

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1245 HB	<b>Title:</b> Timber harvest/trust lands
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## Estimated Cash Receipts

Agency Name	2003-05		2005-07		2007-09	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Indeterminate					
Department of Natural Resources	0	25,080,000	0	25,080,000	0	25,080,000
<b>Total \$</b>	0	25,080,000	0	25,080,000	0	25,080,000

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

## Estimated Expenditures

Agency Name	2003-05			2005-07			2007-09		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	9,900	9,900	.0	0	0	.0	0	0
Department of Natural Resources	.5	24,500	8,348,500	.4	16,000	8,324,800	.4	16,000	8,324,800
<b>Total</b>	0.5	\$34,400	\$8,358,400	0.4	\$16,000	\$8,324,800	0.4	\$16,000	\$8,324,800

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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<b>Prepared by:</b> Linda Steinmann, OFM	<b>Phone:</b> 360-902-0573	<b>Date Published:</b> Final 1/30/2003
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1245 HB	<b>Title:</b> Timber harvest/trust lands	<b>Agency:</b> 090-Office of State Treasurer
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## Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

<b>Indeterminate Impact</b>
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Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
<b>Fund</b>					
<b>Total \$</b>					

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/21/2003
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 01/22/2003
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 01/22/2003
OFM Review: Deborah Feinstein	Phone: 360-902-0614	Date: 01/28/2003

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

HB 1245 creates the contract harvesting revolving account and allows the account to retain its earnings.

Assumption: Earnings will be credited to the contract harvesting revolving account even though RCW 43.84.092 is amended instead of RCW 43.79A.040.

Earnings:

The amount of earnings by an account is a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period in question. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average balances, and hence differing earnings.

There will be an impact to the earnings; however, the actual earnings will be determined more by the impact to the average daily balance than the amount of increases or decreases in receipts, disbursements, and transfers. Currently, estimated earnings are indeterminable. Without projected monthly estimates of receipts, disbursements, and transfers, OST is unable to estimate the changes to the average balance of the account and the impact to earnings.

Based on the November 2002 Revenue Forecast, the net rate for estimating earnings for FY 04 is 2.44% and for FY 05 is 3.37%. The rate used for FY 05 should also be used for subsequent fiscal years. Approximately \$24,400 in FY 04 and \$33,700 in FY 05 in net earnings and \$5,000 in OST management fees would be gained or lost annually for every \$1 million increase or decrease in average daily balance.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

HB 1245 creates the contract harvesting revolving account and allows the account to retain its earnings.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years					
Total:					

Part IV: Capital Budget Impact

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1245 HB	<b>Title:</b> Timber harvest/trust lands	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

<b>FUND</b>					
<b>Total \$</b>					

### Estimated Expenditures from:

	<b>FY 2004</b>	<b>FY 2005</b>	<b>2003-05</b>	<b>2005-07</b>	<b>2007-09</b>
FTE Staff Years	0.1				
<b>Fund</b>					
GF-STATE-State 001-1	9,900		9,900		
<b>Total \$</b>	9,900		9,900		

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

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- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/21/2003
Agency Preparation: Laurence Reeves	Phone: 360-753-7224	Date: 01/22/2003
Agency Approval: Don Taylor	Phone: 360-570-6083	Date: 01/22/2003
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 01/22/2003

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

This bill is not expected to have an impact on taxes administered by the Department of Revenue. The DNR already conducts contract logs sales on a limited basis and taxes are collected on these sales. However, Section 11, which amends RCW 84.33.078, will help taxpayers and the Department distinguish between harvesting and marketing costs (e.g., felling and yarding) as defined by RCW 84.33.035(7) which are not taxable and other consideration costs (e.g., permanent roads) which are taxable. Section 12, which amends RCW 84.33.035(16), clarifies that harvesting and marketing costs on contract log sales are not taxable.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

None.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

(Contact: Ed Ratcliffe, 570-6126)

The Department would amend one administrative rule to reflect some of the provisions of this bill. The agency would absorb the \$9,900 one-time cost of drafting the amendments, holding hearings, taking and responding to testimony and promulgating the final rule changes. However, if this bill and others should pass which would require rule making the aggregate costs may be beyond a level that the agency could reasonably absorb. In that event the Department would need additional resources to fully implement the legislation.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.1				
A-	4,100		4,100		
B-	1,100		1,100		
E-	4,200		4,200		
J-	500		500		
<b>Total \$</b>	<b>\$9,900</b>		<b>\$9,900</b>		

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

<b>Job Classification</b>	<b>Salary</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>2003-05</b>	<b>2005-07</b>	<b>2007-09</b>
HEARINGS SCHEDULER	30,900	0.0				
RULES MANAGER	69,500	0.0				
RULES POLICY SPECIALIST	68,598	0.0				
TAX POLICY SPEC 2	52,839	0.0				
TAX POLICY SPECIALIST 3	59,740	0.1				
<b>Total FTE's</b>		0.1				

## **Part IV: Capital Budget Impact**

None.

## **Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

The Department would amend one rule in Ch 458-40 WAC to reflect the amendments to RCW 84.33.035 and .078 made by this bill. Parties interested in the rule making would include timberland owners, timber harvesters, foresters, and local government officials.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1245 HB	<b>Title:</b> Timber harvest/trust lands	<b>Agency:</b> 490-Department of Natural Resources
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2004	FY 2005	2003-05	2005-07	2007-09
Contract Harvesting Revolving Account-State NEW-1	12,540,000	12,540,000	25,080,000	25,080,000	25,080,000
<b>Total \$</b>	12,540,000	12,540,000	25,080,000	25,080,000	25,080,000

### Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.6	0.4	0.5	0.4	0.4
<b>Fund</b>					
General Fund-State 001-1	16,500	8,000	24,500	16,000	16,000
Forest Development Account-State 014-1	7,600	3,700	11,300	7,400	7,400
Off Road Vehicle Account-State 01B-1	300	200	500	400	400
Surveys and Maps Account-State 02A-1	400	200	600	400	400
Aquatic Lands Enhancement Account-State 02R-1	900	400	1,300	800	800
Resources Management Cost Account-State 041-1	14,500	7,000	21,500	14,000	14,000
Surface Mining Reclamation Account-State 04H-1	500	300	800	600	600
Water Quality Account-State 139-1	300	100	400	200	200
Aquatic Land Dredged Material Disposal Site Account-State 158-1	100	100	200	200	200
Forest Fire Protection Assessment Account-Non-Appropriated 190-6	2,000	1,000	3,000	2,000	2,000
Access Road Revolving Account-Non-Appropriated 198-6	2,600	1,300	3,900	2,600	2,600
Air Pollution Control Account-State 216-1	100	0	100	0	0
Derelict Vessel Removal Account-State 513-1	100	0	100	0	0
Agricultural College Trust Management Account-State 830-1	200	100	300	200	200
Contract Harvesting Revolving Account-State NEW-1	4,140,000	4,140,000	8,280,000	8,280,000	8,280,000
<b>Total \$</b>	4,186,100	4,162,400	8,348,500	8,324,800	8,324,800



*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/21/2003
Agency Preparation: Robert Brauer	Phone: 360) 902-1244	Date: 01/23/2003
Agency Approval: Bruce Mackey	Phone: (360) 902-1000	Date: 01/24/2003
OFM Review: Linda Steinmann	Phone: 360-902-0573	Date: 01/24/2003

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 4 establishes the Contract Harvesting Revolving Account, where gross receipts from contract harvesting sales are deposited, and expenditures for payment of harvesting costs are made. The fund is non-appropriated. Fund administration is the Department of Natural Resources (DNR), with oversight to the Board of Natural Resources. Interest earnings are to be retained in the contract harvesting revolving account. The account balance may not exceed one million dollars at the end of each fiscal year. The final receipt of gross proceeds must be retained in the account until all sale costs have been paid. If the contract harvesting revolving account is permanently discontinued, any remaining amounts must be distributed to the Resource Management Cost Account (RMCA) and the Forest Development Account (FDA) in proportion to each fund's initial contribution.

Sections 6, 7 and 8 amend RCW 76.12.030, 76.12.120 and 79.64.040 respectively, by indicating that any monies received from contract harvesting sales are considered net proceeds.

Section 9 amends RCW 43.85.130 (1) (b) by referencing the contract harvest revolving account established in Section 3.

Section 10 amends RCW 43.84.092 by adding the Contract Harvesting Revolving Account to the list of accounts retaining their interest earnings.

Section 13 requires DNR to provide a report to the appropriate committees of the Legislature concerning the costs and effectiveness of the contract-harvesting program

Section 15 provides for the transfer of \$250,000 from both the Resource Management Cost Account and Forest Development Account to the Contract Harvesting Revolving Account by the end of the current biennium (June 30, 2005).

II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

The cash receipts impact is based on the following revenue forecast and assumptions:

The "Net proceeds" from contract harvesting sales is forecasted to be \$8,400,000. The gross funds that would flow through the Contract Harvesting Revolving Account (CHRA) in any one fiscal year are estimated to be \$12,540,000. This is calculated by assuming that the total timber sold and harvested using the contract harvesting method in each fiscal year is based on 30,000,000 board feet and sold at a price of \$418 per thousand board feet (mbf). Harvesting costs (costs related to the production of log sorts from a stand of timber) are estimated to average \$138 per mbf and equals \$4,140,000.

Revenue estimates were generated comparing the revenues received from five trial contract harvesting timber sales to the revenue received from the Trans-Action Evidence timber Appraisal (TEA) process, or the estimate of revenue that would have been received if the same five sales would have been sold as lump-sum sales. TEA is the timber appraisal process currently used to appraise most DNR timber sales. The volume of timber sold assumption is based on 12 timber sales. An increase of 22% in revenue will be gained using the contract harvest process.

## II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Administrative costs associated with the Contract Harvesting Revolving Account (as an administrative cost these expenditures are funded by all of the funds that make up DNR's admin fund split).

There are two staffing impacts and both involve implementation of Section 4. First, DNR's Financial Management Division (FMD) will require approximately 0.35 FTE of a Financial Analyst 3 to perform accounting duties (expenditure tracking, revenue distribution, financial reporting) necessary to comply with OFM policies and department procedures for managing monies and transactions in a revolving account. Second, there is a need for an Information Technology Applications Specialist 4 (ITAS) programmer from DNR's Information Technology Division for 3 staff months to make changes in the department's Revenue Management System (RMS) and Financial Expenditure System (FES). This programming effort is required so that transactions are processed through these systems rather than manually.

Staffing assumptions based on an estimate of 50 MMBF of contract harvesting sales per year. This equates to about 15 logging contracts with an average of 7 to 8 sorts per sale, which results in an estimated 100 sales per year for revenue and 15 sales per year for expenditures. If the amount of volume offered for sale increases above the 50 MMBF level, FMD will require a comparable increase in staff support.

Benefits calculated at 27%. Travel based on average actual of \$300 per full time position. Goods and services based on average actual of \$900 per full time position. Administrative costs calculated at 19.3% of operating cost without object's C and J. All costs are rounded to the nearest hundred. Costs assigned by fund according to DNR administrative fund split.

### Harvesting Costs:

Harvesting costs are those costs related to the production of log sorts from a stand of timber. These expenses typically involve road building, labor for felling, bucking, and yarding, as well as the transporting of sorted logs to the forest product purchasers. Harvesting costs are estimated to average \$138 per mbf. The estimated volume of timber using the contract harvesting method is 30,000,000 board feet times \$138 mbf equals \$4,140,000. These costs would be run through the Contract Harvesting Revolving Account and are reflected as object C expenditures.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.6	0.4	0.5	0.4	0.4
A-Salaries and Wages	28,800	14,500	43,300	29,000	29,000
B-Employee Benefits	7,800	3,900	11,700	7,800	7,800
C-Personal Service Contracts	4,140,000	4,140,000	8,280,000	8,280,000	8,280,000
E-Goods and Services	500	300	800	600	600
G-Travel	200	100	300	200	200
J-Capital Outlays	1,600		1,600		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	7,200	3,600	10,800	7,200	7,200
<b>Total:</b>	<b>\$4,186,100</b>	<b>\$4,162,400</b>	<b>\$8,348,500</b>	<b>\$8,324,800</b>	<b>\$8,324,800</b>

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

<b>Job Classification</b>	<b>Salary</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>2003-05</b>	<b>2005-07</b>	<b>2007-09</b>
Financial Analyst 3	41,520	0.4	0.4	0.4	0.4	0.4
ITAS 4	57,252	0.3		0.1		
<b>Total FTE's</b>		0.6	0.4	0.5	0.4	0.4

**Part IV: Capital Budget Impact**

None

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

None