Board of Natural Resources
Arrearage Subcommittee Report

Kyle Blum
August 18, 2015
Arrearage Subcommittee Report

- Arrearage Overview
- Arrearage Analysis Decision
- Subcommittee Recommendations
BNR Decisions

1. Arrearage

2. Long-term HCP Strategy for Marbled Murrelets

3. Sustainable Harvest Calculation
Arrearage

Arrearage – RCW 79.10

The summation of the annual sustainable harvest timber volume, less the sum of state timber sales contract default volume and the state timber sales volume deficit.

If an arrearage exists, then the Department will:

• Conduct an analysis
• Identify the greatest return to the trusts
• Offer for sale the arrearage in addition to the sustainable harvest level, if in the best interests of the trusts
Arrearage Subcommittee
Previous Sustainable Harvest Calculations

Sold Volume and Sustainable Harvest 1980-2014

- 1987 Arrearage Law passed
- 1990 Northern Spotted Owl ESA listed
- 1997-2004 DNR maintains administrative constraints on NSO circles and riparian harvest.

- 1988 BNR adopts harvest of arrearage in addition to SHC
- 1983 - Forest Plan #2 & SHC
- 1986 BNR adopts harvest of arrearage in addition to SHC
- 1997 Habitat Conservation Plan & SHC
- 2004 SHC
- 2007 SHC adjustment

FISCAL YEARS

HARVEST VOLUME (MILLIONS OF BOARD FEET)

VOL SOLD

SUSTAINABLE HARVEST

Arrearage Subcommittee
Updated Arrearage Number

- Western Washington FY 2005-2014
  - Sustainable harvest = 5,500 MMBF
  - Sold volume = 5,038 MMBF

- Arrearage
  5,500 – 5,038 = 462 MMBF
ARREARAGE
Sustainable Harvest Unit Performance FY 2005-2014

Sum of SHU shortfall (in red) = 702 MMBF
Sum of SHU overages (in blue) = 240 MMBF
Reported Harvest across Land Classes

<table>
<thead>
<tr>
<th>Land Classes</th>
<th>Regen(^1)</th>
<th>Thinning(^2)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>UPLANDS</td>
<td>4,604 (108%)</td>
<td>386 (45%)</td>
<td>4,991 (98%)</td>
</tr>
<tr>
<td>RIPARIAN</td>
<td></td>
<td>48 (20%)</td>
<td>48 (12%)</td>
</tr>
<tr>
<td>Total</td>
<td>4,604 (104%)</td>
<td>434 (40%)</td>
<td>5,038 (92%)</td>
</tr>
</tbody>
</table>

\(^1\) Regen = Regeneration harvests including variable retention harvests, clear cuts, seed tree establishment and other harvest activities that retained between 5 and 25 percent of the stand after harvest and include a regeneration treatment of a new commercial cohort.

\(^2\) Thinnings represent all types of commercial thinnings.

\(^4\) The percentage values in brackets corresponded to the level of attainment of the decadal target after 8 years. For example 125% percent s means the Department has harvested 4,604 MMBF out of the forecast level (4,256 MMBF) of regeneration harvest from the UPLANDS.
Arrearage Subcommittee
Causes of the Arrearage

- Land Transactions
  - 302 MMBF transferred

- Marbled Murrelet Interim Habitat Conservation Strategy
  - 371 MMBF in deferred status

- Riparian
  - 346 MMBF unharvested

- Financial Resources
Arrearage Subcommittee
Previous Sustainable Harvest Calculations

- Nominal values
  (i.e. not accounting for inflation)

- Real terms
  (base year 2005)
Board of Natural Resources Update

SUBCOMMITTEE RECOMMENDATIONS
Arrearage Subcommittee
SEPA Analysis Choices

- Separate Analysis?
  - OR
  - Combined Analysis?

Is the decision about what to do with the arrearage combined with the SHC decision?

No, Separate Decision

- Separate SEPA process – Threshold Determination and Economic Analysis

- Arrearage Option 1
- Arrearage Option 2

Yes, Combined Decision

- Part of SHC EIS and Financial Analysis

- Arrearage Option 1
- Arrearage Option 2
- Arrearage Option 3

Separate Analysis? Combined Analysis?
Arrearage
Options to Consider

- **Option 1:**

  Arrearage sold over the next 5 years based upon a proportional distribution amongst the sustainable harvest units in arrears.

<table>
<thead>
<tr>
<th>SUSTAINABLE HARVEST UNITS</th>
<th>Volume (MMBF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federally Granted lands &amp; SFB Purchase</td>
<td>229</td>
</tr>
<tr>
<td>Olympic Experimental State Forest</td>
<td>132</td>
</tr>
<tr>
<td>Capitol Forest</td>
<td>37</td>
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<tr>
<td>Clallam County State Forest Transfer</td>
<td>16</td>
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<tr>
<td>King County State Forest Transfer</td>
<td>10</td>
</tr>
<tr>
<td>Pacific County State Forest Transfer</td>
<td>3</td>
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<tr>
<td>Skamania County State Forest Transfer</td>
<td>13</td>
</tr>
<tr>
<td>Wahkiakum County State Forest Transfer</td>
<td>11</td>
</tr>
<tr>
<td>Whatcom County State Forest Transfer</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>462</strong></td>
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</tbody>
</table>
Arrearage
Options to Consider

- **Option 2:**

  Arrearage sold over the next 10 years based upon a proportional distribution amongst the sustainable harvest units in arrears and a proportion to ecologically catchup on thinning.

  462 MMBF
### Arrearage Options to Consider

#### Option 2: An Example at 25% of the arrearage volume assigned to thinning

<table>
<thead>
<tr>
<th>Sustainable Harvest Units</th>
<th>Regen</th>
<th>Thinning</th>
<th>Total (MMBF)</th>
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</thead>
<tbody>
<tr>
<td>Federally Granted lands &amp; SFB Purchase</td>
<td>172</td>
<td>57</td>
<td>229</td>
</tr>
<tr>
<td>Olympic Experimental State Forest</td>
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<td>Capitol Forest</td>
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<td>Pacific County State Forest Transfer</td>
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<td>11</td>
</tr>
<tr>
<td>Whatcom County State Forest Transfer</td>
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<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>347</td>
<td>116</td>
<td>462</td>
</tr>
</tbody>
</table>
Arrearage
Options to Consider

- **Option 3:**

  Incorporate arrearage into the starting forest inventory and schedule harvests over the planning horizon (i.e. 100 years)

  462 MMBF
Arrearage Subcommittee
Next Steps

- Final Report to the Board of Natural Resources