



HILARY S. FRANZ
COMMISSIONER OF PUBLIC LANDS

November 2, 2017

The Honorable Charlotte Garrido, Chair
Kitsap County Board of Commissioners
614 Division Street MS: 4
Port Orchard, WA 98366

Dear Commissioner Garrido:

The Washington State Department of Natural Resources (DNR) manages approximately 7,634 acres of State Forest Transfer and Purchase Lands that benefit Kitsap County. These lands generated \$568,000 in the first three quarters of calendar year 2017. We estimate these lands will generate approximately \$903,000 total for calendar year 2017 from activities expected to occur under current contracts.

Net value under contract for calendar year 2018 is estimated at \$638,000. This income information 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. The next projection of State Forest Land revenues will be available in January 2018.

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 we manage on behalf of the counties. Should you have any questions regarding this information, please contact Scott Sargent, South Puget Sound Region Manager, at 360-825-1631 or at scott.sargent@dnr.wa.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Hilary Franz", written over a large, stylized flourish.

Hilary S. Franz
Commissioner of Public Lands

Enclosures

PRINTED ON RECYCLED PAPER DNR IS AN EQUAL OPPORTUNITY EMPLOYER

COUNTY INCOME REPORT
EXPLANATION OF TABLES
October 2017

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 2007 through the third quarter of calendar year 2017. 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 2017 and 2018.
- **Table 2A** shows *projected* revenue for each timber sale on State Forest Lands *in your county* anticipated to occur for 2017 and beyond (enclosed if applicable).
- **Table 3** shows the volume and net value *under contract* as of December 31, 2017 that is *not currently scheduled for harvest until after December 2018* (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: 10/24/2017

County	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 Jan-Sept
Clallam	9,323,340	4,173,346	6,229,596	5,502,033	4,738,336	5,643,329	8,487,731	3,376,506	7,938,764	4,312,183
Clark	1,088,753	1,977,893	8,793,446	4,601,597	8,528,782	7,191,261	6,388,518	5,846,269	4,791,957	4,020,554
Cowlitz	1,299,756	2,914,752	3,709,692	1,534,691	1,557,816	1,598,498	1,067,106	4,025,043	1,358,909	1,174,712
Grays Harbor	404,882	1,007,779	2,178,958	1,991,750	2,168,671	1,075,212	875,687	1,245,311	2,838,170	1,557,426
Jefferson	1,409,138	669,093	981,510	3,082,453	740,481	661,568	1,085,477	2,906,961	1,603,428	924,851
King	1,836,570	1,053,232	2,737,595	2,474,997	1,112,153	741,392	2,818,269	952,755	2,397,790	410,024
Kitsap	798,357	244,491	495,884	55,958	877,589	743,958	293,314	851,397	824,969	564,685
Klickitat	490,525	1,037,450	327,073	209,403	559,355	289,623	215,737	352,380	26,797	13,893
Lewis	4,715,266	6,738,048	6,147,429	11,076,482	3,439,911	4,280,541	8,677,045	4,053,711	5,416,025	4,528,944
Mason	2,416,073	1,500,640	3,062,868	2,616,802	2,024,430	1,337,166	3,067,093	8,005,336	3,621,960	2,710,095
Pacific	963,320	3,428,025	2,060,204	2,547,153	441,369	3,446,724	1,267,286	1,227,526	2,653,344	1,256,694
Pierce	1,509,353	742,913	1,523,600	214,159	178,426	121,558	222,815	32,691	335,489	249,649
Skagit	11,723,743	5,704,325	8,746,747	11,679,594	9,093,422	5,976,604	7,452,783	7,425,535	8,592,232	10,612,134
Skamania	324,117	253,914	1,215,005	747,982	926,532	1,367,876	2,415,852	1,234,445	2,131,536	1,225,139
Snohomish	6,323,157	10,138,226	13,132,194	13,981,341	5,682,380	11,786,058	9,251,851	7,256,233	5,652,325	7,297,606
Stevens	40,587	79,484	47,542	59,973	64,654	69,322	70,725	63,533	94,918	89,706
Thurston	1,777,592	2,625,128	7,964,904	4,200,388	1,660,728	5,017,407	2,999,025	4,368,240	8,747,144	2,422,492
Wahkiakum	1,170,658	1,516,340	1,820,052	1,400,872	1,956,441	1,742,003	1,631,697	802,706	2,026,441	267,614
Whatcom	6,067,453	3,569,263	2,405,630	3,543,071	4,468,281	3,763,694	2,178,129	4,022,292	2,061,161	830,533
Totals	\$53,682,639	\$49,374,342	\$73,579,929	\$71,520,698	\$50,219,757	\$56,853,794	\$60,466,140	\$ 58,048,870	\$ 63,113,359	\$44,468,934

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 date 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 remittances to date.

**Table 2. Total Projected Revenues to Counties from State Forest
Transfers and Purchase Lands ^{1/}**
(Dollars in Thousands)

<u>County</u>	October thru December 2017		January thru December 2018	
	High	Medium	High	Medium
Clallam	\$2,173.3	\$2,429.3	\$3,671.6	\$3,853.2
Clark	240.0	1,177.3	817.2	1,086.2
Cowlitz	13.1	13.1	153.3	573.3
Grays Harbor	176.9	176.9	1,527.5	1,527.5
Jefferson	(1.5)	18.1	136.7	136.7
King	927.5	927.5	708.9	708.9
Kitsap	335.0	335.0	638.2	638.2
Klickitat	15.5	15.5	15.1	15.1
Lewis	1,029.6	1,034.7	2,376.1	3,081.8
Mason	26.9	203.6	2,436.9	2,849.2
Pacific	2.6	2.6	1,498.4	1,580.1
Pierce	267.1	529.3	581.3	1,205.1
Skagit	4,351.4	4,351.4	2,549.1	5,067.4
Skamania	525.7	525.7	2,124.4	2,166.5
Snohomish	441.3	441.3	2,656.6	4,887.7
Stevens	0.4	0.4	81.9	81.9
Thurston	294.7	706.8	792.9	935.4
Wahkiakum	0.0	0.0	15.0	48.4
Whatcom	374.1	382.8	197.0	2,365.3
Totals	\$11,193.7	\$13,271.4	\$22,978.0	\$32,807.9

^{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 **September 2017**. 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.

Table 2A. Projected Timber Harvest Revenues to Kitsap County from State Forest Transfer and Purchase Lands by Legal Description
 (Thousands of Dollars) ¹

Sale App. Number	Sale Name	Expiration Date	Legal Description			October thru December 2017		January thru December 2018		Value Under Contract after Dec-18
			Section	Township	Range	High	Medium	High	Medium	
92037	Muffet	09/30/18	8, 9, 17 14, 15	24N 24N	1W 2W	314.8	314.8	595.8	595.8	0.0
Total						\$314.8	\$314.8	\$595.8	\$595.8	\$0.0

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.
 Values are cumulative from high to medium probability.

Note: Projected revenues are based on timber purchaser's logging plans as of September 2017. These plans change with changes in the economy and business needs of each purchaser. Department of Natural Resources regional staff should be contacted concerning possible changes in timber harvest plans and for copies of sale area maps for specific locations of timber sales within the legal descriptions listed above.