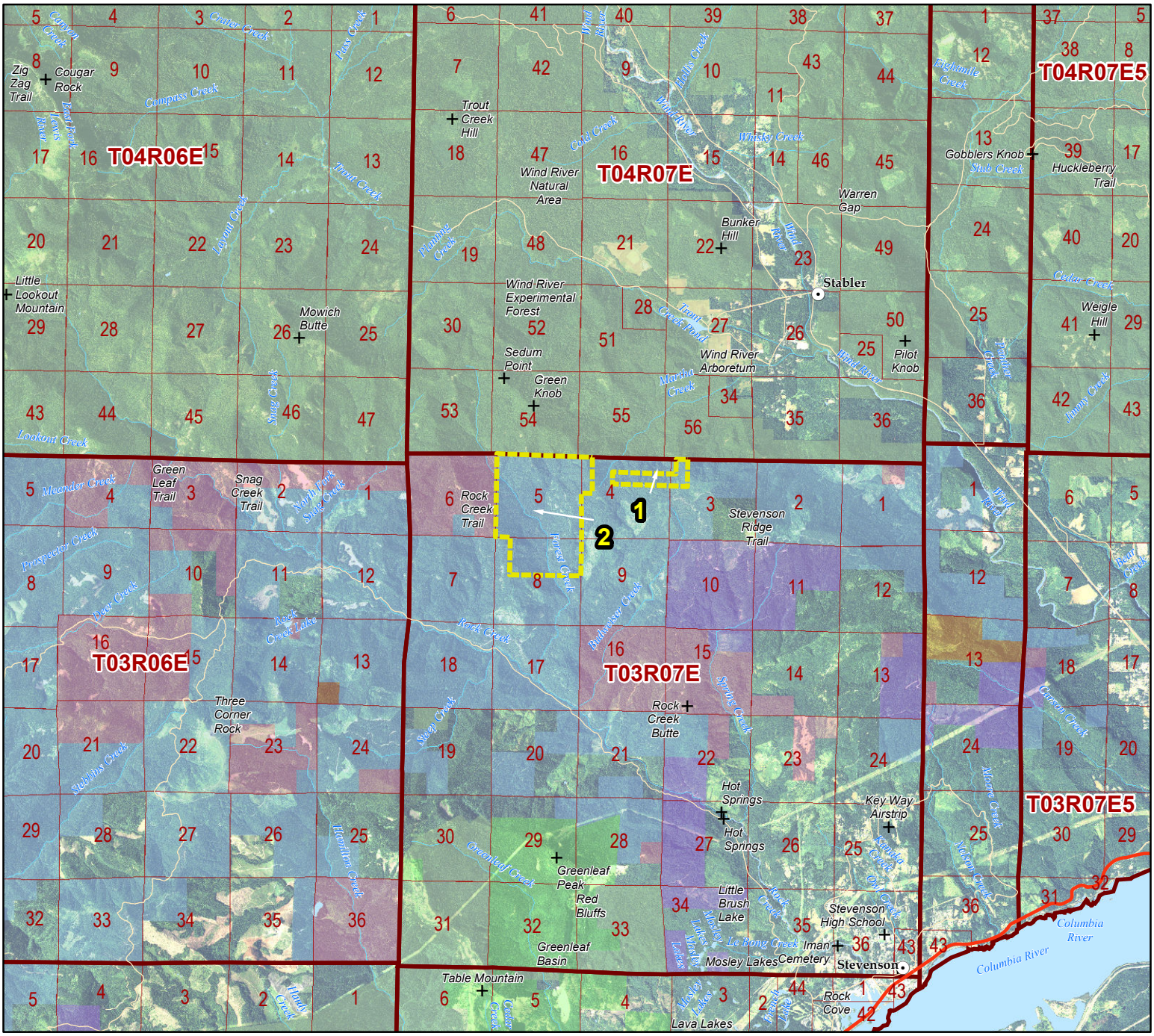
State Forest Trust Land Replacement Program

Skamania County Proposals



DNR-Managed Lands

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- Federally Managed Lands
- Other State Agencies
- County, Municipal or University
- Tribal Lands

TRANSFER PARCEL

Property boundaries may vary at time of transfer

0 1 2 Miles

Skamania County

N

November 2012

State of Washington

WASHINGTON STATE DEPARTMENT OF Natural Resources

SKAMANIA PROPERTIES

RECEIVING AGENCY: DNR – Natural Areas Program

COUNTY: Skamania

PROPOSED USE: Natural Resources Conservation Area

TRANSFER TYPE: Fee interest

CHARACTERISTICS/BENEFITS:
These properties are situated adjacent to the Gifford Pinchot National Forest. They are comprised entirely of State Forest Transfer trust. The properties are portions of designated northern spotted owl nest patches managed according to DNR's trust lands Habitat Conservation Plan, a designation that will be retained following transfer.

The State Forest trust benefits by the department disposing of properties that do not generate revenue for a duration of at least 30 years due to their status as habitat. The public benefits by transferring properties to a program that will manage the lands for conservation, in perpetuity.

These transfers are enabled by a program established by Second Substitute House Bill 1484, passed by the Legislature in 2009. Per RCW 79.64.110 (1)(c), Skamania county's portion of the proceeds from this transfer is distributed to the county's current expense fund.

SKAMANIA 1

ACRES: 92
TRUST: State Forest Transfer (Trust 01)
LEGAL DESCRIPTION: Portions of N½ of Section 4, and NW¼ of Section 3, Township 3 North, Range 7 East, W.M.

[Note: Property adjoins other forested state trust land property that is scheduled to be transferred to a Natural Resources Conservation Area through the State Forest Trust Land Replacement Program in the 2011-2013 Biennium.]

SKAMANIA 2

ACRES:	867
TRUST:	State Forest Transfer (Trust 01)
LEGAL DESCRIPTION:	Portion of W½NW¼ of Section 4, Section 5, and N½ of Section 8, Township 3 North, Range 7 East, W.M.

EXECUTIVE SUMMARY

[from October 2010 Report to the Legislature]

Second Substitute House Bill 1484, the *Threatened or Endangered Species – Habitat Open Space* Act of 2009, provides the necessary tools for the state to maintain long-term working forests and trust revenue to small rural counties by replacing State Forest lands that have Endangered Species Act (ESA)-listed species-based harvest encumbrances with productive, working forest lands. It does so by enabling the Board of Natural Resources to transfer or dispose of State Forest lands without public auction if they are (a) located in a county with a population less than 25,000, and (b) are encumbered with timber harvest deferrals that are associated with federal ESA-listed wildlife species and greater than 30 years in length. The legislation stipulates that lands must be appraised at fair market value without consideration of management or regulatory encumbrances associated with the listed species' habitat. It proposes that this program be achieved by transferring lands into Natural Resources Conservation Area status using the Trust Land Transfer program. The value of the timber on the transferred State Forest lands is to be distributed to the beneficiaries, less the management fee, which is to be deposited into the Forest Development Account. Proceeds from real property transferred according to this act are to be placed in the Park Land Trust Revolving Fund and must solely be used to purchase replacement forest land that can be actively managed as working State Forest lands, within the same county as the property transferred or disposed.

The process made possible by SSHB 1484, and described in this report, will allow DNR to achieve the objective of maintaining long-term trust revenue to specific State Forest trust beneficiaries in small timber-dependent counties. Four counties—Klickitat, Pacific, Skamania, and Wahkiakum counties—meet the criteria of having populations of less than 25,000 and having State Forest lands encumbered with timber harvest deferrals meeting the criteria of this legislation. DNR staff worked closely with those counties and the bill's other authors in the preparation of this report.

Within Pacific, Skamania, and Wahkiakum counties, just over 7,400 acres are fully encumbered with qualifying harvest deferrals. Given their current deferred status, fully encumbered lands support no ability to generate revenue. In Klickitat and Skamania counties, over 47,000 acres of partially encumbered lands were identified as qualifying under this legislation. Partially encumbered lands support a reduced capability to generate revenue given requirements to provide habitat for ESA-listed species. Once the Marbled Murrelet Long-Term Conservation Strategy is completed (currently under development by DNR), the area of encumbered lands may increase in Pacific and Wahkiakum counties.

DNR staff has estimated the total asset market value of the fully encumbered lands at $68 million; factoring in a potential error in estimated value of 20 percent, the actual market value of those lands could range from $54 to $82 million. DNR and affected State Forest trust beneficiaries propose that the Legislature fund this program over a period of 10 to 30 years. This proposal recognizes that in the next few years, DNR will re-evaluate total program funding requirements to incorporate partially-encumbered lands meeting the requirements of this legislation. Over time, the initial estimate of $68 million in required appropriations is therefore likely to be revised substantially upward. The current inability to evaluate the area and total market asset value of partially-encumbered lands, due in part to anticipated near-term policy changes, creates one area of substantial uncertainty that is not resolved by this report.

DNR recommends Legislative implementation of the program laid out in this report. Over the projected 10 to 30 year implementation period, Capital appropriations will achieve the legislative objective of supporting the small timber-dependent counties it targets by replacing the encumbered State Forest lands that provide revenue to them with replacement productive working trust land.

CERTIFICATION OF ENROLLMENT

SECOND SUBSTITUTE HOUSE BILL 1484

Chapter 354, Laws of 2009

(partial veto)

61st Legislature
2009 Regular Session

THREATENED OR ENDANGERED SPECIES--HABITAT OPEN SPACE

EFFECTIVE DATE: 07/26/09

Passed by the House April 21, 2009
Yeas 98 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 17, 2009
Yeas 46 Nays 0

BRAD OWEN

President of the Senate

Approved May 6, 2009, 1:49 p.m., with the exception of Section 1 which is vetoed.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE HOUSE BILL 1484** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BARBARA BAKER

Chief Clerk

FILED

May 8, 2009

Secretary of State
State of Washington

(23) "Board" means the forest practices board created in RCW 76.09.030.

(24) "Unconfined ((~~avulsing~~)) channel migration zone" means the area within which the active channel of an unconfined ((~~avulsing~~)) stream is prone to move and where the movement would result in a potential near-term loss of riparian forest adjacent to the stream. Sizeable islands with productive timber may exist within the zone.

(25) "Unconfined ((~~avulsing~~)) stream" means generally fifth order or larger waters that experience abrupt shifts in channel location, creating a complex floodplain characterized by extensive gravel bars, disturbance species of vegetation of variable age, numerous side channels, wall-based channels, oxbow lakes, and wetland complexes. Many of these streams have dikes and levees that may temporarily or permanently restrict channel movement.

NEW SECTION. **Sec. 6.** (1) The legislature finds that the revenue generated from state forest lands is a vital component of the operating budget in many rural counties. The dependence on a natural resource-based economy is especially underscored in counties with lower population levels and large holdings of public land. The high cost of compliance with the federal endangered species act on state forest lands within these smaller counties is disproportionately burdensome when compared to their total county budgets.

(2) The intent of this act is to provide sustainable revenue to smaller counties that are heavily dependent on state forest land revenues while promoting long-term protection, conservation, and recovery of marbled murrelets and northern spotted owls. This act provides the necessary tools for the state to maintain long-term working forests by replacing state forest lands with endangered species-based harvest encumbrances with productive, working forest lands.

Sec. 7. RCW 79.22.060 and 2003 c 334 s 221 are each amended to read as follows:

(1) With the approval of the board, the department may directly transfer or dispose of state forest lands without public auction, if ((~~such~~)) the lands:

(a) Consist of ten contiguous acres or less((~~, or~~));

(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. ((~~Such~~))

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

(a) Transfers in lieu of condemnation; ((~~and~~))

(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.

((~~(2)~~)) (3) Real property to be transferred or disposed of under this section shall be transferred or disposed of only after appraisal and for at least fair market value, and only if ((~~such~~)) the transaction is in the best interest of the state or affected trust. Valuable materials attached to lands transferred to public agencies under subsection (2)(c) of this section must be appraised at the fair market value without consideration of management or regulatory encumbrances associated with wildlife species listed under the federal endangered species act.

((~~(3)~~)) (4) The proceeds from real property transferred or disposed of under this section shall be deposited into the park land trust revolving fund and be solely used to buy replacement land within the same county as the property transferred or disposed. In counties with a population of twenty-five thousand or less, the portion of the proceeds associated with valuable materials on the transferred land must be distributed as provided in RCW 79.64.110.

Sec. 8. RCW 79.64.110 and 2007 c 503 s 1 are each amended to read as follows:

Any moneys derived from the lease of state forest lands or from the sale of valuable materials, oils, gases, coal, minerals, or fossils from those lands, or the appraised value of these resources when transferred to a public agency under RCW 79.22.060, must be distributed as follows:

(1) State forest lands acquired through RCW 79.22.040 or by exchange for lands acquired through RCW 79.22.040:

(a) The expense incurred by the state for administration, reforestation, and protection, not to exceed twenty-five percent, which rate of percentage shall be determined by the board, must be returned to the forest development account in the state general fund.

(b) Any balance remaining must be paid to the county in which the land is located to be paid, distributed, and prorated, except as otherwise provided in this section, to the various funds in the same manner as general taxes are paid and distributed during the year of payment.

(c) Any balance remaining, paid to a county with a population of less than sixteen thousand, must first be applied to the reduction of any indebtedness existing in the current expense fund of the county during the year of payment.

(d) With regard to moneys remaining under this subsection (1), within seven working days of receipt of these moneys, the department shall certify to the state treasurer the amounts to be distributed to the counties. The state treasurer shall distribute funds to the counties four times per month, with no more than ten days between each payment date.

(2) State forest lands acquired through RCW 79.22.010 or by exchange for lands acquired through RCW 79.22.010, except as provided in RCW 79.64.120:

(a) Fifty percent shall be placed in the forest development account.

(b) Fifty percent shall be prorated and distributed to the state general fund, to be dedicated for the benefit of the public schools, and the county in which the land is located according to the relative proportions of tax levies of all taxing districts in the county. The portion to be distributed to the state general fund shall be based on the regular school levy rate under RCW 84.52.065 and the levy rate for any maintenance and operation special school levies. With regard to the portion to be distributed to the counties, the department shall certify to the state treasurer the amounts to be distributed within seven working days of receipt of the money. The state treasurer shall distribute funds to the counties four times per month, with no more than ten days between each payment date. The money distributed to the county must be paid, distributed, and prorated to the various other

funds in the same manner as general taxes are paid and distributed during the year of payment.

(3) A school district may transfer amounts deposited in its debt service fund pursuant to this section into its capital projects fund as authorized in RCW 28A.320.330.

Sec. 9. RCW 43.30.385 and 2004 c 103 s 1 are each amended to read as follows:

(1) The park land trust revolving fund is to be utilized by the department for the purpose of acquiring real property, including all reasonable costs associated with these acquisitions, as a replacement for the property transferred to the state parks and recreation commission, as directed by the legislature in order to maintain the land base of the affected trusts or under RCW 79.22.060 and to receive voluntary contributions for the purpose of operating and maintaining public use and recreation facilities, including trails, managed by the department. Proceeds from transfers of real property to the state parks and recreation commission or other proceeds identified from transfers of real property as directed by the legislature shall be deposited in this fund. Disbursement from the park land trust revolving fund to acquire replacement property and for operating and maintaining public use and recreation facilities shall be on the authorization of the department. The proceeds from real property transferred or disposed under RCW 79.22.060 must be solely used to purchase replacement forest land, that must be actively managed as a working forest, within the same county as the property transferred or disposed. In order to maintain an effective expenditure and revenue control, the park land trust revolving fund is subject in all respects to chapter 43.88 RCW, but no appropriation is required to permit expenditures and payment of obligations from the fund.

(2) The department is authorized to solicit and receive voluntary contributions for the purpose of operating and maintaining public use and recreation facilities, including trails, managed by the department. The department may seek voluntary contributions from individuals and organizations for this purpose. Voluntary contributions will be deposited into the park land trust revolving fund and used solely for the purpose of public use and recreation facilities operations and

maintenance. Voluntary contributions are not considered a fee for use of these facilities.

NEW SECTION. **Sec. 10.** (1) By October 31, 2010, the department of natural resources shall prepare a report to the appropriate committees of the legislature detailing the procedure and timeline, and estimating the costs, of full implementation of the intent of this act.

(2) The report required by this section must include a recommended process to transfer state forest lands encumbered by long-term endangered species-based harvest deferrals, associated with wildlife species listed under the federal endangered species act, through the trust land transfer program into a natural resource conservation area status. This element of the report must assume the following:

(a) Encumbered property would be transferred at a specified biennial rate designed to provide sustainable revenue to the impacted counties;

(b) The value of the land and timber would be bifurcated, with the timber value being distributed to the county as timber revenue, and the land value being utilized to purchase replacement working forest land within the affected county and placed in the appropriate trust designation; and

(c) The land and timber value of the parcels identified for transfer will be appraised at full market value, without consideration of the devaluing effect of harvest encumbrances associated with wildlife species listed under the federal endangered species act.

(3) This section expires June 30, 2011.

Passed by the House April 21, 2009.
Passed by the Senate April 17, 2009.
Approved by the Governor May 6, 2009, with the exception of certain items that were vetoed.
Filed in Office of Secretary of State May 8, 2009.

Note: Governor's explanation of partial veto is as follows:

"I have approved, except for Section 1, Second Substitute House Bill 1484 entitled:

"AN ACT Relating to habitat open space."

I am vetoing Section 1 of this bill, regarding the use of the riparian open space program to protect critical habitat for threatened or endangered species. The language in Section 1 of this bill is identical to language adopted into law when I signed SSB 5401 earlier this session. For this reason, I have vetoed Section 1 of Second Substitute House Bill 1484.

With the exception of Section 1, Second Substitute House Bill 1484 is approved."