Peter Goldmark
Washington State
Commissioner of Public Lands

January 24, 2014

The Honorable Jack Louws, Chair
Whatcom County Executive
311 Grand Avenue, Suite 108
Bellingham, WA 98225

Dear Executive Louws:

The Washington State Department of Natural Resources (DNR) manages approximately 38,725 acres of State Forest Lands that benefit Whatcom County. These lands generated $3,764,000 in calendar year 2013 and are projected to generate $1,447,000 for all of calendar year 2014 from activities expected to occur under current contracts. This represents an increase of $45,000 from the 2014 projection in the October 2013 report.

Net value under contract for harvest after calendar year 2014 is estimated at $1,607,000. This income information does not include anticipated revenues from additional planned activities for which contracts have not been finalized. Projections of income after July 2, 2013 reflect the management fee of 25 percent, as adopted by the Board of Natural Resources on that date.

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 actually occur. Market conditions, contract requirements, and regulatory requirements influence timber purchasers' decisions about when 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 April 2014.

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 Lands we manage on behalf of the counties. Should you have any questions regarding this information, please contact Jean Fike, Northwest Region Manager, at 360-856-3500 or at jean.fike@dnr.wa.gov.

Sincerely,

Peter Goldmark
Commissioner of Public Lands

Enclosures

Department of Natural Resources
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COUNTY INCOME REPORT
EXPLANATION OF TABLES
January 2014

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 2004 through calendar year 2013. This table illustrates the variability in total revenues from year to year.
- **Table 2** shows *projected* revenue for all 19 counties from <u>all</u> activities on State Forest Lands for calendar year 2014.
- **Table 2A** shows *projected* revenue for each <u>timber sale</u> on State Forest Lands *in your county* anticipated to occur for 2014 and beyond (enclosed if applicable).
- **Table 3** shows the volume and net value *under contract* as of December 31, 2013 that is *not currently scheduled for harvest until after December 2014* (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: 1/24/14

County	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Clallam	4,426,097	5,495,006	4,470,806	5,903,404	9,323,340	4,173,346	6,229,596	5,502,033	4,738,336	**5,643,329**
Clark	4,092,569	4,411,237	4,264,442	5,614,184	1,088,753	1,977,893	8,793,446	4,601,597	8,528,782	**7,191,261**
Cowlitz	215,329	5,345,911	2,348,848	1,599,865	1,299,756	2,914,752	3,709,692	1,534,691	1,557,816	**1,598,498**
Grays Harbor	1,776,300	2,667,556	700,385	1,078,365	404,882	1,007,779	2,178,958	1,991,750	2,168,671	**1,075,212**
Jefferson	1,631,808	3,200,661	1,075,049	762,629	1,409,138	669,093	981,510	3,082,453	740,481	**661,568**
King	4,388,319	995,578	425,144	3,638,003	1,836,570	1,053,232	2,737,595	2,474,997	1,112,153	**741,392**
Kitsap	1,109,673	759,721	218,756	400,093	798,357	244,491	495,884	55,958	877,589	**743,958**
Klickitat	112,777	1,256,702	2,307,063	4,157,236	490,525	1,037,450	327,073	209,403	559,355	**289,623**
Lewis	4,356,765	2,606,113	19,053,461	4,421,392	4,715,266	6,738,048	6,147,429	11,076,482	3,439,911	**4,280,541**
Mason	5,336,229	4,774,081	1,432,968	2,585,862	2,416,073	1,500,640	3,062,868	2,616,802	2,024,430	**1,337,166**
Pacific	2,051,170	2,939,705	2,238,753	2,621,728	963,320	3,428,025	2,060,204	2,547,153	441,369	**3,446,724**
Pierce	5,620,352	1,778,066	2,251,072	1,435,948	1,509,353	742,913	1,523,600	214,159	178,426	**121,558**
Skagit	9,620,659	12,532,120	9,021,036	10,635,736	11,723,743	5,704,325	8,746,747	11,679,594	9,093,422	**5,976,604**
Skamania	533,038	308,142	436,890	540,697	324,117	253,914	1,215,005	747,982	926,532	**1,367,876**
Snohomish	13,664,903	12,756,744	7,069,004	11,391,018	6,323,157	10,138,226	13,132,194	13,981,341	5,682,380	**11,786,058**
Stevens	36,945	40,922	38,002	42,239	40,587	79,484	47,542	59,973	64,654	**69,322**
Thurston	6,270,700	7,777,205	5,344,608	4,915,648	1,777,592	2,625,128	7,964,904	4,200,388	1,660,728	**5,017,407**
Wahkiakum	1,015,082	2,730,555	2,146,022	571,852	1,170,658	1,516,340	1,820,052	1,400,872	1,956,441	**1,742,003**
Whatcom	7,467,518	6,075,055	2,648,374	2,420,510	6,067,453	3,569,263	2,405,630	3,543,071	4,468,281	**3,763,694**
Totals	$73,726,233	$78,451,080	$67,490,683	$64,736,409	$53,682,639	$49,374,342	$73,579,929	$71,520,698	$50,219,757	$56,853,794

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)

	January thru June 2014		July thru December 2014	
County	**High**	**Medium**	**High**	**Medium**
Clallam	$3,175.2	$3,721.3	$499.4	$1,083.3
Clark	2,872.0	3,069.0	1,482.8	2,227.5
Cowlitz	10.7	10.7	246.3	246.3
Grays Harbor	303.6	372.8	0.7	55.3
Jefferson	1,166.1	1,166.1	491.0	491.0
King	96.6	936.2	347.7	367.1
Kitsap	140.4	140.4	108.8	108.8
Klickitat	4.9	4.9	13.1	13.1
Lewis	2,762.3	2,841.0	559.6	942.4
Mason	110.1	1,990.6	82.9	82.9
Pacific	105.7	154.6	7.2	32.6
Pierce	2.3	2.3	470.3	470.3
Skagit	3,302.2	3,302.2	645.1	645.1
Skamania	174.5	792.2	763.4	1,309.8
Snohomish	5,713.9	5,944.5	1,102.4	1,102.4
Stevens	5.8	5.8	59.0	59.0
Thurston	520.6	550.2	1,139.0	1,139.0
Wahkiakum	0.2	0.2	0.1	0.1
Whatcom	1,364.2	1,364.2	82.6	82.6
Totals	**$21,831.2**	**$26,369.2**	**$8,101.3**	**$10,458.3**

[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 December 2013. 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 *Whatcom County* from State Forest Transfer and Purchase Lands by Legal Description
(Thousands of Dollars) [1/]

Sale App. Number	Sale Name	Expiration Date	Legal Description Section	Township	Range	January thru June 2014 High	Medium	July thru December 2014 High	Medium	Value Under Contract after Dec-14
88303	Snippets	09/30/14	20, 21, 27, 29	40N	6E	323.8	323.8	0.0	0.0	0.0
88454	Sushi	09/30/14	13, 14	39N	4E	129.8	129.8	0.0	0.0	0.0
			36	38N	4E					
88455	Natural Hat Trick	09/30/14	25	40N	4E	91.0	91.0	45.5	45.5	0.0
			15, 16, 17	40N	5E					
88967	Low Coal	09/30/14	4	39N	5E	3.9	3.9	0.0	0.0	0.0
89074	Clipper Ship	09/30/14	6	36N	6E	782.0	782.0	(0.0)	(0.0)	0.0
			25, 36	37N	5E					
			31	37N	6E					
89130	Starlight	09/30/15	27	38N	5E	0.0	0.0	0.0	0.0	1,606.8
	Total					**$1,330.4**	**$1,330.4**	**$45.5**	**$45.5**	**$1,606.8**

[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 December 2013. 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 2014 [1/]

County	Volume (mbf)	Net Value
Clallam	13,528	$3,407,893
Clark	349	78,102
Cowlitz	1,857	595,580
Grays Harbor	414	727,235
Jefferson	2,544	206,172
King	2,316	649,560
Kitsap	0	0
Klickitat	0	0
Lewis	4,111	1,450,922
Mason	0	0
Pacific	1,428	578,985
Pierce	0	3
Skagit	6,438	1,397,818
Skamania	0	0
Snohomish	1,904	623,848
Thurston	41	14
Wahkiakum	0	0
Whatcom	3,354	1,606,832
Totals	**38,283**	**$11,322,963**

[1/] Counties currently receive 75% of revenue from State Forest Transfer land and 26.5% of revenue from State Forest Purchase land.

Note: The sales represented here are currently under contract as of December 2013. 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.