Management Fee Investments

Board of Natural Resource
Department of Natural Resources
By Kyle Blum,
Deputy Supervisor for State Uplands
July 2, 2013
Outline

- Problem Statement
- Management Fee History
- Fund Balances
- Key Investment Needs
- Proposal
Problem Statement

At the current resource level the agency is not able to fully realize the sustainable revenue potential of our land base.
Recent History

DNR Management Fees by Fund

- **RMCA**
- **FDA**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Percentage of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 June</td>
<td>30%</td>
</tr>
<tr>
<td>2008 March</td>
<td>25%</td>
</tr>
<tr>
<td>2009 November</td>
<td>22%</td>
</tr>
<tr>
<td>2010 April</td>
<td>23%</td>
</tr>
<tr>
<td>2011 July</td>
<td>27%</td>
</tr>
<tr>
<td>2011 October</td>
<td>21%</td>
</tr>
<tr>
<td>2012 July</td>
<td>21%</td>
</tr>
<tr>
<td>2013</td>
<td>21%</td>
</tr>
</tbody>
</table>

June March November April July October July

07/02/2013
Effect of Economic Downturn

- Curtailment of programs and delay of treatments plus a shift in timber marketing strategy
- Infusion of temporary Jobs Bill dollars
- Infusion of dollars to beneficiaries
Expenditures

State Trust Land Expenditures ($ millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 Year to date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$10</td>
<td>$20</td>
<td>$30</td>
<td>$40</td>
<td>$50</td>
<td>$60</td>
<td></td>
</tr>
</tbody>
</table>

Legend:
- FDA
- RMCA (Uplands)
- ACTMA
- Projected balance
Consequence of Limited Resources

• Vegetation management (60%)
  – 19,155 acres/year projected
  – 11,472 acres/year actual

• Pre-commercial thinning (50%)
  – 10,216 acres/year projected
  – 5,229 acres/year actual

• Commercial thinning (30%)
  – 9,500 acres/year projected
  – 3,750 acres/year actual
RMCA Fund Balance

Department of Natural Resources
RMCA-Uplands Fund Balance thru 2017
Actual thru 2013

Millions


Fund Balance @ 27%
Fund Balance @ 29%
Minimum Fund Balance
FDA Fund Balance

Department of Natural Resources
FDA Fund Balance thru 2017
Actual thru 2013

Millions


Fund Balance @ 21%
Fund Balance @ 25%
Minimum Fund Balance
Recovery of Programs

New investments will increase management efficiency and enhance revenue

- Silviculture activities
- Access to trust lands
- Strategic investment in data
- Capital investments (agriculture, commercial real-estate)
Pre-Commercial Thinning

• Reduce stocking to maximize potential value of the stand
• Treatments that could be temporarily delayed need action
• Failure to act forecloses future options
Access to Trust Lands

• Facilitates long term access to critical volume
• Deferred need, resulting from timber harvest strategy over last 4 years
• Acquiring long-term access saves money
Forest Inventory

• Ideally, we would get to every stand on a 10-15 year cycle
• Only 11% of our forest stands have data within last 10 years
• Good data is essential for SHC
• Need to know where to most effectively spend limited resources
LiDAR Coverage on DNR-Managed Lands

- Northwest
- Northeast
- Olympic
- South Puget Sound
- Pacific Cascade
- Southeast

Legend:
- Green: LiDAR Coverage
- Blue: No LiDAR Coverage
- White: DNR Regions

Board of Natural Resources
DRAFT subject to change
Capital Investments

• Maintain irrigated agriculture portfolio:
  $50-$80 return on dry land wheat
  $400-$800 for irrigated row crop or vineyards

• Increase revenue from commercial lands
  Program generates $10 mil./year
Major Planning Efforts

- Simultaneously completing:
  - Marbled Murrelet Long-Term Conservation Strategy (3-5 years)
  - Sustainable Harvest Calculation (2-4 years)
  - OESF Land Plan (3-5 years)
Fee Investment Request

Increase RMCA to 29% and FDA to 25% respectively ($10.1 million)
Fee Investment Recommendation

RMCA Resolution #1407

FDA Resolution #1408