8 months
Portfolio management

Governance

Funding

Draft subject to change

- Balance of the asset classes
- Acquisition/divesture reform and strategies
- Investment prudence, protocol and strategies
- Modernization of funding for direct and indirect costs
- Access to working capital for investments
Expenditures, revenue and funds
For revenue into the FDA and RMCA accounts

Forest Development Account
real 2015 dollars

Resource Management Cost Account
real 2015 dollars

Draft subject to change
Gross Revenue

Gross revenue for all uplands by fiscal year

*DNR data sources
Controlling costs
Full time equivalents (FTE)

Expenditures (operational and administrative) and uplands FTE count

*DNR data sources- all uplands staff

Draft subject to change 7
Full time equivalents (FTE)

Annual averages for each fiscal year for all uplands staffing

*DNR data sources- includes all asset class direct staff and indirect staff
Full time equivalents (FTE)

Dollars for an FTE and FTE count by fiscal year

*DNR data sources- all uplands staff

Draft subject to change
Administrative expenditures and other payments from management funds by fiscal year

$10,000,000 one time disbursement of FDA funds to the counties

*DNR data sources- Agency overhead, not all categories displayed

Draft subject to change
Average cost of standard replacement fleet vehicle (1/2 ton pickup class) and fuel all grades

Price per replacement vehicle

- $24,149
- $35,857

Dollars per gallon

$3.01, $3.27

*DNR data sources

Draft subject to change
Silviculture investments

Labor and contracting for silviculture investments

Minimum Wage ($/Hour)

Contract Price ($/Acre)

Mean Site Preparation, Tree Planting, & Hand Cutting Contract Costs ($/acre)

Washington State Minimum Wage ($/hour)

Draft subject to change
Revenue and expenditure

Revenues into the management funds set against expenditures

*DNR data sources

Dollars


Gross revenue  Revenue to the fund  Expenditures

*Draft subject to change

13
Growth areas

Revenues into the management funds by asset type

*DNR data sources

Forestry  Agriculture  Commercial Leases  Communication Sites  Other LBM

*DNR data sources
Other costs and investments
History
Authorities

Legislature
• Establish and set the maximum “not to exceed” deduction, authorize biennial spending appropriations

Board
• Determine the amount deemed necessary to manage and administer the lands (% deducted) up to the legislative “not to exceed” deduction rate

Department
• Set and implement biennial budget from authorized appropriations to manage and administer the lands

Note the legislative and department processes are set on biennial timeframes. The Board can set a new deduction rate at any time up to the legislative maximum utilizing the Policy on Financial Assumptions (PSF page 28)
Accounts all have a history and purpose

1.) **Access Road Revolving Fund (ARRF)**
   - for the purpose of maintaining and reconstructing forest roads

2.) **Resource Management Cost Account (RMCA)**
   - for the purpose of managing and administering the federally granted trusts

3.) **Forest Development Account (FDA)**
   - for the purpose of managing and administering the state forest trusts

4.) **Forest Health Revolving Account (FHRA)**
   - for the purpose of direct cost recovery of forest health treatments

5.) **Contract Harvest Revolving Fund (CHRF)**
   - for the purpose of direct cost recovery for contract harvest program

6.) **Agricultural College Trust Management Account (ACTMA)**
   - for the purpose of cost recovery for management and administration

* Other accounts are managed for varying purposes such as recreation, public lands survey office, et cetera
Funding History

Forest Development Account (FDA)

Original intent of the Forest Development Fund (and like funds, later FDA) in the 1920s

1.) Pay back utility bonds issued for reforestation
2.) Pay back utility bonds issued for state forest purchase lands
3.) Pay for reforestation and care of the lands

The costs in the original language were paid at direct rates
# Funding Model

## History

<table>
<thead>
<tr>
<th>Year</th>
<th>FDA</th>
<th>Rate deducted from revenue (legislatively authorized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1923</td>
<td>First version of the account created</td>
<td>At expenses for reforestation and interest payments on bonds</td>
</tr>
<tr>
<td>1927</td>
<td>Account updated for state forest transfer lands</td>
<td>10%</td>
</tr>
<tr>
<td>1951</td>
<td>Account changed to a revolving account</td>
<td>20%</td>
</tr>
<tr>
<td>1955</td>
<td>Rate established for state forest purchase</td>
<td>50%</td>
</tr>
<tr>
<td>1971</td>
<td>Rate increased for state forest transfer</td>
<td>25%</td>
</tr>
<tr>
<td>1986</td>
<td>County representative added to the board</td>
<td>25%</td>
</tr>
<tr>
<td>2015</td>
<td>Rate set by the board for temporary increase</td>
<td>27%</td>
</tr>
<tr>
<td>2017</td>
<td>Temporary increase reauthorized</td>
<td>27%</td>
</tr>
</tbody>
</table>

*Note these are authorized in statute and does not mean the board set the rate at the maximum.*
Funding History

Resource Management Cost Account (RMCA)

Original intent of the Resource Management Cost Account

1.) Facilitate the consolidation of many departments/boards into the modern day Department of Natural Resources

2.) “Defraying the cost and expenses necessarily incurred by the department in managing and administering public land and the making and administering of leases, sales, contracts…”*

*Costs were always capped at a “not to exceed” rate for the account and thence set by the Board, RCW 79.64.020 (original language)
## Funding Model

### History

<table>
<thead>
<tr>
<th>Year</th>
<th>RMCA</th>
<th>Rate deducted from revenue (legislatively authorized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>Resource Management Cost Account created</td>
<td>20%</td>
</tr>
<tr>
<td>1971</td>
<td>Rate increased and set</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>Statutory update: “Provided that no deduction shall be made from the proceeds from agricultural college lands”</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>Contract harvest deductions from net revenue</td>
<td>25%</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Rate set by the board for temporary increase</td>
<td>30%</td>
</tr>
<tr>
<td>2007</td>
<td>Temporary increase reauthorized</td>
<td>30%</td>
</tr>
<tr>
<td>2009</td>
<td>Temporary increase reauthorized</td>
<td>30%</td>
</tr>
<tr>
<td>2011</td>
<td>Temporary increase reauthorized</td>
<td>30%</td>
</tr>
<tr>
<td>2017</td>
<td>Temporary increase authorized for biennium</td>
<td>32%</td>
</tr>
</tbody>
</table>

*Note these are authorized in statute and does not mean the board set the rate at the maximum*
Funding Model
Anticipated outcomes of the Board’s work

Modernizing the funding model

- Bring stability to fixed and variable costs
- Modernize the funding model to create more revenue growth through strategic access to capital
- Board recommendations and direction for policy and statutory changes moving into 2021 session
- Increase reliability of revenue for beneficiaries
- Use existing Policy on Financial Assumptions to increase transparency with the Board, beneficiaries, and stakeholders
Pause for discussion
Commercial Lands Program
1980’s

- 1981 Transition Lands detailed inventory
- 1984 Legislative and board direction for Urban 10 parcels (transition lands)
- 1987 Creation of Commercial Real Estate Division (16 staff)
- 1988 Board adopts Transition Lands Policy Plan

1990’s

- Commercial Real Estate Division dissolved, sixteen (16) staff to three (3)
- Growth Management Act

Today

- ~80 properties on transition lands list of which ~1/4 are noted as commercial, industrial, or high value with a street value of $230 million
- 39 commercial properties with street value over ~$200 million
Policy

- Detailed policies for optimizing the trust asset and transition lands
- Sets process for inventories of transition and urban lands (defined by RCW)
- Sets tone to cooperate with local planning jurisdictions
- Sets governance for economic models and evaluation

Roles

- Clearly identifies the role of the Board and the department
- Sets expectations for Board review and input
Commercial Lands

Modernizing the Commercial Lands Program

- Build upon the program’s successes and expand
- Reaffirm the Transition Lands Policy Plan (1988)
- Modernize the Asset Stewardship Plan (1998)
- Create access to working capital and increase program funding
- Optimize transition lands development
NEXT MONTH