April 30, 2019

The Honorable Wes McCart, Chair
Stevens County Board of Commissioners
215 South Oak Street
Colville, WA 99114

Dear Commissioner McCart:

The Washington State Department of Natural Resources (DNR) manages approximately 201 acres of State Forest Transfer and Purchase Lands that benefit Stevens County. These lands generated $1,000 in the first quarter of calendar year 2019. Net value under contract for calendar year 2019 is estimated at $96,000 from activities expected to occur under current contracts.

Thanks to all of you who provided input and suggestions to us regarding the future format for this report. We are in the process of developing the new report style. Please be aware that you will continue to receive this report in its current style until we have completed the new formatted version.

We want to notify you of a recent change that pertains to counties that receive revenue from state foreshands. After consulting with the Office of the Attorney General about revenue disbursements and in an effort to mitigate risks and reduce errors in those disbursements, DNR has determined that initial deposits will be held as security until all of the obligations of the purchaser are satisfied under timber sales contracts as required by law. All or a portion of the initial deposit may be distributed as the final payment for the sale of valuable materials after the Department determines that adequate security exists for the remaining performance of any obligations of the purchaser under contract. This change affects the timing of revenue distribution and does not affect the total amount of revenue distributed. If you have any questions regarding this change please contact Leah Fenner, Finance Manager, at 360-902-1259.

The income information in this report does not include anticipated revenues from additional planned activities (contracts harvests, leases, easements, etc.) for which contracts have not been finalized. These income estimates are net after the current agency management cost percentage has been applied.

Some counties receive portions of their income from leases and fees; however, the majority of income reflected in this report is derived from timber sales. As most revenue stems from timber sales, these projections can fluctuate depending upon when timber harvests occur. Market conditions, weather, contract requirements, and regulatory requirements influence timber purchasers’ decisions about when to harvest.
I appreciate how necessary revenue is to the success of county functions. DNR consistently strives to ensure that we realize the maximum available income from the State Forest Transfer and Purchase Lands. Should you have any questions regarding this information, please contact Ken McNamee, Northeast Region Manager, at 509-685-2701 or at ken.mcnamee@dnr.wa.gov.

Sincerely,

Hilary S. Franz
Commissioner of Public Lands

Enclosures
Two categories of lands are managed by the Washington State Department of Natural Resources (DNR) specifically to benefit counties:

1. **State Forest Transfer Lands.** Lands acquired by counties through tax foreclosures were transferred to DNR to manage. Management fee rates are established by the Board of Natural Resources. Currently, counties receive 75 percent of the revenue from these lands.

2. **State Forest Purchase Lands.** State-issued bonds were used to acquire certain parcels from private owners. Typically, these forest lands had been severely logged and were in need of active management. Allocation of revenue from these lands was determined when purchase was authorized, as follows: 26.5 percent to the county in which the property is located; 50 percent to DNR for management expenses; and the remaining 23.5 percent to the State General Fund.

Nineteen counties include these types of State Forest Lands within their county boundaries.

Income from management activities on State Forest Lands is designated for allocation to several taxing districts in each county. Only a small amount is available to the county for discretionary use.

Revenue from State Forest Lands originates primarily from timber sales. These amounts vary widely as market conditions fluctuate. Smaller portions of revenue are derived from activities such as communication site leases, rights-of-way easements for utilities and roads, special forest products, special uses, and interest. Income will also vary with the number of revenue-generating activities within a given year. Variables responsible for high revenues in one year can lead to reduced income the following year.

- **Table 1** shows the annual revenue for each county from calendar year 2009 through the first quarter of calendar year 2019. This table illustrates the variability in total revenues from year to year.
- **Table 2** shows projected revenue for all 19 counties from all activities on State Forest Lands for calendar year 2019.
- **Table 2A** shows projected revenue for each timber sale on State Forest Lands in your county anticipated to occur for 2019 and beyond (enclosed if applicable).
- **Table 3** shows the volume and net value under contract as of March 31, 2019 that is not currently scheduled for harvest until after December 2019 (enclosed if applicable).

Projections were developed by DNR region staff by contacting each timber purchaser that has rights to an upcoming sale. Purchasers were asked how much and when they planned to harvest the timber from each sale. These projected timber revenues should be considered rough estimates only; actual activity will depend on individual sale characteristics (species, volume, location, etc.), combined with outside market factors as determined by each purchaser.

The schedule of future timber sales from State Forest Lands in your county is available upon request from Department of Natural Resources' region staff.
### Table 1. Revenue to Counties from State Forest Transfer and Purchase Lands (Calendar Years)

Updated: 4/18/2019

<table>
<thead>
<tr>
<th></th>
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<td>1,358,770</td>
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<td>3,082,453</td>
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<td>661,568</td>
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<td>1,603,428</td>
<td>1,085,544</td>
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<td>King</td>
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<td><strong>Totals</strong></td>
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<td><strong>56,048,870</strong></td>
<td><strong>$63,113,359</strong></td>
<td><strong>57,910,371</strong></td>
<td><strong>$64,923,408</strong></td>
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</table>

**Note:** Revenue is received daily by the Department of Natural Resources for activities on State Forest lands and deposited daily at the Office of State Treasurer. Effective February 1998 these monies are remitted to each county via wire transfer a minimum of four times per month. Due to the specific dates monies are received by the Department and the cutoff dates used by the State Treasurer for wire transfers, the revenue for the current period may be different than actual remittals to date.

4/26/2019
<table>
<thead>
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<th>County</th>
<th>Apr thru June 2019</th>
<th>July thru December 2019</th>
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<td>High</td>
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<tr>
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<td>$1,565.1</td>
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<td><strong>Totals</strong></td>
<td><strong>$18,945.3</strong></td>
<td><strong>$22,281.4</strong></td>
</tr>
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</table>

\(^1\) High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted.  
Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.

Note: Projected revenues are based on timber purchaser's logging plans as of **March 2019**.  
These plans change with changes in the economy and the business needs of each purchaser.  
Department of Natural Resources' region staff should be contacted concerning possible fluctuations in timber harvest for sales currently under contract and the schedule of future sales on State Forest Lands in your county.