Trust Land Transfer Revitalization Phase 2

Taxing Districts Focus Group

Kickoff Meeting

September 1, 2022
9-11 a.m.
# Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Lead</th>
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<tbody>
<tr>
<td>9:00 – 9:30 a.m.</td>
<td>Welcome</td>
<td>Sarah</td>
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<td>• Introductions</td>
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<td>• Group Charter</td>
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<td>9:30 – 10:00 a.m.</td>
<td>Background and Context:</td>
<td>Duane</td>
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<td>• Trust Land Transfer (TLT) and TLT Revitalization</td>
<td>Sarah</td>
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<td>• What are State Forestlands?</td>
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<td>• Potential Changes and Impacts</td>
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<td>• Looking Ahead: Upcoming Meetings</td>
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<td>10:30 – 10:50 a.m.</td>
<td>Thoughts? Questions?</td>
<td>Sarah</td>
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<tr>
<td>10:50 – 11:00 a.m.</td>
<td>Overview of Next Meeting</td>
<td>Sarah</td>
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<td>Wrap-up</td>
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Welcome and Introductions

- Name
- Affiliation
- Interest in trust land transfer
Group Charter Review

Purpose
The Trust Land Transfer (TLT) Tax District Focus Group will evaluate and develop options for avoiding, minimizing, and mitigating impacts to tax districts that result from transferring State Forest Lands with the TLT tool. The group will examine existing options and identify new uses, as well as address any gaps, and evaluate the potential of each option to avoid, minimize and mitigate impacts to tax districts. The group will also propose steps needed to implement each option.

The products of this focus group will be used to inform the Phase 2 Work Group as they consider recommendations to CRIP for revisiting the TLT tool.

Focus Group Member Commitments
Members will be asked to do the following:

- Develop an understanding of State Forest Lands, CRIP’s fiduciary obligations, the statutes that govern how CRIP directly transfers State Forest Land parcels to other public agencies, and how TLTs of State Forest Land transfers can affect revenue for counties and their tax districts.
- Think critically and creatively about all options being contemplated by the Phase 2 Work Group, or new options identified by this focus group, to assist the Phase 2 Work Group in developing recommendations related to including State Forest Lands in the TLT tool.
- Brainstorm pathways for implementation.
- Communicate with and gather input from agency partners, professional association members, constituents, and other interested parties, and share that feedback with the group.

Focus Group Member Time Obligation/Estimate

- Attend 2, 2-hour meetings, scheduled in September – October.
- Provide technical reviews on any documentation of the focus group’s work.

Definitions
- Taxing District - the state and any county, city, town, port district, school district, road district, metropolitan park district, regional transit authority, water sewer district, or other municipal corporation, having the power or legal authority to impose burdens upon property within the district on an ad valorem basis, for the purpose of obtaining revenue for public expenses.
- Junior Taxing District - a taxing district other than the state, a county, a county road district, a city, a town, a port district, or a public utility district.
Trust Land Transfer (TLT)
And TLT Revitalization
What is Trust Land Transfer (TLT)?

Established in 1989, a land portfolio management tool that is used to **reposition** economically under-performing state trust lands. Through TLT, DNR:

- **Transfers** underperforming state trust lands out of trust status to a receiving agency.
- **Replaces** the transferred parcel with lands that can generate revenue for trust beneficiaries.
How Does TLT Work?

• Lands transferred to DNR’s Natural Areas program, another state agency, a tribe, a non-profit organization, or a city or county.

• Receiving agency manages parcel to preserve ecological values and public benefits.

• Funding received from the Legislature is used to purchase replacement lands that generate revenue for the trusts.

32 years | 125,968 acres transferred | 55,546 acres replaced
What is TLT Revitalization?

- An effort to improve TLT to make it more consistent, transparent, repeatable, and effective.
- Work funded in part by a proviso to the 2021-23 Capital Budget (SHB 1080 Sec. 3333).
Revitalization In Two Phases

Phase 1
July to October, 2021
• Develop a new framework for TLT.

Phase 2
January to October, 2022
• Develop the framework into a strong, new, revitalized TLT tool.
New Features of the Revitalized TLT Tool: Examples

✓ Improved best interests of the trusts analysis
✓ New advisory committee to rank nominated parcels into a prioritized list
✓ More robust tracking and reporting
✓ New webpages
✓ Discontinuation of the 80/20 ratio to open the tool to non-forested parcels
✓ Changes to funding allocation to provide more funding for replacement lands
✓ Possible expansion of the tool to include State Forestlands
What Are State Forestlands?
**Types of State Trust Lands**

**State Lands**  
Federally granted  
- ~2.9 million acres  
- Enabling Act (25 U.S. Statutes at Large, c 180 p. 676)  
- Revenue generated from a variety of sources  
- Granted at statehood  
- Source of financial support, primarily for public schools and colleges

**State Forestlands**  
- Two types: Transfer and Purchase  
- > 617,000 acres*  
- Transfer lands acquired by counties through tax foreclosures.  
- Statutory Trusts  
- Revenue helps fund county services, state schools, and taxing districts  
- 21 counties
### State Forestland Revenue from DNR

95% of revenue comes from timber harvest  
*(average from 2015-2019)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Timber Revenue</th>
<th>Non-Timber Revenue</th>
<th>Total Revenue</th>
<th>Timber Revenue % Total Revenue</th>
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<tbody>
<tr>
<td>2015</td>
<td>$87,259,350</td>
<td>$3,432,249</td>
<td>$90,691,599</td>
<td>96%</td>
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<tr>
<td>2016</td>
<td>$79,822,528</td>
<td>$3,314,629</td>
<td>$83,137,157</td>
<td>96%</td>
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<tr>
<td>2017</td>
<td>$80,480,572</td>
<td>$6,968,298</td>
<td>$87,448,870</td>
<td>92%</td>
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<tr>
<td>2018</td>
<td>$81,051,787</td>
<td>$2,982,762</td>
<td>$84,034,549</td>
<td>96%</td>
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<tr>
<td>2019</td>
<td>$94,133,991</td>
<td>$7,101,884</td>
<td>$101,235,875</td>
<td>93%</td>
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From DNR Annual Reports (based on fiscal year)
Agency Management Rates

- Percentage of the revenue used to fund state lands operations, including direct and indirect costs
- State Legislature establishes the statutory limits for management rate percentages
- Board of Natural Resources approves changes to percentages

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<th>Resource Management Cost Account (RMCA)</th>
<th>Forest Development Account (FDA)</th>
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<td>Federally Granted Lands: 31%</td>
<td>State Forestlands: 25%</td>
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How is Revenue Distributed?
RCW 79.64.110

Timber harvest on State Forestlands

Gross Revenue

Forest Development Account (FDA)

Net Revenue

Office of the State Treasurer

County Treasurer(s) (where State Forestlands are located)

Treasurer further distributes the revenue to taxing districts within the county in accordance with RCW 79.64.110.
What are Taxing Districts?

“Taxing district” means the state and any county, city, town, port district, school district, road district, metropolitan park district, regional transit authority, water-sewer district, or other municipal corporation, having the power or legal authority to impose burdens upon property within the district on an ad valorem basis, for the purpose of obtaining revenue for public purposes, ... 

“Junior taxing district” means a taxing district other than the state, a county, a county road district, a city, a town, a port district, or a public utility district.
Potential Changes and Impacts
Current State Forestlands Statutes Regarding Disposal

RCW 79.22.050 (Excerpt)

......all land, acquired or designated by the department as state forestland, shall be forever reserved from sale, but the valuable materials thereon may be sold or the land may be leased in the same manner and for the same purposes as is authorized for state lands if the department finds such sale or lease to be in the best interests of the state and approves the terms and conditions thereof.
With the approval of the board, the department may directly transfer or dispose of state forestlands without public auction, if the lands:

(a) Consist of ten contiguous acres or less;
(b) Have a value of twenty-five thousand dollars or less; or
(c) Are located in a county with a population of twenty-five thousand or less and are encumbered with timber harvest deferrals, associated with wildlife species listed under the federal endangered species act, greater than thirty years in length.

(2) Disposal under this section may only occur in the following circumstances:

(a) Transfers in lieu of condemnation;
(b) Transfers to resolve trespass and property ownership disputes; or
(c) In counties with a population of twenty-five thousand or less, transfers to public agencies.
Why Change the Statutes?

• Current tool limited to Common School Trust, so State Forestlands must first undergo an inter-trust exchange.

• If the statute is changed, tool could be expanded to include State Forestlands. Inter-trust exchanges would be optional.

• Change would provide more flexibility for repositioning State Forestlands.
Transferring and replacing State Forestlands could affect taxing districts:

- Immediate financial impact of transfer may be minimal if the parcel is producing little to no revenue; however,

- Revenue from replacement lands may benefit a different taxing district, depending on where that land is located.
Purchase of Replacement Lands

After a transfer, DNR will look for replacement lands:

1. **Within the same taxing district boundary**; if no lands available,

2. **Within a different taxing district boundary in the county**; if no lands available,

3. **Outside the county**.

Option 2 and 3 would result in revenue generated from replacement lands being distributed to different taxing districts than the districts associated with the transferred parcel.
Taxing District Boundary Example: Clallam County

Does not include all taxing districts in the county

Looking Ahead
Focus Group Goals

- Examine current options in the TLT tool and identify alternatives.
- Evaluate potential of options to avoid, minimize, and mitigate impacts.
- Suggest steps toward implementation of options.
Upcoming Meetings

• **September 16, 2022** – Working Meeting #1
  o Define the problem.

• **September 29, 2022** – Working Meeting #2*
  o Brainstorm solutions.

• **October 13, 2022** – Working Meeting #3*
  o Recommend steps toward implementation of options.

* Separate sub-committee meetings possible
Thoughts? Questions?
# Working Meeting #1 Agenda

<table>
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| **Welcome**  
  • Introductions  
  • Review of Last Meeting |
| Presentations/Speakers (as/if needed) |
| Group Problem Discovery |
| Thoughts? Questions? |
| **Looking Ahead**  
  • Upcoming Meeting |
| **Wrap-up** |
See you at Working Meeting #1!