State Lands

Trust Land Performance Assessment

All contents are draft and do not indicate a preference or decision. Presentation is For discussion purposes only.
Brief updates
• Deloitte Transactions and Business Analytics (DTBA) was selected in January of 2019 as the primary contractor for the valuation and performance assessment

• Earth Economics (EE), as a sub-contractor to DTBA, is performing the ecosystem services and recreation valuation (together ESV)

• Valuation methods proposed by DTBA are certified by DNR and valuation of all asset classes is under way with draft results by winter of 2019/20

• DNR hosted a three day Board of Natural Resources (BNR) field tour to discuss operational and policy challenges/ opportunities for the assets we manage. Many business partners, beneficiaries and stakeholders accompanied the Board

• DTBA and DNR have conducted interviews with five western states (Minnesota, Montana, Oregon, Idaho, Arizona) that manage trust land, one county (Grays Harbor) that manages trust land, two private land mangers on the west coast (medium and large), and the BC ministry of Forests. The goal of these interviews was to asses comparable metrics (such as FTEs per 10,000 acres, funding) and to develop insight into potential performance and business development opportunities
- Timber and log sales
- Special forest products

- Irrigated
- Dryland
- Grazing

- Large box stores
- Small family businesses
- Wind power

- Typically mountain top sites
- Diverse group of lessees

- Aggregate
- Sand
- Basalt
Trustee

- The legislature is the trustee for the trusts; land holdings, and permanent fund(s)

Trust manager

- The Department of Natural Resources is the trust manager for the land assets and revenue generated from said lands

Beneficiaries

- Are the named beneficiaries of the trusts

Fund manager

- The State Investment Board (SIB) manages and invests the permanent funds
- Establishes and sets the authorizing environment per its duty as the trustee

- Establishes and sets policy direction following the duty as the trust manager governing body

- Implements legislative and board direction to administer and manage the land assets of the trust

- Establishes and sets investment policy and distribution of the trust (s) permanent funds as desired by the trust (s)
Revenue growth and reliability
- Funding and revenue model changes
- Earning reserves

Asset Stewardship for the trust assets
- All asset investment strategy
- Prioritization of acquisition and divestitures

Governance of the trust assets
- For example: External advisory council for commercial and transition
- Board policy updates
Preliminary investigation

Investigating how to create earning reserve accounts for each trust with a goal of 5 years of reserve

- **Case Example**- The state of Idaho is well ahead of Washington in endowment/trust management modernization. Through their State Board of Land Commissioners and Endowment Fund Investment Board, the pooled asset value of the land and permeant funds has created long term reserves for each trust beneficiary.

Investigating how the permeant fund and land base can work together to increase the value and yield to beneficiaries over time

- **Case Example**- Through the endowment reform process in Idaho, the pooled assets of revenue and land have grown the value of the endowment from $300 million in 2006 to over $3 billion in 2018.

Ensuring land management and investment strategies are adequately funded in the near and long term

- **Case Example**- Through the interviews conducted by DTBA and DNR we identified that many land managers (public and private) are not regulated by a set management rate like Washington state managed trust lands. Fixed and variable costs are covered based of need and prudent analysis of return on investment.
8 months