October 27, 2023

To: The Honorable Governor Jay Inslee
David Schumacher, OFM Director
Jim Cahill, Senior Budget Advisor

Re: 2024 Capital Budget Supplemental request

We write to request $10 million in funding for the Department of Natural Resources (DNR) Trust Land Transfer program in the Governor's supplemental capital budget using Natural Climate Solutions Account funding. We appreciate your ongoing support to revitalize the Trust Land Transfer (TLT) program and urge you to take advantage of a unique opportunity to further conservation and climate change efforts in our state. Because carbon auction proceeds are higher than expected and there is unprecedented demand for the new Trust Land Transfer program created by HB 1460, a supplemental budget allocation for TLT could help to alleviate the backlog for TLT while simultaneously fighting climate change.

We have come a long way since the Trust Land Transfer (TLT) revitalization effort started three years ago and we are now seeing tremendous interest in this very effective conservation, land management, and natural climate solution tool. Last session, the legislature passed authorizing legislation and budgeted over $20 million for TLT, including $8 million from the Natural Climate Solutions Account. Using the new process set out in HB 1460, communities and Tribes around the state are now requesting 34 transfers of state trust lands that are ecologically valuable and under-performing economically. DNR staff preliminarily estimates the value of the requested transfers to be upwards of $100 million dollars. Precise estimates are still underway as DNR has only just begun the formal evaluation process after the September 30th application deadline.

Request----$10 million of NCS Account funding to clear the TLT Backlog

We are requesting that the Governor use his supplemental capital budget to allocate Natural Climate Solutions Account funds for 11 TLT projects that were previously vetted by DNR and proposed to the legislature for funding, but not funded. This includes two ranked projects of heavily forested parcels that were not funded this past session (Morning Star and Blakely Island) as well as nine smaller projects that that are part of Natural Areas created by TLT over the first 30 years of the program. By doing so, you'll make significant progress towards clearing the backlog of previously unfunded TLT projects. This is important given the limited capital budget funding for TLT going forward - HB 1460 caps TLT budget request at $30 million annually.

Both the Morning Star and Blakely Island projects have gone through the application submission and vetting process several times. They already were judged to be "in the best interest of the trust" and deemed worthy of funding. They are forested areas that if conserved will contribute to carbon sequestration and climate protection and resiliency. The two projects are:

A. Morning Star – 1,071 acres. Located in Snohomish County. This project consists of high elevation, ecologically valuable forest with poor timber growing conditions. It is within an existing Natural Resources Conservation Area managed by DNR. The cost estimate is $3.5 million for the replacement value.
B. Blakely Island - 184 acres. Located in San Juan County. This parcel has significant constraints on harvest due to its remote location within the San Juan Islands and would be transferred to San Juan County for long-term management. The cost estimate is $1.5 million.

In addition to $5 million for the above two projects, we request $5 million to fund 9 projects that are already inside the boundaries of DNR-managed Natural Areas (note – Morning Star is one the projects on the linked map). Because they are in Natural Area boundaries, DNR will not harvest the timber despite the land being in trust status. (It is DNR's policy to first set a Natural Area boundary and then use tools like TLT to remove the land inside the boundary from the trust.) So the trusts have not been reimbursed to allow the acquisition of replacement land elsewhere. Funding from the capital budget would remove these lands from limbo and improve long-term financial returns to beneficiaries. We recommend that some of the $5 million could also be used to cover reasonable staff costs associated with staffing, land transaction costs and Natural Area stewardship.

As far as we know, DNR requested funding from the legislature previously to transfer the projects out of trust status and complete the creation of these Natural Areas. However, funding fell short, which is often the case when considering the complexities of estimating land values and the extended time frame between an initial estimate and an actual valuation that may take place two years later.

DNR has submitted these projects for consideration in the new TLT evaluation process, but they obviously meet the best interest of the trust analysis and are valuable additions to the state's conservation portfolio. Because the lands preserve and even increase carbon sequestration and storage benefits in forests, they clearly qualify for Natural Climate Solutions funding (RCW 70A.65.270 (2)(a)(vii)).

Funding all these projects would help clear the backlog so that DNR can focus on evaluating the very high number of new proposals from around the state and can bring forward a good package for potential investment by the legislature in 2025. An investment in TLT buys replacement land and expands the size of state trusts. Funding trust land transfer is good policy – it conserves ecologically valuable lands, fights climate change, improves financial return to trust beneficiaries, and can even protect working forests at risk of conversion.

Lastly, we urge the Governor to work with DNR and Tribal TLT applicants and consider investing Natural Climate Solution funds in the supplemental capital budget to fund qualified TLT proposals put forth by Tribes, where the Tribe is expressing the commitment to be the receiving agency and will manage the forest in the long term for conservation. We are aware of the Climate Commitment Act (CCA) requirement to show benefit from CCA investments to Washington tribes and we believe that the revitalized TLT program can be one such mechanism. If this is of interest, DNR can forward the project details to OFM. If this can't occur now because of timing constraints, please consider creating a new category of TLT investment for 2025 that would better enable Tribal projects given their high priority within CCA.

For questions, please reach out to Jim Freeburg at 206-245-0059 or jifreeburg@yahoo.com. We appreciate your attention to this request.

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Trust Land Transfer Revitalization

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