
Minutes
Board of Natural Resources Meeting
April 5, 2022
Webinar, Olympia, Washington

BOARD MEMBERS PRESENT

The Honorable Hilary Franz, Washington State Commissioner of Public Lands

The Honorable Bill Peach, Commissioner, Clallam County

Jim Cahill, Designee for the Honorable Jay Inslee, Washington State Governor

Dan Brown, Director, School of Environmental and Forest Sciences, University of Washington

BOARD MEMBERS ABSENT:

The Honorable Chris Reykdal, Superintendent of Public Instruction

Dr. Richard Koenig, Interim Dean, College of Agricultural, Human, and Natural Resource
Sciences, Washington State University

CALL TO ORDER

Chair Hilary Franz called the meeting to order at 9:08 a.m.

Chair Franz thanked staff for coordinating the Board's first hybrid meeting.

Board members present provided self-introduction. A meeting quorum was attained.

WEBINAR FORMAT BRIEFING

Ms. Tami Kellogg, Board Coordinator, provided an overview for viewing and participating in a combination webinar and in-person meeting.

Chair Franz recognized and honored former Public Lands Commissioner Jennifer Belcher's work within the agency and for the state. Ms. Belcher recently passed away.

APPROVAL OF MINUTES

Chair Franz called for approval of the minutes for the March 1, 2022 Regular Board of Natural Resources meeting.

MOTION: Mr. Cahill moved to approve the minutes.

SECOND: Commissioner Peach seconded the motion.

ACTION: The motion carried unanimously.

1 **LIGHTNING TALK**

2 **Sales Planning**

3 Andy Townsend, West Uplands District Manager, Northeast Region

4
5 Mr. Townsend outlined the process a district undertakes to prepare for a timber sale. The
6 planning process typically covers a period of five to seven years prior to the proposed
7 sale and begins with district managers and unit foresters establishing placeholders for
8 future harvests. Placeholders are based on broad targets of volume, deliverables, known
9 forest health issues (insects, disease, overstocking, etc.), proximity to other harvests,
10 wildlife habitat goals or constraints based on local knowledge, mapping, GIS, LIDAR,
11 and ground recon. The next step two to three years prior to any sale is the ground work.
12 Foresters complete recon of the basins, conduct forest health surveys, assess property
13 lines, complete initial cultural resources screening, assess recreation and range reviews to
14 identify any agricultural leases, pursue public outreach on pre-harvest reviews, and
15 complete the haul route analysis to determine needs for roads or access across other
16 landowner properties. Field work includes water typing, final archeologist review, road
17 engineer review, final geologist review, final wildlife review, easement and road-user
18 permit execution, and additional public and neighboring landowner outreach. Forester
19 field work occurs before, during, and after other specialist work and is completed of unit
20 layout and design, GPS, tagging, flagging, installation of buffers and exclusions for
21 wildlife, arch, water, geologic, road plan design and development, and silvicultural
22 prescriptions (leave tree marking and replanting). Following completion of all field work,
23 the administrative paperwork process is completed for Forest Practices Application,
24 SEPA, contract, road plan, specialist reports, and sale maps.

25
26 Approximately five to seven months prior to the Board's review, the district submits the
27 entire competed timber sale packet to the region for any final edits, SEPA comments,
28 FPA approval/appeal, and other issues that need to be addressed. Overall, the entire
29 process from the initial sale inception to final sale could take approximately 10 years to
30 complete.

31
32 Mr. Townsend invited questions.

33
34 Commissioner Peach complimented staff on the process, especially earlier in the process
35 when public outreach is initiated. He asked whether the sale process includes the ability
36 to provide public comments. Mr. Townsend explained how public outreach throughout
37 the process is targeted to neighboring landowners and community members who may be
38 affected by logging trucks or loss of recreation. Other stakeholder involvement occurs
39 during yearly pre-harvest reviews. Public meetings are posted on the region's website
40 along with targeted outreach efforts to individuals and owners who may have been
41 involved in timber sales in the past. Much of the outreach occurs in the spring to enable
42 the community to review a broad plan two to three years in advance of a sale, as well as
43 the specific units, or sales in progress.

44
45 **PUBLIC COMMENTS**

46 **Matt Comisky, American Forest Resource Council**, said he represents a majority of
47 customers of the DNR timber sales program. He noted the difference between actual

1 volumes of timber harvests versus the forecast presented to the Board last July. Recent
2 information reflects the volume is approximately 381.5 mmbf versus the forecast of 519
3 mmbf, the equivalent loss of two years of volume or the operation of one sawmill. The
4 proposed timber sales for April reflect a reduction in volume. He cited documentation
5 provided to staff on information regarding the Board's trust and fiduciary obligations.
6 Last January, the Board requested an impact analysis stemming from the old forest
7 discussion. That impact analysis has not been provided; however, a DNR press release
8 appears to reflect that DNR, in an attempt to circumvent the Board's authority, is
9 planning to reserve timber without fulfilling the impact analysis as requested by the
10 Board.

11
12 **Patricia Jones, Olympic Forest Coalition**, thanked DNR and Commissioner Franz for
13 working to address legacy forest issues in the Beaver Valley Sorts sale and exclusion of
14 one unit from the sale. The Board should defer the Beaver Valley Sorts sale and the
15 Penny Wise sale located in Jefferson County containing legacy complex mature older
16 forest structures. She cited high summer temperatures in 2021 and her volunteerism at a
17 local cooling station for community members lacking air conditioning. Approximately
18 127 temperature records were broken in the state with 100 people losing their lives
19 because of the heat dome with two of those deaths occurring in her county. The county
20 adopted a climate action plan, an emerging carbon inventory including forest treatments,
21 and a county forestry plan calling for expansion of working forests with thinning
22 treatments to produce volume for jobs and industry.

23
24 **Heath Heikkila** addressed the arbitrary withdrawal of more state trust lands from
25 science-based forest management under DNR's new directive for political forestry. He
26 cited comments attributed to Commissioner Franz. Over two years ago, the Board
27 promised stability and certainty with the adoption of the murrelet amendment including
28 the release of 100,000 acres withheld from harvest. For more than 20 years, action has
29 not worked for the marbled murrelet and it is not working for public services or rural
30 communities dependent on public forest land. The acres withdrawn by DNR appear to
31 reflect a bait and switch resulting in the loss of more Washington mills and forest
32 contractors. The loss of industry infrastructure and timber markets only undermine efforts
33 to slow the conversion of private forest to development and also harms the ability to treat
34 at-risk drier forests before they burn producing massive quantities of toxic smoke and
35 carbon. DNR's pending offsets proposal would not reduce carbon emissions and, in fact,
36 more emissions are likely as sequestration slows in older forests and as more wood
37 products are imported. The decision directly threatens mills using those log sizes and it
38 requires DNR to focus on an aggressive harvest of 40 to 50-year old stands to maintain
39 some semblance of a timber program.

40
41 **Brel Froebe, resident of occupied Lummi-Nooksack Territory of Bellingham,**
42 **Washington**, thanked members and staff for their service to the state. Previous comments
43 from timber industry lobbyists opposing the protection of legacy forests imply advocates
44 for legacy forests want to eliminate logging in the state. That argument is not accurate. A
45 common talking point speaks to how protecting legacy forests would increase imports of
46 lumber into the state from countries with less stringent environmental regulations. That
47 talking point is not relevant as it speaks to only a small fraction of approximately 5% of

1 DNR managed lands in Western Washington. To imply the protection of legacy forests
2 would somehow have a significant impact on net imports ignores the fact that subsidized
3 Canadian timber floods the US lumber market and is one of the primary reasons why US
4 imports of timber are so high. Mill owners argue how Canadian subsidiaries are by far
5 among the biggest threats to their economic viability. Slightly reducing harvests on DNR
6 state lands would have virtually no impact on imports. Timber prices are set by the
7 market based on international prices. Importing softwood lumber from any country other
8 than Canada is not economically viable. The argument that cheap imports from countries,
9 such as Russia and China would flood the softwood market because of the protection of
10 legacy forests is misleading. The Board should consider an older forests policy that
11 protects all legacy forests naturally regenerated prior to 1945.
12

13 **Jerry Bonagofsky, Washington Contract Loggers Association, Inc.**, thanked Mr.
14 Townsend for providing the Lightning Talk as it highlighted the incredible amount of
15 work completed by staff to develop the timber sales packages that meet all regulatory
16 requirements including policies approved by the Board. Rural counties continue to
17 remain reliant on timber sales. Some of the association's members work entirely on DNR
18 timber sales and others rely on the sales to maintain operations and crews. The trust
19 beneficiaries have forfeited nearly 50% of the land base. The Board is asked to affirm all
20 existing policies and not implement any additional resolutions that might erode the land
21 base as currently managed for the beneficiaries. He understands DNR plans to reserve
22 thousands of acres of operable forest land. Essentially, forests originating since pre-1900
23 are included in the calculation for the current plan. It is also reported DNR plans to offset
24 the loss of timber sale revenue by pursuing carbon markets. He would like to see the plan
25 that fully compensates the beneficiaries so that they are made whole. The news is
26 extremely disappointing and is creating an adverse impact on rural communities and
27 beneficiaries that rely on the economic benefits derived from managing those lands as
28 working forests.
29

30 **Rod Fleck** cited a resolution to the Board from the City of Forks reiterating its position
31 for a sustainable well-managed, and well inventoried DNR forestry program providing
32 revenue to special purpose districts essential to rural communities. Timber harvests create
33 jobs equating to six to eight jobs per million board feet of sustainable harvest. Most rural
34 communities rely on those jobs. The concern is the removal of volume from sales
35 planned in the fall. One example is the sale of Mt. Pleasant located in central Clallam
36 County that has experienced an 80% reduction in value and volume. Additionally,
37 internal actions will remove trees from consideration that are not associated with
38 ecological or regulatory purposes, but rather a political decision without any DNR policy
39 assessment, the requested detailed inventory, or the impacts beyond the current expected
40 generation of timber sales. The impact will be real and yet another level of uncertainty
41 has been created. The Board should consider those actions seriously.
42

43 **Paul Butler** spoke as a small forest landowner in western Thurston County adjacent to
44 Capitol State Forest. As an attendee to Board meetings for over a year, his initial interest
45 was in timber harvests near his property but has expanded to protecting older forests on
46 his property and on DNR managed land. He became aware of the controversy
47 surrounding older forest after reading a *Seattle Times* article in March 2021 and

1 comments from Commissioner Franz on a willingness to pause logging of some older
2 forests. Some timber sales with trees older than 80 years have been paused, but not all.
3 The interest generated during a staff presentation on older forests at the Board's January
4 meeting appears to have waned as the scheduled presentation on older forest policy has
5 disappeared from the agenda. He is hopeful staff will update the public on the status of
6 the new older forests policy. He is not opposed to logging but believes there is a better
7 way than the current plantation approach. There are better ways to provide revenue to
8 educational trusts and rural counties than through harvesting the last unprotected older
9 forests. In the meantime, until an updated older forests policy has been vetted and
10 implemented, the Board should place a strict moratorium on all timber sales in Western
11 Washington with average ages older than World War II.
12

13 **Brel Froebe, resident of occupied Lummi-Nooksack Territory of Whatcom County,**
14 thanked members and staff for their service to the state. He was saddened to learn of the
15 recent passing of former Commissioner Jennifer Belcher, whose legacy can be honored
16 by DNR adopting a proposal to combat the climate crisis through changing forest
17 management practices. The two proposed timber sales, Centennial and Beaver Valley
18 Sorts, are legacy forests. He referred to the letter from the Jefferson County Board of
19 Commissioners asking the Board not to approve the timber sales. Funding schools,
20 libraries, emergency services, and other essential services with industrial forest practices
21 is outdated and should be reconsidered. It is ironic that timber industry lobbyists point out
22 that rural economies depend on timber sales while those same representatives comment
23 negatively about impacting rural economies when their business model of automation
24 have had devastating impacts to those economies.
25

26 He agreed that other comments on how the economic burdens of protecting older forests
27 often falls on a few rural counties as rural counties should not bare the economic burdens
28 of furthering environmental protections. The Board should use its political power to work
29 with the Executive and Legislative branches to mitigate the economic impacts of
30 protecting legacy forests through carbon markets and budget decisions that prioritize
31 climate mitigation, adaptation, and salmon habitat watershed conservation while also
32 fully funding rural counties.
33

34 **Andy Zahn** requested the cancellation of Beaver Valley Sorts, Carbonara, and Q Cousins
35 Sort timber sales citing them as legacy forests regenerated prior to 1945. The Q Boyer
36 East Sorts and the Lower Speelyai Sorts timber sales should be reconsidered as they may
37 exhibit legacy forest characteristics. The Board should cancel all sales of older forests
38 already approved by not cutting and permanently protect all legacy forests on state lands.
39 The Board has the ability to protect forests to meet the urgency of reducing emissions.
40 DNR and the Board have the ability and the duty to play a large part in the fight against
41 the climate crisis.
42

43 **Daniel Harm** said the Nooksack River is in grave danger of experiencing irreversible
44 changes and ecosystem collapse if Whatcom County doesn't rapidly reform the way it
45 manages nearby human activity. That warning was issued by Western Washington
46 University environmental sciences associate professor John McLaughlin. Oliver Graph,
47 Natural Resource Program Manager for the Nooksack Indian Tribe, has reported the

1 Nooksack River is under enormous strain as development brings its ecosystem to the
2 brink of collapse. Logging in the upper watershed where the river begins to impact
3 stream flows and forests of mature or old growth should not occur. Mature forests are
4 older than 80 years. Cutting down older forests and replacing them with plantations is not
5 a useful activity from any standpoint to include carbon sequestration according to Jerry
6 Franklin. Plantations are not good for the climate. Mr. Franklin also advocates for the
7 protection of all older natural forests as they are the most resilient and able to recover
8 from drought and fire. It is critical DNR conserves all legacy forests on state public land.
9 Science is clear - legacy forests can save the planet.

10
11 **Erik Steinhoff** said the change in format for public comment during meetings continues
12 to diminish public trust in this indispensable agency. More voices call for more
13 opportunities to be heard, not less. He questioned the number of individuals who have
14 signed in to speak but would not have the opportunity because of the change in policy.
15 The longer the agency abbreviates public comment in the absence of a clear and effective
16 moratorium on the harvesting of legacy forests, the more the agency's legitimacy
17 diminishes. When private timber companies export logs out of the Washington ports, the
18 companies are also deporting jobs at a rate of 6 to 8 jobs per million board feet. DNR's
19 important role should be to encourage private companies to engage in more pro-social
20 behavior given the cozy relationship the Commissioner of Public Lands seems to have
21 with them based on public disclosure of campaign finance. He cited the legacy of
22 Jennifer Belcher and her opening letter for the 1997 Habitat Conservation Plan stating,
23 "Our HCP will provide certainty, stability, and flexibility to both the trusts and wildlife."
24 It is important to convey "flexibility" and "wildlife" more often.

25
26 **Doug Cooper, Hampton Lumber**, reported the company owns and operates sawmills in
27 the rural communities of Darrington, Morton, and Randall. Timber harvested from DNR
28 lands is critical to sawmills and to the fuel that drives the economic engine of those
29 communities. Speaking on behalf of the company's employees, DNR's Northwest Region
30 will fall far short of the targeted annual volume at the end of the fiscal year. The Board
31 should be asking why and what is being done to meet the planned volume. Recent media
32 from DNR announced intentions to release a first of its kind carbon project that will
33 preserve thousands of acres. It is obvious the project was developed behind closed doors
34 with no public input and no apparent review, discussion, or approval by the Board. The
35 lack of detail makes it clear the proposal is not well understood and not well thought out.
36 After years of stated commitment to the benefits of working forests in rural communities,
37 he questioned what has changed. The choice to set aside more acres of productive
38 working forests into the unproductive unemployment line will result in less revenue, less
39 jobs, poorer communities, and increased carbon emissions. The rationale attempting to
40 justify the decision by selling assets into the market can only be reflected as the harsh
41 realities of politics driving sound public policy. The Board will have the opportunity to
42 accept the responsibility to conduct further review of the project.

43
44 **Ed Bowen** said he is a landowner and taxpayer of Jefferson County. The Jefferson
45 County Board of Commissioners has communicated to the DNR about the status of the
46 Beaver Valley Sorts timber sale. Its position is not representative of him as a landowner
47 and taxpayer of Jefferson County. He supports the sale of the Beaver Valley Sorts and the

1 \$2.7 million appraised value that would result in revenue to Jefferson County to fund
2 services in the county. He does not believe the County Commissioners took that into
3 consideration in terms of how the county plans to offset the loss in revenue. He asked the
4 Board to approve the Beaver Valley Sort sale. The Board should consider the policies
5 because over the last several months a change has occurred in operational policies by the
6 agency versus the responsibility of the Board to set policy. Deferments that have a never-
7 ending sunset date are a policy the Board should address and not the agency. Deferments
8 are destroying the value of the counties dependent upon the revenue.
9

10 **Edward Chadd, resident of Clallam County**, referred to Jennifer Belcher's comments
11 in 1997 on how the trust and wildlife are important beneficiaries of the activities of DNR.
12 Over 25 years later, wildlife also includes humans. The latest report from the
13 Intergovernmental Panel on Climate Change (IPCC) documents the direness of the
14 situation and possible solutions. One of those solutions is what occurs in the forest. It is
15 past time to de-link state forest management from funding school construction and local
16 taxing districts. He agrees with previous comments and with Commissioner Peach who
17 advocate against harming rural communities and taxing districts. It is important to pursue
18 ecosystem services funding for jobs for those who harvest forests to stewards of the
19 forests for the sake of the children and future grandchildren. There is no time to waste.
20

21 **Robert Mitchell** suggested DNR's labor shortage would provide an opportunity to take
22 advantage of volunteers to help with trash cleanup, road clearing, and trail maintenance.
23 Perhaps, DNR could place a dumpster in the State Capitol Forest and provide Department
24 of Ecology trash bags. Volunteers could also review parcels for old growth or significant
25 tree candidates that may have been missed by harried DNR timber crews. By
26 demonstrating the public's responsible use of public lands, it could result in more access
27 to gated roads. Conservationists should recognize that revenue comes first for DNR.
28 Although DNR may pay lip service to climate change and the value of ecosystem
29 services, the bottom line is timber revenue. DNR's justification is the fiduciary language
30 coded in state law. Changing the Board's position will require more non-tax revenue
31 options. DNR's vision should be to sell the benefits of not logging for a higher price than
32 loggers can pay, and invest the proceeds to produce predictable increasing revenue for
33 DNR trust beneficiaries by turning DNR into a public crowd-sourced green hedge fund to
34 minimally managing forests for non-destructive leave no trace public access.
35

36 **Rob Lewis** commented that most people are aware of the effect of anthropogenic
37 greenhouse gas emissions on climate change but many are unaware of another human
38 cause of climate change often referred to by scientists as land change where landscapes
39 are changed by clearcutting, paving, or clearing for agriculture. Those changes damage
40 the critical hydrologic cycles directly affecting changes in climate. The process is defined
41 in scientific literature. To hold CO2 as the only factor in climate, important as it is, is to
42 miss the elephant in the room – in this case, the forests, which are more than standing
43 quantities of carbon but are the living infrastructure of the region's climate. It is
44 important not to miss the vital role of soil, which banks moisture and carbon to hold more
45 water. More water grows plants and trees to absorb more carbon. The cycle repeats and
46 buffers against climate extremes, particularly during dry hot summers. Older forests and
47 other legacy forests are crucial, as they have developed deep soils and complex biology

1 essential to the region's climate, which is now collapsing one clearcut at a time. When
2 destroying a regional forest, the basis of regional climate is also destroyed. He urged the
3 Board to include land change via hydrologic water recycling as a factor in the analysis, as
4 well as providing more than two minutes to speak so more meaningful comments can be
5 provided.
6

7 **Cyndy Bratz, resident of Port Townsend/Jefferson County**, cited a recently released
8 IPCC special report on how the planet is out of time and needs to take substantial action
9 to reduce greenhouse gas emissions, particularly at the state level. One method is to retain
10 older diverse forests as they remove CO2 annually and store carbon each year above and
11 below ground in woody materials and soil. One way of reducing emissions is by
12 deferring the Beaver Valley Sorts timber sale to allow due diligence, as well as other
13 timber sales. She asked Commissioner Franz to accelerate development of the policy for
14 protecting older legacy forests, consider using the trust land transfer process or
15 reconveyance process to transfer the land to Jefferson County for sustainable forest
16 management. Consider requiring a calculation of sequestered and emitted carbon to use
17 in the analysis of all future timber sales and harvest. Consider introducing principles of
18 sustained forest management into DNR policies including selected harvesting and
19 prescribed burns. DNR should explore other alternative forest practices and policies that
20 do not put funding of schools, libraries, and other essential services against
21 environmental protection.
22

23 **Ed Martin, Western Forest Products**, reported the company produces high quality
24 Douglas fir products for customers. The company has been in the community since 1953
25 and employs over 100 individuals and hundreds more are indirectly impacted by the
26 company. He is disheartened and frustrated because the Board has allowed a 100+
27 million board feet shortfall in the timber program with trust beneficiaries not receiving
28 the funds the Board is responsible to generate. Forest product companies are struggling to
29 access logs and provide green renewable products to customers. Lost revenue from the
30 lack of harvesting impacts the community. Something is seriously amiss and it continues
31 with DNR indicating the need to educate the Board on older stands beyond an arbitrary
32 regeneration date and that the sustainable harvest calculation is fraught with poor
33 numbers. Locking up lands without analyzing the best return on investment to
34 beneficiaries through inaction is clearly the only science being considered in decisions,
35 which is political science. The Board needs to and is capable of showing leadership with
36 the HCP and the opportunity to sell timber sales ready to meet the goals of the HCP.
37

38 **Dakota Rash** commented that many of his friends and family are looking forward to
39 summer; however he often harbors a guilty anxiety during those discussions because of
40 probable heat-related disasters. Last summer's heat wave was a revelation. Among the
41 many tragedies he never envisioned were the numerous Western red cedar and Douglas
42 fir trees suffering damage from heat and drought. It is possible another heat dome might
43 not occur this year or next; however, those events will only increase over the next three
44 decades. Opportunities exist to protect the region and the planet in a natural resources
45 context as the planet hurdles forward through a climate crisis. A transformation is
46 necessary in the way humans interact with the natural environment. For too long, humans
47 have taken forests, rivers, animals, and ecosystem services for granted thinking it is

1 endlessly possible to extract and repress. That industrial mindset is outdated and
2 unsupported by unbiased science. Almost too late, it is realized humans have foiled
3 nature's built-in safety nets. To solve the situation, it is important to support the
4 ecosystems that form the foundation of a livable planet. For forests, it means at the very
5 least, retaining old growth forests and forests with the potential to become old growth. He
6 urged the Board to become part of a necessary change and the privilege to ensure
7 Washington remains an evergreen state.
8

9 **Todd Lagestee** reported he is the elected member of the Washington 40th Legislative
10 District Democrats. Recently, the 40th, 42nd, and the Whatcom Democrats passed a
11 resolution calling on local elected leaders and the Honorable Hilary Franz to oppose the
12 Bessie Timber Sale in its entirety. The unit includes trees over 100 year old. The site also
13 houses the native run of cutthroat trout in Anderson Creek. The Washington Department
14 of Fish and Wildlife reported to the City of Bellingham that native trout are negatively
15 impacted by siltation caused by logging. Anderson Creek is identified in the Bessie SEPA
16 Checklist. Anderson Creek flows into Lake Whatcom. Recently, the City of Bellingham
17 spent \$700,000 to clean up Anderson Creek. Lake Whatcom is an impaired water body
18 and is the drinking water supply for 100,000 people. The logging of the Bessie unit could
19 negatively affect Anderson Creek and subsequently Lake Whatcom. The City of
20 Bellingham is on track to spend \$100 million cumulatively to clean up and reduce
21 impacts to Lake Whatcom. It makes no sense to log in the Lake Whatcom watershed
22 when it could negatively affect water quality while so much public money is being spent
23 to improve water quality. He understands the impact of not logging as his family's
24 hardware store in Oregon was impacted by a drawdown of logging in the 80s and 90s and
25 ended up closing. He understands the issues at stake but believes long-term
26 environmental impacts outweigh short-term financial benefits. He asked that the Board in
27 conjunction with other democratic organizations in Whatcom County to not log the
28 Bessie units.
29

30 **Mary Jean Ryan, resident of Jefferson County**, said she was hopeful the
31 Commissioner's recommendation for an older forest policy would be presented to the
32 Board and to the public who have expressed interest in the policy over the months. It
33 would be important to review and comment on the draft policy. She urged the agency to
34 develop a strong older forest policy that emphasizes forest structure and ecological
35 function and not just stand age. The policy should protect pre-World War II naturally
36 generated legacy forests of Western Washington comprised of 80,000 acres. Protecting
37 the forests would serve as a good near-term step to take for climate protection. According
38 to the climate report recently released, leaders in every part of the world must take every
39 step today to give the planet a fighting chance to survive. DNR has the opportunity to
40 take action on a smart policy of protecting legacy forests today when the Board considers
41 timber sales. The Board should defer action on Centennial and Beaver Valley timber
42 sales as both are legacy forests the state should save rather than log. The Board should
43 follow the wishes of the Jefferson County Board of Commissioners requesting the Board
44 defer action on the sale.
45

46 **Lynn Fitz-Hugh** reported in 2017, Paul Hawkins, author of *Drawdown: The Most*
47 *Comprehensive Plan Ever Proposed to Reverse Global Warming* published research on

1 the ranked order of the 80 most effective solutions to climate change. Saving temperate
2 forests was #12 and afforestation was #15. The most critical of all forests types is primary
3 forests known as old growth. The United Nations stated that the planet can no longer
4 remain below 1.5-Celsius temperature rise by reductions of emissions alone, as
5 afforestation would be required. Mr. Hawkins new book, *Regeneration: Ending the*
6 *Climate Crisis in One Generation* speaks to the world's total yearly emissions of carbon
7 totaling 11 billion tons. However, the net annual increase in element carbon in the
8 atmosphere is 5.3 billion tons because 5.8 billion tons are sequestered in land, plants, and
9 the ocean. Of the three, forests are the greatest remover of CO2 on the planet. Primary
10 mature forests are responsible for the majority of sequestration. Until recently, the
11 scientific community assumed older trees sequestered marginally. Today, it is known
12 trees accumulate significant amounts of carbon to the end of its life. Pro-forestation
13 would have a 40 times greater impact today than newly planted forests. The IPCC report
14 warns that the planet has until 2026 to bring emissions curbs down globally and another
15 46% reduction until 2030. Cutting all growth trees while the planet is facing dire and
16 nearly impossible odds is unwarranted.

17
18 **Bill Turner, Sierra Pacific Industries**, said the recent DNR press release announcing
19 the preservation of thousands of acres of forest to sell carbon is concerning. Such action
20 requires SEPA analysis rather than a press release. The announcement stated that carbon
21 generated from the lands would be sold into the voluntary carbon market. Although not
22 opposed to carbon markets as the company participates in the California market, but
23 because the voluntary carbon market lacks accountability and lower pricing. He
24 questioned how the beneficiaries are receiving the best value. The Board should ask those
25 questions. Choosing to sell carbon in the voluntary market is questionable versus the
26 California carbon market or the new Washington market under development. He asked
27 about the economic benefits to the beneficiaries and the economic and social benefits to
28 the rural communities that help to produce wood and paper products. He inquired as to
29 the appraised value of timber sales set aside comprised of 49 million board feet. The
30 average price this fiscal year has been \$430 per thousand board feet for all sales or over
31 \$21 million set aside. He questioned the amount received for carbon.

32
33 **Dennis Olson, Stella-Jones**, said the company provides utility poles throughout the
34 country. He reiterated the importance of the Board's fiduciary responsibility to the
35 beneficiaries of the state. When making decisions on timber sales, it is important to use
36 science-based metrics for the decisions and not rely on emotions. It is also important to
37 point out the importance of working forests in Washington. Working forests are
38 important to the nation's aging infrastructure within the electrical grid. The electrical grid
39 is important for national security, for development of the EV grid for electrical vehicles,
40 and the expansion of broadband to rural communities. Douglas fir is the predominant
41 species used for transmission poles across the country ranging in size from 25 feet to 140
42 feet in length. Having an age class available is critical to infrastructure. If not for Douglas
43 fir, the poles would be steel or concrete, which is the opposite direction from a climate
44 perspective.

45
46 **Todd Merritt, Boise Cascade**, spoke as a former wildland firefighter and former region
47 manager for DNR serving under three Commissioners. During his service with DNR,

1 much of the old growth was set aside and not touched. The idea of legacy forests is a new
2 term to put more timber out of the reach to those processing wood products. As in
3 Oregon, older forests often burn quickly because of poor management. He cited the
4 Tillamook Burn as an example. Many argue that the reduction of harvesting will harm
5 rural communities, which is true but the argument not often heard is how it would affect
6 urban communities. The price of raw materials has increased and recently 74% of
7 respondents indicated the hallmark of economic prosperity was to own a home. The state
8 should be building more carbon storage facilities such as 18-story buildings, which are
9 approved in both Washington and Oregon. The Board needs to demonstrate some
10 fortitude and ignore radical protests to meet its fiduciary responsibilities.
11

12 **Jim Stoffer, Director, Sequim School Board, representing the WSSDA Trust Lands**
13 **Advisory Committee**, conveyed appreciation for the ongoing work by the Trust Lands
14 Transfer Working Group. The group has concerns surrounding staff resource shortages
15 for timber sales and the future path that will result in an arrearage. The state has 89
16 school districts dependent upon state forest revenue. There have been concerns conveyed
17 about the Mt. Pleasant sale in Clallam County, as well as the Jefferson County timber
18 sales. DNR has already transferred 3.1 million board feet from the previous sale. He
19 thanked the Board and staff for outreach to beneficiaries.
20

21 **Esther Kronenberg** said she supports creating an older forests policy that protects all
22 naturally regenerated forests of 1945 or older. Those forests are the only ones that would
23 be able to regenerate in the face of climate change. She objects to using the nation's
24 children as an excuse for logging forests. Superintendent Chris Reykdal has spoken to the
25 extraction of schools from the discussion that often uses school construction as an excuse
26 to harvest with only one to six percent of school construction funding from forest
27 harvests. There are better ways to raise money for taxing districts and timber
28 communities according to the *Seattle Times* by changing the trust mandate for
29 Washington state forests and other public lands that would not harm rural community
30 school funding, the timber industry, or the trust beneficiaries. Extending timber harvest
31 rotations on state lands to longer cycles to support climate change goals could emit
32 benefits for everyone today and in the future. Logging forests will deny children their
33 right to a livable future. The political decision is determining how to support rural
34 communities while preserving legacy forests.
35

36 **Connie Beauvais, Commissioner, Port of Port Angeles**, referred to a resolution by the
37 Port Commission forwarded to the Board, the Governor, and state legislators about the
38 fiduciary trust responsibilities of the Board and DNR. There has been tremendous
39 negative impact of set asides on Clallam County's 22 taxing districts occurring with none
40 or little defense of the public timberlands by DNR and the Board. A recent negative
41 impact was the HCP and the marbled murrelet conservation strategy, which was
42 supposed to provide surety. Yet, the ever-reducing timberlands continue to be pressured
43 to end timber harvests. It appears a new tree species has appeared on the landscape, one
44 that disappears. There are no fewer than three sales in the county that have been reduced
45 substantially. She is hopeful the Board is aware of the reductions, and if not, she hopes
46 the Board would inquire about the Mt. Pleasant reductions. A DNR committee is working
47 on mitigation strategies for underperforming forests, which are forests that have been

1 determined are not meeting the social and ecological functions and how those lands could
2 be mitigated out of timber production. The Port of Port Angeles will continue to voice its
3 strong support for maintaining and increasing DNR state trust land available for timber
4 harvest and beneficiary revenue generation.
5

6 **TIMBER SALES (Action)**

7 **Auction Results for March 2022, Quarterly Sales Results, & Proposed Timber Sales**
8 **for May 2022**

9 **Tom Heller, Acting Assistant Division Manager, Product Sales & Leasing Division**
10

11 Mr. Heller presented the results of the March 2022 auctions. The Department offered 8
12 sales totaling 39.7 mmbf selling 7 out of the 8 sales totaling \$17.5 million for an average
13 of \$499 per mbf with an average of 4 bids per sale. One sale generated seven bidders.
14

15 Mr. Heller invited questions and comments from the Board.
16

17 Commissioner Peach asked whether an overbid by 60% was reflective of an outlier
18 situation. Mr. Heller replied that it could have been but that it likely was more indicative
19 of the current strong market. Some of the highest stumpage values were in the Northwest
20 Region.
21

22 Mr. Heller presented the fiscal year 2022 timber sales update. Volume is down for a
23 number of reasons to include staffing shortages, significant snowfall in the mountains,
24 access issues, and older forest issues. The Department is working through issues affecting
25 timber harvesting volumes below the forecast. The Department is actively recruiting for
26 employees at universities and colleges with forestry curriculum.
27

28 Angus Brodie, Deputy Supervisor for State Uplands, added that the older forests issue
29 and deferral of 53 mmbf were delayed to afford time for a discussion by the Board on
30 policy. In terms of staffing resources, the Department is engaged in active recruiting.
31 However, one of the biggest challenges for attracting employees is the lack of affordable
32 housing in some of the rural communities. In some areas, no affordable housing is on the
33 market. Other state agencies and private industry are experiencing similar challenges.
34

35 Mr. Heller reported actual volume to date is approximately 100 mmbf short for the fiscal
36 year. The original plan was to produce 564 mmbf in timber volume with the current plan
37 reflecting 449 mmbf. Some sales have been restructured to accommodate for some of the
38 issues that have contributed to decreased volume. The goal for fiscal year 2022 timber
39 sales is \$180 million. The Department has sold \$132 million to date. However, higher
40 stumpage prices have contributed to achieving the target for the fiscal year.
41

42 Mr. Heller invited for questions.
43

44 Commissioner Peach said his concern is not achieving the annual target and understands
45 many issues are beyond the Department's goals that are influencing the outcome. In
46 terms of employment, he is appreciative of active recruitment efforts. He asked whether
47 the Department has considered whether salary and compensation are serving as a barrier

1 that should be addressed. Mr. Brodie responded that it is likely in some locations salary
2 and compensation serve as a barrier for successful recruitment. The Department's salary
3 and compensation package is within the structure of state government making it difficult
4 for the Department to alter or change the salary structure. The Department's full
5 compensation package is comparable with private industry.
6

7 Chair Franz noted that as a government agency there are more limitations compared to
8 private industry for salary increases. Property and real estate are a contributing factor in
9 recruitment. Staff intends to present some suggestions and proposals in the context of
10 how the Department might be able to provide housing to meet the needs of new
11 employees to fill positions.
12

13 Mr. Heller commented that the salary rate is not a new issue. Approximately four years
14 ago, the agency instituted a training plan program for Forester 1 positions to promote to
15 Forester 2 positions to help retain employees.
16

17 Commissioner Peach complimented staff for efforts on addressing employment issues.
18

19 Mr. Heller commented on how the Department is addressing the shortfall in both volume
20 and revenue. Each region is conducting pre-harvest reviews and working on the three to
21 five year development plan. The older forest discussion has created issues in some
22 regions. Staff is evaluating potential sales to rework the sales, as well as backfilling
23 current sales with future sales slated in the fiscal year 2023 plan.
24

25 Duane Emmons, Division Manager, Product and Leasing Division, shared information on
26 how the regions are metering some fiscal year 2022 sales to fiscal year 2023 to avoid
27 overloading the market to enable prospective purchases an opportunity to review all
28 sales.
29

30 Mr. Cahill questioned how staffing has affected the long-term process required for
31 offering timber sales. He asked about the number of FTE vacancies throughout the state.
32 Mr. Heller replied that some regions are experiencing a shortage of staff resources more
33 than other regions. Most of the staffing issues are within the Olympic Region in coastal
34 areas. It is unlikely the Department would be able to achieve the lost volume this fiscal
35 year but volume would be significantly increased next fiscal year.
36

37 Mr. Emmons added that some of the processes involving forest practice applications and
38 SEPA reviews require field staff to ensure documentation is correct. That process occurs
39 during the final months prior to offering the packet for consideration by the Board. The
40 entire timber sale process is experiencing staffing impacts.
41

42 Mr. Heller said FTE vacancies within the Olympic Region are approximately 12
43 positions. The Southeast Region is also experiencing some loss in positions. The issue is
44 occurring across the state.
45

46 Mr. Brodie addressed public comments surrounding the Beaver Valley Sorts sale in the
47 Olympic Region. The Department received a letter from the Jefferson County Board of

1 Commissioners regarding the Beaver Valley Sorts sale. The county requested deferral of
2 the sale. The proposed sort sale was released for SEPA comments on April 30, 2021
3 through May 14, 2021. The sale is a larger sale containing four to five units. Based on the
4 number of comments received during the SEPA review on Unit 1, he visited the site last
5 May and asked the region to hold the sale while the Board discussed the concerns and
6 had an opportunity to review the older forests policy. Unit 1 contains some larger older
7 trees. During the intervening period of time, the region requested authority to redesign
8 the sale. The redesign of the sale included removal of Unit 1. The current sale under
9 consideration does not include the sale of Unit 1. Other units in the sale contain forests
10 that are older but not pre-1900 and are not structurally complex. The final notice of
11 determination was approved by the region manager on March 16, 2022.
12

13 Commissioner Peach questioned whether the subject unit is a transfer of land or federal
14 lands. Mr. Brodie explained that the land is State Forest Transfer lands held in trust for
15 repayment of property taxes to the county.
16

17 Commissioner Peach noted the projected revenue for the sale based on recent auction
18 results would likely generate \$3 million in revenue. He asked whether staff is aware of
19 whether Jefferson County has consulted with junior taxing districts in the county. Mr.
20 Brodie said once the sale is approved by the Board, the Department is authorized to sell
21 at minimum bid. The next step is advertising the sale for potential purchasers to inspect
22 the sale site. This sale is a sort sale with the Department completing all harvesting
23 activities. The actual sale of the sorts would not occur until the end of May. Should
24 Jefferson County continue to have concerns, the county has the ability to request a
25 reconveyance. Once the Board approves the sale, the Department has 180 days to
26 complete the sale at the minimum bid price. The reconveyance process could entail a
27 minimum six month process.
28

29 Commissioner Peach inquired about the possibility of delaying the sale until the end of
30 the year. The question prompted a discussion on the 180-day period in which the Board's
31 decision is valid.
32

33 Chair Franz added that the Board has previously considered a reconveyance situation.
34

35 Mr. Brodie explained that reconveyance is simply a transfer of property to the county for
36 recreational purposes. Typically, it involves identifying the parcels and whether
37 additional surveying is required. If no additional surveying is required, it is a
38 straightforward transaction. If surveying is involved, the process is longer and incurs
39 some additional costs. A reconveyance action does not generate any revenue to the
40 Department. The county's letter referred to the possibility of a Trust Land Transfer
41 process. Staff continues to meet with a working group to revitalize the Trust Land
42 Transfer program. Based on his knowledge of the sale, he does not believe the sale is a
43 candidate for the Trust Land Transfer program.
44

45 Mr. Cahill noted that it appears the process, should the Board approve the sale, affords
46 the Department 180 days to release the sale for auction, which could allow Jefferson
47 County time to request reconveyance. Mr. Brodie said the current plan is scheduled for

1 sale during the May auction. Jefferson County has the option of requesting reconveyance;
2 however, DNR lacks a process for Trust Land Transfer. The duty of the Department is to
3 act in the best interests of the trust and beneficiaries.
4

5 Chair Franz recapped the information provided to the Board. She asked for any additional
6 questions or comments. The Board offered no further questions or comments.
7

8 Mr. Heller presented the proposed sale packet of 13 sales for the May auction. One of the
9 sales was previously approved and requires re-approval by the Board. The sales package
10 totals 62.4 mmbf with a minimum bid for the package of \$28.3 million, averaging
11 \$453/mbf. Five sort sales are included in the package. The minimum bid for the sales
12 package is a delivered value rather than a stumpage value. Staff recommends approval of
13 the sales.
14

15 Chair Franz requested consideration of a motion.
16

17 MOTION: Commissioner Peach moved to approve all sales yet delay the Beaver
18 Valley Sorts sale until the July auction.
19

20 SECOND: Mr. Cahill seconded the motion.
21

22 Mr. Cahill conveyed appreciation to Commissioner Peach for recommending the action.
23 Receiving the letter a day prior to the meeting created difficulty for the Board to render
24 decision. However, when a county requests deferral of a sale of land that would benefit
25 the county, he agreed more attention is warranted.
26

27 ACTION: The motion was approved unanimously.
28

29 Chair Franz recessed the meeting at 11:10 a.m. for a break.
30

31 Chair Franz reconvened the meeting at 11:20 a.m.
32

33 CHAIR REPORT

34 Update on Reconciliation of Derogatory Geographic Names 35 Sarah Palmer, Chair, State Committee on Geographic Names 36

37 Ms. Palmer briefed members on the Committee's planned response to some recent
38 actions on geographic renaming across the nation.
39

40 Based on recent newspaper accounts in November 2021, the Secretary of the Interior,
41 signed Secretarial Order 3404 addressing derogatory geographic place names referring to
42 indigenous women. The state of Washington has fewer place names subject to the order
43 than other western states. The Secretarial Order is in keeping with the goals of the people
44 of Washington. However, the order creates some implementation issues to include a short
45 timeline under the federal register notice released at the end of February. The timeline is
46 not compatible with the state's process, which is more of a deliberative process with
47 public input. The order includes a 60-day public comment period, creating some

1 scheduling issues. The second issue is the methodology the order proposes to use to
2 replace derogatory place names. The methodology includes consideration of the center of
3 the geographic location and considering five surrounding attributes within the landscape
4 as a potential replacement name. That methodology has created some problems for the
5 Committee.
6

7 Under state law, the Committee retains its ability to review federal names as proposals
8 are introduced. The Committee can render corrections within the boundaries of laws and
9 regulations under which the Committee operates. The Committee met on March 7, 2022
10 during a special meeting to draft a letter of comment to the Department of the Interior.
11

12 Ms. Palmer reviewed points addressed in the draft letter:
13

- 14 • The Committee shares the goal of the Department of the Interior
- 15 • The Committee plans to meet quarterly to address the Order
- 16 • The Committee believes in the importance of an effort to identify individual women,
17 historical events, or women's activities commemorated by the names and pursue
18 public outreach.
- 19 • The Committee wants to ensure that the effort to remove derogatory names does not
20 inadvertently erase the historical presence of indigenous women on the landscape, as
21 well as encouraging the Department of the Interior to ensure communications with the
22 states, tribes, map makers, and other stakeholders.
23

24 Under state law, the Committee is required to provide a report to the Board, although the
25 law does not specify the form of reporting. Ms. Palmer said she anticipates the issue will
26 be addressed more frequently as the Order is implemented and if any future orders are
27 issued. She requested input on the reporting format the Board desires and feedback on the
28 draft letter.
29

30 Commissioner Peach agreed that the inclusion of "squaw" within some place names was
31 inappropriate. He asked whether the Committee has engaged in consultation with the
32 tribes during the renaming process. Ms. Palmer said some of the outreach has included
33 discussions with tribes. The Committee has developed an email list of tribal historic
34 preservation officers and cultural programs. The federal process includes tribal
35 consultation with three, 2-hour online meetings across the country. Within the state, the
36 intent is to receive additional tribal input. Some tribal cultural program staff members
37 have attended Committee meetings and she anticipates more participation from
38 Washington State tribes.
39

40 Chair Franz shared information on the Department's communications with tribes within
41 the state.
42

43 Mr. Cahill asked whether the federal order applies only to federal land or all state land.
44 Ms. Palmer said the order applies to all lands. Mr. Cahill said his preference is for a
45 quarterly update rather than an update at each meeting.
46

1 Director Brown and Commissioner Peach concurred with the approach recommended by
2 Mr. Cahill.

3
4 *Director Brown disconnected from the meeting.*

5
6 Ms. Palmer reported the Committee has scheduled another special meeting on April 7,
7 2022. Based on the Board's input, the draft letter would be transmitted to the Department
8 of the Interior prior to the deadline of April 25, 2022. As more information becomes
9 available, the Board will receive updates.

10
11 **State of the State Lands Report – Part 1**
12 **Angus Brodie, Deputy Supervisor for State Uplands and Duane Emmons, Division**
13 **Manager, Product and Leasing Division,**
14

15 Mr. Brodie and Mr. Emmons presented Part 1 on the state of the State Lands Report.
16 Typically, a report is provided to the Board at the end of each fiscal year. The
17 presentation was delayed because of the pandemic and other issues. The report covers
18 fiscal years 2020 and 2021. The first half of the report will cover the financial aspects of
19 state trust lands. Mr. Emmons will present information on assets. Part 2 is scheduled for
20 the Board's May meeting covering recreation, natural areas, transactions, and
21 silvicultural efforts.

22
23 DNR manages 3.1 million acres of state-owned uplands to sustainably achieve multiple
24 values and purposes in three categories of state trust lands, conservation lands, and two
25 community forests. Four programs managing state lands include Product Sales and
26 Leasing, Forest Resources, Engineering, and Conservation, Recreation, and Transactions.
27 Four divisions represent the four programs operationalized across six regions in the state.
28

29 DNR serves as the trust manager as designated by the State Legislature. As manager of
30 state trust lands, DNR has legal fiduciary responsibilities to:

- 31
32
- Generate revenue and other benefits for each trust, in perpetuity
 - Preserve the corpus of the trust
 - Exercise reasonable care and skill
 - Act prudently to reduce the risk of loss for the trusts
 - Maintain undivided loyalty to beneficiaries
 - Act impartially with respect to current and future beneficiaries
- 33
34
35
36
37
38

39 Mr. Emmons reviewed asset classes managed by the Department:

- 40
- Forestry
 - Agricultural Leasing
 - Commercial Real Estate
 - Grazing
 - Communication Sites
 - Clean Energy
 - Mining/Minerals
 - Rights-of-Way
 - Special Use Leases/Special Forest Products
- 41
42
43
44
45
46
47

1
2 Mr. Emmons reviewed commercial treatment acres completed and sold, revenue from
3 timber sales (statewide, rounded, not adjusted for inflation), harvest volume, the
4 sustainable harvest level for the 2015-2024 planning decade, and sold and completed in
5 fiscal year 2021, forecasted for 2021, and scheduled for sale in 2021.
6

7 Mr. Emmons outlined some of the forestry challenges and opportunities:
8

9 **Challenges:**

- 10 • Harvest level set mid-decade – requiring adjustment at Sustainable Harvest Unit
11 level mid-decade (some units over, some units under)
12 • Staffing vacancies
13 • Increased public interest in timber sales with older forests and the process has
14 increased staff time and outreach efforts
15 • Historical high lumber prices – but didn't see a corresponding rise in log prices

16 **Opportunities:**

- 17 • Increased interest in biomass and potential new forest product markets (cedar
18 salvage, hop poles)
19 • Higher log prices may persist for some time as demand for housing remains high

20
21 DNR's Agricultural program provides leasing for different commodities of:
22

- 23 • Orchards & Vineyards (grapes, apples, cherries) of 31,653 acres, 101 leases,
24 generating revenue of \$9,490,000
25 • Irrigated Agriculture (onions, potatoes, corn, alfalfa) of 44,591 acres, 128 leases,
26 generating \$8,843,000 in revenue
27 • Dryland Agriculture (hay, lentils, barley) of 163,296 acres, 615 leases, generating
28 \$5,843,000 in revenue

29 Challenges for DNR's Agricultural program include the 2021 drought negatively
30 affecting dryland agricultural revenue and pandemic related uncertainty in commodity
31 pricing. Opportunities include transferring of water rights & expanding irrigated
32 agricultural lands.
33

34 Commercial real estate is the Department's third largest revenue generator comprised of
35 improved property leases of DNR-owned land and structures and ground leases where
36 DNR owns the land and the lessee owns the structures. Some challenges include High
37 building vacancy rate and lack of tenant improvement funds to attract new business. The
38 program formed an advisory committee to provide strategic guidance on modernizing the
39 program. DNR contracted with Jones Lang Lasalle to conduct a program review and
40 provide short- & long-term recommended improvements. Other members of the
41 committee include the Director of University of Washington's Metropolitan Tract
42 overseeing the university's commercial holdings and a commercial broker from Eastern

1 Washington. Opportunities include promoting vacant or underutilized properties based on
2 recent legislative changes extending the maximum lease term to 99 years.

3
4 One of the recommendations by Deloitte was creation of Transition Lands; areas
5 managed for natural resources that could yield higher economic return from conversion to
6 a different land use. DNR currently owns 35 properties comprised of 3,489 acres. The
7 Urban Lands program consists of properties zoned residential, commercial, or industrial
8 by local governments comprised of 40 properties totaling 3,750 acres. Some of the
9 challenges of undeveloped properties are the community's preference to leave certain
10 areas undeveloped and increased homeless encampments on underutilized/vacant
11 Transition or Urban lands. One opportunity is pursuing/investigating ways to more
12 efficiently transact those properties.

13
14 DNR's Grazing Program leases is an exclusive use of a specific area (760 leases over
15 542,000 acres). Benefits of the Grazing Program include providing critical forage for
16 livestock, reduction of fuel loads in high risk wildfire areas, lessees help steward the land
17 (noxious weeds and dumping), current highest and best use for land, and revenue
18 generation for beneficiaries. A decline in acres occurred between 2020 and 2021 because
19 of wildfires requiring the Department to defer some of the acres.

20
21 The Communication Sites program includes 106 Sites with 439 leases. Twenty-five sites
22 are a mix of DNR and tenant-owned structures and 76 sites are ground leases with the
23 structures owned by the tenant. Five sites are either under development or are vacant.
24 Staff reviewed all expired leases and was able to capture \$700,000 in back rent for
25 beneficiaries. DNR received \$2 million in capital funds for rural broadband infrastructure
26 improvements. The funding was a component of federal COVID funding, which has
27 since been converted to capital funding.

28
29 The agency's Clean Energy Program includes wind power (21 leases|118 turbines|216
30 MW), solar power (3 leases in pre-development - 1,364 acres), geothermal (mapping
31 areas of untapped potential), biomass (potential opportunities available in conjunction
32 with timber harvests), and other projects.

33
34 The Mining & Minerals Program is a small program with several assigned FTEs. The
35 valuable business line experiences fluctuations in revenue because of expiring leases. A
36 large portion of current program revenue is from one aggregate site. Operations will end
37 within the upcoming decade, resulting in steep revenue decline for program.

38
39 The Rights-of-Way Program grants rights-of-way over state trust lands and works with
40 adjacent landowners to acquire access to state trust lands. The program grants use
41 permits, land use licenses, and easements. DNR is statutorily required to grant some
42 access that costs more to administer than is generated. Staff is working on administrative
43 cost recovery for agreements.

44
45 The Special Forest Products Leases/permits allow commercial gathering of forest
46 products such as salal, brush, sword ferns, mushrooms, and boughs in DNR-managed
47 forests. Fiscal year 2021 leases/permits/sales totaled 97. Special Use Leases (non-

1 commercial property leases) include government services, commercial recreation, and
2 colleges. The number of leases in FY 2021 totaled 323. One of the challenges of the
3 program is leasing to other state government agencies at no cost as they have been
4 deemed to be a beneficiary by the State Legislature.
5

6 Mr. Emmons invited questions from members. No questions offered.
7

8 Mr. Brodie reviewed financial reports comprised of income statements, management
9 funds, and fund balances. Earlier work by Deloitte on the Trust Land Performance
10 included a recommendation to implement and update an enterprise accounting system to
11 produce comprehensive financial statements for land trust operations. The financial
12 statements should include at a minimum a balance sheet, and income statement, a
13 statement of changes and equity, and a cash flow statement. Staff is currently working to
14 produce those statements. The presentation is essentially a first draft of an income
15 statement. Staff is working through the Deloitte report to implement many of the
16 recommendations.
17

18 Mr. Brodie reviewed an income statement prepared for fiscal year 2020 from July 1, 2020
19 through June 30, 2021. The statement includes sections on Overall Revenue and
20 Expenditures by Business Asset, Trust Beneficiaries Distribution by Business Asset, and
21 DNR Management Funds Revenue and Expenditures by Business Asset. Mr. Brodie
22 responded to questions and explained the differences between direct and in-direct costs.
23 The accumulation of income statements is important as they reflect the performance of
24 the agency over a period of time. The Department is a cash-flow organization dependent
25 upon the revenue generated to complete its activities. Income statements also identify
26 trends in revenue generation by different assets. The next step in the process is
27 developing statements by specific trust and specific management administrative areas to
28 provide managers with some financial tools to manage operations. Another goal is
29 developing income statements by funds, such as forestry because of the distinctive
30 difference in business models between different programs and geographic areas.
31

32 Management Funds are defined as revenue from the management rate that fund:

- 33 • Resource Management Cost Account (RMCA) RCW 79.64.020
- 34 • Forest Development Account (FDA) RCW 79.64.100
- 35 • Net revenue into the Forest Health Revolving Account RCW 79.64.130
- 36 • Net revenue for this account is gross timber sale receipts minus contract harvester
37 payments
- 38 • DNR retains all revenue from State Lands Forest Health activities to conduct
39 additional forest health activities and distributes unobligated funds to the trust
40 beneficiaries as required by RCW 79.64.130

41 DNR does not retain a management rate for the Agriculture College Trust Management
42 Account, but receives a direct appropriation from the Legislature per RCW 79.64.090
43

44 Mr. Brodie reviewed a graph of RMCA Uplands Fund Balance, FDA Fund Balance, and
45 Forest Health Revolving Account for fiscal years 2018 – 2023 depicting revenues,

1 expenditures, ending fund balance, 5% minimum fund balance, and 3-month minimum
2 fund balance.

3
4 Mr. Brodie invited feedback from the Board.

5
6 Commissioner Peach inquired about the forecast of volume for the end of the current
7 Sustainable Harvest planning period. Mr. Brodie noted that as previously identified, the
8 Department anticipates less volume than forecasted in Western Washington. Some of the
9 shortage is attributed to the delay of older forest sales. Commissioner Peach said that
10 based on some calculations, he estimates the shortfall to be 400 mmbf. Mr. Brodie
11 advised that the shortfall would not be that extensive. He offered to provide an updated
12 forecast during the May meeting.

13
14 Commissioner Peach questioned the negative balance for Other Assets. Mr. Brodie said
15 the category also includes rights-of-ways.

16
17 Mr. Cahill said he looks forward to receiving a map of the locations of clean energy
18 facilities. The income statements represent a good start and help to provide a better
19 explanation of the agency's financial status. He asked whether the Forest Health
20 Revolving Account would entail any additional distribution of funds to beneficiaries if
21 the balance exceeds \$10 million. Mr. Brodie explained that the account totals more than
22 \$10 million; however, a majority of the funds are obligated and staff is working on a
23 distribution of funds at the end of the fiscal year. Because staff accelerated the strategy
24 for the Forest Health Plan, more funds were obligated for forest health activities.
25 Additionally, the intent is eliminating some pressure on the capital budget to enable
26 utilization of existing funds.

27
28 Chair Franz added that with the advent of increasing and catastrophic wildfires creating a
29 forest health crisis, she asked State Lands to work on efforts to achieve the 20-year Forest
30 Health Plan in 10 years, which will require both staff and financial resources.

31
32 Discussion ensued on the definition of "obligating" with recognition that there are
33 different interpretations of the term.

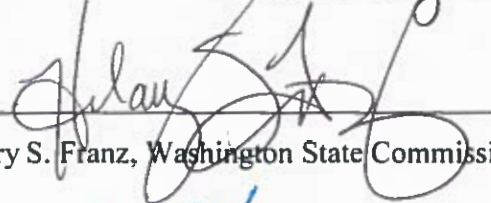
34 35 **EXECUTIVE SESSION**

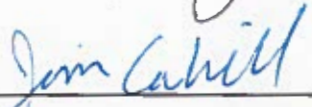
36 **Chair Franz recessed the meeting at 12:54 p.m. for approximately 30 minutes to**
37 **discuss anticipated litigation, pending litigation, or any matter suitable for an**
38 **executive session under RCW 42.30.110. No action will follow the executive session.**
39

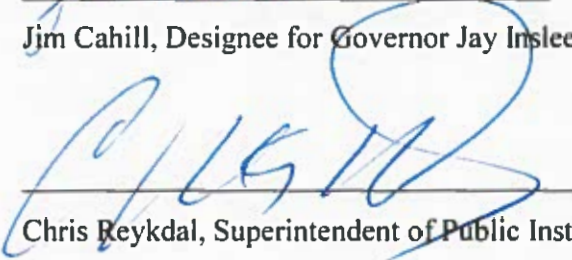
40 **RECONVENE & ADJOURNMENT**

41 Chair Franz reconvened and adjourned the meeting at 1:35 p.m.
42

Approved this 3rd day of May, 2022


Hilary S. Franz, Washington State Commissioner of Public Lands


Jim Cahill, Designee for Governor Jay Inslee


Chris Reykdal, Superintendent of Public Instruction


Bill Peach, Commissioner, Clallam County

Approved via Webinar
Dr. Richard Koenig, Interim Dean, College of Agricultural, Human, and Natural Resource
Sciences, Washington State University


Dan Brown, Director, School of Environmental and Forest Sciences, University of Washington

Attest:


Tami Kellogg, Board Coordinator

Prepared by Valerie L. Gow, Puget Sound Meeting Services, psmsoly@earthlink.net