



DEPARTMENT OF NATURAL RESOURCES

Annual Reports for 2003 2004



This report was prepared by the Washington State Department of Natural Resources (DNR)

Doug Sutherland

Commissioner of Public Lands

About this Report

DNR's annual report provides information required by the following statutes:

RCW 79.10.010

- Description of agency activity, fiscal and other.
- Timber harvest and forest management data.

RCW 79.64.100 and 79.64.030

Accounting of land management payments made by one fund on behalf of the other.

This report combines the 2003 and 2004 annual reports. The 2003 fiscal and timber management data were previously published on DNR's website.

Accounting is for fiscal years. (FY 2003=July 1, 2002–June 30, 2003) (FY 2004=July 1, 2003–June 30, 2004)

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DNR Has Varied Responsibilities

The Department of Natural Resources (DNR) manages more than 5 million acres of forest, range, commercial, agricultural and aquatic lands. Most of these lands produce income to support state services and provide many other public benefits as well: outdoor recreation, fish and wildlife habitat, and clean air and water.

DNR also regulates surface mining reclamation and forest debris burning, and administers Forest Practices rules on private and state-owned forests.

DNR provides technical assistance and education on forest stewardship, mining, geologic hazards, and rare plant species and ecosystems, and provides wildfire protection for 12 million acres of private and stateowned unimproved forests.

Cover Photo

At Castle Rock Natural Area Preserve near the Grand Coulee, Washington's past, present and future come together. In a region shaped by ice-age floods, the preserve protects shrub-steppe habitat that was once common to eastern Washington but is now rare.

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Our Mission

To provide forwardlooking stewardship of our state lands, natural resources, and environment. To provide leadership in creating a sustainable future for the Trusts and all citizens.

A Message from the Commissioner



A few years ago, DNR adopted a mission statement and a series of goals to guide our work in fulfilling our legally prescribed duties for Washington's citizens.

Since then, we've had a solid record of accomplishments toward those goals, despite budget reductions. This report looks back at some of the accomplishments from the past two years, and provides details about our finances and management of the trust lands in our care.

It's important, too, that the public we serve can see what we're doing while we're doing it, that our work is transparent, accessible. For example, by the time the Board of Natural Resources unanimously adopted a new sustainable harvest level this past September, there had been many public meetings and an Environmental Impact Statement, stakeholders were engaged and we had heard their concerns. A similar public process also led to establishing the Maury Island Aquatic Reserve.

As our mission statement shows, our work looks to the future—the future of state trust lands and their beneficiaries, of our native ecosystems, of the natural resources that provide jobs, recreation and inspiration for the people of this state.

In the coming year, at DNR we will be working and talking more about how to make sure that this future is sustainable. I hope that in reviewing this report you will see that we've already been working to do just that.

DOUG SUTHERLAND
COMMISSIONER OF PUBLIC LANDS

Highlights from 2003 and 2004

DNR has different goals for the different roles it plays, but much of DNR's work supports more than one goal at a time, reflecting the interconnected nature of the department's responsibilities and the resources in its care.

GOAL AS A SERVANT OF THE PUBLIC

The public we serve widely and consistently holds DNR in high esteem.

One measure of how well DNR meets this goal is in the willingness of others to work with us as partners.

Ecoregional Assessments

In 2004, DNR, the Washington Department of Fish and Wildlife (WDFW) and The Nature Conservancy agreed to work together create a series of "ecoregional assessments"— comprehensive analyses of native species and habitat types, their abundance and distribution, and threats to their viability. The assessments will be a vital tool for public and private conservation efforts across the state, and for years to come.

Pacific Education Institute

In 2003, DNR helped launch the Pacific Education Institute—a non-profit organization that promotes hands-on environmental education to help improve student learning and test scores statewide. Partners in the effort include the Office of the Superintendent of Public Instruction, WDFW, Audubon Washington, the Washington Forest Protection Association, and other leaders in Washington education, natural resources, conservation and business.

GOAL AS A STEWARD OF ASSETS

Trust assets are continually enhanced and managed to generate substantial financial support for current and future trust beneficiaries.

DNR works to put trust assets in a better position to generate revenue and explores new revenue opportunities.

Carbon Credits

In 2003, DNR (with several western states) was awarded a \$1.6 million federal grant to study how to best manage forests to capture and store greenhouse gas. DNR is also interested in the potential to sell "carbon credits" from state trust forests to offset industrial emissions. State legislation in 2004 supported the idea of carbon credits as a way for power plant operators to offset some carbon dioxide emissions.

Land Exchanges

In 2003-2004, DNR worked with public and private landowners to arrange a series of land exchanges, mostly in eastern Washington, where a pattern of intermingled ownership makes it difficult for many landowners to manage for their specific resource values. The exchanges will allow DNR to enhance trust assets while moving now-isolated or non-revenue producing parcels to more appropriate ownership.

Wind Power

In 2003, DNR signed the first lease of state trust lands for a wind power project. When developed, the site will be part of the proposed Kittitas Valley Wind Power Project. DNR has also been negotiating for additional wind power sites.



Scientific research and monitoring provide valuable information for DNR's land mangers, its partners and the public. DNR scientists often partner with those from other oganizations.

GOALS AS A PROVIDER OF FOREST PROTECTION. **AND EMERGENCY PREPAREDNESS** AND RESPONSE

Losses to life from fire are prevented and property loss is minimized.

DNR works in various ways to help the public understand and reduce the risks of wildfire and other natural hazards in Washington.

Fire Prevention Video

In 2004, DNR developed a fire prevention video and brochure, using a \$25,000 grant from State Farm Insurance. The materials encourage communities and home owners to incorporate fire safety into their landscaping.

Kittitas Arson Task Force

Investigators from DNR and several county, federal and state agencies joined together with private citizens and businesses to find whomever was responsible for starting wildfires in Kittitas county. In 2004, more than 20 wildfires in the area were caused by arson, and 4 homes were destroyed. The combined efforts of the task force members resulted in the arrest of a suspect.

Geologic Hazard Mapping

Because its earlier hazard mapping was confirmed by damage in the 2001 Nisqually Earthquake, DNR was able to obtain a 2003 state and federal grant to map seismic hazards across the state. The new maps will help cities and counties identify geologically hazardous areas and develop effective disaster mitigation plans. Such plans help local governments deal with disasters and are required for full federal relief for future presidentially declared disasters.

Forest systems enjoy equal or greater health and productivity.

DNR's work to support healthy forest systems goes beyond its role as a trust forest manager.

New Natural Areas

Two natural areas designated in 2003-2004 will help DNR protect remnants of rare Washington forests for the future. The Washougal Oaks Natural Area—part Natural Area Preserve, part Natural Resources Conservation Area (NRCA) in Clark and Skamania counties—includes the largest remaining high-quality Oregon white oak woodland in western Washington. The Stavis Creek NRCA in Kitsap County features significant stands of naturalorigin, Puget lowland forest.

Forest Health Strategy Work Group

The 2004 Legislature directed DNR to convene the work group to identify opportunities to improve forest health in Washington. The group—a mix of public and private experts from across the state identified key elements and recommended landowner education, focused research, increasing capacity to address Forest health issues, and changes to some current laws. Work on forest health issues will continue in 2005.

Highlights from 2003 and 2004



Most revenue from DNR-managed state trust lands comes from timber harvests—each new generation of trees supporting a new generation of trust beneficiaries.

GOALS AS A STEWARD OF **UPLAND AND AQUATIC** RESOURCES

Upland resources provide substantial levels of trust revenue, conservation, and public benefits consistent with our fiduciary duty and legal commitments.

DNR looks at the lands it manages and its work on them in terms of both specific sites and a larger picture.

Sustainable Harvest Level and Independent Review

In 2004, the Board of Natural Resources unanimously adopted a new sustainable harvest level for state trust forests in western Washington—a goal and limit for how much trust timber can be harvested over the next decade. The new level of 597 million board feet per year was developed through extensive scientific review, computer modeling, and public discussion.

Following adoption of the new level, an Independent Review Committee appointed by Commissioner Sutherland unanimously agreed that additional funds will be needed for DNR to fully implement the sustainable harvest direction of the Board.*

* The Board's decision is the subject of litigation filed by the Washington Environmental Council, National Audubon Society, Northwest Ecosystem Alliance and the Olympic Forest Coalition.

Policy for Sustainable Forests

The policies in DNR's 1992 Forest Resource Plan (which guides DNR's overall management of 2.1 million acres state trust forests statewide) are being updated to reflect new laws, practices and other changes since 1992. In 2004, DNR held public workshops across the state to invite input on revising the plan. The Draft Environmental Impact Statement on the Policy for Sustainable Forests is expected to go to the public for review in 2005.

Lake Whatcom Landscape Management Plan

In 2004, the Board of Natural Resources adopted the plan, the first step in resuming DNR timber harvests around Lake Whatcom. The 2000 Legislature had put state timber harvests around the lake on hold until a landscape plan was developed. DNR worked with the Lake Whatcom DNR Landscape Planning Committee, local tribes and the community to develop the plan, which DNR will implement as a pilot project. An inter-jurisdictional committee will review site-specific activities, and DNR will report annually to the Board and legislative committees on the results and costs.



Cleanup efforts, such as in Commencement Bay, can help restore healthy aquatic ecosystems, providing a wide range of long-term public benefits.

Aquatic resources are managed to optimize the full range of public benefits.

Assuring benefits from these lands under and along the shores of the state's waters often means addressing things that are "hidden" from view.

Commencement Bay Cleanup

In 2003-2004, cleanup of Middle Waterway in Commencement Bay continued. Derelict vessels were removed, and DNR, the City of Tacoma and the state Department of Ecology teamed up to remove 3,100 cubic yards of contaminated sediments from the mudflats. Removing the contaminants, rather than capping them in place, provided a permanent solution that significantly reduced the risk of future toxic leaks.

Derelict Vessel Removal Program

In 2003, DNR completed program guidelines for removing abandoned and derelict vessels from Washington's waterways. Vessels in danger of sinking and that pose a potential hazard to human health or safety are top priority for removal, followed by those posing a risk to the environment or navigation. DNR created and manages an inventory of derelict or abandoned vessels around the state and, in coordination with other public authorities, removed more than 50 of them in 2003-2004.

Aquatic Reserves

In 2003, DNR began public review of six sites that had been withdrawn from leasing in 2000 to initiate the Aquatic Reserves program. Following the review, Commissioner Sutherland recommended sites at Maury Island, Cherry Point, Fidalgo Bay and Cypress Island be further evaluated for designation as reserves, and that two sites in Commencement Bay remain withdrawn from leasing but not be reserves. In 2004, the Maury Island Aquatic Reserve was formally established.

Kitsap County Geoduck Settlement

In 2004, DNR and Kitsap County settled issues about a permit allowing DNR geoduck harvests. The county had previously denied the permit, and DNR had appealed to the state Shoreline Hearings Board. The board affirmed DNR's environmental documentation and process, and the case was dismissed when DNR and the County settled on other permit conditions. As part of the settlement, DNR agreed to hold public meetings about geoduck harvesting.

Highlights from 2003 and 2004



Replacing culverts so they allow fish passage (like this one does) can open up many stream miles of fish habitat across the state.

GOAL AS A REGULATOR

DNR is faithfully implementing its responsibilities as a regulator.

In addition to administering and enforcing Forest Practices Rules, DNR works to support their effectiveness.

Roads, Fish and Family Foresters

In 2003, legislation eased the financial burden some forest practices rules placed on small forest landowners. The result of work by DNR, the Governor's Office, legislators and stakeholders, the new law supported a solution that works for landowners and fish, including an option for simplified road maintenance and abandonment plans and a cost-share program for fixing fish passage barriers. In 2004, the program funded 36 projects to open up nearly 60 stream miles of fish habitat.

Forests and Fish

The 1999 Forests and Fish Agreement included a commitment to obtain assurances from the federal government that forest landowners complying with the forest practices rules based on the Forests and Fish Report would also be complying with the federal Endangered Species Act. In 2003-2004, DNR worked with Forests and Fish partners to prepare a Draft Habitat Conservation Plan and application to obtain those assurances on behalf of the state. The plan will be submitted to federal and public review in 2005.

GOAL AS AN EMPLOYER/ **EXCELLENT** PLACE TO WORK

DNR's workforce is skilled, knowledgeable, motivated and effective.

DNR looks for ways to improve efficiency, so funding can go as far as possible in supporting staff and services.

Region Merger

In 2004, DNR merged its Central (Chehalis) and Southwest (Castle Rock) regions. The merger is expected to save an estimated \$1 million per year beginning in the 2005-2007 biennium. The new Pacific Cascade Region is headquartered in Castle Rock.

2003 Annual Report

2003 ANNUAL REPORT

Timber Management Data Section

In this section, DNR provides data on timber as required by RCW 79.10.010 (3):

...(3) The commissioner of public lands shall provide annual reports to the respective trust beneficiaries, including each county. The report shall include, but not be limited to, the following: acres sold, acres harvested, number of stems per acre, acres precommercially thinned, acres commercially thinned, acres partially cut, acres clearcut, age of final rotation for acres clearcut, and the total number of acres off base for harvest and an explanation of why those acres are off base for harvest.

The 2003 timber management data section was previously published on DNR's website. Since then, clarity. Also, page numbering and references

About these pages

- These pages include data for Forest Board lands and federally granted trust lands. Trusts are listed individually.
- Counties that contain Forest Board lands but are not listed for an activity did not have that activity during Fiscal Year 2003.
- Numbered notes apply only to the page on which they appear.
- Numbers may not add due to rounding.

Timber Sold July 1, 2002 – June 30, 2003



2003 Annual Report to Trust Beneficiaries per RCW 79.10.010

Trust / Beneficiaries	Number of Acres	Volume ¹ (mbf) ²
Forest Board Transfer		
Clallam	724	18,698
Clark	283	9,938
Cowlitz	288	9,467
Grays Harbor	12	559
Jefferson	125	3,504
King 4	461	15,888
Kitsap	110	2,877
Klickitat	263	1,178
Lewis	611	13,079
Mason	1,068	11,193
Pacific	251	8,552
Pierce	402	19,365
Skagit	1,236	44,499
Skamania	161	1,837
Snohomish	954	41,238
Thurston	672	11,063
Wahkiakum	299	7,912
Whatcom	613	22,166
Subtotal - Forest Board Trans	sfer 8,533	243,013
Forest Board Purchase		
Clark	12	212
Cowlitz	48	1,399
Grays Harbor ³	525	14,049
Pacific ⁵	21	1,273
Pierce ⁵	103	3,942
Skamania	5	88
Thurston ³	788	21,583
Subtotal - Forest Board Purcl	nase 1,502	42,546
Common School, Indemnity 8	& Escheat 10,260	171,621
Agricultural School	404	8,565
University - Transferred & O	riginal 16	537
CEP&RI	659	15,418
Capitol Building	1,007	25,241
Normal School	685	8,411
Scientific School	1,436	27,259
Community & Technical Col	*	21,20)
Forest Reserve	0	0
Subtotal - Granted Trusts	14,467	257,052
TOTAL - ALL TRUSTS	24,499	542,607

- Timber volume sold per acre depends on site-specific conditions and harvest method.
- ² mbf: thousand board feet
- Includes Forest Board repayment. (See Fiscal Section, page 18, note 9.)
- 4 Includes Water Pollution Control data.
- 5 Includes University Repayment data.

Notes

- ▶ Timber is sold before it is harvested. Timber sale contracts average two years in length, with timber harvest schedules determined by individual purchasers. Sale and harvest of timber may or may not occcur in the same fiscal year. Revenues are generated when timber is harvested.
- ▶ Market conditions can influence number of sales and volume sold.
- ▶ Sales which contain more than one trust beneficiary report estimated acres and volume for each specific trust. Sales which benefit more than one trust distribute revenues proportionally by volume and not by acres.
- Numbers may not add due to rounding.

Sources

▶ DNR Revenue Management System database, Report TSC311; 12/03.

Silviculture¹ July 1, 2002 – June 30, 2003



2003 Annual Report to Trust Beneficiaries per RCW 79.10.010

Trust / Beneficiaries	Acres Planted ²	Stems per Acre ³	Precommercially Thinned Acres ⁴
Forest Board Transfer			
Clallam	568	296	500
Clark	481	352	0
Cowlitz	183	299	93
Grays Harbor	133	365	0
Jefferson	241	382	0
King ⁵	359	331	0
Lewis	183	323	0
Mason	125	296	0
Pacific	152	373	14
Pierce	138	277	0
Skagit	857	302	0
Skamania	37	537	0
Snohomish	389	297	0
Thurston	282	414	0
Wahkiakum	129	298	0
Whatcom	551	309	0
Subtotal - Forest Board Transfer	4,808	NA	607
Forest Board Purchase			
Grays Harbor	404	382	164
Lewis	90	343	0
Pacific	71	352	0
Pierce	62	273	0
Thurston	243	379	61
Subtotal - Forest Board Purchase	870	NA	225
Common School, Indemnity & Escheat	4,610	280	1,477
Agricultural School	347	229	0
University - Transferred & Original	88	303	72
CEP&RI	150	359	0
Capitol Building	894	326	18
Normal School	388	273	2
Scientific School	407	341	0
Community & Technical College Forest Reserve	23	365	0
TOTAL - ALL TRUSTS	12,585	NA	2,401

- Silvicultural activities are forest management practices; implementation of silvicultural practices varies according to sitespecific conditions and availability of management funding.
- **2** Acres planted include all planting processes and all tree species.
- **3** Stems per acre planted depend on site-specific conditions and anticipated survival rates.
- Precommercially thinned acres increase yield rate per acre by selectively decreasing overcrowding of saplings.
- 5 Includes Water Pollution Control data.

Note

Numbers may not add due to rounding.

Source

DNR Planning and Tracking System database, 12/03.

Timber Volume Harvested³ July 1, 2002 – June 30, 2003

'03

2003 Annual Report to Trust Beneficiaries per RCW 79.10.010

Trust / Beneficiaries	Volume ¹ (mbf) ²
Forest Board Transfer	
Clallam	15,740
Clark	8,853
Cowlitz	11,116
Grays Harbor	982
Jefferson	7,590
King ⁵	12,810
Kitsap	121
Klickitat	4,898
Lewis	12,271
Mason	4,864
Pacific	8,459
Pierce	10,818
Skagit	39,560
Skamania	348
Snohomish	34,513
Thurston	12,781
Wahkiakum	7,534
Whatcom	28,577
Subtotal - Forest Board Transfer	221,835
Forest Board Purchase	
Cowlitz	740
Grays Harbor ⁴	27,137
Mason	6,011
Pacific ⁶	1,678
Pierce ⁶	2,421
Skamania	209
Thurston ⁴	17,707
Subtotal - Forest Board Purchase	54,575
Common School, Indemnity & Escheat	142,653
Agricultural School	10,790
University-Transferred & Original	3,919
CEP&RI	14,171
Capitol Building	23,633
Normal School	6,832
Scientific School	15,551
Community & Technical College Forest Reserve	314
Subtotal - Granted Trusts	217,863
TOTAL - ALL TRUSTS	494,266

- 1 Timber volume harvested per acre depends on site-specific conditions and harvest method.
- ² mbf: thousand board feet
- **3** Volume harvested is estimated for sales partially harvested.
- Includes Forest Board repayment. (See Fiscal Section, page 18, note 9.)
- **5** Includes Water Pollution Control data.
- ⁶ Includes University Repayment data.

Notes

- ▶ Timber is sold before it is harvested. Timber sale contracts average two years in length, with timber harvest schedules determined by individual purchasers. Sale and harvest of timber may or may not occcur in the same fiscal year. Revenues are generated when timber is harvested.
- ▶ Sales which contain more than one trust beneficiary report estimated volume harvested for each specific trust. Sales which benefit more than one trust distribute revenues proportionally by volume and not by acres.
- Numbers may not add due to rounding.

Sources

DNR Revenue Management System database, Report TSC311,

Timber Acres Harvested¹ July 1, 2002 – June 30, 2003



2003 Annual Report to Trust Beneficiaries per RCW 79.10.010

Trust / Beneficiaries	Acres Commercially Thinned/ Small Wood ²		Acres Clearcut/ Regeneration Harvest	Total Acres ⁴	Average Year of Clearcut Stand
Forest Board Transfer					
Clallam	66	0	671	737	1929
Clark	0	4	324	328	1940
Cowlitz	37	0	343	380	1924
Grays Harbor	0	0	24	24	1937
Jefferson	245	0	186	432	1927
King	306	0	335	642	1935
Kitsap	0	0	7	7	1942
Klickitat	0	396	186	582	1893
Lewis	248	17	344	610	1949
Mason	0	0	179	179	1935
Pacific	0	0	202	202	1943
Pierce	125	0	211	337	1935
Skagit	0	63	1,042	1,106	1931
Skamania	40	0	2	43	1949
Snohomish	43	197	715	956	1933
Thurston	49	318	245	613	1936
Wahkiakum	98	0	186	285	1933
Whatcom	0	10	757	767	1928
Subtotal - Forest Board Transfer	1,263	1,009	5,966	8,239	NA
State Forest Board Purchase					
Cowlitz	0	0	28	28	1940
Grays Harbor	0	225	386	612	1941
Mason	0	0	131	131	1937
Pacific	0	0	37	37	1941
Pierce	5	0	41	46	1940
Skamania	95	0	9	105	1959
Thurston	0	328	310	639	1937
Subtotal - Forest Board Purchase	101	554	946	1,601	NA
Common School, Indemnity/Esch	neat 1,290	3,923	4,910	10,123	1928
Agricultural School	0	494	272	766	1934
University - Transferred/Origin	al 419	0	107	528	1948
CEP&RI	41	303	326	671	1928
Capitol Building	448	70	741	1,260	1937
Normal School	0	125	338	464	1932
Scientific School	224	64	441	730	1936
Community & Technical College Forest Reserve	0	19	0	19	1954
Subtotal - Granted Trusts	2,422	4,998	7,135	14,561	NA

- 1 The department tracks harvest method information in ten categories; for purposes of this report, per RCW 79.10.010, the data are aggregated into three harvest methods.
- ² Commercial thinning/small wood generates revenue, promotes growth of the remaining trees and creates desired future forest conditions.
- ³ Partial cuts/older stand thinnings generate revenue and help achieve desired future forest conditions.
- **4** Total acres include total of all harvest activities.

Notes

- ▶ Harvested acres shown are fiscal year 2003 activities only; acres are reported again in the future if additional harvest activities occur. Acres harvested are estimated for sales partially harvested. Timber volume harvested per acre depends on site-specific conditions and harvest method.
- ▶ Sales which contain more than one trust beneficiary report estimated acres harvested for each specific trust. Sales which benefit more than one trust distribute revenues proportionally by volume and not by acres.
- Numbers may not add due to rounding.

Sources

DNR Revenue Management System database, Report TSC348P2,12/03.

Acres Off-Base for Harvest July 1, 2002 – June 30, 2003

2003 Annual Report to Trust Beneficiaries per RCW 79.10.010

Trust / Beneficiaries	Off-base acres ¹
Forest Board Transfer	
Clallam	16,793
Clark	1,825
Cowlitz	1,372
Grays Harbor Jefferson	238 947
King	3,525
Kitsap	544
Klickitat	5,653
Lewis	3,513
Mason	2,183
Pacific	1,596
Pierce	474
Skagit	14,454
Skamania Snohomish	10,726 7,418
Stevens	19
Thurston	4,482
Wahkiakum	1,056
Whatcom	8,207
Subtotal - Forest Board Tansfer	85,025
orest Board Purchase	
Clallam	89
Clark	1,380
Cowlitz	150
Grays Harbor Jefferson	2,168 3
Kitsap	10
Lewis	124
Mason	30
Pacific	956
Pierce	256
Skamania	838
Snohomish	24
Thurston Whatcom	1,253 182
Subtotal - Forest Board Purchase	7,463
	,
ommon School, Indemnity & Escheat	302,531
Agricultural School	6,348
Iniversity - Transferred	10,500
EP&RI	7,802
apitol Building	17,471
Iormal School	12,040
cientific School	9,248
Iniversity - Original	343
Community & Technical College Forest Reserve	77
OTAL - ALL TRUSTS	458,848
VIAL ALL INVOID	450,040

¹ **OFF-BASE:** Under the 1992 Forest Resource Plan, the department's principal forest resource policy document, forest lands are designated as on-base or off-base. On-base acres are those areas capable of producing timber, are not deferred from harvest, and are included in the department's long-range timber harvest plans, consistent with the 1996 sustainable harvest calculation.

Off-base acres include acres which cannot produce a recurring timber crop. Forest stands are classified as off-base, for example, when they are small, isolated, difficult to reach, or too costly to log.

Acres are designated off-base because they are inoperable, are low site, contain permanent research plots, are upland wildlife management areas, are timber gene pool reserves, are on unstable slopes, in riparian buffers, are located in a northern spotted owl nest patch, contain a northern spotted owl site center, are identified as murrelet habitat. or are included in the Olympic Experimental State Forest deferral

Off-base land classifications are not permanent designations. The department may change the classification as specific forest stands or sites are re-evaluated.

Off-base acres include deferred acres, those where harvesting is postponed or deferred for a period of time.

NOTES

- This 2003 Annual Report section includes all eastern Washington forestlands. Some east-side forestlands may not produce harvestable timber in 80 years, and are therefore classified off-base in the 1996 sustainable harvest calculation.
- Acreage updates and changes can occur over time due to technological refinements in data gathering and analysis, such as the Forest Resource Inventory System program.
- A specific site can be off-base due to one or more factors, some of which are noted above; a site may be designated off-base due to several factors simultaneously.
- Numbers may not add due to rounding or potential double counting.

SOURCES

Sustainable Harvest database, 1996; Forest Resource Plan, 1992.

NOTE: This chart is expected to be revised in future reports. Revisions may include new categories and definitions of "on-base" and "off-base" as a result.

2003 ANNUAL REPORT

2003 **FISCAL SECTION CONTENTS**

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RMCA - Upland + Aquatic

State Grant Lands -Upland + Aquatic

RMCA - Upland

General Distribution of Revenue from Upland State **Grant Lands**

Individual Upland Trusts

ACTMA

Agricultural School Grant

Aquatic Lands

RMCA - Aquatic

General Distribution of Revenue from State-Owned Aquatic Lands

- 38 Forest Board Lands
- 42 State Trust Lands Management Fund Accounting (RMCA/FDA debt/loan accounting)

Fiscal Section

On the following pages, DNR accounts for the revenue it generated and expended during Fiscal Year 2003 (FY 03), including how revenue was generated and distributed on behalf of the state trusts whose land DNR manages.

Distribution of revenue is governed by statute, and varies according to trust, land type, and activity.

investments in the long-term health and productivity of the resources entrusted to its care.

The 2003 fiscal section was previously published on DNR's website. Since then, some revisions have been made for clarity, including expanded fiscal notes and how information is displayed. Page numbering and references have also been changed.

About these pages

- Fiscal information is presented as a combination of tables, pie charts and notes, and progresses from a broad overview to the more detailed accounting for individual trust beneficiaries, and is divided between state grant lands and Forest Board Lands. (There is no individual page for the Community College Forest Reserve Trust because of the low activity on these trust lands. See "Funds Administered by Other Entities," page 23, for distribution to this trust. All revenue was from timber sales.)
- The numbered fiscal notes at the beginning of the section (pp. 17-19) are critical to understanding the content of the tables. These notes are referenced by numerical superscript. Other notes may appear at the bottom of a page, in italics.
- Introductory notes on each page provide context for the contents of the page.
- Underlined bold numbers are totals or subtotals. The thickness of the line reflects the level of the total. Some pages have a total (thickest line), subtotals and subsubtotals (thinnest line).
- Note that some pages show dollars in thousands. Also, totals may not add due to rounding.

Acronyms

ACTMA	Agricultural College Trust
	Management Account
ALEA	Aquatic Lands
	Enhancement Account
CEP&RI	Charitable, Educational,
	Penal and Reform Institution Trust
COLA	Cost of Living Adjustment
CWU	Central Washington University
EWU	Eastern Washington University
FDA	Forest Development Account
FY03	Fiscal Year 2003
	(July 1, 2002 – June 30, 2003)
K-12	Kindergarten-12th grade schools
RMCA	Resource Management
	Cost Account
TESC	The Evergreen State College
UW	University of Washington
WSU	Washington State University
WWU	Western Washington University

NOTE: In FY2002, DNR undertook an agency reorganization. As a result, the names or groupings of certain activities changed. This report's information for line item activities has been kept as compatible as possible with prior reports.

FISCAL NOTES 2003

These numbered notes are referred to on the following pages. A note may apply to more than one page. Although similar to notes in prior reports, these notes apply only to this report (2003).

1 REVENUE/EXPENDITURE CATEGORIES

Timber sales-related activities include contract extensions, slash disposal, trespasses, and default settlement payments.

Miscellaneous sales include publications, GIS data, honor camp activities, and surveys and maps.

Miscellaneous leases include special use and special forest products.

Miscellaneous revenue from Aquatic activities includes timber sale-related activities; permits, fees and related charges; special use; and miscellaneous prior periaod adjustments, if any.

Agency support activities include the following programs: Human Resources (personnel, safety, training), Financial Management (accounting, risk management, purchasing), Information Technology, Geographic Information Systems, Facilities, and Region Administration.

Administration includes Executive Management, Internal Audit, Communications, and Budget & Economics.

Interagency payments are payments made to other state agencies such as the Attorney General, State Auditor, General Administration, Dept. of Personnel, Office of Financial Management, Dept. of Information Services, OMWBE, and Secretary of State.

Capital expenditures: Facilities has been added as a new category for the FY03 annual report. FY02 line items were adjusted to keep activities compatible. Miscellaneous activity includes expenditures for Larch Mountain Road totaling \$1,471,994 for FY03. Real estate and property acquisition figures for FY03 reflect the lifting of a temporary freeze that had been put on capital expenditures by the Governor's Office, and which had limited transactions under the Trust Land Transfer program in FY02.

2 PERMITS, FEES, AND RELATED CHARGES

Includes surface mining permits, log patrol licenses, aquatic lands dredged material disposal site fees, forest practices damage assessments and permits, survey records recording fees, application/assignment fees, burning permit fees, and local government assessments.

3 OTHER REVENUE

FY03 interest income includes interests from negligent fire billings that were written off due to bad debt.

Miscellaneous revenue includes prior period adjustments and recoveries of prior biennium expenditures, as well as revenue from the Off-Road Vehicle and Natural Resources Conservation Areas Stewardship accounts.

4 LAND TRANSFER

Real property replacement: During FY03 a total of \$10,290,315, an amount equivalent to the property value, was received from (1) transfers to other government entities, (2) resolution of trespass violations, or (3) transfers in lieu of condemnation. The above amount includes interest earnings. This money is used to acquire replacement trust lands.

Trust Land Transfer: During FY03, a total of \$25,425,999 was generated from the Trust Land Transfer (TLT) program.

5 LAND BANK

DNR uses the Land Bank program to reposition trust land assets for better future income production. Legislative intent is for revenues from trust property sales to equal or exceed the cost of trust property purchases. However, during any one fiscal year the transactions may not balance (e.g., a property has been sold, but property to replace it has not yet been purchased). Land bank transactions are accounted for by trust within each of the department's management funds.

Revenues from FY03 sales and existing contracts was \$6,346,480 to the Resource Management Cost Account (Common School trust). A total of \$1,427,712 is reserved to acquire property to replace Common School trust property previously sold through the "sell first" process of the Land Bank program. Proceeds of land sales made under the "sell first" process are held in the RMCA pursuant to RCW 79.19. The amount is used solely to acquire replacement Common School trust property on an equal value basis.

6 OFF-ROAD VEHICLE (ORV) ACCOUNT

This fund provides for acquisition, planning, development, maintenance and management of ORV recreation facilities, non-highway roads and non-highway road recreation facilities; education and law enforcement programs related to non-highway vehicles; and construction and maintenance of campgrounds and trailheads.

DNR, the Department of Fish and Wildlife, and the Parks and Recreation Commission spend from the fund in support of these functions. The Department of Licensing collects revenue for the fund, and DNR administers the fund according to Legislative appropriations. The deficit revenue in the DNR-Administered Funds section of this report (page 22) is the transfer of revenue to fund 406 (Salary/Insurance Increase Revolving Fund).

The following is the fund total fiscal activity for FY 2003:

	\$820,351
	\$1,994,553
\$(1,622,000)	
(217,444)	
(134,391)	
	(1,973,835)
	(49,172)
	(28,453)
	\$791,898
	(217,444)

AQUATIC LANDS ENHANCEMENT ACCOUNT

This fund provides for the purchase, improvement and protection of aquatic lands for public purposes. DNR, the Department of Fish and Wildlife, the Department of Agriculture, the Parks and Recreation Commission, and the Interagency Committee for Outdoor Recreation spend from the fund for these purposes. DNR administers this fund, and only the DNR fiscal activity is reported in the DNR-Administered Funds section of this report (page 22).

The following is the total fund fiscal activity for FY 2003:

Beginning Balance		\$5,115,347)
Revenue:		
Natural Resources	\$10,594,481)	
Fish and Wildlife	76,288	
Distribution to Fourth Class Towns	(87,467)	
Revenue Subtotal		10,583,302)
Expenditures:*		
Natural Resources	(\$4,284,267)	
Fish and Wildlife	(2,986,411)	
Parks and Recreation	(205,516)	
Agriculture	(1,811,702)	
Interagency Comm. for Outdoor Rec.	. (131,738)	
Expenditure Subtotal		(9,419,634)
Net Fiscal Activity		1,163,668)
Ending Balance		\$6,279,015

^{*}Expenditures for other agencies include Operating Transfers, if any.

8 DERELICT VESSEL REMOVAL ACCOUNT

This fund provides for costs and reimbursements to authorized public entities for the removal of derelict and abandoned vessels. The Department of Licensing collects revenue for the fund, and DNR administers the fund according to Legislative appropriations. DNR spends from the fund for these purposes and the Department of Licensing spends from the account for the purpose of administering the collection of revenue for the fund. Only DNR fiscal activity is reported in the DNR-Administered Funds section of this report (page 22).

The following is the total fund fiscal activity for FY 2003:

Beginning Balance		\$0)
Revenue:		
Licensing	\$392,096	
Revenue Subtotal		392,096)
Expenditures:*		
Natural Resources	(124,400)	
Licensing	(68,840)	
Expenditure Subtotal		(193,240)
Net Fiscal Activity		198,856)
Ending Balance		\$198,856)

^{*}Expenditures for other agencies include Operating Transfers, if any.

9 FDA/RMCA LOAN REPAYMENT

Board of Natural Resources resolutions #635 in 1990 and #756 in 1992 authorized settlement of the FDA debt to the RMCA by transferring timber-cutting rights on Forest Board Purchase lands to the Common School, Capitol Building, Normal School, and University granted trusts. A one-third interest in assets (timber-cutting rights) of the FDA on 35,655 acres was transferred to these trusts. The value of these transfers eliminated the debt between FDA and RMCA.

A total of \$3,749,218 was distributed to the trusts from timber harvested during fiscal year 2003. The RMCA received \$937,305 from this activity. Because this is repayment of a loan, the transactions are recorded as an operating transfer rather than as current period revenue.

The values from the harvest activity by fund, as well as RMCA trust for FY 2003, and in total since the adoption of resolution 635 in 1990 are:

	FY 03	Total
Common School Construction Account	\$981,965	\$13,111,670
Capitol Building Construction Account	374,325	4,998,169
Normal School Permanent Account	1,198,249	15,999,600
State University Permanent Account	257,374	8,630,263
Total Trust Funds	\$2,811,913	\$42,739,702
Resource Management Cost Account		
Common School Trust	\$327,662	\$4,364,946
Capitol Building Trust	125,003	1,665,663
Normal School Trust	398,849	5,313,008
University Trust	85,791	2,876,755
Total RMCA	\$937,305	\$14,220,372

10 OPERATING TRANSFERS

According to the Office of Financial Management's interpretation of generally accepted accounting principles, debt service funds (funds used to pay off debts), such as the UW or WSU Bond Retirement accounts, cannot receive revenue directly. Instead, revenues to these two funds are recorded to the respective permanent funds, and then an operating transfer is made to the appropriate debt service fund.

Other operating transfers include transfers attributed to prior period revenue.

11 TRUST FUNDS - CURRENT AND PERMANENT

Trust Current Funds are funds that individual trust beneficiaries can draw from. *Trust Permanent Funds* are endowments which generate interest that can be transferred to the Current Funds.

12 NATURAL RESOURCES EQUIPMENT ACCOUNT

Total all funds and activity does not include funds classified as internal service funds. The Natural Resources Equipment Account is DNR's only internal service fund. This fund is used to maintain, replace and provide equipment to DNR's programs on a rental basis. In 2003, this fund had revenue of \$16,029,766 and expenses of \$11,383,196.

13 RMCA PORTION OF TRUST LAND REVENUES

On most transactions, the Resource Management Cost Account receives 25 percent and the trusts receive 75 percent of revenues from trust lands. However, some transactions are subject to a different distribution ratio. These transactions include aquatic resources, miscellaneous non-trust revenues, interest earnings, land sales transactions and interfund loan repayment, the latter of which affects the Common School, University, Capitol Building and Normal School trusts. As a result, revenue on individual trust and grant lands summary pages may not reflect the usual 25 percent/75 percent distribution.

The tables below reflect trust activity with Forest Board Repament activity. Refer to fiscal note #17 for trust activity related to the University Trust.

COMMON SCHOOL / ESCHEAT TRUST

	Total	Com. Sch.	Com. Sch.	
Source / Activity	Revenue	Construct.	Perman.	RMCA
Trust Activity				
Timber sales	\$38,616,816	\$28,962,635	\$0	\$9,654,181
Timber sales-related	271,174	203,243	0	67,931
Leases	16,195,377	11,722,985	408,466	4,063,926
Late interest	40,100	22,946	0	17,154
Fees/service charges	56,281	1,729	0	54,552
Operating transfer - in	1,309,627	981,965	0	327,662
Subtotal	56,489,375	41,895,503	408,466	14,185,406
Forest Board Repayment				
Sales	1,309,956	0	0	1,309,956
Operating transfer -out	(1,309,628)	0	0	(1,309,628)
Total trust activity	56,489,703	41,895,503	408,466	14,185,734
Non-Trust Activity				
STO interest	55,720	28,041	0	27,679
Land sales/trust land transfer	30,884,479	25,425,999	0	5,458,480
Other Revenue	(171,178)	0	116,361	(287,539)
Total non-trust activity	30,769,021	25,454,040	116,361	5,198,620
TOTAL	\$87,258,724	\$67,349,543	\$524,827	\$19,384,354

CAPITOL BUILDING TRUST

	Total	Cap. Bldg.	
Source / Activity	Revenue	Construct.	RMCA
Trust Activity			
Timber sales	\$6,413,495	\$4,810,122	\$1,603,373
Timber sales-related	8,813	5,341	3,472
Leases	159,629	119,196	40,433
Late interest	605	453	152
Fees/service charges	3,794	0	3,794
Operating transfer - in	499,328	374,325	125,003
Subtotal	7,085,664	5,309,437	1,776,227
Forest Board Repayment			
Sales	499,452	0	499,452
Operating transfer -out	(499,328)	0	(499,328)
Total trust activity	7,085,788	5,309,437	1,776,351
Non-Trust Activity			
STO interest	122,573	4,040	118,533
Other Revenue	829,625	0	829,625
Total non-trust activity	952,198	4,040	948,158
TOTAL	\$8,037,986	\$5,313,477	\$2,724,509

NORMAL SCHOOL TRUST

			Normal	
	Total	Capital	School	
Source / Activity	Revenue	Projects	Perman.	RMCA
Trust Activity				
Timber sales	\$1,780,175	\$0	\$1,335,135	\$445,040
Timber sales-related	9,716	0	5,287	4,429
Leases	77,064	56,277	1,521	19,266
Late interest	5,037	(97)	3,871	1,263
Fees/service charges	544	0	0	544
Operating transfer - in	1,597,098	0	1,198,249	398,849
Subtotal	3,469,634	56,180	2,544,063	869,391
Forest Board Repayment				
Sales	1,597,499	0	0	1,597,499
Operating transfer -out	(1,597,098)	0	0	(1,597,098)
Total trust activity	3,470,035	56,180	2,544,063	869,792
Non-Trust Activity				
STO interest	40,020	1,324	0	38,696
Land sales/trust land transfer	0	0	0	0
Other Revenue	(19,057)	0	0	(19,057)
Total non-trust activity	20,963	1,324	0	19,639
TOTAL	\$3,490,998	\$57,504	\$2,544,063	\$889,431

14 NON-TRUST REVENUE AND SALARY/INSURANCE/HEALTH

Non-trust revenue cannot be attributed to a specific trust. The largest portion of non-trust revenue includes compensation and cost of living adjustments (COLA). As per the Office of Financial Management, these adjustments are treated as reductions of revenue and corresponding reductions of expenditures in FDA, RMCA, ACTMA, and other funds.

15 NEGATIVE TRUST REVENUE

Negative revenue reflects accounting adjustments (such as bad-debt write-offs) in FY03 which reverse activity from a prior fiscal year.

16 TREASURER'S REVENUE

Due to the schedule for distributing revenue, revenue from Forest Board Lands may earn interest before it is distributed to the appropriate county. Interest earnings cannot be attributed specifically to Transfer Lands or Purchase Lands. This revenue is accounted for as treasurer's revenue and is distributed to the appropriate county.

17 UNIVERSITY TRUST - ORIGINAL, TRANSFERRED, REPAYMENT

The accounting for the University Trust combines activity from original University trust lands, lands which have been transferred to the trust, and the University Trust's share of interfund loan repayment as described in fiscal note #9.

The following is a breakdown of the different elements contributing to the information for University Grants on page 29.

Trust	Total	Bond	University	
Source/Activity	Revenue	Retirement	Permanent	RMCA
University - Transferred				
Timber sales	\$438,776	\$0	\$329,082	\$109,694
Timber sales-related	264	0	233	31
Leases	189,910	0	142,433	47,477
Misc trespass	786	0	263	523
Late interest	(4,812)	0	141	(4,953)
Fees/service charges	5	0	0	5
Operating transfer - in	1,043,462	700,297	257,374	85,791
Operating transfer - out	(700,297)	0	(700,297)	0
Total	\$968,094	\$700,297	\$29,229	\$238,568
University - Original				
Timber sales	\$74,895	\$0	\$56,171	\$18,724
Leases	105,292	0	78,986	26,324
Late interest	48	0	36	12
Operating transfer - in	78,967	78,967	0	0
Operating transfer - out	(78,967)	0	(78,967)	0
Total	180,235	78,967	56,208	45,060
University Repayment				
Timber sales	\$365,785	\$0	\$0	\$365,785
Operating transfer - out	(343,166)	0	0	(343, 166)
Total	\$22,619	\$0	40	\$22,619
Non-trust allocation				
STO interest	\$14,391	\$767	\$0	\$13,624
Non-trust revenue allocation	(6,710)	0	0	(6,710)
Total	\$7,681	\$767	\$0	\$6,914



Total Department Revenues



Many of DNR's activities generate revenue, whether for state trusts or for funds that support state programs, including those in DNR. Revenue is shown for the past two fiscal years for comparison. Differences between the years reflect changes in market conditions, legal requirements, availability of resources, and other factors.

Revenue Source	FY 2003	FY 2002
Sales		
Timber sale removals	\$143,393	\$148,818
Timber sale-related activities ¹	478	691
Forest road assessments	8,918	7,185
Nursery seedling sales	1,900	2,315
Miscellaneous 1	655	511
	\$155,344	\$159,521
Leases		
Agriculture	\$7,686	\$7,886
Aquatic	17,485	14,426
Commercial real estate	6,831	7,458
Mineral and hydrocarbon	1,181	1,105
Communication sites	2,630	2,960
Rights-of-way	1,392	2,121
Miscellaneous ¹	1,132	1,336
	\$38,337	\$37,292
Other Revenue		
Interest income ³	(\$403)	\$2,973
Fire assessments and cost reimbursement	2,588	8,755
Grants and contributions	17,346	9,478
Permits, fees, and related charges ²	2,647	2,261
Miscellaneous 3	2,027	132
	\$24,205	\$23,599
Total Revenue from Operations	\$217,886	\$220,412
Other Activity		
Trust land transfers 4	\$35,717	\$11,344
Land bank ⁵	6,346	59
	\$42,063	\$11,402
Total Revenue	\$259,949	\$231,815

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

Total Department Expenditures

DNR's expenditures reflect the diversity of the department's work. Land management activities are investments in the long-term health and productivity of the resources DNR manages.

Other activities support regulatory, assistance and resource protection programs, as well as general agency operation. Expenditures are shown for the past two fiscal years for

comparison. Differences between the years reflect changes in programs, legal requirements, salaries and benefits, inflation, and other factors.

Expenditures ¹	FY 2003	FY 2002
Operating		
Agricultural resources	\$1,392	\$1,392
Asset management & protection	6,566	6,867
Product sales & leasing	14,403	15,275
Land management	12,169	13,601
Aquatic resources	8,900	5,784
Administration	3,705	3,750
Interagency payments	7,961	7,934
Agency support	16,559	16,986
Geologic resources	2,320	2,452
Special employment services	4,395	4,553
Forest practices	9,656	9,313
Engineering services	12,488	10,786
Resource protection	17,188	15,385
Fire suppression	24,972	33,151
	\$142,675	\$147,228
Capital		
Radio system upgrade	\$934	\$829
Recreation	672	219
Aquatic resources projects	1,782	2,087
Real estate and property acquisition	57,704	19,493
Facilities	1,182	1,120
Small timber landowner program	3,977	740
Miscellaneous	1,902	185
	\$68,152	\$24,673
Total Expenditures	\$210,826	\$171,901

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

Fund Activity

'03

DNR's fiscal activity includes generating revenue for a variety of funds and accounts, some of which benefit state trust beneficiaries and some of which fund state programs, including DNR's. DNR's fiscal activity also includes expenditures supporting its work. Some of the accounts that receive revenue from DNR or that fund DNR's expenditures are managed by DNR; others are managed by other agencies.

DNR-Administered Funds

	Beginning Balance			Ending Balance
Fund Title	7/1/02	Revenue	Expenditure	6/30/03
Trust Management Accounts*				
Forest development (FDA)	\$25,763	\$20,060	(\$20,018)	\$25,805
Resource management (RMCA)	15,300	33,703	(35,114)	13,889
Agricultural college (ACTMA) 14	379	(32)	(76)	271
	\$41,442	\$53,730	(\$55,207)	\$39,965
Other DNR-Administered Funds				
Access road revolving	\$1,730	\$8,872	(\$8,882)	\$1,720
Surveys and maps	1,271	1,149	(1,171)	1,250
Landowner contingency forest fire 15	7,493	(211)	(1,436)	5,846
Park land trust revolving	1,036	18	(574)	480
Aquatic lands dredged material	357	319	(329)	347
Aquatic lands enhancement ⁷	N/A	10,594	(4,284)	N/A
Derelict vessel removal account 8	N/A	0	(124)	N/A
Conservation areas stewardship	145	9	(53)	100
School construction revolving	108	2	(52)	58
Surface mining reclamation	396	1,018	(1,070)	343
Real property replacement ⁴	23,697	10,917	(14,624)	19,991
Clarke-McNary	240	4,077	(4,088)	228
Forest fire protection assessments	5,265	4,311	(8,211)	1,364
State forest nursery	1,489	1,909	(2,035)	1,362
Off-road vehicle ⁶	N/A	(43)	(1,622)	N/A
	\$43,227	\$42,940	(\$48,557)	\$33,089
Total DNR-Administered Funds	\$84,668	\$96,671	(\$103,765)	\$73,054

Amounts are reported in thousands of dollars. Totals may not add due to rounding. N/A = not applicable

^{*} These accounts fund DNR's management of state trust lands. Revenue may be caried over from year to year. As a result, any given year's expenditures do not necessarily correlate to that year's revenue. See pages 24, 26, 34, 36, and 38 for more detailed accounting. FDA and RMCA are funded through revenue generated from the lands whose management they support. ACTMA is not funded through such revenue, but instead through a legislative appropriation from the State General Fund.

Fund Activity (Continued)

Funds Administered by Other Entities

Fund Title	Revenue	Expenditure	Net Fiscal Activity
Trust Current Funds ¹¹			
Common school construction	\$67,350	\$0	\$67,350
Community college forest reserve	78	(193)	(115
WSU bond retirement	643	0	643
UW bond retirement	780	0	780
CEP&RI	4,075	0	4,075
EWU capital project	15	0	15
CWU capital project	15	0	15
WWU capital project	15	0	15
TESC capital project	11	0	11
Capital building construction	5,313	0	5,313
Forest board counties	58,149	0	58,149
Totost bourn countries	\$136,446	(\$193)	\$136,253
Trust Permanent Funds 11			
Agricultural college (WSU)	\$2,628	\$0	\$2,628
Normal school (EWU, CWU, WWU, TESC)	2,544	0	2,544
Common school (K-12)	525	0	525
Scientific (WSU)	3,348	0	3,348
State university (UW)	85	0	85
suite diaversity (CVV)	\$9,130	<u>\$0</u>	\$9,130
Other Funds			
General fund	\$15,907	(\$60,476)	(\$44,568
Salmon recovery 14	(1)	(474)	(474
State building construction	28	(40,487)	(40,459
Motor vehicle	1	0	1
Air pollution control	182	(183)	(1
Water quality	47	(1,847)	(1,800
Disaster response	0	(1,865)	(1,865
State toxics control	2,184	(2,184)	0
Special retirement contribution increase ¹⁴	(646)	646	0
	\$17,702	(\$106,869)	(\$89,167
Total other fiscal activity	\$163,278	(\$107,062)	\$56,216
Total all funds and activity ¹² (pages 22 & 23)	\$259,949	(\$210,826)	

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

Resource Management Cost Account (RMCA) Upland + Aquatic

6,240,527

Revenue, Expenditures and Fund Balance

'03

The Resource Management Cost Account (RMCA) funds DNR's land management activities on state grant lands. DNR deposits a portion of the revenue it generates from these lands into the account, and the Legislature appropriates funds from the account to DNR for expenditures. The RMCA can be used only for land management expenses (e.g., reforestation, preparing timber sales or managing aquatic leases that support state grant lands).

Fund Balance (July 1, 2002)

RMCA Revenue

\$33,702,568

\$15,299,673

Less: Expenditures ¹

Agricultural resources	\$1,307,514
Asset management & protection	1,615,412
Product sales & leasing	8,278,713
Land management	5,231,570
Special employment services	912,899
Administration	842,927
Interagency payments	1,811,078
Agency support	4,002,270
Aquatic resources	4,638,961
Engineering services	930,044
Salary/insurance/health revolving fund 14	(698,168)
Total operating expenditures	\$28,873,220

Total expenditures and other charges

Total capital expenditures

35,113,746

RMCA Fund Balance (June 30, 2003)*

\$13,888,495

Totals may not add due to rounding.

^{*} Timber sales are a major source of revenue from upland state grant lands. Several years of low timber prices have reduced revenue to the RMCA. Timber prices are projected to remain low over the next several years. DNR is working to bring expenditures and revenue in line with one another.

State Grant Lands - Upland + Aquatic

State grant lands (upland and aquatic) were granted to Washington at statehood by the federal government. Each upland parcel is assigned to a specific state trust dedicated to finan-

cially supporting a specific beneficiary (e.g., the Common School Trust supports construction of K-12 schools). The aquatic lands are designated as a public trust to benefit the public as a

whole. Income from state grant lands is divided among trust beneficiary accounts and the RMCA, which DNR uses to manage the lands.

Source	Total All Funds	Trust Current Funds ¹⁰	Trust Permanent Funds ¹⁰	Resource Management Cost Account
Sales				
Timber sales 9	\$62,528,246	\$38,387,190	\$9,164,192	\$14,976,864
Timber sales-related activities ¹	302,480	208,643	16,674	77,163
Trust land transfers 4	25,425,999	25,425,999	0	0
Land sales (includes land bank) 5	6,346,480	0	0	6,346,480
	\$94,603,205	\$64,021,832	\$9,180,866	\$21,400,507
Leases				
Agriculture				
Dryland	\$2,668,176	\$1,792,098	\$229,839	\$646,239
Irrigated	4,386,567	3,216,829	87,824	1,081,914
Grazing and other	601,583	428,091	25,299	148,193
Aquatic lands	17,484,545	10,103,767	0	7,380,778
Special use	630,907	454,586	19,169	157,152
Commercial real estate	6,829,449	5,038,868	82,956	1,707,625
Mineral and hydrocarbon	1,079,225	664,451	88,856	325,918
Rights-of-way	1,056,568	327,643	355,393	373,532
Communication sites	1,792,118	1,014,096	341,775	436,247
Special forest products	249,188	173,479	13,626	62,083
	\$36,778,326	\$23,213,908	\$1,244,737	\$12,319,681
Other Revenue				
Interest income	\$550,522	\$115,308	\$7,684	\$427,530
Non-trust revenue 14	(714,095)	(12,431)	0	(701,664)
Operating transfer ¹⁰	23,427	1,419,624	(1,419,624)	23,472
Permits, fees, and miscellaneous 2, 3	405,016	55,613	116,361	233,042
	264,915_	\$ <u>1,578,114</u>	<u>\$(1,295,579)</u>	\$(17,620)
Total Revenue	\$131,646,446	\$88,813,854	\$9,130,024	\$33,702,568

Totals may not add due to rounding.

Resource Management Cost Account (RMCA) Upland

Revenue, Expenditures and Trust Balance

This portion of the RMCA supports the land management of upland state grant lands, each of which supports a specific designated beneficiary.

Trust Balance (July 1, 2002)

\$13,482,143

RMCA Uplands Revenue

\$25,968,900

Less: Expenditures ¹

Ecosi Experiarea es	
Agricultural resources	\$1,307,514
Asset management & protection	1,615,412
Product sales & leasing	8,278,713
Land management	5,231,570
Special employment services	912,899
Administration	640,451
Interagency payments	1,376,046
Agency support	2,862,059
Engineering services	930,044
Salary/insurance/health revolving fund 14	(523,627)
Total operating expenditures	\$22,631,081
Total capital expenditures	6,240,527

Total expenditures and other charges

28,871,608

Trust Balance (June 30, 2003)*

\$10,579,435

Totals may not add due to rounding.

^{*} Timber sales are a major source of revenue from upland state grant lands. Several years of low timber prices have reduced revenue to the RMCA. Timber prices are projected to remain low over the next several years. DNR is working to bring expenditures and revenue in line with one another.

General* Distribution of Revenue from Upland State Grant Lands

Fiscal Year 2003

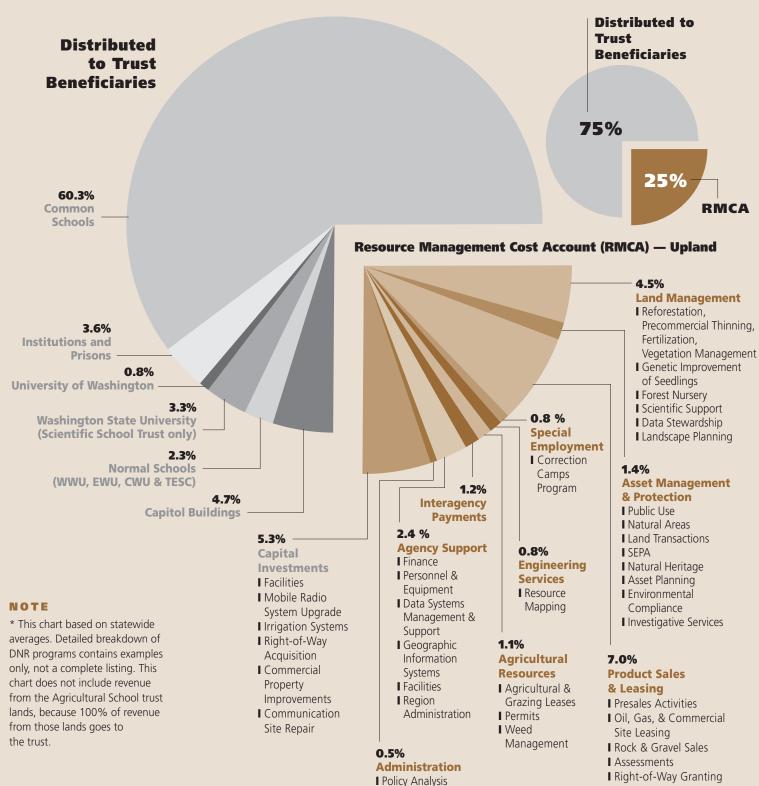
& Acquisition

■ Contract Administration

Leasing

By law, each beneficiary of the upland state grant land trusts receives 75% of the revenue earned from its lands, and the remaining 25% goes to the RMCA to fund DNR's management of the lands. This chart shows the combined distribution, with each trust beneficiary's share proportional to its share of the

total revenue earned, and with the RMCA share divided among DNR's expenditures from the account for upland management activities. Expenditures are appropriated by the Legislature and are ongoing investments to keep the lands productive and to generate future income for the trusts.



I Executive Management

■ Budget & Economic Services

I Internal Audit

I Communications

Common School, Indemnity and Escheat Grants

Income from these state grant lands and escheat lands (those with no known heirs) supports construction of state public kindergarten through 12th grade schools.

The beneficiary's share of income is distributed to the Common School Construction Account and the Common School Permanent Account, which generates

perpetual interest for the support of school construction. This distribution varies by activity and is governed by law.

REVENUE	DISTRIBUTION
---------	--------------

Total Funds	Common School Construction	Common School Permanent	Resource Management Cost Account
\$39,926,443	\$29,944,600	\$0	\$9,981,843
		0	67,931
		0	0
5,458,480	0	0	5,458,480
\$71,082,096	\$55,573,842	\$0	\$15,508,254
\$2,053,832	\$1,540,258	\$0	\$513,574
4,269,644	3,202,234	0	1,067,410
549,894	412,421	0	137,473
0	0	0	0
577,380	433,035	0	144,345
6,708,295	5,029,620	0	1,678,675
231,281	87,316	86,145	57,820
482,625	39,648	322,321	120,656
1,118,472	825,538	0	292,934
203,954	152,915	0	51,039
\$16,195,377	\$11,722,985	\$408,466	\$4,063,926
\$95,820	\$50,987	0	\$44,833
(433,598)	0	0	(433,598)
328	0	0	328
318,701	1,729	116,361	200,611
\$`(18,749)	\$52,716	\$116,361	(\$187,826)
\$87,258,724	\$67,349,543	\$524,827	\$19,384,354
	\$39,926,443 271,174 25,425,999 5,458,480 \$71,082,096 \$2,053,832 4,269,644 549,894 0 577,380 6,708,295 231,281 482,625 1,118,472 203,954 \$16,195,377 \$95,820 (433,598) 328 318,701 \$`(18,749)	\$39,926,443 \$29,944,600 271,174 203,243 25,425,999 25,425,999 5,458,480 0 \$71,082,096 \$55,573,842 \$1,540,258 4,269,644 3,202,234 549,894 412,421 0 0 0 577,380 433,035 6,708,295 5,029,620 231,281 87,316 482,625 39,648 1,118,472 825,538 203,954 152,915 \$16,195,377 \$11,722,985 \$95,820 \$50,987 (433,598) 0 328 0 318,701 1,729 \$(18,749) \$52,716	Total Funds School Construction School Permanent \$39,926,443 \$29,944,600 \$0 271,174 203,243 0 25,425,999 25,425,999 0 \$458,480 0 0 \$71,082,096 \$55,573,842 \$0 \$2,053,832 \$1,540,258 \$0 4,269,644 3,202,234 0 549,894 412,421 0 0 0 0 577,380 433,035 0 6,708,295 5,029,620 0 231,281 87,316 86,145 482,625 39,648 322,321 1,118,472 825,538 0 203,954 152,915 0 \$16,195,377 \$11,722,985 \$408,466 \$95,820 \$50,987 0 (433,598) 0 0 328 0 0 318,701 1,729 116,361 \$(18,749) \$52,716 \$116,361

Totals may not add due to rounding.

University Grants (UW) Original and Transferred

'03

Income from these state grant lands supports construction of buildings for the University of Washington. Some of these lands were acquired at the time of statehood, and some lands were transferred to this trust from the CEP&RI trust by the Legislature in 1893. The beneficiary's share of income is distributed to the University Permanent and UW Bond Retirement accounts. This distribution varies by activity and is governed by law.

REVENUE

DISTRIBUTION

Source	Total Funds	UW Bond Retirement	State (UW) University Permanent	Resource Management Cost Account ¹
Sales				
Timber sales ⁹	\$856,836	\$0	\$642,627	\$214,209
Timber sales-related activities ¹	1,050	0	496	554
Land sales (includes land bank)	0	0	0	0
	\$857,886	\$0	\$643,123	\$214,763
Leases				
Agriculture				
Dryland	\$148,548	\$0	\$111,411	\$37,137
Irrigated	0	0	0	0
Grazing and other	18,439	0	13,829	4,610
Aquatic lands	0	0	0	0
Special use	15,062	0	11,297	3,765
Commercial real estate	103,472	0	77,604	25,868
Mineral and hydrocarbon	199	0	149	50
Rights-of-way	4,552	0	3,414	1,138
Communication sites	0	0	0	0
Special forest products	4,930	0	3,697	1,233
	\$295,202	<u>\$0</u>	\$221,401	\$73,801
Other Revenue				
Interest income	\$9,627	\$767	\$177	\$8,683
Non-trust revenue 14	(6,710)	0	0	(6,710)
Operating transfer 10	22,619	779,264	(779,264)	22,619
Permits, fees, and miscellaneous 2, 3	5	0	0	5
	\$25,541	\$780,031	(\$779,087)	24,597
Total Revenue	\$1,178,629	\$780,031	\$85,437	\$313,161

Totals may not add due to rounding.

Charitable, Educational, Penal and Reformatory Institutions Grant (CEP&RI)

'03

Income from these state grant lands is used to establish and maintain institutions managed by the Department of Corrections (such as prisons) and the Department of Social and Health Services (such as Western State Hospital). The beneficiary's share of income is distributed to the CEP&RI Account.

REVENUE DISTRIBUTION

			Resource	
		CEP&RI	Management	
Source	Total Funds	Account	Cost Account	
Sales				
Timber sales	\$4,344,191	\$3,258,143	\$1,086,048	
Timber sales-related activities ¹	79	59	20	
Land sales (includes land bank)	0	0	0	
	\$4,344,270	\$3,258,202	\$1,086,068	
Leases				
Agriculture				
Dryland	\$248,419	\$186,314	\$62,105	
Irrigated	0	0	0	
Grazing and other	10,725	8,044	2,681	
Aquatic lands	0	0	0	
Special use	5,316	3,987	1,329	
Commercial real estate	11,150	8,363	2,787	
Mineral and hydrocarbon	579,225	434,419	144,806	
Rights-of-way	19,924	14,943	4,981	
Communication sites	200,816	150,169	50,647	
Special forest products	10,345	7,759	2,586	
-	<u>\$1,085,920</u>	\$813,998	\$271,922	
Other Revenue				
Interest income	\$64,545	\$3,266	\$61,279	
Non-trust revenue 14	(29,790)	0	(29,790)	
Operating transfer	0	0	0	
Permits, fees, and miscellaneous 2, 3	914	0	914	
	\$35,669	\$3,266	\$32,403	
Total Revenue	\$5,465,859	\$4,075,466	\$1,390,393	

Totals may not add due to rounding.

Capitol Building Grant

Income from these state grant lands supports construction of state government office buildings Capitol Building Construction at the Capitol Campus in Olympia.

The beneficiary's share of income is distributed to the Account.

REVENUE	DISTRIBUTION
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Source	Total Funds	Capitol Building Construction	Resource Management Cost Account ¹
Sales			
Timber sales ⁹	\$6,912,823	\$5,184,447	\$1,728,376
Timber sales-related activities ¹	8,813	5,341	3,472
Land sales (includes land bank) 5	888,000	0	888,000
	\$7,809,636	\$5,189,788	\$2,619,848
Leases			
Agriculture			
Dryland	\$52,399	\$39,299	\$13,100
Irrigated	0	0	0
Grazing and other	3,403	2,552	851
Aquatic lands	0	0	0
Special use	17,028	12,771	4,257
Commercial real estate	1,180	885	295
Mineral and hydrocarbon	11,811	8,858	2,953
Rights-of-way	12,140	9,105	3,035
Communication sites	51,885	38,389	13,496
Special forest products	9,783	7,337	2,446
	\$159,629	\$119,196	\$40,433
Other Revenue			
Interest income	\$123,178	\$4,493	\$118,685
Non-trust revenue 14	(58,375)	0	(58,375)
Operating transfer 10	124	0	124
Permits, fees, and miscellaneous 2, 3	3,794	0	3,794
	\$68,721	\$4,493	\$64,228
Total Revenue	\$8,037,986	\$5,313,477	\$2,724,509

Totals may not add due to rounding.

Normal School Grant (EWU, CWU, WWU and TESC)

Income from these state grant lands supports construction at Eastern Washington University, Central Washington University and Western Washington University (regional universities).

These three universities were originally called "normal" schools or "teachers' colleges." The Evergreen State College was added by the Legislature to begin receiving revenue after July 1, 1995.

The beneficiary's share of income is distributed to the Normal School Permanent Account and capital project accounts for each university. This distribution varies by activity and is governed by law.

REVENUE	DIS	TRI	BU	ΤI	0	N
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KEVENOL		DISTRIBUTION			
Source	Total Funds	EWU, CWU WWU, TESC Capital Projects	Normal School Permanent	Resource Management Cost Account ¹	
Sales					
Timber sales ⁹	\$3,377,674	\$0	\$2,533,384	\$843,889	
Timber sales-related activities ¹	9,716	0	5,287	4,429	
Land sales (includes land bank) ⁵	0	0	0	0	
	\$3,386,989	\$0	\$2,538,671	\$848,318	
Leases					
Agriculture					
Dryland	\$34,969	\$26,227	\$0	\$8,742	
Irrigated	19,460	14,595	0	4,865	
Grazing and other	6,765	5,074	0	1,691	
Aquatic lands	0	0	0	0	
Special use	6,391	4,793	0	1,598	
Commercial real estate	0	0	0	0	
Mineral and hydrocarbon	160	120	0	40	
Rights-of-way	2,028	0	1,521	507	
Communication sites	0	0	0	0	
Special forest products	7,291	5,468	0	1,823	
	\$77,064	\$56,277	<u>\$1,521</u>	\$19,266	
Other Revenue					
Interest income	\$45,058	\$1,228	\$3,871	\$39,959	
Non-trust revenue 14	(19,057)	0	0	(19,057)	
Operating transfer 10	401	0	0	401	
Permits, fees, and miscellaneous ^{2, 3}	544	0	0	544	
	\$26,946	<u>\$1,228</u>	\$3,871	\$21,847	
Total Revenue	\$3,490,999	\$57,505	\$2,544,063	\$889,431	

Totals may not add due to rounding.

$\textbf{Scientific School Grant} \ (WSU)$

Income from these state grant lands supports construction of buildings at Washington State University. The beneficiary's share of income is distributed to the

Scientific School Permanent and the WSU Bond Retirement accounts. This distribution varies by activity and is governed by law.

REVENUE

DISTRIBUTION

Source	Total Funds	WSU Bond Retirement	Scientific Permanent	Resource Management Cost Account
Sales				
Timber sales	\$4,489,997	\$0	\$3,367,498	\$1,122.499
Timber sales-related activities 1	833	0	76	757
Land sales (includes land bank)	0	0	0	0
	\$4,490,830	\$0	\$3,367,574	\$1,123,256
Leases				
Agriculture				
Dryland	\$46,323	\$0	\$34,742	\$11,581
Irrigated	38,557	0	28,918	9,639
Grazing and other	3,548	0	2,661	887
Aquatic lands	0	0	0	0
Special use	7,434	0	5,576	1,858
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	1,549	0	1,162	387
Rights-of-way	33,537	0	25,153	8,384
Communication sites	316,680	0	237,510	79,170
Special forest products	11,825	0	8,869	2,956
	\$459,453	<u>\$0</u>	\$344,591	\$114,862
Other Revenue				
Interest income	\$60,594	\$1,716	\$2,815	\$56,063
Non-trust revenue ¹⁴	(27,148)	0	0	(27,148)
Operating transfer ¹⁰	0	367,176	(367,176)	0
Permits, fees, and miscellaneous 2, 3	20	0	0	20
	\$33,466	\$368,892	(\$364,361)	\$28,935
Total Revenue	\$4,983,749	\$368,892	\$3,347,804	\$1,267,053

Totals may not add due to rounding.

Agricultural College Trust Management Account (ACTMA)

Revenue, Expenditures and Fund Balance



This account funds DNR's management of the Agricultural College trust lands. The ACTMA is funded through an appropriation from the state General Fund.

(As of July 1, 1999, Agricultural College trust lands do not contribute to the RMCA, which supports DNR's management of other state grant lands.)

\$378,168

Fund Balance (July	<i>,</i> 1, 2002)		

Revenue (31,866)

Less: Expenditures ¹

•	
Agricultural resources	\$53,900
Asset management & protection	56,811
Product sales & leasing	219,824
Land management	179,448
Special employment services	13,379
Administration	9,291
Interagency payments	19,963
Agency support	41,520
Engineering Services	24,945
Salary/insurance/health revolving fund 14	(29,335)

Total operating expenditures	\$589,746
Transfer to General Fund	(590,590)
Total capital expenditures	76,763

Total expenditures and other charges 75,919

ACTMA Fund Balance (June 30, 2003) \$270,383

Totals may not add due to rounding.

Agricultural School Grant (WSU)

Income from these state grant lands supports construction of Washington State University's buildings. All revenue from these lands is income for the trust, and is divided between

the Agricultural College Permanent account and the WSU Bond Retirement Account. This distribution varies by activity and is governed by law.

REVENUE DISTRIBUTION

Source	Total Funds	WSU Bond Retirement	Agricultural College Permanent
Sales			
Timber sales	\$2,620,683	\$0	\$2,620,683
Timber sales-related activities ¹	10,815	0	10,815
Land sales (includes land bank)	0	0	0
	\$2,631,498	\$0	\$2,631,498
Leases			
Agriculture			
Dryland	\$83,686	\$0	\$83,686
Irrigated	58,906	0	58,906
Grazing and other	8,809	0	8,809
Aquatic lands	0	0	0
Special use	2,296	0	2,296
Commercial real estate	5,352	0	5,352
Mineral and hydrocarbon	1,400	0	1,400
Rights-of-way	2,984	0	2,984
Communication sites	104,265	0	104,265
Special forest products	1,060	0	1,060
	\$268,758	<u>\$</u> 0	\$268,758
Other Revenue			
Interest income	\$2,097	\$1,276	\$821
Non-trust revenue 14	0	0	0
Operating transfer ¹⁰	0	273,184	(273,184)
Permits, fees, and miscellaneous 2, 3	0	0	0
	\$2,097	\$274,460	(\$272,363)
Total Revenue	\$2,902,353	\$274,460	\$2,627,893
Total Revenue	\$2,902,353	\$274,460	\$2,6

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Aquatic Lands

'03

State-owned aquatic lands (tidelands, shorelands and beds of navigable waters) are a "public trust"— managed to benefit the public as a whole. Revenue from these state grant lands is divided between two accounts: The RMCA-aquatic supports DNR's management of state aquatic lands and resources, and the ALEA provides for the purchase, improvement and protection of aquatic lands, largely through grants to public entities. Distribution varies according to activity and land classification, and is governed by law.

REVENUE		DISTRIBUTION		
Source Total		Aquatic Lands Enhancement	Resource Management Cost Account ¹³	
Aquatic Resources Activities				
Leases				
Geoduck leases	\$10,394,658	5,197,329	5,197,329	
Other leases	7,089,887	4,906,438	2,138,449	
Mineral and hydrocarbon	253,600	133,738	119,862	
Rights-of-way	498,778	263,947	234,831	
Interest income	149,604	51,576	98,028	
Non-trust revenue 14	(139,417)	(12,431)	(126,986)	
Miscellaneous ¹	81,038	53,884	27,154	
Total Revenue	\$18,328,148	\$ <u>10,594,481</u>	\$7,733,667	

RMCA - Aquatic

Revenue, Expenditures and Trust Balance

Trust Balance (July 1, 2002)		\$1,817,530
RMCA Aquatic Revenue		T T00 ((0)
Less: Expenditures ¹		7,733,668
Aquatic resources	\$4,638,961	
Administration	202,476	
Interagency payments	435,032	
Agency support	1,140,211	
Salary/insurance/health revolving fund 14	(174,542)	
Total expenditures and other charges		6,242,138
Trust Balance (June 30, 2003)		\$3,309,060

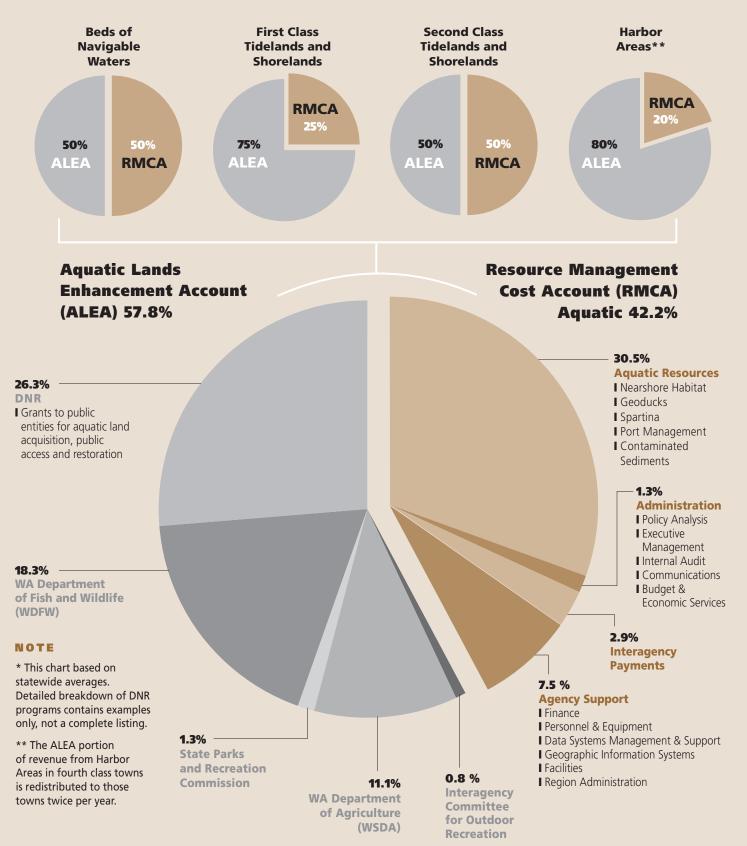
Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Fiscal Year 2003

General* Distribution of Revenue from State-Owned Aquatic Lands

By law, revenue from state-owned Aquatic Lands goes to the ALEA for aquatic resource enhancement and to the RMCA to fund DNR's management of state aquatic lands. Distribution differs for different types of aquatic land see the small pie charts. The large pie chart shows the combined total distribution, with the ALEA share divided among recipient agencies, and the RMCA share divided among DNR's expenditures from the account. Expenditures are appropriated by the Legislature and are ongoing investments to keep the submerged lands productive.



Forest Development Account (FDA)

Revenue, Expenditures and Fund Balance



The FDA funds DNR's land management activities on Forest Board Lands in 21 counties. DNR deposits a portion of the revenue it generates from these lands into the FDA, and the legislature

\$25,762,958

appropriates funds from the account to DNR for expenditures. The FDA is used for land management expenses (e.g., reforestation, preparing timber sales) on Forest Board lands.

FDA Revenue 20,059,795

Less: Expenditures ¹

Agricultural resources	\$7,403
Asset management & protection	1,025,121
Product sales & leasing	5,859,440
Land management	4,481,276
Special employment services	1,171,642
Administration	560,754
Interagency payments	1,204,812
Agency support	2,505,905
Engineering services	2,808,485
Salary/insurance/health revolving fund 14	(351,241)
Total operating expenditures	\$19,273,596
Total capital expenditures	744,141

Total expenditures and other charges 20,017,737

FDA Fund Balance (June 30, 2003) \$25,805,016

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

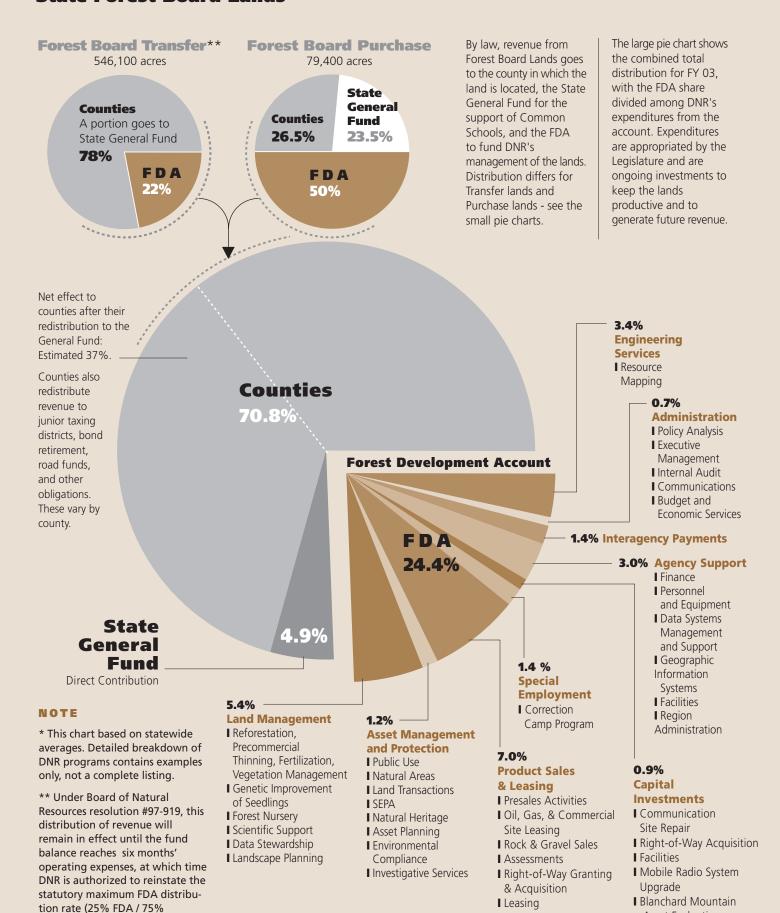
General* Distribution of Revenue from State Forest Board Lands

Fiscal Year 2003

Asset Evaluation

■ Contract

Administration



county).

Forest Board Lands

Income from these lands is distributed to the counties in which the lands are located, the state General Fund for the support of common schools, and the Forest Development Account (FDA) for DNR's land manage-

ment expenses on these lands. There are two categories of Forest Board lands: Purchase lands and Transfer lands.

Forest Board Purchase lands were given to the state or purchased by the state at low

cost. The FDA receives half the income from these lands. The other half is divided between the respective county and the state General Fund for the support of common schools.

REVENUE

CONTRIBUTING LANDS

		Forest	Forest
		Board	Board
Source	Total	Transfer	Purchase
Sales			
Timber sales	\$80,738,004	\$67,914,227	\$12,823,776
Timber sales-related activities ¹	170,913	162,049	8,864
	\$80,908,917	\$68,076,276	\$12,832,640
Leases			
Agriculture/minor forest products	\$181,799	\$155,110	\$26,689
Commercial/special use	66,915	58,359	8,556
Mineral and hydrocarbon	101,498	97,649	3,849
Rights-of-way	328,317	216,641	111,676
Communication sites	835,977	483,842	352,135
	\$1,514,506	\$1,011,601	\$502,905
Other Revenue			
Interest income	\$18,542	\$18,024	\$518
Permits, fees, and miscellaneous 2,3	129,024	128,302	722
Treasurer's revenue 16	38,974	N/A	N/A
FDA non-trust revenue 14	(367,350)	N/A	N/A
	(\$180,811)	\$146,326	\$1,240
Total Revenue	\$82,242,612	\$69,234,203	\$13,336,785

N/A—not applicable.

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Forest Board Lands (Continued)

Forest Board Transfer lands were forfeited to the counties in which they were located when the private landowners failed to pay property taxes, primarily in the 1920s and 1930s. The counties turned the lands over to the state. DNR now manages these lands and distributes at least 75 percent of the income to the counties and up to 25 percent of the income to the FDA. (As of July 1, 1997, under Board of Natural Resources resolution

#97-919, the amount distributed to the counties increased to 78 percent, and the amount distributed to the FDA was reduced to 22 percent. This change will remain in effect until the fund balance in FDA reaches

an amount equal to operating expenses for six months, at which time DNR is authorized to reinstate the statutory maximum distribution to the FDA: 25 percent.)

REVENUE DISTRIBUTION

CONTRIBUTING LANDS

REVENUE DISTRIBUTION		CONTRIBUTING LANDS		
Recipient	Total	Forest Board Transfer	Forest Board Purchase	
County				
Clallam	\$3,454,487	\$3,454,487	\$0	
Clark	2,691,300	2,691,291	9	
Cowlitz	2,728,520	2,664,383	64,137	
Grays Harbor	2,283,348	268,927	2,014,421	
Jefferson	1,687,634	1,687,634	0	
King	2,474,704	2,474,704	0	
Kitsap	59,831	41,758	18,073	
Klickitat	1,244,132	1,244,106	26	
Lewis	2,917,973	2,917,949	24	
Mason	1,724,689	1,353,487	371,202	
Okanogan	28	28	0	
Pacific	1,606,056	1,550,245	55,811	
Pierce	3,011,231	2,745,322	265,909	
Skagit	9,624,168	9,624,168	0	
Skamania	90,886	61,497	29,389	
Snohomish	9,208,205	9,208,205	0	
Stevens	33,870	33,870	0	
Thurston	4,461,795	2,982,692	1,479,103	
Wahkiakum	1,956,250	1,956,250	0	
Whatcom	6,889,745	6,883,510	6,235	
Treasurer's revenue ¹⁶	38,974	N/A	N/A	
	\$58,187,826	\$53,844,513	\$4,304,339	
Forest Development Account				
Trust activity	\$20,294,212	\$15,257,484	\$5,036,728	
Permits, fees, and miscellaneous ^{2, 3}	132,933	132,207	726	
FDA non-trust revenue 14	(367,350)	N/A	N/A	
	\$20,059,795	\$15,389,691	\$5,037,454	
General Fund - State	\$3,994,992	<u>N/A</u> *	\$3,994,992	
Total Revenue	\$82,242,612	\$69,234,204	\$13,336,785	

N/A — not applicable.

See fiscal notes, pages 17-19.

^{*} Income from Forest Board Transfer lands is not directly distributed to the State General Fund. However, counties redistribute a portion of their share of income from these lands to the fund. Totals may not add due to rounding.

State Trust Lands Management Fund Accounting Report

STATUTORY AUTHORITY AND REQUIREMENTS

Subject to legislative appropriation, the Department of Natural Resources is authorized by RCW's 79.64.100 and 79.64.030 to use funds from the Resource Management Cost Account (RMCA) and Forest Development Account (FDA) interchangeably in the management of State Grant Lands and State Forest Board Lands. The law also states, however, that an annual accounting will be kept of payments made by one fund on behalf of another. For example when RMCA funds are used to pay for activities on Forest Board Land, it shall be considered a debt against the FDA. RCW 79.64.030 also requires that the results of the accounting be reported to the legislature at the next regular session.

ACCOUNTING PROCEDURES

Beginning with fiscal year 1996, the following Cost Allocation System accounting procedures have been used to calculate any debt or loan between the management funds:

- **A.** All operating program expenditures that can be determined to benefit a particular land category are directly charged to that land category.
- **B.** Expenditures for majority of the department's operating programs for which the benefiting land category cannot be determined (indirect expenditures) are allocated to land categories based on staff month percentages derived from personnel time charged directly to those land categories or on the percentage of Western Washington forested acres that DNR manages for each land category.
- **c.** Capital outlay expenditures that benefit particular land categories are determined in advance then charged by land category in the ratio set by appropriations for each category.
- **D.** Agency Administration and Support costs are allocated to land category based on Agency work plans for the year as established during the budget process.
- **E.** Direct charges and indirect charges are totaled by land category within the Cost Allocation System. Expenditures paid from the RMCA and FDA accounts are compared to these total charges for Grant Lands and Forest Board Lands to determine how much of the charges were paid from one account on behalf of the other. If RMCA funds were used to pay Forest Board charges, a debt principal is incurred in that amount. If Forest Board funds were used to pay RMCA charges, the debt principal is reduced by that amount. Funding adjustments may be made periodically during the fiscal year to align expenditures by fund with total charges for Grant Lands and Forest Board Lands to prevent the accumulation of any new debt in the year.
- **F.** As required by law, interest is charged on the debt incurred. A full year's interest is charged on cumulative debt carried from the previous year. One half year's interest is calculated on the change in the debt principal occurring during the current year.
- **G.** Cumulative debt from the preceding year, plus new principal and interest charges are totaled to determine the new cumulative debt.

RMCA/FDA DEBT/LOAN ACCOUNTING FOR FISCAL YEAR 2003

	Grant Lands	Forest Board Lands
FY03 Trust Charges	\$35,113,746	\$20,017,737
RMCA Expenditures	35,113,746	_
FDA Expenditures	_	20,017,737
Cumulative Debt/Loan	0	0

FISCAL YEAR 2003 MANAGEMENT FUND DEBT STATUS

As of June 30, 2003, no debt exists between the Forest Board Lands (Forest Development Account) and the Grant Lands (Resource Management Cost Account).

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Timber Management Data Section

In this section, DNR provides data on timber as required by RCW 79.10.010 (3):

...(3) The commissioner of public lands shall provide annual reports to the respective trust beneficiaries, including each county. The report shall include, but not be limited to, the following: acres sold, acres harvested, number of stems per acre, acres precommercially thinned, acres commercially thinned, acres partially cut, acres clearcut, age of final rotation for acres clearcut, and the total number of acres off base for harvest and an explanation of why those acres are off base for harvest.

About These Pages

- These pages include data for Forest Board lands and federally granted trust lands. Trusts are listed individually.
- Counties that contain Forest Board lands but are not listed for an activity did not have that activity during Fiscal Year 2004.
- Numbered notes apply only to the page on which they appear.
- Numbers may not add due to rounding.

Timber Sold July 1, 2003 – June 30, 2004

'04

2004 Annual Report to Trust Beneficiaries per RCW 79.10.010

Trust / Beneficiaries N	lumber of Acres	Volume ¹ (mbf) ²
Forest Board Transfer		
Clallam	462	18,088
Clark	643	14,780
Cowlitz	192	4,929
Grays Harbor	6	92
Jefferson	130	4,420
King 3	249	11,366
Kitsap	97	2,209
Klickitat	277	1,845
Lewis	707	18,754
Mason	422	8,696
Pacific	231	9,739
Pierce	220	10,949
Skagit	1,273	43,804
Skamania	440	3,495
Snohomish	1,134	40,495
Thurston	201	6,244
Wahkiakum	349	9,357
Whatcom	934	23,925
Subtotal - Forest Board Transf	Fer 7,967	233,187
Forest Board Purchase		
Clark	42	544
Grays Harbor 4	651	17,537
Thurston ⁴	593	17,206
Subtotal - Forest Board Purch	ase 1,286	35,287
Common School, Indemnity &	Escheat 13,527	194,358
Agricultural School	1,105	18,247
University - Transferred & Or		436
CEP&RI	699	15,308
Capitol Building	1,279	27,547
Normal School	239	6,928
Scientific School	709	16,453
Community & Technical Colle	-	_
Forest Reserve	0	2
Subtotal - Granted Trusts	17,601	279,279
TOTAL - ALL TRUSTS	26,847	547,749

- 1 Timber volume sold per acre depends on site-specific conditions and harvest method.
- ² mbf: thousand board feet
- **3** Includes Water Pollution Control data.
- 4 Includes Forest Board repayment. (See Fiscal Section, page 52, note 9.)

Notes

- ▶ Timber is sold before it is harvested. Timber sale contracts average two years in length, with timber harvest schedules determined by individual purchasers. Sale and harvest of timber may or may not occcur in the same fiscal year. Revenues are generated when timber is harvested.
- Market conditions can influence number of sales and volume sold.
- ▶ Sales which contain more than one trust beneficiary report estimated acres and volume for each specific trust. Sales which benefit more than one trust distribute revenues proportionally by volume and not by acres.
- ▶ Numbers may not add due to rounding.

Sources

▶ DNR Revenue Management System database, Report TSC311; 12/04.

Silviculture¹ July 1, 2003 – June 30, 2004

2004 Annual Report to Trust Beneficiaries per RCW 79.10.010

Trust / Beneficiaries	Acres Planted ²	Stems per Acre ³	Precommercially Thinned Acres ⁴
Forest Board Transfer			
Clallam	1,060	323	347
Clark	364	360	55
Cowlitz	599	373	0
Grays Harbor	30	417	0
Jefferson	246	290	0
King ⁵	247	434	0
Kitsap	150	301	0
Klickitat	230	315	0
Lewis	462	355	0
Mason	369	302	166
Pacific	244	330	25
Pierce	61	316	0
Skagit	1,284	293	1,430
Snohomish	550	293	2,237
Thurston	156	368	0
Wahkiakum	162	374	0
Whatcom	674	296	304
Subtotal - Forest Board Transfer	6,887	NA	4,564
Forest Board Purchase			
Grays Harbor	619	328	126
Mason	125	285	0
Pacific	97	259	37
Pierce	21	302	0
Thurston	600	303	123
Subtotal - Forest Board Purchase	1,462	NA	286
Common School, Indemnity & Escheat	3,945	266	2,904
Agricultural School	232	297	21
University - Transferred & Original	112	257	111
CEP&RI	458	304	78
Capitol Building	654	238	805
Normal School	199	301	314
Scientific School	398	313	117
Community & Technical College Forest Reserve	48	134	208
TOTAL - ALL TRUSTS	14,396	NA	9,408

- **1** Silvicultural activities are forest management practices; implementation of silvicultural practices varies according to sitespecific conditions and availability of management funding.
- ² Acres planted include all planting processes and all tree species.
- **3** Stems per acre planted depend on site-specific conditions and anticipated survival rates.
- **4** Precommercially thinned acres increase yield rate per acre by selectively decreasing overcrowding of saplings.
- Includes Water Pollution Control data.

Note

Numbers may not add due to rounding.

Source

DNR Planning and Tracking System database, 1/05.

Timber Volume Harvested¹ July 1, 2003 – June 30, 2004

'04

2004 Annual Report to Trust Beneficiaries per RCW 79.10.010

Trust / Beneficiaries	Volume ² (mbf) ³
Forest Board Transfer	
Clallam	23,756
Clark	14,647
Cowlitz	8,788
Grays Harbor	173
Jefferson	4,053
King ⁴	12,297
Kitsap	5,513
Klickitat	1,775
Lewis	21,566
Mason	16,651
Pacific	7,097
Pierce	16,899
Skagit	43,097
Skamania	787
Snohomish	47,005
Thurston	9,515
Wahkiakum	5,182
Whatcom	31,356
Subtotal - Forest Board Transfer	270,157
Forest Board Purchase	
Clark	115
Cowlitz	659
Grays Harbor ⁵	20,765
Pacific ⁶	2,590
Pierce ⁶	2,155
Skamania	173
Thurston ⁵	42,958
Subtotal - Forest Board Purchase	69,415
Common School, Indemnity & Escheat	182,703
Agricultural School	12,847
University-Transferred & Original	2,643
CEP&RI	25,558
Capitol Building	25,163
Normal School	5,462
Scientific School	21,596
Community & Technical College	
Forest Reserve	507
Subtotal - Granted Trusts	276,479
TOTAL - ALL TRUSTS	616,051

- 1 Volume harvested is estimated for sales partially harvested.
- ² Timber volume harvested per acre depends on site-specific conditions and harvest method.
- **3** mbf: thousand board feet
- 4 Includes Water Pollution Control data
- 5 Includes Forest Board repayment. (See Fiscal Section, page 52, note 9.)
- **6** Includes University Repayment data.

Notes

- ▶ Timber is sold before it is harvested. Timber sale contracts average two years in length, with timber harvest schedules determined by individual purchasers. Sale and harvest of timber may or may not occcur in the same fiscal year. Revenues are generated when timber is harvested.
- ▶ Sales which contain more than one trust beneficiary report estimated volume harvested for each specific trust. Sales which benefit more than one trust distribute revenues proportionally by volume and not by acres.
- Numbers may not add due to rounding.

Sources

▶ DNR Revenue Management System database, Report TSC311, 12/04.

Timber Acres Harvested¹ July 1, 2003 – June 30, 2004

Trust / Beneficiaries	Acres Commercially Thinned/ Small Wood ²		Acres Clearcut/ Regeneration Harvest	Total Acres ⁴	Average Year of Clearcut Stand
Forest Board Transfer					
Clallam	38	0	857	895	1932
Clark	0	41	455	496	1940
Cowlitz	30	4	197	233	1935
Grays Harbor	0	0	1	1	1932
Jefferson	26	0	177	204	1936
King	42	0	330	372	1935
Kitsap	0	0	230	230	1941
Klickitat	72	161	46	281	1906
Lewis	0	266	656	922	1941
Mason	11	0	697	709	1939
Pacific	0	0	228	228	1932
Pierce	51	0	343	394	1934
Skagit	40	77	1,192	1,311	1932
Skamania	74	0	0	75	1954
Snohomish	0	69	1,095	1,165	1930
Thurston	56	248	189	494	1937
Wahkiakum	36	52	118	206	1941
Whatcom	23	8	891	924	1931
Subtotal - Forest Board Transfer	506	931	7,711	9,149	NA
State Forest Board Purchase					
Clark	0	0	1	1	1929
Cowlitz	0	0	19	19	1939
Grays Harbor	41	89	319	450	1939
Pacific	0	0	29	29	1927
Pierce	9	0	35	45	1940
Skamania	18	0	1	19	1959
Thurston	3	123	853	980	1934
Subtotal - Forest Board Purchase	73	212	1,261	1,547	NA
Common School, Indemnity/Esch	neat 616	5,883	5,681	12,180	1928
Agricultural School	4	482	392	880	1929
University - Transferred/Origin	al 5	0	134	139	1943
CEP&RI	53	131	878	1,062	1937
Capitol Building	302	201	782	1,286	1934
Normal School	34	222	383	641	1930
Scientific School	66	128	491	686	1932
Community & Technical					
College Forest Reserve	0	54	0	54	1941
Subtotal - Granted Trusts	1,080	7,101	8,741	16,928	NA
TOTAL - ALL TRUSTS	1,662	8,249	17,717	27,629	NA

2004 Annual Report to Trust Beneficiaries per RCW 79.10.010

- 1 The department tracks harvest method information in ten categories; for purposes of this report, per RCW 79.10.010, the data are aggregated into three harvest methods.
- **2** Commercial thinning/small wood generates revenue, promotes growth of the remaining trees and creates desired future forest conditions.
- **3** Partial cuts/older stand thinnings generate revenue and help achieve desired future forest conditions.
- 4 Total acres include total of all harvest activities.

Notes

- ▶ Harvested acres shown are fiscal year 2004 activities only; acres are reported again in the future if additional harvest activities occur. Acres harvested are estimated for sales partially harvested. Timber volume harvested per acre depends on site-specific conditions and harvest method.
- Sales which contain more than one trust beneficiary report estimated acres harvested for each specific trust. Sales which benefit more than one trust distribute revenues proportionally by volume and not by acres.
- Numbers may not add due to rounding.

Sources

▶ DNR Revenue Management System database, Report TSC348P2,12/04.

Acres Off-Base for Harvest July 1, 2003 – June 30, 2004

'04

2004 Annual Report to Trust Beneficiaries per RCW 79.10.010

Trust / Beneficiaries	Off-base acres ¹
Forest Board Transfer	
Clallam	16,793
Clark	1,825
Cowlitz	1,372
Grays Harbor	238 947
Jefferson King	3,525
Kitsap	544
Klickitat	5,653
Lewis	3,513
Mason	2,183
Pacific	1,596
Pierce	474
Skagit	14,454
Skamania	10,726
Snohomish	7,418
Stevens	19
Thurston	4,482
Wahkiakum	1,056
Whatcom	8,207
Subtotal - Forest Board Tansfer	85,025
orest Board Purchase	
Clallam	89
Clark	1,380
Cowlitz	150
Grays Harbor	2,168
Jefferson	3
Kitsap	10
Lewis Mason	124 30
Pacific	956
Pierce	256
Skamania	838
Snohomish	24
Thurston	1,253
Whatcom	182
Subtotal - Forest Board Purchase	7,463
Common School, Indemnity & Escheat	302,531
Agricultural School	6,348
Jniversity - Transferred	10,500
CEP&RI	7,802
Capitol Building	
	17,471
Normal School	12,040
Scientific School	9,248
University - Original	343
Community & Technical College Forest Reserve	77
TOTAL - ALL TRUSTS	/EQ 9/10
IOIAL - ALL INUSIS	458,848

1 OFF-BASE: Under the 1992 Forest Resource Plan, the department's principal forest resource policy document, forest lands are designated as on-base or off-base. On-base acres are those areas capable of producing timber, are not deferred from harvest, and are included in the department's long-range timber harvest plans, consistent with the 1996 sustainable harvest calculation.

Off-base acres include acres which cannot produce a recurring timber crop. Forest stands are classified as off-base, for example, when they are small, isolated, difficult to reach, or too costly to log.

Acres are designated off-base because they are inoperable, are low site, contain permanent research plots, are upland wildlife management areas, are timber gene pool reserves, are on unstable slopes, in riparian buffers, are located in a northern spotted owl nest patch, contain a northern spotted owl site center, are identified as murrelet habitat, or are included in the Olympic Experimental State Forest deferral areas.

Off-base land classifications are not permanent designations. The department may change the classification as specific forest stands or sites are re-evaluated.

Off-base acres include deferred acres, those where harvesting is postponed or deferred for a period of time.

NOTES

- This 2004 Annual Report section includes all eastern Washington forestlands. Some east-side forestlands may not produce harvestable timber in 80 years, and are therefore classified off-base in the 1996 sustainable harvest calculation.
- Acreage updates and changes can occur over time due to technological refinements in data gathering and analysis, such as the Forest Resource Inventory System program.
- A specific site can be off-base due to one or more factors, some of which are noted above; a site may be designated off-base due to several factors simultaneously.
- Numbers may not add due to rounding or potential double counting.

SOURCES

Sustainable Harvest database, 1996; Forest Resource Plan, 1992.

NOTE: This chart is expected to be revised in future reports. Revisions may include new categories and definitions of "on-base" and "off-base" as a result.

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RMCA - Upland

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ACTMA

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General Distribution of Revenue from State-Owned Aquatic Lands

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Fiscal Section

On the following pages, DNR accounts for the revenue it generated and expended during Fiscal Year 2004 (FY 04), including how revenue was generated and distributed on behalf of the state trusts whose land DNR manages.

Distribution of revenue is governed by statute, and varies according to trust, land type, and activity.

DNR's land management activities and expenditures are investments in the long-term health and productivity of the resources entrusted to its care.

About these pages

- Fiscal information is presented as a combination of tables, pie charts and notes, and progresses from a broad overview to the more detailed accounting for individual trust beneficiaries, and is divided between state grant lands and Forest Board Lands. (There is no individual page for the Community College Forest Reserve Trust because of the low activity on these trust lands. See "Funds Administered by Other Entities," page 57, for distribution to this trust. All revenue was from timber sales.)
- The numbered fiscal notes at the beginning of the section (pp. 51-53) are critical to understanding the content of the tables. These notes are referenced by numerical superscript. Other notes may appear at the bottom of a page, in italics.
- Introductory notes on each page provide context for the contents of the page.
- Underlined bold numbers are totals or subtotals. The thickness of the line reflects the level of the total. Some pages have a total (thickest line), subtotals and subsubtotals (thinnest line).
- Note that some pages show dollars in thousands. Also, totals may not add due to rounding.

Acronyms

ACTMA	Agricultural College Trust
	Management Account
ALEA	Aquatic Lands
	Enhancement Account
CEP&RI	Charitable, Educational,
	Penal and Reform Institution Trust
COLA	Cost of Living Adjustment
CWU	Central Washington University
EWU	Eastern Washington University
FDA	Forest Development Account
FY04	Fiscal Year 2004
	(July 1, 2003 – June 30, 2004)
K-12	Kindergarten-12th grade schools
RMCA	Resource Management
	Cost Account
TESC	The Evergreen State College
UW	University of Washington
WSU	Washington State University
WWU	Western Washington University

FISCAL NOTES 2004

These numbered notes are referred to on the following pages. A note may apply to more than one page. Although similar to notes in prior reports, these notes apply only to this report (2004).

1 REVENUE SOURCES

Timber sales-related activities include contract extensions, slash disposal, trespasses, and default settlement payments.

Miscellaneous sales include publications, GIS data, honor camp activities, and surveys and maps.

Miscellaneous leases include special use and special forest products.

Interest income includes interest on contracts, interest assessed for late payments, and interest earned from account (treasurer's interest).

Permits, fees, and related charges includes surface mining permits, log patrol licenses, aquatic lands dredged material disposal site fees, forest practices damage assessments and permits, survey records recording fees, application/assignment fees, burning permit fees, and local government assessments.

Miscellaneous other revenue includes prior period adjustments and recoveries of prior biennium expenditures, treasurer transfers, as well as revenue from the Off-Road Vehicle and Natural Resources Conservation Areas Stewardship accounts. FY 2004 miscellaneous revenue includes recovery of \$15,562,266 in General Fund for prior period fire suppression costs.

Operating transfers include transfers attributed to prior period revenue.

2 EXPENDITURE CATEGORIES

Administration includes Executive Management, Internal Audit, Communications, and Budget & Economics.

Interagency payments are payments made to other state agencies such as the Attorney General, State Auditor, General Administration, Dept. of Personnel, Office of Financial Management, Dept. of Information Services, OMWBE, and Secretary of State.

Agency support activities include the following programs: Human Resources (personnel, safety, training), Financial Management (accounting, risk management, purchasing), Information Technology, Geographic Information Systems, Facilities, and Region Administration.

3 LAND TRANSFERS

Real Property Replacement: During FY 2004 a total of \$15,096,301, an amount equivalent to the property value, was received from (1) transfers to other government entities, (2) resolution of trespass violations, or (3) transfers in lieu of condemnation. The above amount includes interest earnings. This money is used to acquire replacement trust lands.

Trust Land Transfer: During FY 2004, a total of \$18,436,200 was generated from the Trust Land Tansfer program.

4 LAND BANK

DNR uses the Land Bank program to reposition trust land assets for better future income production. Legislative intent is for revenues from trust property sales to equal or exceed the cost of trust property purchases. However, during any one fiscal year the transactions may not balance (e.g., a property has been sold, but property to replace it has not yet been purchased). Land bank transactions are accounted for by trust within each of DNR's management funds.

Revenue from FY 2004 sales and existing contracts was \$267,459 to the Resource Management Cost Account. A total of \$1,709,152 is reserved to acquire property to replace Common School trust property previously sold through the "sell first" process of the Land Bank program. Proceeds of land sales made under the "sell first" process are held in the RMCA pursuant to RCW 79.19. The amount is used solely to acquire replacement Common School trust property on an equal value basis.

5 AGRICULTURAL COLLEGE TRUST MANAGEMENT ACCOUNT

Per RCW 79.64.090, the revenue on Agricultural College trust lands is distributed 100 percent to the agricultural college permanent fund or WSU bond retirement account. The management of the agricultural college trust lands is funded from the Agricultural Trust Management Account. This account depends on legislative appropriation for funding. Curently, the legislature appropriates the money for this purpose under a proviso in General Fund. For FY 2004, the total expenditures related to the management of the Agricultural College trust lands were \$689,291 (\$655,623 of which was recorded under the General Fund proviso).

6 OFF-ROAD VEHICLE (ORV) ACCOUNT

This fund provides for acquisition, planning, development, maintenance and management of ORV recreation facilities, non-highway roads and non-highway road recreation facilities; education and law enforcement programs related to non-highway vehicles; and construction and maintenance of campgrounds and trailheads.

DNR, the Department of Fish and Wildlife, and the Parks and Recreation Commission spend from the fund in support of these functions. The Department of Licensing collects revenue for the fund, and DNR administers the fund according to Legislative appropriations. The following is the fund total fiscal activity for FY 2003:

Beginning Balance	\$791,898
Revenue:	
Licensing	2,176,128
Expenditures:	
Natural Resources \$(1,573,359)	
Parks and Recreation (164,316)	
Fish and Wildlife (152,380)	
Expenditure Subtotal	(1,890,055)
Net Fiscal Activity	286,073
Ending Balance	\$1,077,971

7 AQUATIC LANDS ENHANCEMENT ACCOUNT

This fund provides for the purchase, improvement and protection of aquatic lands for public purposes. DNR, the Department of Fish and Wildlife, the Department of Agriculture, the Parks and Recreation Commission, and the Interagency Committee for Outdoor Recreation spend from the fund for these purposes. DNR administers this fund, and only the DNR fiscal activity is reported in the DNR-Administered Funds section of this report (page 56).

The following is the total fund fiscal activity for FY 2004:

Beginning Balance		\$6,279,015
Revenue:		
Natural Resources	\$10,440,147	
Fish and Wildlife	584	
Distribution to Fourth Class Towns	(78,876)	
Revenue Subtotal		10,361,856
Expenditures:*		
Natural Resources	(3,082,831)	
Fish and Wildlife	(2,593,422)	
Parks and Recreation	(180,259)	
Agriculture	(1,228,193)	
Interagency Comm. for Outdoor Re	c. (590,134)	
Expenditure Subtotal		(7,674,838)
Net Fiscal Activity		2,687,018
Ending Balance		\$8.966.032

^{*}Expenditures for other agencies include Operating Transfers, if any.

DERELICT VESSEL REMOVAL ACCOUNT

This fund provides for costs and reimbursements to authorized public entities for the removal of derelict and abandoned vessels. DNR spends from the fund for these purposes and the Department of Licensing spends from the account for the purpose of administering the collection of revenue for the fund. DNR administers this fund, and only DNR fiscal activity is reported in the DNR-Administered Funds section of this report (page 56).

The following is the total fund fiscal activity for FY 2004:

Beginning Balance		\$198,856
Revenue:		
Licensing	\$546,227	
Revenue Subtotal		546,227
Expenditures:*		
Natural Resources	(286,836)	
Licensing	0	
Expenditure Subtotal		(286,836)
Net Fiscal Activity		259,392
Ending Balance		\$458,247
*Expenditures for other agencies in	clude Operating Trans	fers. if anv.

FDA/RMCA LOAN REPAYMENT

Board of Natural Resources resolutions #635 in 1990 and #756 in 1992 authorized settlement of the FDA debt to the RMCA by transferring timber-cutting rights on Forest Board Purchase lands to the Common School, Capitol Building, Normal School, and University granted trusts. A onethird interest in assets (timber-cutting rights) of the FDA on 35,655 acres was transferred to these trusts. The value of these transfers eliminated the debt between FDA and RMCA.

A total of \$6,535,698 was distributed to the trusts from timber harvested during fiscal year 2004. The RMCA received \$1,633,925 from this activity. Because this is repayment of a loan, the transactions are recorded as an operating transfer rather than as current period revenue.

The values from the harvest activity by fund, as well as RMCA trust for FY 2004, and in total since the adoption of resolution 635 in 1990 are:

	FY 2004	Total-to-date
Common School Construction Account	\$1,727,467	\$14,839,137
Capitol Building Construction Account	658,511	5,656,680
Normal School Permanent Account	2,107,953	18,107,553
State University Permanent Account	407,842	9,038,105
Total Trust Funds	\$4,901,773	\$47,641,475
Resource Management Cost Accou	nt	
Common School Trust	\$576,422	\$4,941,368
Capitol Building Trust	219,904	1,885,567
Normal School Trust	701,652	6,014,660
	135,947	3,012,702
University Trust	133,947	3,012,702

10 OPERATING TRANSFERS

According to the Office of Financial Management's interpretation of generally accepted accounting principles, debt service funds (funds used to pay off debts), such as the UW or WSU Bond Retirement accounts, cannot receive revenue directly. Instead, revenues to these two funds are recorded to the respective permanent funds, and then an operating transfer is made to the appropriate debt service fund.

11 TRUST FUNDS - CURRENT AND PERMANENT

Trust Current Funds are funds that individual trust beneficiaries can draw from. Trust Permanent Funds are endowments which generate interest that can be transferred to the Current Funds.

12 NATURAL RESOURCES EQUIPMENT ACCOUNT

Total all funds and activity does not include funds classified as internal service funds. The Natural Resources Equipment Account is DNR's only internal service fund. This fund is used to maintain, replace and provide equipment to DNR's programs on a rental basis. In 2004, this fund had revenue of \$15,007,608 and expenses of \$10,965,597.

13 RMCA PORTION OF TRUST LAND REVENUES

On most transactions, the Resource Management Cost Account receives 25 percent and the trusts receive 75 percent of revenues from trust lands. However, some transactions are subject to a different distribution ratio. These transactions include aquatic resources, miscellaneous non-trust revenues, interest earnings, land sales transactions and interfund loan repayment, the latter of which affects the Common School, University, Capitol Building and Normal School trusts. As a result, revenue on individual trust and grant lands summary pages may not reflect the usual 25 percent/75 per-

The tables below reflect trust activity with Forest Board Repament activity. Refer to fiscal note #17 for trust activity related to the University Trust.

COMMON SCHOOL / ESCHEAT TRUST

	Total	Com. Sch.	Com. Sch.	
Source / Activity	Revenue	Construct.	Perman.	RMCA
Trust Activity				
Timber sales	\$47,075,730	\$35,307,059	\$0	\$11,768,671
Timber sales-related	96,993	71,088	0	25,905
Leases	17,467,619	12,708,016	368,114	4,391,489
Late interest	25,670	8,942	0	16,728
Fees/service charges	66,390	832	0	65,558
Operating transfer - in	2,303,889	1,727,467	0	576,422
Subtotal	67,036,291	49,823,404	368,114	16,844,773
Forest Board Repayment				
Sales	2,274,987	0	0	2,274,987
Operating transfer -out	(2,303,889)	0	0	(2,303,889)
Total trust activity	67,007,389	49,823,404	368,114	16,815,871
Non-Trust Activity				
STO interest	54,066	30,229	0	23,837
Land sales/trust land transfer	18,653,659	18,436,200	0	217,459
Other Revenue	60,924	0	137,580	(76,656)
Total non-trust activity	18,768,649	18,466,429	137,580	164,640
TOTAL	\$85.776.038	\$68.289.833	\$505.694	\$16.980.511

CAPITOL BUILDING TRUST

	Total	Cap. Bldg.	
Source / Activity	Revenue	Construct.	RMCA
Trust Activity			
Timber sales	\$6,370,747	44,778,163	\$1,592,584
Timber sales-related	3,989	2,992	997
Leases	217,903	162,902	55,001
Late interest	1,544	1,063	481
Fees/service charges	2,080	0	2,080
Operating transfer - in	878,415	658,511	219,904
Subtotal	7,474,678	5,603,631	1,871,047
Forest Board Repayment			
Sales	867,394	0	867,394
Operating transfer -out	(878,415)	0	(878,415)
Total trust activity	7,463,657	5,603,631	1,860,026
Non-Trust Activity			
STO interest	42,920	1,857	41,063
Other Revenue	(8,544)	0	(8,544)
Total non-trust activity	34,376	1,857	32,519
TOTAL	47.498.034	\$5.605.488	\$1.892.545

NORMAL SCHOOL TRUST

			Normal	
	Total	Capital	School	
Source / Activity	Revenue	Projects	Perman.	RMCA
Trust Activity				
Timber sales	\$1,455,404	\$0	\$1,091,882	\$363,522
Timber sales-related	1,165	0	632	533
Leases	99,693	64,360	10,411	24,922
Late interest	710	228	0	482
Fees/service charges	2,198	40	0	2,158
Operating transfer - in	2,809,605	0	2,107,953	701,652
Subtotal	4,368,775	64,628	3,210,878	1,093,269
Forest Board Repayment				
Sales	2,774,360	0	0	2,774,360
Operating transfer -out	(2,809,605)	0	0	(2,809,605)
Total trust activity	4,333,530	64,628	3,210,878	1,058,024
Non-Trust Activity				
STO interest	25,626	1,165	0	24,461
Land sales/trust land transfer	50,000	0	0	50,000
Other Revenue	(5,089)	0	0	(5,089)
Total non-trust activity	70,537	1,165	0	69,372
TOTAL	\$4,404,067	\$65,793	\$3,210,878	\$1,127,396

14 NON-TRUST REVENUE AND SALARY/INSURANCE/HEALTH

Non-trust revenue cannot be attributed to a specific trust. For FY04, the largest portion of *non-trust revenue* includes treasurer transfers to other funds.

15 NEGATIVE TRUST REVENUE

Any negative revenue reflects accounting adjustments (such as baddebt write-offs, credit memos) from a prior fiscal year.

16 TREASURER'S REVENUE

Due to the schedule for distributing revenue, revenue from Forest Board Lands may earn interest before it is distributed to the appropriate county. Interest earnings cannot be attributed specifically to Transfer Lands or Purchase Lands. This revenue is accounted for as *treasurer's revenue* and is distributed to the appropriate county.

17 UNIVERSITY TRUST - ORIGINAL, TRANSFERRED, REPAYMENT

The accounting for the University Trust combines activity from original University trust lands, lands which have been transferred to the trust, and the University Trust's share of interfund loan repayment as described in fiscal note #9.

The following is a breakdown of the different elements contributing to the information for University Grants.

		Bond	University	
Trust Source/Activity	Total	Retirement	Permanent	RMCA
University - Transferred	lotai	<u>netirement</u>	remanent	MINICA
Timber sales	\$411,593	\$0	\$308,695	\$102,898
Timber sales-related	9,781	0	7,336	2,445
Leases	248,895	0	186,671	62,224
Late interest	25	0	19	. 6
Fees/service charges	(2,840)	0	0	(2,840)
Operating transfer - in	1,024,402	480,613	407,842	135,947
Operating transfer - out	(480,613)	0	(480,613)	0
Total	\$1,211,243	\$480,613	\$429,950	\$300,680
University - Original				
Timber sales	\$7,833	\$0	\$5,875	\$1,958
Leases	121,107	0	90,830	30,277
Late interest	(48)	0	(36)	(12)
Operating transfer - in	90,926	90,926	0	0
Operating transfer - out	(90,926)	0	(90,926)	0
Total	\$128,892	\$90,926	\$5,743	\$32,223
University Repayment				
Timber sales	\$506,516	\$0	\$0	\$506,516
Operating transfer - out	(543,790)	0	0	(543,790)
Total	\$(37,274)	\$0	0	\$(37,274)
Non-trust allocation				
STO interest	\$6,911	\$385	\$0	\$6,526
Non-trust revenue allocation	(1,358)	0	0	(1,358)
Total	\$5,553	\$385	\$0	\$5,168
TOTAL	\$1,308,414	\$571,924	\$435,693	\$300,797

Total Department Revenues

Many of DNR's activities generate revenue, whether for state trusts or for funds that support state programs, including those in DNR. Revenue is shown for the past two fiscal years for

comparison. Differences between the years reflect changes in market conditions, legal requirements, availability of resources, and other factors.

Revenue Source ¹	FY 2004	FY 2003
Sales		
Timber sale removals	\$175,299	\$143,393
Timber sale-related activities	323	478
Forest road assessments	11,879	8,918
Nursery seedling sales	2,332	1,900
Miscellaneous	512	655
	\$190,345	\$155,344
Leases		
Agriculture	\$8,608	\$7,686
Aquatic	15,781	17,485
Commercial real estate	7,418	6,831
Mineral and hydrocarbon	969	1,181
Communication sites	2,772	2,630
Rights-of-way	2,418	1,392
Miscellaneous	1,203	1,132
	\$39,169	\$38,337
Other Revenue		
Interest income	\$852	\$(403)
Fire assessments and cost reimbursement	10,362	2,588
Grants and contributions	12,491	17,346
Permits, fees, and related charges	2,876	2,647
Miscellaneous	15,766	2,027
	\$42,347	\$24,205
Total Revenue from Operations	\$271,861	\$217,886
Other Activity		
Land transfers ³	\$33,533	\$35,717
Land bank ⁴	267	6,346
	\$33,800	\$42,063
Total Revenue	\$305,661	\$259,949

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

Total Department Expenditures

DNR's expenditures reflect the diversity of the department's work. Land management activities are investments in the long-term health and productivity of the resources DNR manages.

Other activities support regulatory, assistance and resource protection programs, as well as general agency operation. Expenditures are shown for the past two fiscal years for

comparison. Differences between the years reflect changes in programs, legal requirements, salaries and benefits, inflation, and other factors.

Expenditures ²	FY 2004	FY 2003
Operating		
Agricultural resources	\$1,276	\$1,392
Asset management & protection	6,156	6,566
Product sales & leasing	14,128	14,403
Land management	13,088	12,169
Aquatic resources	7,748	8,900
Administration	3,340	3,705
Interagency payments	9,051	7,961
Agency support	16,358	16,559
Geologic resources	1,715	2,320
Forest practices & federal assurances	11,783	9,656
Engineering services	11,282	12,488
Resource protection	18,944	17,188
Fire suppression	28,929	24,972
	\$143,797	\$142,675
Capital		
Radio system upgrade	\$1,232	\$934
Recreation	84	672
Aquatic resources projects	57	1,782
Real estate and property acquisition	37,612	57,704
Facilities	696	1,182
Small timber landowner program	2,010	3,977
Miscellaneous	115	1,902
	\$41,806	\$68,152
Total Expenditures	\$185,603	\$210,826

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

Fund Activity

'04

DNR's fiscal activity includes generating revenue for a variety of funds and accounts, some of which benefit state trust beneficiaries and some of which fund state programs, including DNR's. DNR's fiscal activity also includes expenditures supporting its work. Some of the accounts that receive revenue from DNR or that fund DNR's expenditures are managed by DNR; others are managed by other agencies.

DNR-Administered Funds

	Beginning Balance			Ending Balance
Fund Title	7/1/03	Revenue	Expenditure	6/30/04
Trust Management Accounts*				
Forest development (FDA)	\$25,805	\$23,567	\$(19,822)	\$29,550
Resource management (RMCA)	13,889	31,018	(32,499)	12,407
Agricultural college (ACTMA)	271	0	(34)	237
	\$39,965	\$54,585	\$(52,355)	\$42,194
Other DNR-Administered Funds				
Access road revolving	\$1,720	\$11,808	\$(9,230)	\$4,298
Aquatic lands dredged material	347	403	(292)	457
Aquatic lands enhancement ⁷	N/A	10,440	(3,083)	N/A
Clarke-McNary	228	4,868	(4,856)	239
Conservation areas stewardship	100	5	(0)	105
Contract harvesting revolving	0	672	(282)	391
Derelict vessel removal account 8	N/A	0	(287)	N/A
Forest fire protection assessments	1,395	9,209	(7,599)	3,004
Landowner contingency forest fire	5,846	458	(157)	6,147
Off-road vehicle ⁶	N/A	0	(1,573)	N/A
Park land trust revolving	480	8	(17)	471
Real property replacement	19,991	15,384	(12,883)	22,492
School construction revolving	58	1	(7)	52
State forest nursery	1,362	2,087	(2,103)	1,346
Surface mining reclamation	343	1,028	(983)	389
Surveys and maps	1,250	1,081	(1,085)	1,246
	<u>\$33,089</u>	\$57,453	(\$44,437)	\$40,637
Total DNR-Administered Funds	\$73,054	\$ <u>112,038</u>	(\$96,792)	\$82,831

Amounts are reported in thousands of dollars. Totals may not add due to rounding. N/A = not applicable

^{*} These accounts fund DNR's management of state trust lands. Revenue may be caried over from year to year. As a result, any given year's expenditures do not necessarily correlate to that year's revenue. See pages 58, 60, 68, 70, and 72 for more detailed accounting. FDA and RMCA are funded through revenue generated from the lands whose management they support. ACTMA is not funded through such revenue, but instead through a legislative appropriation from the State General Fund.

Fund Activity (Continued)

'04

Funds Administered by Other Entities

Fund Title	Revenue	Expenditure	Net Fiscal Activity
runa IIIIe	Revenue	Expenditure	Activity
Trust Current Funds 11			
Common school construction	\$68,290	0	\$68,290
Community college forest reserve	42	0	42
WSU bond retirement	838	0	838
UW bond retirement	572	0	572
CEP&RI	5,983	0	5,983
EWU capital project	16	0	16
CWU capital project	16	0	16
WWU capital project	16	0	16
TESC capital project	16	0	16
Capitol building construction	5,605	0	5,605
Forest board counties	70,708	0	70,708
	\$152,104	0	\$152,10 4
Trust Permanent Funds ¹¹			
Agricultural college (WSU)	\$3,643	0	\$3,643
Normal school (EWU, CWU, WWU, TESC)	3,211	0	3,211
Common school (K-12)	506	0	506
Scientific (WSU)	3,250	0	3,250
State university (UW)	436	0	436
	\$11,046	_0	\$11,046
Other Funds			
General fund	\$30,202	\$(55,508)	\$(25,306
Disaster response	0	(7,200)	(7,200
Salmon recovery	10	0	10
State building construction	90	(25,054)	(24,964
Motor vehicle	1	0	1
Air pollution control	169	(150)	19
Water quality	0	(898)	(898
	\$30,472	\$(88,811)	\$(58,338
Total other fiscal activity	\$193,623	\$(88,811)	\$104,812
Total all funds and activity 12	\$305,661	\$(185,603)	
(pages 56 & 57)			

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

Resource Management Cost Account (RMCA) Upland + Aquatic

Revenue, Expenditures and Fund Balance

'04

The Resource Management Cost Account (RMCA) funds DNR's land management activities on state grant lands. DNR deposits a portion of the revenue it generates from these lands into the account, and the Legislature appropriates funds from the account to DNR for expenditures. The RMCA can be used only for land management expenses (e.g., reforestation, preparing timber sales or managing aquatic leases that support state grant lands).

Fund Balance (July 1, 2003)

\$13,888,495

RMCA Revenue

\$31,017,570

Less: Expenditures ²

•	
Agricultural resources	\$1,247,814
Asset management & protection	1,418,806
Product sales & leasing	7,683,986
Land management	4,716,439
Correctional Camps	827,995
Administration	969,870
Interagency payments	2,628,418
Agency support	5,185,510
Engineering services	1,889,798
Total operating expenditures	\$31,480,929
Total capital expenditures	1,018,512

Total expenditures and other charges

32,499,440

RMCA Fund Balance (June 30, 2004)

\$12,406,625

Totals may not add due to rounding.

State Grant Lands - Upland + Aquatic

State grant lands (upland and aquatic) were granted to Washington at statehood by the federal government. Each upland parcel is assigned to a specific state trust dedicated to financially supporting a specific beneficiary (e.g., the Common School Trust supports construction of K-12 schools). The aquatic lands are designated as a public trust to benefit the public as a

whole. Income from state grant lands is divided among trust beneficiary accounts and the RMCA, which DNR uses to manage the lands.

REVENUE		DISTRIBUTION		
Source	Total All Funds	Trust Current Funds ¹¹	Trust Permanent Funds ¹¹	Resource Management Cost Account
Sales				
Timber sales 9, 13, 17	\$76,887,899	\$47,811,901	\$10,761,869	\$18,314,129
Timber sales-related activities ¹	117,497	74,283	11,820	31,394
Trust land transfer program ³	18,436,200	18,436,200	0	0
Land sales (includes land bank) 4	267,459	0	0	267,459
	\$95,709,055	\$66,322,384	\$10,773,689	\$18,612,982
Leases				
Agriculture				
Dryland	\$3,217,903	\$2,100,769	\$329,274	\$787,860
Irrigated	4,679,334	3,246,539	280,932	1,151,863
Grazing and other	679,174	484,791	27,121	167,262
Aquatic lands	15,780,824	9,284,450	0	6,496,374
Special use	701,152	501,334	21,951	177,867
Commercial real estate	7,416,981	5,479,317	82,956	1,854,708
Mineral and hydrocarbon	877,155	563,686	54,552	258,917
Rights-of-way	2,279,178	1,040,871	388,934	849,373
Communication sites	1,815,010	1,038,389	327,249	449,372
Special forest products	189,486	120,138	22,580	46,768
•	\$37,636,197	\$23,860,284	\$1,535,549	\$12,240,364
Other Revenue				
Interest income	\$325,627	\$69,521	\$3,638	\$252,469
Non-trust revenue 14	(62,297)	35	0	(62,332)
Operating transfer 1, 10	(112,442)	1,406,516	(1,406,516)	(112,442)
Permits, fees, and miscellaneous ¹	361,440	135,369	139,542	86,530
	\$512,328	\$1,611,440	\$(1,263,336)	\$164,224
Total Revenue	\$133,857,580	\$91,794,108	\$11,045,902	\$31,017,570

Totals may not add due to rounding.

Resource Management Cost Account (RMCA) Upland

Revenue, Expenditures and Trust Balance

This portion of the RMCA supports the land management of upland state grant lands, each of which supports a specific designated beneficiary.

\$10,579,435

Trust Balance (July 1, 2003)

RMCA Uplands Revenue \$23,629,850

Less: Expenditures ²

Agricultural resources	\$1,247,814
Asset management & protection	1,418,806
Product sales & leasing	7,683,986
Land management	4,716,439
Correctional camps	827,995
Administration	676,313
Interagency payments	1,832,861
Agency support	3,312,719
Engineering services	1,889,798
Total operating expenditures	\$23,606,732
Total capital expenditures	997,894

Total expenditures and other charges 24,604,626

Trust Balance (June 30, 2004)* \$9,604,659

Totals may not add due to rounding.

^{*} Timber sales are a major source of revenue from upland state grant lands. Several years of low timber prices have reduced revenue to the RMCA. Timber prices are projected to remain low over the next several years. DNR is working to bring expenditures and revenue in line with one another.

General* Distribution of Revenue from Upland State Grant Lands

Fiscal Year 2004

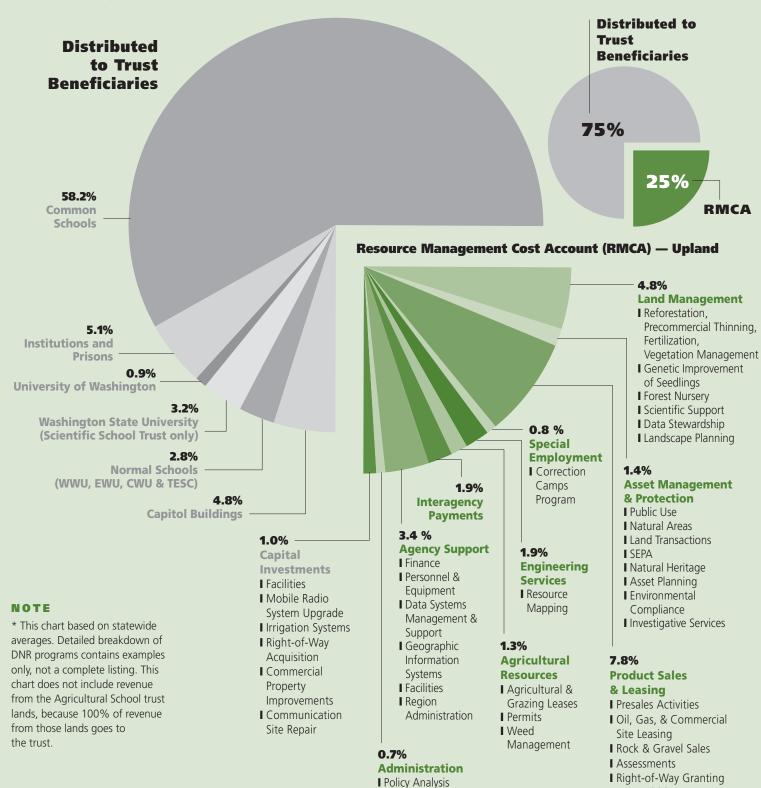
& Acquisition

■ Contract Administration

Leasing

By law, each beneficiary of the upland state grant land trusts receives 75% of the revenue earned from its lands, and the remaining 25% goes to the RMCA to fund DNR's management of the lands. This chart shows the combined distribution, with each trust beneficiary's share proportional to its share of the

total revenue earned, and with the RMCA share divided among DNR's expenditures from the account for upland management activities. Expenditures are appropriated by the Legislature and are ongoing investments to keep the lands productive and to generate future income for the trusts.



I Executive Management

■ Budget & Economic Services

I Internal Audit

Communications

Common School, Indemnity and Escheat Grants

Income from these state grant lands and escheat lands (those with no known heirs) supports construction of state public kindergarten through 12th grade schools.

The beneficiary's share of income is distributed to the Common School Construction Account and the Common School Permanent Account, which generates

perpetual interest for the support of school construction. This distribution varies by activity and is governed by law.

REVENUE DISTRIBU

		Common School	Common School	Resource Management
Source	Total Funds	Construction	Permanent	Cost Account
Sales				
Timber sales 9, 13	\$49,379,619	\$37,034,526	0	\$12,345,093
Timber sales-related activities 1	96,993	71,088	0	25,905
Trust land transfer program ³	18,436,200	18,436,200	0	0
Land sales (includes land bank) 4	217,459	0	0	217,459
	\$68,130,271	\$55,541,814	\$ 0	\$12,588,457
Leases				
Agriculture				
Dryland	\$2,482,428	\$1,861,822	0	\$620,606
Irrigated	4,298,739	3,224,055	0	1,074,684
Grazing and other	626,360	469,771	0	156,589
Aquatic Lands	0	0	0	0
Special use	644,076	480,091	0	163,985
Commercial real estate	7,295,791	5,470,042	0	1,825,749
Mineral and hydrocarbon	151,898	64,647	49,277	37,974
Rights-of-way	580,537	116,566	318,837	145,134
Communication sites	1,263,324	927,672	0	335,652
Special forest products	124,466	93,350	0	31,116
	\$17,467,619	\$12,708,016	\$368,114	\$4,391,489
Other Revenue				
Interest income	\$ 79,736	\$39,171	0	\$40,565
Non-trust revenue 14	(76,656)	0	0	(76,656)
Operating transfer ¹	(28,902)	0	0	(28.902)
Permits, fees, and miscellaneous ¹	203,970	832	137,580	65,558
	\$(178,148)	\$ 40,003	\$137,580	\$565
Total Revenue	\$85,776,039	\$68,289,833	\$505,694	\$16,980,511

Totals may not add due to rounding.

University Grants (UW) Original and Transferred

Income from these state grant lands supports construction of buildings for the University of Washington. Some of these lands were acquired at the time of

statehood, and some lands were transferred to this trust from the CEP&RI trust by the Legislature in 1893. The beneficiary's share of income is distributed to the

University Permanent and UW Bond Retirement accounts. This distribution varies by activity and is governed by law.

REVENUE DISTRIBUTION	N
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Source	Total Funds	UW Bond Retirement	State (UW) University Permanent	Resource Management Cost Account
Sales				
Timber sales ¹⁷	\$ 936,215	0	ф 7 22 412	¢240.902
Timber sales Timber sales-related activities 1	9,781	0	\$722,412 7,336	\$240,803
Land sales (includes land bank)	9,781	0	7,336	2,445
Land sales (includes land bank)	\$972,996	\$ 0	\$729,748	\$243,248
Leases				
Agriculture				
Dryland	\$196,254	0	\$147,190	\$49,064
Irrigated	0	0	0	0
Grazing and other	20,323	0	15,242	5,081
Aquatic lands	0	0	0	0
Special use	17,953	0	13,465	4,488
Commercial real estate	103,472	0	77,604	25,868
Mineral and hydrocarbon	0	0	0	0
Rights-of-way	19,235	0	14,426	4,809
Communication sites	0	0	0	0
Special forest products	12,765	0	9,574	3,191
	\$370,002	\$ 0	\$277,501	\$92,501
Other Revenue				
Interest income	\$ 6,888	\$ 385	\$(17)	\$ 6,520
Non-trust revenue 14	(1,358)	-	-	(1,358)
Operating transfer 1, 10	(37,274)	571,539	(571,539)	(37,274)
Permits, fees, and miscellaneous ¹	(2,840)	-	0	(2,840)
	(\$ 34,584)	\$571,924	<u>\$(571,556)</u>	\$(34,952)
Total Revenue	\$1,308,414	\$571,924	\$ 435,693	\$300,797

Totals may not add due to rounding.

Charitable, Educational, Penal and Reformatory Institutions Grant (CEP&RI)

'04

Income from these state grant lands is used to establish and maintain institutions managed by the Department of Corrections (such as prisons) and the Department of Social and Health Services (such as Western State Hospital). The beneficiary's share of income is distributed to the CEP&RI Account.

REVENUE	DISTRIBUTION

Source	Total Funds	CEP&RI Account	Resource Management Cost Account ¹³
Sales			
Timber sales	\$7,120,949	\$5,340,701	\$1,780,248
Timber sales-related activities ¹	271	203	68
Land sales (includes land bank)	0	0	0
	\$7,121,220	\$5,340,904	\$1,780,316
Leases			
Agriculture			
Dryland	\$ 224,600	\$ 168,450	\$ 56,150
Irrigated	4,101	3,076	1,025
Grazing and other	12,369	9,277	3,092
Aquatic lands	0	0	0
Special use	1,555	1,166	389
Commercial real estate	11,150	8,363	2,787
Mineral and hydrocarbon	480,929	360,697	120,232
Rights-of-way	0	0	0
Communication sites	103,599	77,843	25,756
Special forest products	11,479	8,609	2,870
	\$ 849,782	\$ 637,481	\$212,301
Other Revenue			
Interest income	\$ 49,787	\$ 4,941	\$ 44,846
Non-trust revenue ¹⁴	(9,160)	0	(9,160)
Operating transfer	0	0	0
Permits, fees, and miscellaneous ¹	886	0	886
	\$ 41,512	\$ 4,941	\$ 36,572
Total Revenue	\$8,012,514	\$5,983,326	\$2,029,189

Totals may not add due to rounding.

Capitol Building Grant

Income from these state grant lands supports construction of state government office buildings Capitol Building Construction at the Capitol Campus in Olympia.

The beneficiary's share of income is distributed to the Account.

REVENUE		DISTRIBUTION		
Total Revenue and Distribution	Total Funds	Capitol Building Construction	Resource Management Cost Account ¹³	
Sales				
Timber sales 9, 13	\$7,249,162	\$5,436,674	\$1,812,488	
Timber sales-related activities ¹	3,989	2,992	997	
Land sales (includes land bank)	0	0	0	
	\$8,120,545	\$5,439,666	\$1,813,485	
Leases				
Agriculture				
Dryland	\$55,308	\$41,481	\$13,827	
Irrigated	0	0	0	
Grazing and other	3,391	2,543	848	
Aquatic lands	0	0	0	
Special use	18,465	13,849	4,616	
Commercial real estate	1,216	912	304	
Mineral and hydrocarbon	22,030	16,522	5,508	
Rights-of-way	57,240	42,930	14,310	
Communication sites	44,532	32,874	11,658	
Special forest products	15,721	11,791	3,930	
	\$217,903	\$162,902	\$55,001	
Other Revenue				
Interest income	\$ 44,464	\$2,920	\$ 41,544	
Non-trust revenue ¹⁴	(8,544)	0	(8,544)	
Operating transfer ¹	(11,021)	0	(11,021)	
Permits, fees, and miscellaneous 1	2,080	0	2,080	
	\$26,980	\$2,920	24,059	
Total Revenue	\$7,498,034	\$5,605,488	\$1,892,545	

Totals may not add due to rounding.

Normal School Grant (EWU, CWU, WWU and TESC)

'04

Income from these state grant lands supports construction at Eastern Washington University, Central Washington University and Western Washington University (regional universities). These three universities were originally called "normal" schools or "teachers' colleges." The Evergreen State College was added by the Legislature to begin receiving revenue after July 1, 1995.

The beneficiary's share of income is distributed to the Normal School Permanent Account and capital project accounts for each university. This distribution varies by activity and is governed by law.

REVENUE		DISTRIBUTION
	1	

Source	Total Funds	EWU, CWU WWU, TESC Capital Projects	Normal School Permanent	Resource Management Cost Account ¹³
Sales				
Timber sales 9, 13	\$4,265,009	\$ 0	\$3,199,835	\$1,065,174
Timber sales-related activities ¹	1,165	0	632	533
Land sales (includes land bank) ⁴	50,000	0	0	50,000
	\$4,316,174	\$ 0	\$3,200,467	\$1,115,707
Leases				
Agriculture				
Dryland	\$38,689	\$29,016	\$ 0	\$ 9,673
Irrigated	25,877	19,408	0	6,469
Grazing and other	4,267	3,200	0	1,067
Aquatic lands	0	0	0	0
Special use	8,304	6,228	0	2,076
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	160	120	0	40
Rights-of-way	13,881	0	10,411	3,470
Communication sites	0	0	0	0
Special forest products	8,515	6,388	0	2,127
	\$99,693	\$64,360	\$ <u>10,411</u>	\$24,922
Other Revenue				
Interest income	\$ 26,335	\$ 1,393	\$ 0	\$ 24,943
Non-trust revenue 14	(5,089)	0	0	(5,089)
Operating transfer ¹	(35,245)	0	0	(35,245)
Permits, fees, and miscellaneous ¹	2,198	40	0	2,158
	\$(11,801)	\$ <u>1,433</u>	\$0	\$(13,234)
Total Revenue	\$4,404,066	\$65,793	\$3,210,878	\$1,127,395

Totals may not add due to rounding.

Scientific School Grant (WSU)

'04

Income from these state grant lands supports construction of buildings at Washington State University. The beneficiary's share of income is distributed to the Scientific School Permanent and the WSU Bond Retirement accounts. This distribution varies by activity and is governed by law.

REVENUE

DISTRIBUTION

Source	Total Funds	WSU Bond Retirement	Scientific Permanent	Resource Management Cost Account
Sales				
Timber sales	\$4,281,402	\$ 0	\$3,211,080	\$1,070,322
Timber sales-related activities 1	4,806	0	3,360	1,446
Land sales (includes land bank)	0	0	0	0
	\$4,286,208	\$ 0	\$3,214,440	\$1,071,768
Leases				
Agriculture				
Dryland	\$154,161	\$ 0	\$115,621	\$38,540
Irrigated	278,741	0	209,056	69,685
Grazing and other	2,340	0	1,755	585
Aquatic lands	0	0	0	0
Special use	9,253	0	6,940	2,313
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	100	0	75	25
Rights-of-way	53,039	0	39,779	13,260
Communication sites	305,223	0	228,917	76,306
Special forest products	13,429	0	9,895	3,534
	\$816,286	<u>\$ 0</u>	\$612,038	\$204,248
Other Revenue				
Interest income	\$ 34,159	\$ 1,818	\$ 3,110	\$ 29,231
Non-trust revenue 14	(5,866)	0	0	(5,866)
Operating transfer ¹⁰	0	580,047	(580,047)	0
Permits, fees, and miscellaneous ¹	738	0	707	31
	\$ 29,031	<u>\$581,865</u>	<u>\$(576,230)</u>	\$ 23,396
Total Revenue	\$5,131,525	\$581,865	\$3,250,248	\$1,299,412

Totals may not add due to rounding.

Agricultural College Trust Management Account (ACTMA)

Revenue, Expenditures and Fund Balance

'04

This account funds DNR's management of the Agricultural College trust lands. The ACTMA is funded through an appropriation from the state General Fund.

(As of July 1, 1999, Agricultural College trust lands do not contribute to the RMCA, which supports DNR's management of other state grant lands.)

Fund Balance (July 1, 2003)	\$270,383
-----------------------------	-----------

Revenue 399

Less: Expenditures ²

•	
Agricultural resources	\$28,081
Asset management & protection	44,961
Product sales & leasing	288,918
Land management	134,318
Correctional camps	13,629
Administration	11,367
Interagency payments	30,804
Agency support	55,675
Engineering Services	51,471

Total operating expenditures	\$659,225
Transfer to General Fund	(655,623)
Total capital expenditures	30,066

Total expenditures and other charges 33,668

ACTMA Fund Balance (June 30, 2004) \$237,114

Totals may not add due to rounding.

Agricultural School Grant (WSU)

'04

Income from these state grant lands supports construction of Washington State University's buildings. All revenue from these lands is income for the trust, and is divided between the Agricultural College Permanent account and the WSU Bond Retirement Account. This distribution varies by activity and is governed by law.

	1	WSU Bond	Agricultural College
Source	Total Funds	Retirement	Permanent
Sales			
Timber sales	\$3,628,542	\$ 0	\$3,628,542
Timber sales-related activities ¹	492	0	492
Land sales (includes land bank)	0	0	0
	\$3,629,034	\$_0	\$3,629,034
Leases			
Agriculture			
Dryland	\$66,463	\$ 0	\$66,463
Irrigated	71,876	0	71,876
Grazing and other	10,124	0	10,124
Aquatic lands	0	0	0
Special use	1,546	0	1,546
Commercial real estate	5,352	0	5,352
Mineral and hydrocarbon	5,200	0	5,200
Rights-of-way	5,481	0	5,481
Communication sites	98,332	0	98,332
Special forest products	3,111	0	3,111
	\$ 267,485	\$ 0	\$ 267,485
Other Revenue			
Interest income	\$1,344	\$799	\$ 545
Non-trust revenue 14	0	0	0
Operating transfer 10	0	254,930	(254,930)
Permits, fees, and miscellaneous ¹	\$1,255	0	1,255
	\$ 2,599	\$255,729	(\$253,130)
Total Revenue	\$3,899,118	\$255,729	\$3,643,389
Total Revenue	\$3,899,118	\$255,729	\$3,64

Totals may not add due to rounding.

Aquatic Lands

'04

State-owned aquatic lands (tidelands, shorelands and beds of navigable waters) are a "public trust"— managed to benefit the public as a whole. Revenue from these state grant lands is divided between two accounts: The RMCA-aquatic supports DNR's management of state aquatic lands and resources, and the ALEA provides for the purchase, improvement and protection of aquatic lands, largely through grants to public entities. Distribution varies according to activity and land classification, and is governed by law.

DISTRIBUTION

Source	Total Funds	Aquatic Lands Enhancement	Resource Management Cost Account ¹³
Aquatic Resources Activities			
Leases	\$15,780,824	9,284,450	6,496,374
Mineral and hydrocarbon	216,838	121,700	95,138
Rights-of-way	1,549,765	881,375	668,390
Interest income ¹	82,913	18,093	64,820
Non-trust revenue 14	44,376	35	44,341
Miscellaneous ¹	153,154	134,497	18,657
Total Revenue	\$17,827,870	\$10,440,150	\$7,387,720

RMCA - Aquatic

Revenue, Expenditures and Trust Balance

Trust Balance (July 1, 2003)			\$3,309,060
RMCA Aquatic Revenue			
Less: Expenditures ²			7,387,720
Aquatic resources	\$4,912,293		
Administration	293,557		
Interagency payments	795,556		
Agency support	1,872,791		
Total operating expenditures		7,874,197	
Capital expenditures		20,618	
Total expenditures			7,894,815
Trust Balance (June 30, 2004)			\$2,801,965

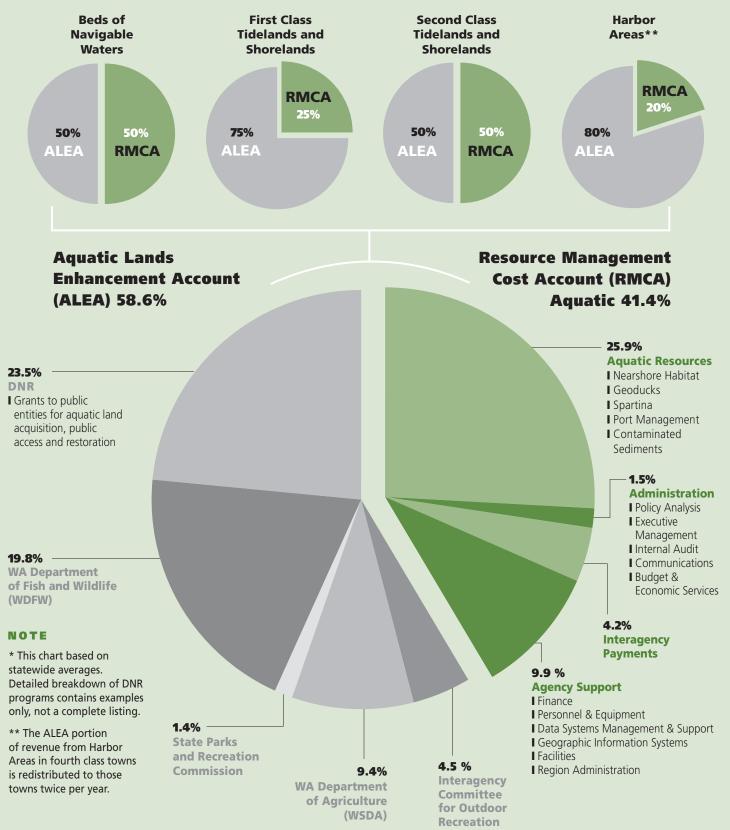
Totals may not add due to rounding.

Fiscal Year 2004

General* Distribution of Revenue from State-Owned Aquatic Lands

By law, revenue from state-owned Aquatic Lands goes to the ALEA for aquatic resource enhancement and to the RMCA to fund DNR's management of state aquatic lands. Distribution differs for different types of aquatic land see the small pie charts. The large pie chart shows the

combined total distribution, with the ALEA share divided among recipient agencies, and the RMCA share divided among DNR's expenditures from the account. Expenditures are appropriated by the Legislature and are ongoing investments to keep the submerged lands productive.



Forest Development Account (FDA)

Revenue, Expenditures and Fund Balance

'04

The FDA funds DNR's land management activities on Forest Board Lands in 21 counties. DNR deposits a portion of the revenue it generates from these lands into the FDA, and the legislature

\$25,805,016

appropriates funds from the account to DNR for expenditures. The FDA is used for land management expenses (e.g., reforestation, preparing timber sales) on Forest Board lands.

Fund Balance (July 1, 2003)

FDA Revenue 23,567,189

Less: Expenditures ²

Agricultural resources	\$ 0
Asset management & protection	797,710
Product sales & leasing	5,825,996
Land management	6,081,874
Correctional Camps	996,510
Administration	540,418
Interagency payments	1,464,577
Agency support	2,647,082
Engineering services	1,147,733

Total operating expenditures \$19,501,900 Total capital expenditures 320,222

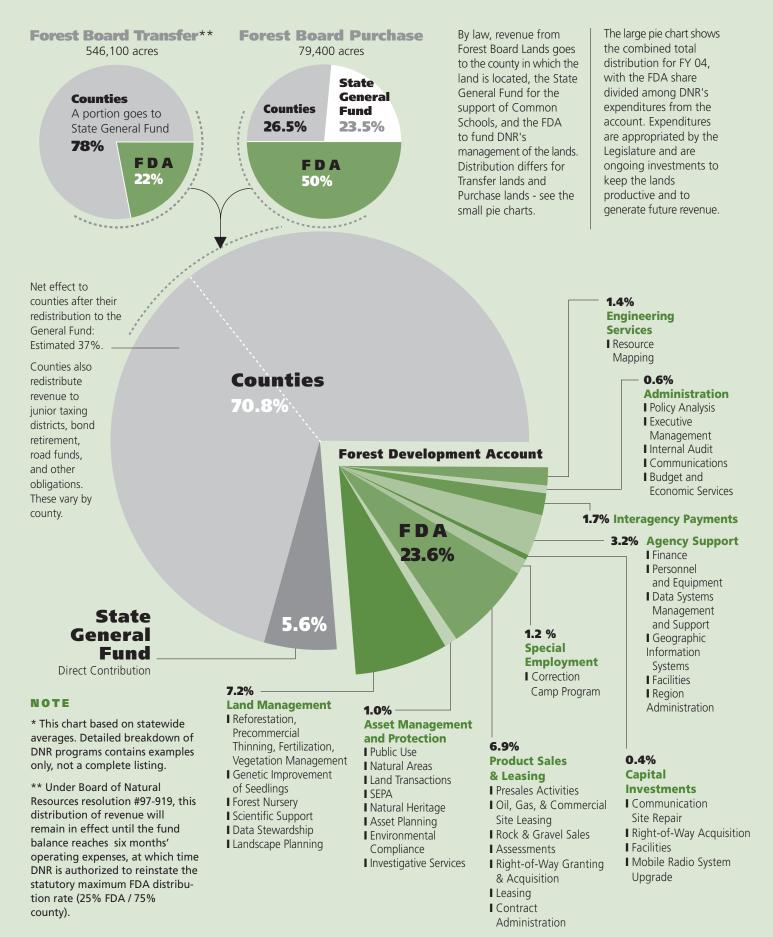
Total expenditures and other charges 19,822,122

FDA Fund Balance (June 30, 2004) \$29,550,083

Totals may not add due to rounding.

General* Distribution of Revenue from State Forest Board Lands

Fiscal Year 2004



Forest Board Lands

Income from these lands is distributed to the counties in which the lands are located, the state General Fund for the support of common schools, and the Forest Development Account (FDA) for DNR's land management expenses on these lands. There are two categories of Forest Board lands: Purchase lands and Transfer lands.

Forest Board Purchase lands were given to the state or purchased by the state at low

cost. The FDA receives half the income from these lands. The other half is divided between the respective county and the state General Fund for the support of common schools.

REVENUE

CONTRIBUTING LANDS

	ı	Forest	Forest
		Board	Board Purchase
Source	Total	Transfer	
Sales			
Timber sales	\$98,300,898	\$ 81,079,825	\$17,221,073
Timber sales-related activities ¹	204,723	202,769	1,954
	\$98,505,621	\$ 81,282,594	\$17,223,027
Leases			
Agriculture/minor forest products	\$ 240,882	\$ 185,581	\$ 55,301
Commercial/special use	59,458	48,949	10,509
Mineral and hydrocarbon	90,751	88,403	2,348
Rights-of-way	135,268	128,318	6,950
Communication sites	956,048	594,112	361,936
	\$_1,482,407	\$ 1,045,363	\$ 437,044
Other Revenue			
Interest income	\$ 17,071	\$ 14,378	\$ 2,693
Permits, fees, and miscellaneous ¹	812	808	4
Treasurer's revenue 16	26,824	N/A	N/A
FDA non-trust revenue ¹⁴	(193,786)	N/A	N/A
	(\$149,079)	\$ 15,186	\$ 2,697
Total Revenue	\$99,838,949	\$82,343,143	\$17,662,768

N/A—not applicable.

Totals may not add due to rounding.

Forest Board Lands (Continued)

Forest Board Transfer lands were forfeited to the counties in which they were located when the private landowners failed to pay property taxes, primarily in the 1920s and 1930s. The counties turned the lands over to

the state. DNR now manages these lands and distributes at least to the counties increased to 75 percent of the income to the counties and up to 25 percent of the income to the FDA. (As of July 1, 1997, under Board of Natural Resources resolution

#97-919, the amount distributed 78 percent, and the amount distributed to the FDA was reduced to 22 percent. This change will remain in effect until the fund balance in FDA reaches

an amount equal to operating expenses for six months, at which time DNR is authorized to reinstate the statutory maximum distribution to the FDA: 25 percent.)

REVENUE DISTRIBUTION		CONTRIBUTING LANDS	
Recipient	Total	Forest Board Transfer	Forest Board Purchase
County			
Clallam	\$5,342,818	\$5,342,818	(
Clark	3,578,443	3,565,690	12,75
Cowlitz	2,223,895	2,171,987	51,90
Grays Harbor	1,781,168	21,857	1,759,31
Jefferson	1,503,863	1,503,863	, ,
King	2,635,532	2,635,532	
Kitsap	1,335,364	1,319,976	15,388
Klickitat	244,824	244,824	
Lewis	5,700,431	5,700,407	2
Mason	4,100,778	4,099,798	98
Okanogan	23	23	
Pacific	1,911,278	1,667,417	233,86
Pierce	4,682,979	4,494,001	188,97
Skagit	9,931,441	9,931,441	(
Skamania	260,340	254,433	5,90
Snohomish	10,940,302	10,940,302	
Stevens	36,480	36,480	
Thurston	6,070,778	1,878,195	4,192,58
Wahkiakum	1,251,320	1,251,320	
Whatcom	7,149,405	7,139,151	10,25
Treasurer's revenue 16	26,824	N/A	N/A
	\$70,708,288	\$64,209,515	\$_6,471,94
Forest Development Account			
Trust activity	\$23,756,846	\$18,130,415	\$ 5,626,431
Permits, fees, and miscellaneous ¹	4,131	3,213	918
Treasurer's revenue	0	N/A	N/A
FDA non-trust revenue 14	(193,786)	N/A	N/A
	\$23,567,191	\$18,133,628	\$_5,627,34
General Fund - State	\$_5,563,471	0	\$_5,563,47
Total Revenue	\$99,838,948	\$82,343,143	\$17,662,76

N/A — not applicable.

^{*} Income from Forest Board Transfer lands is not directly distributed to the State General Fund. However, counties redistribute a portion of their share of income from these lands to the fund. Totals may not add due to rounding.

State Trust Lands Management Fund Accounting Report

STATUTORY AUTHORITY AND REQUIREMENTS

Subject to legislative appropriation, the Department of Natural Resources is authorized by RCWs 79.64.100 and 79.64.030 to use funds from the Resource Management Cost Account (RMCA) and Forest Development Account (FDA) interchangeably in the management of State Grant Lands and State Forest Board Lands. The law also states, however, that an annual accounting will be kept of payments made by one fund on behalf of another. For example when RMCA funds are used to pay for activities on Forest Board Land, it shall be considered a debt against the FDA. RCW 79.64.030 also requires that the results of the accounting be reported to the legislature at the next regular session.

ACCOUNTING PROCEDURES

Beginning with fiscal year 1996, the following Cost Allocation System accounting procedures have been used to calculate any debt or loan between the management funds:

- **A.** All operating program expenditures that can be determined to benefit a particular land category are directly charged to that land category.
- **B.** Expenditures for the majority of the Department's operating programs for which the benefiting land category cannot be determined (indirect expenditures) are allocated to land categories based on staff month percentages derived from personnel time charged directly to those land categories or by Western Washington forested acres.
- **c.** Capital outlay expenditures that benefit particular land categories are determined in advance then charged by land category in the ratio set by appropriations.
- **D.** Agency Administration and Support costs are allocated to land category based on Agency work plans for the year as established during the budget process.
- **E.** Direct charges and indirect charges are totaled by land category within the Cost Allocation System. Expenditures paid from the RMCA and FDA accounts are compared to these total charges for Grant Lands and Forest Board Lands to determine how much of the charges were paid from one account on behalf of the other. If RMCA funds were used to pay Forest Board charges, a debt principal is incurred in that amount. If Forest Board funds were used to pay RMCA charges, the debt principal is reduced by that amount. Funding adjustments may be made periodically during the fiscal year to align expenditures by fund with total charges for Grant Lands and Forest Board Lands to prevent the accumulation of any new debt in the year.
- **F.** As required by law, interest is charged on the debt incurred. A full year's interest is charged on cumulative debt carried from the previous year. One half-year's interest is calculated on the change in the debt principal occurring during the current year.
- **G.** Cumulative debt from the preceding year, plus new principal and interest charges, are totaled to determine the new cumulative debt.

RMCA/FDA DEBT/LOAN ACCOUNTING FOR FISCAL YEAR 2004

	Grant Lands	Forest Board Lands
2004 Trust Charges	\$32,499,440	\$19,822,122
RMCA Expenditures	32,499,440	_
FDA Expenditures	_	\$19,822,122
Cumulative Debt/Loan	0	0

FISCAL YEAR 2004 MANAGEMENT FUND DEBT STATUS

As of June 30, 2004, no debt exists between the Forest Board Lands (Forest Development Account) and the Grant Lands (Resource Management Cost Account).





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* On 7/1/04, the former Central and Southwest regions combined to form the Pacific Cascade Region.

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Did You Know...?

- ▶ DNR was formed in 1957, by consolidating portions of several state agencies and boards, including the Commissioner of Public Lands, the Division of Forestry, and the State Forest Board.
- ▶ DNR is led by the Commissioner of Public Lands, a statewide elected official. Twelve people have been elected to the position since the office was created at statehood in 1889. The current Commissioner, Doug Sutherland, took office January 2002.
- ▶ DNR has 1,300 permanent employees geographically dispersed in 200 communities.

DNR MANAGES A DIVERSITY OF LANDS

The more than 5 million acres that DNR manages cover a wide range of landscapes and are managed to meet specific goals laid out in law and policy.

Trust Lands

▶ Nearly 3 million upland acres are state trust lands managed to benefit specific beneficiaries. Trust lands help support public schools, universities and colleges, Capitol buildings, prisons, state institutions, local services in many counties, and the state General Fund. Different lands generate trust income in different ways:

Forest Lands 2.1 MILLION ACRES

- sales of timber and special forest products (florist greens, poles, and mushrooms).
- leases for communication towers, utility easements, and public use sites

Agricultural, Grazing, and Range Lands

1.2 MILLION ACRES (420,000 ACRES ALSO COUNTED AS FOREST LAND)

- ▶ Lease or permit agreements for:
 - ▶ grazing (primary use)—450,000 acres
 - ▶ forested grazing (secondary use)— 420,000 acres
 - cultivating grain, row crops, vineyards, and orchards—135,000 acres
 - ▶ wildlife habitat and conservation reserve—195,000 acres

Aquatic Lands

About 2.4 million acres are tidelands, shorelands, and beds of navigable waters. DNR manages these as a public trust and works to:

- encourage direct public access.
- foster water-dependent uses.
- ensure environmental protection.
- utilize renewable resources.

Income from aquatic land leases and geoduck sales supports aquatic land management and grants for waterfront access and restoration.

Natural Areas

About 117,900 acres are natural areas that protect high quality examples of Washington's natural heritage, and provide opportunities for research, education, and low-impact use:

- ▶ 86,700 acres in 28 Natural Resources Conservation Areas.
- ▶ 31,200 acres in 49 Natural Area Preserves.

DNR PROVIDES A VARIETY OF SERVICES

Through its staff of scientists, land managers, cartographers, administrators, and other professionals, DNR provides a wide range of services, including:

Public Use

- ▶ DNR manages 143 recreation sites and over 1,100 miles of trail, with more than half the miles maintained in partnership with volunteers.
- ▶ DNR-managed lands host 11 million visitors per year for activities such as and hiking, hunting, fishing, boating. ORV use and environmental education.

Resource Protection

- DNR protects 12 million private and stateowned forested acres from wildfire, with about 1,100 firefighters and support staff, including 700 permanent employees who have other duties in the agency.
- ▶ DNR administers the state forest practices rules, which guide harvesting, road-building and other work in the woods on 12 million acres of non-federal forest lands.

Technical Assistance

- DNR offers maps, aerial photos and geographic data to landowners, communities, and professionals.
- ▶ DNR geologists aid community planning by providing information on geologic hazards such as earthquakes.



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