Solutions Table Meeting Notes

December 6, 2018, Olympia

The Solutions Table met for the sixth time on December 6, 2018 in Olympia, Washington. All members were present and participated; Commissioner Franz was present for the second half of the meeting only. Agenda items included the following.

- Check in on the Economic Analysis
- Potential opportunities associated with increasing revenue for beneficiaries
- 2019 legislative session and possibility of recommendations
- Public comment

Economic Assessment
The Solutions Table began with a discussion of the Economic Analysis due to the Legislature in December. The assessment has been revised considerably in response to Solutions Table comments given at their fifth meeting (by conference call) in November. Solutions Table members remain seriously concerned that the report does not adequate describe anticipated economic impacts. A key concern is that the economic impacts of various alternatives under consideration for the Habitat Conservation Plan are presented as changes to the interim strategy, rather than changes from harvest levels before the interim strategy was in place. Some Solutions Table members remain very concerned that this presents an unrealistically favorable view of the economic impacts. Because the report only includes detailed information on impacts for ten years, there also is the concern that it fails to illuminate the point where negative impacts will start to increase, which is anticipated after the initial decade in the analysis. Further concern is that the report does not go into enough detail about where negative local economic impacts might be experienced (e.g., which junior taxing districts, when) under the various alternatives. In general, the Solutions Table expressed significant concerns and a lack of support for the report as currently drafted; they felt the report needed significant revisions before it should go forward.

DNR thanked the Solutions Table for their ongoing willingness to engage in discussion over how to create a report that fulfills the requirements of the Legislature and supports (rather than distracts from) the important work of the Solutions Table. DNR reiterated that it doesn’t want a report that isn’t true and doesn’t want a report on which everyone can’t agree. DNR emphasized that if anyone at the Table asserts that the economic analysis shows there’s no problem, than no one at the table, including DNR, will agree. The Department will take the Solutions Table comments back and further revise the report to emphasize the context or background for the economic impacts presented and discusses in a broader sense the situational context in affected communities and the need for the Solutions Table and its work.
**Encumbered Lands**
The Encumbered Lands group continues to meet in an effort to develop a proposal that can move forward in the 2019 legislative session. The current proposal being considered by the group is that encumbered marbled murrelet lands could be exchanged with unencumbered common school lands, with state capital investment to backstop the exchange by acquiring new replacement assets to the common schools. The exchanged common school lands would be transferred to the counties and used to generate revenue. The marbled murrelet encumbered lands would remain in conservation status with DNR.

There has been extensive work on this idea to identify a path forward. In general, Solutions Table members continue to express interest in this and willingness/hopefulness to have something to support on encumbered lands. Common schools have some concerns about the timing and predictability of the asset replacement, and about ensuring that the full lifetime value of any lands they exchange would be replaced with the replacement assets. The Encumbered Lands group will continue to work on the issue with the goal sending the Solutions Table a proposal that they might consider supporting in the 2019 session, potentially as a pilot project. Solutions Table members reiterated that the adverse impacts to junior taxing districts and to county revenues are being experienced in counties now, so while pilot projects might be necessary, it will be important to have an eye towards scaling up as soon as possible and to providing real relief/assistance to affected junior taxing districts and counties.

**Trust Lands Performance Assessment**
The Trust Lands Performance Assessment is an asset and business management assessment of the trust lands portfolio and management. It is exploring both DNR’s management tools for trust lands, as well as the portfolio of lands themselves, with the goal of making recommendations for improvements to management and increasing revenue to beneficiaries. There is a clear connection between this work and many of the ideas around asset management that have come up at the Solutions Table. (E.g., “ensure DNR has a modern portfolio of asset management tools.”) Solutions Table members were very interested in and were supportive of the Trust Lands Performance Assessment. Some concerns or questions were mentioned:

- If the TLPA recommends removing or modifying existing restrictions on trust lands management, it will be important to explore the potential for unintended consequences.
- Selling trust lands that are in active natural resources management (i.e., harvest) to acquire different sorts of assets (e.g., urban or industrial lands) might address revenue needs, but could exacerbate concerns about loss of timber-related jobs and the timber heritage in many counties.
- It was suggested that instead of selling trust lands, counties should be offered the opportunity to take management of trust lands back from DNR.

DNR will keep the Solutions Table apprised of the Trust Lands Performance Assessment and will look to build appropriate bridges between that effort and the Solutions Table. Brian Sims (Washington State School Directors Association-beneficiaries) is interested in being engaged in the Trust Lands Performance Assessment. Other Solutions Table members also will be kept apprised and offered opportunities to participate. Brian Sims discussed the need to remove legal and constitutional barriers to DNR being able to nimbly buy and sell land and ensure the greatest value in land transactions.
Contract Harvesting
In contract harvesting, DNR contracts for the harvest directly with loggers, the timber products are sorted into different categories, and DNR sells sorts directly to mills. This stands in contrast to a traditional timber sale, when DNR contracts only with a single timber buyer who buys the entire sale and then handles the harvest, sorts, and sale of the product. Solutions Table members had different perceptions about the potential opportunities associated with contract harvesting. The Solutions Table initially expressed interest in contract harvesting based on an understanding that – when applied to appropriate sales – it could generate additional revenue for beneficiaries over a standard sale. Potential advantages of this program are that it can generate, on average, 10 percent more revenue per sale and turn the revenue around quickly. Constraints include higher administrative and compliance workload for DNR. In addition – not all market conditions are conducive to making contract logging more profitable – it works in some places but will not work in all places. DNR is authorized to use contract logging for up to 20 percent of annual timber sales volume but currently usually uses it for 8-13 percent of timber sales volume.

Travis Joseph (American Forest Resources Council-economic interests/jobs) explained that AFRC was neutral on whether contract sales were a good idea or not and asked a series of questions to explore whether contract harvesting really could provide this additional revenue. He further expressed skepticism over the 10 percent premium figure DNR had provided, and frustration that questions AFRC had provided to the Board of Natural Resources on contract sales had not yet been answered. Commissioner Cochran (Wahkiakum County-beneficiaries) indicated that contract sales had been used in his county to improve the timing of revenue to the county. Lisa Remlinger (Washington Environmental Council-environmental) agreed that contract sales wouldn’t be appropriate everywhere, but expressed an interest in understanding if they had the potential to help junior taxing districts and counties in areas most affected by marbled murrelet conservation. DNR will convene a small group including Travis and Lisa to discuss this further and try to reach a common understanding about what (if any) opportunity contract harvesting might present.

Silviculture
Related to the discussion of contract harvesting, the Solutions Table had a broader discussion of DNR’s silviculture practices. Some Solutions Table members expressed frustration and concern that the Solutions Table is focusing on ideas that are large, complex, and could take many years (and significant investment) to achieve without first doing everything possible in its silviculture practices to maximize harvest on lands already set aside for harvest. These include things like: tree stock, rotation ages, planting strategies, weed control, pre-commercial and commercial thinning, and other practices that re within DNR’s authority. Travis Joseph is particularly concerned about these issues. Other Solutions Table members share his concerns and want to understand DNR’s thinking on these opportunities. The Solutions Table discussed forming a small group to follow up on these ideas.

Riparian Harvest
DNR can harvest in riparian areas when certain conditions are met. In general, for DNR to harvest in riparian areas it needs to show that the harvest will improve the trajectory of the riparian area towards conservation and that the harvest will “pencil out” meaning the riparian portion of the sale will pay for itself. Practically, riparian harvest almost always occurs only when adjacent to
timber being offered for sale from adjacent upland areas. In sum, these conditions are often not met, and riparian harvest has occurred at significantly lower levels than it was projected to occur in the previous sustainable harvest calculation. Some Solutions Table members see this as an example of DNR failing to use every tool it already has to help preserve allowed harvest and maximize volume and revenue to beneficiaries. Travis Joseph suggested that there should be an assessment of where and how riparian harvest could be increased consistent with the current DNR rules and guidelines. Others mentioned that to the extent the harvest would be allowed but the funding would be a concern, the legislature might make an investment to help facilitate riparian harvest. Lisa Remlinger expressed concern about an emphasis on increasing riparian harvest or an investment to subsidize it.

Acquisition
Paula Sweden (Conservation Northwest-environmental) began the conversation on acquisition by recognizing the need to get revenue producing assets in place for affected junior taxing districts and counties in the short term. She suggested that the Solutions Table might consider recommending formation of a new trust focused on places affected by marbled murrelet conservation, or by Endangered Species Act obligations more broadly. Assets benefiting beneficiaries in those affected junior taxing districts and counties would be acquired for the trust. Acquisition might be targeted at forest lands at risk of conversion and/or at under-used rural or agricultural lands that could be returned to forest. Solutions Table members were interested in the notion of “growing the base” or acquiring more lands for DNR management to benefit trustees. Some challenges were noted that would need to be addressed:

- Buying land in general is expensive – it will be difficult for the state to compete with private land buyers on the open market.
- Availability of land is unknown; appropriate land might not be available. Further analysis is needed to understand the scale of the potential opportunity.
- Acquiring land in one county and managing it for the benefit of another county or other beneficiaries can be a challenge, especially if the land is taken off county tax rolls in a county not benefitting from its management.
- It could take a large amount of land – harvestable in the near term – to make up revenue needs for beneficiaries and volume needs for forest product processors.

The Solutions Table discussed several potential funding mechanisms including: capital budget appropriation, public-private partnerships, ecosystem services revenue/partnerships, and green bonds. It was agreed that more thinking is needed to explore funding options.

Ecosystem Services
The Solutions Table again discussed the potential for ecosystem services and/or carbon sequestration agreements/credits to generate revenue for beneficiaries from lands set aside for murrelet habitat. Paula Sweden and other Solutions Table members remain interested in exploring this possibility. DNR described that they are already exploring forest carbon because it is an emerging direction and they do not want to be left behind. They can provide an update on their efforts and the potential amount and timing of revenue at a future Solutions Table meeting. Solutions Table members acknowledged that ecosystem services and carbon credit would not address interests around timber volume; they could potentially create a revenue stream from murrelet habitat land where revenue was not otherwise anticipated.
Other Ideas to Increase Revenue to Beneficiaries
The Solutions table brainstormed several additional ideas to increase revenue to beneficiaries:

- Fully fund Payment In Lieu of Taxes (PILT) where it currently applies; ensure PILT applies to land set aside for conservation status.
- Establish a local/resort tax to capture revenue from tourism in affected counties.

Update on Habitat Acceleration Discussion
Solutions Table members continue to express interest and enthusiasm for the potential of appropriate habitat acceleration activities to provide multiple benefits for timber-related jobs, timber value and volume, murrelet habitat, and revenue to beneficiaries. DNR also is interested in this potential and has been exploring this issue with US Fish and Wildlife Service. Currently, habitat acceleration is not supported as a net positive activity by the US Fish and Wildlife Service office working with DNR on the Habitat Conservation Plan because of concerns about disturbance and the resulting take of the marbled murrelet. Once the Habitat Conservation Plan is approved, there may be additional opportunities to explore habitat acceleration as part of adaptive management. There also may be opportunities to engage in habitat acceleration on non-state lands. Paula Swedeen asked about habitat acceleration in lands set aside for long-term forest cover where there is not potential for disturbance. DNR will continue to pursue this issue with US Fish and Wildlife.

Moving Forward with the Work
Solutions Table members expressed frustration with the slow pace of the work so far and with the lack of specific information on potential solutions to support their deliberations. Solutions Table members also expressed concern with a lack of clarity on the “size” of the problem they are working together to solve. There was acknowledgement that the agreement of the Solutions Table was to work towards “more”: more timber-related jobs, more revenue to beneficiaries, and more habitat for the marbled murrelet. However, there also is interest in understanding, at least at a high-level, how much “more” would be sufficient to different Solution Table caucuses. For example, how much more marbled murrelet habitat, or how many more timber-related jobs would it take to be meaningful? Commissioner Franz acknowledged this frustration and shared in it. She explained that she was marshaling additional resources at DNR to form a technical team which would be tasked with specific exploration of these ideas – and other ideas which may emerge – and bringing back specific information to the Solutions Table to support their discussions.

2019 Legislative Session
The Solutions Table revisited whether and how they might come together around recommendations for the upcoming legislative session. Solutions Table members continue to express a mix of perspectives on this. Some felt that discussions are not far enough along to enable recommendations; others, while acknowledging that it is still early in the process, expressed more interest in trying to identify recommendations. Solutions Table members who were in favor of developing recommendations suggested that there might be some smaller efforts that would at least allow benefits to get started rather than waiting. Two ideas were listed as those with the greatest potential for Solutions Table engagement (and potentially support) in 2019:

- Encumbered lands.
- Funding for the State Trust Lands Performance Assessment.
The Solutions Table talked about how to work together during the legislative session, acknowledging that each would also be engaged in representing their core interests. They talked about the importance of “no surprises” in helping to support the relationships and trust needed for the Solutions Table to be successful.

Public Comment
Four people offered comments. Comments included the following. One commenter agreed with the Solutions Table’s emphasis on the importance of timber-related jobs and the need for more than just revenue to “counties” but also the need to address specific impacts in specific junior taxing districts. It was suggested that the Solutions Table look at studies of land acquisition and other state agency trusts for lessons learned and ideas (the UW trust was mentioned). It was suggested that discussion of Constitutional amendment be approached very carefully and with deep understanding of the history of why Constitutional restrictions are in place.

One commenter suggested that solutions should be focused on ensuring adequate timber harvest volume as the priority instead of other efforts. Additional volume will create revenue for beneficiaries and produce direct jobs in the woods and in mills. The real value will be at least twice that because of the positive economic impact of timber-related jobs on communities. The suggestion is to much more aggressively manage the acres set aside for harvest, with faster rotations and to grow the trees to generate as much revenue as possible at harvest. The third commenter echoed the sentiment that that the economic advantages of timber-related jobs go well beyond direct impacts to create additional benefits in communities. They also echoed their belief that solving for the specific impacts on junior taxing districts and the essential services they provide is critical. Smaller, finite “wins” to start, all the while building together to bigger solutions was suggested. The final commenter supported exploration of the timber sale and contract harvest programs, to look at opportunities to optimize their program for beneficiaries. It was suggested to look at how many contract sales end in failure, how many do not, and what value additional contract sales might provide especially if targeted at areas of known impact such as Wahkiakum county.

Next Meetings
The next Solutions Table meeting will happen by conference call and email as needed related to completing the Economic Analysis and opportunities associated with the 2019 legislature. Small groups will be convened around issues of interest – including contract harvesting, payment in lieu of taxes, acquisition, and ecosystem services. DNR technical experts will support the groups. The DNR technical team will begin work and will bring additional information and ideas to the Solution Table to consider.