

Individual State Agency Fiscal Note

Bill Number: 5254 S SB	Title: Leasing of state lands	Agency: 490-Department of Natural Resources
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Resource Management Cost Account-State 041-1	(146,940)	(146,940)	(293,880)	(587,760)	(734,700)
Common School Construction Account-State 113-1	(327,060)	(327,060)	(654,120)	(1,308,240)	(1,635,300)
Total \$	(474,000)	(474,000)	(948,000)	(1,896,000)	(2,370,000)

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	9.0	9.1	9.0	5.4	5.4
Account					
General Fund-State 001-1	1,454,400	1,495,600	2,950,000	1,298,600	1,298,600
Total \$	1,454,400	1,495,600	2,950,000	1,298,600	1,298,600

Estimated Capital Budget Impact:

NONE

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.

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Part II: Narrative Explanation

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

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

Difference between original and substitute bills:

Section 1(7) – Removes exemption for agriculture and grazing leases and the 250 acre threshold from being subject to approval by the Board of Natural Resources. Requires the department implement the subsection within existing resources.

Section 1(8) – Is added, requiring the agency to provide online access to all lease information.

These changes increase the fiscal impact to DNR.

New Bill Description:

Section 1(7) – Requires that all new or existing leases subject to renewal be subject to approval by the Board of Natural Resources. Requires the department to implement the subsection within existing resources.

Section 1(8) – Requires DNR to make all lease information available, on a per parcel basis, on a readily available public electronic platform.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Impacts to revenue are indeterminate. The Board of Natural Resources (BNR) has authorize the department to directly negotiate complex leases under WAC 332-22-105 for commercial, industrial, residential, and communication site use. This is done because complex leases require back and forth negotiation to come to terms agreeable to both parties. Prospective lessees of our most valuable leases may choose to exclude DNR parcels from a project because of the added bureaucratic process and perceived risk of denial. Lessees will not wish to enter into complex negotiations if they do not feel they are negotiating with the decision-makers, and open public meeting act requirements of the BNR do not allow for discussion of these issues in executive session. Programs with high-likelihood of being affected are commercial real estate, clean energy, and agriculture with lesser anticipated impacts to mining and minerals, and communication sites.

The potential increase between a low-value grazing lease at \$2 per acre to a clean energy lease at \$300 to \$1100 per acre is between \$144,000 and \$614,000 per year. This calculation uses a lower range of \$400 per acre for a 560 acre lease and anticipates the loss of one lease, of the same value, every other year. Calculated revenue loss for one contract is \$224,000 per year for fiscal years 2025 and 2026, then compounding.

Agriculture program estimates the potential loss of one irrigated agriculture lease, of the same value, every other year. Estimated revenue loss for one contract is \$250,000 per year for fiscal years 2025 and 2026, then compounding.

The programs identified with the highest likelihood of impacts have all, or the majority, of the land base on Common School trust so the estimated decrease in revenue is limited, in this example, to the Common School Construction Account and the Resource Management Cost Account (RMCA). DNR retains 31 percent of the revenue from activities on these federally-granted trust lands and places it into RMCA; the remaining 69 percent is distributed to the beneficiary.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

RCW 79.13.010 is specific to the leasing of state lands and state forestlands, defined in 79.02.110(15) to include lands

managed by the State Uplands programs and that do not include state-owned aquatic lands. Therefore, DNR assumes the approval of leases by the Board of Natural Resources (Section 1(7)) is limited to the State Uplands programs and would not include Aquatics land leasing. DNR assumes approval by the Board of Natural Resources includes new leases, renewals, rate adjustments, amendments, and any other action that causes an update or change to the lease. Section 1(8) specifically calls out the need for leasing information from “state public lands” that, under RCW 79.02.010(12), includes state-owned aquatic lands and would therefore include the Aquatics programs. DNR assumes that “all lease information” means all pertinent information about the lease including the signed lease and attached exhibits.

DNR will not be able to meet the requirements of Section 1(7) of this bill within existing resources. DNR has cut expenditures, specifically from RMCA, for each of the last two biennia due to stable but sometimes decreasing revenues coupled with increasing costs. Expenditures that DNR cannot opt to cut such as cost of living, interagency payments and other assessment fees, fuel, materials, contract costs, etc. have all had sharp increases over the past few biennia. With every increase DNR has to absorb those costs to fit within the existing revenue amounts.

Without assistance, existing revenue-generating resources moved from their current work in order to meet the requirements of this new task. We estimate those reductions to be \$920,700 in biennium 2023-25 and \$887,600 in future biennia. Examples of reductions from the affected programs to cover the ongoing costs include:

- Agriculture – two existing land managers to replace the two new FTE. This results in a reduction of resources for revenue generating activities such as: complying lease terms, creating new leases, and renewing existing leases. This would reduce available revenue.
- Leasing programs – one existing leasing program manager or half of two program managers to replace the one new FTE. This results in a reduction of resources for revenue generating activities such as: complying lease terms, creating new leases, and renewing existing leases. This would reduce available revenue.

Other possible options to provide funding from outside of the affected programs include:

- Silviculture treatments – up to \$887,600 from support of the Camps program. Based on current work analysis results in a decrease of 1300 acres of planting and 4000 acres of pre-commercial thinning. This decreases volume for future timber revenue and increase risk of wildfire, insect, and disease.
- Mitigation of impacts of public use – the entire \$100,000 budget resulting in no repair to vandalized infrastructure, no cleanup of garbage dumping, no removal of derelict vehicles such as cars and campers.
- State lands infrastructure – up to \$887,600 (95%) from the maintenance portion of the budget (not tied to assessments such as county tax fees and forest fire protection) resulting in no budget for unplanned maintenance at Webster Nursery, communication sites, agriculture infrastructure or commercial properties; and no purchasing of permanent easements to access state land.

State Uplands Programs

Based on fiscal year 2022 lease and rental activity, the Agriculture Program estimates that 330 leasing actions will need board approval each year and the Leasing programs (clean energy, mining and minerals, communication sites, and special use leasing) estimate an additional 440 leasing actions. With 11 board meetings per year, the programs could present 70 leases for approvals each meeting. In addition to leasing actions that are ready for approval, the program also assumes the board will want notification for leases requests that were turned down by the program and the reason behind the denial.

Leasing – Sections 1(7) & (8)

The program and lease management for the clean energy, mining and minerals, communication sites, and special use leasing programs are conducted by the division. All of the lease information is readily available to these positions at their worksite.

1.0 FTE of Natural Resource Specialist 4. This position will conduct the following work for 770 asset leasing and agriculture leasing actions per year to meet the requirements of Section 1(7). Prepares leasing packets for the board meetings, conducts the presentation of leases to the board, performs outreach to the board members, and conducts communication to stakeholders and project proponents. This position will also conduct entries to create the dashboard, post all current data,

and then maintain the data moving forward. Conducts all the research, language requirements, and outreach for rulemaking

0.9 FTE (21 months) temporary position of Management Analyst 3. This position acts as a subject matter expert during the creation of the dashboard, ensuring that state lands leasing workflow and business issues surrounding leases are considered during the build out. This position would ensure the continuity of normal business operations from October 2023 until the end of the project, helping to meet requirements of Section 1(8).

Expenditures are \$568,500 for the first biennium, and \$301,800 each biennium after that.

- Fiscal year 2024 - \$276,700 for 1.0 FTE of Natural Resource Specialist 4, 0.75 FTE (9 months) of Management Analyst 3, and one-time expenditures for workstations and computers (\$20,000).
- Fiscal year 2025 - \$291,800 for 1.0 FTE of Natural Resource Specialist 4 and 1.0 FTE of Management Analyst 3.
- Biennium 25-27 and ongoing – \$301,800 for 1.0 FTE of Natural Resource Specialist 4.

Agriculture – Section 1(7) only

Agriculture leases are managed in Northeast and Southeast regions with the program's policy and direction being managed from the division. Some work requirements will need to be created in the regions and compiled by the division.

2.0 FTE of Natural Resource Specialist 3 (2 positions) one located in Northeast Region and one in Southeast Region. Each position will conduct the following work for 165 leases actions per year. The positions will provide all the necessary leasing information to the Natural Resource Specialist 4 for projects in their respective region, and conducts communication to stakeholders and project proponents.

Expenditures are \$608,900 for the first biennium, and \$585,800 each biennium after that.

- Fiscal year 2024 - \$316,000 for 2.0 FTE of Natural Resource Specialist 3 and one-time expenditures for workstations and computers for all 2 positions (\$23,100).
- Fiscal year 2025 and ongoing - \$292,900 for 2.0 FTE of Natural Resource Specialist 3.

Aquatics Division – Section 1(8) only

Aquatic Resources currently maintains approximately 1,200 active leases and executes approximately 25-50 new leases each year. The number of leases that terminate each year is smaller than the number of new leases, so the total number of active leases will continue to grow moving forward. It is also assumed that a new website would not be needed as the information would be posted on DNR's existing public website.

0.5 FTE of IT Business Analyst for one fiscal year to act as a subject matter expert during the creation of the dashboard, ensuring the aquatic resources workflow and business issues surrounding leases are considered during the build out (knowledge of Aquatic Resource's agreements and business workflow is required).

Expenditures are \$93,700 for one-time expenditures in the first biennium.

- Fiscal year 2024 - \$93,700 for 0.5 FTE of IT Business Analyst Entry and one-time expenditures for workstation and computer (\$10,000).

Office of Finance, Budget, and Economics – Section 1(8) only

0.9 FTE (21 months) temporary position of Fiscal Analyst 5. This positions acts as a subject matter expert during the creation of the dashboard, ensuring that any financial workflow and business issues surrounding leases are considered during the build out. This position would ensure the continuity of normal business operations from October 2023 until the end of the project.

Expenditures are \$280,000 for one-time expenditures in the first biennium.

- Fiscal year 2024 - \$125,600 for 0.75 FTE (9 months) of Fiscal Analyst 5 and one-time expenditures for workstation and

computer (\$10,000).

- Fiscal year 2025 - \$154,400 for 1.0 FTE of Fiscal Analyst 5.

Information Technology Division – Section 1(8) only

DNR is assuming a new IT project to interface with the existing Land Agreement Management System (LAMS) project to add an external facing component. The LAMS project is currently underway and is already an OCIO oversight project. According to the OCIO IT Project Assessment, this new IT project would also qualify as under OCIO oversight. Some of the factors that determine OCIO oversight include the number of OCIO-oversight projects already at DNR, assignment of core project staff on other projects/duties, and dependency on another project. When a project is under OCIO oversight, the assumption is that additional resources that were not initially anticipated in the LAMS Decision Package, will be required by OCIO. Such resources include an external quality assurance consultant, organizational change management consultant, and testers. ITD also assumes that project resources would be needed for 2 years to hire staff, gather requirements, go through the contract process, and then design, develop, test, and deploy the system. All funding for project work is identified for biennium 2023-25, but there may be a need for some final requirements to lapse into fiscal year 2026.

IT Division estimates \$595,000 to contract with the software as a service (cloud-based application) vendor to add the additional component to LAMS and contractors to perform organization change management, quality assurance, and testing

0.5 FTE temporary position of IT Project Management – Senior/Specialist, this position manages the oversight of complete project including scope, schedule, and budget. This position is the main contact with OCIO concerning deliverables and budgets.

0.5 FTE of IT Business Analyst – Journey, this positions gathers and documents the requirements for new the IT system. Once the system is live and in production this position gathers and documents all the business and operational requirements for any anticipated and continued enhancements to the new system. This position communicates these requirements to the IT Application Developer to ensure that application is meeting current and future business needs.

0.5 FTE of IT Application Development – Journey, this position develops the programs necessary to integrate the new system with the existing DNR applications. Ensures that the interface between all the systems allows each application to accurately give and receive data. Once the system is live and in production this position acts as the main developer to continue with enhancements, fixes, and maintenance of the new application.

0.25 FTE temporary position of IT Architecture – Senior/Specialist, this position designs the overall application architecture so that all components are effectively integrating with each other. Systems include the vendor built application, DNR databases, and existing DNR applications.

0.1 FTE temporary position of IT Security – Senior/Specialist, this position leads the security design review with OCIO and ensures the new application meets statewide cyber security standards.

0.1 FTE of IT Systems Administration – Journey, this position will enhance existing infrastructure for the integration and GIS programs during the project, as well as continue with supporting the servers after the system goes into production. This position starts in fiscal year 2025.

IT expenditures are \$1,398,800 for the first biennium and \$410,900 each biennium after that.

- Fiscal year 2024
 - o \$642,300 total. Includes one-time expenses for 0.85 project FTE (3 positions) and ongoing expenses for 1 FTE (2 positions):
 - o One-time expenses for 3 project positions: 0.5 FTE of IT Project Management – Senior, 0.25 FTE of IT Architecture – Senior, and 0.1 FTE of IT Security – Senior.
 - o Ongoing expenses for 2 positions: 0.5 FTE each of IT Business Analyst – Journey and IT Application Development –

Journey.

- o One-time expenses for work accomplished in fiscal year 2024 under contract (\$235,000).
- o One-time expenses for workstations and computers (\$40,100) for 3 project positions and 2 permanent positions.

- Fiscal year 2025
 - o \$756,500 total. Includes one-time expenses for 0.85 project FTE (3 positions) and ongoing expenses for 1.1 FTE (3 positions):
 - o One-time expenses for 3 project positions: 0.5 FTE of IT Project Management – Senior, 0.25 FTE of IT Architecture – Senior, and 0.1 FTE of IT Security – Senior.
 - o Ongoing expenses for 3 positions: 0.5 FTE each of IT Business Analyst – Journey and IT Application Development – Journey, and 0.1 FTE of IT Systems Administration – Journey.
 - o One-time expenses for work accomplished in fiscal year 2025 under contract (\$360,000).
 - o One-time expenses for workstations and computers (\$10,000) for the 1 permanent position.

 - Biennium 25-27 and ongoing - \$410,900 for 3 positions: 0.5 FTE each of IT Business Analyst – Journey and IT Application Development – Journey, and 0.1 FTE of IT Systems Administration – Journey.

Goods and services and travel are calculated on actual program averages per person.

Administrative costs are calculated at 31% of staff salary and benefits and staff-related goods and services and travel. For fiscal note purposes, this cost is represented as a Fiscal Analyst 2 position (2.12 FTE for fiscal year 2024, 2.15 FTE for fiscal year 2025, and 1.27 FTE for fiscal year 2026 and ongoing).

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	1,454,400	1,495,600	2,950,000	1,298,600	1,298,600
Total \$			1,454,400	1,495,600	2,950,000	1,298,600	1,298,600

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	9.0	9.1	9.0	5.4	5.4
A-Salaries and Wages	577,500	582,900	1,160,400	661,000	661,000
B-Employee Benefits	202,600	204,800	407,400	239,600	239,600
C-Professional Service Contracts	235,000	360,000	595,000		
E-Goods and Other Services	143,100	79,100	222,200	88,600	88,600
G-Travel	11,000	11,600	22,600	16,600	16,600
J-Capital Outlays	33,300	3,100	36,400		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	251,900	254,100	506,000	292,800	292,800
9-					
Total \$	1,454,400	1,495,600	2,950,000	1,298,600	1,298,600

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Fiscal Analyst 2	55,872	2.1	2.2	2.1	1.3	1.3
Fiscal Analyst 5	80,952	0.8	1.0	0.9		
IT App Development - Journey	100,032	0.5	0.5	0.5	0.5	0.5
IT Architecture - Senior/Specialist	121,620	0.3	0.3	0.3		
IT Business Analyst - Entry	86,616	0.5		0.3		
IT Business Analyst - Journey	100,032	0.5	0.5	0.5	0.5	0.5
IT Project management - Senior/specialist	115,824	0.5	0.5	0.5		
IT Security - Senior/Specialist	115,824	0.1	0.1	0.1		
IT System Admin 0 Journey	105,060		0.1	0.1	0.1	0.1
Management Analyst 3	71,520	0.8	1.0	0.9		
Natural Resources Specialist 3	71,520	2.0	2.0	2.0	2.0	2.0
Natural Resources Specialist 4	77,028	1.0	1.0	1.0	1.0	1.0
Total FTEs		9.0	9.1	9.1	5.4	5.4

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Uplands will need to make revisions to WAC 332-22 particularly the following sections but there may be more.

- 010: covers Board resolutions delegating authority for leases to DNR
- 040: leasing procedures
- 050: lease amendments
- 060: rate adjustments
- 100: lease negotiations
- 105: initiation of leases of commercial property, etc.
- 140: temporary extension of expired leases
- 150: expired lease occupancy
- 170: geothermal leases