

# Trust Land Transfer Proviso Phase 2 Work Group – Meeting 3



## Meeting Topic:

Potential TLT Impacts to Taxing Districts

Wednesday, March 9, 2022 | 2:00 pm to 4:00 pm

# Agenda



- Today's Goal and Purpose
- Overview and Discussion
  - Review Proposed Framework for New TLT
  - All trusts eligible for TLT
  - Focus on State Forest Land Taxing Districts
  - Taxing District Mitigation Options
- Next Steps

# Today's Goal and Purpose



- Review what the Legislative Report said about Impact to Taxing Districts
- Gain a shared understanding of TLT Impacts to Taxing Districts
- Provide information about proposed and existing mitigation strategies
- Engage in preliminary discussions related to each strategy that DNR staff will use to develop detailed recommendations for Meeting 3.1 on March 23rd

# From the Legislative Report:



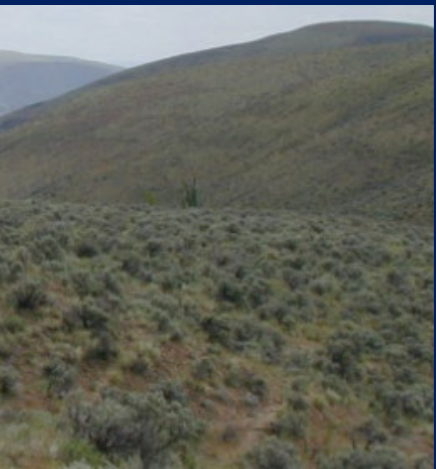
# From the Legislative Report:

**Non-Common School Trust parcels require an inter-trust exchange.** Only Common School Trust parcels can be transferred out of trust status using the current TLT tool. For that reason, any non-Common School Trust parcel nominated for TLT must first become a Common School Trust parcel through an inter-trust exchange.

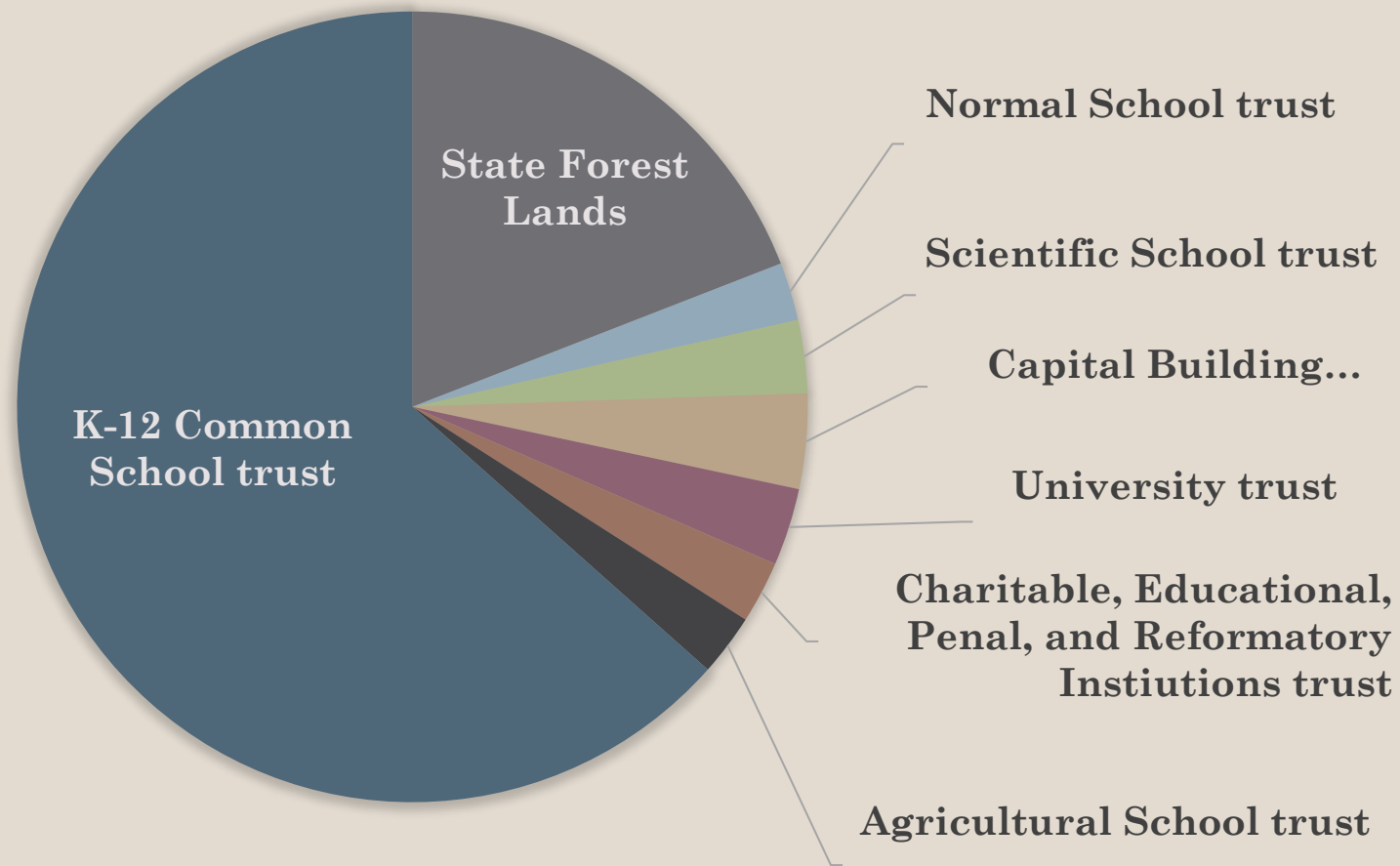


# From the Legislative Report:

**The TLT tool will be opened to state trust land parcels of any trust designation, land use type, size, or value.** Social and ecological values and the challenges of underperforming state trust lands are not confined to any single land use type or trust designation. Opening the TLT tool to all of these lands will give DNR the flexibility it needs to effectively manage the state trust lands portfolio for the benefit of the trust beneficiaries. **It also reduces the need for inter-trust exchanges,** which means that most non-Common School Trust transfers will not affect the Common School Trust portfolio.

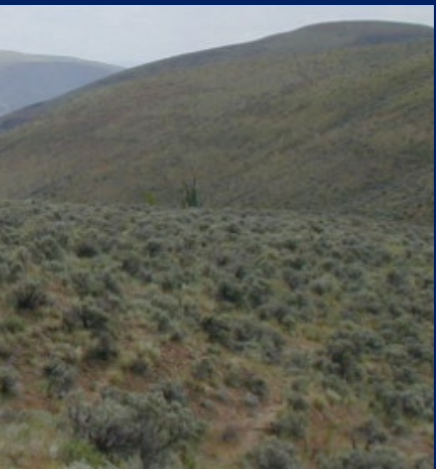


## ~2.9 Million Acres of State Trust Lands



# From the Legislative Report:

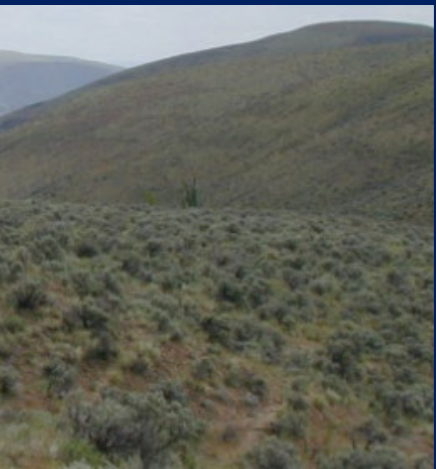
TLTs involving State Forest Lands can affect revenue for county taxing districts. Counties distribute revenue from State Forest Lands to specific taxing districts according to the general tax distribution by tax area codes. **Taxing districts can lose revenue when the State Forest Land parcel within their tax area code becomes Common School Trust, and the Common School Trust parcel that becomes State Forest Land is located in a different tax area code.**





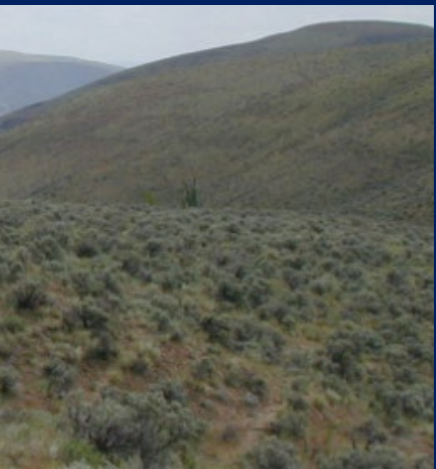
# From the Legislative Report:

Parcels submitted for consideration can have any trust designation, including any of the federally granted trusts and any State Forest Land trust. **Parcels involving State Forest Lands may include a pre-application review of the proposed transfer from counties and affected taxing districts. Findings of this review will be considered as part of DNR's determination of eligibility.**



# From the Legislative Report:

The majority of work group members supported this element and no one opposed it. However, work group members' **support for this element is highly contingent upon finding solutions for mitigating the potential impacts of State Forest Land TLTs on county taxing districts**, including loss of timber revenue and timber excise taxes. They strongly emphasized that this work is vital to the success of the new TLT tool. This topic is a priority to address in the next phase of this project.





# Legislative Change ???





## **Chapter 79.22 RCW ACQUISITION, MANAGEMENT, AND DISPOSITION OF STATE FORESTLANDS**

## **Chapter 79.64 RCW FUNDS FOR MANAGING AND ADMINISTERING LANDS**

- SFL shall be forever reserved from sale.
- Suggest that there is opportunity for adaptive reform.



## RCW 79.22.050

### **Sales and leases of timber, timberland, or products thereon.**

Except as provided in RCW 79.22.060, **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...

## RCW 79.64.110

(Paraphrased for content)

### Revenue distribution.

(1) Any moneys derived... ..from... ..state forestlands...

... must be paid to the county in which the land is located or, for counties participating in a land pool created under RCW 79.22.140, to each participating county proportionate to its contribution of asset value to the land pool...

***(Encumbered Lands Pool Solution – Mitigation Option #4)***

...However, in order to test county flexibility in distributing state forestland revenue, a county may in its discretion pay, distribute, and prorate payments... ..of moneys derived from state forestlands acquired by exchange between July 28, 2019, and June 30, 2020, for lands... ..within the same county, in the same manner as... ..the former state forestlands that were subject to the exchange...

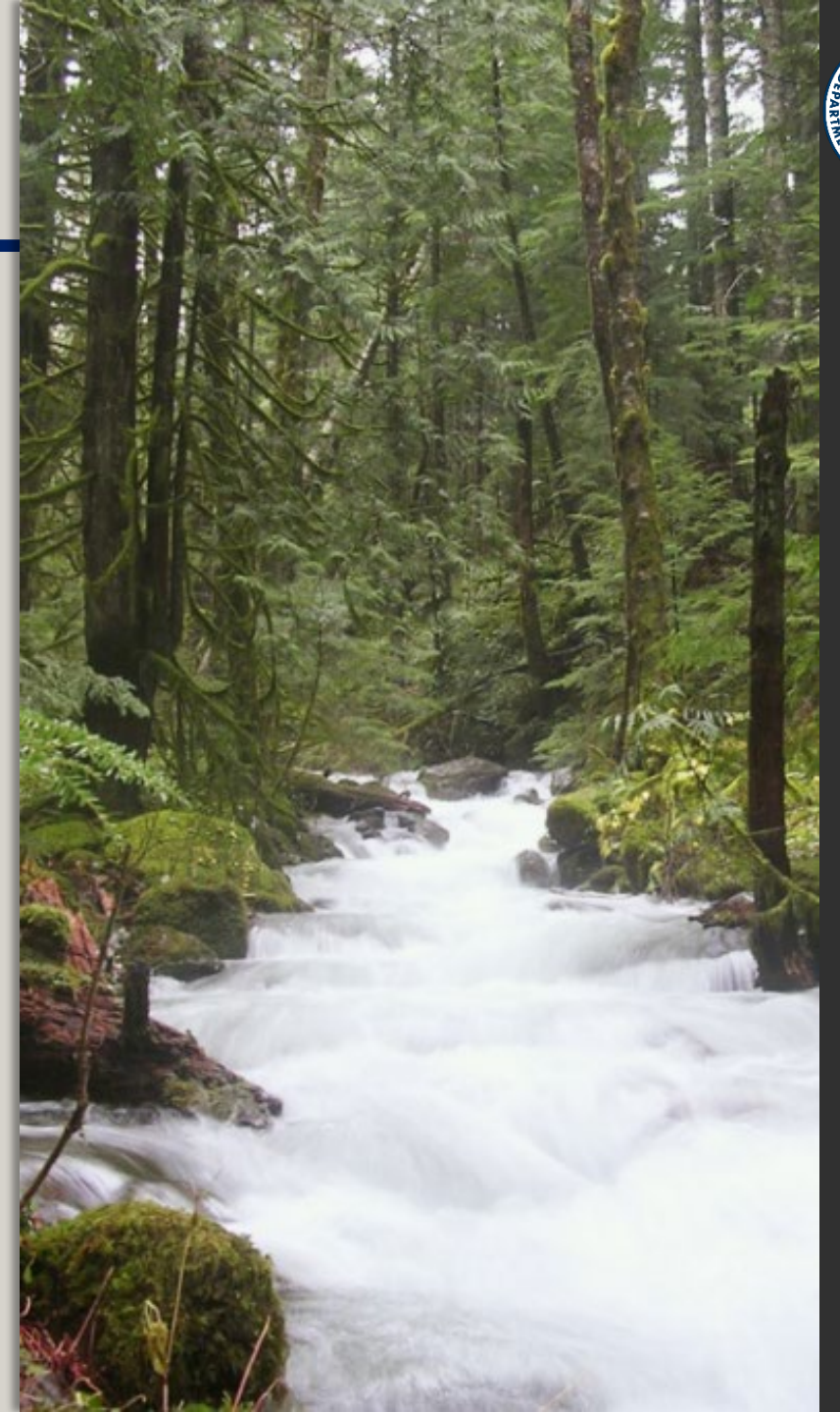
***(Blanchard Solution – Mitigation Option #1)***

# Mitigation Options:

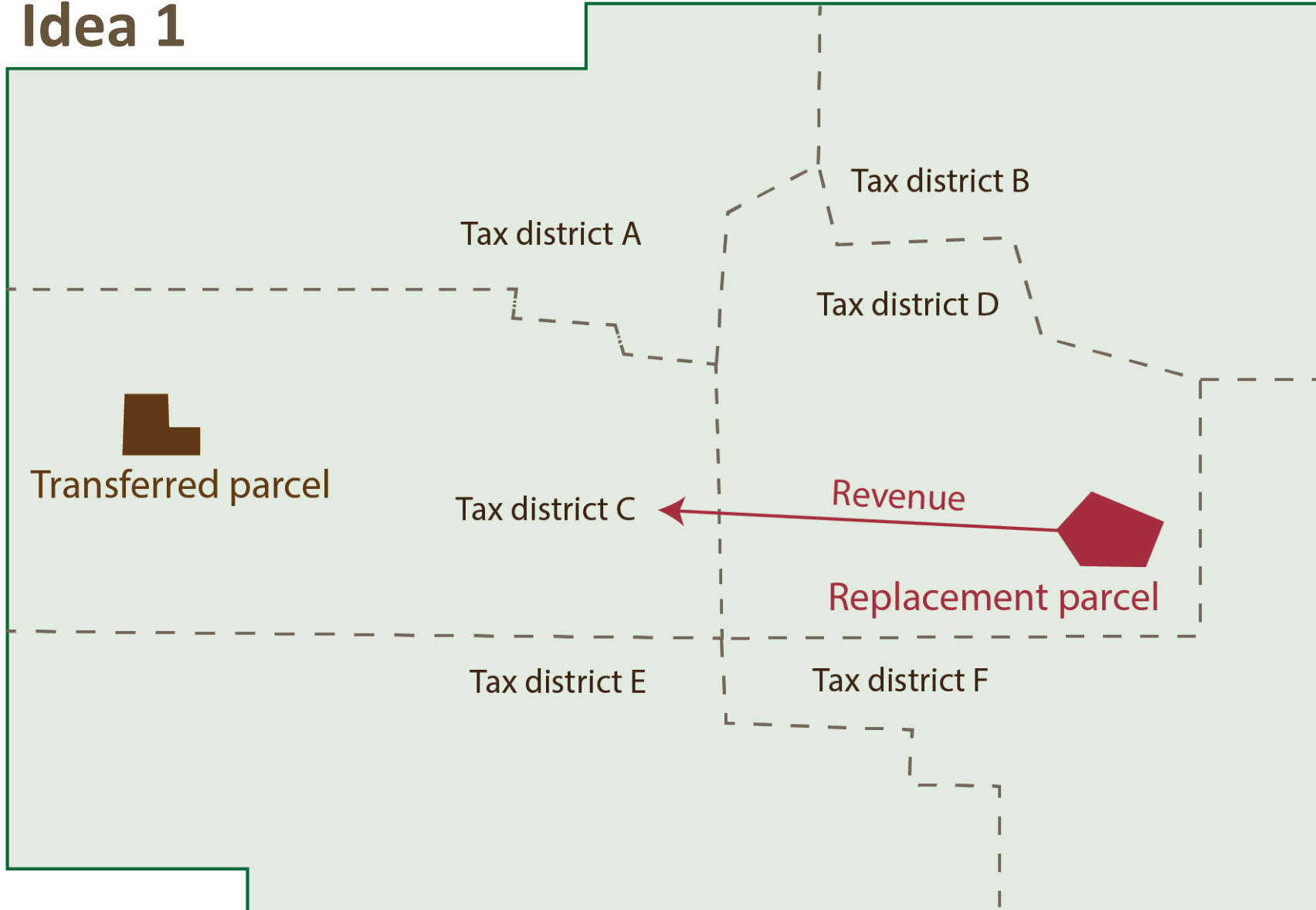


## Idea 1 from the Report:

- 1) When a replacement parcel is located in a different tax area code than the parcel being transferred, counties could have the flexibility to assign the replacement parcel to the *affected* taxing district.



# Idea 1



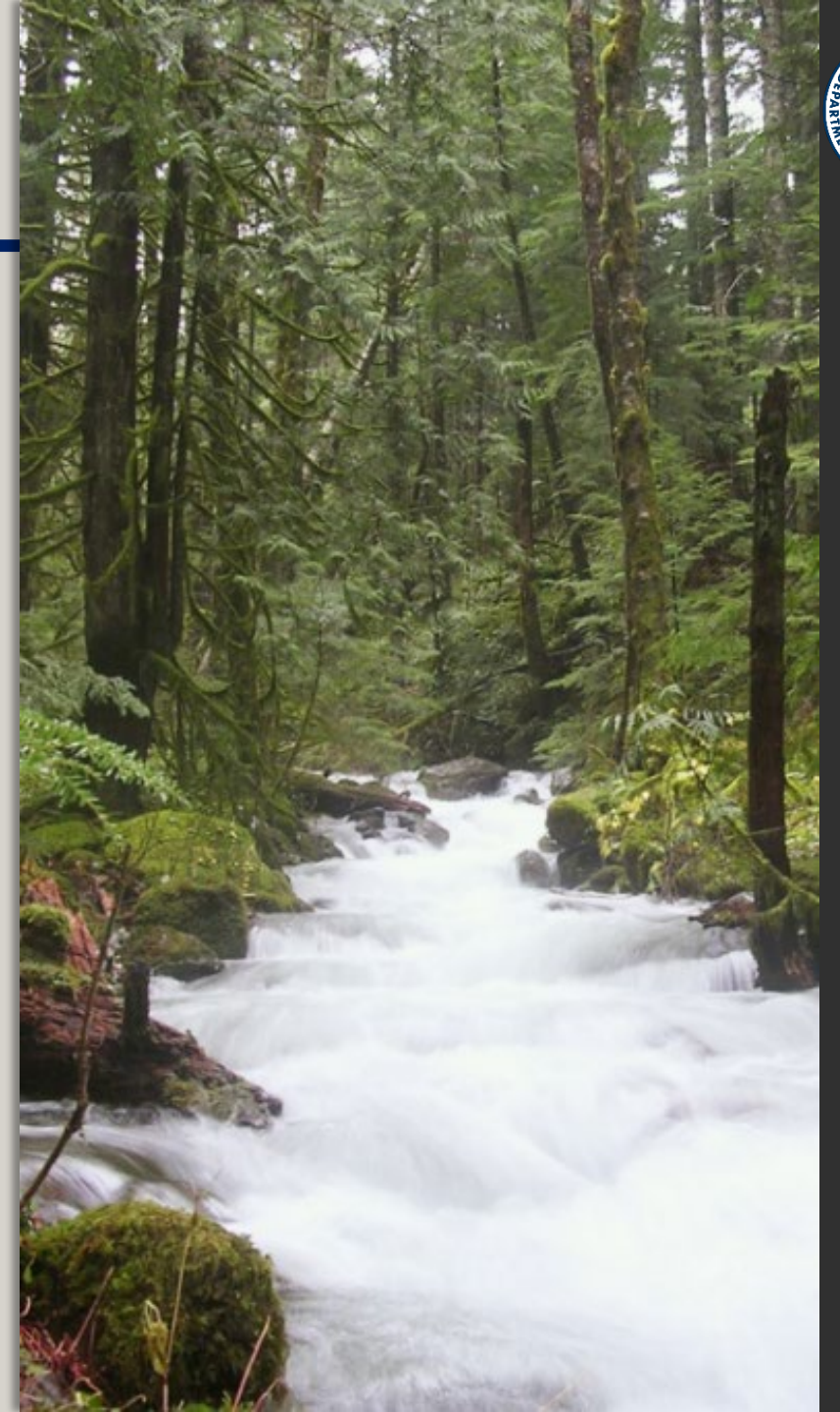


# Mitigation Options:

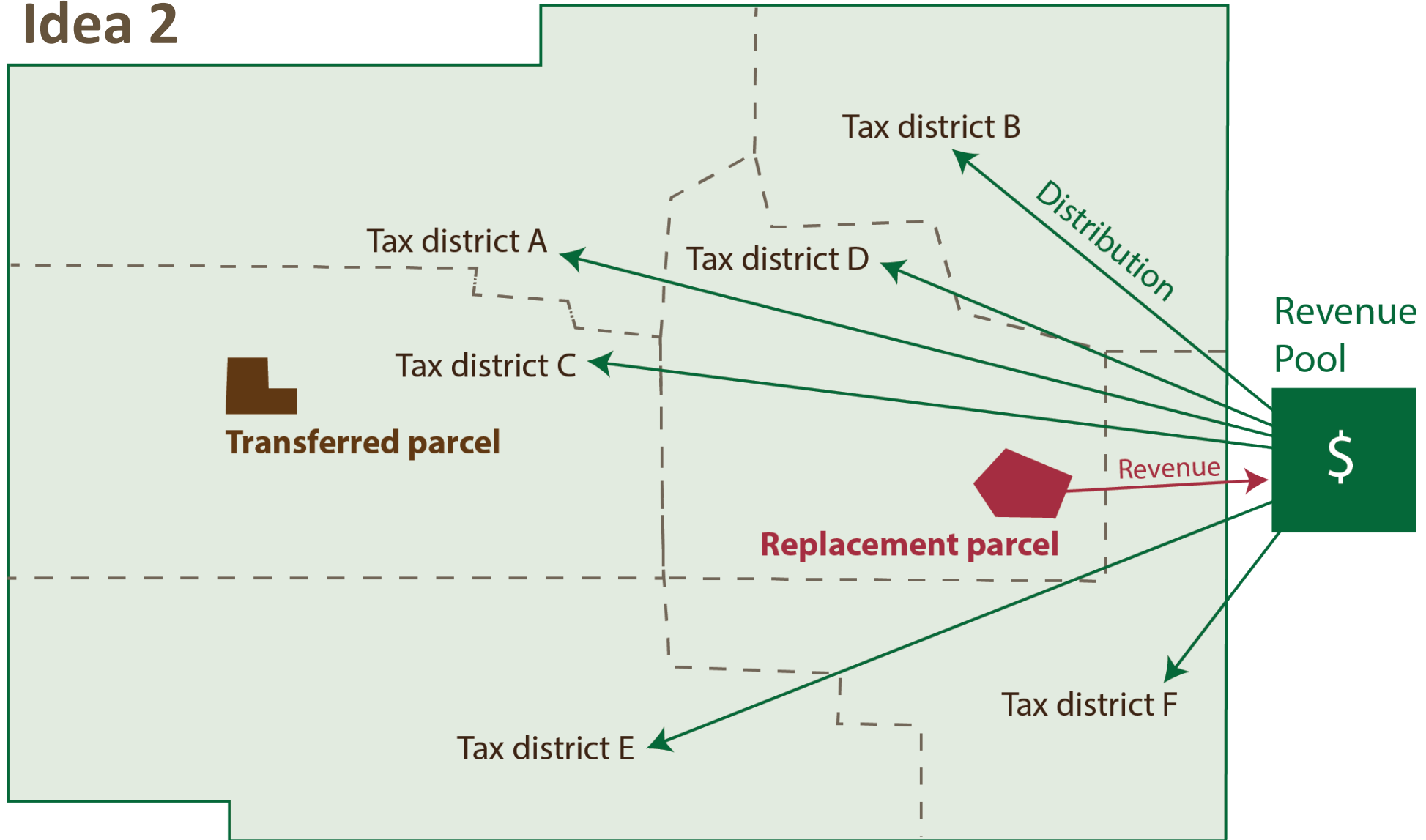


## Idea 2 from the Report:

- 2) Consolidate all the revenue collected from State Forest Lands associated with taxing districts, and then distribute revenue equitably to taxing districts based on acres, relative value, or other metrics per their discretion. Counties could be allowed to opt in or out of this program.



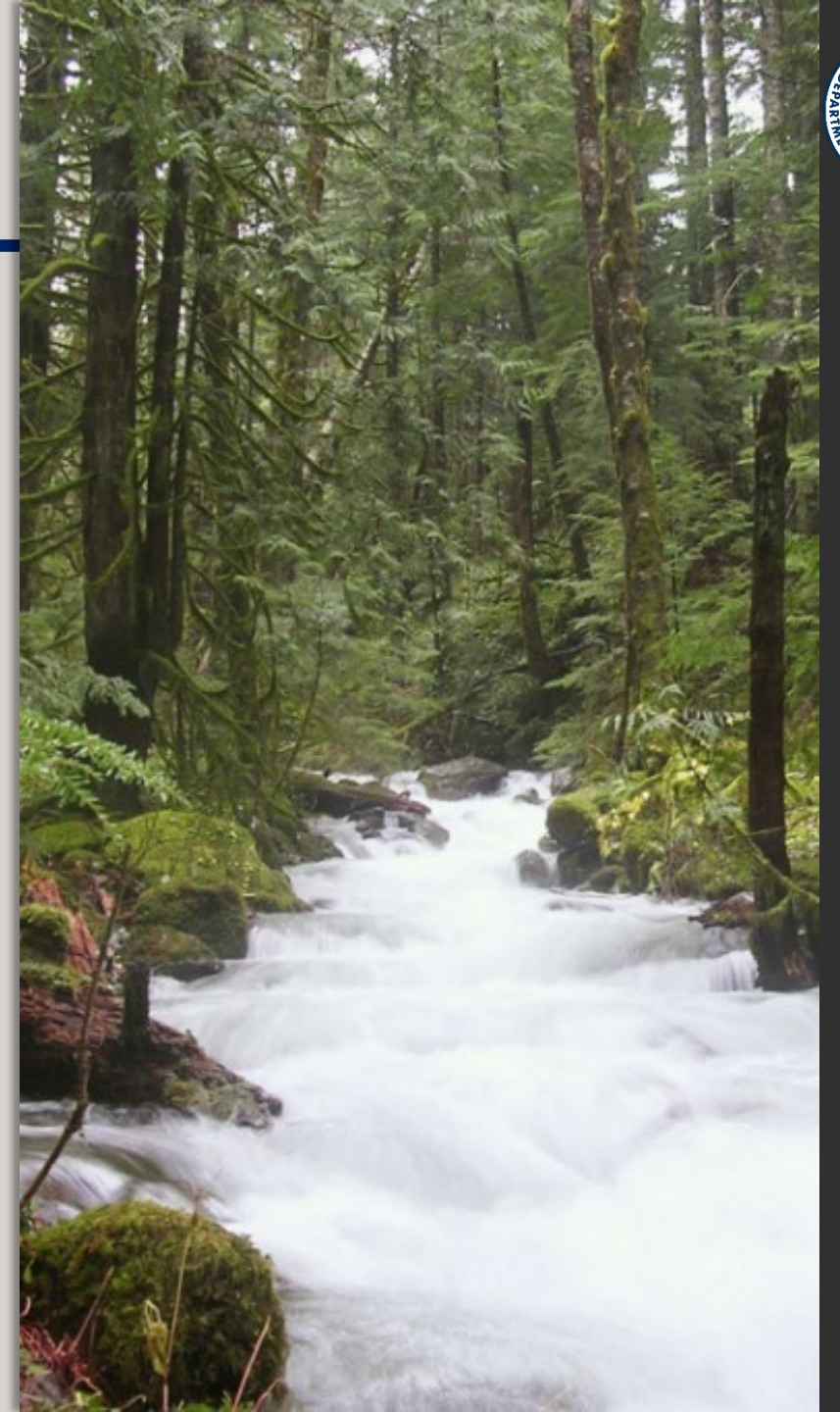
# Idea 2



# Mitigation Options:

## Idea 3 from the Report:

- 3) The Legislature approved payment in lieu of taxes (PILT) for DNR-managed natural areas and community forest trust lands in 2005 and 2013, respectively. PILT is paid once a year to the counties in which these areas are located, and the payments continue indefinitely at the discretion of the Legislature. The idea is to expand PILT to also cover lands that are transferred to other state agencies.

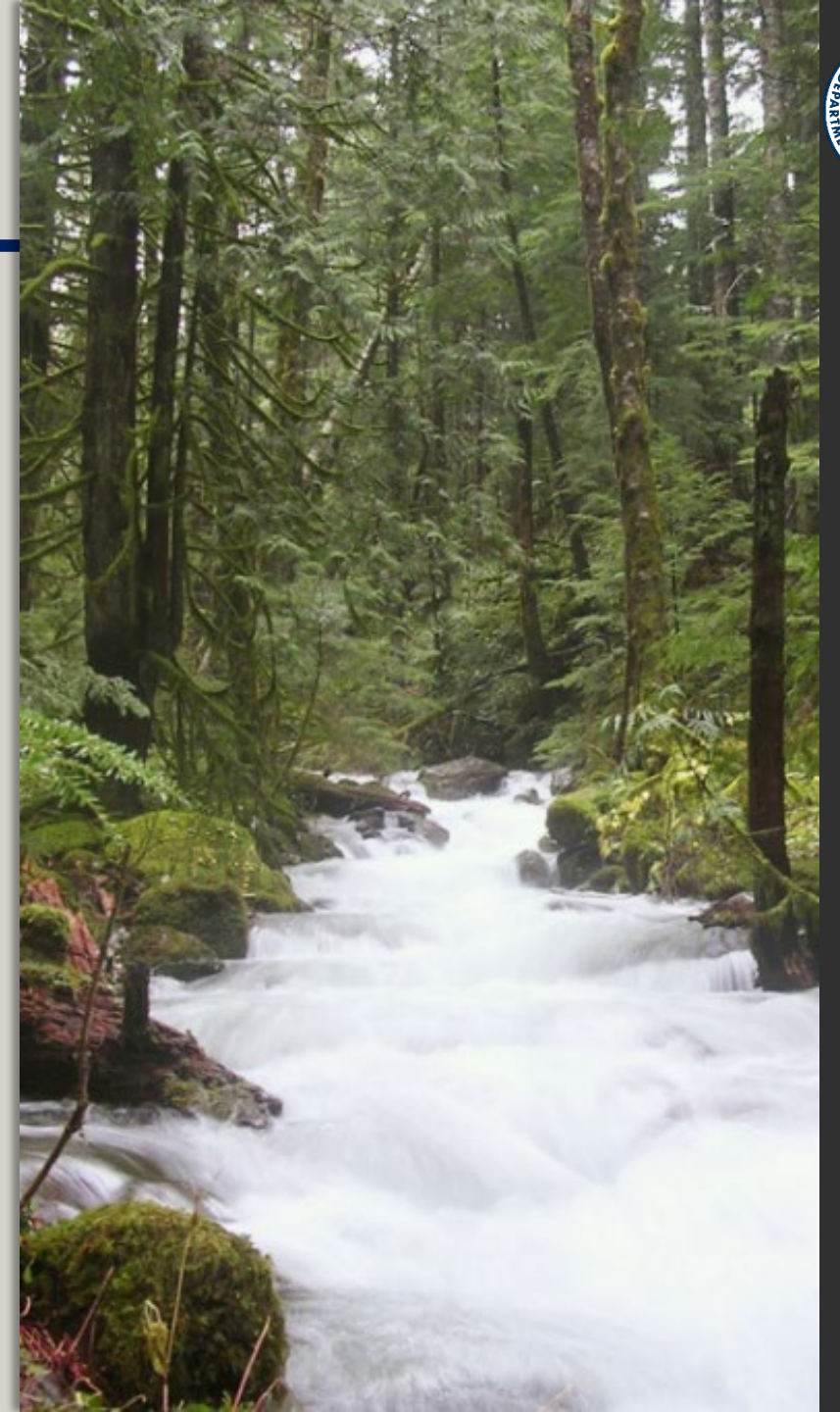




# Mitigation Options:

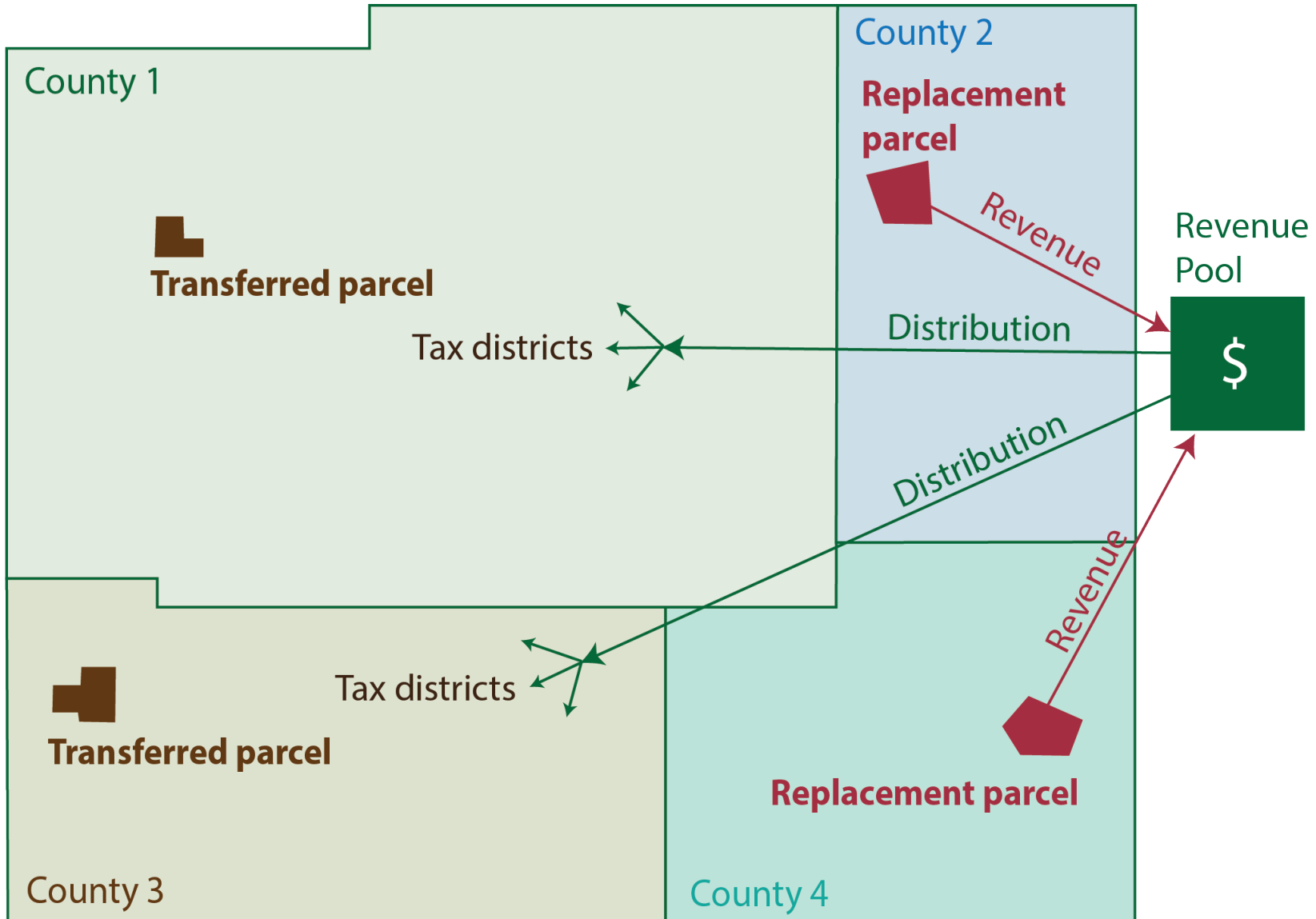
## **Additional Idea not in the Report:**

- 4) State Forestland Pool. As authorized by RCW 79.22.140 where land can be replaced anywhere and future revenue is credited to its former taxing district according to percent of contribution. Currently only available for counties with population less than 25k with lands encumbered by endangered species. (AKA Encumbered lands solution)





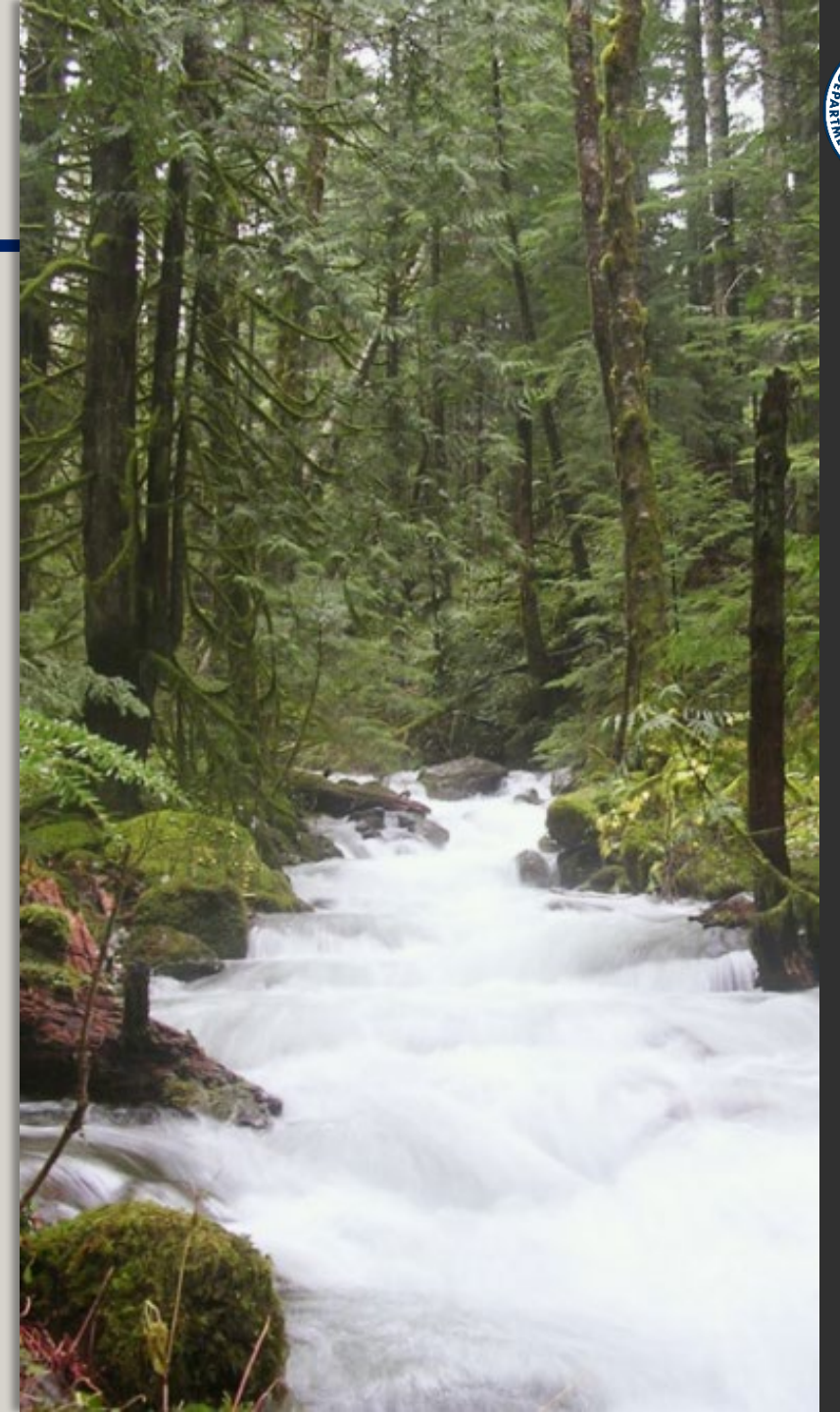
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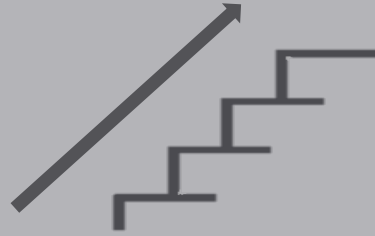


# Mitigation Options:

## Existing Strategies not in the Report:

- 5) Replace property with new SFL within same taxing district, when available.
- 6) Replace property with new SFL elsewhere within same county.
- 7) Inter-trust exchange with non-State Forest Land Trust.
- 8) Reconveyance.
- 9) Others?





# Next Steps



# Preparing for Meeting 3.1



## **DNR STAFF:**

Develop recommendations based on today's discussion

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## **WORK GROUP:**

- Gather additional information on strategies (if desired)
- Coordinate and communicate with relevant interested parties on topic



# Meeting 3.1: What to expect

- Review DNR staff recommendations
- Discuss and refine recommendations



# Thank You

March 2022						
SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23 <i>Meeting 3.1</i>	24	25	26
27	28	29	30	31		

See you on March 23rd!