



October 10, 2012

Peter Goldmark
Washington State
Commissioner of Public Lands

The Honorable David Sullivan, Chair
Jefferson County Board of Commissioners
P.O. Box 1220
Port Townsend, WA 98368

Dear Commissioner Sullivan:

The Washington State Department of Natural Resources (DNR) manages approximately 14,703 acres of State Forest Lands (formerly known as Forest Board Lands) that benefit Jefferson County. These lands generated \$691 thousand in the first three quarters of calendar year 2012, and are projected to generate \$694 thousand in calendar year 2012 from activities expected to occur under current contracts. (See enclosed report.) This represents an increase of \$122 thousand from the 2012 projection in the July 2012 report. Net value under contract for harvest after calendar year 2012 is estimated at \$383 thousand. This income information does not include anticipated revenues from additional planned activities for which contracts have not been finalized.

Income projections reflect a reduced management fee of 21 percent, (a decrease of 2 percent) per Resolution No. 1368 as approved and adopted by the Board of Natural Resources on October 10, 2011.

The majority of income contained in this report is derived from timber sales. Market conditions, contract requirements, and regulatory requirements influence when timber purchasers choose to harvest. Harvesting could occur earlier if conditions warrant. Changes in purchasers' plans for harvest will be reflected in future reports.

The next projection of State Forest Land revenues will be available in late January 2013. Should you have any questions in the meantime, please contact Susan Trettevik, Olympic Region Manager, at 360-374-2800 or at susan.trettevik@dnr.wa.gov. Susan can advise you of possible fluctuations in timber harvest and provide information about DNR management programs and activities in your county.

Sincerely,

Peter Goldmark
Commissioner of Public Lands

Enclosure

Department of Natural Resources
1111 Washington ST SE
MS 47001
Olympia, Washington 98504-7001
(360) 902-1000



County Income Report October 2012

Income from management activities on state forest lands is designated for allocation to several taxing districts in each county, depending upon the location of the activity in that county. Only a very small amount is available for discretionary use by the county.

Revenue from state forest lands (formerly known as forest board lands) comes primarily from harvested timber. Lease activities and rights-of-way applications provide additional sources of revenue. Another source of revenue to the counties is leasehold tax returns, which will vary with the amount of lease activity in any given year.

Table 1 shows the annual revenue for each county from calendar year 2003 through the third quarter of calendar year 2012. As is evident in Table 1, total revenue varies considerably from year to year. Many of the key variables responsible for high revenues in one year can also lead to reduced income the following year.

Revenue projections for each of the 19 counties with state forest lands were made for calendar year 2012. **Table 2** provides an estimate of projected revenue from all activities on state forest lands. **Table 2A** presents projected revenue for each timber sale on state forest lands.

Table 3 presents the volume and net value under contract as of September 30, 2012 that is not currently scheduled for harvest until after December 2013.

These projections were developed by Department of Natural Resources' region staff who contacted each timber sale purchaser with sale rights, to determine approximately how much and when they planned to harvest the timber in each sale.

Projections for each sale's anticipated harvest should be considered a rough estimate only, as actual removal activity depends on individual sale characteristics (species, volume, location, etc.), combined with outside market factors as determined by each purchaser.

The schedule of future state forest land timber sales 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: 10/9/12

County	2003	2004	2005	2006	2007	2008	2009	2010	2011	Jan-Sept 2012
Clallam	\$4,777,301	\$4,426,097	\$5,495,006	\$4,470,806	\$5,903,404	\$9,323,340	\$4,173,346	\$6,229,596	5,502,033	2,530,970
Clark	\$3,820,106	\$4,092,569	\$4,411,237	\$4,264,442	\$5,614,184	\$1,088,753	\$1,977,893	\$8,793,446	4,601,597	7,197,814
Cowlitz	2,934,808	215,329	5,345,911	2,348,848	1,599,865	1,299,756	2,914,752	3,709,692	1,534,691	955,672
Grays Harbor	2,107,685	1,776,300	2,667,556	700,385	1,078,365	404,882	1,007,779	2,178,958	1,991,750	1,997,533
Jefferson	889,650	1,631,808	3,200,661	1,075,049	762,629	1,409,138	669,093	981,510	3,082,453	691,178
King	2,889,619	4,388,319	995,578	425,144	3,638,003	1,836,570	1,053,232	2,737,595	2,474,997	752,828
Kitsap	626,030	1,109,673	759,721	218,756	400,093	798,357	244,491	495,884	55,958	861,579
Klickitat	1,207,848	112,777	1,256,702	2,307,063	4,157,236	490,525	1,037,450	327,073	209,403	431,895
Lewis	5,493,493	4,356,765	2,606,113	19,053,461	4,421,392	4,715,266	6,738,048	6,147,429	11,076,482	3,121,656
Mason	2,379,357	5,336,229	4,774,081	1,432,968	2,585,862	2,416,073	1,500,640	3,062,868	2,616,802	1,265,100
Pacific	1,875,588	2,051,170	2,939,705	2,238,753	2,621,728	963,320	3,428,025	2,060,204	2,547,153	426,916
Pierce	3,571,913	5,620,352	1,778,066	2,251,072	1,435,948	1,509,353	742,913	1,523,600	214,159	117,263
Skagit	8,973,769	9,620,659	12,532,120	9,021,036	10,635,736	11,723,743	5,704,325	8,746,747	11,679,594	6,788,323
Skamania	68,576	533,038	308,142	436,890	540,697	324,117	253,914	1,215,005	747,982	180,451
Snohomish	10,398,846	13,664,903	12,756,744	7,069,004	11,391,018	6,323,157	10,138,226	13,132,194	13,981,341	5,255,775
Stevens	39,619	36,945	40,922	38,002	42,239	40,587	79,484	47,542	59,973	62,337
Thurston	4,523,536	6,270,700	7,777,205	5,344,608	4,915,648	1,777,592	2,625,128	7,964,904	4,200,388	1,602,118
Wahkiakum	2,011,817	1,015,082	2,730,555	2,146,022	571,852	1,170,658	1,516,340	1,820,052	1,400,872	1,811,114
Whatcom	6,993,439	7,467,518	6,075,055	2,648,374	2,420,510	6,067,453	3,569,263	2,405,630	3,543,071	4,315,774
Totals	\$65,583,000	\$73,726,233	\$78,451,080	\$67,490,683	\$64,736,409	\$53,682,639	\$49,374,342	\$73,579,929	\$71,520,698	\$40,366,296

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>	<u>October thru December 2012</u>		<u>January thru December 2013</u>	
	<u>High</u>	<u>Medium</u>	<u>High</u>	<u>Medium</u>
Clallam	\$3,752.1	\$3,752.1	\$1,607.9	\$1,713.9
Clark	2,370.1	2,436.9	1,628.2	3,319.8
Cowlitz	982.7	982.7	747.6	1,133.9
Grays Harbor	352.6	815.2	843.9	989.0
Jefferson	3.4	3.4	123.7	123.7
King	12.5	296.0	528.2	528.2
Kitsap	14.8	169.2	316.6	316.6
Klickitat	225.3	225.3	249.6	249.6
Lewis	1,174.4	1,174.4	826.4	1,708.2
Mason	560.1	560.1	143.0	143.0
Pacific	0.3	53.2	11.8	387.5
Pierce	5.7	220.0	1.8	1.8
Skagit	3,014.9	3,014.9	3,411.7	3,411.7
Skamania	411.3	395.8	109.8	663.3
Snohomish	3.6	4,369.4	4,589.9	4,589.9
Stevens	6.5	6.5	61.8	61.8
Thurston	42.5	42.5	194.8	355.8
Wahkiakum	0.0	0.0	3.6	3.6
Whatcom	81.7	81.7	2,992.7	2,992.7
Totals	\$13,014.4	\$18,599.2	\$18,392.9	\$22,694.0

^{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.

Note: Projected revenues are based on timber purchaser's logging plans as of September 2012. 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 *Jefferson County* from State Forest Transfer and Purchase Lands by Legal Description
 (Thousands of Dollars) ¹¹

Sale App. Number	Sale Name	Expiration Date	Legal Description			October thru December 2012		January thru December 2013		Value Under Contract after Dec-13
			Section	Township	Range	High	Medium	High	Medium	
87240	Center 12 Thinning	10/31/15	8, 15, 17, 22	27N	2W	3.4	3.4	105.5	105.5	258.6
			15, 22, 25-27	27N	2W					
			15, 27, 33, 34	28N	1E					
			30	28N	1W					
			36	28N	2W					
			17	29N	2W					
Total						\$3.4	\$3.4	\$105.5	\$105.5	\$258.6

¹¹ 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 2012. 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.

Table 3. Volume and Net Value of Timber under Contract on State Forest Transfer and Purchase Lands for Harvest after Calendar Year 2013 ^{1/}

<u>County</u>	<u>Volume (mbf)</u>	<u>Net Value</u>
Clallam	18,295	\$3,683,687
Clark	2,978	1,336,053
Cowlitz	0	0
Grays Harbor	0	0
Jefferson	3,273	258,644
King	358	37,098
Kitsap	0	0
Klickitat	0	0
Lewis	0	0
Mason	0	0
Pacific	332	8,410
Pierce	0	0
Skagit	2,212	784,574
Skamania	6,953	1,429,142
Snohomish	7,065	1,667,645
Thurston	0	0
Wahkiakum	0	0
Whatcom	0	0
Totals	41,466	\$9,205,253

^{1/} Counties currently receive 79 percent of State Forest land Transfer revenues and 26.5 percent of State Forest land Purchase revenues.

Note: The sales represented here are currently under contract as of September 2012. This timber could be harvested at any time depending on market conditions and business needs as determined by each purchaser. Sales to be sold in the future could provide additional revenue to your county. Department of Natural Resources' region staff should be contacted concerning future sale activity and dates.