



Solutions Table Silviculture Budget Discussion August 12 Call Notes

Attending:

- Solutions Table: Brian Sims (WASDA), Miguel Perez Gibson (WEC; replacing Lisa Remlinger), Patricia Jones (Olympia Forest Coalition), Paul Jewell (Associate of Washington Counties), Paula Swedeen (Conservation Northwest), Connie Beauvais (Port of Port Angeles), Travis Joseph (AFRC)
- DNR: Andy Hayes, Lenny Young, Angus Brodie, Tom Bugert, Cassie Bordelon, Calvin Ohlson-Kiehn, Alan Mainwaring
- Other: Matt Comisky (AFRC)

Next steps:

- **Angus and Calvin/DNR** will share the ROI analyses on silviculture and forest management with Ross and the Solutions Table
- **Brian, Miguel, and Paul** will draft a recommendation/language for the full Solutions Table's consideration around fund management and silviculture funding including potentially, the idea of a capital investment in silviculture and the idea of removing the current conditions that the DNR's fire suppression funding cannot be used for indirect and administrative expenses (meaning it is effectively subsidized through RMCA and FDA).
- Continue conversations with DNR on their ongoing work to develop a legislative proposal on silviculture funding. **Angus Brodie (DNR)** will provide more information about this initiative and let Ross know if a small group with the Solutions Table should be scheduled to discuss this in more detail.
- **Dana/Elizabeth** to follow-up with Miguel and other Solutions Table members interested to see if a small group call on riparian management should be scheduled.

Discussion points:

- Angus Brodie/DNR gave a presentation on the State Lands Report with a focus on silviculture budget. The presentation is available on the DNR website [here](#).
- The majority of DNR's gross revenue in FY2018 came from forestry (\$174.4 million out of \$221 million in revenue) and the majority of expenditures went to forestry (67% or approximately \$42 million out of \$63 million in expenditures).
- DNR's expense to revenue ratio for forestry is about \$27:87 per acre per year. Cost per acre of \$27/acre is within industry benchmarks.
- Generally speaking, young stand silviculture includes reforestation, site preparation, vegetation management, and pre-commercial thinning (PCT)). Other less common activities include pest management (i.e., barriers to prevent ungulate browse), pruning, and fertilization.
- Silviculture on trust lands is funded primarily through two accounts: Resource Management Cost Account (RMCA), funding for which is capped by budget proviso at 32% of revenue and the Forest Development Account (FDA) funding for which is capped by budget proviso of 27% of revenue.
- The expense to fund revenue ratio for forestry is \$27:25, per acre per year, meaning a loss of fund revenue of approximately \$2 per acre in 2018.
- There is a shortfall of approximately \$11.6 million in silviculture needs for the 19-21 Biennium. This includes present needs and the backlog.
- Much of that shortfall is in PCT. When revenue is short relative to trust land management needs, replanting, site preparation, and vegetation management treatments are prioritized over pre-commercial thinning (PCT).
- Factors that led to the silviculture funding shortfall and backlog include:

- The financial crises over the last years (including the last one in 2010) which reduced revenue.
- Inflation and cost rising. Silviculture contract labor costs have increased by roughly 50% in western Washington since 2016, largely due to the state's increase in minimum wage and more strict immigration laws, which have impacted the agricultural sector and led to decreased labor competition and availability. The strong building market has also contributed to these increased costs.
- Inmate costs for labor have become competitive with private industry's costs in the last three years. However, inmate programs have limited workforce and working service area to offer; and costs may be increasing as wages for inmates increase.
- In general, silviculture investments have positive values over the long run, but their cash flows are challenging since there's a 30+ year wait time before seeing a return in investment.
- About 50% of forest stands need PCT. PCT is useful as it reduces risks by removing weaker trees and focusing on the healthier ones. Overall, PCT does not generate revenue in the short term, although it does produce volume which has direct and indirect benefits in local economies.
- For the moment, the RMCA and FMA fund shortfalls and current silviculture backlog does not have an impact on the variable density thinning for habitat creation goals.