## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:00-8:25 a.m.</td>
<td>Welcome and Introductions</td>
<td>Round robin</td>
</tr>
<tr>
<td>8:25-8:45 a.m.</td>
<td>Proviso Review &amp; Role of Work Group</td>
<td>How did we get here?</td>
</tr>
<tr>
<td>8:45-8:55 a.m.</td>
<td>Work Group Process &amp; Timeline</td>
<td>Overview of meetings 1 through 7...our road map</td>
</tr>
<tr>
<td>8:55-9:15 a.m.</td>
<td>Work Group Charter Review</td>
<td>Group discussion and adoption</td>
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<tr>
<td>9:15-9:20 a.m.</td>
<td>Break</td>
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<tr>
<td>9:20-10:45 a.m.</td>
<td>Trust Land Transfer 101</td>
<td>Presentation and Q&amp;A</td>
</tr>
<tr>
<td>10:45-10:55 a.m.</td>
<td>Scheduling</td>
<td>Meetings 2 through 7</td>
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<tr>
<td>10:55-11:00 a.m.</td>
<td>Wrap-up</td>
<td>Preview of next meeting</td>
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Proviso, Process, and Timeline
## How did This Project Begin?

As part of the 2021-23 Capital Budget, the Washington State Legislature passed a budget proviso specific to trust land transfer (SHB 1080 Sec. 3333).

### Work Group

“(1) The department of natural resources shall convene a work group of trust land beneficiaries and stakeholders to develop a recommended process for the way trust land transfer proposals are developed and implemented.

### Considerations

- Consideration should be made for increasing the income value of the trusts, limiting impacts to trust lands not being considered for transfer, conservation value of lands that are a potential candidate for transfer, and use of the land bank for securing repositioned land that would result from any transferred projects, and any other items necessary for a well-supported program.

### DNR Tasks

- The department of natural resources must report and make recommendations for the establishment of a new trust land transfer program to the fiscal committees of the Legislature, by December 1, 2021.

- (2) For the 2021-2023 fiscal biennium, the department of natural resources may not trade, transfer, or sell any valuable material from the four parcels that comprised the proposed trust land transfer parcels in the 2019-2021 fiscal biennium, known as Blakely Island, Devils Lake, Eglon, and Morning Star.

*Slide amended 7/22/21*
“(1) The department of natural resources shall convene a work group of trust land beneficiaries and stakeholders to develop a recommended process for the way trust land transfer proposals are developed and implemented.
Considerations From the Proviso

• Increasing the income value of the trusts
• Limiting impacts to trust lands not being considered for transfer
• Conservation value of lands that are a potential candidate for transfer
• Use of the land bank for securing repositioned land that would result from any transferred projects
• Other items necessary for a well-supported program

(The above items were listed in the proviso, the group will identify WHAT ELSE to consider)
DNR Tasks

The department of natural resources must report and make recommendations for the establishment of a new trust land transfer program, in the form of proposed legislation, to the fiscal committees of the legislature, by December 1, 2021.

December 1, 2021.
Work Group Process and Timeline
### Project Timeline

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
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<td>6</td>
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<td></td>
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<td>7</td>
</tr>
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</table>

#### Meetings 1 and 2: Background and Context

- Review trust land transfer (TLT) background information, existing processes, and regulatory framework
- Provide overview of programs and tools related to TLT such as transition lands, State Forest Land Replacement Program (encumbered lands), Community Forest Program, and the land bank
Meetings 3 and 4: Issues and Opportunities

- Work group members present various perspectives related to TLT
- Present and explore examples of other process options
- Group discussion and brainstorming of issues and opportunities for a new TLT process
Meetings 5 and 6: Develop New Process Option

- Work group synthesizes issues and opportunities
- Consider, discuss, consolidate and/or reduce new process options
- Work group identifies a recommended option(s) to move forward
Meeting 7: Summary of Work Group Effort

- Work group reviews draft summary
- Work group identifies what, if any, steps remain related to the new TLT process
- Wrap up
DNR reports to the legislature in the form of proposed legislation on December 1, 2021.
Work Group Charter
Understanding Trust Land Transfer
What is Trust Land Transfer (TLT)?

An innovative tool for the Washington State Legislature, through an appropriation to DNR, to address several trust land management needs of the Common School trust:

- Transfer out of economically under-performing state trust lands;
- Acquire funds to purchase replacement lands with higher long-term income producing potential;
- Direct funds to the K-12 Common School Construction Account; and
- Conserve lands that have high ecological or social values.
# Three Phases of TLT

<table>
<thead>
<tr>
<th>Phases</th>
<th>Codified in statute?</th>
<th>Timeline</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Development of a TLT parcel list*</td>
<td>No</td>
<td>July through September prior to long legislative session</td>
<td>DNR transactions team</td>
</tr>
<tr>
<td>2. Development of the Proviso</td>
<td>Not applicable</td>
<td>January through the end of the legislative session</td>
<td>Legislature</td>
</tr>
<tr>
<td>3. Implementation of TLT Proviso</td>
<td>Yes</td>
<td>End of legislative session through completion of TLT projects</td>
<td>DNR transactions team</td>
</tr>
</tbody>
</table>

*Work group input on process
Phase 1: Development of a TLT Parcel List

Nomination of Parcels

Each biennium, trust parcels are brought forward by:

- State agencies, counties, public utility districts, and cities
- DNR regions, divisions, or executive management
- Interested citizens, recreation groups, and conservation groups who have found a suitable government agency who is willing to be the long-term owner and steward of the TLT property
Phase 1, Continued

Selection of Parcels

Because the process is not codified, these steps change each biennium.

1. DNR executive management provides guidance to DNR’s land transactions team on what the total TLT funding “ask” should be.

2. The DNR land transactions team notifies internal staff and external stakeholders of the nomination process and legislative timelines.

3. Internal staff and external stakeholders identify and nominate TLT candidate parcels.

4. The DNR land transactions staff screens parcels to determine region interest and fit, then compiles the nominated parcels list.
5. The nominated parcel list is ranked.

6. The TLT candidate project presentation is prepared for Board of Natural Resources consideration.

7. The final TLT candidate parcel booklet is prepared for the Office of Financial Management, Superintendent of Public Instruction, Governor’s Office, and legislative committees.
## Parcel List Example

<table>
<thead>
<tr>
<th>Parcel Name</th>
<th>County Legislative District</th>
<th>Receiving Agency</th>
<th>Acres</th>
<th>Timber</th>
<th>Land</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle Fork Snoqualmie</td>
<td>King/5th District</td>
<td>DNR Natural Areas</td>
<td>121</td>
<td>$1,800,000</td>
<td>$180,000</td>
<td>$1,980,000</td>
</tr>
<tr>
<td>West Tiger</td>
<td>King/5th District</td>
<td>DNR Natural Areas</td>
<td>97</td>
<td>$1,620,000</td>
<td>$290,000</td>
<td>$1,910,000</td>
</tr>
<tr>
<td>Devils Lake</td>
<td>Jefferson/24th District</td>
<td>DNR Natural Areas</td>
<td>370</td>
<td>$4,030,000</td>
<td>$1,300,000</td>
<td>$5,330,000</td>
</tr>
<tr>
<td>Carey Creek</td>
<td>King/5th District</td>
<td>King County</td>
<td>103</td>
<td>$1,190,000</td>
<td>$433,000</td>
<td>$1,623,000</td>
</tr>
<tr>
<td>Dabob Bay Expansion</td>
<td>Jefferson/24th District</td>
<td>DNR Natural Areas</td>
<td>900</td>
<td>$4,467,000</td>
<td>$1,800,000</td>
<td>$6,267,000</td>
</tr>
<tr>
<td>Issaquah Creek</td>
<td>King/5th District</td>
<td>King County</td>
<td>180</td>
<td>$2,040,000</td>
<td>$1,080,000</td>
<td>$3,120,000</td>
</tr>
<tr>
<td>Burley Olalla</td>
<td>Kitsap/26th District</td>
<td>Kitsap County</td>
<td>320</td>
<td>$545,000</td>
<td>$960,000</td>
<td>$1,505,000</td>
</tr>
<tr>
<td>Chelatchie</td>
<td>Clark/18th District</td>
<td>Clark County</td>
<td>80</td>
<td>$130,000</td>
<td>$1,200,000</td>
<td>$1,330,000</td>
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<tr>
<td>River Road</td>
<td>Clallam/24th District</td>
<td>Clallam County</td>
<td>400</td>
<td>$0</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Villier Road</td>
<td>Stevens/7th District</td>
<td>Lake Spokane Parks District or Stevens County</td>
<td>240</td>
<td>$0</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
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<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
<td>2,811</td>
<td>$15,822,000</td>
<td>$14,243,000</td>
<td>$30,065,000</td>
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</table>
Phase 2: Development of the Proviso

8. Upon conclusion of the legislative session, the capital budget is finalized. The budget includes a TLT proviso that sets the funding level, defines a parcel list, and provides direction for DNR to implement TLTs.

➢ Each capital budget proviso serves as the authorizing and appropriating mechanism for TLT.

➢ New provisos are created each biennium, so the TLT program can change slightly over time.
“The appropriations in this section are subject to the following conditions and limitations……”

1989 (excerpt)

(1) Lands and timber purchased by the department shall be based on a finding ...that, in the interest of the state, the timber on such lands should not be harvested.

(2) The lands and timber purchased under this section shall be managed under either chapter 79.70 or 79.71 RCW, as determined by the board of natural resources.

(3) The land and timber shall be appraised and purchased at full market value.

(4) The proceeds of the sales of timber shall be deposited by the department in the same manner as timber revenues from other common school trust lands except that no deductions shall be made for the resource management cost account under RCW 79.64.040.

(5) The proceeds of the sales of land shall be used by the department to acquire replacement timber land of equal value to be managed as common school trust land and to maintain a sustainable yield.

2019 (excerpt)

(1) The appropriation is provided solely for the department of natural resources to transfer from trust status certain trust lands of statewide significance deemed appropriate for state parks, fish and wildlife habitats, natural area preserves, natural resources conservation areas, department of natural resources community forest open spaces, or recreation purposes.

(3) All reasonable costs incurred by the department to implement this section are authorized to be paid out of the appropriation. Authorized costs include the actual cost of appraisals, staff time, environmental reviews, surveys, and other similar costs, and may not exceed one and nine-tenths percent of the appropriation.

(4) By June 30, 2021, land within the common school trust shall be exchanged for land of equal value held for other trust beneficiaries of the property identified in subsection (1) of this section.
<table>
<thead>
<tr>
<th>Biennium</th>
<th>Appropriation</th>
<th>Acres Transferred</th>
<th>Accumulative Appropriation</th>
</tr>
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<tbody>
<tr>
<td>89-91</td>
<td>$171,500,000</td>
<td>44,056</td>
<td>$171,500,000</td>
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<tr>
<td>91-93</td>
<td>$57,986,000</td>
<td>7,628</td>
<td>$229,486,000</td>
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<tr>
<td>93-95</td>
<td>$50,352,000</td>
<td>7,457</td>
<td>$279,838,000</td>
</tr>
<tr>
<td>95-97</td>
<td>0</td>
<td>0</td>
<td>$279,838,000</td>
</tr>
<tr>
<td>97-99</td>
<td>$34,500,000</td>
<td>4,799</td>
<td>$314,338,000</td>
</tr>
<tr>
<td>99-01</td>
<td>$66,000,000</td>
<td>6,677</td>
<td>$380,338,000</td>
</tr>
<tr>
<td>01-03</td>
<td>$50,000,000</td>
<td>4,717</td>
<td>$430,338,000</td>
</tr>
<tr>
<td>03-05</td>
<td>$55,000,000</td>
<td>3,974</td>
<td>$485,338,000</td>
</tr>
<tr>
<td>05-07</td>
<td>$61,610,000</td>
<td>8,542</td>
<td>$546,948,000</td>
</tr>
<tr>
<td>07-09</td>
<td>$98,985,000</td>
<td>8,778</td>
<td>$645,933,000</td>
</tr>
<tr>
<td>09-11</td>
<td>$100,133,000</td>
<td>16,538</td>
<td>$746,066,000</td>
</tr>
<tr>
<td>11-13</td>
<td>$60,490,000</td>
<td>3,773</td>
<td>$806,556,000</td>
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<td>13-15</td>
<td>$56,345,000</td>
<td>6,289</td>
<td>$862,901,000</td>
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<tr>
<td>15-17</td>
<td>$9,784,000</td>
<td>2,118</td>
<td>$872,685,000</td>
</tr>
<tr>
<td>17-19</td>
<td>$10,000,000</td>
<td>800*</td>
<td>$882,685,000</td>
</tr>
<tr>
<td><strong>Total 1989-2019</strong></td>
<td></td>
<td><strong>126,105</strong></td>
<td><strong>$882,685,000</strong></td>
</tr>
</tbody>
</table>
Phase 3: Implementation of TLT

Proviso

TRUST LAND TRANSFER PROGRAM

Legislative funds:
- Provide revenue for school construction,
- Acquire special properties for public benefit.

Property ownership is transferred to public agencies:
- DNR (NRCA/NAP)
- State Parks
- WDFW
- Counties/Cities

80% The timber value is used directly to fund school construction.

20% The bare land value goes toward buying replacement lands. Future revenue from replacement lands also funds school construction.
Phase 3, Continued

1. After the level of appropriation is determined in the capital budget bill, DNR follows the RCWs that govern land transactions.

2. DNR land transactions staff present each TLT project and any associated inter-trust exchanges to the Board of Natural Resources for consideration and approval.
Complexities of Implementation

• Costs incurred by DNR to implement the trust land transfers are paid out of the appropriation; costs are limited to 1.9%.

• The ratio of timber value to land value required by the Legislature has been a moving target and has changed in different provisos.

• Inter-trust exchanges between common school and other trusts have occurred in order to accomplish trust land transfer projects.
Cost of Implementation

• When generating revenue from a timber sale, DNR retains management funds; however, the proviso directly prohibits this in the case of TLT.

• The 1.9% cap does not cover DNR’s administrative costs for completing the transactions.
Properties with high ratios of timber to land value are favored for meeting the aggregate ratio determined by the legislature.

Some provisos have spelled out the 80% timber value to 20% land value, while others have not.

Many common school parcels that achieve this 80/20 ratio have already been transferred through the TLT program.
~2.9 Million Acres of State Trust Lands

State Lands
- Federally granted lands
- Enabling Act (25 U.S. Statutes at Large, c 180 p. 676)
- State Constitution
- Revenue generated from a variety of sources
- 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 junior taxing districts
  - 21 counties

* Source: Deloitte Report 2020, Appendix D
Inter-Trust Exchanges

• The intent of TLT was to address issues with Common School Trust lands.

• The provisos have only allowed DNR to implement TLT transactions using Common School Trust lands.

• There have been times when the lands identified on the list are other trusts. These TLT transactions require an inter-trust exchange.
Conclusion

• The TLT process has three phases: developing a TLT proviso list, developing the proviso, and implementing the proviso.

• Agency-identified complexities of the TLT process include:
  - Generating a list
  - Limiting costs to 1.9% of appropriation
  - Meeting the 80/20 rule
  - Performing inter-trust exchanges
Questions?